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In theory, trademarks serve as information tools, by conveying product information through convenient, identifiable symbols. In practice, however, trademarks have increasingly been used to obstruct the flow of information about competing products and services. In the online context, in particular, some courts have recently allowed trademark holders to block uses of their marks that would never have raised an eyebrow in a brick-and-mortar setting – uses that increase, rather than diminish, the flow of truthful, relevant information to consumers. These courts have stretched trademark doctrine on more than one dimension, both by expanding the concept of actionable "confusion" and by broadening the classes of people who can face legal responsibility for that confusion. And they have based their decisions not on the normative goals of trademark law, but on unexplored

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instincts and tenuous presumptions about consumer expectations and practices on the Internet. We argue that this expansionist trend in Internet trademark cases threatens to undermine a central goal of the Lanham Act – to promote fair and robust competition through reducing consumer search costs.

INTRODUCTION

Trademark law, in theory, fosters the flow of information in markets. By protecting against deceptive uses of trade symbols in commerce, the law enables sellers to create their own reliable shorthand to identify their goods, and reduces search costs for consumers.[1] Trademarks thus have the potential to lead to better-informed customers and more competitive markets. In practice, however, overreaching trademark law can have exactly the opposite effect. If trademark holders were allowed, say, to prevent the use of their marks to critique the trademark holders' products or compare them to others, trademarks would become tools for suppressing information that is critical to a functioning market. To avoid this result, courts and Congress have historically insisted on clear substantive rules in trademark cases. Many trademark rules – the requirement that a defendant use a mark in connection with goods or services to infringe,[2] the

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1 *See* Ty Inc. v. Perryman, 306 F.3d 509, 510 (7th Cir. 2002) (Posner, J.) ("The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of a particular source of goods.").

2 *See* 15 U.S.C. §§ 1114(1), 1125(a) (limiting causes of action for trademark infringement to uses "in connection with" the sale or offering of goods or services "in commerce"); DaimlerChrysler AG v. Bloom, 315 F.3d 932 (8th Cir. 2003) (use of

insistence on likelihood of confusion,[3] and the exemption for truthful comparative advertising[4] – arose in part from attempts to make trademark law serve, rather than impede, the free flow of non-deceptive information.[5]

A recent series of Internet-related trademark cases has seriously eroded these substantive requirements, to the point at which trademark law's anticompetitive tendencies threaten to overwhelm its information-facilitating function in some contexts. The expansions have occurred on two axes. First, a number of courts have broadened the class of people who can face legal responsibility for trademark infringement. Historically, to face liability under trademark law, a party had to "use" a mark as a brand in connection with the offering of goods and services, typically in competition with the trademark holder.[6] A party could face contributory liability for another's infringing use of a mark only in the rare case when it "intentionally induce[d] another to infringe a trademark," or "continue[d] to supply its product to one whom it kn[ew] or ha[d] reason

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telephone number that translated into 1-800-MERCEDES did not constitute "use" of the mark for purposes of the Lanham Act, when defendant "only licensed the phone number but did not advertise or promote Mercedes' protected marks"); L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26, 32 (1st Cir. 1987) (rejecting state anti-dilution claim against publisher that produced a parody of an L.L. Bean ad, because the publisher "did not use Bean's mark to identify or market goods or services to consumers"). *See generally infra* __.

[3] 15 U.S.C. §§ 1114(1), 1125(a); *see infra* notes __-__ and accompanying text.

[4] *See* 15 U.S.C. § 1115(b)(4); Smith v. Chanel, Inc., 402 F.2d 562 (9th Cir. 1968); *see also infra* notes __-__ and accompanying text.

[5] *See also* Societe Comptoir de L'Industrie Cotonniere Establissements Boussac v. Alexander's Department Stores, Inc., 299 F.2d 33, 37 (2d Cir. 1962) (allowing party that legally copied Christian Dior design to describe its products as Dior copies: "The interest of the consumer here in competitive prices of garments using Dior designs without deception as to origin, is at least as great as the interest of the plaintiffs in monopolizing the name.").

[6] *See* 15 U.S.C. §§ 1114, 1125; *see also infra* notes __-__ and accompanying text.

to know [wa]s engaging in trademark infringement…."[7] But a handful of courts have lately dispensed with these limiting rules and endorsed liability against parties that neither used the trademark as a brand for their own products, nor satisfied the rigorous standard for contributory liability. In particular, two recent decisions held that Internet intermediaries could face liability for using trademarks to help advertisers identify consumers interested in the trademark holder's products. These decisions – *Playboy Enterprises, Inc. v. Netscape Communications Corp.*[8] and *1-800 Contacts, Inc. v. WhenU.com*[9] – either created a new, broader species of contributory trademark infringement, or applied the doctrine of direct infringement by broadening the meaning of trademark "use" to include parties that did not even arguably offer their own products or services under the mark. Either way, these courts broke new and troubling ground.

Compounding the effects of this first expansion, courts have increasingly shifted the focus of infringement analysis away from consumer confusion and toward a more generalized inquiry into whether a challenged use diverts attention away from the trademark holder. "Initial interest confusion," which historically referred to a form of

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[7] Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 854-55 (1982); *see also* Sony Corp. of Amer. v. Universal City Studios, Inc., 464 U.S. 417, 439 & n.19 (1984) (describing *Inwood Labs* test to require intentional inducement or the supply of products "to identified individuals known by [the defendant] to be engaging in continuing infringement" of the trademark holder's rights).

[8] 354 F.3d 1020 (9th Cir. 2004) (holding that Internet search engine could face liability for allowing advertisers to use trademarks as "keywords" that, if entered by Internet users, would generate ads not authorized by the trademark holder).

[9] 309 F. Supp. 2d 467 (S.D.N.Y. 2003) (finding that firm generating pop-up advertisements, as well as its advertisers, could face liability for trademark infringement based on their "use" of trademarked terms to generate the ads). *Compare* U-Haul Int'l v. WhenU.com, 279 F. Supp. 2d 723 (E.D. Va. 2003) (holding that selling a pop-up advertisement based on a trademarked keyword was not trademark use and was therefore not infringing); Wells Fargo & Co. v. WhenU.com, 293 F. Supp. 2d 734 (E.D. Mich. 2003) (same).

consumer confusion that occurred before the point of sale, has morphed into a standalone doctrine whose criteria bear little relationship to a traditional likelihood of confusion claim. Some courts have used the initial interest confusion doctrine to justify claims against virtually any use that temporarily diverts customers to a website not authorized by the trademark holder, without regard to whether the diversion resulted from confusion or harmed consumer interests in any way.[10] The courts' adoption of the "initial interest confusion" doctrine as a replacement for proof of likelihood of confusion, along with a related conclusion that consumer frustration can cause dilution of a famous mark,[11] has allowed trademark holders to enjoin competitors from using marks in metatags, domain names, or other contexts that might conceivably result in a consumer mistakenly reaching a website not authorized by the trademark holder.[12] Whether one agrees with the outcome of these decisions or not, they undoubtedly chart new territory in trademark law and expand the kinds of trademark usage that can subject a defendant to an infringement claim. And while the initial interest confusion doctrine at first reached only competitors who were clearly attempting to confuse consumers into reaching the wrong sites,[13] over

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[10] *See* Brookfield Communs., Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1062 (9th Cir. 1999) (allowing cause of action when, "although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using 'moviebuff.com' or 'MovieBuff' to divert people looking for 'MovieBuff' to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark.").

[11] *See* Panavision Intern'l, L.P. v. Toeppen, 141 F.3d 1316, 1327 (9th Cir. 1998) (concluding that registration of a famous mark as a domain name causes dilution because "potential customers … will be discouraged if they cannot find [the trademark holder's] web page" by typing MARK.com).

[12] *See infra* notes __-__ and accompanying text.

[13] *See* Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc., 269 F.3d 270 (3d Cir. 2001) (initial interest confusion requires proof that parties are direct

time, the doctrine has been invoked to prevent non-competitive uses as well as uses that appeared more likely to enlighten than to confuse.[14]

We argue that, cumulatively, these two axes of trademark expansion pose a grave danger to the law's information-facilitating goals. The extension of trademark law to search engines, directories, and other parties that use marks as classification tools poses a grave threat to speech and to the dissemination of truthful information. By suggesting that Internet intermediaries have a responsibility to police the content of their advertisers and cannot use marks as keywords to identify logically related products, *Playboy v. Netscape* and its ilk threaten to chill a vast sector of informative speech, particularly (but not solely) in the Internet context. This chilling effect occurs both directly – by restricting the dissemination of truthful comparative advertising – and indirectly – by eliminating the primary source of revenue that has supported the development of sophisticated and accurate search engine technology.

The chilling effect grows particularly acute as confusion and deception become less central to trademark infringement claims. Even if intermediaries faced liability only

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competitors). Indeed, courts acknowledged that even competitors might sometimes have a legitimate reason to use the trademark on their sites and related descriptors. *See*, *e.g.*, Playboy Enters., Inc. v. Welles, 279 F.3d 796, 802-04 (9th Cir. 2002) (holding that use of trademarks in website's metatags is appropriate when the site refers to trademark in nominative way, and the metatags accurately reflect the content of the site).

[14] *See*, *e.g.*, Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020 (9th Cir. 2004); Promatec Industries, Inc. v. Equitrac Corp., 300 F.3d 808 (7th Cir. 2002). Even as initially articulated, the Ninth Circuit described initial interest confusion broadly enough to encompass attention-grabbing efforts: "Initial interest confusion occurs when the defendant uses the plaintiff's trademark 'in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion.'" Brookfield Communs., Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1062 (9th Cir. 1999). *Cf.* AM Gen'l Corp. v. Daimler Chrysler Corp., 311 F.3d 796 (7th Cir. 2002) (limiting initial interest confusion to "bait and switch" tactics, in which the competitor's use of the mark "permits [it] to 'get its foot in the door' by confusing the

for blatantly deceptive uses of trademarks by their advertisers, the costs of policing all of their advertisers' copy for such content would be prohibitive and unprecedented. But as trademark law increasingly condemns behavior that diverts attention but does not necessarily deceive, search engines have no practicable means of distinguishing between legitimate and unlawful uses of marks. They can avoid liability in such a system only by requiring trademark holders' authorization for every single use of their marks – in branding, as classification, or otherwise. This expansive approach to trademark law – which arguably follows from recent interpretations of the initial interest confusion doctrine – conflicts with the longstanding rule in favor of comparative advertising and the normative goal of producing better-informed consumers. Ironically, under this restrictive legal approach the challenge of lowering barriers to entry in markets dominated by a single brand could well prove harder in the age of the Internet than in an era in which vendors could simply place like products beside one another on store shelves.

Each of the decisions that have distended trademark law in these ways rested at least partly on an instinct that the law should prevent parties from profiting from the use of another party's mark.[15] In analyzing Netscape's good faith in the *Playboy* case, for example, the Ninth Circuit emphasized that Netscape had profited when its advertisers

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customers").

[15] The *1-800 Contacts* decision may also have rested on a felt sense that pop-up ads are a nuisance akin to spam. *See* Kristen M. Beystehner, *See Ya Later, Gator: Assessing whether Placing Pop-Up Advertisements on Another Company's Website Violates Trademark Law*, 11 J. Intell. Prop. L. 87, 87 (2003) (criticizing pop-ups as "guerilla marketing tactics" and arguing they should be illegal). *But see* Peter Randall, *Will Copyright Eat Gator? The Conflict Between Copyright, the Computer Desktop, and Customization of the Internet Experience*, 2003 **U. Ill. J. L., Tech. & Pol'y** 259 (defending pop-up ads as an instance of user customization).

used Playboy's trademarks to call attention to their competing products.[16] The court's overall analysis implied that there was something unsavory about benefiting financially from the goodwill of an established trademark. But "unfair competition" is not redundant.[17] This unjust enrichment instinct runs counter to the core values of trademark law, which make the value of fair competition paramount.[18] If carried to its logical extreme, this instinct would argue in favor of a property right in gross for trademark holders – something the courts have vigorously resisted in the past.[19]

Admittedly, the courts have no easy task in deciding whether certain behavior on the Internet is likely to confuse consumers. Search technologies, as well as consumer

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[16] *See* Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020 (9th Cir. 2004) (noting that search engines profit from click-through ads that result from confusion); *see also* Brookfield Communications v. West Coast Entertainment Corp., 174 F.3d 1036 (9th Cir. 1999) (upholding claim against competitor who used trademark in metatags, because "even though there is no source confusion in the sense that consumers know [who] they are patronizing, … there is nevertheless initial interest confusion in the sense that, by using 'moviebuff.com' or 'MovieBuff' to divert people looking for 'MovieBuff' to its website, [the defendant] improperly benefits from the goodwill that [the plaintiff] developed in its mark").

[17] *See* Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd., 40 F.3d 1431, 1445 (3d Cir. 1994) (distinguishing between "*robust* competition" and "*unfair* competition").

[18] William Kratzke has made this point effectively, deconstructing the unjust enrichment or "free riding" rhetoric of trademark cases, which as he points out are conclusionary epithets rather than workable economic principles. *See* William P. Kratzke, *Normative Economic Analysis of Trademark Law,* 21 Memphis St. U. L. Rev. 199, 223 (1991). For a more general criticism of the rhetoric of free riding in intellectual property law, see Mark A. Lemley, *Property, Intellectual Property, and Free Riding* (working paper 2004).

[19] *See, e.g.,* Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development, 170 F.3d 449, 456 (4th Cir. 1999) (rejecting "radical" dilution theories that would create property rights in gross in trademarks); Ralph S. Brown Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols,* 57 Yale L.J. 1165, 1184 (1948); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense,* 108 Yale L.J. 1687, 1714 (1999); Kenneth L. Port, *Trademark Monopolies in the Blue Nowhere,* 28 Wm. Mitchell L. Rev. 1091 (2002); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 Emory L.J. 367 (1999); Frank Schechter, *Fog and Fiction in Trade-mark Protection,* 36 Colum. L. Rev. 60, 65 (1936) (concluding that calling trademarks property

practices and expectations, are constantly evolving in a way that makes it impossible to assess the existence and the costs of consumer confusion.[20] But courts in these cases must keep in mind that they are more than enforcers of existing norms – they are norms *creators*, in the sense that the rules they develop will determine practices on the Web and whether the Internet realizes its potential as a vast clearinghouse of information and content.[21] If the courts create norms in which search engines must avoid "using" trademarks in any way that might bring financial benefit to the trademark holder's competitor, to some non-competing business, or to themselves, then they will have disserved the objectives of the Lanham Act by turning trademarks into vehicles for suppressing information.

Part I describes the relationship between trademarks and information. It begins with the economic defense of trademarks as tools for reducing consumer search costs, and describes a number of doctrines in trademark law designed to promote, rather than impede, the free flow of product information. While the view of trademark enforcement as reducing consumer search costs is well-known in the economic literature, we extend that work by showing how many of the limitations and defenses in trademark doctrine also serve that goal.

Part II explores the recent distortions of trademark doctrine along the axes described above. It concludes that these extensions of trademark law collide with both longstanding trademark doctrine and the normative goals of trademark law, and discusses

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doesn't help in understanding their proper scope).

[20] *See* Eric Goldman, *Deregulating Relevancy in Internet Trademark Law* (working paper 2004) (making this point).

[21] *See* Graeme Dinwoodie's paper in this symposium (discussing the proactive vs. reactive nature of trademark law).

the implications of this result for the availability of information in the marketplace. Beginning with the trend toward liability against parties who have not themselves "used" trademarks in the traditional branding sense, we contend that these cases will inevitably chill the behavior of publishers, search engines, and other intermediaries whose information-facilitating services implicate the use of all kinds of words, including trademarks. This chilling effect is only compounded by the indeterminacy of trademark analysis in an "initial interest confusion" era. The absence of normative guidelines in initial interest confusion cases, together with the courts' increased reliance on an unjust enrichment rationale, at best make it tricky to predict whether a court would condone or condemn a particular use of a trademark on the Internet. At worst, these developments suggest that parties now risk liability by using trademarks in truthful, information-enhancing ways. The combined effect of these developments could well be to make consumer search more difficult on the Internet than in the offline context.

We offer two modest suggestions to reverse these trends and reinstate trademark law as an information facilitator. First, liability under the trademark and unfair competition laws should apply only against parties who use trademarks or misleading advertisements to sell their own products, or those acting closely in concert with them. To extend liability beyond this tight circle would defeat the Lanham Act's objective of facilitating truthful information to ensure efficient, competitive markets. Second, courts should resist the temptation to turn "initial interest confusion" into an alternative theory of trademark liability, rather than an occasionally useful lens for assessing traditional infringement and unfair competition claims. The difference is not merely semantic; by reorienting trademark analysis toward the capturing of "initial interest" rather than on the likelihood that consumers will actually be confused, some courts have ventured away from the core factual inquiries that determine whether a particular use of a trademark will distort the information marketplace. While initial interest *confusion* can certainly distort the marketplace and increase consumer search costs, evaluation of both the existence and the costs of such confusion requires the rigorous, fact-specific analysis that trademark infringement and unfair competition law have historically involved.

Part III closes with some general observations about the role of normative goals in trademark rulemaking. None of the changes that we advocate in this article require new law, but simply a reinstatement of longstanding legal standards in trademark cases. Indeed, while we criticize some courts for ignoring these guiding principles, other courts are getting it right, applying the doctrine of trademark use in the online environment. Because the courts in the cases we criticize appear willing to stretch or ignore doctrine because of their equitable concerns about unjust enrichment, the solution lies, in part, in reminding them of the equities on the other side – the reasons we have limiting doctrines in trademark law and the importance of applying them uniformly.

I. Trademarks and Information

A. Economic Theory – Trademarks and Search Costs

Most people think of trademark law in terms of what it forbids: the use of another party's trademark, or something resembling it, in a way that will cause confusion among consumers in the marketplace. Courts commonly describe the goal of trademark law as avoiding consumer confusion, which has the corollary effect of preventing the appropriation of a producer's good will. Both consumers and producers, these courts point out, benefit from having access to truthful information about the source of products and services.

In economic terms, trademarks contribute to economic efficiency by reducing consumer search costs.[22] Rather than having to inquire into the provenance and qualities of every potential purchase, consumers can look to trademarks as shorthand indicators. With information less expensive, consumers will demand more of it, and will arguably become better informed, resulting in a more competitive market.[23] This system works, of

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[22] *See* **William Landes & Richard Posner, The Economic Structure of Intellectual Property Law** 167 (2003); William Landes & Richard Posner, *Trademark Law: An Economic Perspective*, 30 **J. L. & Econ.** 265, 268-70 (1987); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 **Yale L.J.** 1687, 1690-93 (1999) (describing economic justifications for trademarks and advertising); John F. Coverdale, *Trademarks and Generic Words: An Effect-on-Competition Test*, 51 **Univ. Chi. L. Rev.** 868 (1984); Nicholas Economides, Trademarks, in The New Palgrave Dictionary of Economics and the Law 601 (1998); Nicholas Economides, The Economics of Trademarks, 78 Trademark Rep. 523 (1988); I.P.L. Png & David Reitman, *Why Are Some Products Branded and Others Not?*, 38 **J. L. & Econ.** 207 (1995) (documenting search costs rationale empirically); *see also* Qualitex Co. v. Jacobsen Products Co., 514 U.S. 159, 163-64 (1995) (trademark law "reduce[s] the customer's cost of shopping and making purchasing decisions," and "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product"); United National Bank of Texas, Laredo, Tex., v. Union Nat. Bank of Texas, Austin, Tex., 909 F.2d 839, 844 (5th Cir. 1990) ("The idea is that trademarks are 'distinguishing' features which lower consumer search costs and encourage higher quality production by discouraging free-riders."); *cf.* Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942) ("A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants.").

[23] *See* **Hal R. Varian, Microeconomic Analysis** 82 (2d ed. 1984) (describing perfect information as one of the characteristics of a competitive market). To some extent, the brand-based product differentiation encouraged by trademark law arguably runs in tension with the law's information-facilitating goals. Ralph Brown famously argued that strong trademark protection has the effect of misallocating resources toward advertising, "most [of which] is designed not to inform, but to persuade and influence." Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 **Yale L.J.** 1165, 1169 (1948); *see id.* ("Considering the economic welfare of the community as a whole, to use up part of the national product persuading people to buy product A rather than product B appears to be a waste of resources."). Yet trademarks

course, only if consumers can trust the accuracy of trademarks, and this is where the law comes in.[24] By protecting established trademarks against confusing imitation, the law ensures a reliable vocabulary for communications between producers and consumers. Both sellers and buyers benefit from the ability to trust this vocabulary to mean what it says it means. Sellers benefit because they can invest in goodwill with the knowledge that others will not appropriate it.[25] Consumers benefit because they don't have to do exhaustive research or even to spend extra time looking at labels before making a purchase; they can know, based on a brand name, that a product has the features that they are seeking.[26] Trademark law, in other words, aims to promote rigorous, truthful competition in the marketplace by preserving the clarity of the language of trade.[27]

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undeniably provide value in conveying information about products and sources. Thus, "the only sensible conclusion, and the one eventually reached, was that trademark protection can both serve and disserve the development of an efficient and desirably competitive market." Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 **Emory L.J.** 367, 370 (1999). The key was to craft rules that minimized trademarks' anticompetitive effects.

[24] *See* Landes & Posner, *supra* note 22, at 270 ("If the law does not prevent it, free riding will eventually destroy the information capital embodied in a trademark, and the prospect of free riding may therefore eliminate the incentive to develop a valuable trademark in the first place.").

[25] By preserving the integrity of brands and advertising, trademark protection has a corollary effect of creating incentives to maintain high quality products. *See* Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, __ **Va. L. Rev.** __ (2004) (draft at 11-12) ("without the ability to distinguish one brand from another, there would be no reason for firms to create brands with more costly but higher quality characteristics").

[26] *See* Smith v. Chanel, Inc., 402 F.2d 562, 566 (9th Cir. 1968) ("Preservation of the trademark as a means of identifying the trademark owner's products … makes effective competition possible in a complex, impersonal marketplace by providing a means through which the consumer can identify products that please him and reward the producer with continued patronage. Without some method of product identification, informed consumer choice, and hence meaningful competition in quality, could not exist.").

[27] *See, e.g.,* Nicholas Economides, *Trademarks*, *in* **The New Palgrave Dictionary of Economics and the Law** 601, 602-03 (Peter Newman ed., 1998) (arguing that trademarks

Overly restrictive trademark law has the potential to stifle competition, rather than facilitating it. Particularly when trademark holders have economic power, giving them absolute control over uses of their marks could erect significant barriers to entry by competitors seeking to describe their own products.[28] Even in less differentiated markets, strong trademark rights come at a cost because they have the potential to remove words from our language and product features from competition.[29] One task of trademark law, then, is to preserve the informative role of trademarks while minimizing these downside risks.

B. Some Limiting Rules of Trademark Law, and Their Search Costs Rationale

The pro-information, pro-competition goal of trademark law has several important implications for the scope of trademark protection, particularly in comparison to other areas of intellectual property law. First and most generally, trademarks are not in gross property rights, but limited entitlements to protect against uses that diminish the

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"facilitate and enhance consumer decisions"); William P. Kratzke, *Normative Economic Analysis of Trademark Law*, 21 **Memphis St. U. L. Rev**. 199, 214-17 (1991) (arguing that trademarks are highly efficient means of conveying product information); Phillip Nelson, *Advertising as Information*, 82 **J. Pol. Econ.** 729, 752 (1974) (arguing that the simple fact that a product is advertised conveys information about the "experience qualities" of that product); Phillip Nelson, *Information and Consumer Behavior*, 78 **J. Pol. Econ.** 311, 323-25 (1970) (comparing the advantages of national versus retail advertising); George J. Stigler, *The Economics of Information*, 69 **J. Pol. Econ.** 213, 220-24 (1961) (arguing that, although imperfect, advertising is a valuable means to reduce consumer ignorance).

28 *See, e.g.,* Glynn S. Lunney Jr., *Trademark Monopolies*, 48 Emory L.J. 369 (1999).

29 *See* Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 **Notre Dame L. Rev.** 397 (1990).

informative value of marks.[30] Trademark law thus historically limited itself to preventing uses of marks that "defraud[ed] the public"[31] by confusing people into believing that an infringer's goods were produced or sponsored by the trademark holder.[32] Likelihood of confusion does not necessarily follow every time a party adopts another's trademark; it turns on a complex analysis that considers competitive proximity, consumer

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[30] *See* Marshak v. Green, 746 F.2d 927 (2d Cir. 1984) (invoking the rule against in gross assignments of trademarks: "A trade name or mark is merely a symbol of goodwill; it has no independent significance apart from the goodwill it symbolizes."); Beanstalk Group, Inc. v. AM General Corp., 283 F.3d 856, 861 (7th Cir. 2002) ("a trademark is an identifier, not a freestanding piece of intellectual property; hence the rule that a trademark cannot be sold in gross, that is, without the assets that create the product that it identifies"); *see generally* ETW Corp. v. Jireh Pub., Inc., 332 F.3d 915 (6th Cir. 2003). Landes & Posner explain that the rule against the transfer of trademarks in gross is important to prevent consumer deception during a "last-period" game, in which the company is going out of business and wishes to spend its goodwill; the long-term effect of permitting confusion of consumers in this way would be to increase aggregate search costs. *See* **Landes & Posner,** *supra* note __, at 186; *see also* Stephen L. Carter, *The Trouble With Trademark,* 99 **Yale L.J.** 759, 786 (1990) (arguing that the prohibition on assignments in gross is consistent with trademark theory properly understood); Kratzke, *supra* note __, at 247-49 (offering an economic rationale for the rule). *Cf.* Lemley, *supra* note 24 (criticizing trends in trademark law that permit transfers in gross). *But see* Allison Sell McDade, Note, *Trading in Trademarks – Why the Anti-Assignment in Gross Doctrine Should Be Abolished When Trademarks Are Used As Collateral*, 77 **Tex. L. Rev.** 465 (1998).

[31] Taylor v. Carpenter, 23 F. Cas. 742, 744 (C.C.D. Mass. 1844).

[32] The most significant exception to this rule may be the merchandising cases, in which some courts have allowed trademark holders to prevent use of their marks *as* products, rather than as indicators of the brand or source of products. *See*, *e.g.*, Boston Athletic Ass'n v. Sullivan, 867 F.2d 22, 35 (1st Cir. 1989) (finding infringement in unauthorized sale of "Boston Marathon" t-shirts, reasoning that "when a manufacturer intentionally uses another's mark as a means of establishing a link in consumers' minds with the other's enterprise, and directly profits from that link, there is an unmistakable aura of deception"); Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc., 510 F.2d 1004 (5th Cir. 1975) ("The confusion or deceit requirement [of the Lanham Act] is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the team's trademarks. The certain knowledge of the buyer that the source and origin of the *trademark symbols* were in plaintiffs satisfies the requirements of the act."). *See* Lemley, *supra* note __, at 706-09 (criticizing merchandising cases).

sophistication, and other factors that explore whether consumers will truly presume a false association and thus taint the information marketplace.[33] And while Congress recently added a federal cause of action based on the "dilution" of famous trademarks,[34] the statute is expressly designed to focus on cases in which consumer search costs are increased by "blurring" the significance of a unique mark[35] or giving it a negative association, and to permit uses such as commentary and comparative advertising that actually facilitate consumer search.[36] The Supreme Court has further limited the dilution law by interpreting it to require actual harm to a mark's selling power – i.e., actual injury to the source-identifying function of a famous trademark.[37] Like the more traditional

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[33] *See* Polaroid Corp. v. Polaroid Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961) (establishing likelihood of confusion factors in Second Circuit); *see also* AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir. 1979).

[34] *See* 15 U.S.C. § 1125(c) (providing federal cause of action for trademark dilution); *see infra* __.

[35] Dilution of a unique mark increases consumer search costs by making consumers who once associated any mention of the trademark with its owner look further for context. If a consumer hears the term "Exxon," they think immediately of the oil company. If they hear "National" or "United," by contrast, they need context to understand what is being referred to. The risk of blurring is precisely that unique terms will over time be relegated to context-specific terms.

[36] *Id.* § 1125(c)(4) (exempting comparative commercial advertising, noncommercial use, and news reporting).

[37] *See* Victoria's Secret, Inc. v. Moseley, 537 U.S. 418 (2003). Whether requiring actual harm is in fact in the public interest is open to question, since the federal dilution statute generally limits remedies to prospective injunctive relief. But the Court's instinct that the law must limit the scope of dilution in some ways is undoubtedly correct. The International Trademark Association has proposed legislation at this writing that would change the standard to likelihood of dilution, but would also make it more difficult to qualify for dilution protection and expand the defenses for those whose use of a mark was actually reducing rather than increasing search costs. [cite legislation].

likelihood of confusion analysis, therefore, dilution – at least as properly understood[38] – thus turns on injury to the informative value of a mark.[39]

Second, trademark law rewards – and provides incentives for – investment in goodwill, but does not provide rights to all of the economic value that derives from that goodwill. Our competitive economy is based on the premise that competitors can generally appropriate ideas for products and services, as long as they are doing so in a non-deceptive way and not infringing some other exclusive right such as copyright or patent.[40] The patent and copyright systems represent a response to the potential market

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[38] While courts seem to understand the concept of blurring the distinctiveness of a formerly unique mark, they occasionally have more difficulty with dilution by tarnishment. In theory, tarnishment applies only where the defendant brands its own goods with the plaintiff's mark, and those goods are inferior in quality or less reputable to the plaintiff's unrelated goods. *See* L.L. Bean, Inc. v. Drake Publishers, 811 F.2d 26 (1st Cir. 1987) (defining tarnishment). For example, if a defendant sells Toyota brand pornography, those who encounter the use may think less highly of the Toyota brand name because they subconsciously associate it with pornography, even if they understand that the car company did not itself sponsor the materials.

Courts applying the tarnishment doctrine have sometimes used it to target criticism or derogatory speech about the trademark owner, a result that finds little justification in the search cost rationale. *See, e.g.,* Deere & Co. v. MTD Prods., 41 F.3d 39 (2d Cir. 1994). Most courts, however, properly distinguish the two. *See, e.g.,* Mattel, Inc. v. Walking Mountain Productions, 353 F.3d 792 (9th Cir. 2003); Mastercard Int'l v. Nader 2000 Primary Committee, 2004 WL 434404 (S.D.N.Y. Mar. 8, 2004).

[39] *See V Secret*, 537 U.S. at 433-34; *see also* Stacey L. Dogan, *An Exclusive Right to Evoke*, 44 **B.C. L. Rev.** 291, 315-16 (2003) (interpreting *Moseley* to limit the federal antidilution statute to uses that reduce the "singularity" of famous marks).

[40] *See* TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 29 (2001) ("[C]opying is not always discouraged or disfavored by the laws which preserve our competitive economy."); Deere & Co. v. Farmhand, Inc., 560 F. Supp. 85, 98 (C.D. Iowa 1982) ("It is not only fair to imitate nonpatented functional products, it is necessary to our form of economy."). When copying unprotected product features, competitors must sometimes take extra steps to protect against consumer confusion, such as the prominent use of their own trademarks in marketing the copied product. *See*, *e.g.*, Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938); Fisher Stoves, Inc. v. All Nighter Stove Works, 626 F.2d 193, 195 (1st Cir. 1980). In this way, the courts protect the competitive marketplace while at the same time keeping search costs at a minimum. *Cf.* Sears,

failure that can result from copying of public goods.[41] By contrast, trademark law is avowedly *not* designed to resolve any perceived failure in the market for quality products and services.[42] Thus, trademark law is reluctant to provide protection for product configurations, because doing so may give the trademark owner control not just over search characteristics but the intrinsic value of the product itself.[43] Only where the product configuration has an established meaning in the minds of consumers is it entitled to protection.[44]

Trademark law's pro-competitive objectives sometimes require limitations on trademark holders' rights, even when competitors might appear to receive a windfall as a result.[45] The Supreme Court recently emphasized, for example, that even if the public associates a particular feature with its first producer, the Lanham Act does not prevent

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Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 232-33 (1964) ("Doubtless a State may, in appropriate circumstances, require that goods, whether patented or not, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source…. But because of the federal patent laws a State may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself or award damages for such copying.").

[41] In economic terms, a public good is both non-rivalrous and non-excludable, meaning that after it has been created and released, many parties can possess it simultaneously and the original creator cannot physically exclude others from doing so. United States copyright and patent law rest on the notion that, absent some form of legal protection, creators will underinvest in public goods such as useful inventions, art and music. *See, e.g.*, Wendy J. Gordon, *Asymmetric Market Failure and Prisoner's Dilemma in Intellectual Proprety*, 17 **U. Dayton L. Rev.** 853 (1992); Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 **Colum. L. Rev.** 1600, 1610-11 (1982).

[42] *See TrafFix Devices*, 532 U.S. at 29.

[43] *See* Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205 (2000).

[44] *Id*.

[45] *See* Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 122 (1938).

others from copying the feature if it is part of what makes the product work.[46] The law may require some remedy, including clear source identification, to protect against consumer confusion and the resulting increase in search costs, but it does not allow exclusive rights to the functional product feature. In other words, when market access and competition run in tension with the trademark holder's interests in protecting its product-associated goodwill, the competitive interests trump.[47]

Many venerable doctrines of trademark law reflect these general guiding principles. The genericness doctrine, for example, prevents a party from claiming rights to a term "that refers, or has come to be understood as referring, to the genus of which the particular product is a species."[48] Competitors, in other words, have the right to explain what they are selling, even when their use of the generic term clearly piggy-backs on the efforts of the party that first introduced the product.[49] The genericness doctrine arises out of a concern for consumer search costs. Consumers will be misled if what they believe is

[46] TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 34-35 (2001). On the contours of trademark functionality doctrine, see Mark A. Thurmon, *The Rise and Fall of Trademark Law's Functionality Doctrine*, 56 **Fla. L. Rev.** 243 (2004); Robert Denicola, *Freedom to Copy*, 108 **Yale L.J.** 1661 (1999).

[47] *See Kellogg*, 305 U.S. at 122 (Brandeis, J.) ("Kellogg Company is undoubtedly sharing in the goodwill of the article known as 'Shredded Wheat'; and thus is sharing in a market which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. Sharing in the goodwill of an article unprotected by patent or trademark is the exercise of a right possessed by all – and in the free exercise of which the consuming public is deeply interested.").

[48] Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976).

[49] *See*, *e.g.*, Kellogg Co. v. National Biscuit Co., 305 U.S. at 122; *Abercrombie & Fitch*, 537 F.2d at 9 ("no matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name"); *see also* J. Kohnstam, Ltd. v. Louis Marx and Company, 280 F.2d 437, 440 (C.C.P.A. 1960).

a generic term is in fact a product sold by only one company.[50] And if competitors cannot use the generic term to describe their own products, consumers will incur unnecessary expense in trying to locate the competitors' versions. At the same time, the genericness doctrine can impose search costs on consumers, particularly when a once-famous mark such as "aspirin" or "thermos" becomes generic. Consumers who associate the famous mark with the company that uses it may well be confused when competitors begin using the mark as a generic term.[51] The law is willing to make that sacrifice once a critical mass of consumers treat the term as generic, because the harm to them outweighs the harm to the diminishing number of consumers who view the term only as a mark.[52] Even so, courts sometimes take steps to protect trademark owners in this situation, for example by establishing rules requiring competitors who adopt a generic term that was once a protectable trademark to take steps to minimize confusion with the former mark owner.[53]

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[50] *See, e.g.,* Bayer Co. v. United Drug Co., 272 F. 505, 509 (S.D.N.Y. 1921) (Hand, J.); Landes & Posner, *supra* note __, at 296; Ralph H. Folsom & Larry L. Teply, *Trademarked Generic Words*, 89 **Yale L.J.** 1323, 1337, 1342-43 (1980).

[51] For discussion of the loss of producer goodwill when a mark is declared generic, see Stephen L. Carter, *Does It Matter Whether Intellectual Property Is Property?*, 68 **Chi.-Kent L. Rev.** 715 (1993). On the interrelationship between genericide and patent protection, see Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 116-18 (1938). *Cf.* Gideon Parchomovsky & Peter Siegelman, *Towards an Integrated Theory of Intellectual Property*, 88 **Va. L. Rev.** 1455 (2002).

[52] *See, e.g.,* Folsom & Teply, *supra* note __, at 1340-41; Landes & Posner, *article, supra* note __, at 292; *see also* Justin Hughes, *The Philosophy of Intellectual Property,* 77 **Geo. L.J.** 287, 315-23 (1988) (noting that generic terms are "extraordinary ideas" that should remain open for all to use).

[53] Genesee Brewing Co. v. Stroh Brewing Co., 124 F.3d 137, 150 (2d Cir. 1997) (plaintiff's mark "Honey Brown Ale" was generic, but defendant could still be liable if it did not use "every reasonable means to prevent confusion" in using the generic term); *See also* Forschner Group Inc. v. Arrow Trading Co., 124 F.3d 402 (2d Cir. 1997); Home Builders Ass'n of Greater St. Louis v. L&L Exhibition Mgmt., 226 F.3d 944 (8th Cir.

The functionality doctrine likewise prevents parties from claiming trademark rights in a product feature that "'is essential to the use or purpose of the article or if it affects the cost or quality of the article.'"[54] Even when consumers have come to associate a particular feature with a single seller, it cannot serve as a trademark if exclusive use of it would put competitors at a disadvantage.[55] The connection between the functionality doctrine and a functioning market is even more fundamental than search costs – consumers cannot choose between competing products if one manufacturer can use a law designed to reduce consumer search costs to eliminate competing products altogether. Preventing trademark owners from protecting functional aspects of their products is therefore consistent with a search costs rationale. Because functional characteristics, aesthetic appeal, and source-identifying information may sometimes be lumped together in the same product, however – think of the Ferrari[56] – the functionality doctrine has the potential to increase consumer search costs in some cases.[57] When a

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[54] *TrafFix Devices*, 532 U.S. at 32-33; *see also* Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 165 (1985).

[55] *See TrafFix Devices*, 532 U.S. at 34-35 ("The Lanham Act … does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller.").

[56] *See, e.g.,* Ferrari s.p.A. v. Roberts, 944 F.2d 1235 (6th Cir. 1991) (holding the exterior design of the Ferrari nonfunctional).

[57] *See, e.g.,* Peter E. Mims, *Promotional Goods and the Functionality Doctrine: An Economic Model of Trademarks*, 63 **Tex. L. Rev.** 639, 658-59 (1984) (recognizing the role that the functionality doctrine plays in lowering search costs, but arguing that the doctrine of aesthetic functionality interferes with that role). For academic commentary on the functionality doctrine and the tradeoffs it embodies, see, e.g., Maury Audet, *Functionality Unanimously Trumps Incontestability After Trademark Law Treaty Act*, 40 **Idea** 473 (2000); Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 **Iowa L. Rev.** 611 (1999); Thurmon, *supra* note __.

functional product feature has achieved secondary meaning, for example, some consumers might assume that all products with that feature come from a single source. As with generic marks, however, courts have responded to this possibility not by prohibiting use of the feature, but by requiring competitors to "use reasonable care to inform the public of the source of [their] product[s]."[58] To the extent that the use may even then mislead some members of the public, the functionality doctrine presupposes that the harm to consumers in these cases is outweighed by the greater availability of competitive products in the first place.

In all of the examples described above, the law seeks to minimize consumer search costs. While trademark law generally does that by providing protection to trademark owners, sometimes achieving that goal requires limiting the scope of trademark rights. In these instances, the interests of robust competition and reducing search costs outweigh the interest of the trademark claimant in appropriating the full value of its goodwill. The law limits trademark rights in these cases despite the apparent windfall to competitors. The genericness and functionality doctrines present "hard cases" precisely because there are search cost rationales on both sides of the argument.

The rule that competition and information dissemination trump trademark holder economic interests where the two conflict applies with even more force when the use that a competitor wishes to make of a trademarked term is one that unambiguously reduces

[58] Gum, Inc. v. Gumakers of America, Inc., 136 F.2d 957, 960 (3d Cir. 1943) (citing Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 120 (1938)); American Greetings Corp. v. Dan-Dee Imports, Inc., 807 F.2d 1136, 1141 (3d Cir. 1986) ("if the functional feature or combination is also found to have secondary meaning, the imitator may be required to take reasonable steps to minimize the risk of source confusion"); *cf.* American Fork & Hoe Co. v. Stampit Corp., 125 F.2d 472, 475 (6th Cir. 1942) ("in order to establish even the limited right of compelling appellant to take positive steps to avoid

search costs. Resellers of both new and used products, for example, have a right to use trademarks to describe the items that they sell. "The result is, of course, that the second-hand dealer gets some advantage from the trade mark. But … that rule is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer."[59] Competitors, moreover, may use descriptive marks in their non-trademark sense, to describe the features or qualities of their own products.[60]

Perhaps most significantly in light of the recent trends in trademark law, competitors have an affirmative right to use others' trademarks to capture public attention in an attempt to divert it to their own products. As long as they do not mislead people into presuming some kind of affiliation between themselves and the trademark holder, competitors may use the mark to explain that their product imitates or aspires to the qualities of the trademark holder's goods. In *Saxlehner v. Wagner*,[61] the Supreme Court allowed a natural water producer to use its competitor's mark to identify the product that it was copying. Justice Holmes explained that, as long as the defendants did not create

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confusion, the existence of secondary meaning must plainly appear").

[59] Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 130 (1947). In cases involving used or reconditioned products, courts require disclosure of that fact rather than preventing the seller from using the manufacturer's trademark. *See id*. at 130. *Compare* Rolex Watch, U.S.A., Inc. v. Michel Co., 179 F.3d 704, 709-10 (9th Cir. 1999) (refusing to allow reseller to use Rolex mark when modifications to watches were so substantial that they "result in a new product").

[60] *See* 15 U.S.C. § 1115(b)(4) (no infringement when a term is used fairly and in good faith to describe the goods or services of the party); Zatarain's, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786 (5th Cir. 1983); *see also* Car-Freshner Corp. v. S.C. Johnson & Son, Inc., 70 F.3d 267, 269 (2d Cir. 1995) ("it should make no difference whether the plaintiff's mark is to be classed on the descriptive tier of the trademark ladder . . . . What matters is whether the *defendant* is using the protected word or image descriptively, and not as a trademark").

confusion about the real source of their product, they were free to "tell the public what they are doing, and to get whatever share they can in the popularity of the water by advertising that they are trying to make the same article, and think that they succeed."[62] The Court distinguished between deceptive appropriation of goodwill and legitimate comparative advertising, concluding that by flagging its product as an imitator of the original, "they are not trying to get the good will of the name, but the good will of the goods."[63]

Similarly, in *Smith v. Chanel, Inc.*,[64] the court allowed a knock-off perfume manufacturer to advertise that its perfume smelled like Chanel No. 5.[65] The court dismissed Chanel's argument "that protection should also be extended to the trademark's commercially more important function of embodying consumer good will created through extensive, skillful, and costly advertising," reasoning that "the courts … have generally confined legal protection to the trademark's source identification function for reasons grounded in the public policy favoring a free, competitive economy."[66] Landes

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[61] 216 U.S. 375 (1910).

[62] 216 U.S. at 380-81.

[63] *Id.*

[64] 402 F.2d 562 (9th Cir. 1968).

[65] The defendant's advertisements included at least two references to Chanel No. 5. In one reference, the defendant challenged consumers: "We dare you to try to detect any difference between Chanel #5 ($25) and Ta'Ron's 2nd Chance. $7.00." The corresponding order form listed "Second Chance" with "(Chanel #5)" just below it. *Id.* at 563. *Accord* Calvin Klein Cosmetics Corp. v. Lenox Labs., 815 F.3d 500 (8th Cir. 1987); G.D. Searle & Co. v. Hudson Pharmaceutical Corp., 715 F.2d 837 (3d Cir. 1983) (generic could advertise that its product was "equivalent to" plaintiff's, as long as it was accompanied by a disclaimer); Upjohn Co. v. American Home Prods. Corp., 598 F. Supp. 550 (S.D.N.Y. 1984) (maker of Advil could advertise equivalent strength to Motrin by using the Motrin mark).

[66] *Id.* at 566.

& Posner explain that the result in *Smith* is entirely consistent with the search costs rationale: "It would have been very costly for consumers to acquire such information [about the smell of the original perfume and the copy] before purchasing the copier's perfume because the perfume was sold through the mail."[67]

The same rationale has led courts to allow generic manufacturers to imitate branded trade dress in a way that evokes but doesn't confuse.[68] These cases, like the others involving comparative advertising, emphasize that the public benefits from having fuller information about the products available in the marketplace.[69] The consumer search cost rationale thus both justifies trademark protection in the first place, and helps to set the limits on the scope of that protection.

Two final limiting doctrines help to ensure that the trademark grant does not stifle informative speech by non-competitors. First, to infringe, a defendant must "use" a mark "in commerce," "on or in connection with any goods or services…."[70] Courts historically

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[67] **Landes & Posner,** *supra* note __, at 206.

[68] *See* American Home Prods. Corp. v. Barr Labs., Inc., 656 F. Supp. 1058, 1068 (D.N.J. 1987); *see also* Conopco, Inc. v. May Dept. Stores Co., 46 F.3d 1556, 1565 (Fed. Cir. 1994) (finding no infringement when private label retailer "packages its product in a manner to make it clear to the consumer that the product is similar to the national brand, and is intended for the same purposes").

[69] *American Home Prods*., 656 F. Supp. at 1068 ("The resemblance between two products can alert consumers to the functional or utilitarian equivalence between them, to the fact that one product may be substituted for the other in the ultimate uses for which the products are intended. The free flow of information regarding the substitutability of products is valuable to individual consumers and to society collectively, and by providing it a supplier engages in fair competition based on those aspects—for example, price—in which the products differ.").

[70] 43 U.S.C. § 1125; *see also id.* § 1114. The act defines "use in commerce" as "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." A use qualifies as a use in commerce on goods only when "(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement

insisted that trademark "use" required that the defendant market goods or services under the mark.[71] As the Eighth Circuit recently explained, "the mark holder is generally not entitled to relief unless the defendant advertises or otherwise promotes [the actual mark] *thereby causing the public to* <u>*see*</u> *the protected mark and associate the infringer's goods or services with those of the mark holder.*"[72] Limiting trademark rights to a right to prevent confusing uses of the mark as a brand helps ensure that trademark rights remain tied to their search cost rationale – only those individuals or companies who are using the mark to advertise their own products or services have the motive and opportunity to interfere with the clarity of the mark's meaning in conveying product information to consumers, and so only those uses ought to be of concern to trademark law.[73]

Second, and relatedly, defendants who do not themselves "use" a mark in commerce can face liability for another's infringement only if they actively induce that infringement, or knowingly help to bring it about.[74] By limiting trademark claims to those who themselves use marks in a way that suggests some affiliation between

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impracticable, then on documents associated with the goods or their sale, and (B) the goods are transported in commerce." For services, a use qualifies "when it is used or displayed in the sale or advertising of services and the services are rendered in commerce . . . ." *Id.* § 1127.

[71] *See, e.g.,* Felix the Cat Prods. v. New Line Cinema Corp., 54 U.S.P.Q.2d 1856, 1858 (C.D. Cal. 2000) ("Use of the character as an expression of an idea or device to 'set the mood' of the Picture does not qualify as use of the mark 'to identify or distinguish' goods 'to indicate their source' as required to fall under the purview of trademark law.").

[72] DaimlerChrysler AG v. Bloom, 315 F.3d 932, 939 (8th Cir. 2003) (emphasis added).

[73] The Federal Trademark Dilution Act requires a "commercial use in commerce of a mark or trade name," a standard which more explicitly incorporates the use requirement by applying only to "commercial speech" as that term is defined in First Amendment jurisprudence – speech which proposes a commercial transaction. H.R. Rep. 104-374, 104th Cong., 1st Sess. (1995); *see also* Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 905-06 (9th Cir. 2002).

[74] *See* Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844 (1982).

themselves and the trademark holder (and to others intimately involved in their infringement) the law ensures that information facilitators, publishers, and others who bear only a tangential relationship to trademark infringement can go about their business without the responsibility of having to police all of the parties with whom they have commercial relations.

C. Alternatives to the Search Costs Rationale

There are other economic justifications sometimes offered for trademark law.[75] Some have spoken of trademark law as promoting a "signaling" function of advertising. Others talk about the growth of national brands as facilitating the expansion of companies into different territories and product markets. Still others reason that trademarks are a form of property, and their owners are therefore are entitled to a broad right to prevent others from using the marks.[76] These alternative justifications should not distract the reader from a proper focus on search costs, however.

The signaling theory suggests that firms advertise because the fact that they can afford to advertise signals that their goods are of higher quality, since the advertising pays off. But this theory is problematic, because it works only if no one knows about it. If consumers actually treat advertising as a signal of quality, makers of low-quality goods

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[75] Noneconomic justifications for trademark law are rare, and we do not consider them here. For one example, see Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 **UCLA L. Rev.** 621 (2004); *see generally* Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, __ **Va. L. Rev.** __ (2004) (June 2004 draft at 12-20) (summarizing, and rejecting, various non-economic justifications for trademark law).

[76] *See* Lemley, *supra* note 24, at 1690-91 and sources cited therein (discussing other economic justifications for trademark law, including the "signaling" theory and "the role of trademarks in allowing the growth of complex, long-term organizations spread over a wide geographic area").

have an incentive to deceive those consumers by advertising their goods, leading the consumer to mistakenly believe they are of high quality. Signaling theory is therefore self-limiting.

The role of trademarks in franchising, brand differentiation, and national expansion is indeed an important one.[77] But that role is consistent with – and indeed subsidiary to – the search costs rationale we discuss in text. Trademarks can serve as the basis for franchising or expansion into related markets only to the extent that consumers connect the mark with the maker of a set of core products. If the mark is not serving that purpose, building a national reputation on the basis of it will prove impossible. Some have suggested that companies who leverage their brand into multiple products are diluting this connection, interfering with consumer search costs.[78] But companies have an incentive to maintain the value of their brand, and in a competitive market they are unlikely to expand the reach of a single trademark so far that consumers are confused rather than enlightened by the use of the brand name.[79]

Finally, it is increasingly common to simply assume that trademarks are a form of (intellectual) property, and therefore that their "owner" is entitled to control virtually any use of them. There are several problems with this rationale. First, it is not true that even

[77] *See, e.g.,* **Robert P. Merges et al., Intellectual Property in the New Technological Age** 645-46 (3d ed. 2003); Mira Wilkins, *The Neglected Intangible Asset: The Influence of the Trademark on the Rise of the Modern Corporation*, 34 **Bus. & Hist.** 66, 87-88 (1992).

[78] *See* Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 **Iowa L. Rev.** 731 (2003).

[79] Indeed, most large multi-product companies, such as 3M and Proctor & Gamble, maintain hundreds or even thousands of different brands, suggesting that they see the importance of limiting the use they make of any single trademark.

the owners of real property have unlimited power over their land.[80] Second, intellectual property is fundamentally different from real property, and the rights granted to owners of patents and copyrights are substantially weaker than those granted to real property owners.[81] Third, and most important, trademarks are not like other forms of intellectual property. We grant patents and copyrights in order to encourage the creation of patented and copyrighted works. There is no similar need to encourage the creation of brands. While it is occasionally suggested that trademarks are protected in order to encourage the creation of new brands,[82] that is not in fact a generally accepted rationale for trademark protection, with good reason. As the Fourth Circuit observed decades ago, "a man of ordinary intelligence could easily devise a score of valid trade-marks in a short period of time."[83] Without such a rationale, calling trademarks property reduces to an unsupported conclusion that we should grant a certain set of rights over language without an accompanying justification.[84]

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[80] *See, e.g.*, **Elinor Ostrom, Governing the Commons: The Evolution of Institutions for Collective Action** 23 (1990); Carol Rose, *The Comedy of the Commons: Custom, Commerce, and Inherently Public Property*, 53 **U. Chi. L. Rev.** 711, 769 (1986). Thomas Grey argued more than two decades ago that the concept of property as a "bundle of rights" meant that property interests were necessarily disaggregated and context-specific. Thomas C. Grey, *The Disintegration of Property*, *in* Property: Nomos XXII 69 (J. Roland Pennock & John W. Chapman eds., 1980); *see also* Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 **Duke L.J.** 1 (2004) (June 2004 draft at 68-100) (describing legal limitations on real and personal property rights).

[81] For a detailed discussion, see Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, (working paper 2004).

[82] See Vincent Chiappetta, *Trademarks: More than Meets the Eye*, 2003 **U. Ill. J. L, Tech. & Pol'y** 35, 37.

[83] Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, 165 F.2d 693, 697 (4th Cir. 1947).

[84] This is not to say that trademark law has no incentive basis. But trademark law diverges from copyright and patent law in the aim of those incentives. Trademark law,

II. The Dismantling of Trademark Standards in Internet Cases

Perhaps ironically, the Internet – with its promise as an informational mecca[85] – has triggered a rethinking of the rules of trademark law in a way that could well restrict the free flow of comparative information in the marketplace. Courts in Internet cases have resurrected the oft-rejected unjust enrichment rationale for trademark rights, and have used it as the basis for a steady expansion of trademark holders' rights, in two distinct directions. First, a handful of courts have widened the net of trademark infringement to encompass search engines, advertising firms, and others who help competitors to reach their audience through nontraditional "use" of established marks. Second, courts have extended the definition of actionable confusion to include the mere possibility of customer diversion to competitors' websites, even in some cases in which the consumer knows where she is headed at all times. Both of these expansions undermine the core goal of trademark law – to reduce consumer search costs and increase the availability of information in the marketplace. Their combination in cases like

by protecting the integrity of branding and advertising information in the marketplace, provides businesses with an incentive to provide consistency in the quality of their products and services. But unlike patent and copyright law, it does *not* aim to incentivize the development of the intellectual property – i.e., the trademark – itself.

85 *See, e.g.,* Trotter Hardy, *Property (and Copyright) in Cyberspace*, 1996 **U. Chi. Legal. F.** 217, 236 (1996); Robert P. Merges, *The End of Friction? Property Rights and Contract in the "Newtonian World of On- line Commerce",* 12 **Berkeley Tech. L.J.** 115, 130 (1997). *But cf.* J. Bradford DeLong & A. Michael Froomkin, *Speculative Microeconomics for Tomorrow's Economy*, in **Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property** 10-13 (Brian Kahin & Hal R.Varian eds., 2000), available at http://www.law.miami.edu/~ froomkin/articles/spec.htm (pointing to ways in which ecommerce companies have tried to prevent the elimination of transaction costs online); *cf.* Maureen A. O'Rourke, *Common Law and Statutory Restrictions on Access: Contract, Trespass, and the Computer Fraud and Abuse Act*, 2002 **U. Ill. J.L. Tech. & Pol'y** 295.

Playboy v. Netscape[86] and *1-800 Contacts, Inc. v. WhenU.com*[87] is particularly problematic.

Playboy v. Netscape involved a suit against Netscape based on its use of trademarks as "keywords" to help target advertising to relevant audiences. Netscape's search engine, like most such services, offered advertisements alongside the search results generated in response to user queries. Netscape had allowed – indeed, required – adult services that advertised through its search engine to include "Playboy" as one of the search terms that, if entered by users, would generate an ad on Netscape's search results page. The Ninth Circuit held that this use of the "Playboy" mark could confuse consumers into believing that the advertisers were affiliated with Playboy,[88] and that Netscape could face legal responsibility for creating that confusion. In allowing Playboy's claim against Netscape to proceed, the Ninth Circuit decided not to choose between a direct and contributory infringement theory, concluding "that defendants are either directly or contributorily liable," so that it "need not decide" which.[89] While the court's reasoning remains a mystery, the decision left no doubt that, in the panel's view, the Lanham Act could reach parties that used trademarks, not as brands, but as classification tools for targeting advertisements whose content they did not control.

In the *1-800 Contacts* case,[90] a trademark holder sued to prevent the use of its mark to generate pop-up advertisements. The plaintiff, which sold contact lenses under

[86] 354 F.3d 1020 (9th Cir. 2004).

[87] 2003 WL 22999270 (S.D.N.Y. Dec. 22, 2003).

[88] *See infra* notes __ and accompanying text.

[89] Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020 (9th Cir. 2004).

[90] 1-800 Contacts, Inc. v. WhenU.com, 309 F. Supp. 2d 467 (S.D.N.Y. 2003).

the mark "1-800 Contacts," sought to prevent its competitors' pop-up ads from being displayed when users entered <www.1800contacts.com> into their web browser or used the "1-800 Contacts" mark as a query in an Internet search. Plaintiff sued both the advertisers and the firm whose software generated the pop-up ads, claiming that both had "used" its marks in a way that created a likelihood of confusion among consumers. In allowing the claims to proceed, the court held that both categories of defendants had "used" the trademark as contemplated by the Lanham Act. First, the court held that by generating pop-up ads to appear "when users have specifically attempted to access Plaintiff's website – on which Plaintiff's trademark appears – Defendants are displaying Plaintiff's mark 'in the ... advertising of'" the defendant advertiser's competing services.[91] Second, by including the trademark in a directory of terms that trigger advertisements on computers that use defendant's software, the software developer "used" the mark "to advertise and publicize companies that are in direct competition with Plaintiff."[92] In doing so, the court put itself in direct conflict with the only two other cases to consider trademark liability for pop-up ads.[93]

A. Should Intermediaries Face Liability at All for Trademark Infringement?

1. Trademark Use

[91] *Id.* at 489.

[92] *Id.*

[93] *See* U-Haul Int'l v. WhenU.com, 279 F. Supp.2d 723 (E.D. Va. 2003) (holding that use of mark to generate pop-up ad was not trademark "use" within meaning of Lanham Act); Wells Fargo & Co. v. WhenU.com, 293 F. Supp. 734 (E.D. Mich. 2003) (same).

The *Playboy* and *1-800 Contacts* cases demonstrate a disturbing trend away from the statutory requirement of trademark use, at least as traditionally interpreted by the courts. The Lanham Act prohibits only use of a trademark "in connection with" the offering of goods or services in commerce, and defines such a use as occurring in the context of services "when [the mark] is used or displayed in the sale or advertising of services and the services are rendered in commerce."[94] It is the use of the mark to brand or advertise the defendant's services – so-called "trademark use" – that triggers trademark law.[95]

The trademark use requirement serves a gatekeeper function, limiting the reach of trademark law without regard to a factual inquiry into consumer confusion. The rationale for the doctrine stems from the practical reality that it would be both unwise and impossible to permit trademark owners to control every use of their mark. People and businesses use trademarks every day, in conversation, in news reporting, in songs and in books. Trademark law has never given trademark owners exclusive control over any use of their marks. Rather, the law is designed to prevent consumer confusion by those who brand their own goods or services with a mark sufficiently similar to the plaintiff's mark

[94] 15 U.S.C. § 1127.

[95] *See*, *e.g.*, Holiday Inns, Inc. v. 800 Reservation, Inc., 86 F.3d 619, 623-25 (6th Cir. 1996) (holding that the use of a telephone number that translated into 1-800-H0LIDAY – with a zero in place of the "O" – was not trademark "use" within the Lanham Act because the defendant had not advertised its services under the offending alphabetical translation); Daimler-Chrysler AG v. Bloom, 315 F.3d 932 (8th Cir. 2003); *cf.* Lone Star Steakhouse v. Longhorn Steaks, 106 F.3d 355, 361 (11th Cir. 1997) (holding that use of a mark "on a sign displayed on an interior wall of Plaintiff's … [r]estaurant … did not constitute a valid service mark use because it was not being used to identify or distinguish the services being offered"); Academy of Motion Picture Arts and Sciences v. Network Solutions, 989 F. Supp. 1276 (C.D. Cal. 1997); Lockheed Martin Corp. v. Network Solutions, 985 F. Supp. 949 (C.D. Cal. 1997), *aff'd on other grounds* 194 F.3d 980 (9th Cir. 1999); Lockheed Martin Corp. v. Network Solutions, 141 F. Supp. 2d 648

that consumers may be deceived into believing there is some connection between the two. Individuals and companies may make reference to or use of a trademark without fear of liability unless they are making a trademark use.

The courts that have found Internet service companies liable for initial interest confusion err by holding that using a trademarked term as a "trigger" for supplying an advertisement is a trademark use of that term. Both *1-800 Contacts* and *Playboy* make this error.[96] The courts appear to have been misled by the similarity in terminology of two very different elements of a trademark cause of action: the "use in commerce" requirement and the "trademark use" requirement. It is true that in both these cases the trademarks are used in interstate commerce in the minimal way necessary to invoke the jurisdiction of the federal courts.[97] Unfortunately, an increasing number of courts apparently believe that satisfying this minimal requirement is the same as proving that the defendants had made trademark use of the plaintiff's brand.[98] As a result, they do not analyze the requirement of trademark use directly. This is a crucial error.[99] Courts

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(N.D. Tex. 2001).

[96] *Playboy v. Netscape*, 354 F.3d at __; *1-800 Contacts, Inc.*, 309 F. Supp. 2d at 489.

[97] Trade-Mark Cases, 100 U.S. 82, 94 (1879) (holding that the Constitution did not authorize federal trademark protection unless a mark was used in interstate commerce).

[98] This error may be traceable to the district court in *Planned Parenthood v. Bucci*, 42 U.S.P.Q.2d 1430 (S.D.N.Y. 1997), which seemed to conflate the two.

[99] Other courts, by contrast, understand the distinction. *See U-Haul Int'l v. WhenU.com,* 279 F. Supp. 2d 723 (E.D. Va. 2003) (holding that selling a pop-up advertisement based on a trademarked keyword was not trademark use and was therefore not infringing); *Wells Fargo & Co. v. WhenU.com*, 293 F. Supp. 2d 734 (E.D. Mich. 2003) (same); *German Court Holds Use of Competitor's Mark in Web Site Metatags No Infringement*, 9 **Elec. Comm. & L. Rpt.** 289 (March 24, 2004) (reporting on a German appeals court decision holding that use of a trademark in metatags was not an "exploitation" of the mark). *But see German Court Blocks Pop-Up Advertisements*, http://news.com.com/2100-1024_3-5180240.html (reporting on a European court decision enjoining pop-up and pop-under ads).

outside the United States also exhibit confusion about the proper scope of trademark use, though they have no jurisdictional "use in commerce" requirement to apply and so are led astray in other ways.[100]

Selling advertising space based on an Internet keyword that is also a trademark does not use that trademark *as a brand*. The Internet intermediary is not selling any product or service using those terms as an identifier. It is perhaps, as the *1-800 Contacts* court notes, "allowing [the advertiser] to profit from the goodwill" of that mark.[101] But it is not illegal simply to make money in a way that involves the use of a trademark. Indeed, courts considering analogous situations have rejected trademark claims on the ground that the defendant was not engaged in trademark use. For example, a number of plaintiffs have sued Internet domain name registrars such as Network Solutions for selling their trademark as a domain name to a cybersquatter who uses the name to infringe the trademark. There is no question that Network Solutions is trading on the

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[100] In *Viaticum/Luteciel v. Google France*, RG No. 03/00051 (Nanterre Ct. of First Instance Oct. 13, 2003), the French district court held that any use of a registered mark for any purpose was illegal, and enjoined an Internet search engine from permitting advertisements to appear when consumers searched for a trademarked term, even if those advertisements were keyed off of a different, generic term. And in *Metaspinner v. Google*, cite, the German district court in Hamburg found that a search engine engaged in trademark use when it sold advertising space based on keywords identical to the plaintiff's trademark.

However, other European cases reach the opposite conclusion. In *Nemetschek v. Google,* No. 33 O 21461/03 (Dist. Ct. Munich Feb. 12, 2003), the court held that an Internet search engine was not liable for direct or indirect trademark infringement when an advertiser placed ads based on trademarked keywords. And in *Intershop Comms. v. Tietz,* No. 315 O 646/03 (Dist. Ct. Hamburg Feb. 25, 2004), the same court that decided *Metaspinner* found that the *advertiser* had not engaged in trademark use by selecting a trademarked keyword. The Hamburg cases in particular seem to get the doctrine of trademark use exactly backwards, since if anyone is engaging in a trademark use it is the advertiser selecting a competitor's mark as a keyword, not the search engine that sells advertising space.

[101] 309 F. Supp. 2d at 490.

goodwill of the trademark owner – it is making money by selling a domain name incorporating the mark itself. Nor is there any question that Network Solutions is engaged in interstate commerce. Nonetheless, courts uniformly hold that Network Solutions cannot be held liable as a direct infringer because it is not using the protected term as a trademark.[102] The domain name registrants themselves may engage in trademark use by cybersquatting or confusing visitors to the site, but the company selling the domain names does not. Similarly, the Eighth Circuit held in *Daimler-Chrysler AG v. Bloom* that a telecommunications company did not use the term "Mercedes" in a trademark sense merely by licensing a vanity phone number that spelled 1-800-MERCEDES to Mercedes dealers.[103] The dealers themselves might engage in trademark use by advertising the phone number or otherwise presenting it as a brand to the public, the court reasoned, but the company selling the phone number did not. Likewise, WhenU's customers may or may not make trademark use of the term "1-800 Contacts" in their ads, but WhenU itself doesn't make trademark use.[104]

By recognizing that advertisers may, in some cases, be engaged in trademark "use" in connection with their ads, we do not mean to suggest that purchasing a trademarked keyword constitutes such use. Trademark liability would arise, if at all,

[102] *See* Academy of Motion Picture Arts and Sciences v. Network Solutions, 989 F. Supp. 1276 (C.D. Cal. 1997); Lockheed Martin Corp. v. Network Solutions, 985 F. Supp. 949 (C.D. Cal. 1997), *aff'd on other grounds* 194 F.3d 980 (9th Cir. 1999); Lockheed Martin Corp. v. Network Solutions, 141 F. Supp. 2d 648 (N.D. Tex. 2001). In the Central District *Lockheed Martin* case, the Ninth Circuit held on appeal that Lockheed had no trademark claim against Network Solutions because Network Solutions merely provided a service that helped others to infringe, an act which is not illegal under trademark law. That reasoning is certainly applicable to Internet search engines.

[103] 315 F.3d 932 (8th Cir. 2003).

[104] *See also* Voice-Tel Ents. v. Joba, Inc., 258 F. Supp. 2d 1353, 1363 (N.D. Ga. 2003) (holding that linking to a site cannot constitute dilution).

from the content and context of the ad itself, rather than the mere use of the mark as a classification tool. The speech-oriented objectives of the trademark use doctrine[105] protect more than just intermediaries; they prevent trademark holders from asserting a generalized right to control language, an interest that applies equally – and sometimes especially – when the speaker competes directly with the trademark holder. The trademark use doctrine has broad application – because of it, newspapers are not liable for using a trademarked term in a headline, even if the use is confusing or misleading. Makers of telephone directories aren't liable for putting all the ads for taxi services together on the same page. Marketing surveyors aren't liable for asking people what they think of a competitor's brand-name product. Magazines aren't liable for selling advertising that relates to the content of their special issues, even when that content involves trademark owners. Gas stations and restaurants are not liable for locating across the street from an established competitor, trading on the attraction the established company has created or benefiting from the size of the sign the established company has put up. Individuals are not liable for their use of a trademark in conversation, even in an inaccurate or misleading way (referring to a Puffs brand facial tissue as a "Kleenex," or a competing cola as a "Coke," for instances). Generic drug manufacturers aren't liable for placing their drugs near their brand-name equivalents on drug store shelves, and the stores aren't liable for accepting the placement. While some of these users are intermediaries (telephone directories, magazines, and pharmacies) or third parties with no

[105] Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 **Notre Dame L. Rev.** 397 (1990) (warning of this danger and proposing to solve it by rendering terms "expressively generic" if society wishes to appropriate them for cultural use). Cf. Litman, *Batman*, *supra* note __, at 1732-33 (discussing the pervasiveness of trademarked symbols in popular culture).

commercial interest in the market in question (newspapers, individuals), others – like the companies doing market research, locating their gas stations and restaurants, or selling generic drugs – are direct competitors. They may be making money from their "uses" of the trademark, and the uses may be ones the trademark owner objects to, but they are not *trademark* uses and are therefore not within the ambit of the statute.

The trademark use doctrine is entirely consistent with the search costs rationale that lies at the heart of trademark law. Requiring trademark use furthers the fundamental goal of lowering search costs by permitting individuals, companies, and the media to use a mark to refer to the product or service being trademarked. Just because consumers are searching for a product using the trademark doesn't mean that they only want information from the trademark owner.[106] The law permits newspapers, individuals who have bought the product, Consumer Reports, online evaluation and comparison sites like epinions, and a host of others – including even competitors – to avoid circumlocution and talk about the trademarked product using the trademark.[107] Trademark owners might not always like what these third parties have to say, but letting them say it furthers the larger goal of getting information about the product in the hands of consumers.[108]

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[106] *See, e.g.,* Goldman, *Deregulating Relevancy, supra* note __, at [draft at 6-22] (discussing the various reasons an Internet searcher might type a trademark into a search engine).

[107] Creating circumlocutions to avoid trademarks is costly. *See* Folsom &. Teply, *supra* note __, at 1340-42 (1980); Landes & Posner, *article*, *supra* note __, at 288, 292.

[108] It is true that consumers may sometimes get *too much* information, and that just like too little information, too much relevant information can increase search costs. But as Goldman points out, intermediaries like search engines generally have incentives to help consumers solve this problem by finding the most relevant information. Goldman, *supra* note __, at __. Thus, Google will remove ads entirely if consumers aren't clicking on them, because its goal is to facilitate rather than impede user search.

Maintaining the focus on search costs is critical to keeping the doctrine of trademark use alive. It is far too easy for courts and commentators to slip into the rhetoric of "free riding" and "unfair competition."[109] We must keep in mind that not all commercial uses of a mark are or should be impermissible.[110] Remembering to ask why we are protecting the mark in the first place will go a long way towards helping to distinguish legitimate from illegitimate uses of the mark.

2. Contributory Infringement

Even companies who do not themselves make trademark use may be liable in certain limited circumstances as contributory infringers.[111] Like its distant cousins in patent and copyright law, the doctrine of contributory trademark infringement requires proof of an act of direct infringement by someone else. There can be no contributory liability if there is no infringement to contribute to. But unlike patent and copyright law, the doctrine of contributory trademark infringement is narrowly drawn.[112] It has traditionally been limited to cases of actual inducement to infringe or to cases in which

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[109] *Cf.* Mark A. Lemley, *Property, Intellectual Property, and Free Riding* (vaporware 2004) (noting how these conclusions tend to flow without analysis from the conclusion that a legal right is "property").

[110] As Wendy Gordon so eloquently put it, "[a] culture could not exist if all free riding were prohibited within it." Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 **Va. L. Rev.** 149, 167 (1992).

[111] The *Playboy v. Netscape* court finessed this distinction, holding that it did not decide whether direct or contributory infringement applied because it was sure that it was one or the other. *Id*. at __. This judicial sleight-of-hand allowed the court to confuse the elements of the two causes of action, finding Netscape liable based on legal standards that apply only to direct infringers without actually finding that Netscape was such a direct infringer.

[112] *See* Sony Corp. v. Universal City Studios, 464 U.S. 417, 439 (1984) (trademark law has a "narrow standard" for contributory infringement; court distinguishes the broader

the maker of a product continues to supply that product to one it knows is engaging in trademark infringement using that product.[113] The goal of the doctrine is to permit the enforcement of counterfeiting law against those who made the counterfeit goods, and not merely against those who applied the labels.[114] By contrast, liability for the provision of a service is extremely rare in trademark law, and requires that the defendant be in direct control of and monitoring the third party infringer.[115] There is no affirmative duty to investigate or take precautions against infringement by a third party; liability arises only if a service provider has actual knowledge of infringement using a service under its direct control.[116]

As we argued above,[117] the courts to have found initial interest confusion online may have erred by concluding that a competitor that locates its product near the trademark owner's product in Internet "space" has engaged in an illegal use of the trademark. They may also have erred by assuming that any such use is confusing, a matter we take up below.[118] They then compound these errors by expanding liability from direct competitors who make such a use to anyone who helps them to do so, undermining the principles of trademark law in the process. Under the rationale of the

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patent and copyright standards).

[113] *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 854 (1982).

[114] *See generally* John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 **Iowa L. Rev.** 101, 105 (1994) ("Because a product supplier is in direct competition, these contributory infringement cases involve special considerations that are not necessarily present in cases in which the defendant contributes to infringement in some way other than supplying the product.").

[115] *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980 (9th Cir. 1999).

[116] *Hard Rock Café Licensing Corp. v. Concession Servs.*, 955 F.2d 1143 (7th Cir. 1992).

[117] *See supra* notes __-__ and accompanying text (discussing trademark use).

[118] *See infra* notes __-__ and accompanying text (discussing initial interest confusion).

Playboy and *1-800 Contacts* courts, magazine publishers could be held liable for selling advertising space in conjunction with a special issue, on the theory that the juxtaposition between the ads and the stories would draw people's attention to the ads. Billboard owners could be liable for selling billboard space near a Burger King to McDonald's. Web hosting services could be liable for the misleading content of the sites they host.

Early Internet decisions wisely refrained from imposing these burdens on Internet service companies. In *Lockheed Martin Corp. v. Network Solutions*,[119] the Ninth Circuit rejected the argument that Network Solutions, which sold Internet domain names such as microsoft.com and mcdonalds.com to cybersquatters, had a duty to screen the domain names in question to weed out potentially infringing ones. The court agreed with the District Court's conclusion that there is "no affirmative duty to police the Internet in search of potentially infringing uses of domain names."[120] A closer analogy to the sale of advertising based on keywords is harder to imagine. Network Solutions was "trading on the goodwill" of trademark owners by selling domain names that included their marks, to at least as great an extent as Netscape or WhenU were. The *Playboy* and *1-800 Contacts* cases are in direct conflict with *Lockheed Martin*; the only reason the courts did not acknowledge that conflict is their failure to recognize that contributory rather than direct trademark infringement was at issue in the case.

3. Policy Concerns With Expanded Liability

[119] 194 F.3d 980 (9th Cir. 1999).

[120] *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 966 (C.D. Cal. 1997).

Just because the doctrines of trademark use and contributory infringement have historically limited trademark liability doesn't mean the law necessarily should remain that way. It is reasonable to reevaluate their policy basis in the new environment of the Internet. But far from justifying expanded trademark rights, the characteristics of the Internet provide a strong policy basis for maintaining those historic limits.

Application of contributory trademark infringement may not be appropriate at all to Internet intermediaries such as search engines. Limiting liability for contributory infringement – both offline and online – helps lower consumer search costs by ensuring that intermediaries who provide information or search services are not chilled from doing so by the risk of trademark liability. The search costs rationale is clearest in the case of an Internet search engine. Holding search engines liable for giving consumers what they are looking for – content targeted in response to their query – would be perverse in a legal system devoted to helping consumers conduct efficient searches. It might also interfere with the development of efficient search algorithms, as search engines rank-order responses not by what consumers consider most relevant but in accordance with trademark owner demands.[121] Other intermediaries also help reduce search costs by providing consumers with advertisements or information designed with the consumer's interests in mind.

Limiting liability may be appropriate for another reason as well – to avoid undue chilling of unquestionably legitimate behavior by intermediaries. If we are apply

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[121] Eric Goldman expresses this fear. *See* Goldman, *Deregulating Relevancy, supra* note __, at [draft at 4]. Goldman would create a safe harbor for search engines. *Id.* at [draft at 80-86]. *See also* Rita Weeks, *Trademarking the Sun and Moon? Why Google Should Not Be Held Liable For Trademark Infringement Based on Their Sale of Keyword Ads* (working paper 2003).

contributory infringement doctrine to intermediaries, the contributory infringer's liability will depend on facts that it cannot control and may not even reasonably be able to determine. Under the threat of contributory liability for initial interest confusion, a magazine publisher or a billboard owner – or the seller of Internet advertising space – would need to pre-screen the content of the ads, compare the content to the location of the ads, and make a judgment call as to whether or not consumers might be likely to be confused by the juxtaposition.[122] If there might be confusion, these intermediaries would then have to make a series of further determinations:

- was the use truthful comparative advertising, or instead false or misleading;
- was the use a protected nominative use, a judgment that at least in the Ninth Circuit requires deciding whether the use of the mark by the advertiser was necessary;[123]
- was the use a fair use of a descriptive mark; is the mark in question in fact generic;

[122] Even the *1-800 Contacts* court did not go so far as to hold that *any* pop-up advertisement would infringe on the plaintiff's trademark. Rather, it based its ruling on the content of the ads posted by WhenU's customers, something over which WhenU has little or no control. 2003 WL 22999270.

[123] New Kids on the Block v. News America Publishing, Inc., 971 F.2d 302 (9th Cir. 1992). In *Playboy v. Netscape*, 354 F.3d 1020, __ (9th Cir. 2004), the court rejected the nominative use defense out of hand because the advertiser did not need to use the term "Playboy." But for other uses, such as the one the same court approved in *Playboy Ents. v. Welles*, 279 F.3d 796 (9th Cir. 2002), the use of the term would be necessary. So intermediaries would have to make a judgment about whether a court would conclude that under the circumstances of a particular case the use of a mark was reasonably necessary.

- has the advertiser included a disclaimer, and if so is the disclaimer likely to be effective;[124] and
- most problematic, what is the advertiser's intent in writing the copy.[125]

An intermediary will be subject to trademark liability if it gets any of these judgments wrong, though publishers and perhaps search engines may be able to argue that the remedies against them are limited to injunctive relief.[126] Indeed, under *Playboy* and *1-800 Contacts* the intermediary may be found to have acted in bad faith.[127] It may be reasonable to require the advertisers themselves to bear this burden; they are familiar with the content of the ads, and they are the ones who stand to benefit from any confusion they create. It seems unrealistic to expect intermediaries to have either the knowledge or the skill to make these decisions well. Because the *Playboy* court ignored the distinction

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[124] In *Playboy v. Netscape*, the court strongly suggested that appropriate disclaimers would solve the problem altogether. But that still leaves factual issues unresolved. Google, for example, refers to its advertisements as "Sponsored Links" to distinguish them from ordinary search results, and also sets them off to the right side. Is this sufficient to dispel any initial-interest confusion? The answer may depend on consumer surveys, but it may also depend on the content of the ad, something over which intermediaries traditionally have (and probably should have) little control.

[125] *Playboy* is quick to infer intent to deceive from the asserted fact of initial interest confusion itself. Because the court confused direct and contributory infringement, it focused on Netscape's intent rather than the advertiser's, but in a true contributory infringement case it would be the advertiser's intent that would matter in the likelihood of confusion analysis, though proof of Netscape's intent would also be required. *See* 4 **J. Thomas McCarthy, Trademarks and Unfair Competition** §25:18, at 25-37. How a contributory infringer is to discern the advertiser's intent in order to learn how it bears on the confusion analysis is not clear.

[126] 15 U.S.C. § 1114(2)(B) (limiting remedies against publishers of "electronic communications" whose liability is for printing another's advertisement).

[127] *Playboy v. Netscape*, 354 F.3d at 1029; *1-800 Contacts, Inc.,* 2003 WL 22999270. This is important because it may entitle the plaintiff to damages; section 1114(2)(B) only applies to "innocent violators."

between direct and contributory infringers, it imposed these burdens not on the logical party – the advertiser – but on the intermediary.

The situation is even worse for Internet search engines. Magazine publishers and billboard owners can at least be expected to see the advertisements they run before the public does. It is possible, therefore, that they could vet those ads for trademark compliance and appropriate disclaimers, though it is far from clear that society should impose such a burden on them.[128] Such a requirement seems even more out of place in the fast moving world of Internet search technology. Keyword-based purchases of ads at both Google and Yahoo! operate on a pay-per-click basis; what ads actually appear in response to which search results depends in part on the willingness of advertisers to pay, and (at least at Google) in part on how successful the ad is in attracting attention.[129] The ads change regularly, and so do the search queries; it would make little sense to require some central authority at an Internet search engine to read ads in advance and approve or disapprove their content. Unlike a magazine or billboard that may change once a month

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128 Imposing such a burden on those who sell advertising space also raises significant free speech concerns. Many trademark cases involve challenges to core political speech. *See, e.g.,* American Family Life Ins. Co. v. Hagan, 266 F. Supp. 2d 682 (S.D. Ohio 2002) (suit by trademark owner against parody run by political candidate); Mastercard Int'l v. Nader 2000 Primary Committee, 70 U.S.P.Q.2d 1046, 2004 WL 434404 (S.D.N.Y. Mar. 8, 2004) (same). We don't want to put billboard owners in the position of having to decide whether John Kerry's attack on George Bush is likely to cause initial interest confusion because it has too many pictures of Bush in it. And even if making that call seems easy – Hagan and Nader won their cases, and it seems obvious they deserved to – we don't want to give trademark owners a tool to try to chill political speech.

129 Yahoo!, unlike Google, runs its ads in the search results list itself, rather than in separate boxes on the side of the page. This approach may raise concerns under unfair competition laws, since people may wrongly assume that a Yahoo! ad is in fact a legitimate search result. *See* http://news.com.com/2100-1024?3-5235529.html (noting that British regulators have challenged Yahoo!'s practice as not clearly identifying paid ads). But under the *1-800 Contacts* opinion even clearly differentiated banner or sidebar ads are vulnerable to trademark challenge.

and be produced well in advance, an Internet search results page is constructed on the fly in an automated process that takes only a small fraction of a second. Asking Internet searchers to wait a few weeks – or even a few days – while a lawyer evaluates the context of their query simply isn't realistic.[130]

Nor will that evaluation effectively shield a search engine from liability. There is no global list of trademarks. Even searching the registers of hundreds of companies will provide only partial protection, since the United States and some other countries provide common law trademark protection to unregistered marks. Search engines can't wait to be notified of infringement; in at least one case a search engine has been held liable for damages based on permitting an advertiser to use a keyword when it was never even notified of the claimed infringement.[131] Nor can they find a safe harbor in limiting keywords to descriptive or generic terms; Google has already been enjoined in France from permitting the use of the keywords "travel market" and "flight market," and has been sued in the U.S. over the keywords "American blind" and "American wallpaper."[132]

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[130] It is possible that a court would deny injunctive relief in such a case under 15 U.S.C. § 1114(2)(C), which provides that injunctive relief against trademark infringement by a publisher is unavailable if the effect of the injunction "would delay the transmission of such electronic communication after the regular time for such delivery or transmission . . . due to the method by which . . . transmission of such electronic communication is customarily conducted in accordance with sound business practice." The alternative is to prohibit all ads unless they have been vetted in advance. Doing so would require compelling search engines to give primacy to lawyers in their business models, would delay the inclusion of both ads and content in search results, and would make it harder, not easier, for consumers to find reliable information about goods and services.

[131] *Luteciel*, *supra* note __. By contrast, in *Nemetschek* the German court held that a search engine could not be liable without prior notice of the infringement. This may relieve the burden on the search engine to some extent, but would still require it to review and block keywords whenever it was notified of a claim of infringement.

[132] *Luteciel*, *supra* note __ (the French language terms "bourse des vols" and "bourse des voyages"); Google Inc. v. American Blind & Wallpaper Factory, N.D. Cal. filed Dec. 2003.

Further, even a cautious policy of affirmatively weeding out anything that might conceivably be a trademark won't solve the contributory initial interest confusion problem for Internet search engines. Search engines sell targeted advertising using a process called "broad matching." Under the broad matching system, an advertiser may select an ad to run on the keyword "car." That ad will appear not only if a user searches for the exact term "car," but also if they use a hybrid query like "Toyota car," or "Renault Le Car," or "Car and Driver." Even the *Playboy* court would presumably see nothing wrong with selling an ad based on the keyword "car." But because so many trademarks include descriptive or generic terms, and because search queries may mix trademarks and generic terms, it is far from a simple matter to determine when an ad might show up in a context to which a trademark owner might object. It certainly can't be done in an automated fashion, and even if lawyers are in charge of reviewing each keyword buy they won't be able to anticipate the wide range of potential searches in which the search algorithm might find the keyword relevant. The effect of the *Playboy* and *1-800 Contacts* decisions will ripple well beyond obvious cases of the use of a trademark, to cover seemingly innocuous keyword searches.[133]

While there is some risk that consumers might be temporarily confused by information that purports to be relevant but is not, the doctrine of initial interest confusion can likely take care of that problem by permitting suit against the advertiser or site providing this misleading information. Buying ad space based on a keyword isn't

[133] *See* Google Inc. v. American Blind & Wallpaper Factory, N.D. Cal. filed Dec. 2003 (declaratory judgment action over the propriety of selling ads based on the keywords "blind" and "wallpaper" that may run in a search for "American blind" or "American wallpaper"); *Luteciel*, *supra* (enjoining any use that would cause ads to appear when a user searches for the French terms for "flight market" and " "travel market," including

trademark use, but running an ad that misleadingly uses a trademark surely is. Even if the advertiser manages to mislead without making a trademark use, other doctrines such as false advertising may prevent such conduct.[134] And in the final analysis, even if there is some unremedied confusion as a result of the doctrine, the doctrine of trademark use is one in which trademark law operates to set rather than to respond to norms. The doctrine is not captive to changing notions of consumer confusion; rather, it is designed to be a bulwark against unreasonable expansion of trademark law. Expanding liability to include intermediaries that connect the consumer with the advertiser is neither necessary nor wise.

The *Playboy* case itself may be an exception to the last statement, because Netscape allegedly required advertisers to use the keywords in question.[135] But if that is true, Netscape could be liable under traditional principles of inducement because it actually controlled the use ultimately made by the advertisers, assuming (as the court also found) that the advertisements ultimately confused consumers. The Ninth Circuit's result should be confined to its facts. There was no need for the court to extend either the doctrine of trademark use or of contributory infringement to initial interest confusion based on keywords.[136]

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the use of such generic keywords as "flight," "travel," and "market."

[134] Some commentators have suggested that reliance on false advertising may be preferable to invocation of trademark law. *See* Goldman, *supra* note __, at [draft at 49, 65, 72]; O'Rourke, *Metatagging, supra* note __, at __.

[135] *Playboy,* 354 F.3d at __.

[136] A more difficult case is presented by Google's "keyword suggestion tool," an automated feature which returns a list of suggested keywords to advertisers based on the text and context of the ad itself. The keyword suggestion tool may suggest the use of trademarks as keywords, a fact which at least at first glance makes Google look more like Netscape. In fact, however, Google's keyword suggestion tool is driven by an

B. Initial Interest Confusion and its Expansion Online

In the previous section, we discussed two related "gatekeeper" doctrines that should preclude liability for Internet intermediaries such as search engines, directory services, and sellers of advertising space. It is less clear that the advertisers themselves will be protected by these doctrines, however. If an advertiser's use of an Internet keyword is held to be a trademark use, the question then becomes whether the advertiser is likely to confuse consumers by placing its ad in proximity to a trademark owner's Web page. Phrased in this way, the theory of confusion seems rather silly. Offline, companies target their ads to be relevant to the content they support all the time. Beer companies and competing sports events advertise at football stadiums and on TV broadcasts of football games because they believe consumers of those events will be interested in their products. Advertisers target the purchasers of particular magazines by putting very different ads in Architectural Digest than in Glamour. Companies place ads on particular pages of the New York Times with specific reference to the content that is likely to attract particular readers – business ads in the business section, entertainment events in the arts section, even ads for advertising services in the weekly section devoted to marketing. Intellectual property law firms run ads in special "intellectual property"

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algorithmic analysis of other user searches. So if the tool suggests the use of a mark in connection with an ad, it is because consumers consider the mark relevant given the content of the ad. That relevancy is something that the law should promote, given its focus on search costs. *See* Goldman, *Deregulating Relevancy, supra* note __, at __ (suggesting that relevancy should be factored into a likelihood of confusion analysis). One way it might do so is through the doctrine of nominative use, but only if that doctrine is not read so narrowly that it requires necessity rather than merely relevancy. *See* Weeks, *supra* note __ (suggesting that Google should be protected under the doctrine of nominative use). *Playboy*'s narrow construction of the doctrine may render it of little issues of legal periodicals. In each case, they are maximizing the chance that their ad will be in direct proximity to a story or event involving a competitor. But no one thinks these targeted uses are infringing, because we understand that consumers can distinguish in their minds between ads and content. No one thinks the subject of an article sponsors or endorses the ad on the facing page. That's just not the way the world works.[137]

What is different online? One difference is that we've gotten much better at targeting ads. Early advertising-supported Internet business models failed because advertisers had a metric – the "click-through rate" – to see how many viewers were actually interested in their ads, and the answers were disappointing. Google and Yahoo! make significant money from advertising precisely because they are giving viewers ads that interest them; the result is good for consumers and good for advertisers but might be unsettling to the owner of a Web page from whose attention a consumer is distracted by an interesting ad. This isn't necessarily evidence of confusion, however; it may reflect consumers finding what they are looking for in an ad rather than in a search result. If so, a law based on reducing consumer search costs should not be concerned.

There is a second difference online, however – not a difference of fact but one of law. That difference is the growth of the initial interest confusion doctrine.

1. The Origins of Initial Interest Confusion

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benefit to Internet search engines.

[137] To be sure, in deciding questions of consumer confusion trademark law is reactive rather than proactive. Whether there is confusion depends on what consumers think; if consumer expectations change so that they believe all ads are sponsored by the subject of stories or shows with which they appear, confusion doctrine will change to accommodate that change in expectations. Thus, unlike the trademark use and contributory infringement doctrines, trademark law does not serve a norm entrepreneurial function

The doctrine now known as initial interest confusion had its genesis in a set of cases in which unscrupulous competitors sought to divert sales away from trademark owners by increasing consumer search costs. In the paradigm case, *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons, Inc.*,[138] the defendant used the mark "Grotrian-Steinweg" to sell pianos. When the makers of the famous Steinway pianos sued for trademark infringement, the defendants argued that there could be no infringement because no customers would actually purchase a Grotrian-Steinweg in the mistaken belief that it was a Steinway. The court found the absence of point-of-sale confusion irrelevant:

> We decline to hold … that actual or potential confusion at the time of purchase necessarily must be demonstrated to establish trademark infringement under the circumstances of this case. The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway or that Grotrian had some connection with Steinway and Sons. The harm to Steinway, rather, is the likelihood that a consumer, hearing the "Grotrian-Steinweg" name and thinking it had some connection with "Steinway," would consider it on that basis. The "Grotrian-Steinweg" name would therefore attract potential customers based on the reputation built up by Steinway in this country for many years.[139]

Confusion, in other words, actually diverted consumer attention to a product other than the one they were seeking, and having reached that product, some consumers may decide to give up their quest for the original. *Steinway* reflects a logical extension of the

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when it comes to the likelihood of confusion doctrine.

[138] 523 F.2d 1331 (2d Cir. 1975).

[139] *Id.* at 1342; *see also* Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254 (2d Cir. 1987). While *Mobil* discusses initial interest confusion, and is often cited as the origin of the doctrine, the actual facts of the case involved sales of wholesale oil under the name Pegasus Petroleum, without the use of Mobil's pegasus logo or anything like it, and therefore provide a rather weak case for applying the doctrine.

traditional "likelihood of confusion" analysis of trademark law, fully consistent with the search costs rationale. When confusion diverts customers to a competitor of the trademark holder and switching costs keep them there,[140] uncertainty enters the trademark-product connection, which ultimately increases consumer search costs.

Initial interest confusion as originally conceived, therefore, reflected not a new doctrine, but a simple recognition that competition-distorting confusion can occur at times other than the point of sale. In the pre-Internet cases relying on the theory, moreover, the defendant had branded its product with a mark confusingly similar to the plaintiff's, and had no comparative advertising or other pro-informational justification for its choice of mark. Given the net harm to consumers, these cases justified judicial relief.[141]

This elegant rationale, however, does not translate readily into the online context, in which switching costs are minimal, confusion is frequently speculative, and many defendants have a persuasive argument that their use brings a benefit to consumers. A number of courts in Internet cases have nevertheless both invoked and expanded the notion that capturing initial interest can form the basis for a trademark infringement claim.

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[140] In this context, switching costs consist of the inconvenience of re-initiating a search for the product originally sought.

[141] *See generally* Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376 (7th Cir. 1996) ("the Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer's, even if confusion as to the source of goods is dispelled by the time any sales are consummated"); Forum Corp. of North Amer. v. Forum, Ltd., 903 F.2d 434, 442 & n.2 (7th Cir. 1990); Koppers Co., Inc. v. Krupp-Koppers, 517 F. Supp. 836 (W.D. Pa. 1981); Sara Lee Corp. v. Kayser-Roth Corp., 1992 WL 436279, at *24 (initial interest confusion "offers an opportunity for sale not otherwise available by enabling the defendant to interest prospective customers by confusion with the plaintiff's product").

In *Brookfield Communications, Inc. v. West Coast Video*,[142] the Ninth Circuit adopted a theory of "initial interest confusion" to prevent a party from using its competitors' trademarks in the metatags of its website. In *Brookfield*, defendant West Coast Video had registered Brookfield's MOVIE BUFF mark as a domain name for its own movie search website, and had included MOVIEBUFF and related terms in metatags.[143] The court found the domain name confusing under a straightforward likelihood of confusion analysis,[144] but acknowledged that if West Coast were operating under a different domain name, "it is difficult to say that a consumer is likely to be confused about whose site he has reached or to think that Brookfield somehow sponsors West Coast's web site."[145] The court nonetheless enjoined the metatag use, reasoning that West Coast had no right to use Brookfield's mark to divert customers to its competing site:

> Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using 'moviebuff.com' or 'MovieBuff' to divert people looking for 'MovieBuff' to its web site, West Coast *improperly benefits from the goodwill that Brookfield developed in its mark*.[146]

Brookfield takes the initial interest confusion rationale in a novel and dangerous direction that disregards its confusion-based origins, defies core trademark doctrine, and thwarts the normative goals of trademark law. As a doctrinal matter, the Ninth Circuit overlooked the fact that *Steinway* and other early cases finding pre-sale confusion had

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[142] 174 F.3d 1036 (9th Cir. 1999).

[143] *Id.* at 1061-62 (analyzing claims based on use of mark in metatags).

[144] *Id.* at 1055-61.

[145] *Id.* at 1062.

[146] *Id.* (emphasis added).

good reason to believe that customers would actually be confused by the defendant's public use of a mark resembling the plaintiff's. In *Steinway*, for example, after warning that "each trademark infringement case is to some extent sui generis," the Second Circuit found infringement in light of the strength of the Steinway mark, the direct competition between the parties, substantial evidence of actual confusion, and the defendant's intent to free ride on Steinway's reputation.[147] *Brookfield*, in contrast, appeared to presume that confusion would result from the use of a trademark in metatags, without examining any evidence of how the metatags affected actual search results or whether any single consumer was ever actually misled.

Beyond its poor fit with *Steinway*, by suggesting that a trademark holder could sue based on any use of a mark that might "divert" customers to a competitor, the Ninth Circuit ignores the legions of cases that have allowed competitors to use marks in just that way.[148] Normatively, the *Brookfield* decision undermines the pro-consumer, pro-information goals of trademark law by allowing trademark holders to impede competitors' efforts to draw attention to their comparable products. It is ironic that the court does so in the name of promoting precisely those goals.

Despite the Ninth Circuit's broad language in *Brookfield*, most courts that followed the Ninth Circuit's lead initially applied the initial interest confusion doctrine in narrow cases involving direct competitors who appeared to be attempting a "bait and switch" – *i.e.*, an attempted conversion of customers only *after* they had unwittingly reached the competitor's site. Further, many of those cases involved efforts to confuse

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[147] 523 F.2d at 1342.

[148] *See supra* notes __-__ and accompanying text (discussing these permissible uses).

that extended beyond the initial decision to visit a Web site. In *Planned Parenthood v. Bucci*[149] and *Jews For Jesus v. Brodsky,*[150] for example, consumers reaching the site were falsely led to believe that the site was authorized by the trademark owner, and only gradually came to realize their mistake as they kept reading. In this limited context – in which the competitor diverts customers through the combination of initial confusion and switching costs – these decisions find support in the search cost rationale of trademark law. Like *Steinway*, the courts did not need a new cause of action to enjoin the defendants' use of the marks in these cases; each involved either a deceptive, labeling-type use of the trademark or otherwise misleading content in the website.[151]

More recently, however, courts have extended the initial interest confusion doctrine to correspond to the broader reading of *Brookfield*, in which real confusion is not required. In *Promatec Industries, Inc. v. Equitrac Corp*.,[152] for example, the Seventh Circuit upheld an injunction against a service company's use in metatags of the name of a product for which it offers maintenance and repair services.[153] The court found a probability of initial interest confusion without considering whether consumers were actually confused, and without giving any weight to the service company's legitimate interest in describing its products.[154] In *PETA v. Doughney,*[155] the court found initial

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[149] 42 U.S.P.Q.2d 1430 (S.D.N.Y. 1997).

[150] 993 F. Supp. 282 (D.N.J. 1998).

[151] Indeed, traditional principles of false advertising under section 43(a) might well be sufficient to enjoin these uses.

[152] Promatec Industries, Inc. v. Equitrac Corp., 300 F.3d 808 (7th Cir. 2002).

[153] *Id.* at 810. *Compare* Trans Union LLC v. Credit Research, Inc., 142 F. Supp. 2d 1029, (N.D. Ill. 2001) (allowing use of trademark in metatags when plaintiff was affiliated with defendant and offered products derived from its database).

[154] *Compare* Bahari v. Gross, 119 F. Supp. 2d 309 (S.D.N.Y. 2000).

interest confusion based on the use of the domain name "peta.org" to link to a site entitled "People Eating Tasty Animals," a parody of the "People for the Ethical Treatment of Animals" Web page that visitors were presumably trying to reach. Once visitors reached the page, there is no way they could have been confused given the very different title and the obviously parodic message of the page. Nonetheless, the court found the instant of confusion before visitors saw the content of the Web page to be actionable. In *1-800 Contacts, Inc. v. WhenU.com*,[156] the court held that the use of a mark to trigger pop-up ads could result in actionable initial interest confusion. Rejecting the defendant's argument that consumers knew that the pop-up ad's sponsors were unaffiliated with the trademark holder for which they searched, the court found such lack of confusion irrelevant:

> The harm to Plaintiff from initial interest confusion lies *not in the loss of Internet users who are unknowingly whisked away from Plaintiff's website*; instead, harm to the Plaintiffs from initial interest confusion lies in the possibility that, through the use of pop-up advertisements Defendant … 'would gain crucial credibility during the initial phases of a deal.'[157]

For the court, the real concern was that permitting WhenU.com to run pop-up ads keyed to a trademark "allow[ed] Vision Direct to profit from the goodwill" of that mark.[158]

Most recently, in *Playboy v. Netscape*,[159] the Ninth Circuit concluded that initial interest confusion could result from the placement of adult entertainment ads next to Playboy-related search results. *Playboy* involved a challenge to Netscape's practice of

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155 263 F.3d 359 (4th Cir. 2001).

156 2003 WL 22999270 (S.D.N.Y. Dec. 22, 2003).

157 *Id.* at *18 (emphasis added).

158 *Id*. at __.

159 354 F.3d 1020 (9th Cir. 2004).

selling keywords to its advertisers, for use in generating banner ads. Netscape required all adult entertainment services that advertised with it to include "Playboy" and related marks as search terms that, if entered by the user, would generate the advertiser's banner ad.[160] According to the court, Playboy "introduced evidence that the adult-oriented banner ads displayed on [Netscape's] search results pages are often graphic in nature and are confusingly labeled or not labeled at all."[161] Playboy claimed that users would be confused by the juxtaposition of Playboy as a search term and the unlabeled ads.[162]

In reversing summary judgment for the defendants, the Ninth Circuit held that Playboy could well succeed in proving that the unlabeled advertisements confused consumers, and that Netscape was legally responsible for creating such confusion. Admittedly, the Ninth Circuit relied upon survey evidence that suggested that many computer users actually believed that a relationship existed between Playboy and banner advertisers generated by the Playboy keyword.[163] Yet the court's decision to extent trademark law to banner advertisements that did not themselves reveal the mark to the user represented a further extension of trademark law.

2. Initial Interest Confusion May Constitute Evidence of Likelihood of Confusion or Deception, but Should Not Provide a Distinct Cause of Action

[160] *Id.* at 1023.

[161] *Id.*

[162] *Id.* ("Playboy claimed that Because banner advertisements appear immediately after users type in PEI's marks, PEI asserts that users are likely to be confused regarding the sponsorship of un-labeled banner advertisements.").

[163] *Id.* at 1026-27. There are indications the survey in this case was seriously flawed,

The changes to initial interest confusion doctrine discussed in the previous section violate both the letter and the spirit of trademark law by unmooring it from its search costs rationale.[164] To the extent that advertisers use deception to misdirect consumers to their products – whether through use of confusingly similar trademarks, by "trick[ing]" consumers into reaching the wrong site,[165] or through other forms of misleading advertising – they are hindering information flow and should be enjoined. But the fact that an advertiser used a keyword to reach a consumer with non-confusing information that was of interest to that consumer cannot itself be "confusion," whether of initial interest or any other variety. It may be a diversion of consumer attention, but if the consumer is not confused that diversion is simply not illegal. The presentation of viable alternatives or the truthful description of a competitor's capabilities do not distort the market; to the contrary, this information contributes to a robust and fully informed market.

Much of the current problem has resulted from misuse of the "initial interest confusion" concept. In the trademark context, the concept refers to a type of pre-sale

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however. *See* Goldman, *supra* note __, at __ (making this point).

[164] As Judge Learned Hand warned, "we are nearly sure to go astray in [trademark law] as soon as we lose sight of the underlying principle that the wrong involved is diverting trade from the first user by misleading customers who mean to deal with him." S.C. Johnson & Son v. Johnson, 116 F.2d 427, 429 (2d Cir. 1940).

[165] The Seventh Circuit appeared at first to require bait-and-switch misrepresentations as an element of initial interest confusion. AM Gen. Corp. v. DaimlerChrysler Corp., 311 F.3d 796 (7th Cir. 2002); Dorr-Oliver Inc. v. Fluid-Quip Inc., 94 F.3d 376, 382 (7th Cir. 1996). *But see* Promatec Industries, Inc. v. Equitrac Corp., 300 F.3d 808 (7th Cir. 2002). *Cf.* Bihari v. Gross, 119 F. Supp. 3d 309, 321 (S.D.N.Y. 2000) (concluding that actionable initial interest confusion is limited to cases in which "the defendant was using the plaintiff's mark to trick Internet users into visiting defendant's website, believing either that they were visiting plaintiff's website or that the defendant's website was sponsored by plaintiff").

confusion that diverts customers to a product other than the one they were seeking in circumstances in which it is costly to reverse course. The diversion, to constitute trademark infringement, must result from the consumer's belief that the trademark owner is sponsoring the ad page. Generally this results from some visible use of the plaintiff's mark. Where the advertisement or other item that attracts the user's attention does not contain the trademarked term or allusions to the trademark at all, courts should be extremely skeptical of claims of initial interest confusion.[166]

It is possible that in some circumstances the content of an advertisement or website may contain an implied falsehood, particularly when paired with a trademark-based keyword search. Suppose, for example, I type "Red Sox" as my search term, and the search engine generates an advertisement that says, "We have the tickets you want." If I click on the advertisement in the hope that I will find Red Sox tickets, I may well be disappointed, sometimes only after wasting time searching the site. While the advertiser has misled me, though, it has done so through the misleading content in its ad in the context of the user's search, rather than through its use of the keyword alone. The

[166] Some "hidden" uses such as metatags will be actionable on this theory because they helped to bring about some visible presentation of the mark. In Niton Corp. v. Radiation Monitoring Devices, Inc., 27 F. Supp. 2d 102 (D. Mass. 1998), for example, the defendant directly copied the meta-language in plaintiff's website, including the plaintiff's trademark. When an employee of plaintiff Niton performed an Internet search using the phrase "home page of Niton Corporation," the defendant's website turned up in the search results, along with the description "The Home Page of Niton Corporation, makers of the finest lead, radon, and multi-element detectors." *Id.* at 104. Such a visible use of the Niton mark presents a classic case of likelihood of pre-sale confusion, because consumers viewing this search result would understandably assume that the link would lead them to the plaintiff.

appropriate cause of action in these circumstances may be a false advertising claim under § 43(a)(1)(B) of the Lanham Act rather than a claim for trademark infringement.[167]

In other cases, however, consumers' attention is attracted to ads not through deceit but by giving the consumer information she wanted or at least might be interested in – precisely the sort of reduction in search costs that trademark law is supposed to encourage.[168] This includes a number of cases in which the ads include the trademarked term itself. If the advertiser has a legitimate reason to use the trademark – to engage in comparative advertising, to criticize or parody the trademark owner, to advertise used or reconditioned trademarked goods for sale or a willingness to service those goods, or to

[167] The Lanham Act allows a false advertising claim against any person who, "in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities . . . ." 43 U.S.C. § 43(a)(1)(B). The provision thus has two significant requirements: that the representation occur in commercial advertising or promotion, and that it contain "false or misleading descriptions or false or misleading representations of fact made about one's own or another's goods or services." S.C. Johnson & Son, Inc. v. Clorox Co., 241 F.3d 232, 238 (2d Cir. 2001) (citations omitted). *See* Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc., 314 F.3d 48, 56-58 (2d Cir. 2002) (interpreting "advertising or promotion" language to apply only to commercial speech disseminated to the relevant public and designed to influence purchasing decisions).

To qualify as "false or misleading" under the Lanham Act's false advertising provision, an advertisement must either be "literally false as a factual matter," or contain information that is "literally … true or ambiguous but … implicitly convey[s] a false impression," misleads, or deceives. United Indus. Corp. v. Clorox Co., 140 F.3d 1175, 1180 (8th Cir. 1998). Implied falsehoods are actionable only if the plaintiff presents proof that consumers were actually deceived by the advertisement at issue. Johnson & Johnson Vision Care, Inc. v. 1-800-Contacts, Inc., 299 F.3d 1242, 1247 (11th Cir. 2002). Such an actual deception requirement would impose some rigor on the Internet cases, and force courts to confront the question of whether various Internet advertising devices actually mislead consumers, or instead add new informational resources.

[168] *See* Playboy Ents. v. Netscape Comms., 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) (making this point).

publish stories about the brand or its owner, for example – the use of the term is legitimate and should not be considered confusing.[169]

The courts in the *1-800 Contacts* and *Playboy* cases erred by finding initial interest confusion merely because the ads in question "might divert potential customers from Plaintiff" on the basis of the proximity in space and subject matter of the advertisements, absent any proof of actual confusion.[170] Trademark infringement requires more than diversion – it requires confusion.[171] A court should not conclude that every use of trademarks in metatags or keywords does this. Particularly as technology advances, courts should consider whether the use, in context, is more likely to confuse, on the one hand, or to add to the wealth of information that the consumer might think important, on the other. In making this decision, courts should consider whether the defendant was legitimately attempting, in a non-confusing and non-diluting way, to

[169] For this reason, Google's new trademark policy for the U.S. and Canada, which permit the purchase of ad space based on a trademarked keyword but not the use of the trademarked term in the ad itself, *see* http://www.google.com/tm_complaint.html, is too favorable to trademark owners. It would forbid a number of ads that the advertiser has a legal right to run and which would help consumers find what they are looking for. Google has presumably adopted this policy as a compromise because of the many suits and threats of suit against it by trademark owners. But the fact that Google will block ads that are unquestionably legal is evidence of the *in terrorem* effect the expansion of trademark liability is having.

[170] *1-800 Contacts*, 2003 WL 22999270. The language appears in two separate places in district court's opinion. *See id.* at __, __. *Cf.* Promatek Indus., Ltd. v. Equitrac Corp., 300 F.3d 808 (7th Cir. 2002) (finding trademark infringement on a theory of "goodwill misappropriation" without applying the multi-factor likelihood of confusion test).

[171] *See* **J. Thomas McCarthy, Trademarks and Unfair Competition** §10:72 ("one cannot dispense with the carefully constructed requirements for trademark protection by blithely claiming that defendant 'misappropriated' some symbol of plaintiff.").

capture viewers' attention, in the same way that vendors have traditionally done in placing like products next to one another on the grocery shelf.[172]

Some commentators have argued that courts should take technological reality into account and deny infringement claims based on use of marks in metatags altogether, because metatags simply allow competitors to present choices, not necessarily to confuse.[173] We would not go that far, because we think there are limited circumstances

[172] *Cf.* Bihari v. Gross, 119 F. Supp. 3d 309, 323 (S.D.N.Y. 2000) (finding fair use of trademark in metatags of critical website, when the use "is the only way [defendant] can get his message to the public. … A broad rule prohibiting the use of 'Bahari Interiors' in the metatags of websites not sponsored by Bihari would effectively foreclose all discourse and comment about Bahari interiors, including fair comment"). While comment about trademark holders is an important value to promote, so is the ability of competitors to get customers' attention.

[173] *See*, *e.g.*, David M. Klein & Daniel C. Glazer, *Reconsidering Initial Interest Confusion on the Internet*, 93 **Trademark Rep.** 1035, 1061 (2003) ("Any 'diversion' of the consumer's interest does not necessarily result from the consumer being misled; rather, it results from the consumer's informed choice in selecting from a group of hyperlinks to websites."); *id.* at 1061-62 ("Although metatags allow consumers to consider listed websites in close proximity, there is no more representation made to consumers of affiliation or sponsorship than in the context of a telephone book's yellow pages."); Yelena Dunaevsky, *Don't Confuse Metatags With Initial Interest Confusion,* 29 **Fordham Urb. L.J.** 1349 (2002); Julie A. Rajser, *Misunderstanding the Internet: How Courts Are Overprotecting Trademarks Used in Metatags,* 2001 **L. Rev. Mich. St. U. Det. Col. L.** 427. *See also* Eric Goldman, *Deregulating Relevancy in Internet Trademark Law* (working paper 2004) (arguing that initial interest confusion is a bad doctrine that leads to pernicious consequences online more generally). For a prescient discussion of the problems metatags would pose for Internet trademark law, see Maureen A. O'Rourke, *Defining the Limits of Free Riding in Cyberspace: Trademark Liability for Metatagging*, 33 **Gonz. L. Rev.** 277 (1997).

Under this approach, "cyberstuffing" – i.e., repeating a mark in metatags solely to gain prominence in a search result – would not be prohibited. This might be a problem – stuffing metatags with irrelevant information may actually increase consumer search costs, and some courts have prohibited it. *See* SNA, Inc. v. Array, 51 F. Supp. 2d 554, 562-63 (E.D. Pa. 1999) (finding that repetitious use of competitor's mark in website metatags, with intent to harm the competitor, constituted "a bad faith intent to confuse internet users" rather than a good faith attempt to index the contents of the site). But as Eric Goldman observes, search engines exist in a competitive market and have a strong incentive to provide their users with the most relevant search results, weeding out algorithms that can be gamed and responding to efforts to divert consumer attention in in which the use of hidden content can deceive consumers and increase their search costs. But those are exceptional cases, and there is no basis for assuming that any effort to attract consumer attention is itself illegal. In part because the costs of switching Web sites is so minimal, and in part because modern consumers have a realistic sense of the plethora of results they can get from searches – some highly relevant, some not – they arguably have greater patience with obtaining some red herrings.[174] While trademark holders may complain that those red herrings are exactly what they want to avoid because of the risk that the consumer might be diverted to them, trademark law has never empowered trademark holders to prevent customers from being attracted by truthful information rather than being deceived by false information. Most consumers would probably prefer more comprehensive information to a world in which the trademark owner controls what they can see, at least as long as they can be protected against deception.[175]

Further, if courts create a world in which trademark owners can control what ads appear alongside Web pages or search result, they may increase consumer search costs beyond the level of those costs offline. In the physical world, mere proximity of goods or advertisements has never been thought to be illegal. Generic drug manufacturers can market their product in part by ensuring that it appears on the pharmacy shelf next to its

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ways that turn consumers off. Goldman, *supra* note __, at __. Indeed, just this form of technology competition may have rendered the metatag cases irrelevant: Google, the primary search engine today, does not use metatag data in determining the relevance of a search result.

[174] Eric Goldman reports studies showing that Internet searchers will spend quite a bit of time investigating a topic before giving up. Goldman, *supra* note __, at __.

[175] *See* Klein & Glazer, *supra* note __, at 1063 ("consumers arguably benefit from a wider variety of choices in their purchasing decisions when multiple websites are listed in the results of a search engine inquiry").

brand-name equivalent. Gas stations can compete by staking out adjacent street corners. But there is no similar notion of proximity online. You can't see the Web site "next door."[176] The only way to create such proximity is to permit Internet intermediaries like search engines to offer people links to competitive goods that they might enjoy.

There is a related problem – the problem of coddling consumers and thereby changing their expectations.[177] If we forbid intermediaries from providing such comparative information, relegating them to pointing to official sites, we may create a self-fulfilling prophecy. Right now, consumers understand that search engines return hits based on relevance, and not based on ownership. But if the law mandates that only official sites can take advantage of keyword trademarks, consumers may come to believe that any search result must have some sort of affiliation with the trademark owner. If the law causes this belief, it might then have to permit suits against advertisers or Web sites whose pages come up in a search result list,[178] since otherwise consumers will be confused. The law will have created the very confusion it then seeks to remedy.[179] And in the process, it will have rendered search engines much less valuable as tools for

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[176] *See* Mark A. Lemley, *Place and Cyberspace,* 91 **Calif. L. Rev.** 521, 536 (2003) (making this point).

[177] For a discussion of this problem in consumer confusion analysis more generally, as the law has taken more and more account of ignorant and credulous consumers, *see* Jessica Litman, *Breakfast With Batman: The Public Interest in the Advertising Age*, 108 **Yale L.J.** 1717, 1722-23 (1999).

[178] In our experience, even now search engines receive complaints from trademark owners every day demanding that when their marks are searched, the results be "clean" -- scrubbed of relevant Web sites not officially sanctioned by the trademark owner.

[179] Something similar has arguably happened with merchandising of logos. Fifty years ago, no one would have assumed that any T-shirt bearing the name of a sports team must have been licensed by the team. But because the law began to require such licensing, arguably today that is exactly what people think. If so, the law may be bound to enforce that belief, even though it was overly expansive court decisions that created the confusion

consumers to find product information. The early promise of the Internet as a marketplace utopia in which consumers are empowered and fully informed will be well and truly dashed.

The foregoing leads us to conclude that initial interest confusion is not properly viewed as a separate cause of action at all.[180] By recognizing initial interest confusion as a separate claim, courts have shifted the emphasis of trademark suits away from the question of whether a use confuses to whether it attracts initial interest; as recent cases demonstrate, this shift in emphasis threatens to write the confusion requirement out of the Lanham Act altogether. True instances of initial interest confusion may affect consumer search costs, and so may provide evidence of harm under traditional principles of trademark law. Further, "bait and switch" advertising may be independently actionable under the Lanham Act. But thinking of initial interest confusion as a separate category is a mistake, because it leads courts to jettison the limitations and defenses that have long kept trademark law on the proper path of minimizing consumer search costs.

3. Initial Interest Confusion Requires Competitive Proximity Between the Parties

There is a second problem with the judicial expansion of initial interest confusion. Diverting use of trademarks is even plausibly a problem only in two contexts: first, as in the paradigm initial interest confusion cases, when the parties to the suit are competitors,

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in the first place. *See* Lemley, *Common Sense, supra* note __, at __.

[180] The First Circuit appears to take this approach, though it has not addressed the question recently. *See* Astra Pharm. Prods. v. Beckman Instruments, Inc., 718 F.2d 1201, 1207 (1st Cir. 1983); The Beacon Mutual Ins. Co. v. OneBeacon Ins. Group, 2003 WL 22699644 (D.R.I. 2003). *Compare* EMC Corp. v. Hewlett-Packard Co., 59 F. Supp. 2d

and the combination of confusion and switching costs may divert would-be customers to the competitor's product;[181] and second, when diversion to a non-competitor imposes sufficient search costs on the consumer that the source-identifying value of the trademark will inevitably suffer. Only the first of these types of diversion even arguably qualifies as traditional trademark infringement – i.e., the use of a mark to create a perceived connection between competing products, and to convert customers based on that perceived connection. As a result, the Third Circuit held in *Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc.,* that initial interest confusion requires proof that the parties are direct competitors.[182]

The second form of potential harm from diversion is not infringement-based at all, but a dilution-like theory that the communicative power of a mark may suffer if consumers cannot count on the mark to reach the trademark holder.[183] But dilution claims, while broader in some sense, are available only in a narrow range of cases involving famous marks and uses that cause *actual* harm to the distinctiveness of the trademark.[184] From a search costs perspective, the narrow scope of dilution makes perfect sense: as a general matter, non-competitors have little incentive to utilize

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147 (D. Mass. 1999).

181 *See*, *e.g.*, *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons, Inc.*, 523 F.2d 1331 (5th Cir. 1975); *Brookfield Communications v. West Coast Ent. Corp.,* 174 F.3d 1036 (9th Cir. 1999); .

182 269 F.3d 270 (3d Cir. 2001). *See also Chatam Int'l v. Bodum, Inc.*, 157 F. Supp. 2d 549 (E.D. Pa. 2001), *aff'd* 40 Fed. Appx. 685 (3d Cir. 2002).

183 *Cf. Panavision Intern'l, L.P. v. Toeppen*, 141 F.3d 1316, 1326-27 (9th Cir. 1998) (finding that, by registering the trademark holder's mark as a domain name, cybersquatter had diluted the value of the trademark, because potential customers would feel frustrated by the inability to locate the trademark holder at the expected address, and might give up their search altogether).

184 *See* 15 U.S.C. § 1125(c)(1); Victoria's Secret, Inc. v. Moseley, 537 U.S. 418 (2003).

unrelated marks to call attention to their products or services; and even when a mark's fame and cachet make such a strategy appealing, the non-competitor's use will not necessarily prevent customers from continuing to seek out the trademark holder or make them think less of the trademark holder's mark. Occasionally, a non-competitor might divert consumers in a way that could frustrate their ability or willingness to reach the trademark holder by, for example, "mousetrapping"[185] them at a site unrelated to the trademark holder. Such situations, however, are rare, and should be evaluated under the stricter requirements of the Federal Trademark Dilution Act.

For more run-of-the-mill trademark infringement cases, the search costs rationale suggests that pre-sale confusion should support a claim only when the parties compete in a relevant market, such that confusion could divert consumers from the trademark holder to the imitator. Direct competitors are the ones most likely to benefit from temporarily diverting consumer attention. Non-competitors presumably won't distract customers from their purchase – a driver induced to exit the highway by a sign for a hamburger restaurant won't be satisfied with a movie rental store instead. And whether traditional or initial interest confusion is at issue, it should be of concern to the law only if it materially affects ultimate purchasing decisions.[186]

Further, expanding the doctrine of initial interest confusion beyond direct competition, as the courts implicitly do by applying it to search engines or providers of

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[185] "Mousetrapping" is "a technique that forces a user to remain on a specific Web site by not allowing the user to leave the site." **Webopedia**, definition of "mousetrap," at http://www.webopedia.com/TERM/m/mousetrapping.html (last visited April 29, 2004).

[186] This is the standard Lisa Sharrock suggests is consistent with the "conservative approaches" of the Third, Fifth, and Seventh Circuits, and we think it is the right one. Lisa M. Sharrock, *Realigning the Initial Interest Confusion Doctrine With the Lanham Act*, 25 **Whittier L. Rev.** 53, 54-55 (2003).

pop-up ad service, leads to unreasonable results. All sorts of legitimate uses of a trademark rely on a party's ability to temporarily attract the attention of a consumer by referring to that trademark. Companies who want to sell complementary goods need to target their ads to the purchasers of the complement, running airline specials to Anaheim in conjunction with searches for Disneyland, for instance. And it is legal for them to do so. Moviemakers who wish to poke fun at that much-maligned potted meat, Spam, must use the Spam mark to make their point, and it is legal for them to do so.[187] Songwriters who wish to make fun of Barbie must use the Barbie mark to attract listeners' attention, and it is legal for them to do so.[188] Artists who wish to make statements about Barbie must use the doll itself to make their point, and it is legal for them to do so.[189] Newspapers who wish to publish stories or run contests about a band must use the name of the band to convey their point, and it is legal for them to do so.[190]

These uses are legal because the use of the mark to draw consumer attention in fact reduces consumer search costs, since the object of the attention is related to the mark in question. Yet each of these uses also has the potential to confuse consumers for a time, making them think of the trademark holder's good. The law permits these uses because it thinks the value to consumers of being able to find parodies, satires, evaluations and commentaries outweighs any difficulty occasioned by the fact that more

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[187] Hormel Foods Corp. v. Jim Henson Productions, 73 F.3d 497 (2d Cir. 1996).

[188] *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894, 900 (9th Cir. 2002).

[189] *Mattel, Inc. v. Walking Mountain Productions*, --- F.3d ----, 2003 WL 23018285 (Fed. Cir. Dec. 29, 2003).

[190] *New Kids on the Block v. News America Publishing, Inc.,* 971 F.2d 302 (9th Cir. 1992). *See also Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) (holding that Ginger Rogers could not sustain a trademark claim against the movie *Ginger and Fred* on the basis that it falsely suggested that the movie was about her).

than one person may use the term "Barbie." Construing initial interest confusion to be limited to circumstances of direct competition or dilution is the only way to render it consistent with these viable legal doctrines.

One cannot, then, draw a general conclusion that the purchase advertising space based on the presence of a trademarked keyword in a user search is necessarily likely to confuse consumers. Only a factual analysis of the text of the ad, the nature of the site and the reasons for using the mark, and the costs of finding what the consumer was actually looking for can support a finding of consumer confusion.

As an aside, this more traditional reading of initial interest confusion should suffice to protect search engines and suppliers of Web services from liability for direct infringement even if the courts find that such intermediaries are engaged in trademark use. 1-800 Contacts and WhenU are not competitors. 1-800 Contacts sells contact lenses, and WhenU provides Internet marketing services. Similarly, Playboy and Excite aren't competitors. Playboy sells pornography, while Excite provides Internet search results. The plaintiffs in these cases might have a claim for direct initial-interest confusion against other contact lens companies or other pornographers that place their ads with these intermediaries, but not against the intermediaries themselves.[191]

III. Turning the Tide

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[191] In *Playboy*, the situation was arguably more complicated because Netscape allegedly required advertisers to purchase a group of keywords that included the terms "Playboy" and "Playmate." *Playboy*, 354 F.3d at __. But Netscape itself wasn't running ads that confused consumers, or selling products in competition with Playboy, so its liability for selecting the keywords in question should be addressed under principles of contributory rather than direct infringement.

The problems we have identified come about because the courts in the Internet cases we have discussed appear willing to stretch or ignore traditional doctrine because of their equitable concerns about unjust enrichment. This may be a particular problem on the Internet, because the novelty of the medium convinces courts and commentators that the issues that arise there are new ones with no obvious analogue in the offline world. Sometimes that is true; cybersquatting, for instance, fits uneasily within traditional trademark law, and courts spent some time stretching that law before Congress and ICANN stepped in with laws and regulations designed to deal with the problem directly.[192] But in the case of Internet keywords, the apparent novelty of the question has served to distract courts from the application of well-established rules of trademark law, and has allowed them to give free rein to well-intentioned but fundamentally misguided instincts about ownership and unjust enrichment, instincts that are based in conceptions of property and not the quite different policy moorings of trademark law.

The result is a problem whose solution is both simpler and more difficult than one sees in a typical law review article. We are not saying the law needs changing; it doesn't. The law itself is just fine, and can handle Internet keywords without substantial modification. What must change is that the courts must remember to apply that law. At one level this is easy enough to do; we don't need to draft a statute, or propose a new multifactor test, or anything of the sort, in order to solve the problems we have discussed in this paper. At another level, our "proposal" may be harder to implement precisely

[192] Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d); ICANN, *Uniform Domain-Name Dispute-Resolution Policy*, http://www.icann.org/udrp/udrp.htm. On the stretching of traditional trademark law to capture cybersqsuatters, see, e.g., Lemley, *Common Sense*, *supra* note __, at 1701-03. For a contrary argument that the ACPA was unnecessary, see Suzanna Sherry, *Haste Makes Waste: Congress and the*

because it doesn't take the form of new law. Courts must be mindful of long-standing legal rules, and even more so of the fundamental normative goal that underlies those rules – the reduction of consumer search costs. By focusing on this goal, courts may find themselves more able to resist the seductive allure of the unjust enrichment claim. Our hope in this article is to remind courts and commentators of the equities on the other side – the reasons we have limiting doctrines in trademark law and the importance of applying them uniformly. Only with the animating principles of trademark law firmly in mind can courts hope to get the law right in the new environment of the Internet.

Common Law in Cyberspace, 55 **Vand. L. Rev.** 309 (2002).