

ADVERTISING LAW

NEWSLETTER OF THE ADVERTISING, MARKETING & MEDIA PRACTICE GROUP OF MANATT, PHELPS & PHILLIPS, LLP

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Companies, Industry Pan New Domain Name Plan

A proposal to create hundreds of new generic top-level domains (gTLDs) is facing strong criticism from corporations, industry, and individuals, who say the plan is expensive and unnecessary.

Starting next year, the Internet Corporation for Assigned Names and Numbers (ICANN), a nonprofit organization that administers the Internet, plans to launch between 200 and 800 new domain name extensions, in addition to the familiar .com, .net, .org, and country-specific extensions.

ICANN says that the existing TLDs are getting too crowded and that the new gTLDs will offer more choice and competition. The new domains would be from 3 to 63 characters long and support Chinese, Arabic, and other scripts. The plan would also permit companies to run their own domains.

But many companies and industry groups want ICANN to cancel or postpone its plans.

Concerns center around two main issues: first, the lack of sufficient protection for trademark owners; and second, the



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New York Marriott East Side Hotel
New York, NY

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January 30, 2009

FDLI Conference

Topic:

high costs associated with establishing a new gTLD and protecting trademarks online. At the same time, critics argue, ICANN has not demonstrated a real need for the expansion.

ICANN is proposing fees of \$185,000 to apply for a new gTLD and another \$75,000 a year to keep it online. Companies say the costs are prohibitive in light of all the domains related to their company and product names that they will need to buy to protect their brands. Even community groups and governments that favor new gTLDs, such as New York City and Paris, say the fees are way too high. ICANN, which is a nonprofit organization, stands to earn millions of dollars from the new gTLD program.

Many commentators also labeled as unfair ICANN's variable pricing scheme, which would permit registrars of the new domains to charge different prices based on the popularity of a particular domain name instead of the uniform, regulated prices available today in .com or .net.

The costs associated with the new gTLD program do not stop there, critics say. Trademark owners, who are legally obligated to actively protect their marks, will need to spend hundreds of thousands of dollars to establish a gTLD for each of their trademarks. Critics say that so many new domains will create massive consumer confusion, where users will be unable to determine which is the valid domain. They also say that the new program will enable more cybersquatting, typosquatting, counterfeiting, fraud, and phishing scams, as fraudsters buy up domains related to their brands.

At a minimum, companies are urging ICANN to require applicants for a new gTLD that includes a trademark to prove that they own the mark, and notify trademark owners when others apply for a gTLD that includes their marks.

The Internet presently includes 21 gTLDs, as well as approximately 250-plus country code TLDs. More than half are registered in .com and .net.

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Hasbro Drops Case Against Scrabulous

Hasbro, Inc. has dropped its lawsuit against two brothers who developed an unauthorized online version of Scrabble, the venerable word game.

The toy and game company, which owns the North American

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USA Weekend Magazine
535 Madison Avenue
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March 5-6, 2009

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Topic:

"Mobile Advertising and Web 2.0"

Speaker: [Linda Goldstein](#)

PLI New York Center
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March 11-13, 2009

The IAPP Privacy Summit 2009

Topic:

rights to Scrabble, sued Jayant and Rajat Agarwalla this summer over their version of the game, called Scrabulous.

The court documents did not state why the suit was being withdrawn and Hasbro declined to comment. However, the parties appear to have reached some sort of settlement. RJ Softwares, the Agarwalla brothers' company, said in a statement that it has agreed not to use the term Scrabulous and has made new changes to different versions of the game it created after the lawsuit was filed.

The new version that appears on Facebook is called Wordscraper.

"The agreement provides people in the U.S. and Canada with a choice of different games and also avoids potentially lengthy and costly litigations," the statement said.

Scrabulous had been one of the most popular activities on Facebook, the online networking site. After initially resisting Hasbro's request to block the program in the U.S. and Canada, Facebook eventually consented and took down the game over the summer.

In early July, video game maker Electronic Arts released an official Scrabble version for American and Canadian Facebook users under a licensing deal with Hasbro. After EA's release, Hasbro sued the Agarwallas for violating Hasbro's copyrights and trademarks. In the complaint, Hasbro asked the court for an order blocking Scrabulous and granting unspecified damages.

Mattel, which owns the non-U.S. rights to Scrabble, has also sued the Agarwallas on similar grounds. That lawsuit is apparently ongoing.

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Privacy Groups Lobby Obama for More FTC Oversight

About a dozen privacy and consumer groups met with members of President-elect Barack Obama's transition team last week to discuss the Federal Trade Commission's role in protecting consumer privacy.

For eight years, privacy groups have been frustrated by a Bush FTC that emphasized industry self-regulation of privacy practices. In the expectation that an Obama FTC will be more

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Washington Marriott Wardman Park
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March 16-18, 2009

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April 2-3, 2009

PLI's Information Technology Law Institute 2009: Web 2.0 and the Future of Mobile Computing: Privacy, Blogs, Data Breaches, Advertising, and Portable Information Systems

Topic:

"Mobile Advertising and Web 2.0"

Speaker: [Linda Goldstein](#)

PLI California Center
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sympathetic, the groups are wasting no time in making their concerns known.

Representatives from all the major privacy groups, as well as a number of leading consumer advocates, met with Susan Ness and Phil Weiser, the FTC review team leaders for the Obama transition team. The groups included Berkeley Center for Law and Technology's Information Privacy Programs, Privacy Rights Clearinghouse, Consumer Federation of America, American Civil Liberties Union, Center for Digital Democracy, World Privacy Forum, Electronic Privacy Information Center, Privacy Times, Privacy Journal, Consumers Union, Electronic Frontier Foundation, and U.S. PIRG, the federation of state Public Interest Research Groups.

The transition's agency review teams have been soliciting the input of numerous groups, but this meeting was held at the request of the privacy groups. On the group's agenda: better regulation of behavioral tracking and targeted online marketing, more oversight of the data broker industry, and enhanced enforcement of privacy policies for medical information. Solutions suggested by the group ranged from more and clearer benchmarks for self-regulated industries to new legislation.

Although the Network Advertising Initiative, a group of third-party network advertisers, recently updated its own online behavioral advertising guidelines, many privacy advocates say it isn't enough. They want the FTC to take more aggressive steps. For instance, the Consumer Federation is urging the agency to install a "Do Not Track" registry similar to the Do Not Call Registry, which lets consumers opt out of receiving telemarketing calls.

Privacy groups are also setting their sights on the data broker industry, which they say needs better FTC oversight. They even fault lax privacy oversight in part for the mortgage meltdown of the past year. Internet users were often inundated with offers from mortgage brokers after making a single online inquiry about obtaining a mortgage.

Meeting participants said that it was tough to gauge the Obama team's interest in their ideas. Rather, the consensus was that they were in fact-gathering mode.

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Yahoo Limits Data Retention to 90 Days

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Yahoo! Inc. has announced that it will limit the time it retains certain search-related personally identifiable data to 90 days.

The move makes Yahoo's policy the most restrictive among major U.S. search engines. It could put pressure on competitors such as Google and Microsoft to likewise reduce the length of time they retain user information.

The December 17 announcement came during a time when privacy advocates were gearing up to lobby the incoming Congress and president for legislation regulating online data retention and advertising practices.

Rep. Edward J. Markey, a Massachusetts Democrat who chairs the House Subcommittee on Telecommunications and the Internet, praised Yahoo for raising the bar with its new privacy standard. "I urge other leading online companies to match or beat the commitments announced by Yahoo," Mr. Markey said in a press release.

Yahoo previously retained search logs for 13 months. In September, Google began to delete some personally identifiable search data after 9 months. Microsoft keeps data for 18 months.

European regulators have been pressuring major search engines to keep personally identifiable data for just six months, a standard Microsoft said it would meet if its competitors went along. A Yahoo spokeswoman said that the company chose an even shorter time period to "take the issue off the table," and to make Yahoo's search service more attractive with users concerned about privacy.

Under the new policy, Yahoo will delete the last eight bits of the Internet Protocol, or I.P., address associated with a search query after 90 days. I.P. addresses are digital tags that can identify a specific computer. Yahoo will also hide cookie data related to each search log and delete any personally identifiable information from the query itself. The new policy will also extend to other types of data Yahoo collects, including page views, page clicks, ad views, and ad clicks.

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The PartyGaming's Over for Online Betting Executive

A founder of a profitable online gambling site has agreed to pay \$300 million after pleading guilty to one count of online

gambling in violation of the Federal Wire Act.

Anurag Dikshit, who helped start the Gibraltar-based PartyGaming company, entered the plea last week in federal court in Manhattan.

Ten years ago, Ruth Parasol, a U.S. lawyer and cofounder of PartyGaming, asked him to write some software for the company's online casino, Starluck. In 2001, the company launched the popular Web site Party Poker, which could accommodate 70,000 users at once.

The company stopped accepting wagers from people based in the U.S. after lawmakers barred U.S. credit card companies from accepting payments for bets.

According to federal prosecutors, Dikshit "unlawfully, willfully and knowingly used a wire communication facility for the transmission" to take bets. A "substantial majority" of PartyGaming's customers are based in the U.S., according to court documents. About 85 percent of the company's 2005 revenue came from Americans.

"I came to believe it was in fact illegal under U.S. law," Dikshit told U.S. District Judge Jed Rakoff in New York, referring to PartyGaming's activity. "I have taken full responsibility for my actions."

At 35 years old, Dikshit is one of the world's youngest billionaires. He faces a maximum sentence of two years in prison and a fine of \$250,000 at sentencing, which is scheduled for December 2010.

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Court Throws Out Aquafina Purity Lawsuit

A Manhattan federal court has dismissed a class action lawsuit claiming that PepsiCo misrepresented the source of Aquafina water, finding that the claims were preempted by federal regulations.

The complaint in the consolidated class action argued that PepsiCo misleadingly advertised Aquafina as sourced from a pure mountain stream, when in fact it comes from public water supplies. Plaintiffs contended that the line drawing of an orangey-red sun behind mountains and the slogan "Pure Water-Perfect Taste" on the label implied that the water came from a pure mountain stream. They asserted that Aquafina's

product description as "Purified Drinking Water" was misleading. Plaintiffs also pointed to a statement on the back of the label that read, "BOTTLED AT THE SOURCE P.W.S."— which they claimed stood for "Public Water Supply."

The complaint alleged unfair and deceptive trade practices in violation of various state consumer protection statutes, unjust enrichment, and violation of the Song-Beverly Consumer Warranty Act.

In 2007, PepsiCo publicly acknowledged that Aquafina came from public drinking supplies and allegedly agreed to change the label. In its statement, the company said, "If this helps to clarify the fact that the water originates from public sources, then it's a reasonable thing to do."

PepsiCo made a motion to dismiss the lawsuit, arguing, among other things, that the claims were preempted by the Federal Food, Drug and Cosmetic Act (FDCA), 21 U.S.C. § 343-1(a)(1).

In a ruling in early December, U.S. District Judge Cathy Seibel of the Southern District of New York threw out the lawsuit on the grounds of federal preemption. The Food and Drug Administration "specifically addressed the disclosure of source administration and determined, in its expert opinion, that representations of source are immaterial in the context of purified water," she wrote.

Seibel said the rule "explicitly exempts purified water from the source disclosure requirement." The rule, she wrote, "is replete with evidence that, in contrast to spring water, the FDA concluded that because purified water, from whatever source, has been treated to meet purity standards, its source is immaterial to reasonable consumers."

Accordingly, the court found, the claims were barred by federal preemption because first, "federal law is not silent" on the subject and second, Aquafina falls into the purified water exception under the FDCA.

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Domino's Hits Subway With Taste Test Ads

In these recessionary times, attack ads have been on the rise, including taste tests. The latest incarnation: new taste test ads by Domino's claiming that consumers prefer the taste of its sub sandwiches over those of Subway.

Domino's first ad, which was launched last month, features an academic with a pipe and a beard playing checkers with a kid. The adult claims that the margin of preference for the pizza chain's sub over Subway's is similar to his IQ of 200 versus the average fifth grader's IQ. The kid responds with a temper tantrum. In the second spot, a choir director says "Subway" and a little choir sings a sad "la." Then a preacher says, "Domino's" and a gospel choir belts out "LA!"

Domino's subs also compete with Subway's on their price point, charging \$4.99 for sandwiches, including Philly cheese-steak, chicken parmigiana, Italian, and chicken bacon ranch.

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