Making a Mark in the Internet Economy: A Trademark Analysis of Search Engine Advertising

Mark Bartholomew

Follow this and additional works at: https://digitalcommons.law.ou.edu/olr

Part of the Intellectual Property Law Commons

Recommended Citation
Making a Mark in the Internet Economy: A Trademark Analysis of Search Engine Advertising

Mark Bartholomew*

I. Introduction

Commercial trade in the United States is undergoing a seismic shift as consumers flock to the Internet. Over sixty-four million adults go online every month.1 They increasingly come to shop. Online purchases jumped by more than 25% last year,2 and this past holiday season consumers spent over $23 billion online.3 And if they aren’t buying, they’re browsing. Since the World Wide Web’s inception in 1990, the Internet has become an essential source for information on products and retailers.4 Responding to the trend, corporations are shifting billions of advertising dollars from traditional media to the Internet. Last year, corporate America spent $8.7 billion on various forms of online advertising.5

The explosive growth of e-commerce comes at a price. As commercial websites multiply, businesses are looking for new techniques to break through the informational clutter. One such technique that has received considerable attention is the use of Internet search engines for keyword search advertising. Keywords are the terms or phrases a computer user types into a search engine to conduct an online search.6 Keyword search advertising occurs when an

* Deputy County Counsel, Sonoma County, California. J.D., Yale Law School; B.A., Cornell University. The author would like to thank Christine Pedigo, Matthew Schultz, and John Tehranian for their assistance with this article.


advertiser pays a search engine to link a particular keyword to its website. When a search engine user types the keyword into her browser window, a link to the advertiser’s business appears on the search engine results page. Businesses like keyword search advertising because it targets customers who have already expressed an interest in the businesses’ product. Last year, keyword search advertising represented more than 40% of the nearly $9 billion spent on Internet advertising.

Not every business is pleased with search engine advertising. Keywords are often trademarks, and trademark owners object that the search engines are guilty of an insidious invasion of their trademark rights when they sell their trademarks as keywords without their permission. In the mark holders’ eyes, permitting the use of their marks to trigger advertising by their business competitors is bad enough, but placing these advertisements on a page of supposedly accurate search engine results is the “sort of deception and consumer confusion [that] the trademark laws are intended to prohibit.” Most of the mark holders’ ire is directed at Google, the most widely used search engine in the world. Like other search engines, Google allows advertisers to bid on keywords, even if the keyword is a trademark. The mark holders have filed multiple actions against Google for trademark infringement. The outcome of these pending infringement cases has enormous potential to impact search engines and the way corporate America spends its advertising dollars.

9. Markoff & Ives, supra note 5.
12. See infra Part I.B.
13. Indeed, some contend that “use” should be defined narrowly if for no other reason than that the indirect effect of a broad definition would be to eliminate the revenue stream that has allowed search engines to provide their services to the public for free. See Stacey L. Dogan & Mark A. Lemley, Trademarks and Consumer Search Costs on the Internet, 41 HOUS. L. REV. 777, 782 (2004).
The current state of trademark law makes it impossible to predict how the Google cases will be resolved. In order to succeed on a claim for trademark infringement, a claimant must prove that: (1) there was a “use” of the mark by the alleged infringer; and (2) this “use” creates a “likelihood of confusion” among consumers.14 While a rich body of law already maps the contours of the likelihood of confusion test, there is little information available to litigants as to what constitutes “use.” Using the Google cases as a springboard, this article describes the current impoverished state of trademark “use” law and proposes a definition of “use” for the era of Internet commerce. After a brief summary of both the requirements for proving trademark infringement and defenses thereto, Part II examines how courts currently define trademark use. Although there has been some movement towards a definition that can meet the challenges of Internet commerce, the case law generally remains stuck in a narrow concept of trademark insufficient to meet those challenges. Part III looks at the theoretical bases for trademark law. An oft-cited rationale for trademark law is to reduce consumer search costs. But because the search costs rationale is not an entirely satisfying justification for trademark protection, and it is already encompassed by the likelihood of confusion test, other theories are examined. Part IV offers a new definition of “use” based on the often overlooked rationale that trademark law should encourage the development of new trademarks. This proposed definition of “use” grounded on efforts to trade on consumer goodwill would identify search engines like Google that sell advertising based on trademarked keywords as potential infringers, but only make them liable for infringement if their uses also confuse consumers. Such a definition would encourage trademark investment, lend some much needed clarity to the law, and avoid the redundancy of other proposed definitions of “use.”

II. The Current Landscape of Trademark Protection

A. The Test for Trademark Infringement

Trademark infringement in the United States is forbidden by the Lanham Act.15 The Lanham Act defines a trademark as any word, name, symbol, or device used by a person to identify and distinguish goods or services from those of others and to indicate the source of those goods or services.16 Sections 32 and 43(a) of the Lanham Act prohibit trademark infringement. The former sets

out the standard for liability for infringement of a federally registered trademark;\textsuperscript{17} the latter provides the standard for misuse of an unregistered trademark.\textsuperscript{18} These tests for infringement are substantially the same.\textsuperscript{19} They require a plaintiff to establish that: (1) the trademark was “used” by the defendant in commerce; and (2) such “use” is likely to cause confusion among the consuming public.\textsuperscript{20} The focus of this article is the definition of “use” — the first stage in the trademark infringement analysis. Only after it has been determined that there has been a use in commerce should the court proceed to an analysis of whether there is a likelihood of confusion.\textsuperscript{21} After briefly sketching the way courts determine likelihood of confusion, this part examines case law where the definition of “use” has been at issue. This part concludes with a description of “fair use,” an affirmative defense to trademark infringement that requires an analysis separate from the determination of “use.”

\textsuperscript{17} Section 32 states that a party may be liable for infringement for use in commerce [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive. 15 U.S.C. § 1114(1)(a) (2000).

\textsuperscript{18} Section 43(a) prohibits “uses in commerce [of] any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact” that “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial, activities by another person.” 15 U.S.C. § 1125(a)(1) (2000).


\textsuperscript{20} Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc., 285 F.3d 848, 853-54 (9th Cir. 2002); U-Haul, Int’l v. WhenU.com, Inc., 279 F. Supp. 2d 723, 727 (E.D. Va. 2003). In addition to demonstrating “use” and “likelihood of confusion,” a section 32 plaintiff must prove ownership of a registered trademark. See Trade Media Holdings Ltd. v. Huang & Assoc., 123 F. Supp. 2d 233, 237 (D.N.J. 2000). For infringement of an unregistered mark, the plaintiff must demonstrate that the unregistered mark merits Lanham Act protection, that is, the mark is descriptive and possesses secondary meaning or that it is suggestive, arbitrary, or fanciful. See Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976). Suggestive marks are those marks that suggest a feature or characteristic of the product or service but still require some imagination and thought to reach a conclusion as to the nature of the product or service. Stix Prods., Inc. v. United Merchs. & Mfrs., Inc., 295 F. Supp. 479, 488 (S.D.N.Y. 1968). Arbitrary and fanciful marks are considered inherently distinctive. Abercrombie & Fitch Co., 537 F.2d at 9. Fanciful marks are composed of made-up words such as “KODAK” for film. Id. A mark is arbitrary if the term has no direct or indirect relationship to the product or service in question or any of its qualities or characteristics. See id.

\textsuperscript{21} Bird v. Parsons, 289 F.3d 865, 877 (6th Cir. 2002).
B. The Google Litigation

Google is the major seller in the search engine advertising market. It reaches 80% of U.S. Internet users and accounts for one-third of all online advertising. Businesses paid $1 billion to showcase their products on Google in the last three months of 2004. “Adwords” is the name of the keyword search advertising program that Google offers its business customers. Under the Adwords program, advertisers can purchase or bid on keywords that will generate an advertising link when a consumer conducts a search using that keyword on Google. The advertising link appears on the top, right, or left hand side of the screen under the heading “Sponsored Links.” A line separates the “Sponsored Links” from the rest of the search results. Google’s policy is to allow marketers to purchase trademarked words and phrases for use in the Adwords program. The Adwords program exposes the inadequacy of the current definition of “use” in the trademark infringement context.

Mark holders across the world have taken issue with Google’s advertising system. In France and Germany, multiple mark holders have taken on Google and won. Google users typing trademarks for two French travel firms — “Bourse des Vols” and “Bourse des Voyages” — were offered “Sponsored Links” to EasyJet, a low cost rival. The two French firms sued and were


24. Markoff & Ives, supra note 5.

25. Gov’t Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 701-02 (E.D. Va. 2004); Brief of American Blind, supra note 10, ¶ 19; see also Google, Adwords, supra note 22 (describing Adwords program). Unlike some search engines, Google does not require an exact match between a search term and the purchased keyword in order to generate a result. Instead, Google’s default is to automatically pair purchased keywords with other relevant words. For example, if an advertiser bids on “blinds,” Google not only runs the advertisement with results from a search for “blinds,” but also with results for a search for “Hunter Douglas blinds.” In contrast, other search engines such as Overture and Kanoodle.com default to exact matching so that an advertiser that bids on “blinds” will have its ad run with results from a search for that exact term only. See Kate Kaye, Trademark Infringement Disputes Among Search Providers Heat Up, MEDIAPOST’S MEDIA DAILY NEWS, at http://www.mediapost.com/PrintFriend.cfm?articleId=241025 (Mar. 8, 2004).


awarded damages against Google’s French subsidiary.28 Recently, another French court ordered Google to stop displaying advertisements for rival manufacturers when consumers typed the LOUIS VUITTON trademark into the search engine.29 In Germany, a court found that Google’s keyword advertising practices constituted trademark use and issued a preliminary injunction against the search engine.30

Mark owners are also suing Google for trademark infringement in the United States. In a case in the Eastern District of Virginia, Government Employees Insurance Co. v. Google, Inc.,31 an insurance company contended that Google infringed its trademark by selling advertising linked to the mark GEICO through its Adwords program. Google moved to dismiss the case on the grounds that there was no actionable “use” of the GEICO mark under the Lanham Act because the complaint did not allege that Google used the mark “in a way that identifies the user as the source of a product.”32 The court denied Google’s motion to dismiss, holding instead that selling the GEICO mark through the Adwords program constituted a “use” under the Lanham Act.33 Months later, however, the court granted Google’s motion for judgment as a matter of law, concluding that there was insufficient evidence that Google’s use of the GEICO mark was likely to confuse consumers.34

In a separate case in the Northern District of California, American Blind, a retailer of custom order window treatments and wall coverings, was offended by Google’s Adwords program because it sold its trademarks AMERICAN BLIND and AMERICAN BLINDS as keywords. American Blind contended...
that by selling its trademarks to other companies so that other companies’ websites would appear under the “Sponsored Links” column when consumers typed in the AMERICAN BLIND trademark, Google violated the Lanham Act.\textsuperscript{35} Google filed a motion to dismiss American Blind’s complaint that the district court denied.\textsuperscript{36}

\textbf{1. Likelihood of Confusion}

To determine whether there is a likelihood of confusion, courts ask whether “an appreciable number of reasonably prudent purchasers” likely would be confused as to the source or sponsorship of the goods or services in question.\textsuperscript{37} To assess whether this appreciable number exists, the courts use a multi-factor test.\textsuperscript{38} These factors are: (1) the strength or distinctiveness of the plaintiff’s mark; (2) the degree of similarity between plaintiff’s and defendant’s marks; (3) the proximity of the products; (4) the likelihood that plaintiff will bridge the gap; (5) actual confusion; (6) defendant’s good faith in adopting the mark; (7) the quality of defendant’s product; and (8) the sophistication of the buyers.\textsuperscript{39} Chief among these factors is the strength or distinctiveness of the mark at issue. Only if the court deems the mark capable of distinguishing the claimant’s goods and services from the goods and services of others does the court proceed to an evaluation of the other likelihood of confusion factors.\textsuperscript{40}

Typically, a claimant contends that there is confusion that occurs at the time a consumer purchases an allegedly infringing good.\textsuperscript{41} But consumer confusion

\textsuperscript{35} See generally Brief of American Blind, supra note 10.
\textsuperscript{37} Int’l Ass’n of Machinists & Aerospace Workers v. Winship Green Nursing Ctr., 103 F.3d 196, 201 (1st Cir. 1996); see also 3 McCARTHY, supra note 11, § 23:2 (collecting cases).
\textsuperscript{38} Although each of the federal circuits has its own list of factors to determine the presence or absence of a likelihood of confusion, the factors used by the different circuits are quite similar. 3 McCARTHY, supra note 11, § 23:19, at 23-69 to -70.
\textsuperscript{39} See AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979); Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).
\textsuperscript{41} 3 McCARTHY, supra note 11, § 23:5, at 23-19.
can also be actionable when it occurs after the completed sale or even if it occurs in the absence of an actual sale. A special type of confusion called “initial interest confusion” is of particular relevance to trademark use on the Internet. Initial interest confusion occurs when a consumer seeking a particular trademarked service or product is initially lured to a competitor’s product by a confusingly similar trademark, even if the consumer later receives information that ends the confusion before there has been a sale. For example, a video rental company that included the trademarked term MOVIEBUFF within the internal code for its website was charged with trademark infringement by the mark holder. The internal code caused a link for the video rental company’s website to appear in the search engine results whenever MOVIEBUFF was used as a search term. The court reasoned that Internet users would be diverted to the link for the video rental company’s website when they originally intended to go to the MOVIEBUFF website. Even if they eventually realized that they were not at the mark owner’s website, the court concluded this initial confusion could harm the MOVIEBUFF mark owner.

2. Current Judicial Definitions of “Use”

Before assessing likelihood of confusion, a court must determine if there has been a “use” of the plaintiff’s mark. The Lanham Act’s anti-infringement provisions state that it prohibits “use[s] in commerce” of a trademark that are likely to cause confusion. But exactly what “use in commerce” means is unclear. The Lanham Act’s legislative history only reveals that “use” should

42. See, e.g., United States v. Torkington, 812 F.2d 1347, 1352-53 (11th Cir. 1987); see also 3 MCCARTHY, supra note 11, § 23:7 (discussing post-sale confusion doctrine).
43. See Elvis Presley Enters., Inc. v. Capece, 141 F.3d 188, 204 (5th Cir. 1998); see also 3 MCCARTHY, supra note 11, § 23:6 (discussing initial interest confusion doctrine).
44. At this time, only the Second, Fifth, Seventh, and Ninth Circuits have accepted an initial interest confusion standard. See Melinda M. Kline, Comment, Missing the Mark: The Trademark Battle over Software-Based Contextually Targeted Advertising on the Internet, 54 CASE W. RES. L. REV. 917, 929 n.94 (2004).
45. 4 MCCARTHY, supra note 11, § 25:69, at 25-158.
47. Id. at 1062.
48. Id. at 1057.
49. Id.
52. There are actually two separate elements to the “use in commerce” requirement: (1)
be defined “flexibly.”

Some rules for determining “use” have been established by various lower courts. “Use” is not limited to commercial sales, but instead can apply to noncommercial services, including public service projects and political activities. Mere advertising alone is not enough to constitute a “use.” But these rules only explain what “use” is, not what “use” is. Although case law provides some basic starting points for defining “use,” no concrete definition of trademark “use” exists. This situation leads

there must be a “use”; and (2) the use must take place “in commerce.” See Int’l Bancorp, LLC v. Societe Des Bains De Mer Et Du Cercle Des Etrangers A Monaco, 329 F.3d 359, 372 (4th Cir. 2003). To satisfy the second element, the action that the plaintiff contends is infringement must be “in commerce,” that is, the action must be some aspect of trade that Congress may regulate under the Commerce Clause of the United States Constitution. For example, it has been held that distribution of software over the Internet satisfies the “in commerce” jurisdictional predicate. Planetary Motion, Inc. v. Techsposion, Inc., 261 F.3d 1188, 1194-95 (11th Cir. 2001). The “in commerce” requirement merely reflects the limit of Congress’s authority under the Commerce Clause and does not represent an intent to limit the Lanham Act’s application to profit-making activities. See United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc., 128 F.3d 86, 92-93 (2d Cir. 1997). Some courts incorrectly treat the jurisdictional “in commerce” requirement as equivalent to the requirement of a “use” when really “use” is a distinct requirement having little to do with the scope of Congress’s authority under the Commerce Clause. See, e.g., Planned Parenthood Fed’n of Am., Inc. v. Bucci, 1997 WL 133313, at *3-4 (S.D.N.Y. 1997); Charles Atlas, Ltd. v. DC Comics, Inc., 112 F. Supp. 2d 330, 336-37 (S.D.N.Y. 2000). “[T]here is little question that the ‘in commerce’ requirement would be met in a typical Internet message.” Intermatic v. Toeppen, 947 F. Supp. 1227, 1239 (N.D. Ill. 1996) (internal citations omitted).


Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc., 285 F.3d 848, 855 (9th Cir. 2002).


See, e.g., United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc., 128 F.3d 86, 90-91 (2d Cir. 1997).


to inconsistent and nonspecific adjudications. Instead of grappling with the definition of “use,” courts have often plunged ahead with the likelihood of confusion analysis, omitting any real discussion of whether the “use” requirement has been met.

In the past, courts could afford to ignore the “use” requirement because of the way trademarks traditionally had been used. In most cases, the mark at issue was printed in an advertisement or affixed to the defendant’s goods. Because the trademark utilization at issue was visible to consumers, there was little need for a comprehensive analysis of “use.” The innovations of the Internet, however, have put new pressure on judges to define “use.” Infringement on the Internet differs from traditional trademark disputes in that trademarks can be employed by non-mark holders without the consumer ever witnessing the mark’s use. A mark can lure in customers simply by being embedded in a website’s internal code or being used by a search engine to trigger keyword search advertisements.

In struggling to define “use” under these new technological circumstances, courts have come up with two tentative answers. One approach is to limit the definition of “use” to those occasions when a defendant takes a trademark and uses it to brand the defendant’s own goods or services. Another strategy is to exclude from the definition of “use” those activities involving trademark that

59. Compare U-Haul Int’l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723, 728 (E.D. Va. 2003) (ruling that pop-up advertising triggered by trademarked keywords was not a “use”) with 1-800 Contacts, Inc. v. WhenU.com, 309 F. Supp. 2d 467, 489-90 (S.D.N.Y. 2003) (ruling that such advertising was a “use”); see also Dogan & Lemley, supra note 13, at 785 (contending that “predicting whether a court would condone or condemn a particular use of a trademark on the Internet [is] tricky at best”).

60. See, e.g., Davidoff & CIE, S.A. v. PLD Int’l Corp., 263 F.3d 1297, 1301 (11th Cir. 2001); AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 346-54 (9th Cir. 1979).

61. See Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 958 (C.D. Cal. 1996) (explaining that “[i]n the ordinary trademark infringement case . . . there is no question that the defendant used the mark [and] the analysis proceeds directly to the issue of whether there is a likelihood of confusion”).

62. Separate, yet related, to the issue of what kind of “use” is necessary for trademark infringement is the “use” required of a plaintiff to demonstrate that it holds a valid trademark because it “used” its mark in commerce before the defendant did. See Emergency One, Inc. v. Am. FireEagle, Ltd., 228 F.3d 531, 536 (4th Cir. 2000). Although this requirement is similar to the “use” necessary to demonstrate infringement, it is not identical. See 1 McCarthy, supra note 11, § 3-3, at 3-11; see also 1-800 Contacts, Inc, 309 F. Supp. 2d at 489-90 (holding that cases involving the question of whether a plaintiff adequately used its mark to establish a valid services mark did not necessarily apply to the question of whether a defendant is “using” a plaintiff’s trademark).

63. See, e.g., Brookfield Communications, Inc. v. W. Coast Entm’t Corp., 174 F.3d 1036, 1066 (9th Cir. 1999) (holding that use of trademarks in internal website code is an infringing “use”).
are “technical” or “mechanical.” Ultimately, however, neither approach is satisfactory.\footnote{See infra Part IV.A.}

\textit{a) Limiting “Use” to a Source Identifier}

A handful of recent cases suggest that a “use in commerce” can only occur when the defendant employs the plaintiff’s mark as an identifier of its own goods or services.\footnote{See Interactive Prods. Corp. v. A2Z Mobile Office Solutions, Inc., 326 F.3d 687, 695 (6th Cir. 2003); DaimlerChrysler AG v. Bloom, 315 F.3d 932, 939 (8th Cir. 2003); United We Stand Am., Inc. v. United We Stand, Inc., 128 F.3d 86, 92 (2d Cir. 1997); U-Haul Int’l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723, 728 (E.D. Va. 2003); Wells Fargo & Co. v. When U.com, Inc., 293 F. Supp. 2d 734, 763 (E.D. Mich. 2003); Felix the Cat Prods., Inc. v. New Line Cinema Corp., 54 U.S.P.Q.2d (BNA) 1856, 1858 (C.D. Cal. 2000).} According to these cases, unless the defendant is using the mark as a badge of identification, there is no “use.” The Second Circuit suggested this definition of “use” in \textit{United We Stand America, Inc. v. United We Stand, America New York, Inc.}\footnote{Id. at 88.} The plaintiff in that case was Ross Perot’s presidential campaign committee, which had registered the mark “United We Stand America.”\footnote{Id. at 91-92.} Divisions between Perot’s New York supporters led a rival group to organize and use the mark in connection with its political activities.\footnote{Id. at 92.} The original committee sued to prevent the rivals from using the mark. The rivals contended that they had not “used” the mark because they were simply communicating political ideas just like defendants in other cases who had been allowed to employ trademarked terms to communicate a non-commercial message.\footnote{Id.} The Second Circuit rejected this argument and found infringement, explaining that the “crucial difference” between the rival Perot supporters and the defendants in the other cases was that the rivals were “using the Mark not as a commentary on its owner, but instead as a source identifier.”\footnote{Id. at 91-92.} The court explained that the rivals had engaged in a “use in commerce” because their “use of the Mark seeks to identify [defendant] as part of the same political organization or party as [plaintiff] — the party that championed the Perot candidacy.”\footnote{Id.}

According to the source identifier definition of “use,” for something to be used in commerce the use must do more than trade on the goodwill in a mark. Instead, the defendant must take the mark and affirmatively identify its own
product with that mark.72 This definition worked well before the arrival of Internet commerce when the standard trademark infringement case involved a defendant’s efforts to disseminate a misleading advertisement or affix a misleading label to its goods. But the source identifier definition leaves out those actions, particularly prevalent on the Internet, whereby a competitor will use the consumer’s favorable impression of the plaintiff’s mark to draw in the consumer even though the mark is never displayed on a product or an advertisement.

Recent litigation involving pop-up advertising reveals the narrow scope of the source identifier definition of “use.” In three separate cases before three different courts, trademark owners contended that the delivery of pop-up advertisements to home computers based on the user’s search engine activity should constitute “use.”73 All three cases involved WhenU, a company that provides online advertising through a software product that generates a pop-up ad in a separate browser window when it detects that a user has typed a particular trademarked search word into a search engine.74

The courts in the WhenU cases disagreed as to whether “use” of a mark should be limited to use that identifies a source of goods or services. Stating that the “trademark laws are concerned with source identification,” two of the three courts applied the source identifier definition, holding that using the software to trigger advertisements based on trademarked terms was not infringement because there was no “trademark use.” These courts emphasized that consumers never observe how WhenU employs trademarks; instead, the trademark is contained on an unseen internal directory.76 Under this construction of “use,” trademark infringement cannot exist if the defendant does not use the mark to identify the origin of a product or service. “This does not constitute the ‘use’ of any trademark,” one of the courts explained, “because

72. See Dogan & Lemley, supra note 13, at 798 (limiting “use” to “confusing uses of the mark as a brand”); see also DaimlerChrysler AG v. Bloom, 315 F.3d 932, 939 (8th Cir. 2003) (stating that “the mark holder is generally not entitled to relief unless the defendant . . . caus[es] the public to see the protected mark and associate the infringer’s goods or services with those of the mark holder”) (emphasis added).


74. See 1-800 Contacts, Inc., 309 F. Supp. 2d at 476.

75. Wells Fargo & Co., 293 F. Supp. 2d at 761; see also U-Haul Int’l, Inc., 279 F. Supp. 2d at 728 (granting summary judgment for WhenU.com because the plaintiff “fails to adduce any evidence that WhenU uses [plaintiff’s] trademarks to identify the source of its goods or services”).

WhenU does not use any of the plaintiff’s trademarks to indicate anything about the source of the products and services it advertises.”

In contrast, a third court refused to adopt the source identifier approach. It rejected WhenU’s contention that the Lanham Act requires “use as a trademark to identify or distinguish products or services,” and found that there had been “use.” Instead, the court suggested that an actionable “use” existed because WhenU’s software allowed it “to profit from the goodwill and reputation in Plaintiff’s website that led the user to access the Plaintiff’s website in the first place.”

b) A “Use” Must Be More than Technical

Another trend in the case law is to find nonactionable those uses that are “technical.” For example, in one case, the presence of a trademark in a “post-domain path” was deemed to fall outside the definition of “use.” A post-domain path is information in a website’s webpage address that comes after a domain name. The presence of a mark in a domain name may be actionable because a website’s domain name serves as a signal to Internet users who are seeking to locate Internet resources. But a mark that is located in a post-domain path, rather than serving as a signal to consumers, “merely shows how the website’s data is organized within the host computer’s files.” The court granted summary judgment for the defendant without even considering whether there was likelihood of confusion. It held as a matter of law that a post-domain

77. Wells Fargo & Co., 293 F. Supp. 2d at 762.
78. 1-800 Contacts, Inc., 309 F. Supp. 2d at 489.
79. Id. at 490. Shortly before this article went to press, the Second Circuit reversed the district court in 1-800 Contacts, holding that WhenU's conduct did not constitute "use" under the Lanham Act. Like the Wells Fargo and U-Haul courts, the Second Circuit concluded that there was no "use" because WhenU did not reproduce or display the mark itself. 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400, 408 (2d Cir. 2005).
81. For example, in the web page address “a2zsolutions.com/desk/floor/laptraveler/dkfl-lt.htm”, the domain name is “a2zsolutions.com” and the post-domain path is “/desk/floor/laptraveler/dkfl-lt.htm.” Id. at 691.
82. A domain name is a string of characters that is assigned to correspond to an Internet Protocol (IP) address. Domain names are designed for ease of recall and use because IP addresses consist of a hard-to-remember string of integer numbers separated by periods. See Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 872 (9th Cir. 1999).
83. See PACCAR Inc. v. Telescan Techs. LLC, 319 F.3d 243, 250 (6th Cir. 2003) (noting cases where use of another’s trademark in domain name was held to be actionable).
84. Interactive Products Corp., 326 F.3d at 696-97.
path does not provide a signaling function but merely describes a website’s organization, and consequently there was no “use.”

Another technical use of a trademark courts may deem nonactionable is the act of domain name registration. In a series of cases involving domain name registrar Network Solutions, courts have held that a company that performs the service of registering domain names containing trademarked terms is not “using” a trademark. Registering a domain name entails putting the domain name in a directory that links the domain name with the Internet Protocol numbers of domain name servers. It is these servers that connect domain names with Internet resources such as websites and email systems. Network Solutions charged fees for registering domain names, and at times it registered domain names even though those names contained terms owned by entities different than the registrant, thereby potentially sowing the seeds for consumer confusion.

Mark holders sued Network Solutions, contending that the company was trading off of the goodwill in their marks by registering domain names containing their marks to other companies for a tidy profit. Nevertheless, the courts held that no “use” occurred. As one court explained, because Network Solutions’s only “use” was a “pure machine-linking function,” there could be no action under the Lanham Act. The court reasoned that Network Solutions only placed the mark in a directory so that it could be recognized by the servers that make Internet traffic possible. This “purely nominative” act is not a “trademark use” under the Lanham Act. Thus, according to these cases, merely linking a mark in a way that could cause confusion does not, by itself, constitute a “use.”

85. Id. at 698 (explaining that “because there is not any evidence that the post-domain path of a2z’s portable-computer-stand web page signifies source, it was unnecessary for the district court to examine the eight factors traditionally used to determine likelihood of confusion”).

86. Acad. of Motion Picture Arts & Scis. v. Network Solutions, Inc., 989 F. Supp. 1276, 1280 (C.D. Cal. 1997); Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 956-59 (C.D. Cal. 1997); Panavision Int’l, L.P. v. Toeppen, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996); see also Bird v. Parsons, 289 F.3d 865, 878 (6th Cir. 2002) (holding that a defendant that operated an Internet auction site for registered domain names did not “use” the trademarks contained in the domain names); HQM, Ltd. v. Hatfield, 71 F. Supp. 2d 500, 504 (D. Md. 1999) (registration of domain name and activation for email purposes was not “use”).

87. IP numbers serve as a unique numerical address for each individual computer or network on the Internet. Lockheed Martin Corp., 985 F. Supp. at 952.

88. Id. at 953.

89. See id.

90. Id. at 958.

91. Id. at 957.

92. In contrast, a plan to buy up domain names containing trademarked terms and later sell them to the trademark owners was deemed to be a “use.” Panavision Int’l L.P. v. Toeppen, 141
In the WhenU pop-up advertising cases, one of the courts relied on an analogy with domain name registration to justify its decision that pop-up advertising did not constitute “use.” 93 According to the court in *U-Haul International, Inc. v. WhenU.com, Inc.*, just as the domain name registrar merely links a domain name to an IP server, the pop-up advertiser merely places the trademarked term into an invisible internal directory that generates links to certain advertisements. 94 Holding that there was no “use” and no claim for trademark infringement, the court stated that neither action should be considered “use” because in each case the trademark was employed for its “pure machine-linking function.” 95

3. Fair Use Defenses

A third important element in trademark infringement law is “fair use.” Even if a court finds that there has been a “use” and that this “use” is likely to confuse customers, a defendant may still escape liability. 96 The Lanham Act’s “fair use” defenses — classic fair use and nominative fair use — permit purely descriptive references to trademarks. Fair use reflects a balance at the heart of trademark law. The law is meant to prevent confusing use of marks but not at the cost of “depriv[ing] commercial speakers of the ordinary utility of descriptive words.” 97

The classic fair use defense to trademark infringement permits a trademark to be used to refer to something other than the trademark owner’s product if the use “does not imply sponsorship or endorsement of the product because the

---

F.3d 1316, 1325-26 (9th Cir. 1998). The Ninth Circuit found that the domain name purchaser “curtailed [the trademark holder’s] exploitation of the value of its trademarks on the Internet, a value which [plaintiff] then used when he attempted to sell the Panavision.com domain name to Panavision.” *Id.* at 1325. In the Ninth Circuit’s view, this case was different than the Network Solutions registration cases in that the defendant was attempting to sell the trademark itself back to the company, thus capitalizing on the goodwill in the mark rather than simply registering a domain name containing a mark at the same price that would be charged to register any domain name. *See id.* at 1325-26.

94. *See id.*
95. *Id.* (citation omitted).
96. The Supreme Court recently held that a party raising a fair use defense does not have to prove that the practice at issue is confusion free. *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 125 S. Ct. 542, 547-51 (2004). Previously, the courts were split as to whether there could be fair use as well as a likelihood of confusion. *Compare* Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1029 (9th Cir. 2004) (fair use incompatible with likelihood of confusion) *with* Car-Freshner Corp. v. S.C. Johnson & Son, Inc., 70 F.3d 267, 270 (2d Cir. 1995) (fair use defense permitted despite evidence of confusion).
mark is used only to describe the thing, rather than to identify its source.” For example, it was held that a cranberry juice manufacturer could use the phrase “sweet-tart” in its advertising without infringing on the SWEETART mark for candy because this use was strictly descriptive. A defendant must establish three elements to succeed in a classic fair use defense: (1) the defendant’s use of the term “is not as a trademark or a service mark”; (2) defendant uses the term “fairly and in good faith”; and (3) defendant uses the term only to describe its goods and services.

The nominative fair use defense protects purely descriptive references to the trademark owner’s goods or services. For example, a newspaper that used a musical group’s trademark to take a poll of its readers regarding the group’s popularity was successful in asserting the fair use defense against the group’s claim of trademark infringement. Three conditions must be met to demonstrate nominative fair use: “(1) the product or service was not readily identifiable without use of the trademark; (2) only so much of the mark was used as was reasonably necessary to identify the product or service; and (3) the use did not suggest sponsorship or endorsement by the trademark holder.”

Fair use analysis is separate from a determination of whether there has been a “use” of a trademark. Fair use requires a fact-specific analysis of criteria like “good faith,” making its resolution inappropriate prior to a motion for summary judgment; in contrast, “use” can be evaluated at the motion to dismiss stage. The “use” requirement acts as a gatekeeper that determines which trademark actions should proceed to a second level of analysis where the more factually intensive determinations of likelihood of confusion and fair use can be evaluated. Thus, while the fair use defenses offer important protections to non-mark holders, it is still important for courts to grapple with the definition of “use.”

101. New Kids on the Block, 971 F.2d at 306.
102. See id. at 309.
103. Kline, supra note 44, at 929-30; see also New Kids on the Block, 971 F.2d at 308.
105. See, e.g., Gov’t Employees Ins. Co., 330 F. Supp. 2d at 704.
106. See Dogan & Lemley, supra note 13, at 805.
III. Justifications for Trademark Protection

Any definition of “use” should arise from the ideological justifications behind trademark law. If the theoretical underpinnings of the Lanham Act call for limited application of trademark protection, then “use” should be defined narrowly because a narrow definition would exclude many utilizations of marks from the test for infringement. On the other hand, if the basis behind trademark law necessitates expansive protection for marks, then “use” should be defined broadly so as to sweep as many uses of trademark as possible into the second stage likelihood of confusion analysis. As described below, an examination of the reasons behind trademark law demonstrates that “use” should be defined in a way so that investments in trademark are encouraged.

A. Reducing Search Costs

The dominant rationale for protecting trademarks is their role in reducing consumer search costs.\(^{107}\) Laws protecting trademark ownership are considered desirable in that they facilitate efficient consumer transactions.\(^{108}\) Without some way to rely on brand names, consumers would face a bewildering array of competing products and few tools to investigate their qualities.\(^{109}\) Trademarks reduce consumer search costs by providing a legally regulated shorthand to identify particular products and product providers in the marketplace.\(^{110}\) This shorthand provides the consumer with an alternative to carefully researching every product and acquiring experience through the trial and error of buying and discarding substandard goods. When trademarks are protected, the consumer can rely on the goodwill associated with a brand name that has achieved popularity in the marketplace instead of investigating each product or service intended for purchase. According to this rationale, trademark law is necessary to prevent outsiders from using marks, or confusing imitations of...
marks, in a way that can confuse consumers and discourage them from relying on this shorthand.\footnote{See Landes & Posner, \textit{supra} note 108, at 270.}

But even if consumers benefit from relying on trademarks, there is no consensus on how zealously mark owners should be protected in order to best promote economic efficiency. Some argue for stringent protections to safeguard the rights of mark owners.\footnote{See, e.g., James A. Rossi, \textit{Protection for Trademark Owners: The Ultimate System of Regulating Search Engine Results}, 42 \textit{Santa Clara L. Rev.} 295, 322 (2002) ("Besides protecting consumers, trademark law is intended to prevent one from reaping the benefits of another’s goodwill.").} Unlimited trademark protection, however, is not desirable. If consumers can profit from having information on which to make informed purchasing decisions, then it is not advisable to structure trademark protection in a way that prevents such information from being disseminated. When a trademark owner already dominates the market, the only way for a new competitor to describe its product may be to articulate differences and similarities with the established product. Other intellectual property scholars contend that trademark protection should be somewhat porous; otherwise, so many resources will be expended on advertising that other necessary innovations like research and development will suffer.\footnote{Ralph S. Brown, Jr., \textit{Advertising and the Public Interest: Legal Protection of Trade Symbols}, 57 \textit{Yale L.J.} 1165, 1169 (1948) (arguing that strong trademark protection results in an excessive allocation of resources for advertising, which “is designed not to inform, but to persuade and influence”); see also Shannon N. King, Brookfield Communications, Inc. v. West Coast Entertainment Corp., 15 \textit{Berkeley Tech. L.J.} 313, 326-29 (2000) (advocating an approach where the free market, rather than legal regulation, is used to curb unauthorized use of trademarks in webpage metatags).}

Unfortunately, our understanding of the intersection of intellectual property protections and economic theory is incomplete.\footnote{See George L. Priest, \textit{What Economists Can Tell Lawyers About Intellectual Property: Comment on Cheung}, in \textit{8 Research in Law and Economics: The Economics of Patents and Copyrights} 21, 21-23 (John Palmer ed., 1986); Vincent Chiappetta, \textit{Trademarks: More Than Meets the Eye}, 2003 \textit{U. Ill. J. L. Tech & Pol’y} 35, 59 (2003) (explaining that “the same pesky empirical assessment that continually bedevils economics-based intellectual property inquiries” exists because “definitive data are lacking”).} As a result, until more empirical evidence is available, a rationale based on economic search costs cannot fully determine where to set the boundaries of trademark law.\footnote{See 1 McCarthy, \textit{supra} note 11, § 2:12, at 2-26 to 2-27 (stating that there is no consensus among economists as to whether trademarks and advertising create barriers to market entry for non-mark owners); Wendy J. Gordon, \textit{A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property}, 102 \textit{Yale L.J.} 1533, 1573 (1993) ("It is far from clear that all intellectual property rights add to society’s total wealth . . . ").}
B. Making Quality Products

Another justification for trademark rights is to encourage investment in quality. Mark holders lose their incentive to provide superior products if they fear that the brand loyalty created by delivering quality goods and services to consumers is likely to be appropriated and ultimately dissipated by their rivals. If others can appropriate the goodwill created by a quality product by simply using someone else’s trademark, producers have little incentive to invest in product quality. But, if the producer is given ownership of its mark and knows that it can prevent confusing uses that could dilute the goodwill that it has built up in its mark, then it has a continuing incentive to provide quality merchandise.

As with the economic search costs rationale, this justification for trademark protection only goes so far. It is impossible to know where to calibrate trademark ownership rights so as to maximize brand quality. Regardless of the existence of trademark rights, certain incentives exist to deliver quality products and develop loyal customers. Even in a world without trademarks, if a producer wants to obtain repeat business, consumers will have to be satisfied on some level with the quality of the product. As one scholar recently wrote, “trademark law is avowedly not designed to resolve any perceived failure in the market for quality products and services.” Too much trademark protection can create disincentives for product quality. A trademark owner with plenary protection for its mark would be able to keep valuable information, such as comparative advertising, from reaching consumers. Without information regarding alternative choices in the marketplace, the owner may be able to trade off of its


120. See Glynn S. Lunney, Jr., Trademark Monopolies, 48 EMORY L.J. 367, 421 (1999) (discussing how trademark protection can encourage monopolistic behavior).
name, relying on its brand and not taking steps to insure product quality. This is not an outcome that trademark law should encourage.

C. Promoting Competition

It is also speculated that by safeguarding the goodwill enjoyed by distinctive marks, trademark law benefits consumers by encouraging competition. Congress cited promotion of competition as one reason for passing the Lanham Act. Under this theory, trademarks facilitate market entry. Competitors looking to break into a market can do so by creating their own distinctive brands. It is considered easier for a company to attract the necessary amount of consumer attention to make a business venture successful by launching a new brand or by using an already existing brand than by introducing a new product or service without the aid of any commercial shorthand. Consumers benefit from competition as they are informed of product alternatives when market newcomers try to establish goodwill in their marks while doing battle with existing suppliers.

As described above, however, too much trademark protection can discourage competition. For example, a trademark regime that prevented comparative advertising would harm marketplace newcomers seeking to communicate the advantages of their product. Changes that have made markets more diffuse make it more costly for newcomers to develop the type of mark needed for successful market entry. As with the other justifications for trademark law, there is insufficient economic data for a precise determination of where trademark protection should be set to maximize competition.

121. See LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY 166 (2004) (describing how economic theory shows that “large traditional firms can find it rational to ignore new, breakthrough technologies that compete with their core business”).
125. See Chiappetta, supra note 114, at 46; see also Kratzke, supra note 116, at 217-19 (explaining that trademarks reduce the market power of established sellers and facilitate market entry by newcomers by lowering search costs for consumers so they have the time to investigate product alternatives).
126. 1 MCCARTHY, supra note 11, § 3:5, at 3-14; Barnes & Laky, supra note 116, at 838.
127. See supra notes 119-21 and accompanying text.
128. See DOGAN & LEMLEY, supra note 13, at 788 (“Overly restrictive trademark law has the potential to stifle competition rather than to facilitate it.”).
129. See infra Part II.E.1.

https://digitalcommons.law.ou.edu/olr/vol58/iss2/2
D. Protecting a Moral Right Against Unjust Enrichment

The justifications for trademark described thus far are based on perceptions of economic behavior. A separate rationale is that, regardless of the economic efficiencies involved, an investment in mark goodwill should be protected simply because allowing a rival to appropriate that goodwill would be “unfair.”130 This argument is not based on utilitarian concerns about how to structure legal incentives to engineer “the greatest happiness of the greatest number.”131 Instead, it is based on the moral concern that it is unjust to allow a competitor to take and use a mark without offering some compensation to the mark owner. Such use is considered “unfair because, by using a rival’s mark, the infringer capitalizes on the investment of time, money and resources of his competitor.”132 This theory of trademark rights is at times referred to as the “unjust enrichment” argument.133

Although not explicitly referencing a moral or natural rights basis for their decisions, courts have emphasized the inequity of permitting others to freeride on trademark goodwill.134 For example, in 1-800 Contacts, Inc. v.
WhenU.com, there was little chance of actual confusion because the consumers at issue had all chosen to install WhenU's software on their computers to trigger pop-up advertising linked to trademarked keywords. As a result, there was no danger of increasing consumer search costs by allowing the pop-up advertisements to continue. Nevertheless, the court held that there was an actionable "use" because the software allowed the defendant "to profit from the goodwill and reputation in Plaintiff's website." Other decisions highlight the need to protect an owner's investment in mark goodwill and to prevent "freeriding" on the plaintiffs' marks; this language suggests a justification of trademark protection based on a moral right to prevent unfair profiteering off of someone else's trademark.

There is a certain appeal to the idea that non-mark holders should not be allowed to appropriate the time, energy, and effort that a mark holder has invested in its mark. But the mere existence of freeriding should not be enough to trigger an exclusive ownership right. After all, much of the competition in the marketplace that is considered beneficial is based on part on freeriding. [140

136.  Id. at 477-78.
137.  Id. at 490; see also id. at 489 (explaining that "[d]efendants are 'using' Plaintiff's marks" because the software relies on the computer user's "prior knowledge [of the Plaintiff's marks] . . . knowledge that is dependent on Plaintiff's reputation and goodwill").
138.  See, e.g., Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 32 (2003) (explaining that the Lanham Act prohibits actions like trademark infringement that "impair a producer's goodwill"); Park 'N Fly v. Dollar Park & Fly, Inc., 469 U.S. 189, 198 (1985) (stating that trademark law needs to "secure to the owner of the mark the goodwill of his business"); Presto-nettes, Inc. v. Coti, 264 U.S. 359, 368 (1924) ("A trademark only gives the right to prohibit the use of it so far as to protect the owner's good will."); Nitro Leisure Prods., LLC v. Acushnet Co., 341 F.3d 1356, 1361-62 (Fed. Cir. 2003) (explaining that the owner of the trademark must have the energy and effort he expended in building goodwill in his trademark protected from misappropriation"); America Online, Inc. v. AT&T Corp., 243 F.3d 812, 821 (4th Cir. 2001) ("At bottom, the law of trademarks intends to protect the goodwill represented by marks and the valid property interests of entrepreneurs in that goodwill against those who would appropriate it for their own use.").
140.  See TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 29 (2001) ("[C]opying is not always discouraged or disfavored by the laws which preserve our competitive economy."); Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 122 (1938) (stating that not only is "sharing in the goodwill of [an] article . . . widely extended by vast expenditures in advertising" acceptable, but that such sharing benefits "the consuming public"); Kratzke, supra note 116, at 220 ("Most competitive endeavors involve an element of appropriation."); Maureen O'Rourke, Defining the Limits of Free-Riding in Cyberspace: Trademark Liability for Metatagging, 33 GONZ. L. REV. 277, 279 (1998) (explaining that many legitimate businesses
For example, the law permits reverse engineering of chemical and mechanical articles in the public domain even though the reverse engineer surely is profiting off the hard work of the original inventor.\footnote{141} There is nothing particularly special about the goodwill bound up in a trademark that should make its appropriation actionable while freeriding in other areas is considered perfectly acceptable.\footnote{142}

Thus, any moral objection to a trademark defendant “endeavoring to reap where it has not sown”\footnote{143} is not sufficient, by itself, to justify protection of a mark. It can only be the particular way in which such freeriding is attempted that may offend society’s sensibilities and shape the determination of whether or not there is infringement.\footnote{144} This means that the law need not prevent all instances of appropriation of the goodwill in a trademark. It also means that it is not up to the mark’s owner to choose to prevent every instance of freeriding on its mark. Instead, other theoretical justifications for trademark law must be consulted to determine if such freeriding deserves to be stopped. Moral arguments for intellectual property rights are in tension with the utilitarian recognition that intellectual property rights must be substantially weaker than those granted to other property owners because an ownership right in copyright, patent, or trademark is particularly coercive in that it prevents others from recreating and using the same property themselves.\footnote{145} Ultimately, there is a value

\begin{enumerate}
\item In fact, as described below, trademarks have long been viewed as less worthy of protection than other types of intellectual property. See infra Part II.E.1.
\item Bone, supra note 117, at 2114; see Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 130 (1947) (explaining that the windfall a second-hand dealer receives from using a trademark is “wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product”).
\item Trademarks, like other types of intellectual property, are imperfect public goods in that they take some effort to create but they are easily copied. ROBERT S. PINDYCK & DANIEL L. RUBINFELD, MICROECONOMICS 672-76 (4th ed. 1998). Thus, unlike other types of property that cannot be easily replicated, intellectual property requires special regulation to prevent others from copying the property of another. In this sense, intellectual property rights are much more coercive than other property rights in that they prevent not only taking but mere re-creation of the property as well. See Tom G. Palmer, Are Patents Morally Justified?, in COPY FIGHTS: THE FUTURE OF INTELLECTUAL PROPERTY IN THE INFORMATION AGE (Adam Thierer & Clyde Wayne Crews, Jr. eds., 2002) at 54 [hereinafter COPY FIGHTS] (“In contrast [to real property rights], to claim a property right over a process is to claim a blanket right to control the actions of others.”); Dogan & Lemley, supra note 13, at 800-01 (discussing how intellectual property is “fundamentally different” from real property and, therefore, deserving of weaker protection); see also Landes & Posner, supra note 108, at 267-68 (emphasizing that intellectual property is a particularly costly form of property because, unlike real property, the marginal cost of using intellectual property is zero and, therefore, the cost of excluding others from using the property
\end{enumerate}
E. Encouraging Mark Investment

From the beginnings of trademark law in the United States, courts have been hostile to justifications based on the value of intellectual output of brand creators. This view of trademark has become outdated, however, because modern mark invention requires an intense commitment of expertise and resources. For this reason, the law should encourage trademark creation. Justifying trademark law on the need to encourage mark investment will not necessarily lead to a “propertization” of trademark rights.

1. What It Takes to Make a Modern Mark

In the Trade-Mark Cases,147 where the U.S. Supreme Court first considered the legality of federal trademark regulation as a whole, the Court contended that “[t]he ordinary trade-mark has no necessary relation to invention or discovery.”148 The Court explained that unlike musical and literary works that spring quickly from the creative energies of their composers, trademarks are generally developed after a considerable period of use. In contrast to works of authorship that are “original, and are founded in the creative powers of the mind,” the Court explained that trademarks are generally “the adoption of something already in existence.”149 Thus, the Court reasoned, there is no need for the law to step in immediately to protect a trademark’s creator as it would to protect the composer of a new song. The Court also had little appreciation for the intellectual acumen required to build a brand, explaining “[i]t is often the result of accident rather than design, and when under the act of Congress it is sought to establish it by registration, neither originality, invention, discovery, science, nor art is in any way essential to the right conferred by that act.”150 In sum, a trademark does not “depend upon novelty, invention, discovery, or any work of the brain.”151 This disdain towards the intellectual input needed to

146. Because protection of intellectual property involves an extra level of coercion beyond real property rights, its application should be limited. Nevertheless, there may be situations when the moral basis for awarding ownership rights to intellectual property outweighs countervailing utilitarian concerns. See Mark Bartholomew, Protecting the Performers: Setting a New Standard for Character Copyrightability, 41 SANTA CLARA L. REV. 341, 350-60 (2001).
147. 100 U.S. 82 (1879).
148. Id. at 94-95.
149. Id.
150. Id.
151. Id.; see also McLean v. Fleming, 96 U.S. 245, 254 (1877) (“Property in the use of a
create a viable trademark has continued into the modern era. A more modern court opined that “a man of ordinary intelligence could easily devise a score of valid trade-marks in a short period of time.”

Thus, since the beginning of trademark regulation in the United States, trademark has been viewed as separate from copyright and patent in that no incentives are required to encourage its creation. Although trademarks were considered valuable as efficiency-enhancing signals, they were not deemed worthy of encouragement by the law because they were considered so simple to create. Instead, trademark policy was strictly focused on the goal of eliminating consumer confusion once it appears in marketplace. This view of trademarks — as in endless supply and relatively cost free to create — continues to this day.

This view of trademarks is outdated. Today, brand development requires an intense commitment of resources. For a trademark to serve as an effective signal to consumers, a mark holder must not only attract public attention, but also infuse the brand with the information and values inherent in the product.

trademark . . . bears very little analogy to that which exists in copyrights or in patents for new inventions or discoveries, as they are not required to be new, and may not involve the least invention or skill in their discovery or application.”).

152. Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, Inc., 165 F.2d 693, 697 (4th Cir. 1947); see also Procter & Gamble Co. v. Johnson & Johnson Inc., 485 F. Supp. 1185, 1210 (S.D.N.Y. 1980) (“Distinctive marks are plentiful almost without limit, as long as people possess imaginations to create them.”).

153. See Stephen L. Carter, The Trouble with Trademark, 99 YALE L.J. 759, 768 (1990) (stating that “trademark law may be described as indifferent to the creation of marks”). This hostility to any argument for stronger rights based on the intellectual acumen of trademark creators may come from trademark law’s unique Constitutional origins. Copyright and patent, unlike trademark, are specifically contemplated by the Constitution’s Intellectual Property Clause. See U.S. CONST. art. I, § 8, cl. 8. Trademark law has had to find its support in the Commerce Clause, a distinction that may have driven trademark law in a different direction from its intellectual property brethren. See Chiappetta, supra note 114, at 52-53.

154. See Rochelle Cooper Dreyfuss, Expressive Genericity: Trademarks as Language in the Pepsi Generation, 65 NOTRE DAME L. REV. 397, 399 (1990) (“[T]here is little need to create economic incentives to encourage businesses to develop a vocabulary with which to conduct commerce.”); Landes & Posner, supra note 108, at 273 (“Either the costs of thinking up new words are slight, or the incentives to do so, independent of any direct compensation, are great.”).

155. There is great financial risk in developing trademarks as the launch of a new brand can cost tens of millions of dollars. Judith Lynne Zaichkowsky, Defending Your Brand Against Imitation 9 (1995); see, e.g., Pizza Hut, Inc. v. Papa John's Intl, Inc., 227 F.3d 489, 491 (5th Cir. 2000) (“Since 1995, Papa John's has invested over $300 million building customer goodwill in its trademark ‘Better Ingredients. Better Pizza.’”).

156. Mats Urde, Core Value Based Corporate Brand Building, 37 EUR. J. MARKETING 1017, 1020-21 (2003) (describing how the value of a brand and the value of the organization are inextricably linked, causing corporate strategies and business plans to revolve around brand
If the consumer does not receive this information, but only is made aware of the brand’s name, then her awareness of the trademark is meaningless.\textsuperscript{157} TIDY CAT is easier to remember and suggests more of the qualities a prospective consumer would be looking for in cat litter than QZFBW. Discovering a mark that captures a product’s attributes while at the same time resonating with consumers requires time, effort, and creativity.\textsuperscript{158} According to the view first espoused in the \textit{Trademark Cases} and continuing into the present, trademarks require no creative capital whatsoever because mark holders, instead of seeking to create a mark, merely wait for something to resonate with the public after a lengthy period of use.\textsuperscript{159} In actuality, this is no longer the case. Today, substantial investment in development and testing are required before a mark is ready for introduction into the marketplace.\textsuperscript{160} Instead of waiting to see what products gain popularity among the consuming public, businesses look to launch brands early in order to gain a foothold with consumers.\textsuperscript{161}

As the marketplace has expanded and the number of media sources available to consumers has mushroomed, more and more investment is required to develop a successful mark.\textsuperscript{162} The national and global scope of the economy makes it increasingly difficult for a particular brand to rise above the informational clutter.\textsuperscript{163} At the same time, consumers have become more resistant to brand advertising, requiring an even greater investment of

\textsuperscript{157} See generally Kim Robertson, \textit{Strategically Desirable Brand Name Characteristics}, 1 J. PROD. & BRAND MGMT. 3 (1992) (discussing what makes a “good” brand name).

\textsuperscript{158} Chiappetta, \textit{supra} note 114, at 58 (“Looking for the ‘best’ choice among the myriad of clearly unequal marks requires not only time and money, but also professional expertise in the relevant fields.”).

\textsuperscript{159} Trade-Mark Cases, 100 U.S. 82, 94-95 (1879).

\textsuperscript{160} Carter, \textit{supra} note 153, at 770; Jerre B. Swann et al., \textit{Trademarks and Marketing}, 91 TRADEMARK REP. 787, 791 (2001) [hereinafter Swann, \textit{Trademarks}] (describing the expertise and research that goes into building and protecting modern brands).


\textsuperscript{162} Denis L. Duffy, \textit{Customer Loyalty Strategies}, 15 J. CONSUMER MARKETING. 435, 435 (1998) (discussing how “the proliferation and fragmentation of media options make it more difficult to reach and acquire new customers”); see also Swann, \textit{Trademarks}, \textit{supra} note 160, at 795 (speaking of the need for strong trademarks in “a complex and cluttered marketplace”).

\textsuperscript{163} See \textit{ZAICHKOWSKY, supra} note 155, at 18; Swann, \textit{Trademarks}, \textit{supra} note 160, at 827-28.
intellectual and economic capital in brand development. And even after a mark has been chosen, there must be a substantial commitment of resources to place that brand before the public so that the mark’s signaling function can attract consumers and achieve the reduction in consumer search costs that is at the heart of trademark law.

2. Encouragement Does Not Require “Propertization”

The very existence of trademark law means that there is a recognized value to the introduction of new trademarks. The difficulties of discovering and disseminating a new mark require some encouragement of mark creation. It

164. Duffy, supra note 162, at 435 (noting that customer audiences have become resistant to commercial messages); Jerre B. Swann, Dilution Redefined for the Year 2002, 92 TRADEMARK REP. 585, 604-06 (2002) (same).

165. See Chiappetta, supra note 114, at 58.

166. One criticism leveled at trademark protection is that by creating incentives for brand development, the law only encourages resources to be spent on marketing that is designed to appeal to consumers for reasons that are not in their best interests. See Brown, supra note 113, at 1169 (arguing that strong trademark protection results in an excessive allocation of resources for advertising, which “is designed not to inform, but to persuade and influence.”); see also Dogan & Lemley, supra note 13, at 801 (“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.”); Mark A. Lemley, The Modern Lanham Act and the Death of Common Sense, 108 YALE L.J. 1687, 1695 (1999) (speculating that “we might be better off in a world with . . . less of the artificial product differentiation that Brown derided”). Consumers, however, are not as easily deceived as once thought. Research shows that a consumer will typically purchase a particular brand out of self-interest, not from some sort of unswerving loyalty derived from clever advertising. See Landes & Posner, supra note 108, at 274-75; Swann, Trademarks, supra note 160, at 791; see also Mark D. Uncles, et al., Customer Loyalty and Customer Loyalty Programs, 20 J. CONSUMER MARKETING 294, 300, 315-16 (2003) (explaining that consumers continue to participate in frequent flyer programs out of a perceived benefit, not from brand loyalty). A consumer is not acting irrationally by relying on a brand preference in making a purchasing decision. Instead, the consumer is acting to make her purchasing decisions more efficient, relying on a trademark instead of performing a comparative analysis between products and thereby saving time for other pursuits. Zaichkowsky, supra note 155, at 18.

A related concern is that trademarks today serve more as advertisements than as a shorthand for the sharing of relevant information with consumers. See Procter & Gamble Co. v. Johnson & Johnson, Inc., 485 F. Supp. 1185, 1211 (S.D.N.Y. 1980) (contending that modern trademarks are used to generate demand in ways not contemplated when the Lanham Act was adopted). Again, however, consumers usually respond to the signaling power in a mark because it communicates something about the essence of the product that they believe will enhance their welfare, not because the mark has no informational value. See Landes & Posner, supra note 108, at 274-75; Uncles, supra, at 305 (explaining that “most people generally only buy what they need”).

167. Some might argue that even if trademark development should be encouraged, sufficient incentives already exist under the current regime. See Lemley, supra note 166, at 1695 (“After
is time to discard the outdated view of trademark law as solely geared to ex post protection of consumers. Trademark owners should know that rivals who have confused consumers as to the true sponsorship of their marks will be stopped. But the importance of trademarks in today’s society also requires infringement law to consider the ex ante need to encourage trademark investment even before there is a sign of confusion.

Some argue that a trademark regime based on the need to encourage investment in trademarks will encourage the “propertization” of trademark law. In other words, they fear a regime where a trademark owner enjoys the same protections over her trademark as she would over real property. Of particular concern to those fearing the “propertization” of trademark has been the rise of the dilution doctrine, a legal theory that protects certain marks against uses that lessen the capacity of a famous mark to identify and distinguish goods or services. Dilution is objectionable to some commentators because it is designed to protect trademark investment, not to reduce consumer search costs. But even apart from dilution, there has been concern that trademark infringement law has already leaped its natural moorings and that courts are willing to find infringement where no infringement exists. The concern is that if courts justify their protection of trademark in terms of protecting an owner’s investment, they will be inclined to treat trademark as a standard property right and create an overexpansive definition of infringement.

all, we don’t necessarily want more trademarks as an end in itself.”). But trademarks, like other types of intellectual property, are extremely susceptible to cheap copying at little cost to the infringer. See Chiappetta, supra note 114, at 61. In addition, the inherent signaling power of a trademark means that someone who appropriates that mark may have to do very little to attract customers to the misleading signal. Id. at 62. To a large degree, these problems may already be corrected for by trademark law’s current emphasis on reducing consumer confusion. But even if true, this does not contradict the desirability of investment in trademark or militate against allowing the encouragement justification to inform trademark infringement analysis.

168. See Carter, supra note 153, at 767-69; Lemley, supra note 166, at 1698; see also LAWRENCE LESSIG, THE FUTURE OF IDEAS 237 (2001) (discussing danger of referring to intellectual property as “property”).


171. See Dogan & Lemley, supra note 13, at 822 (questioning recent case law finding initial interest confusion when there is merely “likelihood of diversion,” not likelihood of confusion).

Mark holders should not enjoy the same rights as other owners of property. Unlike rights to physical items of property that can be restricted simply by the fact that they are possessed by one person, intellectual property can be copied by others with little effort. Intellectual property rights are more coercive than other property rights in that they control the actions of others by preventing them from making their own re-creations of the items in question. As a result, intellectual property ownership needs to be limited.

But recognition that trademark law should provide incentives for mark creation does not mean that the mark holder needs to enjoy the same property rights as a real property owner. Patent and copyright protection for inventors and authors is justified as necessary to foster artistic creations, yet a host of restrictions remain on these ownership rights that do not exist for real property. Copyright law protects an owner against infringement of her original expression but it does not protect against appropriation of her ideas. Copyright and patent ownership can only last for a finite period. The copyright fair use defense protects those who would use copyrighted materials for what are seen as socially desirable ends or for purposes that pose no threat to the incentives for artistic creation.

Trademark law is no different. Trademark holders face several restrictions on their ownership rights that do not apply to other types of property. The mark holder must actively use its mark in order to receive protection from

173. See supra note 143 and accompanying text.
174. See, e.g., VAIDHYANATHAN, supra note 172, at 92 (arguing about the need to maintain creative incentives for production of copyrightable works); Jessica Litman, Revising Copyright Law for the Information Age, in COPY FIGHTS, supra note 145, at 127 (“Conventional wisdom tells us that without the incentives provided by copyright, entrepreneurs will refuse to invest in new media.”).
177. See Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 575 (1994) (explaining that “[f]rom the infancy of copyright protection, [the fair use doctrine] has been thought necessary to fulfill copyright’s very purpose, ‘[t]o promote the Progress of Science and useful Arts’”) (quoting U.S. CONST., art. I, § 8, cl. 8). See generally John Tehranian, Et Tu, Fair Use? The Triumph of Natural Law Copyright, 38 U.C. DAVIS L. REV. 465 (2005) (discussing the importance of the fair use doctrine in pushing copyright law away from the goal of promoting progress in the arts and towards complete protection of authors’ rights).
178. Justice Holmes, while sitting on the Massachusetts Supreme Court, was cognizant of the need for trademark ownership to face restrictions akin to those of copyright: “When the common law developed the doctrine of trade-marks and trade-names, it was not creating a property in advertisements more absolute than it would have allowed the author of Paradise Lost.” Chadwick v. Covel, 23 N.E. 1068, 1069 (Mass. 1890).
infringers.\textsuperscript{179} Trademark fair use defenses shield non-mark holders from liability when trademarks are used in a purely descriptive sense.\textsuperscript{180} A regulatory regime based in part on the need to encourage creation of a particular type of property does not necessarily have to confer monopoly ownership of that property.\textsuperscript{181} Instead, the key issue is how to implement the encouragement justification for trademark law without doing damage to other considerations such as reduction of consumer search costs or protecting the descriptive use of marks by non-owners.

\textit{IV. A Better Definition of “Use”}

\textbf{A. Problems with the Current Definition of “Use”}

For several reasons, a better definition of “use” is needed to provide guidance to mark holders, potential mark users, and the courts. First, “use” has not been adequately defined in the case law, resulting in inconsistent adjudications.\textsuperscript{182} For most of the Lanham Act’s history, the “use” portion of the test for infringement was relatively unimportant.\textsuperscript{183} Recently, however, “use” has become the central issue in disputes over new variants of Internet commerce that trade on consumer goodwill.\textsuperscript{184} Trademark case law has yet to catch up.

Second, the definition of “use” is in danger of making the fair use defense irrelevant. Some judicial decisions propose that “use” be defined as using a mark as a trademark.\textsuperscript{185} The problem with this definition is that it writes the fair

\textsuperscript{179} See United Drug Co. v. Rectanus Co., 248 U.S. 90, 97 (1918) (“[T]he right to a particular mark grows out of its use, not its mere adoption.”); Allard Enters., Inc. v. Advanced Programming Res., Inc., 146 F.3d 350, 356 (6th Cir. 1998) (“One of the bedrock principles of trademark law is that trademark or ‘service mark ownership . . . flow[s] only from . . . actual use in the market.’”) (quoting Homeowners Group, Inc. v. Home Mktg., 931 F.2d 1100, 1105 (6th Cir. 1991)); 1 McCarthy, supra note 11, § 16:4 (discussing plaintiff’s use requirement).


\textsuperscript{183} See supra notes 59-61 and accompanying text.

\textsuperscript{184} See infra Part IV.B.3.

\textsuperscript{185} See Interactive Prods. Corp. v. A2Z Mobile Office Solutions, Inc., 326 F.3d 687, 695 (6th Cir. 2003) (“If defendants are only using IPC’s trademark in a ‘non-trademark’ way . . . then trademark infringement . . . laws do not apply.”); Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 880 (9th Cir. 1999) (explaining that commercial use “requires the defendant to be
use defense out of the law. Fair use requires that the defendant not use the term as a trademark or a service mark. If “use” is simply read as using the mark as a trademark, then the fair use defense would never apply because under the “use” requirement, if a mark is not used as a trademark, then there is no claim for infringement. There would be no point in evaluating an infringer’s actions under the fair use defense if the case has to be dismissed for failure to state a claim. Unless the fair use defense is to be made irrelevant, “use” should not be equivalent to “use as a trademark.”

Third, and most importantly, the definition of “use” should be tailored to the justifications behind trademark law. If the object of the definition of “use” is to facilitate trademark’s goal of encouraging trademark investment, then the definition should make actionable those uses of trademark that threaten mark goodwill. The traditional view of trademarks is that they are relatively cost free to create, and thus there has not been much effort to provide incentives for trademark creation. Courts could thus afford to ignore the “use” requirement and focus solely on the likelihood of confusion test. Now that Internet commerce has made “use” an issue, some courts and commentators advocate for a definition of “use” that is limited to those occasions when the defendant employs a mark to brand another product. The problem is that even nonbranding uses can create substantial disincentives for trademark creation, as well as cause confusion in consumers. Defining “trademark use” to apply only in situations where the defendant has used the owner’s trademark to brand the defendant’s own goods and services does not further what, in addition to reducing consumer search costs, should be the main rationale of trademark law: encouraging trademark creation.

The Google cases serve as an instructive example of how a constricted definition of “use” could lead to the wrong outcomes. In the pending American
Blind case, American Blind submitted evidence that some consumers believed that it sponsored the links on Google’s search engine results page that were listed under the heading “Sponsored Links.” In reality, the “Sponsored Links,” which were generated when someone using Google typed in AMERICAN BLIND as a search term, were a series of links to American Blind’s competitors.

Strictly speaking, Google did not use the AMERICAN BLIND mark to brand its own product. Under the source identifier definition of use, Google would never face liability for its actions because it did not “use” the plaintiff’s mark, that is, it did not brand its own goods or services with the term AMERICAN BLIND. But Google did sell the mark and, at least according to the evidence presented by American Blind, the Adwords program confused consumers about the mark’s source, threatening the goodwill American Blind built up in its mark. Because Google is trading off of the goodwill in others’ marks, its conduct should be evaluated under the likelihood of confusion test. Conduct like Google’s keyword search advertising discourages mark investment. If the Internet can be used to mislead consumers as to a mark’s origin, then marks lose their signaling power and businesses lose the incentive to create marks. The new challenges of the Internet therefore require a broader definition than the source identifier definition of use. Google should not be held liable for selling trademarked keywords unless consumers are likely to be confused by its use of the mark. But that determination should be made through the multi-factor likelihood of confusion test, not an overly narrow definition of “use.”

**B. A Better Definition of “Use”**

A “use” should be defined as relying on a re-creation of a mark in an effort to trade on consumer goodwill in that mark. The re-creation of the mark could be made by the defendant or by consumers. Instead of asking whether or not the defendant has used the mark as a source identifier, the court should question whether the defendant’s reliance on the signaling power of the mark could harm the mark’s role as a source identifier. Such a definition would identify search engines like Google that sell advertising based on trademarked keywords as potential infringers, but Google would only be liable for infringement if its use...
was also deemed likely to confuse consumers. As described below, a definition of “use” linked to efforts to trade on mark goodwill would encourage mark investment by allowing acts that provide a disincentive for brand creation to proceed to the likelihood of confusion analysis. Rather than causing the propertization of trademark law, the definition would exclude “technical” uses of a trademark, ones that do not impact mark goodwill, from the infringement analysis. The definition would have the additional benefit of permitting those mark uses that potentially confuse consumers yet should be allowed nonetheless because they are important to the free flow of information. The definition is particularly appropriate given the differences between trademark use on the Internet and more traditional trademark use.

1. Basing “Use” on Trading on a Mark’s Goodwill Would Encourage Trademark Investment

If investment in trademark creation is a goal that the law should encourage, then the law must assure mark creators that others cannot take actions that reduce the signaling power of their marks. To encourage trademark investment, “use” should apply not only to mark uses that identify the defendant’s own goods and services, but more generally to any re-creation of a mark that is used to trade on the mark’s goodwill.

This is different than simply defining “use” as providing information that identifies a source of goods or services. A non-mark holder can threaten a mark’s goodwill without ever identifying a particular source for the mark. To illustrate, consider how consumers conduct searches on the Internet. Consumers often select trademarked terms for their searches based on the feelings of goodwill they already hold towards particular marks.195 They do not expect their search results to be merely descriptive.196 A search engine or pop-up software program that triggers advertising based on the input of trademarked search terms is trading off of consumer goodwill even if it does not identify a particular source for the keyword mark.

Admittedly, to a large degree the likelihood of confusion test already provides incentives for trademark creation. The confusion created when consumers believe that a non-mark holder is the source of a particular mark, and that non-mark holder provides a product of inferior or even differing quality,

195. See 1-800 Contacts, Inc. v. WhenU.com, Inc., 309 F. Supp. 2d 467, 489 (S.D.N.Y. 2003) (explaining that “users that type Plaintiff’s website address into their browsers are clearly attempting to access Plaintiff’s website because of prior knowledge of that website, knowledge that is dependent on Plaintiff’s reputation and goodwill”).
reduces the goodwill in the mark and lessens the mark’s potential for providing efficient information to customers. The likelihood of confusion test determines whether consumers could be under a misimpression about the mark’s source and assigns liability accordingly. But the likelihood of confusion test only applies to acts that are deemed “uses.” When actions by non-mark holders that have the potential to reduce a mark’s signaling power are excluded from the definition of “use,” and hence excluded from likelihood of confusion analysis, the incentives for investment in trademark decrease. If “use” is defined to include those occasions when a non-mark holder attempts to trade on public goodwill in a mark, then infringement law will foster investment in marks by giving mark holders the knowledge that attempts by others to trade on the goodwill in their marks will be actionable even if the mark is not used to identify a particular source.

2. A Definition of “Use” Based on Trading on Goodwill Does Not Require Plenary Protection

The proposed definition does not require a radical reworking of trademark law. The law already recognizes that mere “technical” or “mechanical” use of a mark should not trigger an infringement claim. What the definition does contribute is the basis for making a principled distinction between technical and nontechnical use. In the U-Haul case, the court attempted to equate domain name registration with the use of software to trigger pop-up advertisements based on trademarked keywords. The court found that both situations involved use of a trademark only for its “pure machine-linking function.” Under the proposed definition, a technical use such as registering a domain name would not be considered a “use” because the defendant has not done anything to trade on the goodwill in the mark. A domain name registrar simply performs a mechanical task that is the same regardless of the domain name being registered. But the U-Haul court’s analysis of the “pure machine-linking function” of pop-up software is inappropriate. Rather than performing a mechanical act, the pop-up software provider trades on mark goodwill by selecting particular marks as keyword triggers based on their signaling power. This is the same as Google’s decision to sell advertising based on the value of

197. See Landes & Posner, supra note 108, at 280 (“Without an exclusive right to use one’s own trademark, a firm that was producing a lower-quality brand might attempt to free ride on firms producing higher-quality brands by duplicating their trademarks and hoping that consumers would be misled into believing the brands were equivalent.”).
198. See supra Part II.B.2.b.
2005] ANALYSIS OF SEARCH ENGINE ADVERTISING 213

particular trademarked keywords. Unlike the domain name registrar, Google
and the pop-up advertiser are trading directly off of the mark’s goodwill, that
is, the signaling power in the mark.201 The proposed definition makes this
distinction more clear, preventing any tendency to define “technical” use as
merely use in a complex or technological way.

A definition of “use” based on attempts to trade on the goodwill in a mark
is not the same as a blanket proscription on freeriding and should not lead to
concerns of propertization. First, the proposed definition does not require a ban
on every attempt to exploit mark goodwill. Under the likelihood of confusion
test, which applies to every allegation of trademark infringement, attempts to
trade on goodwill are not actionable unless they are likely to confuse the
consuming public.202 Thus, even if “use” is defined more broadly than use of
a trademark as a source identifier, no defendant would be liable for
infringement under this definition unless its use had the potential to increase
consumer search costs.

Second, an attempt to trade on goodwill would only be deemed a “use” if it
could have the effect of eroding the mark holder’s goodwill.203 A use that
leaves the mark holder’s investment in goodwill intact would not be actionable
as infringement.204 Goodwill can only be threatened if the consumer is unable
to determine who is making use of the mark. For example, repairers of
trademarked goods routinely refer to trademarks to describe the nature of their

201. See 4 McCarthy, supra note 11, § 25:70.1 (maintaining that by triggering banner
advertising to keyword trademarks, “the portals and search engines are taking advantage of the
drawing power and goodwill of these famous marks”).


203. It has already been recognized in the case law that “so long as the goodwill built up by
the trademark owner is not eroded by being identified with inferior quality, the Lanham Act
does not prevent the truthful use of trademarks.” Nitro Leisure Prods., LLC v. Acushnet Co.,
341 F.3d 1356, 1361-62 (Fed. Cir. 2003).

204. In addition to infringement, the Lanham Act also makes actionable “dilution,” defined
as “the lessening of the capacity of a famous mark” by a subsequent user of the mark. 15
U.S.C. § 1127. Dilution serves to protect mark goodwill, but it is not a substitute for
infringement law because of several key differences between the two doctrines. First, anti-
dilution law only applies to famous marks. See Avery Denison Corp. v. Sumpton, 189 F.3d
868, 875 (9th Cir. 1999). Second, actual injury is required as opposed to the mere likelihood
of injury required under infringement law. See Moseley v. V Secret Catalogue, Inc., 537 U.S.
418, 432-34 (2003). Third, dilution requires “commercial use” as opposed to “use.” H.R. REP.
commercial use requirement requires commercial speech, i.e., speech that proposes a
commercial transaction). Finally, unlike infringement law, the tort of dilution may apply even
when there is no confusion as to source. See Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894,
903 (9th Cir. 2002) (“By contrast to trademark infringement, the injury from dilution usually
occurs when consumers aren’t confused about the source of a product.”), Barnes & Laky, supra
note 116, at 850 (explaining that anti-dilution law can apply even in the absence of confusion).
business. Even when the repair company is not affiliated with the company owning the trademark, the Lanham Act cannot be used to prevent repair shops from informing consumers that they provide this service. Repair of a trademarked good followed by a return of the good to its owner is not a “use” of a trademark because the owner does not expect to receive its good back from the mark holder; she expects only to get goods of repaired quality. A repairer that identifies itself as a repairer does not erode the signaling power of the mark. Instead, it is simply describing its own services and happens to be incidentally profiting from the popularity of the plaintiff’s mark.

Third, the law recognizes that some uses of trademark, even if they have the potential for confusing consumers, should be permitted. Although the proposed definition of “use” is more expansive than the source identifier approach, it has built-in limitations that will continue to permit information distribution consonant with the goals of trademark law. Under the proposed definition, the alleged infringer must take some action based on a re-creation of the plaintiff’s mark in order for there to be “use.” Take, for example, a defendant caught passing out leaflets for Store B in front of Store A. Store B is profiting off of consumer goodwill towards Store A as Store B intercepts shoppers traveling to Store A based on their prior knowledge of Store A’s

205. See Nitro Leisure Prods., LLC, 341 F.3d at 1361-62; Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc., 285 F.3d 848, 856 (9th Cir. 2002); Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350, 352 (9th Cir. 1969); U.S. Surgical Corp. v. Orris, Inc., 5 F. Supp. 2d 1201, 1209 (D. Kan. 1998).


207. Nitro Leisure Prods., LLC, 341 F.3d at 1362 (explaining that “the Lanham Act does not prevent the truthful use of trademarks, even if such use results in the enrichment of others”). However, if the repairs are so extensive that the good really becomes a different product from the trademarked good, then there has been a sale that will be considered a “use” under the Lanham Act. See Karl Storz Endoscopy-Am., 285 F.3d at 856. In such a situation, the reconstructed product would still bear the original manufacturer’s trademark yet would be a different product from the one originally manufactured. Sale of a reconstructed product constitutes use of the trademark’s signaling power because “downstream consumers” will potentially be “deceived about the [repaired good’s] origin.” Id. at 855. “The repair company in that situation is trading on the goodwill of, or association with, the trademark holder.” Id. at 856. In other words, there would be an actionable “use” because the repair company, by rebuilding the good yet not noting the alteration, is re-creating the mark and causing a situation where future consumers could be confused as to the real maker of the product.

208. See KP Permanent Make-Up Inc. v. Lasting Impression I, Inc., 125 S. Ct. 542, 550 (2004) (holding that some possibility of consumer confusion about the origin of the goods or services affected is compatible with fair use of a mark); Application of Deister Concentrator Co., 289 F.2d 496, 504 (C.C.P.A. 1961) (explaining that “[a] certain amount of purchaser confusion may even be tolerable in order to give the public the advantages of free competition”); see also Kratzke, supra note 116, at 266 (“Not all information has equal value, and not all confusion raises search costs or causes a misallocation of resources.”).
reputation. Nevertheless, Store B’s conduct should be permitted as it provides an alternate source of consumer information without harming the informational signaling power of Store A’s mark. The proposed definition screens out Store B’s conduct from trademark analysis by requiring that the alleged infringer take some action based on a re-creation of the plaintiff’s mark. Here, there is no re-creation of the Store A mark. All Store B is doing is using its own corporate name to advertise for its own store. On the other hand, if those passing out the leaflets for Store B wore jackets emblazoned with a re-creation of Store A’s mark, then there would be an actionable “use” under the proposed definition.

The “use” test proposed here does not require that the re-creation of the mark be an attempt to label the defendant’s own goods, but it does require some action employing the actual mark as a signal to draw in consumers. In the Google cases and in other cases of keyword search advertising, this requirement is satisfied when consumers type a trademarked term into their search engine window. Google uses that re-creation, which is based on the goodwill the consumer holds in the mark, to trigger advertisements. Unlike the source identifier definition, the proposed definition of “use” makes Google’s conduct actionable even if Google has not re-created the mark itself and used it as a brand. The mark re-creation requirement provides clarity. It tells a business when its conduct could be considered a “use” and allows it to advertise without worrying if its actions will be deemed an actionable effort to trade on a mark’s goodwill.

3. The Special Nature of the Internet Calls for a More Expansive Definition of “Use”

The proposed definition is necessary to deal with the challenges brought on by trademark use on the Internet. Online commerce has resulted in a host of different advertising techniques whereby the input of a particular search term triggers certain Internet content but the trademarked term is never displayed. Trademarked search terms produce pop-up ads and banner advertising.

209. Cf. Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) (explaining that infringement law should recognize the difference between “hijacking” consumers and presenting consumers with recognizable choices).

210. Note the definition of “use” proposed in this article would only apply to claims of infringement. Claims of unfair competition can be based on false or misleading descriptions or representations of fact and do not require that a defendant “use” the plaintiff’s trademark. See 15 U.S.C. § 1125(a)(1)(A) (2000); Bird v. Parsons, 289 F.3d 865, 877 (6th Cir. 2002).

211. See supra notes 72-78 and accompanying text. Gator Corporation, now known as Claria Corporation, and WhenU.com are the two main sources of online pop-up advertising. See Note, Confusion in Cyberspace: Defending and Recalibrating the Initial Interest Confusion Doctrine, 117 HARV. L. REV. 2387, 2387-88 (2004); see also Jason Allen Cody, Just WhenU Thought It
Competitors embed their rivals’ trademarks into the internal code of their websites, causing the non-mark holder’s website to appear in a list of search results for the trademarked term. Google and other search engines charge a fee to trigger advertisements when a consumer inputs a trademarked term.

The covert nature of trademark use on the Internet makes a definition of “use” based on the encouragement justification for trademark law particularly appropriate. The Internet advertising techniques described above do not fit the traditional definition of “use” because consumers do not witness the non-mark holder using the mark itself. Under the source identifier definition of “use,” these practices would escape liability, even if they had the effect of confusing consumers, because the mark is not used to brand the defendant’s own products. Nevertheless, these techniques supply the same disincentives to trademark creation as more ordinary uses of trademark. Even if consumers cannot see the defendant using the mark in question, they can still be misled, and the mark holder’s goodwill is eroded.

In fact, on the Internet, the incentives are even higher for infringement, and correspondingly lower for investment, than in other commercial arenas. It takes much more effort for a non-mark holder to create misleading labels bearing a trademark and physically affix them to goods than it does for the non-mark holder to simply install some hidden code onto its website or to pay a search engine to trigger advertisements when a consumer inputs a trademarked term.
engine for the rights to a tradmarked search term.\textsuperscript{216} An infringer caught infringing through its use of one website or one search engine can turn to hundreds of other search engines and domain names for new websites to continue its infringing practices.\textsuperscript{217} Because trademark use on the Internet is usually hidden, consumer backlash against infringers for luring them in under false pretenses is less likely than in a traditional infringement case.\textsuperscript{218} If a user of a search engine is directed to a link for the website of a manufacturer that she did not want to go to, she may not know who to blame.\textsuperscript{219} It could be the fault of a rival manufacturer for embedding the trademarks of its competitor as hidden code in its website. Alternatively, it could be the fault of the search engine, whether unintentionally, because of a faulty algorithm, or intentionally, by auctioning off the trademarked search term to the highest bidder. Contrast this state of affairs with a more traditional case where an infringer has placed someone else’s mark on its product. One unsatisfactory experience with the rival’s product gives the consumer all she needs to know to avoid that product in the future. But in the case of Internet commerce, the consumer may not know who to blame and therefore take no action to prevent future confusion.\textsuperscript{220}

Given these incentives for infringement, “use” should be defined to make infringers think twice before attempting to trade on the goodwill in a mark in a way that has the potential to confuse consumers. Under the proposed definition, all of the Internet advertising techniques described above would be considered “use.” Even if the plaintiff’s trademark was never displayed to consumers, the definition makes it actionable for a non-mark holder to rely on a re-creation of a mark to trade on the mark’s goodwill. To illustrate, consider a non-mark holder’s use of “metatags.” Metatags are the internal codes that describe the contents of a website. Consumers do not see metatags, but search engines can scrutinize metatags to determine which webpages are responsive to a particular search term.\textsuperscript{221} Metatags allow a non-mark holder to trade off of

\textsuperscript{216} See TRADEMARK LAW & THE INTERNET 142 (Lisa E. Cristal & Neal S. Greenfield, eds., 2001) (discussing relative ease of infringement on the Internet).

\textsuperscript{217} See Rossi, supra note 112, at 354 (stating that there are more than 1000 search engines in existence).

\textsuperscript{218} See STUART BIEGEL, BEYOND OUR CONTROL?: CONFRONTING THE LIMITS OF OUR LEGAL SYSTEM IN THE AGE OF CYBERSPACE 34-35 (2001) (discussing how the anonymity permitted by cyberspace allows some laws to be broken with impunity).

\textsuperscript{219} See id. at 67 (explaining that online users “have more privacy because they can assume other identities and take advantage of the technology to maintain a certain level or anonymity in certain situations”).


\textsuperscript{221} Google has made metatagging less important in determining search results today. Google’s search algorithm is a kind of online popularity contest whereby each website is ranked
consumer goodwill in a mark by using the consumer’s input of a tradmarked search term to trigger the display of its own website in search engine results. For example, an adult entertainment website attempted to trade off of the goodwill of Playboy Enterprises by embedding the terms PLAYBOY and PLAYMATE in its metatags.\(^2\) The metatags engineered a misleadingly high search engine ranking when those terms were used in a search engine request.\(^3\)

Although use of trademarked metatags has been found actionable under the Lanham Act,\(^4\) some commentators argue that these cases should be dismissed because consumers are savvy enough not to be confused by a metatag.\(^5\) They contend that if consumers find themselves on Pepsi’s webpage even though they typed Coke into their search engines, they are smart enough to know the difference and move on to a different site. Similar arguments have been made with regard to keyword triggered banner advertising\(^6\) and pop-up ads.\(^7\)

Regardless of whether there is a likelihood of confusion when a defendant uses metatags or another technique relying on the consumer’s input of a trademarked search term, the use of a trademarked term in webpage code should constitute “use.” By using the trademarked term to divert consumers looking for that term to a different website, the defendant relies on the consumer’s re-creation of the mark in her search engine window. The consumer’s decision to type in that mark is based on prior knowledge of the mark; in other words, it is dependent on the mark’s signaling power.\(^8\) Those who use keyword triggered advertising like pop-up ads and Google’s “Sponsored Links” are trading off of the goodwill in the mark by causing their


\(^3\) Id. at 1221.

\(^4\) See Horphag Research Ltd. v. Pellegrini, 337 F.3d 1036, 1040 (9th Cir. 2003); Promatek Indus. Ltd. v. Equitrac Corp., 300 F.3d 808, 812-13 (7th Cir. 2002); Brookfield Communications v. W. Coast Entm’t Corp., 174 F.3d 1036, 1062-66 (9th Cir. 1999); Niton Corp. v. Radiation Monitoring Devices, Inc., 27 F. Supp. 2d 102, 104 (D. Mass. 1998).


\(^6\) Saunders, supra note 8, at 567.

\(^7\) Klene, supra note 44, at 938-40.

own advertisements to appear based on the consumer’s decision to type the mark into her search engine. Accordingly, these actions should be considered “use,” and the defendants should be held liable if there is a likelihood of confusion and the mark is used in a way that did not constitute fair use. It may be that search engine users have grown increasingly sophisticated and no longer expect the websites that spring from their search engine results to always match the marks they typed into their search requests. But that is a question for the second stage likelihood of confusion analysis, not for the initial “use” analysis.

V. Conclusion

Attempts by Google and others to disseminate advertising based on trademarked keyword search terms is big business. The Lanham Act’s likelihood of confusion test is designed to prevent those uses of trademark on

229. A metatag that is used solely to describe the defendant’s own business would be considered fair use. See, e.g., Playboy Enters., Inc. v. Welles, 279 F.3d 796, 803-04 (9th Cir. 2002) (Playmate of the Year who used terms “playboy” and “playmate” in her personal website’s metatags had engaged in nominative fair use and was not liable for infringement).

230. See 2 GILSON, supra note 181, § 7A.08 (“Search engine searches often generate seemingly irrelevant material and even moderately sophisticated Internet users have come to expect that many search results will not match what they are looking for.”); Dogan & Lemley, supra note 13, at 824 (“Right now, relevance-based search practices have led consumers to understand that search engines return hits based on relevance and not on ownership.”); Shea, supra note 8, at 550 (“If users decide to click on a competitor’s website, they are not confused into thinking it is the website of the trademark owner because they have no expectation that every website is related.”); see also Big Star Entm’t v. Next Big Star, Inc., 105 F. Supp. 2d 185, 216 (S.D.N.Y. 2000) (noting a particular level of sophistication among Internet users). But see U-Haul Int’l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723, 725 (E.D. Va. 2003) (stating that “[t]he average computer user who conducts a web search for the U-Haul website would expect the U-Haul website to appear on their computer screen”); Posner, supra note 215, at 494 (stating that whether or not computer users are “Internet-savvy enough to be immune to manipulative metatagging” has not been settled and requires factual proof).

231. Note also that a company’s use of trademarks as metatags or as keyword triggers for advertising will not necessarily fall under fair use. The fair use defense is only available when the defendant uses the mark in “good faith” and “not as a trademark.” 15 U.S.C. § 1115(b)(4) (2000). The inquiry into whether or not a defendant used a mark in good faith turns on whether the defendant adopted its mark with the intention of capitalizing on plaintiff’s reputation and goodwill and any confusion between his and the senior user’s product.” Lang v. Retirement Living Pub. Co., 949 F.2d 576, 583 (2d Cir. 1991). By employing trademarks for their signaling function as a particular source of goods or services, a search engine selling keyword triggered advertising forfeits the fair use defense. See Kline, supra note 44, at 937; Julie A. Razier, Misunderstanding the Internet: How Courts Are Overprotecting Trademarks Used in Metatags, 2001 L. REV. M.S.U.-D.C.L. 427, 435 (2001); Saunders, supra note 8, at 564 (stating that search engines that sold trademarked terms “playboy” and “playmate” as keywords to firms that advertised and sold adult entertainment products were using trademarks as trademarks).
the Internet that may fool consumers about the true source of goods and services. But the Lanham Act can only achieve its purpose if “use” is defined broadly enough to include acts by search engines that trade on a mark’s goodwill, and thus allow those acts to be evaluated for likelihood of confusion. Under the source identifier definition of “use,” Google’s keyword triggered “Sponsored Links” would be left out of the infringement analysis. Uncertainty in this area of law has the potential to paralyze brand creators and shift resources to less efficient modes of consumer communication.

A better approach is to define “use” to include those actions that seek to trade on a mark’s goodwill based on some re-creation of the mark. Such a definition would provide incentives for trademark creation, which are particularly necessary given the low cost opportunities for infringement on the Internet as well as the high cost of creating marks in the modern marketplace. This approach is not so much an expansion of the law as a clarification of already existing law that was unnecessary until now. Defining “use” in this manner will not transform trademark into an unlimited property right, but it will provide much needed clarity for mark holders, mark users, and consumers.