**IN THE UNITED STATES DISTRICT COURT**
**FOR THE DISTRICT OF COLORADO**

Civil Action No. 1:09-CV-00636-REB-KLM

VIDEO PROFESSOR, INC.,

Plaintiff,

v.

AMAZON.COM, INC.,

Defendant.

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**DEFENDANT'S TRIAL BRIEF**

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From December 2003 through March 2009, when it filed this lawsuit, Video Professor, Inc. ("VPI") sold Video Professor brand computer learning software products to Amazon.com, Inc. ("Amazon") for Amazon to resell on its website. Under its vendor agreement with Amazon, VPI granted Amazon an unrestricted license to use its VIDEO PROFESSOR mark. Nonetheless, VPI claims that Amazon cannot use that VIDEO PROFESSOR mark to advertise to consumers that it carries those VIDEO PROFESSOR-marked products, because Amazon also carries competing products, and Amazon displays such competing products in the same "aisle" as VPI's products. This claim is baseless. Even without a license, a reseller may fairly use a trademark to truthfully tell consumers that it carries that trademarked product, regardless of whether it also carries competing products. To hold otherwise would empower trademark owners to impose anticompetitive restraints of trade – barring resellers from using trademarks to identify their goods unless they either refused to carry them or hid them in the back of

the store. The facts that the reseller here operates on the internet, and that the "aisle" where products are shown is a search results page produced by the reseller's search function, change nothing about the lawfulness of this activity.

## ARGUMENT

### A. Amazon's Use of the VIDEO PROFESSOR Mark Was Both Authorized and a Nominative Fair Use.

VPI's First, Second, Fourth and Sixth claims for relief each assert claims for trademark infringement arising out of Amazon's bidding on "video professor" as a keyword to generate sponsored advertising on Internet search engines. VPI claims this use was infringing because the sponsored advertisement was linked to a landing page on Amazon.com displaying the search results for "video professor" using the Amazon.com search function that, at times, displayed VPI's products and competing products. VPI's claims fail because VPI authorized Amazon's use of the VIDEO PROFESSOR mark and Amazon's use did not cause a likelihood of confusion.

#### 1. VPI Authorized Amazon's Use of the VIDEO PROFESSOR Mark.

By signing the Amazon Vendor Manual in December 2003, VPI granted Amazon a "perpetual, royalty free license" to use the VIDEO PROFESSOR mark. A license authorizes conduct that may otherwise constitute infringement. 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 18.40 at 18-83 (4th ed. 2009). "Where the trademark holder has authorized another to use its mark, there can be no likelihood of confusion and no violation of the Lanham Act if the alleged infringer uses the mark as authorized." *Segal v. Geisha NYC LLC*, 517 F.3d 501, 506 (7th Cir. 2008).

VPI's express license to Amazon to use its trademark disposes of all of VPI's trademark infringement and unfair competition claims. Moreover, because the rest of VPI's claims are based on the same underlying conduct, VPI's license to Amazon disposes of those claims as well. VPI's attempted termination of the Vendor Manual by its July 2008 notice of termination does not deprive Amazon of the benefit of the license VPI granted. First, VPI's termination was not effective. Despite sending its notice of termination, VPI continued to sell and ship products to Amazon through March 2009, when it filed this lawsuit. Because the Vendor Manual is "effective for all Products that Vendor provides to Amazon.com" on or after its effective date, VPI's notice of termination in July 2008 was not effective, at least not until after Amazon exhausted its inventory of products VPI shipped to Amazon in May 2009. Second, the Vendor Manual provides that its terms, including the license, survive the termination. Thus, even if the Vendor Manual were deemed terminated in September 2008 (60 days after notice was given), Amazon still retained its license to use the VIDEO PROFESSOR mark.

**2. Recent Authority from the Second Circuit and this Court Reaffirms the Nominative Fair Use Doctrine.**

Even if Amazon were not authorized to use the mark, Amazon's use of "video professor" in keyword advertising still would not be infringing. Amazon's use of the VIDEO PROFESSOR mark to inform consumers of the availability of Video Professor products on the Amazon.com website was a nominative fair use of the mark.

In the Second Circuit's newly-minted decision in *Tiffany Inc. v. eBay, Inc*., _ F.3d _, No. 08-3947-cv, 2010 WL 1236315 (2d Cir. Apr. 1, 2010), the court affirmed the district court's judgment that eBay's use of the TIFFANY trademark – both as a keyword

to generate sponsored advertising links and in the text of those links to advertise Tiffany products available at eBay – did not constitute trademark infringement. *Id*. at *6-8. Relying on the nominative fair use factors, the Second Circuit held that "eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website," and "none of eBay's uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay's website." *Id*. at *7.

This Court recently applied the nominative fair use doctrine in *Gennie Shifter, LLC v. Lokar, Inc*., No. 07-cv-1121, 2010 WL 126181 (D. Colo. Jan. 12, 2010). Under different facts, Judge Kane recognized that proof of the nominative fair use factors is not an affirmative defense on which defendant bears the burden, but rather goes to proof likelihood of confusion. *Id*. at *14.[1] Judge Kane relied on this Court's prior decisions in *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc*, 634 F. Supp. 2d 1226, 1242 (D. Colo. 2009) and *Frontrange Solutions USA, Inc. v. Newroad Software, Inc*., 505 F. Supp. 2d 821, 834 (D. Colo. 2007) in finding that proof of the fair use factors "may sway the likelihood of confusion analysis." *Id*.

This is especially true in a case involving a dealer's use of a trademark. As the Fifth Circuit explained: "[W]henever an independent dealer advertises that it sells a certain market product in competition with authorized dealers, several of the [likelihood

[1] The three nominative fair use factors are: (1) the product must not be readily identifiable without use of the trademark, (2) only so much of the mark may be used as is reasonably necessary to identify the product, and (3) the user must do nothing that suggests sponsorship or endorsement by the trademark owner. *Gennie Shifter*, 2010 WL 126181, at *14 (internal citations omitted). As set forth in Amazon's Motion for Summary Judgment [#30] at 9-11, each of these factors is satisfied here.

of confusion factors] will appear to indicate confusion even if no confusion is likely." *Scott Fetzer Co. v. House of Vacuums Inc*., 381 F.3d 477, 485 (5th Cir. 2004). [2]

Here, Amazon was not merely an independent dealer; it was an authorized dealer. From December 2003 through May 2009 – covering the entire period during which Amazon had been bidding on "video professor" – Amazon was advertising and selling Video Professor branded products that VPI sold to Amazon. Amazon's use of the Video Professor mark to advertise VPI's goods cannot be deemed infringing because Amazon was an authorized reseller of those goods. That is, even if consumers had believed that VPI endorsed Amazon's sales of Video Professor products on Amazon.com, the consumers would have been right.

VPI's attack on the nominative fair use doctrine is especially surprising in light of its own unauthorized use of third party trademarks in its business. VPI uses Microsoft's and eBay's trademarks in the titles of its products (*e.g*. "Learn Excel®," "Learn Windows®" and "Learn eBay®"). VPI bids on these trademarks as keywords to generate sponsored links to advertise VPI's products. Given VPI's own nominative use of third party trademarks in its keyword advertising of VPI's products that are branded with those marks, VPI should be estopped under the doctrine of unclean hands from

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[2] *Scott Fetzer's* emphasis on context is particularly appropriate in this case, as VPI argues that "nominative fair use" is not the test in the Tenth Circuit for likelihood of confusion. *See* Plaintiff's Response in Opposition to Defendant's Motion For Summary Judgment [#39] at 8. Contrary to VPI's argument, the likelihood of confusion factors set forth in *Sally Beauty Co. v. Beautyco, Inc*., 304 F.3d 964, 972 (10th Cir. 2002) must be considered in light of context, which in this case means the three "additional" nominative fair use factors set forth in this Court's opinions in *Gennie Shifter*, *Health Grades* and *Frontrange Solutions*.

claiming that Amazon bears liability for its nominative use of VPI's trademark in its keyword advertising of VPI's products that are branded with the VIDEO PROFESSOR mark. *See Procter & Gamble Co. v. Ultreo, Inc*., 574 F. Supp. 2d 339, 356 (S.D.N.Y. 2008) (having availed itself of making advertising claims "at a time when it was in [plaintiff's] commercial interests to do so, [plaintiff] may not now claim to be irreparably harmed when a new market entrant takes the same position it once did").

VPI contends that Amazon's use of the "video professor" mark to generate sponsored links was nonetheless infringing because Amazon was really engaging in a bait and switch. There is no evidence to support this claim. Amazon's sponsored link led to a landing page displaying search results for "video professor" produced by the Amazon.com search function. Some of those search results included not only Video Professor products, but also other competitive products. This is not a bait and switch. To the contrary, courts have recognized that resellers may lawfully use a trademark to advertise that they sell a particular brand of product, even if they sell competing brands. In *Scott Fetzer*, the Fifth Circuit held that an independent vacuum dealer could lawfully use the "Kirby" mark in a yellow pages ad to truthfully communicate to consumers that it sold Kirby brand vacuums, among other competing vacuum brands. 381 F.3d at 481-83; *accord Trail Chevrolet, Inc. v. Gen. Motors Corp*., 381 F.2d 353, 354 (5th Cir. 1967) (used car dealer "should be free to advertise that they sell used Chevrolets . . . and other fine cars or the like"). More recently, courts have applied the same principle to internet resellers. *See Designer Skin, LLC v. S & L Vitamins, Inc*., 560 F. Supp. 2d 811, 819 (D. Ariz. 2008) (reseller of plaintiff's salon products could lawfully use the mark as a

search engine keyword "to truthfully inform internet searchers where they can find Designer Skin's products"). "The fact that these customers will have the opportunity to purchase competing products when they arrive at [the reseller's] sites is irrelevant." *Id*. This principle is also implicit in *Tiffany (NJ) Inc.*, as the court found that eBay contains some "100 million listings at any given time." 2010 WL 1236315, at *1.

**B. Evidence of Alleged Misdirected Phone Calls and Returns by Owners of Professor Teaches Products is Irrelevant to VPI's Claims Against Amazon.**

VPI has no evidence of actual confusion caused by Amazon's alleged infringing conduct. VPI can identify no person who, after clicking on an Amazon "video professor" sponsored link, believed that any of the competing products listed on the Amazon landing page, including Professor Teaches, came from VPI. Rather, VPI intends to offer evidence of alleged misdirected phone calls and returns from owners of Professor Teaches products in support of its claims. This evidence is irrelevant to VPI's claims against Amazon and should be excluded under Federal Rule of Evidence 402.

The evidence is irrelevant because VPI cannot link it to any of Amazon's alleged infringing conduct. VPI has no evidence to show that any of the alleged misdirected phone calls or returns came from consumers who had purchased Professor Teaches products on Amazon.com after clicking on a "video professor" generated sponsored link.

Importantly, VPI does not claim that Amazon's sale of Professor Teaches products infringes the VIDEO PROFESSOR mark, and the Court has already held that such a claim is not in the case. *See* Order [#52] at 4, 6-7. Because Amazon's sale of Professor Teaches products is not the basis of VPI's infringement claims, VPI's alleged actual confusion evidence between the PROFESSOR TEACHES and VIDEO

PROFESSOR names, disconnected from Amazon's alleged infringing conduct, does not support its claims.[3]

**C. <u>VPI Cannot Satisfy the Elements of its Colorado Consumer Protection Act ("CCPA") Claim</u>.**

Because Amazon's actions were authorized and not infringing, they cannot sustain a CCPA claim. To prevail on this claim, VPI must prove all of the following:

> (1) that the defendant engaged in an unfair or deceptive trade practice; (2) that the challenged practice occurred in the course of defendant's business, vocation, or occupation; (3) that it significantly impacts the public as actual or potential consumers of the defendant's goods, services, or property; (4) that the plaintiff suffered injury in fact to a legally protected interest; and (5) that the challenged practice caused the plaintiff's injury.

*Rhino Linings USA, Inc. v. Rocky Mountain Rhino Lining, Inc.,* 62 P.3d 142, 146-47 (Colo. 2003).

First, VPI cannot show that Amazon engaged in one of the enumerated practices alleged in VPI's Complaint.[4] The alleged infringing conduct does not fit any of the statutorily defined practices. In particular, VPI cannot show that Amazon's conduct was "knowing." It is undisputed that the keyword advertising of which VPI complains was

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[3] If VPI were allowed to pursue a claim of infringement based on Amazon's mere sale of Professor Teaches products, and an alleged likelihood of confusion between VIDEO PROFESSOR and PROFESSOR TEACHES products, Amazon would have a complete defense to such a claim under the *jus tertii* doctrine because VPI is not the senior user and Amazon is in privity with the senior user. Such a claim would also be barred by laches since Amazon has been selling Professor Teaches products since 2003 without complaint from VPI.

[4] VPI's Complaint alleges that Amazon engaged in four deceptive trade practices: (1) knowingly passed off goods of another as those of VPI; (2) knowingly made false representations as to the characteristics of VPI's goods; (3) knowingly disparaged the business and goods of VPI by false and misleading representations of fact; and (4) knowingly failed to disclose material information concerning VPI's goods. Compl. [#1] ¶ 44.

produced by computer algorithms designed to provide users with relevant results. To the extent these algorithms produced search results that VPI contends are somehow infringing, there is no evidence that Amazon knew of this until VPI sent its demand letter in February, 2009, after which Amazon ceased bidding on the keyword.

Second, VPI cannot show that Amazon's conduct "significantly impacts the public." General allegations of confusion are insufficient to establish a significant public impact: "[W]here there is no evidence that any actual member of the identified segment of the public had knowledge or concern regarding the [alleged confusion], there is not sufficient public impact to support a CCPA claim." *Registry Sys. Intern., Ltd. v. Hamm*, 2010 WL 326327, at *17 (D. Colo. Jan. 20, 2010). VPI's purported evidence of actual confusion (consumers calling VPI regarding "Professor Teaches" products or returning such product to VPI) is not linked to any of Amazon's alleged infringing conduct and thus irrelevant. VPI will not identify a single individual who was actually deceived by any of Amazon's alleged infringing conduct. This is fatal to VPI's CCPA claim. *See id.*

Third, to the extent VPI claims its trademark is a legally protected interest, VPI cannot establish that Amazon's purchase of the "video professor" keyword caused injury in fact to that interest. As discussed above, VPI cannot identify a single consumer who was actually deceived by Amazon's sponsored advertising.[5]

[5] For this same reason, VPI cannot prevail on its tortious interference with business relationships claim. "A protected relationship exists only if there is a reasonable likelihood or probability that a contract would have resulted; there must be something beyond a mere hope." *Klein v. Grynberg*, 44 F.3d 1497, 1506 (10th Cir. 1995).

**C. VPI's Claims Are Barred by Laches.**

VPI's claims in this case also come too late. Amazon's bidding on "video professor" to produce sponsored advertising goes back to the beginning of its vendor relationship with VPI. Yet VPI, who claims to actively police its mark, did not file suit until more than five years later. VPI's delay is not excusable and it has prejudiced Amazon which, for example, could have chosen to voluntarily stop its bidding much earlier had VPI complained in a timely fashion.

## CONCLUSION

VPI's trademark rights do not include the right to stop an authorized and licensed reseller of its products from using VPI's trademark to truthfully tell consumers that the trademarked products are available at its store, simply because that reseller also sells competitive products. VPI's claims should be dismissed with prejudice. Because VPI's claims lack foundation, this is an exceptional case and Amazon should be awarded its reasonable attorney's fees under 15 U.S.C. § 1117 and Colo. Rev. Stat. § 13-17-102.

Respectfully submitted this 19th day of April, 2010

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**CERTIFICATE OF SERVICE (CM/ECF)**

I hereby certify that on April 19, 2010, I electronically filed the foregoing **DEFENDANT'S TRIAL BRIEF** with the Clerk of Court using the CM/ECF system which will send notification of such filing to the following persons at the given email addresses:

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