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TRADEMARKS AND THE INTERNET:
THE UNITED STATES' EXPERIENCE

By Glynn S. Lunney, Jr.*

I. INTRODUCTION

Over the last ten years, trademark law has faced an important transition as it has moved from the brick-and-mortar world onto the Internet. Transitions can be difficult, particularly when they occur over a short period of time. Trademark law in the brick-and-mortar world developed over the course of centuries. In contrast, the application of trademark law to Internet activity has gone from essentially nothing to full-fledged regulatory regime in less than a decade. But if transitions are difficult, plagued almost inevitably by steps that seemed sensible at the time only to be revealed as glaring missteps with the benefit of hindsight, they also represent critical opportunities—opportunities to improve the fit between law and the public purposes it is intended to achieve.

By the mid-1990s, trademark law, in particular, was very much in need of just such a corrective. Although Congress had enacted the Trademark Act of 1946, now commonly known as the Lanham Act, largely as a codification of the narrowly-tailored, and consumer-centric, common law of trademarks, courts over the succeeding decades systematically ignored Congress's intent. Through a series of ill-considered (and sometimes, unconsidered) decisions, courts broadened the scope of trademark protection, both in terms of what could qualify as a trademark and how broadly a trademark would be protected. In many of these cases, courts gave trademark owners protection judicially that trademark owners had sought, but had been unable to obtain, from Congress. Through these judicial decisions, trademark law became less concerned with protecting consumers from material deception in their purchasing decisions ("deception-based" trademark) and increasingly concerned with ensuring trademark owners complete control over their marks ("property-based" trademark). Even where courts continued to point to consumer confusion as the

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2. Id. at 373-416.
supposed basis for their decisions, it was often little more than a formalistic fiction used to justify judicial attempts to ensure trademark owners of the "full and despotic dominion" over their marks that Blackstone once imagined English landowners possessed over their land.\(^3\)

As trademark law is moving increasingly to govern activity on the Internet, as the result of both judicial and legislative action, we confront the same question that we do in the brick-and-mortar world: Is the purpose of trademark law to protect consumers or to protect trademark owners? Of course, in some instances, these two purposes work hand-in-hand. For example, with classic source confusion, where company A uses company B's trademarks to sell its products in a manner that leads ordinarily prudent consumers to buy the products of company A believing they were made by company B, an injunction both protects consumers from confusion and vindicates the trademark owner's legitimate interests in its marks. In recognition of this overlapping interest, Congress specifically indicated in the legislative history of the Trademark Act that the purpose of trademark law is to protect both consumers and trademark owners.\(^4\)

Unfortunately, the interests of consumers and trademark owners do not always coincide so neatly. While both trademark owners and consumers share an interest in preventing material consumer confusion as to source, their interests sharply diverge when it comes to other types of confusion and the issue of competition. Trademark owners oppose competition generally. As a result, if an unauthorized use creates confusion of any kind, whether material or immaterial to consumer purchasing decisions, trademark owners will seize upon it and use it as an excuse to shut down an unauthorized use, without regard to the offsetting benefits, such as increased competition, the use may create. Consumers, on the other hand, are intensely interested in competition and the lower prices it can bring. In situations where another's unauthorized use of a trademark both increases

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3. For one of the worst offenders in this regard, see Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc., 510 F.2d 1004, 1012 (5th Cir.) (recognizing a property right to make and sell emblems that duplicate recognized trademarks even in the absence of trademark confusion, on the grounds that the trademark owner created the value of the trademark), cert. denied, 423 U.S. 868 (1975).

4. The Senate Report accompanying the enactment of the Trademark Act defined the purposes of the Act as follows:

One is to protect the public so it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trademark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation.

competition and creates confusion, consumers will balance the
benefits of increased competition against the costs of increased
confusion to determine where their interests lie. In many cases,
particularly where the confusion is unlikely to materially influence
consumer purchasing decisions, consumers may favor increased
competition even if it results in some increased confusion.

In these instances where the interests of trademark owners
and consumers conflict, both the Trademark Act, and the common
law of trademarks on which it was based, incorporated a variety of
doctrines, such as genericness and a narrowly-tailored
infringement analysis, that favored consumers over trademark
owners and attempted to limit the anticompetitive potential of
trademark law. In the last thirty years of the 20th century,
however, courts rewrote many of these doctrines. In almost every
instance, these judicial revisions favored trademark owners—in
some cases, protecting trademarks where there was no real
consumer interest to protect, and in others, at the direct expense of
consumers. By making it easier to obtain trademark protection for
things such as trade dress, by making it more difficult to establish
a claimed mark’s genericness or functionality, and by making it
easier to demonstrate infringement, courts systematically rewrote
trademark law to favor the interests of trademark owners over
those of consumers, while paradoxically pretending that expanded
trademark protection was to benefit consumers—the very people it
was hurting the most.

Cases concerning the application of trademark law to the
Internet first reached the courts in the mid-1990s, just as this
judicial zeal to overprotect trademarks reached a peak. If one were
hoping for a carefully reasoned and measured application of
trademark law to the Internet, it did not help that these early
cases arose against a background of a lawless, almost frontier-like
mentality to Internet domain names. In the early 1990s, the
domain name registry service, Network Solutions, Inc., or
InterNIC, registered domain names on a first-come-first-served
basis, requiring initially no, and then only a token, fee for
registration. With businesses generally being slow to recognize the
commercial potential of the net, entrepreneurs (or thieves,

5. See Glynn S. Lunney, Jr., *The Trade Dress Emperor’s New Clothes: Why Trade
how the USPTO and the courts came to recognize protection for trade dress under the
Trademark Act even though Congress specifically relegated trade dress to the supplemental
register).

(holding that functionality in fact is insufficient to establish legal functionality sufficient to
deny trade dress trademark protection).

depending on whom you asked) rushed in to register well-known trademarks as domain names with the idea of selling them to the highest bidder. Initially, the price to a trademark owner for purchasing the corresponding domain name from the initial registrant was little more than token, an acknowledgement, as it were, of the registrant's cleverness. But by 1994, prices had started to escalate, and trademark owners turned to the courts to obtain by judicial decree what they thought they already owned and hence should not have had to purchase in the marketplace. Thus began the first period of judicial application of trademark law to the Internet.

During this first period, courts approached the Internet as the lawless, frontier town it largely was, and acted as if they were the proverbial new sheriffs in town. Determined to bring justice, if only a very rough justice, to a lawless place, and faced with a host of bad actors who had registered domain names and were otherwise using other's trademarks with no real justification, courts had little time for the doctrinal niceties of trademark law. Faced with a situation where almost every unauthorized use of another's trademark on the Internet was illegitimate, at least in the view of the judiciary, courts quickly determined that trademark law should prohibit essentially every unauthorized use of another's trademark on the Internet. If achieving that result required imaginatively rewriting or willfully ignoring the statutory elements found in the Trademark Act, then the courts were up to the task. As if they were Humpty Dumpty in Alice in Wonderland, even seemingly easily understood words, such as "use," "in connection with the sale of goods or services," and "fame," came to mean just what courts chose them to mean, "neither more nor less."

Indeed, courts were so effective at their reconstruction task that, by the time Congress and the domain name registries got around to addressing the cybersquatting issue specifically in 1999, Congress with the enactment of the so-called Anti-Cybersquatting Consumer Protection Act (ACPA), and ICANN\(^8\) with the Uniform Dispute Resolution Procedure (UDRP), the problems these provisions were meant to address were already largely resolved by the courts' imaginative rewriting of trademark's general infringement provisions and the doctrine of dilution.\(^9\) Rather than

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8. The Internet Corporation for Assigned Names and Numbers ("ICANN") is a non-profit corporation created in 1998 to oversee the process of assigning domain names.

9. For a trademark owner seeking to obtain the corresponding domain name, the UDRP did provide a lower cost alternative to trademark litigation, and it also gave the trademark owner considerable leeway to pick a favorably-disposed arbitrator. See, e.g., A. Michael Froomkin, ICANN's "Uniform Dispute Resolution Policy"—Causes and Partial Cures, 67 Brooklyn L. Rev. 605, 709-12 (2002) (discussing pro-complainant bias introduced into domain name resolution proceedings by UDRP's approach to arbitrator selection).
providing meaningful relief for an ongoing problem, these provisions, the ACPA, particularly, became testaments to the colorful, early years of the Internet.

By the turn of the millennium, the Internet’s frontier days were past, not so much because of the judiciary’s role in rewriting trademark law, but because businesses generally had begun to recognize and take advantage of the Internet’s commercial potential. As established and legitimate businesses flocked to the Internet, the nature of the trademark disputes quickly changed. Instead of bad actors, with little or no justification, beyond mere profit-seeking, for their registration or use of another’s trademark, Internet trademark defendants now typically had some legitimate, good faith basis for their behavior. Two brick-and-mortar businesses, with similar or identical trademarks, that had coexisted peacefully for years in the real world because they offered different products or remained geographically separated, discovered that only one of them could own the corresponding domain name. Companies began using other’s trademarks on the Internet, not so much to trick or deceive consumers, as to inform them that they offered competing or complementary goods or services. “Gripe” sites arose to provide a forum for customers, employees or others to criticize a trademark owner. The sites would often use the trademark as a domain name, or part of it, in order to attract consumers to the site. While we might weigh the consumer interest and informational role of the defendant’s actions in each of these cases differently, each of the defendants in these cases has more than a merely colorable, good faith basis for its unauthorized use of another’s mark. Whether we decide at the end of the day to permit or deny any of these uses under trademark law, none of these is the cybersquatting extortion of the Internet’s frontier days.

As these good faith defendants began to appear, some courts were slow to recognize the fundamental shift that was occurring. In cases such as *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, these unperceptive courts continued to believe that every Internet use of a trademark could be readily classified as black or white, with little need to sort through shades of gray, and so continued to rewrite the rules of trademark law accordingly. Thus, the initial interest confusion doctrine, in its radically overbroad Internet form, was born. In other cases, such as *Playboy Enterprises, Inc. v. Welles* and *Playboy Enterprises*,

10. 174 F.3d 1036 (9th Cir. 1999).
11. See *Brookfield Comms., Inc.*, 174 F.3d at 1062-65.
12. 279 F.3d 796 (9th Cir. 2002).
Inc. v. Netscape Communications Corp., more perceptive courts recognized the shift more quickly, and began to re-introduce into trademark law, through the fair use, nominative fair use, and other doctrines, the subtleties that would permit the court to sort through the competing interests implicated by a given use of a trademark.

As this shift in the nature of Internet trademark defendants picked up steam, the United States Supreme Court re-entered the picture. Although it did not jump into the Internet trademark disputes directly, through a series of decisions beginning with Wal-Mart Stores v. Samara Brothers, the Court emphasized the consumer-centric, deception-based justifications for trademark law, and repudiated the broader, property-based vision of trademarks. Trademarks are supposed to promote competition, not inhibit it, the Supreme Court seemed to say, and we need to be careful as we craft trademark's legal doctrines to keep that foremost in our minds.

In the last five years, as courts have attempted to implement the Supreme Court's vision of consumer-centric, deception-based trademark law on the Internet, they have been forced to confront their own decisions from the Internet's frontier era. Having just re-written the rules to make every decision, black-or-white, easy in order to control the rampant lawlessness of the Internet's early days, stare decisis made re-writing the rules yet again a somewhat tricky proposition. Congress could step in and address each doctrinal issue by statutory amendment, and at least with respect to one issue, has already done so. But given Congress's inability to enact the ACPA in a timely fashion, more than this, we cannot realistically expect. Instead, what we have seen over the last five years are logical contortions and legal sophistry of the highest order as courts struggle to re-write the rules, yet again, in order to vindicate good actors from the law that the courts created to catch the bad actors of the Internet's frontier era.

As a result of these re-revisions, what we are left with right now is a muddle. In some cases, courts have resorted to judicial hair-splitting in order to distinguish the facts of two cases. This

13. 354 F.3d 1020 (9th Cir. 2004).
15. See text accompanying notes 69-71 infra (discussing how courts watered down the fame requirement for dilution protection under Section 43(c) in the Internet's frontier era and Congress's subsequent 2006 amendments intended to restore the fame requirement).
16. See text accompanying notes 125-28, infra.
approach may vindicate a particular defendant in a particular case without question. Yet, such an approach ill-serves the public notice and law-making functions of judicial opinions. If a given use constitutes trademark use in some cases, but not others, or if momentarily misdirecting consumers from one website to another establishes actionable trademark infringement in some cases, but not others, consumers, competitors, and trademark owners can never be certain, unless they litigate the issue, whether or not a given use will prove actionable under trademark law. In other cases, courts have given an overly narrow interpretation to one legal rule in an attempt to counteract an earlier, overly broad interpretation of a different rule. For example, the unauthorized use of another’s trademark to trigger the display of advertisements would almost certainly create actionable confusion under the overly broad initial interest confusion doctrine adopted by the Ninth Circuit in *Brookfield Communications, Inc.* To avoid that doctrine, the Second Circuit held that such an advertising use does not constitute “trademark use,” and was therefore non-infringing, whether confusing or not. Again, such an approach may vindicate the conduct of a particular defendant, but in addition to other difficulties, is poorly tailored to protecting the relevant consumer interests at stake. Some keyword-triggered ads can materially confuse consumers, leading them to buy from company A believing they are buying from company B, while other triggered ads do not. Ideally, under trademark law, the first and only the first type of ad should be prohibited. Yet, the Second Circuit’s interpretation of “trademark use” does not attempt to distinguish between the two types of ads, but in an effort to avoid the overbroad reach of the initial interest confusion doctrine, excuses them both.

To move forward, past this confusing and often conflicting array of competing doctrinal elements, courts should re-focus on what trademark law is supposed to protect. If the purpose of trademark law is to enrich trademark owners, then let us just say so and the law can develop from there, at least until Congress or the Supreme Court steps in. If, on the other hand, the purpose of trademark law is to enable consumers to match their desires to specific goods in the marketplace, then courts should try to articulate in each case the competing informational roles a defendant’s use of a mark may serve. Having identified these competing roles, a court can then explain how they should be balanced to best advance consumer welfare. No doubt, not every court will balance these interests identically, but by identifying the competing interests at stake, rather than hiding behind vague catchphrases, we can at least see what is being balanced and how. Such clarity would help us tailor trademark law more closely to the public policies it is supposed to serve, and should also enable
individuals to predict with more confidence whether any given course of conduct will run afoul of trademark law.

In order to explore these issues more fully, this article is divided into three sections: (II) The past; (III) The Present; and (IV) The Future. Part II will focus on the early judicial decisions applying trademark law to the Internet. It will examine the Internet's frontier period, discuss some of the early cases and their fact patterns, and attempt to show how the courts re-wrote various doctrinal elements of trademark law so they could reach the bad actors before them. While this period is characterized more by the predominantly bad faith nature of the defendants than by a calendar, it runs for approximately five years, from the first judicial application of trademark law to the Internet in 1996 until just past the turn of the millennium. From there, we transition to the present, where we examine the shift from bad faith defendants to good faith defendants, and analyze how courts responded. Part III will discuss how the get-the-bad-actor mindset that the judiciary developed in the Internet's frontier era lingered, at least for some courts, a bit too long, and then lay out some of the distinctions and doctrinal revisions the courts have used in an attempt to rein in the potentially overbroad reach of the Internet's frontier era trademark law. Again, the period is defined more by the predominantly good faith nature of the defendants than by a calendar, but runs, more or less, from 2001 through the present. Finally, Part IV will conclude with some thoughts on where we should go from here.

II. THE PAST: BAD ACTORS MAKE BAD LAW

The growth of the Internet as a commercial medium can be traced to two developments in 1993. First, on April 30, 1993, the European Organization for Nuclear Research, commonly known as CERN, dedicated the software behind the World Wide Web to the public, making it available for anyone to use on a royalty-free basis. Second, Mark Andreeson's team at the University of Illinois introduced Mosaic, a graphical browser for the Internet. Together, these two developments facilitated the development of web pages with text and integrated graphics, opening the Internet to ordinary users. With the release of Netscape Navigator in 1994, the Internet's future as a new venue for commerce was becoming clear.

Nonetheless, while some companies had registered their domain names before the World Wide Web, for example, MIT in

1985 and IBM in 1986, 18 other companies were slower to act. By
May 1994, only one-third of Fortune 500 companies had registered
their company names as domain names. 19 Moreover, under
InterNIC's registration policy in effect from April 1993 until July
1995, domain names were registered on a first come-first served
basis. As a result, by May 1994, 14 percent of the Fortune 500 had
their names registered by someone else. 20

Against this background, it did not take long for the first
lawsuits to arise. The first three were, except perhaps for the
parties directly involved, more amusing than anything else. In
MTV v. Curry,21 one of MTV's VJs (video jockey—a play on the
traditional radio designation DJ for disk jockey) Adam Curry had
registered the domain name mtv.com and set up a related
website—allegedly with MTV's consent and encouragement. When
MTV and Curry parted ways, on not so amicable terms, Curry
would not turn the site over to MTV, and so MTV sued. In another
instance, Princeton Review registered kaplan.com—the domain
name corresponding to its chief competitor. 22 Upon arrival at the
site, users were immediately informed that they had reached
Princeton Review and asked to contribute to a list of complaints
about Kaplan Education Centers. Although Princeton Review
claimed to have registered the domain name “as a playful prank”
and offered to transfer the domain name to Kaplan for a case of
beer, 23 Kaplan sued instead, unwilling to acknowledge its rival's
cleverness. In the third case, a writer, Joshua Quittner, registered
mcdonalds.com to illustrate his point that some well-known
businesses were slow to recognize the commercial potential of the
Internet. 24 Quittner offered to transfer the domain name to
McDonalds if it would pay to provide high-speed Internet access
for P.S. 308, a public school in New York. 25 All three cases were
eventually resolved without a final judicial resolution, two of them
by settlement, and the dispute over kaplan.com by arbitration.

Turns Fifty: Analysis and Suggestions Regarding NSI Domain Name Trademark Dispute
19. See Joshua Quittner, Billions Registered, Wired, Oct. 1994, at 50 (available at
20. Id.
statement with respect to Curry's unfair competition counterclaim).
22. See, e.g., Stewart Ugelow, Address for Success: Internet Name Game, Wash. Post,
23. The Princeton Review Relinquishes Controversial Name; Kaplan.com Finds a New
24. See Quittner, supra note 19.
25. See Joshua Quittner, Computers in the 90s; Awaiting word on mcdonalds.com,
Yet, even if they did not contribute to the making of Internet trademark law through the common law adjudicative process, these disputes represented the first trickle of an impending wave of Internet trademark lawsuits. Moreover, before eventually settling with Quittner, McDonalds sent a threatening letter to Network Solutions, raising the question whether Network Solutions was legally liable for its domain name registration practices. In a subsequent lawsuit, Knowledgenet named Network Solutions as a co-defendant when Knowledgenet sued David Boone in federal court in Illinois for allegedly registering its business name and federally registered trademark as a domain name. Other lawsuits naming Network Solutions as a defendant soon followed.

In an attempt to extricate itself from these lawsuits, Network Solutions announced a new domain name policy on July 23, 1995. Until that point, Network Solutions's policy on trademark disputes had complied with RFC 1591. One of a series of consensus-based documents that had established the governing framework for the Internet, RFC 1591, entitled Domain Name System Structure and Delegation, set forth a simple role for the domain name registration authority: “In case of a dispute between domain name registrants as to the rights to a particular name, the registration authority shall have no role or responsibility other than to provide the contact information to both parties.” In its 1995 domain policy, Network Solutions left behind this position of neutrality and agreed to take a more active role in policing potential trademark infringement on the Internet.

The 1995 policy took two principal steps attempting to address the registration of others’ trademarks as domain names. First, it required each domain name applicant to warrant that its use of the proposed domain name “does not interfere with or infringe the right of any third party in any jurisdiction with respect to trademark, service mark, tradename, company name or any other intellectual property right.” Second, it provided trademark

26. See http://www.eff.org/legal/cases/Knowledgenet_v_InterNIC_et_al/Knowledgenet.complaint (First Amended Complaint, last visited Apr. 18, 2007).

27. See, e.g., Jessica R. Friedman, Report: A Lawyer's Ramble Down the Information Superhighway: Trademark, 64 Fordham L. Rev. 730, 735 (1995) (noting that InterNIC was also named as a defendant in Fry's Electronics's lawsuit attempt to wrest control of the domain name frys.com from a Seattle catering company).

28. An “RFC” is a “request for comment.” Taken together, these RFCs represented consensus-based technical standards governing the operation of the Internet.


owners, and those who believed they were trademark owners, with an easy and cost-effective method of deactivating an allegedly infringing domain name. Specifically, a trademark owner needed only to send Network Solutions a letter stating that another's domain name was its registered trademark.\footnote{31} Network Solutions would then give the current holder of the domain name 30 days to produce its own trademark registration or Network Solutions would place the domain name on hold.\footnote{32} Once placed on hold, a domain name was essentially deactivated, and users could no longer find the registrant's web pages at that address.

To prevent the hold, the domain name holder had to produce its own corresponding trademark registration. Curiously, under the July 1995 policy, the date of the domain name holder's trademark registration was immaterial. Thus, upon receiving the thirty-day letter, a domain name holder could rush out and obtain a trademark registration from the one country that would process a trademark application within thirty days—Tunisia—and use that registration to stave off deactivation of the domain name. Several domain name holders did so.\footnote{33} But Network Solutions eliminated this option with its September 1996 policy. Under the September 1996 policy, Network Solutions would halt the thirty-day hold process only if the domain name holder submitted a trademark registration obtained before the thirty-day process began.\footnote{34}

For a country, such as the United States, where trademark rights are founded, even today, on use, rather than registration, the policy's preoccupation with the registration of a trademark, rather than its legal existence, presented obvious problems. The intent, at least in part, was to replace somewhat fact-intensive priority disputes based upon who actually used a mark first with a

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31. This was changed effective September 9, 1996, to require a certified copy of the trademark registration. See Network Solutions' Domain Name Dispute Policy, Sept. 9, 1996, at 5(c) (available at http://www.eff.org/Spam_cybersquatting_abuse/Cybersquatting/9609_internic_domain.policy) (last visited Apr. 18, 2007).
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33. See Oppedahl, supra note 18, at 91-92.
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34. NSI Domain Name Resolution Policy, Sept. 9, 1996, at 6(c) (available at http://www.eff.org/Spam_cybersquatting_abuse/Cybersquatting/9609_internic_domain.policy) (last visited Apr. 18, 2007).
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35. While registration of a trademark offers certain advantages, such as nationwide priority, 15 U.S.C. §§ 1057(c), 1072, and a presumption of validity and ownership, 15 U.S.C. §§ 1057(b), 1115(a), registration has never been required in the United States for trademark protection. However, aside from registration under the Madrid Protocol, 15 U.S.C. § 1141, use remains a prerequisite for registration. 15 U.S.C. § 1051(a), (c), (d) (setting forth requirements for use-based registration application and for alleging use for intent-to-use-based registration application).
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simpler black-and-white rule based on registration dates. The policy also shifted outcomes in favor of larger, national and international trademark owners, who more typically had already registered their marks, at the expense of smaller, local and regional players, who more typically had not. Once the September 1996 policy eliminated the Tunisia option, for a domain name holder, whose trademark rights happened to be based upon actual use, rather than registration, the only way to stave off deactivation was to sue Network Solutions. Between March and November 1996, seven domain name holders who had received thirty-day letters did so; all successfully. But if a party could not afford litigation with Network Solutions, the early domain name policies invariably proved fatal to a domain name holder whose corresponding trademark rights were based upon use, rather than registration.

In addition to ignoring trademark rights based upon use, rather than registration, the early domain name policies also had a serious flaw from the perspective of a trademark owner whose corresponding domain name had been registered by a bad faith cybersquatter. While such a trademark owner could use the policies to have Network Solutions deactivate the domain name and thus stop any infringement, the early policies did not force a transfer of the domain name to the trademark owner. To obtain a transfer, the trademark owner had to obtain a court order or negotiate a consensual transfer of the domain name with the cybersquatter—a transfer whose terms would presumably depend on the likelihood and expense of obtaining the court order.

Network Solutions’ early domain name policies thus allowed trademark owners to stop infringing uses, and probably some uses that were not in fact infringing, but to obtain the domain name for themselves, trademark owners had little choice but to go to court. At the outset, however, any such lawsuit faced seemingly insurmountable legal hurdles. Until Congress enacted the ACPA in 1999 to address cybersquatters specifically, trademark owners had to pursue cybersquatters and other illegitimate domain name registrants under the general principles of trademark law or dilution. Neither was tailored to address these issues, and both required a plaintiff to establish elements that typically would not be present in the usual case of cybersquatting.

Under trademark law generally, the paradigm case of infringement occurred when company A used company B’s trademark, or a mark confusingly similar, in a way that would persuade consumers to purchase the products or services of company A mistakenly believing they had come from company B. Congress had specifically drafted the trademark infringement standard with this paradigm case in mind. As a result, Section 1114 defined trademark infringement as the: (1) “use” of (2) a “copy or colorable imitation of a registered mark” (3) “in connection with the sale . . . of any goods or services” (4) “which . . . is likely to cause confusion.” While a cybersquatter’s bad faith registration of another’s trademark as a domain name might have easily satisfied the second element, mere registration alone would not qualify as trademark use under the first element. Similarly, where the cybersquatter was not offering any goods or services at the relevant domain name, it was also difficult to see how the cybersquatter would lead consumers to purchase anything, let alone persuade them to purchase the goods of company A believing they came from company B, as required by the third and fourth elements.

Dilution, whether pursued as a state law claim or under the newly enacted (at the time) Federal Trademark Dilution Act of 1995 (FTDA), offered a potentially more viable avenue for challenging cybersquatters, though like the general trademark infringement standard, dilution also required proof of the defendant’s use of the mark. Although the author must confess to

37. Section 32(1)(a) of the Trademark Act sets forth the general infringement standard for registered trademarks as follows:

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce 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

. . .

shall be liable in a civil action by the registrant for the remedies hereinafter provided.


39. Section 43(c), as amended in 2006, contains the federal prohibition on dilution and provides:

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner’s mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

never really understanding what it is that dilution is supposed to address, the FTDA defines dilution as another's subsequent, unauthorized use of an identical or similar mark that lessens the initial mark's distinctive quality. This lessening, known as "blurring," somehow occurs when another party uses an identical or nearly-identical mark on unrelated goods, even where there is no likelihood of consumer confusion. If this blurring is allowed to continue, the argument goes, then soon the selling power of the mark will be whittled away to nothing. While this is perfectly fine as a theory of how things might work, as far as the author is aware, no one has identified even a single instance where this whittling away to nothing has actually occurred. Even the legislative history accompanying the FTDA could cite only hypothetical cases. Nonetheless, even if we suppose, as Congress has, that dilution represents a real-world phenomenon, there remained a fundamental stumbling block to applying it to instances of cybersquatting generally. At least under federal law, dilution only applies to famous marks. The vast majority of marks do not qualify.

Yet, even if their legal claims were weak, trademark owners had something else going for them—they had a sympathetic claim. They had spent, in some cases, millions of dollars popularizing their brands; the brands were their property, or so trademark owners believed; and the behavior of the cybersquatters was unseemly, striking most as an extortionate attempt to hold-up trademark owners. So trademark owners took their relatively weak, but extremely sympathetic legal claims to court, and hoped

40. See Lunney, supra note 1, at 408-10 (noting that whatever dilution was supposed to address when first proposed in 1927 has been more than adequately addressed by subsequent expansion in trademark's general infringement standard).

41. 15 U.S.C. § 1127 ("The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services. . .").

42. See, e.g., Horphag Research Ltd. v. Garcia, 475 F.3d 1029, 1035-36 (9th Cir. 2006); see also 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 24:71 (4th ed. 2006) (discussing the underlying rationale of the dilution cause of action, which is to protect "the senior user's property right and good will in his mark" from the "gradual diminution or whittling away of the value of [his] trademark, resulting from use by another").

43. H.R. Rep. 374, 104th Cong., 1st Sess. 3 (1995), reprinted in 1995 U.S. Code Cong. & Admin. News 1029, 1030 (offering hypothetical examples of dilution by stating that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation"); see also Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 903 (9th Cir. 2002) (offering additional hypothetical examples of "Tylenol snowboards, Netscape sex shops and Harry Potter dry cleaners"). Is just one real-world example too much to ask?

44. 15 U.S.C. § 1125(c)(1) (2007) (recognizing a cause of action for dilution by blurring or tarnishment for "the owner of a famous mark"); see also Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 874-76 (9th Cir. 1999); IP Lund Trading ApS v. Kohler Co., 163 F.3d 27, 46 (1st Cir. 1998).
that the folklore about bad facts making bad law would hold true. For the most part, it did. With respect to the use requirement found both in the general trademark infringement section and in the dilution section, courts acknowledged that “registration of a trademark as a domain name, without more” did not constitute trademark use.\textsuperscript{45} But, registration of a domain name with the intent to resell it did.\textsuperscript{46} It is difficult to see how this interpretation of use makes any sense. Although the author has broken “use” out as a separate element, the statute is more organic, tying use directly to the creation of confusion or dilution. Yet, if it is the resale of the domain name that counts as use, it is not a use that can possibly create confusion. The only corresponding product for sale is the domain name itself. Presumably, when a trademark owner is negotiating with a cybersquatter to purchase a domain name, it knows that it is not purchasing the domain name from itself and is thus not confused. To avoid this result, courts focused on one type of conduct, the intent to resell, to satisfy the use element, and then turned to other conduct, such as the registration of an identical domain name, to resolve the likelihood of confusion or dilution issues. Thus, the use hurdle to reaching cybersquatters through the general trademark infringement standard or dilution was cleared, and cleared in a way that opened the door to dilution and infringement claims generally.

Alternatively, if the domain name holder was not simply sitting on the domain name, hoping to resell it, but was actively maintaining a website at the address, then use was clear and often the key question was whether the defendant’s use was “commercial” under the dilution provision or “in connection with the sale . . . of any goods or services” under the general trademark infringement standard. This issue arose in a series of cases where individuals registered an organization’s trademark as a domain name and then set up a website at that address that criticized or ridiculed the political, ethical, or religious message of the trademark owner. Examples include the registration of plannedparenthood.com,\textsuperscript{47} jewsforjesus.com,\textsuperscript{48} and peta.org\textsuperscript{49} by

\textsuperscript{45.} See, e.g., Panavision Int’l, L.P. v. Toeppen, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996), aff’d, 141 F.3d 1316 (9th Cir. 1998).


\textsuperscript{49.} People for the Ethical Treatment of Animals v. Doughney, 263 F.3d 359 (4th Cir. 2001).
defendants, who, in each case, set up a website expressing views diametrically opposed to, or making fun of, those of the corresponding trademark owner.

It was a little difficult to see how these websites would persuade consumers to purchase the goods of company A believing they came from company B, both because the sites were not selling anything and because consumers would immediately realize the nature of these sites upon reaching them. Yet, courts had little trouble finding a way to rewrite trademark law to reach this conduct. As the district court in the Planned Parenthood case explained:

[D]efendant has appropriated plaintiff’s mark in order to reach an audience of Internet users who want to reach plaintiff’s services and viewpoint, intercepting them and misleading them in an attempt to offer his own political message.... [D]efendant’s appropriation not only provides Internet users with competing and directly opposing information, but also prevents those users from reaching plaintiff and its services and message.\(^5\)

As for whether these defendants’ uses would create more than momentary confusion, as users simply returned to their searches in order to find the organization’s real website, courts simply speculated that that might not happen. As the district court explained in the PETA case, “The prospective users of [PETA’s] services who mistakenly access Defendant’s web site may fail to continue to search for [PETA’s] own home page, due to anger, frustration, or the belief that [PETA’s] home page does not exist.”\(^5\)

Of course, there was no evidence that the defendants’ websites in any of these cases actually prevented anyone from finding the plaintiffs’ real websites. Moreover, the supposition that users would give up, rather than hit the back button, seems implausible given the state of search engines on the Internet at that time and the almost invariable need to try a number of sites before finding the right one.

Rather than continue to assert factually implausible propositions, courts applying trademark law soon decided simply to abandon any requirement that confusion play any material role in consumer purchasing decisions. Under the initial interest confusion doctrine adopted by the Ninth Circuit in Brookfield

\(^{50}\) Planned Parenthood, 42 U.S.P.Q.2d at 1435; see also People for the Ethical Treatment of Animals, 263 F.3d at 365 (following Planned Parenthood’s approach); OBH, Inc. v. Spotlight Magazine, Inc., 86 F. Supp. 2d 176, 183 (W.D.N.Y. 2000) (same); Jews for Jesus, 993 F. Supp. at 308 (same).

Communications, Inc. v. West Coast Entertainment Corp.,\textsuperscript{52} it is enough that a consumer was momentarily misdirected. Somewhat surprisingly, this radical expansion in the scope of trademark infringement did not occur in a case with a bald-faced, bad faith defendant. Rather, the Ninth Circuit crafted this vast expansion in the scope of trademark infringement in a case involving the allocation of a domain name between two parties, both with good faith claims to it. In its brick-and-mortar operations, West Coast had used the term “The Movie Buff's Movie Store,” and a number of variations of it, since 1986, as part of its video rental store operations, and had held a federal registration on the term since 1991.\textsuperscript{53} Similarly, Brookfield had offered its MovieBuff database since either December 1993 or January 1994, and had held a federal registration for the mark since 1998.\textsuperscript{54} While the two uses coexisted peacefully in the real world, when both companies moved to the Internet, both wanted the domain name moviebuff.com, but only one could have it and West Coast registered it first.\textsuperscript{55}

Despite the problems with a first-come-first-served approach to domain names in cases involving cybersquatters, the approach makes considerable sense when two parties each have a good faith basis for wanting the domain name.\textsuperscript{56} In 1998, at the time Brookfield sued, that seemed to be the commonly accepted practice as well. If two companies had similar or identical names or marks, then the first one to register the simplest version of the mark as a

\footnotesize{\textsuperscript{52} 174 F.3d 1036 (9th Cir. 1999).} \textsuperscript{53} \textit{Brookfield Comms., Inc.}, 174 F.3d at 1043 & n.5. \textsuperscript{54} Id. at 1041-42 & n.1. \textsuperscript{55} Id. at 1042. \textsuperscript{56} The other two alternatives are, first, neither party can use the corresponding domain name because allowing either to use the corresponding domain name would momentarily misdirect some consumers. For example, if two company A+s are involved, if we allow the first A+ to use the domain name, then some consumers of the second A+ will find the site and believe that they are at the website of the second A+. Similarly, if we allow the second A+ to use the domain name, then some consumers of the first A+ will find the site and believe that they are at the website of the first A+. Thus, allowing either to use the corresponding domain name will create initial interest confusion of the sort found actionable in \textit{Brookfield}. Because each use would be infringing, neither would be permitted. Second and alternatively, a court could try to adopt a domain name ownership rule that would favor the party whose use would create less initial interest confusion, and could thus award the domain name to the A+ that was more famous or familiar to consumers, or whose trademark or tradename was closer to the exact form of the domain name. Perhaps such an approach would be justified where there was a wide difference between the likely confusion that assigning the domain name to one or the other mark owner would create, such as for example, assigning www.mcdonalds.com to the restaurant chain, rather than a relatively unknown company named McDonalds Nurseries. But such an approach is harder to justify where the two companies competing for the mark have similar levels of consumer recognition, and would also be inconsistent with the approach found in the reverse confusion cases where greater consumer recognition alone does not establish trademark rights.
domain name got to keep it, and the other company had to make do with some other, usually longer and hence less attractive, variation. Brookfield, after learning that West Coast had already registered moviebuff.com, registered both brookfieldcomm.com and moviebuffonline.com. However, it was not ready to give up the shorter, easier to remember moviebuff.com, and so sued West Coast in federal district court, alleging trademark infringement and the usual assortment of associated legal claims. The district court denied Brookfield's request for a preliminary injunction, and weeks later, West Coast launched its website at moviebuff.com. This sent Brookfield scurrying to the Ninth Circuit with an emergency motion for an injunction pending appeal, which the Ninth Circuit granted in February 1999, contingent on Brookfield posting a nominal bond of $25,000.

Two months later, in April 1999, the Ninth Circuit issued its opinion. In it, the Ninth Circuit awarded the moviebuff.com domain name to Brookfield, and prohibited West Coast from either using the domain name or including the word "moviebuff" in that portion of its website programming, known as metatags, which are invisible to ordinary users but picked up by search engines. In determining who was the first to use moviebuff.com and thus had priority over the disputed mark, the Ninth Circuit retreated to a curiously formal, hyper-technical analysis that focused on the differences between moviebuff.com and West Coast's registered trademark "The Movie Buff's Movie Store." In doing so, the Ninth Circuit ignored the well-established commercial practice of eliminating spaces (which cannot be used in domain names) and shortening trademarks in order to make them more easily remembered and easier to type when registering them as domain names. Having awarded priority to Brookfield, the panel then found a variety of ways in which consumers might be confused when they reached a moviebuff.com website operated by West Coast. They might think that they had found Brookfield's website, even though the services that the two companies were offering were quite different; they might believe that West Coast had licensed "MovieBuff" from Brookfield; or they might believe that West Coast's database had replaced Brookfield's. While some or all of these theories might have been sufficient, if there was any evidence to support them, the Ninth Circuit was not yet

57. Id. at 1043.
58. Id.
59. Brookfield Comms., Inc., 174 F.3d at 1047-49 (finding that West Coast could not tack (or date) its first use of moviebuff.com onto its first use of "The Movie Buff's Movie Store" finding that the two do not create the same "continuing commercial impression").
60. Id. at 1057.
61. Id.
satisfied and so held that actionable trademark confusion resulted “even where people realize, immediately upon accessing ‘moviebuff.com,’ that they have reached a site operated by West Coast and wholly unrelated to Brookfield.”62

Such momentary misdirection, the panel held, was a misappropriation of Brookfield’s goodwill in its “MovieBuff” trademark, and therefore constituted actionable trademark infringement, even if immediately dispelled. The panel took this so-called “initial interest” confusion doctrine from its origins in just a few cases in the brick-and-mortar world.63 However, there is a key difference between these two settings. In the real world, initial interest confusion, even if cleared up before the actual purchase of a piano or a cargo of oil, may persist long enough that a consumer relies on the initially false impression in beginning negotiations towards the actual purchase. Although an economist would suggest that such sunk costs should not affect the consumer’s behavior and that consumers should pull out of negotiations once they learn the truth, the simple fact is that sunk costs do affect consumers, which is no doubt just one of the ways in which real world consumers disappoint economists.64 As a result, these real-world initial interest confusion cases do not require confusion at the point of purchase, because under their specific factual circumstances, the initial interest confusion is likely to linger long enough to influence materially consumers’ ultimate purchasing decisions.65 Even the real-world example that the Brookfield panel used to justify applying initial interest confusion to the Internet recognized the importance of these sunk costs, implicitly incorporating them into its hypothetical to make it persuasive:

Suppose West Coast’s competitor (let’s call it “Blockbuster”) puts up a billboard on a highway reading—“West Coast Video: 2 miles ahead at Exit 7”—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast’s store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may

62. Id. Curiously, when West Coast tried to turn this argument around and point out that if Brookfield operated a site at moviebuff.com, some consumers might reach it looking for West Coast’s site, the panel took a statement by West Coast that there was no actual confusion between the two parties in the real world and held that it found West Coast on the Internet as well. Id. at 1050.


64. Even for an economist, the sunk costs are relevant to the issue, as they identify the likely costs that consumers will waste due to the initially misleading impression.

65. See, e.g., Steinway & Sons, 523 F.2d at 1341-42.
simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. 66

Whatever persuasive force this example may have, the problem with using it to justify applying the initial interest confusion doctrine to the Internet is that, as the panel itself recognized, there are no similar sunk costs on the Internet. “In the Internet context, in particular, entering a web site takes little effort—usually one click from a linked site or a search engine’s list. . . .” 67 There is no reliance, no sunk cost in the Internet context equivalent to that of pulling off a highway and driving around. Moreover, unlike the video store hypothetical, where a consumer may have no idea where to find the West Coast video store’s real location, on the Internet, all the consumer need do is click the mouse a few times to get back to the search engine’s listing of sites and try another one. 68 Without the reliance on the initially false statement and facing extremely low costs of resuming the search for the desired goods or services, there is no reason to believe that the statement will materially influence consumer purchasing decisions.

Nevertheless, by rewriting the rules of trademark infringement to incorporate such momentary misdirection, courts made the general trademark infringement standard readily applicable to a wide array of Internet trademark disputes. In addition, they also rewrote and essentially eliminated the “fame” requirement under the federal dilution provision in order to open another avenue for reaching the bad faith defendants before them.

To be sure, at least some of the trademarks at issue in these early cases were plausibly famous, as that term was intended in the federal dilution provision. For example, one of the first domain name opinions arose from Hasbro’s allegations that a defendant’s use of the domain name candyland.com for a porn site diluted Hasbro’s federally registered CANDY LAND mark. 69 As an ordinary consumer, and father of three boys who were only recently playing Hasbro’s CANDY LAND game, the author is

67.  Id. at 1057.
68.  See, e.g., Bihari v. Gross, 119 F. Supp. 2d 309, 320 n.15 (S.D.N.Y. 2000) (“Use of the highway billboard metaphor is not the best analogy to a metatag on the Internet. The harm caused by a misleading billboard on the highway is difficult to correct. In contrast, on the information superhighway, resuming one’s search for the correct website is relatively simple. With one click of the mouse and a few seconds delay, a viewer can return to the search engine’s results and resume searching for the original website.”).
69.  Hasbro, Inc. v. Internet Entertainment Group, Ltd., 40 U.S.P.Q.2d 1479 (W.D. Wash. 1996). Recognizing that spaces cannot be used in domain names, the court paid no attention to the removal of the space from the plaintiff’s registered CANDY LAND trademark in the defendant’s domain name.
perfectly willing to accept the mark as famous, or at least plausibly so. Even if it does not make Business Week's list of the Top 100 brands, many of us are familiar with the mark outside of the lawsuit in which the dilution claim was raised. In contrast, subsequent decisions, in order to apply dilution to the bad actors of the Internet, have found Sporty's, Intermatic, and Panavision famous, as well.\textsuperscript{70} It is not just that these marks are unfamiliar outside of the specific litigation in which they were involved, but when a district court has to point to the fact that the "Filmed with Panavision" credit appears in the 'end titles' of many television shows and movies\textsuperscript{71} as the best available evidence of fame, it is hard to imagine better evidence that a mark is not famous.

Fortunately, Congress has intervened to restore some substance to the "famous" mark limitation. In the Trademark Dilution Revision Act of 2006, Congress added language to Section 43(c), specifically requiring that a mark be "widely recognized by the general consuming public of the United States" before it receives dilution protection.\textsuperscript{72}

To a large extent, the need for this judicial rewriting of the general trademark infringement and dilution standards ended in 1999 as a result of two events. First, the domain name registries, under the guidance of the Internet Corporation for Assigned Names and Numbers, replaced their early domain name policies with the Uniform Domain-Name Dispute-Resolution Policy (UDRP). Second, Congress enacted the Anti-Cybersquatting Consumer Protection Act (ACPA), formally adding Section 43(d) to the Trademark Act. While there are slight differences between the UDRP and the ACPA, both were specifically tailored to address cybersquatting. The UDRP prohibits: (i) the registration of a confusingly similar domain name; (ii) where the registrant has no rights or legitimate interests in the name; and (iii) registers it in bad faith.\textsuperscript{73} The ACPA prohibits: (i) registration, use or trafficking

\textsuperscript{70} See Sporty's Farm, L.L.C. v. Sportsman's Mkt., Inc., 202 F.3d 489, 497 & n.10 (9th Cir. 2000) (noting the district court's finding that Sporty's was a famous mark, but granting the plaintiff relief under ACPA); Panavision Int'l, L.P. v. Toeppen, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996), aff'd, 141 F.3d 1316 (9th Cir. 1998); Intermatic Inc. v. Toeppen, 947 F. Supp. 1227, 1239 (N.D. Ill. 1996).

\textsuperscript{71} Panavision Int'l, L.P., 945 F. Supp. at 1303.


\textsuperscript{73} Paragraph 4(a) of the UDRP provides a remedy where a trademark owner can prove that:

(i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and

(ii) you have no rights or legitimate interests in respect of the domain name; and

(iii) your domain name has been registered and is being used in bad faith.
in a domain name that is (ii) confusingly similar or dilutive with (iii) a bad faith intent to profit. 74

While these provisions might have been tremendously helpful had they been adopted in 1995 or 1996, by 1999, the cybersquatting issue, at least within the United States, had largely been resolved. In part, it had been resolved by courts’ creative re-writings of trademark’s likelihood of confusion and dilution provisions. More importantly, businesses had begun to recognize the value of the Internet as a tool for marketing, advertising, and sales. The days when domain names corresponding to valuable trademarks remained available for the taking were over. Instead, by 1999, the days of trademark disputes between parties each with some good faith basis for their use of a given domain name or trademark on the Internet, already foreshadowed by cases such as Brookfield, had begun.

III. THE PRESENT: GOOD ACTORS ATTEMPTING TO AVOID BAD LAW

If the first five years of applying trademark law to the Internet were something of a frontier era, dominated by bad actors, bad facts, and consequently bad law, the predominant theme of the next five years has been courts attempting to rewrite (yet again) the very laws they had just rewritten, this time, in order to leave more room for the unauthorized use of another’s trademark on the Internet by actors with some legitimate purpose. To be sure, not all of these actors prevailed, nor should they have, but none of


74. Section 43(d) of the Trademark Act provides:

(d) Cyberpiracy prevention.

(1)

(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.

these actors are the bald-faced, bad faith cybersquatters of the Internet's frontier days. In sharp contrast to the cybersquatting cases, in this second generation of Internet trademark disputes, there is at least some plausible argument that consumers would be better off if the use is allowed, than if the use is prohibited. If the purpose of trademark law is to protect consumers and minimize their search costs, then these cases present a far closer question on where consumers' interests lie than did the cybersquatters in balancing the competing interests of consumers, trademark owners, and competitors.

A. The Pendulum Starts to Swing Back

Perhaps given the nature of the Internet, it is not surprising that the pendulum began to swing back in two cases involving Playboy's efforts to prevent the unauthorized use of its trademarks. In the first, Playboy Enterprises, Inc. (PEI) sued a defendant who had used its Playboy and Playmate trademarks without authorization in the metatags, on the masthead, on banner ads, and as a watermark on the pages of her website. Unlike earlier defendants in similar lawsuits, however, the defendant's use here served a legitimate function because the defendant was Terri Welles, Playboy's Playmate of the Year in 1981. Welles' use of the Playboy marks to describe herself provided the likely consumers of her website with information that was thus both factually accurate and directly relevant. For that reason, the district court granted summary judgment to Welles on PEI's trademark infringement and dilution claims.

On appeal, the Ninth Circuit affirmed in part and reversed in part. To resolve the issues, the panel turned to the nominative fair use doctrine, crafted by Judge Kozinski in New Kids on the Block v. New America Publishing, Inc. As a general principle, the nominative fair use doctrine excuses, both for general trademark infringement and dilution claims, an unauthorized use of a

75. Playboy Enters., Inc. v. Welles, 279 F.3d 796, 800 (9th Cir. 2002).
76. Id. at 799.
77. Id. at 800. The district court also granted summary judgment of Playboy Enterprises' breach of contract claims. In 1981, when Welles agreed to be Playmate of the Year, her corporation, Pippi, Inc., signed a contract with Playboy Enterprises, in which Pippi, Inc. agreed to obtain Playboy Enterprises' written approval before Welles made any "non-Playboy use of her name with the designation 'Playmate of the Year.'" Id. But Pippi, Inc. was dissolved in 1984, and the district court held that the contract did not bind Welles personally.
78. 971 F.2d 302 (9th Cir. 1992).
79. Playboy Enters., Inc., 279 F.3d at 802-04, 805-06. The panel justified extending the nominative fair use doctrine to dilution claims as follows:
trademark where a defendant uses the trademark to refer back to the trademark owner. In such cases, the Ninth Circuit will evaluate whether the use is infringing or fair using a three-part test:

First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.  

Applying the nominative fair use factors to Welles' website, the Ninth Circuit held that her use of PEI's marks in her masthead, banner advertisements, and metatags satisfied the three requirements and were thus fair. As the Court noted, Welles had "no practical way of describing herself without using [the plaintiff's] trademarked terms." But the panel felt that Welles went too far with her wallpaper. Welles' wallpaper, or background of her website, used the abbreviation "PMOY '81" for "Playmate of the Year 1981" repeatedly. In a somewhat curious, almost hypertechnical application of the nominative fair use doctrine, the panel held that because Welles' name or likeness did not appear specifically in conjunction with each such abbreviation, Welles' use of "PMOY '81" failed the first element and was thus potentially infringing.

As a theoretical matter, the three-part nominative fair use test is almost ideally tailored to balance effectively the competing interests of the trademark owner, consumers, and competitors in the potential information that a mark's use may convey. Ironically, the precise tailoring of the test is the reason it does not work very well in the real world. The test's application requires such a factually intensive, and correspondingly expensive, process that

When Welles refers to her title, she is in effect referring to a product of PEI's. She does not dilute the title by truthfully identifying herself as its one-time recipient any more than Michael Jordan would dilute the name 'Chicago Bulls' by referring to himself as a former member of that team, or the two-time winner of an Academy Award would dilute the award by referring to him or herself as a 'two-time Academy Award winner.' Awards are not diminished or diluted by the fact that they have been awarded in the past. Similarly, they are not diminished or diluted when past recipients truthfully identify themselves as such.

Playboy Enters., Inc., 279 F.3d at 806.

80. New Kids on the Block, 971 F.2d at 308, quoted with approval in Playboy Enters., Inc. v. Welles, 279 F.3d at 801.

81. Playboy Enters., Inc., 279 F.3d at 803.

82. Id. at 804-05. The panel therefore remanded to the district court to determine whether the protection of Playboy Enterprises' registered marks extended to the abbreviation. Id. at 805.
the expense of the process itself frustrates the system's efforts to achieve justice. While the Welles' decision is certainly a step in the right direction, it still leaves plaintiffs far too much leeway under the factually intensive three-part inquiry to nitpick whether a defendant, who has an admittedly legitimate interest in its use of the plaintiff's trademark, has gone just a bit too far. A plaintiff may argue, for example, that a defendant should have used a slightly smaller or different colored-font, or placed the mark in a different, less prominent location.

A far simpler rule that would nonetheless get the right answer in the vast majority of cases would be the principle that the Supreme Court articulated more than a century ago: Truth is not trademark infringement. This approach would leave Welles free to use the abbreviation "PMOY '81" in her wallpaper, but would avoid the chilling consequences generated by the higher litigation costs of a more factually intensive inquiry.

Nevertheless, if Welles was not as big a step as it could have been, it was nonetheless a significant step in the right direction. Soon thereafter, another step was taken in a case also involving the unauthorized use of PEI's trademarks. In this second case, Netscape was selling PEI's trademarks as keywords to competitors so that when a user entered, for example, "playboy" as a search term on Netscape's search engine, the engine would return both the search results and competitors' banner advertisements relevant to the user's search.

Before reaching its final resolution, the case followed a somewhat curious path. From consumers' perspective, the central argument would be that Netscape's use, although unauthorized,

83. See Wal-mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 214 (2000) (noting that "[c]ompetition is deterred, however, not merely by successful suit but by the plausible threat of successful suit.

84. See Delaware & Hudson Canal Co. v. Clark, 80 U.S. (13 Wall.) 311, 327 (1872). As the Court itself explained:

It is only when the adoption or imitation of what is claimed to be a trade-mark amounts to a false representation, express or implied, designed or incidental, that there is any title to relief against it. True it may be that the use by a second producer, in describing truthfully his product, of a name or a combination of words already in use by another, may have the effect of causing the public to mistake as to the origin or ownership of the product, but if it is just as true in its application to his goods as it is to those of another who first applied it, and who therefore claims an exclusive right to use it, there is no legal or moral wrong done. Purchasers may be mistaken, but they are not deceived by false representations, and equity will not enjoin against telling the truth.

Id.; see also Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924) ("When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.

should be lawful because Netscape is simply offering consumers a choice. If a consumer enters “playboy” or “playmate” as a search term, then the search results will identify where to find PEI’s products and the banner advertisements simply offer alternative sources for similar products. Rather than focus on this issue, however, the district court denied PEI’s motion for preliminary injunction primarily on the grounds that PEI failed to show that Netscape had used the terms in their trademark rather than their generic sense. As a factual proposition, it is nonsense to think that parents were using the term “playmate” on Netscape’s search engine in its generic sense, hoping to set up play dates for their kids, or that cigar-smoking, scotch-drinking, well-heeled gentlemen who travel in private jets were using the term “playboy,” hoping to catch up on the latest trends among their social peers. Netscape’s clients that were purchasing PEI’s trademarks as keywords were all porn sites. Thus, the whole idea behind Netscape’s sale of these terms as keywords was that users were looking for PEI, or PEI-like, products, and were thus using the terms in their trademark, rather than generic, sense. Nonetheless, when PEI appealed, a panel of the Ninth Circuit, consisting of Judges Wallace, Ferris, and T.G. Nelson, affirmed the district court’s denial of a preliminary injunction. So emboldened, on remand, the district court granted Netscape summary judgment on essentially those same grounds. However, this time on appeal, Judges Fletcher and Berzon replaced Judges Wallace and Ferris, and the panel reversed.

In an opinion written by Judge T.G. Nelson, who was on both panels, the Ninth Circuit held that the use of PEI’s marks was plainly in their trademark, rather than generic sense. The central issue was therefore whether Netscape’s use created a likelihood of confusion. On this issue, as well as the claim for dilution, the Ninth Circuit held that there were genuine issues of material fact and remanded for trial.

In thinking about whether Netscape’s actions should constitute infringement, the key is whether trademark law is intended to protect trademark owners or consumers. From the trademark owner’s perspective, any unauthorized use of their mark that leads to sales for someone else should constitute infringement. The Brookfield panel’s vision of initial interest confusion seemingly embraced this perspective when it justified

89. Id. at 1031, 1034.
rendering momentary consumer confusion as actionable because it constituted "a misappropriation of Brookfield's goodwill."90 From a consumer's perspective, the issue is not so simple. For the consumer, if the so-called "confusion" simply makes the consumer aware of another choice, and the confusion lasts only momentarily, in the sense that there is no significant reliance or sunk cost generated by the initially misleading impression, then the consumer's decision to purchase from the newly-recognized competitor is simply a choice. Like other choices, it presumably reflects the consumer's decision as to how best to maximize her own welfare, given the resources and information available. Even if the decision means a lost sale to a particular trademark owner, it is hard to see how such a decision harms the consumer. In fact, the consumer's decision to go through with the purchase probably demonstrates, in the only way that really matters, where her best interests lie. Thus, from the consumer's perspective, initial interest confusion should probably not be actionable as a general matter, and certainly not when it is clear from the outset that the consumer is simply being offered a choice, even if the trigger for that offering is someone else's trademark.

As between these two perspectives, the Playboy v. Netscape opinion began on a troubling note by acknowledging that "PEI's theory [of infringement] strongly resembles the [initial interest confusion] theory adopted by this court in Brookfield Communications, Inc."91 The Playboy v. Netscape court did not follow through, however, on Brookfield's trademark owner-centric vision of trademark law, but instead, in at least two respects, tried to re-align the initial interest confusion doctrine with a more consumer-centric perspective. First, rather than treat initial interest confusion as a stand-alone doctrine, the Playboy v. Netscape court insisted on evaluating the likelihood of confusion through its traditional, eight-factor likelihood of confusion analysis.92 By doing so, the Playboy v. Netscape court provided a

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90. As the Brookfield panel explained:

And even where people realize, immediately upon accessing "moviebuff.com," that they have reached a site operated by West Coast and wholly unrelated to Brookfield, West Coast will still have gained a customer by appropriating the goodwill that Brookfield has developed in its "MovieBuff" mark. A consumer who was originally looking for Brookfield's products or services may be perfectly content with West Coast's database (especially as it is offered free of charge); but he reached West Coast's site because of its use of Brookfield's mark as its second-level domain name, which is a misappropriation of Brookfield's goodwill by West Coast.

Brookfield Comms., Inc. v. West Coast Enterm't Corp., 174 F.3d 1036, 1057 (9th Cir. 1999).

91. Id. at 1025.

92. Id. at 1026 ("Although analogies to Brookfield suggest that PEI will be able to show a likelihood of confusion sufficient to defeat summary judgment, we must test PEI's theory using this circuit's well-established eight-factor test for the likelihood of confusion to be
more thorough framework in which to evaluate the nature and extent of any confusion that may arise. Second, while the court did not expressly require proof that the confusion be material, the court did acknowledge the need to leave competitors room to use one another's trademarks without authorization by specifically stating what it was not addressing:

[W]e note that we are not addressing a situation in which a banner advertisement clearly identifies its source with its sponsor's name, or in which a search engine clearly identifies a banner advertisement's source. We are also not addressing a situation in which advertisers or defendants overtly compare PEI's products to a competitor's—saying, for example "if you are interested in Playboy, you may also be interested in the following message from [a different, named company]." Rather, we are evaluating a situation in which defendants display competitors' unlabeled banner advertisements, with no label or overt comparison to PEI, after Internet users type in PEI's trademarks.93

In her concurrence, Judge Berzon went a bit further, by questioning the initial interest confusion doctrine generally and re-emphasizing the limited nature of the court's holding:

As applied to this case, Brookfield might suggest that there could be a Lanham Act violation even if the banner advertisements were clearly labeled, either by the advertiser or by the search engine. I do not believe that to be so. So read, the metatag holding in Brookfield would expand the reach of initial interest confusion from situations in which a party is initially confused to situations in which a party is never confused. I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him.

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There is a big difference between hijacking a customer to another website by making the customer think he or she is visiting the trademark holder's website (even if only briefly), which is what may be happening in this case when the banner advertisements are not labeled, and just distracting a potential customer with another choice, when it is clear that it is a choice. True, when the search engine list generated by the search for the trademark ensconced in a metatag comes up, an internet user might choose to visit westcoastvideo.com, the defendant's website in Brookfield, instead of the plaintiff's moviebuff.com website, but such choices do not constitute trademark infringement off the internet, and I cannot understand why they should on the internet.\footnote{94}

Although the seeming acknowledgement by both the majority and the concurrence that initial interest confusion might be actionable, even in the absence of sunk costs or materiality more generally, is troubling—though perhaps inevitable given \textit{stare decisis}, the suggestion that initial interest confusion might be just one more factor in the court's eight-factor likelihood of confusion inquiry is certainly encouraging. If initial interest confusion is simply one more factor to consider, then its presence alone would not justify a conclusion of infringement where a careful review of the other factors weighs against such a conclusion.\footnote{95} Similarly, the express acknowledgement that competitors may legitimately use another's trademark without authorization on the Internet, just as they may in the real world, should also help place limits on the seemingly unlimited reach of \textit{Brookfield's} version of the initial interest confusion doctrine.

Together, these two decisions took significant steps towards restoring balance, and a more consumer-centric viewpoint, to trademark law as it applies to the Internet. More work remained to be done, however, with respect to gripe sites and keyword advertisements, which the following two sections address in turn.

\textbf{B. Using Another's Trademark to Complain (or Talk) About Them}

In the Internet's frontier era, courts had seemingly answered whether someone other than the trademark owner could own the corresponding domain name in order to set up a site criticizing or

\footnote{94. \textit{Id.} at 1034-35 (Berzon, J., concurring).}

\footnote{95. For an application of such an approach, see Hasbro, Inc. v. Clue Computing, Inc., 232 F.3d 1 (1st Cir. 2000) (affirming summary judgment of noninfringement and holding that "the [trial] court's refusal to enter the 'initial interest' thicket is well taken given the unlikelihood of 'legally significant' confusion" based upon the eight-factor test); see also text accompanying notes 131-39, \textit{infra}.}
complaining about the trademark owner. While courts left room for domain names along the lines of www.trademarksucks.com, they had repeatedly found trademark infringement or dilution when a complaint site used www.trademark.com as its address, as the PETA, Jews for Jesus, and Planned Parenthood decisions reflect. Once the frontier era ended, however, courts proved willing to revisit this seemingly resolved issue.

For example, in Bosley Medical Institute, Inc. v. Kremer, Kremer was dissatisfied with the hair restoration services he received from Bosley Medical. So Kremer purchased the domain names www.bosleymedical.com and www.bosleymedicalviolations.com. On www.bosleymedical.com, he posted a summary of the Los Angeles County District Attorney's 1996 investigative findings about Bosley and other information highly critical of Bosley. Displeased with this use of its trade name and service mark, Bosley Medical sued alleging trademark infringement, dilution, and a violation of the ACPA. Although Kremer was not selling any goods or services at his site, frontier-era cases, such as PETA, Jews for Jesus, and Planned Parenthood, seemed to have foreclosed any quick exit for Kremer on that basis. Nevertheless, the district court granted Kremer summary judgment, holding that there was no evidence that Kremer's use of the domain name was in commerce. On appeal, the Ninth Circuit affirmed the summary judgment on the trademark infringement and dilution claims, but on slightly different grounds. The Ninth Circuit explained that the "use in commerce" language in Section 1114(a) was simply jurisdictional—a requirement that defendant's conduct be within the scope of Congress's Commerce Clause authority. On that issue, Kremer's conduct was certainly sufficient to bring him within Congress's power to regulate.

Instead of focusing on the "use in commerce" language, the Ninth Circuit wrote that the district court should have focused on the language requiring the use to be "in connection with the sale of goods or services." That language tied the infringement standard to its purpose of preventing company A from using company B's

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96. See, e.g., Bally Total Fitness Holding Corp. v. Faber, 29 F. Supp. 2d 1161 (C.D. Cal. 1998) (holding that defendant's use of domain name www.ballysucks.com constituted neither trademark infringement nor dilution).

97. See also Bihari v. Gross, 119 F. Supp. 2d 309 (S.D.N.Y. 2000) (finding no likelihood of confusion where defendant maintained site critical of plaintiff's business and included plaintiff's name and the name of her business in the site's metatags).

98. 403 F.3d 672 (9th Cir. 2005).

99. Id. at 675.

100. Id. at 677.

101. Id.
trademark to pass off its own goods as those of company B.102 Because Kremer did not sell any goods or services, and did not directly link to any sites that did so, his use did not create any such likelihood of confusion, and was thus not in connection with the sale of any goods or services.

The Ninth Circuit refused to follow PETA and the other early cases that held that a use is sufficiently commercial if the unauthorized website may interfere with a consumer’s ability to find the real website.103 As the Ninth Circuit explained:

Kremer is not Bosley’s competitor; he is their critic.... The dangers that the Lanham Act was designed to address are simply not at issue in this case. The Lanham Act, expressly enacted to be applied in commercial contexts, does not prohibit all unauthorized uses of a trademark. Kremer’s use of the Bosley Medical mark simply cannot mislead consumers into buying a competing product—no customer will mistakenly purchase a hair replacement service from Kremer under the belief that the service is being offered by Bosley. Neither is Kremer capitalizing on the good will Bosley has created in its mark. Any harm to Bosley arises not from a competitor’s sale of a similar product under Bosley’s mark, but from Kremer’s criticism of their services. Bosley cannot use the Lanham Act either as a shield from Kremer’s criticism, or as a sword to shut Kremer up.104

While the Ninth Circuit’s approach correctly exonerated Kremer, it is troublesome that the court relied on the “in connection with the sale ... of any goods or services” requirement. Presumably, the panel relied on this element, rather than using a likelihood of confusion analysis, because Kremer’s use of Bosley’s trademark as his domain name would create initial interest confusion under Brookfield. However, relying on the “in connection with the sale” language creates a conflict with the Fourth Circuit’s PETA decision, and generates considerable uncertainty for parties trying to understand what the rules are for gripe sites on the Internet.

Three additional aspects of the court’s approach are troubling. First, the infringement standard for unregistered trademarks in

102. Id. ("As the Second Circuit held, 'the Lanham Act seeks to prevent consumer confusion that enables a seller to pass off his goods as the goods of another.... Trademark infringement protects only against mistaken purchasing decisions and not against confusion generally.").

103. Id. at 679 ("To the extent that the PETA court held that the Lanham Act's commercial use requirement is satisfied because the defendant's use of the plaintiff's mark as the domain name may deter customers from reaching the plaintiff's site itself, we respectfully disagree with that rationale.").

104. Id. at 679-80.
Section 43(a) does not contain the “in connection with the sale . . .
of any goods or services” language, but is phrased more broadly in
terms of “in connection with any goods or services.”105 Because
Section 43(a) does not require that the use be in connection with
the sale of any goods or services, presumably the fact that Kremer
is not selling anything is immaterial to liability. Even if not in
connection with a sale, Kremer’s criticism focuses on Bosley’s
services specifically and would thus seem to fall within the scope of
Section 43(a). This difference in phrasing between the
infringement standards for registered and unregistered marks
raises doubts as to whether Congress intended the “sale” language
to play such a crucial role in defining the scope of infringement.
Giving the “sale” language such a crucial role would lead to
broader protection for unregistered marks than for registered
marks, which presumably is not what Congress intended.

Second, relying on the “in connection with the sale” language
also means that Kremer’s use would have been actionable had
Kremer had any advertising on his site, or had he linked more
directly to commercial sites.106 But from a consumer’s perspective,
it would make little sense to distinguish the liability of two sites,
both criticizing a trademark owner in similar ways, on the basis of
some incidental advertising or linking. Presumably, these sites are
permissible because the value of the information they provide
consumers regarding the trademark owner outweighs any
incidental risk that such a site will mislead a consumer into
buying a product from company A believing it comes from company
B. We can get at that balancing directly through a sensible
likelihood of confusion analysis—indeed, that is precisely the sort
of role that the likelihood of confusion element is supposed to play.
The commercial use element, on the other hand, is not tailored to
that sort of balancing at all. Instead, it decides the issue solely by
asking whether the speaker is paying the costs of the criticism
entirely out of her own pocket.

Third, using an artificial formality, like the commercial use
element, to dodge the excesses of the initial interest confusion
doctrine reduces pressure on, and avoids an opportunity to, rein in
that doctrine’s excesses. Other circuits have quite sensibly refused
to tip-toe around Brookfield. In Taubman Co. v. Webfeats,107 for
example, when a web designer learned of plans to build a shopping
mall called The Shops at Willow Bend in Plano, Texas, he
registered the domain name shopsatwillowbend.com and set up a
site with information about the project. When the mall’s builder

106. Bosley Medical Institute, Inc., 403 F.3d at 677-78.
107. 319 F.3d 770 (6th Cir. 2003).
learned of the site, the builder demanded that web designer remove the site. When he would not, the builder filed suit alleging trademark infringement of its registered trademark THE SHOPS AT WILLOW BEND. Although the Sixth Circuit indicated that the use might not be commercial, the Sixth Circuit also held that the builder was unlikely to succeed on the merits because there was no likelihood of confusion. In reaching this conclusion, the court noted that the web designer maintained a “conspicuous disclaimer” on the website and a link to the mall’s official website. As a result, “a misplaced customer simply has to click his mouse to be redirected to [the mall’s official] site.” Moreover, the court specifically held that confusion as to the source of the website was not sufficient; the builder had to show a likelihood of consumer confusion with respect to the goods or services offered on the defendant’s website.

While Bosley Medical and Taubman approach the issue differently, both cases illustrate a greater willingness by courts to tolerate a website using as its domain name another’s trademark when the site’s purpose is to criticize, or provide information about, the products or services of the trademark owner. The trick is to find a way to permit such sites, given that the frontier-era judicial decisions seemingly forbid such sites directly, as in PETA, or indirectly, under the broad reach of Brookfield’s initial interest confusion doctrine. So far, courts have been able to do so either by distinguishing early cases, or where the courts are in another circuit, by refusing to follow them. Nevertheless, because most of the frontier-era cases have not been expressly overturned and therefore remain formally on the books, this approach makes it difficult to predict with certainty whether a court in any given case will follow the frontier-era cases or embrace the more recent trend. Also unclear is whether a court will focus on the commercial use formality or the likelihood of confusion analysis as the central issue in resolving such cases. A similar story can be told about the judicial treatment of the unauthorized use of another’s trademark in keyword advertising, as the next section demonstrates.

108. 319 F.3d at 772.
109. Id. (noting that website initially contained link to defendant’s web design business and his girlfriend’s t-shirt design business, but that these were removed after the litigation was filed).
110. Id. at 776-77.
111. Id. at 777.
112. Id. at 776 (“Under Lanham Act jurisprudence, it is irrelevant whether customers would be confused as to the origin of the websites, unless there is confusion as to the origin of the respective products.”).
C. Using Another's Trademark to Sell My Goods: Comparative Advertising or Confusion?

Having lost in the Ninth Circuit on the issue of keyword advertising in *Playboy v. Netscape*, search engines and others with a commercial interest in such advertising took their arguments to the other circuits. As cases arose, proponents of keyword advertising argued: (i) that the use of a trademark to trigger the display of advertisements, websites in new windows, or additional search results did not constitute “use” sufficient to trigger trademark liability; and (ii) that their keyword ads did not create actionable confusion in any event.

With respect to the use issue, their argument was simple. The plain language of the Trademark Act requires “use” for trademark infringement under Sections 1114(a) for registered marks and 1125(a)(1) for unregistered marks, and also requires “use” for dilution liability under Section 1125(c). The proponents of keyword advertising then turned to Section 1127 of the Trademark Act to define use as “place[ning the mark] in any manner on the goods.” To this line of statutory argument, they added the common law’s distinction between internal and external uses of a mark, reflected in cases such as *Blue Bell, Inc. v. Farah Mfg. Co.* On this basis, they argued that a company’s purely internal use of a mark, such as in the software coding of a search engine, to cause the display of an advertisement does not constitute trademark use. Although seemingly straightforward, these arguments ignore the context in which the statutory definition of, and common law rules concerning, use arose.

113. Section 45 of the Trademark Act has the following definition of use:

The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.


114. 508 F.2d 1260 (5th Cir. 1975).

115. See, e.g., *Blue Bell, Inc.*, 508 F.2d at 1265-66 (holding that intra-corporate shipments of marked goods, even if denominated “sales” for accounting purposes, insufficient to establish use in a priority dispute).
When Congress redefined use in 1988, as “the bona fide use of a mark in the course of trade,” it did so specifically to overrule the judicially created, token use doctrine. Under this doctrine, the Patent and Trademark Office had allowed the registration of a mark based upon a single, token shipment of the goods across state lines, even where the shipment was not part of any bona fide commercial transaction. After Congress amended the use definition in 1988, trademark registration, as well as common law rights based upon use, would both require bona fide commercial use. Congress’s decision to eliminate the token use doctrine reflected a focus on what it took to acquire trademark rights, not what it took to infringe them. Moreover, Congress was not thinking of the keyword advertising issue, as that issue would not arise for fifteen years.

Similarly, the judicial distinction between internal and external uses of a trademark arose not in defining the scope of infringement specifically, but in priority disputes. These priority disputes involved competing claims to a trademark based upon two parties who began using the same mark, or confusingly similar marks, at about the same time. For unregistered, inherently distinctive marks, priority, and ownership of the mark, went to the party who used it first. But to qualify, a use could not be purely internal, within a corporation; it had to be part of an interaction with consumers that offered consumers a chance to begin associating the mark with specific goods coming from a specific source. Like the statutory definition of use, the external-internal use distinction was thus directed at what it took to acquire trademark rights, not what it took to infringe them.

Despite the acquisition rather than infringement origins of the statutory definition of use and the internal-external use distinction, proponents of keyword advertising managed to persuade the Second Circuit and a handful of district courts that using another’s trademark to trigger the display of an advertisement for a competitor does not constitute trademark use at all. In these cases, the courts reasoned that, because

118. See, e.g., Allard Enters., Inc., 146 F.3d at 357 (noting that the amendments brought the legal standard for the "use" required for registration in line with the use required for common law priority).
consumers will not typically see the software code that triggers the advertising display, the use of another's trademark in that software was internal,\(^\text{121}\) a "pure machine-linking function."\(^\text{122}\) In addition, as the courts also noted, such keyword advertising does not expressly place the plaintiff's trademark "on the goods or containers" of the defendant's goods, as is seemingly required by the statutory definition of use.\(^\text{123}\)

Other courts, following the lead of the Ninth Circuit in *Playboy v. Netscape*, have disagreed, holding that the use of another's trademarks to trigger advertisements may constitute use for purposes of trademark infringement.\(^\text{124}\) As between these two approaches, the author believes that the courts that have found "use" have the better of the argument for three reasons.

First, the "it's not a use" approach leads to some artificial distinctions. In the Second Circuit's *1-800 Contacts* opinion, for example, the court distinguished *Playboy v. Netscape* on the ground that Netscape had been selling specific trademarks as keywords. In contrast, WhenU's software in the *1-800 Contacts* case triggered pop-up advertisements based upon categories or bundles of words, some of which were trademarks and some of which were not.\(^\text{125}\) The *1-800 Contacts* court even noted that WhenU did not disclose to its clients what words or marks comprise the various categories,\(^\text{126}\) as if we are supposed to believe that these clients would buy a pig in a poke. The *1-800 Contacts* court also argued that the WhenU's software was based not on trademarks, but on website addresses. It is just happenstance we are told that the plaintiff's trademark and website address are the


\(^{121}\) See *1-800 Contacts, Inc.*, 414 F.3d at 409 ("A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act ... ."); *Merck & Co.*, 425 F. Supp. 2d at 415 ("This internal use of the mark 'Zocor' as a key word to trigger the display of sponsored links is not use of the mark in a trademark sense.").


\(^{123}\) See *Merck & Co.*, 425 F. Supp. 2d at 415.


\(^{125}\) *1-800 Contacts, Inc.*, 414 F.3d at 409 ("In contrast to some of its competitors, moreover, WhenU does not disclose the proprietary contents of the SaveNow directory to its advertising clients nor does it permit these clients to request or purchase specified keywords to add to the directory.").

\(^{126}\) *Id.*
same, except for the addition of “www.” at the front and “.com” at the end. Just as it was critical for the district court in *Playboy v. Netscape* that we somehow could not tell whether a consumer meant “playboy” or PLAYBOY when it entered the term in a search engine, so for the Second Circuit, the fact that WhenU’s software uses “www.trademark.com” instead of just “trademark” in its software coding proved a critical distinction.

Yet, these “it’s not a use” courts never explain why any of these technical distinctions would matter to a consumer. The consumer types in a given web address into a search engine and instead of finding one website, now finds two, three, or perhaps more in different windows. A consumer may be confused by this array of options or not—that is a separate question. However, for those consumers who are and remain confused, it does not matter whether the software generated the options from individual trademarks or categories of words, nor does it matter whether the software generated the options from the use of domain names containing trademarks or the trademarks themselves. These distinctions are artificial because they bear no relation to the Trademark Act’s policies reflected in the ultimate question: How likely are the defendant’s actions to lead a consumer to purchase goods or services from company A believing they come from company B?

Second, in these cases, the defendant has used the mark. A consumer has typed the words in, and the defendant (or its software) has responded to that communication. That’s a use, and because it is part of an interaction with a consumer, it is not merely an internal one. Consider a corresponding example from the brick-and-mortar world: a customer walks into a bar or restaurant and orders a Coke. Without ever saying a word, the bartender or waiter serves the customer a Pepsi. That is undoubtedly a classic example of passing off and, so long as Coke is a trademark, constitutes trademark infringement. Yet, under the Second Circuit’s approach in *1-800 Contacts*, so long as the bartender or waiter never spoke (or otherwise displayed) the word “Coke,” there could be no trademark or unfair competition liability.

Such a conclusion makes no sense, however. The customer ordered using the word “Coke” and the business responded to it. We use language not only when we speak words, but when we hear

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127. *Id.* at 408-09.

128. *Id.* ("The district court found that the differences between 1-800’s trademarks and the website address utilized by WhenU were insignificant because they were limited to the addition of the ‘www.’ and ‘.com’ and the omission of the hyphen and a space. We conclude that, to the contrary, the differences between the marks are quite significant because they transform 1-800’s trademark—which is entitled to protection under the Lanham Act—into a word combination that functions more or less like a public key to 1-800’s website.").
them and respond to them. Under both the statute and the common law, the bar or restaurant's response to the customer's statement constitutes a use sufficient to establish liability. The Ninth Circuit took this view in Playboy v. Netscape. Although Netscape did not expressly attach the word "Playboy" or any of PEI's other trademarks to the infringing banner advertisements, it displayed those advertisements specifically in response to a user's entry of one of PEI's trademarks. Because the consumer had typed in "playboy" and received certain ads in reply, from the consumer's perspective, the banners were implicitly labeled with PEI's trademarks, just as the customer's drink was implicitly labeled "Coke." 129

Third, and perhaps most important, relying on a narrow definition of use to knock-out these claims, will knock-out these claims for all sorts of keyword advertisements, including ads that create classic confusion as to source. Because the "use" formality does not directly incorporate a consideration of the information being conveyed, or attempt to separate and balance the confusing and the useful aspects of that information, we cannot use it to sort the sheep from the goats on competitors' unauthorized uses of a mark very effectively. Only where we can be certain that a particular category or class of behavior will generate almost no possibility of confusion under any circumstances should we turn to an all-or-nothing formality, such as use, to exclude that class from potential liability under the statute. Perhaps, certain gripe sites that neither sell any goods or services, nor advertise any goods or services, may constitute such a category, but based upon my own experience with keyword advertising, pop-ups and other forms of keyword advertising do not. Some keyword ads are quite confusing, and not just momentarily. Moreover, even if they were non-confusing as a class today, if we declare keyword advertising as *per se* noninfringing, then we should expect them to become more confusing as the threat of a trademark suit recedes.

Of course, many of these keyword advertising schemes are quite helpful to consumers, providing them with more, and more accurate, information to match their desires to specific products in the marketplace. The author therefore sympathizes with the efforts of the Second Circuit in the 1-800 Contacts case to legitimize this conduct. 130 The overly broad reach of the initial

129. Playboy Enters., Inc. v. Netscape Comms. Corp., 354 F.3d 1020, 1033 (9th Cir. 2004) ("Defendants argue that dilution cannot be found because they do not label their own goods with PEI's marks. However, when one considers things from the consumers' perspective, defendants' argument fails. According to PEI's evidence, in the minds of consumers, defendants implicitly label the goods of PEI's competitors with its marks.").

130. At the same time, the author finds the specific program at issue in that case, the SaveNow program, to represent a particularly, undesirable form of ad ware.
interest confusion doctrine also creates a temptation to adopt an overly narrow interpretation of the use element as a prophylactic, to avoid a likelihood of confusion inquiry that has gotten out of control. But fighting one wrong rule with another rule, equally wrong but in the opposite direction, and hoping that the two wrongs balance out and somehow make a right, is no way to run a legal system.

From the author's perspective, the better approach, and the one more consistent with a consumer-centric view of trademarks, is to follow the path suggested by Judge Berzon in her concurrence in *Playboy v. Netscape* and look realistically at the different information the triggered ads convey to the average consumer. Such an approach would enable us to balance directly the nature and extent of any illegitimate informational role, such as an express statement or implicit suggestion that the goods of company A come from company B, against the legitimate informational role of offering consumers competitive alternatives.

Several district courts already have begun to blaze this trail. In *Government Employees Insurance Co. v. Google, Inc.*, for example, the district court found that Google's program of selling specific trademarks as keywords to trigger the display of advertisements constituted trademark use. The district court also recognized that the creation of initial interest confusion constituted actionable trademark infringement. Nonetheless, the district court held that merely because initial interest confusion could happen did not establish that it had happened, and the court therefore proceeded to examine, as the Ninth Circuit had in *Playboy v. Netscape*, GEICO's survey and other evidence offered to prove a likelihood of confusion. After reviewing the evidence, the district court granted Google summary judgment on the sale of GEICO's trademarks as keywords, holding as a matter of law, that GEICO had presented insufficient evidence to demonstrate a likelihood of confusion as to the sale of the trademarks as keywords. But the district court set for trial the issue of whether sponsored links that contained the GEICO trademarks in their headings or text created a likelihood of confusion. While one may quibble with the district court's results, the judge at least tried to balance the consumer's interest in avoiding confusion against the consumer's interest in obtaining additional information in

134. *Id.* at *25.
135. *Id.* at *25-26.
determining which, if any, of the defendant's uses trademark law should prohibit.

Similarly, in *J.G. Wentworth, SSC Limited Partnership v. Settlement Funding LLC*, another district court found that Google's sale of trademarks as advertising keywords constituted use and also recognized initial interest confusion as actionable. Nonetheless, the district court granted the defendant's motion to dismiss, holding that no likelihood of confusion existed. In reaching its decision, the court disagreed with the *Brookfield* court's suggestion that the use of another's trademark in a metatag or as a keyword to trigger the display of sponsored links will necessarily mislead consumers. Such uses will cause "a link to defendant’s website [to] appear[] on the search results page as one of many choices for the potential consumer to investigate." However, because "the links to defendant’s website always appear as independent and distinct links on the search result pages . . . potential consumers have no opportunity to confuse defendant’s services, goods, advertisements, links or websites for those of plaintiff." Again, while one may quibble with the district court's precise conclusion, its approach, focusing on the legitimate informational role of offering consumers additional choices and the illegitimate role of potentially confusing consumers as to whom they are buying from, is the right one.

As these two decisions illustrate, it is possible to tame the initial interest confusion beast. More important, it is possible to tame the beast in a way that aligns trademark law more closely with the consumer interest it is supposed to serve.

**IV. A BRIEF GLIMPSE OF THE FUTURE**

Hopefully the future path of trademark law on the Internet has been laid out over the last five years. There can be little doubt that the first five years were rough. In its frontier era, courts responded to the seeming lawlessness of the Internet by rewriting trademark law to catch the bad actors who were using others' trademarks without any legitimate excuse. As this period drew to a close, the *Brookfield* court's adoption of a radically overbroad initial interest confusion doctrine put an exclamation point on this era's dominant theme: bad facts (and sometimes, not so bad facts) made bad law.

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138. *Id.* at *22-23.
139. *Id.* at *23-24.
Over the last five years, courts have made a striking about-face in applying trademark law to the Internet. From a knee-jerk protectiveness of the trademark owner's desire to maximize its profits, hidden behind ambiguous and ultimately meaningless phrases such as "misappropriating [the trademark owner's] goodwill," courts have moved toward a more rational balancing of the varying informational roles that an unauthorized use of another's trademark can serve. While there is still some way to go, the last five years have seen a sharp turn from a property-based or trademark owner-centric view of trademarks, which dominated the first five years, towards a deception-based or consumer-centric view of trademarks.

From a consumer-centric perspective, the unauthorized use of another's trademark can serve illegitimate informational roles, by expressly stating or implicitly suggesting that company B is the source of goods or services that are really provided by company A. But they can also play legitimate informational roles, by helping consumers find information on competitive alternatives or a third-party's view of the trademark owner's goods or services. If the unauthorized use of another's trademark leads to a lost sale for the trademark owner through one of these legitimate informational roles, then that should not constitute trademark infringement. Even if it might fall within the arguable scope of ambiguous phrases, such as "free riding" or "appropriating the trademark owner's goodwill," whatever those phrases mean, criticism and competition are not confusion. Even if achieving effective competition or criticism entails some incidental confusion, consumers will tolerate confusion so long as the benefits they receive from the competition and legitimate information they receive in return outweighs the cost of the confusion.

Yet, even if the recent trend in applying trademark law to the Internet is encouraging, the tension between the property-based and deception-based visions of trademark law is not new and is not unique to the Internet. Nearly 40 years ago, the Ninth Circuit recognized this tension between what's good for consumers and what's good for the trademark owner in approving the use of a competitor's trademark in comparative advertising:

Disapproval of the copyist's opportunism may be an understandable first reaction, "but this initial response to the problem has been curbed in deference to the greater public

140. Brookfield Comms., Inc. v. West Coast Enterm't Corp., 174 F.3d 1036, 1064 (9th Cir. 1999).

141. Id. at 1062 (making initial interest confusion, even where consumer is never confused, if a defendant uses the plaintiff's trademark to get the consumer to consider the defendant's goods or services because such use "improperly benefits from the goodwill that [the plaintiff] developed in its mark").
good.” By taking his “free ride,” the copyist, albeit unintentionally, serves an important public interest by offering comparable goods at lower prices. On the other hand, the trademark owner, perhaps equally without design, sacrifices public to personal interests by seeking immunity from the rigors of competition.\footnote{142} Over the history of trademark law, sometimes courts are able to curb their instinctive disapproval of the “copyist’s opportunism,” of free riding, of reaping where another has sown, or whatever other conclusory and pejorative label a judge may attach, for the sake of the more effective competition and increased consumer welfare it brings. In these times, trademark law moves towards a more consumer-centric perspective. Other times, courts seem unable to get past their initial reaction and push trademark law towards a more trademark owner-centric perspective. As just one example of such cycling, consider that every 30 years or so, the Supreme Court has felt the need to step in and limit (or re-limit) the scope of trade dress protection.\footnote{143}

Right now, the recent trend towards a more consumer-centric application of trademark law to the Internet is encouraging. But the author is enough of a realist to recognize that this trend will not last. Sooner or later, judges will once again start giving in to their instinctive dislike of the “copyist’s opportunism,” and the pendulum will start to swing back towards a more trademark owner-centric vision of trademark law. One can only hope that we have some time before that begins to happen, and that before it does, the courts will firmly install some sensible, and consumer-centric, doctrines that can prove effective bulwarks against the next property-based turn.

Such consumer-centric doctrines would include a clear recognition that: (i) truth is not trademark infringement; (ii) only confusion likely to influence consumer purchasing decisions materially is actionable; and (iii) even conduct that causes material confusion is not actionable where the harm it causes consumers is outweighed by offsetting benefits that the conduct generates, whether in the form of more effective competition or an expanded information set for consumer decision-making. Over the

\footnote{142. Smith v. Chanel, Inc., 402 F.2d 562, 568-69 (9th Cir. 1968).}

last five years, courts have taken significant steps towards recognizing each of these consumer-centric principles in applying trademark law to the Internet. Just a little further, and then it will be a matter of holding the line as the tide begins to turn once again.