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Yahoo! Inc. Uses Trademark Law To Go After Spammers

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It has been a rough year for Internet spammers. On March 14, the so-called "Spam King of Seattle," Robert Soloway, pleaded guilty to felony mail fraud and fraud charges in United States District Court in Seattle, Washington. The case revolved around the millions of unsolicited e-mails that he sent around the world through his junk e-mail business. (See Case No. 2:07-cr-00187-MJP.) Then, on May 12, 2008, U.S. District Judge Audrey B. Collins of the Central District of California delivered a nearly \$240 million ruling against two other "Spam Kings" in favor of the web community MySpace.com. The defendants, Sanford Wallace and Walter Rines, failed to appear at the hearing, and a default judgment was entered against them on May 30, 2008 (see Case No. 2:07-cv-01929-ABC-AGR).

Generally, typical antispam lawsuits such as these have utilized the federal CAN-SPAM Act of 2003. The CAN-SPAM Act empowers federal courts to impose fines of up to \$2 million, and includes criminal jail sentences for willful violators. But that act does not leave corporations with any recourse when spammers utilize their trademarks as part of their scams.

Now, spammers are facing another challenge: On May 16, 2008, Internet giant Yahoo! Inc. filed a lawsuit in the U.S. District Court, Southern District of New York (in New York City), against an unknown group of defendants, alleging that defendants fooled consumers into believing that they had won a lottery prize from Yahoo. (See Case No. 1:08-cv-04581-LTS.) This case comes with a twist, in that Yahoo brought federal and state trademark claims, in addition to claims arising under the federal CAN-SPAM Act, state unfair competition and other laws.

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The trademark action arises from Yahoo's claim that the defendants held themselves out as representatives of the company and utilized actual Yahoo marks in their e-mail scheme. Yahoo alleges that they sent hundreds of thousands of e-mails under the company's name, notifying people that they had won prizes from Yahoo. Those prizes (which Yahoo contends never existed) ran from thousands to a million dollars. To claim "prizes," recipients of the e-mails had to click through to a website that Yahoo alleges defendants made to look like a Yahoo-sponsored site.

Yahoo asserts in the complaint that defendants' unauthorized use of Yahoo's trademarks led to actual confusion among consumers, many of whom believed the Internet company was, in fact, offering lottery prizes.

Yahoo further claims that the defendants improperly used its trademarks and name in a variety of ways. For example, the e-mails instructed recipients to contact a so-called "Yahoo lottery coordinator" to redeem their prizes. Other e-mails identified the "Yahoo International Lottery Organization" – purportedly based in Bangkok, Thailand – as the entity that was awarding the prizes. Still other versions of the e-mails linked users to a website displaying Yahoo's registered trademarks. And in a trick known as "phishing," the websites purportedly asked visitors to provide personal information in a manner designed to obtain, among other things, financial information such as bank and credit card account numbers.

In its filing, Yahoo claims that people who followed the spammers' instructions were sent to third parties to "process" their prizes. Those third parties often charged hundreds of dollars in processing fees and mailing charges. Yahoo does not offer any such prizes and is not affiliated with the defendants.

If Yahoo is unable to identify the actual individuals and/or entities behind the scam, they may not be able to proceed in the case. Other plaintiffs, such as Microsoft, however, successfully sued unknown spammers and later uncovered the defendants' true identities during the discovery phase of the case. (See *Microsoft Corp. v. Kevin Hertz, et al.*, Case No. 2:04-cv-02219-JCC.) In addition, even with a win at trial, more potential difficulties may arise for plaintiffs, for instance, should they attempt to collect any monetary judgment award.

Nonetheless, if Yahoo's suit proves successful, it could provide a powerful precedent for other companies seeking to staunch the misuse of their trademarks and logos by spammers.

Indeed, should Yahoo prevail, companies will have a powerful tool to attack those who use their trademarks for Internet scams.

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