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# Confusion Over Use: Contextualism in Trademark Law (with M. Janis)

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## I. INTRODUCTION

For several decades, the concept of consumer confusion has served as the touchstone for trademark liability.<sup>1</sup> The nature and level of actionable confusion, along with the forms of consumer understanding that are properly protected against confusion, have been the principal focus of debate regarding the appropriate compass of trademark law.<sup>2</sup>

During the last three years, however, a number of scholars have argued that an unauthorized user of a mark is only liable, and should only be liable, when it uses the plaintiff's mark "as a mark."<sup>3</sup> According to this argument, sometimes called the trademark use theory, the nature of the defendant's use serves as a threshold filter, requiring courts to engage in a preliminary inquiry regarding the nature of that use, thereby downgrading any analysis of its effects on consumer understanding.<sup>4</sup> Indeed, courts following this new

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1. Not all forms of confusion are actionable under trademark law, and thus, a third party may be permitted to engage in some uses of a mark notwithstanding the fact that such uses cause confusion. *See* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121–22 (2004).

2. *See, e.g.*, 15 U.S.C. § 1125(a) (2000) (rendering actionable confusion *inter alia* as to affiliation, endorsement, sponsorship, or connection); Pub. L. No. 87-772, § 17, 76 Stat. 769, 773–74 (1962) (codified as amended at 15 U.S.C. § 1114) (expanding actionable confusion by deleting references to "origin" and "purchasers"); *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198 (3d Cir. 2000) (holding that reverse confusion is actionable); *Ferrari S.P.A. Esercizio v. Roberts*, 944 F.2d 1235 (6th Cir. 1991) (finding post-sale confusion actionable); *Playboy Enters., Inc. v. Netscape Comm'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004) (finding initial interest confusion actionable); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 775 (1992) (rejecting doctrine of "secondary meaning in the making"); *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1217–18 (8th Cir. 1976) (protecting product designs as source-identifiers). Even scholars who argue that trademark law historically sought to vindicate producer interests recognize that, under that model, focusing on consumer confusion served as a primary means of identifying those circumstances where producer interests were being undermined. *See* Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1848 (2007). Contemporary trademark doctrines, such as dilution protection, that dispense with a focus on confusion have proven controversial. *See* Federal Trademark Dilution Act, 15 U.S.C. § 1125(c) (2000); *see also* Anti-Cybersquatting Consumer Protection Act of 1999, 15 U.S.C. § 1125(d) (2000).

3. *See generally* Margreth Barrett, *Internet Trademark Suits and the Demise of "Trademark Use"*, 39 U.C. DAVIS L. REV. 371 (2006); Stacey L. Dogan & Mark A. Lemley, *Trademark and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004); Uli Widmaier, *Use, Liability, and the Structure of Trademark Law*, 33 HOFSTRA L. REV. 603 (2004). *See also* McKenna, *supra* note 2, at 1892 (noting the "traditional requirement that, in order to infringe, the defendant [must] use a term as a source-designator (as a trademark)"); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507 (2005).

4. The primary autonomous use-related filter is jurisdictional. *See* 15 U.S.C. § 1051(a) (requiring "use in commerce" as a prerequisite to one basis for an application for a federal registration); *In re Trade-Mark Cases*, 100 U.S. 82, 99 (1879) (striking down a federal trademark statute that was not restricted to uses in interstate commerce); *see also infra* text accompanying notes 50–56 (discussing statutory provisions requiring "use in commerce" as basis for federal court jurisdiction over infringement). Given the evolution in our understanding of the Commerce Clause, this has proved to be a minimal filter. *See* *Bosley Med. Inst., Inc. v. Kremer*,

theory would not even reach the question of confusion absent the defendant's use being a "trademark use."<sup>5</sup> A defendant engaged in non-trademark use would ipso facto be immune from liability.<sup>6</sup>

Proponents of the trademark use theory claim that requiring trademark use as a prerequisite to infringement has been an implicit (though largely unarticulated) principle of trademark law since before consumer confusion assumed its analytical dominance in the twentieth century.<sup>7</sup> The principle, they argue, finds expression (albeit not *in haec verbis*) in the Lanham Act or has been an underlying principle of trademark law—consistent with standard economic theories of trademark law—that recent developments have brought to the surface. Supporters of this position have been spurred to excavate the theory in hopes of furthering a number of contemporary policy objectives, primarily with regard to online contextual advertising and affiliation merchandising. The trademark use theory threatens, however, to become even more pervasive—an all-purpose device by which to immunize a diverse set of practices from even *potential* liability for trademark infringement.<sup>8</sup>

Arguments invoking the theory have been made to courts and legislatures,<sup>9</sup> both in the United States<sup>10</sup> and elsewhere.<sup>11</sup> The trademark use

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403 F.3d 672, 677 (9th Cir. 2005) ("Use in commerce' is simply a jurisdictional predicate."); Dogan & Lemley, *supra* note 3, at 806 (describing "use in commerce" as a jurisdictional requirement).

5. The nature of the defendant's use is relevant to the scope of trademark protection, but the trademark use theory attaches deterministic significance to the nature of the use independently of the context in which the use occurs and, thus, of the effects of that use. *See infra* Part III (discussing fair use, nominative use, parody, and the multifactor likelihood of confusion test).

6. *See* Dogan & Lemley, *supra* note 3, at 809, 810 n.130 (listing scenarios that the trademark use theory has immunized).

7. *See* Barrett, *supra* note 3, at 378; Dogan & Lemley, *supra* note 3, at 779; Widmaier, *supra* note 3, at 708 (asserting that trademark use is a "foundational premise of trademark law").

8. *See Trademark Dilution Revision Act of 2005: Hearing on H.R. 683 Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 109th Cong. 1, 16 (2005) [hereinafter *Dilution Hearing*] (testimony of Anne Gundelfinger); *id.* at 18, 21 (testimony of Mark A. Lemley); Dogan & Lemley, *supra* note 3, at 809, 810 n.130.

9. *See* Proposed Trademark Dilution Revision Act of 2005, H.R. 683, 109th Cong. § 2 (2005); *Dilution Hearing*, *supra* note 8, at 7, 24 (proposing a dilution cause of action that would have required that the defendant engage in use of plaintiff's mark as a designation of source); *see also* Graeme B. Dinwoodie & Mark D. Janis, *Dilution's (Still) Uncertain Future*, 105 MICH. L. REV. FIRST IMPRESSIONS 98, 100 (2006), <http://www.michiganlawreview.org/firstimpressions/vol105/dinwoodie.pdf> (noting arguments that the Trademark Dilution Revision Act of 2006 introduced a trademark use requirement in dilution actions).

10. *See generally* 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400 (2d Cir. 2005); Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc., 326 F.3d 687 (6th Cir. 2003); Site Pro-1, Inc. v. Better Metal, LLC, No. 06-CV-6508, 2007 WL 1385730, \*4 (ILG) (RER) (E.D.N.Y. May 9, 2007) ("[The] key question is whether the defendant placed plaintiff's trademark on any goods, displays, containers, or advertisements, or used plaintiff's trademark in any way that indicates source or origin."); Hamzik v. Zale Corp/Delaware, No. 3:06-cv-1300, 2007 WL

doctrine would function to limit the reach of trademark law, and it would do so in a large number of different contexts.<sup>12</sup> Thus, for example, the theory of trademark use would allow Google to sell Athlete's Foot, Inc. the right to have the Athlete's Foot website appear prominently in the search results generated when a user queries for NIKE, even if the presentation of results induced consumer confusion.<sup>13</sup> Likewise, it would permit Joe's Yankee HQ,

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1174863 (N.D.N.Y. Apr. 19, 2007); *J.G. Wentworth v. Settlement Funding LLC*, No. 06-0597, 2007 WL 30115 (E.D. Pa. Jan. 4, 2007); *Edina Realty, Inc. v. TheMLSonline.com*, 80 U.S.P.Q.2d (BNA) 1039 (D. Minn. 2006); *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310 (D.N.J. 2006); *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393 (N.D.N.Y. 2006); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, *aff'd on reconsid.*, 431 F. Supp. 2d 425 (S.D.N.Y. 2006); *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 74 U.S.P.Q.2d (BNA) 1385 (N.D. Cal. 2005); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004); *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 729 (E.D. Va. 2003); *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003); *see also* Int'l Profit Assocs., Inc. v. Paisola, 461 F. Supp. 2d 672 (N.D. Ill. 2006) (deciding a case with similar facts to many of the preceding cases, but offering no discussion); Theodore Davis, Jr., *United States Annual Review: Introduction*, 96 TRADEMARK REP. 1, 1 (2006) (noting "[t]he increasing preoccupation of courts with the nature of trademark use"). Scholars arguing for the trademark use requirement find support for it in opinions in other cases in which the issue was argued but in which the court's opinion did not mention the trademark use theory by name. *See, e.g.*, Barrett, *supra* note 3, at 385 n.39 (discussing *Bosley Medical Inst. Inc. v. Kremer*, 403 F.3d 672 (9th Cir. 2005)).

11. *See, e.g.*, *Verimark (Pty) Ltd. v. BMW (AG)*, [2007] SCA 53 (Republic of South Africa, Court of Appeal, May 17, 2007); Case C48/05, *Adam Opel v. Autec AG*, (ECJ 2007) (EU), 2007 WL 187793; (TA) 506/06 *Matim Li v. Crazy Line Ltd.*, O.M. [2006] (Dist. Ct. Tel Aviv., July 31, 2006) (Israel); *R. v. Johnstone*, [2004] E.T.M.R. 2 (H.L.) (Eng.); *Arsenal Football Club Plc v. Reed*, [2003] E.T.M.R. 73 (Ct. App.) (Eng.); *Nation Fittings (M) Sdn Bhd v. Oysterterc Plc*, [2005] SGHC 225 (H. Ct. Singapore 2005), *available at* <http://www.asianlii.org/sg/cases/SGHC/2005/225.html>; *Dyer v. Gallacher*, [2006] ScotSC 6 (Glasgow Sheriff Ct.) (Scot.), *available at* <http://www.bailii.org/databases.html#scot>. A few countries—but not the United States—have an explicit statutory requirement of trademark use as an element of an infringement action. For an example of such a statute, *see* Trademarks Act, 1995, § 120(b)(3) (Austl.). Trademark statutes in other countries, such as the United Kingdom, once contained such a requirement but have been revised to make the question less certain. *See* Trade Marks Act 1938, ch. 22, § 4(1)(a) (repealed Oct. 31, 1994); *see also infra* text accompanying notes 217–21 (discussing EU law).

12. *See, e.g.*, *Matim Li*, (TA) 506/06 (sale of keyword advertising); *I-800 Contacts*, 414 F.3d at 400 (pop-up advertising); *Rescuecom Corp.*, 456 F. Supp. 2d at 393 (sale of sponsored links); *Verimark*, 2007 SCA 53 (use of mark in background of advertising); *R. v. Johnstone*, [2004] E.T.M.R. 2 (H.L.) (Eng.) (counterfeiting claim with respect to recorded music); *Arsenal Football Club*, [2003] E.T.M.R. 2 (claim with respect to merchandising of sports apparel); *Nation Fittings (M) Sdn Bhd*, [2005] SGHC 225 (product design trade dress claim); *Dyer v. Gallacher*, [2006] ScotSC 6 (Glasgow Sheriff Ct.) (Scot.), *available at* <http://www.bailii.org/databases.html#scot> (merchandising); *Adam Opel*, 2007 WL 187793 (merchandising of model cars).

13. *See, e.g.*, *Dogan & Lemley*, *supra* note 3, at 781 (discussing contextual advertising); *see also I-800 Contacts*, 414 F.3d at 400 (dismissing a claim with respect to pop-up ads); *Rescuecom Corp.*, 456 F. Supp. 2d at 393. Although not all forms of confusion are actionable under the Lanham Act, *see KP Permanent Make-Up, Inc. v. Lasting Impressions I, Inc.*, 543 U.S. 111, 121–22 (2004), trademark use theorists would offer blanket immunity against liability for any form of confusion.

Inc. to sell unauthorized BOSTON RED SOX merchandise, provided that Red Sox fans purchase the merchandise to “show loyalty” to the team without concern for the authorized or unauthorized nature of the merchandise.<sup>14</sup> And, it would provide a defense for producers of knock-off MOTOROLA RAZR phones if they were able to show that they copied the distinctive RAZR design for its aesthetic appeal.<sup>15</sup> Although courts remain divided,<sup>16</sup> the majority of scholars have endorsed some variant of the theory.<sup>17</sup>

Stacey Dogan and Mark Lemley have offered the most cogent and compelling articulation of the trademark use theory.<sup>18</sup> Like other scholars who have recently invoked trademark use, their advocacy of the theory thus far has been limited primarily to the context of use of trademarks on the Internet.<sup>19</sup> However, they have sought to ground the theory in the historical and theoretical foundations of trademark law and, illustratively, have suggested its application in a far broader array of trademark settings, both online and offline.<sup>20</sup>

In this Article, we take on the trademark use theory in its own right. We reject the theory both descriptively and prescriptively. Contrary to emerging indications in recent case law and scholarship,<sup>21</sup> we find no foundation for the theory in current U.S. trademark law, and we suggest that its adoption may have consequences unintended by its proponents. Trademark use theory is advocated in order to enhance certainty and thus encourage innovation, but trademark use theorists are pursuing a false and illusory determinacy. Adoption of the trademark use theory will merely prevent

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14. Cf. *Arsenal*, [2003] E.T.M.R. at 73 (noting the lower court’s suggestion that the use of the trademarks on unauthorized merchandise merely to allow wearers to show “loyalty” to their sports team might preclude a cause of action); Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L. J. 461, 464–65 (2005) (supporting a limited version of the merchandising right).

15. Cf. *Nation Fittings*, [2005] SGHC at 225.

16. Compare, e.g., *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 412 (2d Cir. 2005) (dismissing claim on trademark use grounds), with *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 74 U.S.P.Q.2d (BNA) 1385, 1395 (N.D. Cal. 2005) (permitting claim to proceed to trial, but finding no likely confusion), and *J.G. Wentworth v. Settlement Funding LLC*, No. 06-0597, 2007 WL 30115, at \*4–6 (E.D. Pa. Jan. 4, 2007) (rejecting defendant’s argument that its purchase of a keyword involved no trademark use, but finding that no likelihood of confusion existed as a matter of law). For a fuller list of cases raising this issue, see *supra* notes 10–12.

17. See *supra* note 3 (listing scholars).

18. See generally Dogan & Lemley, *supra* note 3; Stacey L. Dogan & Mark A. Lemley, *A Search Costs Theory of Trademark Defenses*, in TRADEMARK LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH (Graeme B. Dinwoodie & Mark D. Janis eds., 2008) (forthcoming) [hereinafter Dogan & Lemley, *Defenses*] (manuscript on file with the authors).

19. See e.g., Dogan & Lemley, *supra* note 3; see also Barrett, *supra* note 3.

20. See *Dilution Hearing*, *supra* note 8, at 18, 21 (testimony of Mark A. Lemley); Dogan & Lemley, *supra* note 3, at 809–10; see also Barrett, *supra* note 3, at 452; Widmaier, *supra* note 3, at 708.

21. See generally *supra* notes 3 and 10.

trademark law from policing new information markets. Limiting liability to trademark use, as that term is understood by its proponents,<sup>22</sup> will thus result in insufficient marketplace regulation.

The range of contexts (such as product design, music counterfeiting, and brand merchandising) in which a trademark use argument has been advanced of itself makes the theory one of the most important in contemporary trademark law. And its assertion in the worldwide litigation surrounding Google's advertising programs—from which the world's leading search engine generates eighty-five percent of its revenues—gives the theory an immediate and substantial commercial significance.<sup>23</sup> With some oversimplification, advertisers pay Google to have their webpages appear on a list of sponsored links in response to a user query consisting of the trademark of a rival producer, prompting trademark infringement suits by the owners of the marks used in this fashion (against both the search engine and the purchasers of the advertising).<sup>24</sup>

But the debate over trademark use implicates even more profound questions that permeate (and, in some respects, transcend) trademark law. For example, use-based doctrines are among the central elements in the narrative of trademark law as an efficiency mechanism—a narrative expounded by leading Chicago School scholars and embraced by the U.S. Supreme Court.<sup>25</sup> Yet, technology is changing the ways that consumers search and shop.<sup>26</sup> It is an open question whether the Chicago School analysis of search costs—persuasive in calibrating trademark law generally

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22. The term “trademark use,” or “use as a mark,” carries substantial ambiguity, which we probe in Part III. For a representative definition proffered by one leading advocate of trademark use, see Barrett, *supra* note 3, at 375 (“[T]rademark use entails application of a mark in a manner that invites consumers to associate the mark with goods or services that the user is offering for sale or distribution and to rely on it for information about the source, sponsorship, or affiliation of those goods or services.”).

23. See Saul Hansell, *Advertisers Trace Paths Users Leave on Internet*, N.Y. TIMES, Aug. 15, 2006, at C1 (“[A]dvertising on search engines is already a \$14-billion-a-year business because the ads can be so closely tied to what people are looking for.”); see also Matthew G. Nelson, *Google Posts Q4 Profit, Plans to Expand Advertising Options*, CLICKZ NEWS, Jan. 31, 2007, available at <http://www.clickz.com/showPage.html?page=3624825> (discussing Google revenues).

24. See *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 74 U.S.P.Q.2d (BNA) 1385, 1386–87 (N.D. Cal. 2005); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 701–02 (E.D. Va. 2004).

25. See generally *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995) (describing the purposes of trademark law in terms of effects on search costs); Daniel M. McClure, *Trademarks and Competition: The Recent History*, 59 LAW & CONTEMP. PROBS., Spring 1996, at 13, 29 [hereinafter McClure, *Trademarks and Competition*] (observing that “the Chicago School approach has had an undeniable impact on trademark cases across the board”); Daniel M. McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADEMARK REP. 305 (1979) (discussing the development of trademark doctrine); see also Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 759 (1990).

26. See *The Ultimate Marketing Machine—Internet Advertising*, THE ECONOMIST, Jul. 6, 2006, at 64, available at <http://www.economist.com/business/displaystory.cpm?story-id=7138905>.



and invoked by trademark use proponents in support of the theory—adequately accounts for the dynamics of new information markets.<sup>27</sup>

The broader jurisprudential dilemma of how law adapts to technological change also animates the trademark use debate. In particular, the debate implicates the wisdom of slavishly pursuing analogies between the offline and online world and the pace at which law adjusts to new socio-technological forces. Limiting effective Lanham Act regulation of new market activities (as proponents of trademark use do by opting *not* to allow trademark law to police certain online activities) may be a premature and unrefined response to what, after the hubbub of today's technological advance has subsided, may be a much more complex social phenomenon.<sup>28</sup>

Moreover, the trademark use debate serves as a vehicle to consider what one of us has called the difference between proactive and reactive trademark lawmaking.<sup>29</sup> Trademark law has become a leading instrument for shaping the forces by which consumer understanding is developed. A proactive view of trademark lawmaking embraces the proposition that trademark law should be used to influence the norms that govern consumers' shopping habits. In contrast, a reactive view relegates trademark law to the role of discerning and protecting extant consumer understanding.<sup>30</sup> For example, a reactive scholar might focus on whether substantial confusion exists as a result of the way a search engine sells keywords and presents search results. Such an approach holds open the prospect that search engines would be found liable for the sale of trademarks as keywords, but they would avoid liability if likely confusion were absent.<sup>31</sup> Trademark use theorists largely reject a reactive approach.<sup>32</sup>

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27. See *infra* text accompanying notes 140–51 (discussing the increased search costs associated with information overload and the incompleteness of the search costs rationale as an account of trademark law).

28. Cf. Suzanna Sherry, *Haste Makes Waste: Congress and the Common Law in Cyberspace*, 55 VAND. L. REV. 309, 311–12 (2002).

29. See Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 HOUS. L. REV. 885, 889–90, 961–63 (2004) [hereinafter Dinwoodie, *Trademarks and Territory*]; Graeme B. Dinwoodie, *The Seventh Annual Honorable Helen Wilson Nies Memorial Lecture in Intellectual Property Law: The Trademark Jurisprudence of the Rehnquist Court*, 8 MARQ. INTELL. PROP. L. REV. 187, 209 (2004) [hereinafter Dinwoodie, *Rehnquist*]; Graeme B. Dinwoodie, *Trademark Law and Social Norms*, 3–5, 21, 26–30 (Sept. 5, 2006) [hereinafter Dinwoodie, *Social Norms*] (unpublished manuscript, on file with the *Iowa Law Review*).

30. A *purely* reactive approach is arguably impossible. See Dinwoodie, *Social Norms*, *supra* note 29, at 4. In essence, this debate revolves around the question of *the extent to which and how consciously* trademark law wishes to construct consumer norms. See *id.*

31. Indeed, some courts have found for search engines on this basis. See *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 704 (E.D. Va. 2004); cf. *J.G. Wentworth v. Settlement Funding LLC*, No. 06-0597, 2007 WL 30115, at \*8 (E.D. Pa. Jan. 4, 2007) (granting judgment to defendant that purchased the keyword corresponding to competitor plaintiff's mark on the ground that, as a matter of law, there was no likelihood of confusion “due to the separate and distinct nature of the links created on any of the search results pages in question”).

32. See, e.g., *Google v. American Library Association*, 2007 WL 1000000 (D. Md. 2007).

For example, in the context of the Google litigation, they adopt an approach that immunizes search engines from trademark liability regardless of the form in which the search engines present search results and, thus, *regardless* of short-term confusion.<sup>33</sup> In contrast, we show that it is possible to adopt a proactive stance without so abruptly discarding confusion-avoidance as a relevant variable. We argue that an appropriate innovation policy should offer immunity, if at all, only on conditions that further the goals of trademark law.<sup>34</sup>

Finally, the debate over trademark use roughly maps a jurisprudential fault line between formalism and functionalism.<sup>35</sup> Proponents of trademark use rely on a single legal concept to do substantial work in limiting a number of perceived excesses in current trademark law. But trademarks increasingly serve a number of roles and, accordingly, our approach relies on a number of legal devices, reflecting a variety of autonomous policy justifications for limiting trademark rights. Moreover, our functional analysis of trademark law elevates contextual analysis over an unwise commitment to the purported determinacy of abstract concepts such as trademark use.<sup>36</sup>

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32. See, e.g., Dogan & Lemley, *supra* note 3, at 836–37 (“The doctrine of trademark use . . . holds sway against changing notions of consumer confusion; it is designed to be a bulwark against unreasonable expansion of trademark law.”). Of course, there is nothing inherently commendable in resisting changing social practices when constructing a law designed to protect real consumers, and thus, it is important for trademark scholars to explain why trademark law should resist conforming to these inchoate social practices. See *id.* at 831–37 (discussing the norm creation aspect of rulings pertaining to search engines but offering little normative justification for the norms the authors seek to create). *But cf. id.* at 805 (discussing practical realities for search engines).

33. See *1-800 Contacts, Inc. v. WhenU.com, Inc.* 414 F.3d 400, 409 (2d Cir. 2005). Notwithstanding their disavowal of a reactive approach, some trademark use advocates have explained the trademark use theory by arguing that consumers will not be confused by non-trademark uses. See Dogan & Lemley, *supra* note 3, at 812 (dismissing as “rather silly” a theory of confusion based upon “whether the advertiser is likely to confuse consumers by placing its ad next to the search results generated by the trademark as search term”); *cf. id.* at 828 (supporting trademark use theory in a search engine context by reference to a basic search costs justification of trademark law). This defense of the theory highlights that doctrines might evince different combinations of reactive and proactive lawmaking.

34. See *infra* Part IV.

35. And perhaps between ontological and teleological approaches to trademark law. See Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 IOWA L. REV. 611 (1999). Although we characterize the approach of trademark use theorists as formalistic, we do not mean to suggest that the notion of trademark use is a *wholly* arbitrary limit on trademark rights. As we acknowledge below, on the whole, it is more likely that trademark uses implicate the purposes of trademark law than uses that are otherwise than as a mark. See *infra* text accompanying note 169. However, to the extent that the trademark use theory imposes on courts a form of reasoning divorced from policy objectives, without any concomitant reduction in administrative or error costs that might provide a utilitarian basis for such a departure, see *infra* Part III.B, the approach can fairly be characterized as inappropriately formalistic.

36. We are not resolutely opposed to the use of general concepts to structure the contours of trademark law. But we do resist such concepts when they result in an under-regulation of

Part II of this Article addresses the descriptive question underlying the trademark use debate. To be sure, persons *claiming the existence* of trademark rights generally must show that the mark in which rights are asserted is being used as a mark, but infringement liability is not limited to equivalent uses *by a defendant*. Indeed, an interpretation to the contrary would render the statutory “fair use” defense superfluous. Also, despite the best efforts of scholars to unearth supporting case law, U.S. courts have never consistently articulated any such limitation on trademark suits.<sup>37</sup> There are a number of appropriate limitations on trademark rights that may have the effect of permitting the types of third-party uses that proponents of trademark use might wish to immunize from liability. But these are autonomous limits that do not, other than by happenstance, map onto the trademark use theory.

We turn to prescriptive matters in Part III. Limiting liability to trademark uses would be unwise for a number of reasons. First, while trademark law cannot, and should not, dispel all possible confusion among consumers, the adoption of the trademark use requirement would wholly prevent trademark law from regulating important new areas of commercial activity, such as keyword advertising.<sup>38</sup> We have little faith that unregulated competition will optimally structure those new markets.<sup>39</sup> And we question the implicit claim that more information is always better for consumers. Sometimes more information is just more, and sometimes contextual

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commercial behavior that cannot be justified either by a reduction in administrative or error costs or by a competing policy objective. For the reasons explained below, we think trademark use is such a concept: insufficiently mapped to the purposes and contemporary roles of trademark law and insufficiently certain to provide any offsetting reduction in costs.

37. See *infra* Part II (noting recent vintage of case law).

38. In their response to this Article, Dogan and Lemley argue that sufficient regulation can be effected through the doctrine of secondary or contributory liability. See Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1680 (2007). And to be sure, the doctrine of secondary liability enhances the enforcement options for trademark owners where there is conduct *with respect to the nature of the advertising* that implicates the purpose of trademark law. But the theories of indirect liability for intermediaries premised upon the direct liability of advertisers for statements made in advertising copy only regulates the *sale of advertising space* or the *presentation of search results* in an extremely attenuated fashion, if at all. See Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 IOWA L. REV. 1703, 1715–16 (2007).

39. In contrast, the prospect of *potential* trademark liability has encouraged search engines to develop policies designed to accommodate the concerns of trademark owners, competitors, and the public. See Dinwoodie & Janis, *supra* note 38, at 1716–17 (discussing search engine trademark policies). But see Virginia Postrel, *Consumer Vertigo*, REASON, June 2005, at 49–54, available at <http://www.reason.com/news/show/36172.html> (suggesting that marketplace incentives will encourage market participants to help customers navigate choices). The ability of consumers to make discerning choices as a result of information made available by online intermediaries also depends upon there being some transparency regarding the nature of the information presented to consumers. Absent that transparency, consumers will not have any real *informed* choice and search engines will be free to act self-interestedly in maximizing advertising revenue and not optimizing information supply. See *infra* Part IV (discussing conditions of possible safe harbor).

advertising impinges upon other policy concerns, such as privacy or humanist concerns about a materialist, consumptive society.

Second, contrary to the claims of trademark use theorists, implementation of the theory will not enhance certainty. According to proponents of trademark use, a contextual infringement analysis that gives a primary role to likely confusion imposes substantial litigation costs on legitimate third-party users, enabling trademark owners to expand their trademark rights through aggressive litigation strategies. In contrast, trademark use is portrayed as a bright-line rule that will enhance certainty and thus reduce barriers to innovation by minimizing litigation costs for rival producers, third-party market participants, and even the public.<sup>40</sup>

The certainty argument is seductive. It resonates with critiques of other areas of modern intellectual property law,<sup>41</sup> and the quest for greater certainty in trademark litigation captures the mood of recent Supreme Court jurisprudence.<sup>42</sup> Moreover, the prospects for enhancing certainty through trademark use might, at first blush, seem especially propitious. Trademark use theorists might argue that courts applying the theory could draw upon a long-established jurisprudence in which their forerunners developed trademark use rules for establishing trademark rights. Indeed, in the context of establishing rights, trademark use is often cast as the essential theoretical rock on which U.S. trademark law is built, defining U.S. law domestically and in the international arena.<sup>43</sup> Furthermore, formalists might be attracted to the symmetry between the concepts used to establish rights and to prove infringement as a means of augmenting certainty.

However, a thorough historical analysis of the role of use in U.S. law suggests that the sought-after certainty will be illusory. The development of use-based concepts is a story of contextual and historical contingency, yielding doctrines notable mostly for their malleability. Moreover, we are suspicious of those seeking certainty through the symmetry in question (by extracting use concepts from the rules for establishing rights and incorporating them into the rules for infringement). The type of use that might support the existence of consumer understanding (and thus the grant of trademark rights) is not necessarily the same as that which might undermine the integrity of consumer understanding (and thus justify a finding of infringement). Even if transplanting trademark use from the

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40. See Dogan & Lemley, *supra* note 3, at 809–11.

41. See generally Lawrence Lessig, *A Rotten Ruling*, WIREd, Sept. 2005, at 94, available at <http://www.wired.com/wired/archive/13.09/posts.html?pg=7> (criticizing the Supreme Court's ruling in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*, 545 U.S. 913 (2005)).

42. Dinwoodie, *Rehnquist*, *supra* note 29, at 207; see also *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 215 (2000).

43. We take issue with the essentialists more comprehensively elsewhere. See Graeme B. Dinwoodie & Mark D. Janis, *Trademark Use* (July 31, 2006) (unpublished manuscript, on file with authors).

context of establishing rights to the context of proving infringement were appropriate, trademark use theorists underestimate the difficulties entailed in doing so. Indeed, the likely outcome of such a transplant is more doctrine, not more certainty.<sup>44</sup>

Third, the range of unauthorized third-party conduct that proponents purport to bring under the umbrella of non-trademark use is both vast and diverse. Much of this conduct should indeed be deemed noninfringing but for many different reasons. To subsume all of this conduct under a single (remarkably opaque) doctrine, such as trademark use, would mask the real reasons for confining the scope of trademark rights in an expansionist era. It would thus impoverish the transparent development of trademark policy, deciding hard cases for unstated reasons.

Accordingly, we reject trademark use as the wonder theory of trademark law. As we explain in Part IV, our approach calls for a contextual analysis that retains for confusion its dominant role in determining infringement, allied with the development of downstream common law principles (e.g., a vibrant fair use doctrine) that reflect the multivalent nature of trademarks in contemporary society.<sup>45</sup> This approach, which contemplates *potential* liability in a broad range of commercial settings, encourages private ordering to avoid confusion and facilitates the development of targeted statutory solutions to particular problems where appropriate.<sup>46</sup> For example, one such solution might involve immunizing search engines from trademark liability for their marketing of advertising linked to the marks of rival producers under certain conditions, thereby creating a safe harbor comparable to that offered to internet service providers under copyright law.<sup>47</sup>

## II. A CRITIQUE OF TRADEMARK USE ON DESCRIPTIVE GROUNDS

There is no statutory language expressly supporting the trademark use theory.<sup>48</sup> Even proponents of the theory concede as much. As a result, they

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44. And, as one of us has previously commented, “The last thing trademark law needs is more doctrine.” Dinwoodie, *supra* note 35, at 702.

45. See Rob Walker, *The Brand Underground*, N.Y. TIMES MAG., July 30, 2006, at 29, 33 (noting the numerous social roles of branding for counter-cultural entrepreneurs).

46. See Dinwoodie & Janis, *supra* note 38, at 1705, 1716.

47. See 17 U.S.C. § 512 (2000) (creating safe harbors against copyright liability for Internet service providers). In contrast, the *unconditional* immunity sought by trademark use theorists would, we believe, result in insufficient policing of the online advertising environment. See *infra* Part III.A.3. To be sure, if certain uses cannot be targeted as creating direct liability, plaintiffs will surely argue claims of secondary infringement. As is evident from the reaction to the Supreme Court decision in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*, 545 U.S. 913 (2005), the scope of secondary liability for intellectual property infringement is a matter of some debate. But secondary liability of search engines for direct trademark infringement by advertisers will, under current standards, effect quite minimal regulation. See *generally* Dinwoodie & Janis, *supra* note 38, at 1715–16.

48. The statute does address “use otherwise than as a mark” or non-trademark use in the fair use provision, suggesting that Congress knew how to enunciate the concept when it wished

have been compelled to rummage through a vast assortment of trademark doctrines in order to find a basis for their argument. Some scholars have sought to tease transcendental significance from concepts developed primarily in the context of establishing trademark rights rather than in proving infringement. These include the historical affixation requirement. Others have looked to the infringement provisions themselves, rendering a gloss on phrases such as “use in commerce” and “use in connection with the offering of goods and services” in order to support the theory.<sup>49</sup> Finally, some scholars have argued that the theory was embedded in the common law and thus incorporated implicitly into the Lanham Act, and they support the assertion with a revisionist reading of recent case law. None of these strategies supplies a solid descriptive footing for the trademark use theory.

A. INTERPRETATION OF “USE IN COMMERCE”

Margreth Barrett has argued that the trademark use theory finds statutory sanction in the Lanham Act definition of “use in commerce.”<sup>50</sup> Section 45 provides that:

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 chapter, 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

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to do so. *See* *Russello v. United States*, 464 U.S. 16, 23 (1983) (“[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.” (internal citation omitted)).

49. The phrase “use in commerce” appears in the context both of establishing trademark rights and in proving infringement. This may be explained to some extent by the partially jurisdictional motivation of the phrase. *See infra* text accompanying notes 55–56.

50. *See* Barrett, *supra* note 3, at 382–83. Elsewhere, Barrett invokes the language of sections 32 and 43 of the Lanham Act. *See id.* at 378 n.18; *see also infra* text accompanying notes 76–77.

person rendering the services is engaged in commerce in connection with the services.<sup>51</sup>

This definition is continually the focus of litigation.<sup>52</sup> Yet, most of that case law involves the establishment of trademark rights, whether to assert a claim based upon an unregistered common law trademark<sup>53</sup> or to obtain a federal registration.<sup>54</sup> For either purpose, a firm must use a mark (not merely conceive of it) in order to assert rights, and that use generally must be “in commerce.”

Absent this last limitation, Congress might lack authority to enact federal trademark legislation by virtue of the Supreme Court’s opinion in *The Trade-Mark Cases*.<sup>55</sup> Strictly speaking, remedying that constitutional defect simply required Congress to link federal trademark law to interstate commerce. However, because the Court wrapped up its discussion of that question with a comparison of the nature of copyrights and trademarks (one resting on originality and the other on use), the composite phrase “use in commerce” is often used to confer constitutional legitimacy. Certainly, this is what Congress did in the Lanham Act. Thus, the phrase appears not only in the provision authorizing federal registration but also in the infringement

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51. Lanham Act § 45, 15 U.S.C. § 1127 (2000).

52. Some courts have stressed that under this definition, for the purpose of acquisition of rights, the meaning of “use in commerce” might be quite different for services than it is for goods. *See Int’l Bancorp, LLC v. Societe Des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 375 n.8 (4th Cir. 2003). This distinction has roots in the different means by which it was thought that a purveyor of services could induce the association of its mark with its services.

53. *See Columbia Mill v. Alcorn*, 150 U.S. 460, 463–64 (1893) (reviewing prior Supreme Court cases and concluding that “the exclusive right to the use of the mark or device claimed as a trade-mark is founded on priority of appropriation; that is to say, the claimant of the trade-mark must have been the first to use or employ the same on like articles of production.”); *In re Trade-Mark Cases*, 100 U.S. 82, 94 (1879) (“The right to a particular mark grows out of its use and not its mere adoption.”).

54. *See* 15 U.S.C. § 1051(a) (requiring use in commerce). The Trademark Law Revision Act of 1988 liberalized registration options by permitting intent-to-use applications. *See id.* § 1051(b) (providing an alternative basis for registration based upon a bona fide intention to use a trademark in commerce). However, in order to obtain a registration, an intent-to-use applicant must file a statement verifying that the mark has been put into use in commerce within a prescribed time. *See id.* § 1051(d). Thus, although Congress broke with longstanding past practice on use when it enacted the intent-to-use provisions, it nonetheless emphasized the “central role that use continues to play in U.S. trademark law.” S. REP. NO. 100-515, at 24 (1988). The principal exceptions largely involve the registration of foreign marks. *See* 15 U.S.C. §§ 1126(e), 1141(f).

55. *See In re Trade-Mark Cases*, 100 U.S. at 94–95. Congress took up the hint that the Supreme Court offered in its 1879 opinion as to how constitutionally to enact federal trademark law. Thus, the use in commerce requirement in the Lanham Act is, to some extent, jurisdictional. *See supra* note 4. But the Commerce Clause was less generously interpreted in 1879, and the constitutional constraints on federal trademark legislation are now less demanding.

provisions creating causes of action in the federal courts with respect to both registered and unregistered marks.<sup>56</sup>

Barrett draws a greater significance from the presence of the phrase in both the registration and infringement provisions.<sup>57</sup> She argues that there is nothing in the statutory language to suggest that the section 45 definition was not intended to be read identically in both contexts. Thus, she argues that the definition was “intended to apply . . . whether it be in connection with the acquisition of trademark rights or in defining when infringement has occurred.”<sup>58</sup> However, the infringement provision in section 32 explicitly contemplates the possibility that use of a mark in connection with the advertising of goods might give rise to liability, notwithstanding that the section 45 definition of “use in commerce” provides that advertising of goods is insufficient use to acquire trademark rights.<sup>59</sup> Thus, as Barrett concedes, slight differences between the language in the infringement provision in section 32 and in the definition of “use in commerce” open the possibility that “the literal language of the section 45 ‘use in commerce’ definition is limited to defining the acts necessary to gain ownership and registration of a mark.”<sup>60</sup> Indeed, to the extent that the 1988 Trademark Law Revision Act—which amended the definition of “use in commerce”—is of guidance,<sup>61</sup> its legislative history favors treating the “use in commerce” language as relevant only to registration. The relevant Senate Report explained that “the revised definition is intended to apply to all aspects of the trademark registration process . . . . Clearly, however, use of any type will

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56. See 15 U.S.C. §§ 1114, 1125(a).

57. Trademark use advocates commonly cite *1-800 Contacts, Inc., v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005) and *DaimlerChrysler v. Bloom*, 315 F.3d 932, 936 (8th Cir. 2003), for the proposition that a trademark use requirement can be found in the “use in commerce” language. See Barrett, *supra* note 3, at 374 n.7. But some of the other cases that trademark use theorists cite as exemplars of the theory have rejected the “use in commerce” language as providing a statutory foundation. See *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 677 (9th Cir. 2005) (rejecting the argument that “use in commerce” requires trademark use and relying on the “in connection with goods and services” language to impose a requirement of commercial use in infringement actions); see also *Dogan & Lemley*, *supra* note 3, at 806 (describing “use in commerce” as a jurisdictional requirement).

58. Barrett, *supra* note 3, at 383.

59. See *supra* text accompanying note 51 (quoting section 45). Moreover, as noted above, the definition of use in commerce differs as between goods and services. See *supra* note 52. But, given the growing assimilation of service marks and trademarks, and the ability of similar unauthorized uses of trademarks and service marks to interfere with consumer understanding, it would be surprising to find a rule that excluded from potential liability a different range of conduct by third parties dealing with service marks rather than trademarks. Should the sale of the keyword DELTA (a service mark for airlines) to United Airlines be treated differently from the sale of the same keyword to a faucet producer that competes with DELTA faucets (a trademark)? Yet, the assimilation of the establishment and infringement definitions might produce this result.

60. Barrett, *supra* note 3, at 385.

61. See *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 163–64 (1995).



continue to be considered in an infringement action.”<sup>62</sup> Moreover, although she acknowledges the jurisdictional function of the phrase, Barrett does not account for that function in seeking an alternative explanation of its presence in both provisions.

The textual discrepancies and the fuller jurisdictional explanation call out for additional interpretive methodologies beyond declaratory textualism. In particular, the different purposes that the “use in commerce” requirement serves in the context of establishing rights and proving infringement cut against an identical meaning. The requirement (and more particularly, the “use” part of the phrase, as “commerce” is separately defined) serves distinct purposes germane to the *establishment* of trademark rights.<sup>63</sup> Absent consumers coming to associate a mark with a particular source, there would be no reason to confer trademark rights on a particular trader. Only when consumers come to associate goods with a particular producer will they potentially be confused when the same or a similar mark is used by another trader.<sup>64</sup> But source-identification cannot occur absent use.<sup>65</sup>

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62. See S. REP. NO. 100-515, at 44–45 (1988). The full passage reads:

The committee intends that the revised definition of “use in commerce” be interpreted to mean commercial use which is typical in a particular industry. Additionally, the definition should be interpreted with flexibility so as to encompass various genuine, but less traditional, trademark uses, such as those made in test markets, infrequent sales of large or expensive items, or ongoing shipments of a new drug to clinical investigators by a company awaiting FDA approval, and to preserve ownership rights in a mark if, absent an intent to abandon, use of a mark is interrupted due to special circumstances. Finally, the revised definition is intended to apply to all aspects of the trademark registration process, from applications to register, whether they are based on use or intent-to-use, and statements of use filed under Section 13 of the Act, to affidavits of use filed under Section 8, renewals and issues of abandonment. Clearly, however, use of any type will continue to be considered in an infringement action.

*Id.* We are indebted to Jessica Litman for unearthing this item of evidence.

63. See also *infra* text accompanying notes 129–33 (discussing how the *nature* of use relevant to establishing rights may be different from the nature of use relevant to infringement). We focus here on the role of the use requirement in identifying when trademark law needs to intervene in the free market through its relevance to the existence of consumer association. However, the use requirement in the establishment context serves additional purposes, such as a public notice function. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 18 cmt. a. (1995) [hereinafter RESTATEMENT]; see also *Zazu Designs v. L’Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992). See generally Graeme B. Dinwoodie & Mark D. Janis, *Use, Intent to Use, and Registration in the United States*, in TRADEMARK USE 313, 315 (Philips & Simon eds., 2005).

64. See RESTATEMENT, *supra* note 63, § 18 cmt. a. (“Until a designation has been actually used as a symbol of identification, its use by others creates no risk of confusion.”).

65. See generally Dinwoodie & Janis, *supra* note 43. When a plaintiff relies on the well-known mark doctrine, see *infra* note 197, the claim of source-identification will rest on the mark’s reputation in the United States rather than its formal use here. But that reputation will,

Once consumer understanding, and hence a trademark right, is established, the primary goal of trademark law is to protect the integrity of that understanding by minimizing consumer confusion. Although consumer understanding will likely only develop when a sign is used “as a mark,” a range of uses by a third party may interfere with that understanding.<sup>66</sup> Thus, a teleological analysis of trademark law would suggest that the concept of use sufficient to establish rights might differ radically from the type of use by a defendant that might give rise to infringement.

Given the weakness of relying on the definition of “use in commerce,”<sup>67</sup> it is not surprising that scholars seek to bolster their analysis by invoking additional language in the infringement provisions. In particular, Barrett suggests that language in the infringement provisions requiring that the defendant’s use be “on or in connection with any goods or services,” perhaps taken together with the “use in commerce” language and perhaps of itself, invokes the affixation requirement.<sup>68</sup>

The affixation requirement, like the “use in commerce” language, has historically been of greater import in the context of establishing rights. As the Restatement explains, “[T]he law of trademarks originally recognized as ‘use’ only the direct physical affixation of the designation to the goods marketed by the person claiming trademark rights. A designation that was not physically affixed to the goods *could not be protected*.”<sup>69</sup> The key to this limiting feature was the assumption that consumer association—the prerequisite to the existence of trademark protection—could only develop when goods were marked in this fashion. Infringement analysis inevitably is concerned with a different question; namely, whether existing consumer understanding is being tainted. A purposive analysis of the affixation requirement reveals, once again, that one should not be surprised that nominally similar language may have different meanings in the establishment and infringement contexts, respectively.

Indeed, as Barrett acknowledges, the affixation requirement has been substantially liberalized (even in the establishment context) to reflect a

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in turn, depend upon use of the mark in some other country. *See generally* Dinwoodie, *Trademarks and Territory*, *supra* note 29.

66. *See infra* text accompanying notes 125–39.

67. *See* 1 J. THOMAS MCCARTHY, TRADEMARK AND UNFAIR COMPETITION LAW § 23.11.1 (2006) (“This is not a reasonable reading of the statute . . . it was clearly drafted to define the types of ‘uses’ that are needed to qualify a mark for federal registration . . . not to infringe them.”).

68. It is not clear whether Barrett finds the affixation requirement in the infringement provisions regardless of how one interprets “use in commerce” or whether her suggestion that the affixation requirement is incorporated into the infringement inquiry also requires reference to the “use in commerce” language. Either way, we are unpersuaded. *But see id.* (disagreeing with Barrett’s conclusion but agreeing with the connection between the “use in commerce” definition and affixation).

69. RESTATEMENT, *supra* note 63, at § 18 cmt. d (emphasis added).

modern economy in which marks are associated with a single producer in ways that do not involve the physical branding of signs on products.<sup>70</sup> Affixation is a relic of the industrial era when consumers physically interacted with trademarks in different ways. It is a surprising doctrine on which to rest a theory for the twenty-first century.<sup>71</sup>

Moreover, even assuming that the affixation requirement is intended to operate as a constraint both on the establishment of rights and the scope of infringing acts, the fact that a term is affixed to a product does not in any way guarantee that the term is used as a mark.<sup>72</sup> It is not uncommon for traders to be denied trademark protection for marks that they have placed on their goods, satisfying the affixation requirement, but which are deemed

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70. *See id.* (recounting the historical reason for the affixation requirement, namely, that “trademarks developed from medieval production marks that were affixed to goods manufactured by the local guilds”). As the Restatement comments:

[C]hanges in commercial practices eventually made the requirement of physical affixation impractical. . . . Modern marketing techniques also rendered the affixation requirement obsolete with respect to trademarks for goods. Use of a designation in the various advertising media can now establish the designation’s significance as an identifying symbol as surely as its appearance on packaging or labels.

*Id.*

71. The liberalization is not all that recent. Moreover, as Barrett concedes, any strict statutory requirement that defendant affix its mark in a particular fashion in order to be liable for infringement of a registered trademark did not preclude the maintenance of an unfair competition action, even where the plaintiff could not show that the defendant had affixed the mark to any goods. *See Barrett, supra* note 3, at 387. As the United States Supreme Court recognized in 1916, the law of unfair competition was broader than trademark law. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916). Of course, the two bodies of law converged over the course of the twentieth century. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776 (1992) (Stevens, J., concurring). Barrett cites this development to suggest that the unfair competition action contracted to meet the rigorous formalities of an action for infringement of technical trademarks. *See Barrett, supra* note 3, at 381 n.29. In fact, trademark law expanded liberally to conform with the more generous contours of unfair competition principles. *See Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 170 (1995).

72. Although the statutory formulations differ slightly, the current infringement language upon which scholars invoking the affixation requirement rely essentially uses the terms “on or in connection with goods.” *See* 15 U.S.C. § 1114(1)(a) (2000). Section 32(1)(a) imposes liability on a party who, without the registrant’s consent, shall

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.

*See id.*; *id.* § 1125(a)(1)(A) (unauthorized use in commerce of another’s unregistered mark “in connection with any goods or services” gives rise to liability for unfair competition or so-called unregistered or common law trademark infringement under Lanham Act section 43(a) in specified circumstances). As noted above, the “use in commerce” definition refers to a mark “placed in any manner on the goods or their containers or the displays associated therewith,” and has even more liberal rules regarding services. *See supra* text accompanying notes 50–51.

“non-trademark uses” because they are unlikely *to create consumer association* as a result of the nature of the use.<sup>73</sup> For example, one court recently denied trademark rights to slogans that the plaintiff has used on its line of t-shirts, noting that “[t]-shirts are a particularly ineffective medium through which to establish an inherently distinctive mark. In our culture, t-shirts often serve as personal billboards, carrying phrases that convey meanings that can range from the entirely personal to political to humorous.”<sup>74</sup> Affixation does not map to the definition of use as a mark that proponents advance.<sup>75</sup>

B. INTERPRETATION OF THE “IN CONNECTION WITH” CLAUSE

Some scholars and courts, endorsing the trademark use theory, have read the language of the infringement provisions requiring that the defendant’s use be “in connection with the sale . . . of goods or services” as limiting infringement to trademark uses.<sup>76</sup> This argument echoes that discussed above, except avoids the problematic rhetoric of affixation. But the same substantive flaws remain. There is no natural congruence between trademark use and use in connection with goods and services. All “uses as a mark” will indeed be uses in connection with the sale of goods or services. But the contrary does not hold true: not all uses in “connection with goods or services” must necessarily be uses as a mark. For example, as discussed above in connection with the affixation requirement, a mark can be imprinted on the front of a t-shirt and, thus, be used in connection with goods, notwithstanding that trademark use theorists would deny that such

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73. The focus in contemporary trademark law is consumer association rather than formal notions such as affixation. *Cf.* Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (1988). The shift toward consumer association underlies the liberalization of the affixation requirement. *See* RESTATEMENT, *supra* note 63, at § 18 cmt. d. Focusing on consumer association, rather than formal acts of affixation, ensures that rights accrue only when the source-identification purposes of trademark law are implicated. *Id.*

74. *Juicy Couture, Inc. v. L’Oreal USA, Inc.*, No. 04 Civ. 7203, 2006 WL 1012939, at \*18 (S.D.N.Y. Apr. 19, 2006); *see also In re Aerospace Optics, Inc.*, 78 U.S.P.Q.2d (BNA) 1861, 1864 (T.T.A.B. 2006) (using the mark as a noun in sentence did not establish trademark rights even where it was affixed to packaging of goods).

75. *See Barrett, supra* note 3, at 375 (“[T]rademark use entails the application of a mark in a manner that invites consumers to associate the mark with goods or services that the user is offering for sale or distribution and to rely on it for information about the source, sponsorship, or affiliation of those goods or services.”).

76. *See id.* at 385. Dogan and Lemley also invoke this argument, possibly in combination with some reliance on the “use in commerce” language. *See Dogan & Lemley, supra* note 3, at 798 (grounding trademark use theory in requirements that defendant’s use be “in commerce” and “on or in connection with any goods or services”). But in other parts of their article Dogan and Lemley suggest that they regard the “use in commerce” language as jurisdictional and distinct from the trademark use theory. *Id.* at 806.

use was necessarily use as a mark.<sup>77</sup> The “in connection with” language is broader.

Given this lack of congruence, it is incumbent upon proponents of trademark use to demonstrate some basis for an interpretation that reads the broad concept of “connection” as restricted to the much narrower universe of “uses as a mark.” Neither the statute nor the legislative history provides any basis. Indeed, if Congress wished to restrict the infringement provisions in the way that trademark use theorists claim, it could surely have tracked the language found in section 33(b)(4) and excluded from infringement “uses otherwise than as a mark.” But Congress did not do so, leaving trademark use theorists to look beyond the statute.

### C. COMMON LAW INCORPORATION

The descriptive argument that we believe warrants closest consideration is that trademark use has long been an essential (though unarticulated) principle of the common law that was incorporated (though implicitly) into the Lanham Act in 1946. Such an argument seems to underlie the work of several trademark use scholars, most notably Dogan and Lemley.<sup>78</sup>

In its general form, the argument of common law incorporation is plausible. Early federal trademark registration statutes were understood as schemes to acknowledge and confirm the existence of common law rights, and the Lanham Act retained that general approach.<sup>79</sup> Moreover, U.S. trademark law has long recognized extra-statutory defenses to statutory causes of action.<sup>80</sup>

To sustain the argument of common law incorporation, however, one would need to show both the prior existence of the trademark use theory in common law and no supervening legislative act that would countermand the

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77. Similarly, although the use of a mark on replacement parts probably meets an affixation requirement, some scholars would debate whether use on replacement parts would constitute “trademark use.” Cf. Barrett, *supra* note 3, at 386 n.46.

78. See Dogan & Lemley, *supra* note 3, at 798 (noting courts’ “historical” insistence on trademark use by defendant); *id.* at 805 (commenting on the “disturbing trend away from the statutory requirement of trademark use, at least as traditionally interpreted by the courts”).

79. See Robert C. Denicola, *Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, LAW & CONTEMP. PROBS., Spring 1996, at 75, 79–80 (“Putting aside statutory innovations directly linked to the public notice provided by the Act’s registration system, the Lanham Act codifie[d] the basic common law principles governing both the subject matter and scope of protection.”). The Lanham Act did depart from common law in some respects. See Graeme B. Dinwoodie, *The Story of Kellogg Co. v. National Biscuit Co.: Breakfast with Brandeis*, in INTELLECTUAL PROPERTY STORIES 220, 240–41 (Rochelle Cooper Dreyfuss and Jane C. Ginsburg eds., 2006). Since then, the Act has grown further beyond common law principles. See Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (1988).

80. For example, trademark law has long had the need for a vibrant functionality doctrine, even though that doctrine was entirely grounded in common law until 1999. See Dinwoodie, *supra* note 35, at 684–728.

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purported incorporation. Even if we were persuaded by arguments on the prior existence of the theory,<sup>81</sup> arguments on contrary legislative intention are damning. Provisions of the Lanham Act are at odds with a theory of trademark use, thus negating any such common-law-incorporation theories.

In particular, the theory cannot be squared with the language of section 33(b)(4) of the Lanham Act, which provides that it shall be a defense to an action for infringement of any mark

that the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.<sup>82</sup>

If "use as a mark" were a threshold condition of trademark infringement, all uses otherwise than as a mark, whether in good faith and whether falling within the uses delineated by section 33(b)(4), would be outside the scope of trademark rights. The plaintiff would be unable to establish a prima facie case of infringement, rendering section 33(b)(4) superfluous. Ordinary canons of statutory construction counsel against such a reading.<sup>83</sup> Trademark use is not a plausible extra-statutory limitation; it is an unjustifiable contra-statutory limitation, dispensing with the good faith prerequisite to the fair use defense.

The U.S. Supreme Court's *KP Permanent* decision affirmed the importance of giving meaning to section 33(b)(4). The plaintiffs in that case had argued that a defendant asserting fair use had to show a lack of any likely confusion.<sup>84</sup> As the Supreme Court pointed out, such an interpretation of the statute would render the fair use defense toothless because absent such likely confusion, the plaintiff would not even have made out its prima facie case. The Supreme Court appropriately identified the fair use defense as an important barrier to the overprotection of trademarks.<sup>85</sup> Yet,

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81. And we are not. *See infra* Part I.D.

82. Lanham Act, § 33(b)(4), 15 U.S.C. § 1115(b)(4) (2000). Although the defenses listed in section 33(b) are literally available in actions brought for infringement of registered marks that have become incontestable, section 33(a) makes clear that they apply in all cases of alleged trademark infringement. *See* 15 U.S.C. § 1115(a). The availability of common law and statutory defenses, respectively, might be different where a plaintiff owns an incontestable registration. *See* *Shakespeare Co. v. Silstar Corp.*, 110 F.3d 234, 237 (4th Cir. 1997). We discuss this complexity more fully in *Dinwoodie & Janis*, *supra* note 38, at 1708–10.

83. *See* *Hibbs v. Winn*, 542 U.S. 88, 101 (2004) (noting interpretive rule against legislative superfluity).

84. *See* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 119 (2004).

85. We believe that more refined limits on the scope of trademark protection will be realized, *inter alia*, by an animated development by courts of the fair use defense, guided not

proponents of the trademark use theory, like the unsuccessful plaintiffs in *KP Permanent*, advocate an approach that would make the fair use defense redundant.

D. CASE LAW REVISIONISM

Moreover, assertions that the common law long contained a well-established trademark use requirement are unpersuasive and revisionist. Most scholars agree that trademark law allows unauthorized third-party use of marks in a wide range of commonplace factual scenarios. But trademark use proponents now claim that these third-party freedoms have in fact been secured by the theory of trademark use.<sup>86</sup> Some also argue that the theory explains a number of contested cases where courts have permitted one party to make unauthorized use of another's mark.<sup>87</sup> For example, proponents claim that trademark use is the basis for (or, the rationale underlying, or the

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simply by the abstract concept of "use otherwise than as a mark" but also by a contextual analysis of good faith. *See infra* text accompanying notes 138–39.

86. *See* Dogan & Lemley, *supra* note 3, at 805–11. Thus, Dogan and Lemley argue:

[Because of the trademark use theory,] newspapers are not liable for using a trademarked term in a headline, even if the use is confusing or misleading. Writers of movies and books are not liable for using trademarked goods in their stories. Makers of telephone directories are not liable for putting all the ads for taxi services together on the same page. In-house marketing surveyors are not liable for asking people what they think of a competitor's brand-name product. Magazines are not liable for selling advertisements that relate to the content of their special issues, even when that content involves trademark owners. Gas stations and restaurants are not liable for locating across the street from an established competitor, trading on the attraction the established company has created or benefiting from the size of the sign the established company has put up. Individuals are not liable for use of a trademark in conversation, even in an inaccurate or misleading way (referring to a Puffs brand facial tissue as a "Kleenex," or a competing cola as a "Coke," for example). Generic drug manufacturers are not liable for placing their drugs near their brand-name equivalents on drug store shelves, and the stores are not liable for accepting the placement.

*Id.* at 809–10. We do not disagree with any of the outcomes suggested here, but we think there is little support for the assertion that the cause of immunity in any of these cases is a trademark use requirement.

87. *See, e.g.,* Dogan & Lemley, *supra* note 3, at 809, 810 n.130; *Dilution Hearing*, *supra* note 8, at 16 (testimony of Anne Gundelfinger) (suggesting that the trademark use requirement would immunize nominative and descriptive uses of marks, such as uses in comparative advertising and in newspaper stories, as well as parodies and satires) (citing, *inter alia*, *Mattel, Inc. v. MCA Records, Inc.* 28 F. Supp. 2d 1120 (C.D. Cal. 1998), *aff'd*, 296 F.3d 894, 905 (9th Cir. 1992) and *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992)); *Dilution Hearing*, *supra* note 8, at 18, 21 (testimony of Mark A. Lemley) (claiming trademark use as the basis for the ability to use a mark in comparative advertising, to poke fun, to criticize, and to write newspaper stories). Interestingly, in countries (such as Australia) that have an express trademark use requirement, the legality of comparative advertising flows not from the trademark use requirement but from an express defense. *See* Trademarks Act, 1995, § 122(1)(d) (Austl.).

*sub rosa* motivating principle for) decisions permitting use of another's mark in, among other things, "product comparisons, consumer product evaluations, [n]ews reporting," and parody.<sup>88</sup> According to this argument, because of the trademark use doctrine, many or all of these uses are immunized from liability.

Reading the cases in this fashion requires advocates of trademark use to indulge in substantial revisionism. There are, of course, scores of trademark cases in which courts permit one party to use another's mark.<sup>89</sup> But virtually none of these cases rests explicitly on a trademark use rationale.<sup>90</sup> Almost without exception, the cases invoke no threshold trademark use requirement, nor do they employ the methodology of trademark use under some other rubric. Instead, these are cases in which there is no likelihood of confusion in the first place or in which the balance of interests favors the defendant (usually because the risk of confusion is low compared to the adverse implications for other interests).<sup>91</sup>

For example, trademark use theorists have placed a revisionist spin on a grouping of trademark cases involving speech interests. In *Rogers v. Grimaldi*,<sup>92</sup> the Second Circuit considered whether defendant's movie title ("Fred and Ginger") implicated Ginger Rogers's trademark rights. The district court had permitted the use under a rule that would, according to the Second Circuit, have created "a nearly absolute privilege for movie titles, insulating them from Lanham Act claims as long as the film itself is an artistic work, and the title is relevant to the film's content."<sup>93</sup> Rejecting that rule, the Second Circuit opted in favor of a balancing analysis weighing "public interest in avoiding consumer confusion" against "the public interest in free expression."<sup>94</sup> Subsequently, the Ninth Circuit followed suit, adopting

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88. See, e.g., Barrett, *supra* note 3, at 379 n.20. Barrett argues that as a result of the trademark use theory, a court could not, for example,

deem an unauthorized use of the plaintiff's mark to be an infringing use if it clearly serves only to identify or parody the plaintiff, to express political views, to strictly describe aspects of the defendant's product or service, or, in the case of domain names, to indicate an address on the Internet.

*Id.* at 386.

89. See GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY 695-758 (2004) (collecting cases and materials on "Permissible Uses of Another's Trademarks").

90. The express invocation of trademark use language by courts is a much more recent phenomenon than trademark use advocates generally admit.

91. Indeed, these cases show quite persuasively that a respectable balance of trademark rights is possible without a threshold trademark use requirement.

92. *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).

93. *Id.* at 997.

94. *Id.* at 999. The court went on to specify that:

In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic



the *Rogers* balancing test in two cases in which defendants had used Mattel's BARBIE mark in allegedly parodic artistic works.<sup>95</sup> Nowhere do any of these opinions invoke the use-as-a-mark rubric, and the contextualist methodology that they do adopt is the very antithesis of the formalistic use requirement advocated by trademark use proponents.<sup>96</sup> Yet, trademark use theorists routinely invoke the BARBIE cases as exemplars of their methodology.<sup>97</sup>

Fair use cases—again a label of rather casual usage applied by scholars to a number of disparate decisions—exhibit the same pattern. In *New Kids on the Block v. News American Publishing Inc.*,<sup>98</sup> another case routinely invoked by trademark use theorists, the defendant had run a newspaper poll about the plaintiff pop band, using the band's name. Judge Kozinski's opinion summarized trademark fair use cases as “best understood as involving a non-trademark use of a mark,”<sup>99</sup> a passage that, when taken out of context, reads like a prelude to the adoption of a threshold trademark use requirement. But Judge Kozinski adopted no such rule. Instead, comparing trademark fair use to the fair use defense in copyright,<sup>100</sup> he laid out a nominative fair use

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relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.

*Id.* Under a threshold trademark use requirement, one might imagine a case such as *Rogers* being resolved using a different methodology, according to a bright line characterization of the defendant's use rather than a balancing of competing interests. And, to be sure, in those countries where trademark use is required, such uses have been found to be outside the scope of trademark protection. *See, e.g.,* *Christodoulou v. Disney Enters., Inc.*, [2005] FCA 1401 (Austl.) (holding that the use of the term HUNCHBACK OF NOTRE DAME in the title of the defendant's movie did not amount to trademark use of the plaintiff's trademark in that term). However, as we discuss below, the concept of trademark use that applies in those countries looks quite unlike the threshold gatekeeping concept that U.S. trademark use theorists propose. Experience in those countries suggests that the concept of trademark use inevitably devolves into analysis of a number of contextual factors. *See id.*; *see also* *Shell Co. (Austl.) Ltd. v. Esso Standard Oil (Austl.) Ltd.*, (1963) 109 CLR 407, 425 (1963) (FCA) (setting out factors); *infra* text accompanying notes 218–20 (discussing *Adam Opel*). Indeed, the factors that have been developed in those countries come to look very much like an assessment of fair use, which is where we think the heart of the analysis should be in any event.

95. *See* *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 807 (9th Cir. 2003) (permitting the use of BARBIE in the titles of photographs that displayed BARBIE dolls in “various absurd and often sexualized positions” where the balancing analysis showed that “the public interest in free and artistic expression greatly outweighs its interest in potential consumer confusion about Mattel's sponsorship of [defendant] Forsythe's works”); *Mattel, Inc. v. MCA Records*, 296 F.3d 894, 902 (9th Cir. 2002) (concluding, under the balancing test, that the defendant's use of BARBIE GIRL in a song title and lyrics did not “explicitly mislead as to the source [or content] of the work”).

96. That is, none of the courts ended its analysis as soon as it identified the use in question as artistic or parodic.

97. *See, e.g.,* *Dogan & Lemley*, *supra* note 38, at 1682 n.57; *cf. Barrett*, *supra* note 3, at 386.

98. *New Kids on the Block v. News Am. Publ'g Inc.*, 971 F.2d 302 (9th Cir. 1992).

99. *Id.* at 307.

100. *See id.* In context, the relevant passage reads: “Cases like these are best understood as involving a non-trademark use of a mark—a use to which the infringement laws simply do not

defense. In contrast to the trademark use theory, the *New Kids* nominative fair use defense calls for courts to inquire into whether the defendant's use suggests sponsorship or endorsement by the trademark owner,<sup>101</sup> whether descriptive substitutes were available, and whether the defendant used more of the mark than was necessary—all context-dependent inquiries at odds with the formalism of trademark use.<sup>102</sup>

Likewise, when clarifying the law of classical fair use in its *KP Permanent* decision, the Supreme Court did *not* adopt a trademark use requirement, nor did it adopt a methodology that calls for assessing use as a threshold matter.<sup>103</sup> The Court instead left the door open for courts to consider the extent of likely confusion as one factor in determining whether a defendant's use should be deemed fair.<sup>104</sup> On remand, the Ninth Circuit accepted this invitation, setting out a context-driven analysis for the classical fair use defense.<sup>105</sup> The Third Circuit did likewise in fashioning a nominative fair use defense that took account of *KP Permanent*.<sup>106</sup>

In sum, the analytical approach adopted in these permissible use cases—and virtually all others—is a contextual balancing approach. The cases do not turn on whether the defendant's use is otherwise than as a mark. Instead, the nature of the use is but one factor. Claims to the contrary are revisionist. More lavish claims that trademark use is “well established,”<sup>107</sup> or a matter of “historical”<sup>108</sup> mandate in the common law, seek to mask a void in the descriptive foundation of the trademark use theory.

### III. A PRESCRIPTIVE CRITIQUE OF TRADEMARK USE

Having shown that trademark use has no firm grounding in current law, we now turn to the claim that adopting a trademark use requirement would

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apply, just as videotaping television shows for private home use does not implicate the copyright holder's exclusive right to reproduction.” *Id.*

101. *See id.* at 308.

102. *Id.* The Ninth Circuit later explained that this analysis was a “replacement” for the likelihood of infringement analysis. *See Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150 (9th Cir. 2002); *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 810 (9th Cir. 2002).

103. *See supra* text accompanying notes 84–85.

104. *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 123 (2004). Indeed, assessment of confusion is but one of several considerations that the Court accepted might inform whether the defense is made out. *Id.*

105. *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 607–09 (9th Cir. 2005) (holding that courts should analyze, among numerous other contextual factors, the degree of likely confusion).

106. *See Century 21 Real Estate Corp. v. Lending Tree, Inc.*, 425 F.3d 211, 222–23 (3d Cir. 2005).

107. *See Barrett, supra* note 3, at 378 (suggesting that the “trademark use requirement is well-established in the statutory language and the case law,” although admitting that there is “relatively little discussion” of the requirement in the case law).

108. *See Dogan & Lemley, supra* note 3, at 798 (asserting that courts “historically” insisted on trademark use by defendants and citing a single 2000 California district court case).

advance the goals of the trademark system. We begin by outlining the search costs rationale that animates much of trademark use theory. Our analysis suggests that implementing trademark use as its proponents envision could render trademark law impotent in many important areas of economic endeavor.<sup>109</sup> We emphasize that trademark law has never been based on the notion that the maximum amount of information flow is optimal for consumers. Trademark law is intended to foster accurate and helpful information, a formula that is much more complex than the binary analysis of information generation/suppression that dominates the trademark use debate.<sup>110</sup> Especially in a time of information overload, when the reliability of dominant intermediaries may become crucial to consumer welfare, we advocate greater policing than trademark use theory would permit.

We next challenge the argument that trademark use will construct a climate of greater certainty with attendant benefits for new economic activity.<sup>111</sup> Dogan and Lemley, and other trademark use theorists, make much of this argument, claiming that trademark use will obviate the need for confusion assessments in many cases, thus enhancing certainty and reducing costs for those who aspire to structure their activities around uses of others' marks. However, as we show, the concept of use in U.S. law has historically proven to be unstable in the context of establishing rights. We explain that in many cases use has operated as a proxy for other analyses—including, most significantly, assessments of consumer association and likely confusion. Accordingly, we are skeptical of claims that trademark use theory will enhance the certainty of trademark analysis.

We also show that trademark use theories, as currently formulated, fail to take into account contested notions about what it means for a designation to operate as a "mark."<sup>112</sup> Trademark use theory may function as a back-door mechanism for dismantling protections against product design trade dress infringement and infringement by unauthorized merchandising. In these key areas, where legitimate countervailing arguments about the scope of protection deserve a full airing and a nuanced resolution, trademark use theory would squelch the debate by deciding the matter a priori.

Finally, we conclude that trademark use should not be seen as a panacea for every ill afflicting trademark law.<sup>113</sup> Trademark use inadequately reflects the multivalence of trademarks, and its adoption would impoverish the policy debate in trademark law.<sup>114</sup>

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109. See *infra* Part III.A.3.

110. Cf. Dogan & Lemley, *Defenses*, *supra* note 18, at 4 (noting that trademark law ensures a "reliable" vocabulary for communications between producers and consumers).

111. See *infra* Part III.B.

112. See *infra* Part III.C.

113. See *infra* Part III.D.

114. Similar dangers can be seen in copyright law, where treating a number of different exclusions under the rubric of the idea/expression distinction may have constricted the full

## A. FLAWS IN THE SEARCH COSTS JUSTIFICATION FOR TRADEMARK USE

In the United States, two primary justifications have traditionally been offered in support of trademark rights: to “protect the public so that it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get”; and to ensure that “where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its appropriation by pirates and cheats.”<sup>115</sup> In recent years, Chicago School theorists have reformulated these dual purposes in economic terms, explicitly grounding trademark protection in economic efficiency.<sup>116</sup> The Chicago School arguments have resonated with many scholars and courts, including the U. S. Supreme Court. As the Court explained in *Qualitex Company v. Jacobson Products Company*:

[T]rademark law, by preventing others from copying a source-identifying mark, “reduce[s] the customer’s costs of shopping and making purchasing decisions,” for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past.<sup>117</sup>

Protecting the integrity of consumer understanding, by preventing confusingly similar uses of a mark by others, lowers consumer search costs. Rival uses that interfere with consumer understanding increase consumer search costs by making the mark a less reliable source of information.<sup>118</sup>

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force of those exclusions. See Pamela Samuelson, *Why Copyright Law Excludes Systems and Processes From Its Scope of Protection*, 85 TEX. L. REV. (forthcoming 2007).

115. S. REP. NO. 79-1333, at 3 (1946), as reprinted in 1946 U.S.C.C.A.N. 1274, 1274.

116. See, e.g., WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 168 (2003) (“The value of a trademark to the firm that uses it to designate its brand is the saving in consumers’ search costs made possible by the information that the trademark conveys or embodies about the quality of the firm’s brand.”); see also William A. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 289 (1987).

117. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995) (citations omitted).

118. See *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1429–30 (7th Cir. 1985). As the *Scandia Down* court explained:

Trademarks help consumers to select goods. By identifying the source of the goods, they convey valuable information to consumers at lower costs. Easily identified trademarks reduce the costs consumers incur in searching for what they desire, and the lower the costs of search the more competitive the market. A trademark also may induce the supplier of goods to make higher quality products and to adhere to a consistent level of quality.

Prominent trademark use theorists endorse the search costs rationale as the primary justification for trademark law generally and for the trademark use theory in particular.<sup>119</sup> For example, Dogan and Lemley argue that:

Limiting trademark rights to a right to prevent confusing uses of the mark as a brand helps to ensure that trademark rights remain tied to their search costs rationale—only those individuals or companies who are using the mark to advertise their own products or services have the motive and opportunity to interfere with the clarity of the mark’s meaning in conveying product information to consumers, and so only those uses ought to be of concern to trademark law.<sup>120</sup>

The search costs rationale thus supports both the imposition of trademark infringement liability, as well as doctrines (such as genericide or functionality) that limit the scope of trademark rights.<sup>121</sup>

However, Dogan and Lemley have acknowledged that in some instances the search costs argument will cut in both directions.<sup>122</sup> That is, allowing a defendant to engage in the activities in question might impose search costs (in some forms for some consumers) while reducing search costs in other respects. In such instances, they argue that trademark law will impose a limiting rule when the balance of search costs favors doing so, but they acknowledge that courts in those contexts often try to capture the information benefits of protecting consumer understanding by providing limited forms of relief to trademark owners.<sup>123</sup> However, they argue that there are some uses by a defendant that “unambiguously” reduce search costs—such as, they claim, non-trademark use—and that such uses should fall outside the scope of trademark rights.<sup>124</sup>

In this Subpart of the Article, we show that the search costs rationale does not support limiting trademark liability to uses by a defendant that amount to trademark use. Our critique rests upon two basic convictions. First, trademark law has a regulatory role to play in many of the contexts

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119. See Dogan & Lemley, *supra* note 3 at 786–88; see also Dogan & Lemley, *supra* note 18, at 5; Barrett, *supra* note 3, at 392–93.

120. Dogan & Lemley, *supra* note 3, at 798; see also Barrett, *supra* note 3, at 378–79.

121. See Dogan & Lemley, *supra* note 18, at 11.

122. See *id.* at 21–34.

123. See Dogan & Lemley, *supra* note 3, at 793–94 (asserting that the law declares a term generic “as soon as a critical mass of consumers treats the term as generic because the harm to consumers who associate the term with the entire class of goods outweighs the harm to the diminishing number who view it only as a mark,” but also observing that courts sometimes protect the de facto secondary meaning established by trademark owners in this situation, such as by requiring the defendant to take steps to minimize confusion with the former mark owner).

124. See Dogan & Lemley, *supra* note 18, at 16 (listing trademark use as a rule of trademark law premised upon the unambiguous reduction of search costs).

from which trademark use theorists would evict it. In particular, it can be effective in addressing information overload, rather than just in increasing information flow to consumers. Second, the search costs rationale is incomplete as an explanation of the prescriptive basis of trademark law. If we expand the value system of trademarks beyond the scriptures of economic efficiency, we may find an instrumental role for trademark law in preserving real consumer choice and enhancing consumer autonomy.

### 1. Do Non-Trademark Uses Cause Confusion?

Trademark use theorists claim that only defendants that are using a mark of another person “as a mark” will interfere with the clarity of the mark’s meaning, and thus, a vision of trademark law premised upon reduction of search costs will justify enjoining only such uses.<sup>125</sup> This proposition runs counter to a number of instances where third-party uses other than as a mark have been found to be potentially actionable because they cause confusion and disrupt consumer understanding. Most notably, it is inconsistent with the decision of the U.S. Supreme Court in *KP Permanent* less than two years ago, in which the Court held that the classic fair use defense—which is available when a defendant makes a good faith, descriptive use of a mark otherwise than as a mark—could be made out even where the defendant’s use caused likely confusion.<sup>126</sup> The logic of that holding is that some uses otherwise than as a mark *can* cause confusion and, thus, increase search costs (even if trademark law might ultimately permit the use under the fair use doctrine).<sup>127</sup> And the facts in *KP Permanent* were by no means unique. The Supreme Court’s intervention was necessary because numerous courts had held that defendants making non-trademark use of a mark were causing confusion, but those courts split on whether the existence of any confusion prevented a defendant from making out a fair use defense.<sup>128</sup>

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125. It is unclear whether Dogan and Lemley would allow the contours of trademark use to be informed (perhaps exclusively) by the search costs rationale. Does the search costs rationale merely explain the trademark use doctrine or does it define the scope of trademark use? That is, would *any* use by a defendant that reduced net search costs be characterized as a non-trademark use (and, conversely, any use that increased search cost characterized as a trademark use). See Dogan & Lemley, *supra* note 3, at 810–11; cf. Dogan & Lemley, *supra* note 38, at 1697 (“If a party adopts its competitor’s protected, non-functional product configuration in a way that confuses potential customers over source, sponsorship, or affiliation, it is engaged in a trademark use of that trade dress.”).

126. *KP Permanent Make-Up, Inc. v. Lasting Impressions I, Inc.*, 543 U.S. 111, 123 (2004).

127. That is, the Court held that uses otherwise than as a mark will still be permitted under the rubric of fair use *in some circumstances* (i.e., when used in good faith). On remand, the Ninth Circuit held that the extent of confusion remained relevant to the question of good faith. See *KP Permanent Make-Up, Inc. v. Lasting Impressions I, Inc.*, 408 F.3d 596, 596 (9th Cir. 2005).

128. See *KP Permanent*, 543 U.S. at 122.

The premise underlying these decisions is sound because the types of use necessary to *establish* consumer understanding are plausibly different from those uses that might *interfere* with *extant* consumer understanding and, thus, increase search costs.<sup>129</sup> For example, if Nike had first used JUST DO IT on a t-shirt, that use arguably would not have generated the consumer understanding necessary to support trademark rights.<sup>130</sup> But once that slogan had become associated with Nike in the minds of consumers, its use on a t-shirt by another trader would have clearly interfered with the integrity of that association.<sup>131</sup> Cognitive science studies offer some confirmation of this intuition about the surprising range of acts that might interfere with consumer understanding.<sup>132</sup> Destroying meaning is far easier than establishing it.<sup>133</sup>

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129. See *supra* text accompanying notes 63–66 (noting different purpose as relevant to statutory interpretation).

130. See *supra* text accompanying note 74. Of course, slogans on t-shirts *may* also be treated as use as a mark, depending upon whether the slogans are distinctive. See MCCARTHY, *supra* note 67, § 3.3 (noting the “common markers” of trademark use and concluding that “[t]hese and other similar questions all relate to the ultimate question: Has the designation claimed as a protectable mark been used in such a way as to make such a visual impression that the viewer would see it as a symbol of origin separate and apart from everything else?”).

131. We are not suggesting that Nike owns plenary rights over use of the term JUST DO IT, an unlikely scenario that some supporting a trademark use theory have argued would result from (among other things) rejecting trademark use. See Dogan & Lemley, *supra* note 3, at 809; cf. Posting of Marty Schwimmer to the Trademark Blog, Will ‘Where’s The Beef?’ Become Actionable Under Proposed Dilution Law, [http://www.schwimmerlegal.com/2006/02/will\\_wheres\\_the.html](http://www.schwimmerlegal.com/2006/02/will_wheres_the.html) (Feb. 18, 2006, 23:28 EST) (resting the ability of third parties to make political use of “Where’s The Beef” on a lack of trademark use). Rather, socially beneficial uses of JUST DO IT, such as parodic use or its use in the resale of genuine goods, would be permitted under theories that permitted analysis of those social benefits and not under a theory of trademark use that consciously forecloses that debate through ontological classification.

132. See Rebecca Tushnet, *Gone in 60 Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. (forthcoming 2007), available at [www.law.berkeley.edu/institutes/bclt/ipsc/papers2/Tushnet.doc](http://www.law.berkeley.edu/institutes/bclt/ipsc/papers2/Tushnet.doc) (discussing studies by Morrin and Jacoby and commenting that “as far as we know, the brain has no use in commerce requirement”). The implications of these studies might suggest a radically different trademark law, especially with regard to dilution protection. See *id.* As Tushnet notes, whether trademark law should act on these studies of behavior raises normative questions about the scope of trademark law and competing values. See *id.* at 3; see also *infra* Part III.D. However, the Morrin and Jacoby studies do highlight weaknesses in the empirical claim that only “use as a mark” can raise search costs.

133. The registration provisions of the Lanham Act also reflect concern that uses “other than as a mark” might interfere with consumer understanding. Thus, Section 2(d) of the Lanham Act provides that a mark will be denied registration if it is confusingly similar to “a mark registered in the Patent and Trademark Office, or a mark *or trade name* previously used in the United States by another” Lanham Act § 2(d), 15 U.S.C. § 1052(d) (2000) (emphasis added). Indeed, the courts and administrative offices have acted on the implicit premise of this provision—namely, that non-trademark uses can cause consumer confusion—by expanding the types of prior confusingly similar uses that might prevent registration to include “analogous uses” of a mark that by definition do not constitute use as a mark. See *Herbko Int’l, Inc. v. Kappa Books, Inc.*, 308 F.3d 1156, 1162 (Fed. Cir. 2002); *T.A.B. Sys. v. Pactel Teletrac*, 77 F.3d

In addition to decided cases, one could imagine hypothetical disputes<sup>134</sup> where a defendant's use that some might characterize as non-trademark use would nonetheless generate consumer confusion.<sup>135</sup> For example, a defendant's use of a rival's mark as part of its corporate name would clearly give rise to potential liability under the Lanham Act. We could not form a new sports apparel company under the name "Nike Sneakers Inc." without being subject to potential suit by Nike, Inc., owner of the trademark NIKE for sneakers, even if we used the trademark ZAZU to sell our sneakers. Our use of the term "Nike" surely gives rise to harm that would be treated as actionable under a search costs-based theory of trademark law (even if consumers saw "Nike" as something other than a brand symbol). Existing consumer understanding regarding NIKE is clearly being disrupted by our use. However, our use of "Nike" would not qualify as use as a mark under the definitions typically proffered by trademark use theorists because the term "Nike" is not being used to identify goods and services, but rather is being used as a "trade name."<sup>136</sup>

As a matter of trademark law, our newly formed sports apparel company could claim on the packaging for our sneakers that "ZAZU sneakers are

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1372, 1375 (Fed. Cir. 1996); *see also* text accompanying notes 191–92 (discussing likely expansion of use doctrines to include constructive use if trademark theory is adopted).

134. Section 1202 of the Trademark Manual of Examining Procedure, which lists uses that the Trademark Office does not treat as "trademark use" for the purpose of establishing rights, might provide a partial road map for an opportunistic defendant seeking to escape liability by stretching the trademark use doctrine. *See* TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1202 (4th ed. 2005) [hereinafter TMEP], available at <http://tess2.uspto.gov/tmdb/tmep/1200.htm> (listing trade names, functionality, ornamentation, informational matter, color marks, goods in trade, columns or sections of publications, title of single creative work, names of artists and authors, model or grade designations, background designs and shapes, and varietal and cultivar names). But many of these uses by a defendant would implicate the purposes of trademark law.

135. We do not doubt that some of these hypothetical disputes might test the resilience of doctrines relating to the forms of actionable confusion and the range of permissible uses. Of course, these hypothetical disputes would also severely stretch the trademark use theory, including the definition of "trademark use" itself. *See infra* note 139; *see also infra* Parts III.B.4, III.C. But that only confirms the wisdom of the Court's approach in *KP Permanent*, which instructs courts defining the scope of trademark rights to look at more than just whether the defendant's use was as a mark.

136. *See* 15 U.S.C. § 1127 (defining "trade name" as "any name used by a person to identify his or her business or vocation"). *See also* Case C-245/02, *Anheuser-Busch, Inc. v. Budejovicky Budvar*, [2004] E.C.R. I-10989 (ECJ 2004) (EU) (holding that use by defendant of plaintiff's mark *as a trade name* fell within the rights of the trademark owner under Article 16(1) of TRIPS but might be excused under an affirmative defense if done so in accordance with honest commercial practices); *cf.* Panel Report, *European Communities—Protection of Trademark and Geographical Indications for Agricultural Products and Food Stuffs*, WT/DS174/R (Mar. 15, 2005) (essentially endorsing same conceptual structure under international law for determining whether defendant's use of plaintiff's mark as a geographical indication amounted to trademark infringement).



much cheaper and more comfortable than NIKE sneakers.”<sup>137</sup> That use of NIKE would be permitted because of a long-standing commitment in U.S. law to encourage the use of comparative advertising, in the belief that such uses do not cause confusion and in fact reduce search costs.<sup>138</sup> However, our comparative advertising defense would depend upon proof of good faith. If the comparative claim appeared entirely in eight-point, black type, except for the term NIKE, which appeared in fifty-four point bright-red type, our good faith is likely to be questioned. Substantial confusion would still be likely, and thus courts would almost certainly impose liability. Trademark use theory, by immunizing uses without regard to context, is unable to regulate potentially confusing uses, and thus is unable to implement the search costs theory on which it purports to be based.<sup>139</sup>

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137. Courts are unlikely to treat the inclusion of a term as part of a narrative sentence that appears on the packaging of goods, or on the goods themselves, as use as a mark sufficient to create trademark rights. See *In re Aerospace Optics, Inc.*, 78 U.S.P.Q.2d (BNA) 1861, 1862 (T.T.A.B. 2006).

138. Although we are confident that this analysis applies in all courts in the United States, the precise doctrinal basis for the conclusion might vary from circuit to circuit. In some circuits, the comparative advertising defense is arguably now encompassed within the nominative fair use defense. But not all courts have adopted the test of nominative fair use as first developed by the Ninth Circuit, and the Ninth Circuit has not yet revised its nominative fair use test to take account of the decision of the Supreme Court in *KP Permanent Make-Up, Inc. v. Lasting Impressions I Inc.*, 543 U.S. 111 (2004). For a thoughtful discussion of the challenges of doctrinal formulation, see *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211 (3d Cir. 2005), where the court concluded that to make out a defense of nominative fair use post-*KP Permanent* a defendant must show: (1) that the use of plaintiff's mark is necessary to describe both the plaintiff's product or service and defendant's product or service; (2) that the defendant uses only so much of the plaintiff's mark as is necessary to describe plaintiff's product; and (3) that the defendant's conduct or language reflect the true and accurate relationship between [the] . . . products.

*Century 21*, 425 F.3d at 222. The Ninth Circuit's nominative fair use test, which included a requirement that there be no confusion as to affiliation or endorsement, will no doubt be modified in light of *KP Permanent*. But the decision of the Ninth Circuit on remand in *KP Permanent* regarding classic fair use suggests that the modified nominative fair use test might simply require courts to take the extent of confusion into account, rather than making it determinative. See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 609 (9th Cir. 2005) (holding that to determine fairness for the purpose of the classic fair use defense, a court should consider “the degree of likely confusion, the strength of the trademark, the descriptive nature of the term for the product or service being offered by KP and the availability of alternate descriptive terms, the extent of the use of the term prior to the registration of the trademark, and any differences among the times and contexts in which KP has used the term.”).

139. Perhaps trademark use theorists would argue that the use of the term NIKE in fifty-four point bright red type in this hypothetical would in fact *be* “use as a mark,” notwithstanding its use as part of a narrative sentence. But this merely substantiates our basic argument: the character of the defendant's use is ultimately a function of context. Indeed, some courts have analyzed whether a defendant's use was “as a mark,” and hence possibly fair use, by examining whether the context suggests efforts to create confusion. See *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995) (noting that “when the products involved are similar, ‘likelihood of confusion’ may amount to using a word in a ‘misleading’ way,

## 2. Search Engines and Search Costs: Information Overload

The disconnect between trademark use and nuanced search costs analysis has become particularly evident in cases involving contextual advertising by search engines. Trademark use scholars argue that the sale of sponsored links by search engines does not constitute trademark use. They assert that such use does not increase search costs. However, they exaggerate the gains and minimize the costs of search engine activity and, thus, sidestep the balancing exercise that they acknowledge to be an integral part of deciding the “hard cases,” namely where there are “search costs rationales on both sides of the argument.”<sup>140</sup> Dogan and Lemley argue that “the rule that competition and information dissemination trump trademark holder economic interests applies with even more force if the use that a competitor wishes to make of a trademarked term is one that unambiguously reduces search costs.”<sup>141</sup> That standard—“unambiguous reduction of search costs”—is presently not close to being satisfied in the case of search engines.<sup>142</sup>

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violating 15 U.S.C. § 1125(a)(1)—not because the likelihood of confusion makes the use nondescriptive, but because the confusion about the product’s source shows that the words are being used, de facto, as a mark. And the defense is available only to one who uses the words of description ‘otherwise than as a mark.’”); *see also* Venetianaire Corp. of Am. v. A & P Import, 429 F.2d 1079, 1082 (2d Cir. 1970) (concluding that “[f]rom the mimicking of plaintiff’s typestyle and prominent display of the registered word ‘Hygient’ on its own ‘Hygienic’ package, it is plain that A & P Import did not use the word ‘otherwise than as a trade . . . mark . . . only to describe its goods’; on the contrary, a ‘trademark use,’ was both effected and intended.”); *cf.* Dogan & Lemley, *supra* note 38, at 1681–82. Early lower court responses to *KP Permanent* suggest that this might become a dominant mode of analysis. *See supra* notes 104–06 and accompanying text.

140. Dogan & Lemley, *supra* note 3, at 795. Although these cases are hard, at least they involve the weighing of commensurables. The hardest cases for trademark law are cases that require courts to weigh incommensurables such as search costs and free-speech values. Trademark law has struggled badly to reason through those problems. *See* Dinwoodie, Social Norms, *supra* note 29, at 22; Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 398–99 (1990).

141. Dogan & Lemley, *supra* note 3, at 795–97 (citing reuse of second hand goods, descriptive fair use, and fair use in comparative advertising).

142. Dogan and Lemley acknowledge that some trademark defenses do present ambiguous cases from a search costs perspective. *See* Dogan & Lemley, *supra* note 18, at 21. Their approach to such cases highlights the importance of the *ipse dixit* assertion that non-trademark use presents an unambiguous search costs scenario. Thus, they argue that “a legal doctrine designed to minimize search costs should respond to the complex of consumer interests on both sides of a genericide case by tending toward standards rather than absolute rules. Trademark’s fair use doctrine serves as an example.” *Id.* at 26. We could not agree more. But we think that such an analysis perfectly describes the policy choice presented by both trademark and non-trademark use. Dogan and Lemley would treat fair use as a determination that the reduction in search costs flowing from the defendant’s use outweighs any interference with consumer understanding. *See id.* However, this implicitly acknowledges that some uses otherwise than as a mark (i.e., fair uses) *can* interfere with consumer understanding. As a result, under their own reasoning, they should be compelled to demonstrate that such interference is trumped by positive effects on search costs. But they never do so because the trademark use theory forecloses such analysis where the defendant’s use is otherwise than as a mark.

In order to enhance the claims of social gains resulting from unregulated search engine activity, trademark use theorists invoke the standard mantra that more information regarding goods and services always enhances social welfare.<sup>143</sup> Thus, the argument goes, permitting search engines to sell sponsored links tied to trademarks facilitates the provision to the consumer of a range of additional, useful information regarding both complementary and competitive goods and services. It is easy to exaggerate the welfare-enhancing effects of increasing the quantity of information delivered to consumers, especially because this predilection with short-term quantity resonates with the deeply rooted political philosophy that drives American speech jurisprudence.<sup>144</sup> Trademark law generally favors the production of more information, but its core focus is on the nature and quality of the information whose production it facilitates. Therefore, we should be cautious about unrefined claims that more information is always better in the trademark context.

In assessing countervailing social costs that result from the sale of sponsored links, trademark use theorists assume away the possibility that the supply of additional information to consumers creates any negative externalities.<sup>145</sup> This cavalier dismissal flows from the basic premise of trademark use theory that only use as a mark can interfere with consumer understanding. As a result of characterizing the use by search engines as non-trademark use, trademark use theorists inevitably reach the conclusion that the sale or presentation of sponsored links create no consumer confusion and, hence, impose no increase in search costs.<sup>146</sup> But, especially

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143. Economic efficiency accounts of trademark law are typically premised on the notion that more information is generally a social good. This philosophy supports the basic protection of trademark law in the first place because trademark law encourages the production of information regarding goods. It also supports a number of limits on trademark rights that likewise encourage more information, such as the comparative advertising defense and the first sale doctrine. See Dogan & Lemley, *supra* note 3, at 795; Landes & Posner, *supra* note 116, at 206.

144. See Graeme B. Dinwoodie, *Copyright and Free Speech*, in COPYRIGHT AND FREE SPEECH 4 (Raquel Xalbarder ed., forthcoming 2007) (“To simplify somewhat, American free speech attitudes appear premised on the assumption that more speech will ultimately result in good speech, whereas Europeans are more willing to prohibit some forms of speech in the conviction that good speech will create a climate in which more speech can occur.”); cf. OWEN FISS, THE IRONY OF FREE SPEECH 4 (1996) (articulating a view of the First Amendment that seeks to support regulation of certain speech in order to further principles of equality and collective self-determination).

145. The economic analysis of search costs propounded by trademark use theorists thus rests on ontological classifications about the nature of *use* rather than on empirical assessments of *effects* on consumers. This disregard of effects causes trademark use theorists to ignore costs that might result uniquely from the nature of online information supply.

146. This conclusion, achieved swiftly through the application of trademark use theory, conveniently meshes with the intuitive, but unsubstantiated, assumptions that trademark use theorists make about consumer perceptions. See Dogan & Lemley, *supra* note 3, at 812 (dismissing as “rather silly” a theory of confusion based upon “whether the advertiser is likely to

in the context of online information supply, search costs for consumers may be increased<sup>147</sup> as a result of information overload;<sup>148</sup> not all information reduces search costs.<sup>149</sup>

Widespread and unregulated sale of trademark-generated sponsored links may increase the “noise” that contributes to information overload and simultaneously (because users are likely to view a finite number of links) lessens the reduction in search costs that might otherwise occur from

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confuse consumers by placing its ad next to the search results generated by the trademark as search term”).

147. Of course, the primary cause of information overload is not intermediaries but those who produce the vast array of often unhelpful and annoying information, much of questionable quality. See Frank Pasquale, *The Law and Economics of Information Overload Externalities*, 60 VAND. L. REV. (forthcoming 2007) [hereinafter Pasquale, *Externalities*] (manuscript at 7, available at <http://ssrn.com/abstract=888410>) (analyzing the scope of copyright protection taking into account the negative externalities created by content owners through information overload). Pasquale sees categorizers such as search engines as solutions to the problems of information overload and, thus, wishes to “empower” them through more generous protection for the use they make of copyrighted works. See *id.* at 11. And, in fact, search engines can assist navigating this abundance of material by aggregating data and making it more readily accessible to consumers. But the success of search engines in fulfilling their potential depends upon the ways in which the information is organized and presented. Cf. Frank Pasquale, *Rankings, Reductionism, and Responsibility*, 54 CLEV. ST. L. REV. 115, 130 (2006) [hereinafter Pasquale, *Rankings*] (“[C]reative organization of data . . . can counteract the negative effects of information overload. Unfortunately, ranking, a powerful and almost inevitable method of organizing data, has its own negative externalities.”).

148. The clutter that is generated by information overload, and which interferes with consumer understanding, might be conceptualized under current U.S. law as a facet of dilution by blurring. See DINWOODIE & JANIS, *supra* note 89, at 599; see also Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1704 n.90 (1999) (“Clutter . . . imposes real costs on consumers.”). The search costs rationale has also been invoked in justifying and defining the scope of dilution protection. See Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161, 1197 (2006) (“[L]ike traditional trademark law, dilution properly understood is targeted at reducing consumer search costs.”). Thus, trademark use theorists would also impose the trademark use requirement on plaintiffs alleging dilution. Indeed, prominent theorists testified in Congress in support of introducing an explicit trademark use requirement in the recent reform of dilution law, and the statutory amendments that were enacted will most likely be read to include such a requirement. See *Dilution Hearings*, *supra* note 8 at 18–21 (testimony of Mark A. Lemley); Dinwoodie & Janis, *supra* note 9, at 100. *Contra* Verimark (Pty) Ltd. v. BMW (AG), [2007] SCA 53, 63 (Republic South Africa, Court of Appeal, May 17, 2007) (finding trademark use to be a requirement of an infringement cause of action but not in a dilution claim because dilution aims “at more than safeguarding a product’s ‘badge of origin’”).

149. See generally GREGG EASTERBROOK, *THE PROGRESS PARADOX* (2003); ORRIN KLAPP, *OVERLOAD AND BOREDOM: ESSAYS ON THE QUALITY OF LIFE IN THE INFORMATION SOCIETY* (1986); RICHARD LANHAM, *THE ECONOMICS OF ATTENTION* (2006); BARRY SCHWARTZ, *THE PARADOX OF CHOICE* (2004); Pasquale, *Externalities*, *supra* note 147; Lee Gomes, *Our Columnist Creates Web ‘Original Content’ but Is in for a Surprise*, WALL ST. J. ONLINE, Mar. 1, 2006, [http://online.wsj.com/public/article/SB114116587424585798-PE\\_Ynqy2bodjd5gcgeMQIcnxEQM\\_20070302.html?mod=tff\\_main\\_tff\\_top](http://online.wsj.com/public/article/SB114116587424585798-PE_Ynqy2bodjd5gcgeMQIcnxEQM_20070302.html?mod=tff_main_tff_top) (“The act of observing something changes it. Which is what search engines are causing to happen to much of the world’s ‘information.’ Legitimate information . . . risks being crowded out by junky, spammy imitations. Nothing very useful about that.”).

additional information.<sup>150</sup> Thus, the assumption that more information always reduces search costs is especially dubious in the online world, and may not even hold true in the offline world.<sup>151</sup> Online, more information is sometimes simply more; indeed, sometimes, more information is less.

### 3. Search Engines and Search Costs: Insufficient Regulation

The focus of trademark use theorists on search costs risks ignoring broader effects that search engine practices might have on economic efficiency and may result in insufficient regulation of those practices. Trademark law has always taken into account broader economic concerns than effects on consumer search costs; reduction in search costs is one piece of the economic puzzle.<sup>152</sup> For example, allowing the unregulated sale of sponsored links imposes additional defensive costs on trademark owners that wish to use self-help (i.e., the purchase of the sponsored link keyed to their own mark) to overcome the abdication of responsibility by trademark law. To ensure that potential NIKE consumers are not bamboozled in their efforts to reach the NIKE site, Nike, Inc. has purchased a sponsored link on Google that appears in response to a query for NIKE.<sup>153</sup> This is a transfer of

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150. Many activities create “noise” and contribute to information overload, but not all should be actionable under trademark law. *Cf.* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 121–22 (2004) (some confusion is to be tolerated in certain circumstances). Those beholden to search costs as the lodestar of trademark law must address what levels of increased search costs they are willing to tolerate and why. This latter question frequently requires a broader vision of trademark law and recognition of its multivalent character. *See infra* text accompanying Part III.A.5 (incompleteness); *see also supra* Part III.A.1 (questioning the capacity of search costs to define trademark use).

151. It is at least arguable that the problems of information overload, which also exist offline, are exacerbated online by the ease of communication and the very capacity to target that makes contextual advertising attractive. Most context-generated advertisements are not *obviously* background noise and, thus, plausibly command our attention. Thus, we might adopt a different approach to the proliferation of spam, imposing criminal liability in some cases, than we do to parallel mass-mail activities offline. *See* 15 U.S.C.A. § 7706 (West Supp. 2006) (creating civil penalties for sending false or misleading email to promote a business). Context, as we stress throughout this Article, matters to trademark law just as it does to other forms of marketplace regulation. Thus, unlike trademark use theorists, we regard analogies to offline activities as relevant but hardly determinative.

152. For example, trademark law reflects a concern for preventing monopolies over product markets through its limits on protection for generic germs or functional designs. *See* Graeme B. Dinwoodie, *Reconceptualizing the Inherent Distinctiveness of Product Design Trade Dress*, 75 N.C. L. REV. 471, 502 n.89 (1997) (comparing treatment of generic terms and functionality doctrine). Dogan and Lemley acknowledge these broader competition concerns on occasion. *See, e.g.,* Dogan & Lemley, *supra* note 3, at 795. But they characterize these as “preconditions to consumer search.” Dogan & Lemley, *supra* note 18, at 31.

153. Data show that most consumers will not scroll down below the tenth link in most search results. While we doubt that this data conclusively determines the nature of consumer shopping online, it does at least raise this issue as a genuine concern for manufacturers at present. Edward Cutrell & Zhiwei Guan, *An Eye-Tracking Study of Information Usage in Web Search: Variations in Target Position and Contextual Snippet Length*, available at <ftp://ftp.research.microsoft.com/pub/tr/TR-2007-01.pdf> (last visited Feb. 27, 2007).

wealth that arguably serves no economic purpose, especially if Nike would have rationally determined not to make such a payment absent the fear that a competitor would purchase the space and divert sales.<sup>154</sup> And this practice is so prevalent that when SNICKERS chocolate bars recently achieved intensified public attention through the use of new SNICKERS-related marks such as PEANUTOPOLIS on advertisements, marketing experts characterized the failure of the manufacturers of SNICKERS bars to purchase sponsored links paralleling the new marks as a major commercial error.<sup>155</sup>

In light of this broader economic perspective and the presently uncertain nature of consumer understanding online, it is premature to terminate the involvement of trademark law in the sale of keywords.<sup>156</sup> There is a role for trademark law in regulating the manner both in which the fastest-growing form of advertising is sold and in which information is presented to consumers online.<sup>157</sup> With regard to selling practices, for example, Google's behavior in *permitting* the purchase of trademark-related keywords arguably should be differentiated from that of Netscape, which at one time *insisted* that any adult entertainment purveyors that wished to purchase sponsored links include the PLAYBOY keyword as part of their purchase.<sup>158</sup> The most persuasive justification for differential treatment of Google and Netscape might lie in this instance outside the search costs

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154. Such payment may be particularly burdensome for small businesses. Indeed, trademark use advocates have conceded that because the advertisements of certain small businesses are unlikely to appear toward the top of so-called "organic, editorially driven" search results, the "only practical option" for such businesses seeking to promote their products may be the purchase of sponsored links. See Brief of Amici Curiae Intellectual Property Law Faculty in Support of Affirmance, *Rescuecom Corp. v. Google, Inc.*, Appeal No. 06-4881-CV, at n.1.

155. See Did-it.com, *Snickers Misses Out on Huge Paid Search Opportunity*, <http://did-it.com/blog/index.php/2006/07/21/snickers-misses-out-on-huge-paid-search-opportunity/> (last visited Feb. 27, 2007). Google advises third parties on how to receive higher rankings (while penalizing those who rely on third parties to optimize ranking results in what are seen by Google as inappropriate ways), and part of that advice includes purchasing sponsored links that will rank more highly than rival sites.

156. It is premature to determine conclusively the reaction of consumers to information presented in particular online formats. Indeed, even trademark use theorists concede that "[s]earch technologies, as well as consumer practices and expectations, are constantly evolving in a way that makes it impossible to assess the existence and the costs of consumer confusion." Dogan & Lemley, *supra* note 3, at 784.

157. Cf. Pasquale, *Rankings*, *supra* note 147, at 117 (arguing for tort liability for search engines to the owners of webpages harmed by manipulated search engine rankings).

158. See *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1023 (9th Cir. 2004).

rationale<sup>159</sup> and in the broader unfair competition grounding of trademark law.<sup>160</sup>

In addition to differences in particular keyword sales practices, courts have also noted the differences between keyword sales and other forms of online advertising. The Second Circuit, in *1-800 Contacts*, while essentially endorsing the trademark use theory, drew a line between the practices of search engines and those of the defendant in that case, an online marketing company that sold advertisers the right to have pop-up ads that were tied to the search activity of a web user appear on the computer screen of that user.<sup>161</sup> The search activity from which the “ties” were developed included the use of trademarks. In immunizing the marketing company from trademark liability, the court noted that “unlike several other internet advertising companies, [the marketing company] does not ‘sell’ keyword trademarks to its customers or otherwise manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory.”<sup>162</sup> Instead, the marketing company’s software randomly selected an advertisement from the corresponding product or service category (membership in which required payment by the advertiser) to

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159. However, if there are also larger adverse search cost consequences as a result of Netscape’s policy, their liability under trademark law should follow suit; trademark use theory would prevent us from making a comparative judgment.

160. Perhaps a real American unfair competition law would allow a less ethic-regulatory trademark law. Indeed, the question of search engine liability has been litigated in Europe in part under the rubric of unfair competition. See, e.g., *SA Louis Vuitton v. SARL Google France*, Sté Google Inc., Tribunal de grande instance [T.G.I.] [trial court] Paris, June 28, 2006 (Fr.) (targeted advertising on search engine webpage), discussed by Evan Schuman, *French Appeals Court Rules Against Google*, EWEEK, June 29, 2006, <http://www.eweek.com/article2/0,1895,1983434,00.asp>; *T. v. Dr. R.*, LG Dusseldorf [Dusseldorf Regional Court] Mar. 26, 2003, JurPC Web-Dok, 144/2003, Abs. 1–42 (F.R.G.), available at <http://www.jurpc.derechtspr/20030144.htm>; *Reed Executive Plc v. Reed Business Information Ltd.*, [2004] EWCA (Civ) 159 (U.K.), available at <http://www.bailii.org/ew/cases/EWCA/Civ/2004/159.html>; *Pretium Telecom v. Jiggers*, The Hague District Court, Nov. 12, 2004 (Neth.), available at <http://zoeken.rechtspraak.nl>. Although the case law in Europe remains unsettled, there does appear to be a greater risk of search engine liability under unfair competition law rather than trademark law proper. See *Louis Vuitton Malletier v. Google France*, Cour d’ appel [CA] [regional court of appeal] Paris, June 28, 2006 (Fr.), available at [http://www.legalis.net/jurisprudence.php3?id\\_rubrique=10](http://www.legalis.net/jurisprudence.php3?id_rubrique=10) (search engine liable); *SAS TWD Industries v. Google France, Google Inc.*, Tribunal de grande instance [T.G.I.] [trial court] Nice, Feb. 7, 2006 (Fr.), available at [http://www.legalis.net/jurisprudence.php3?id\\_rubrique=10](http://www.legalis.net/jurisprudence.php3?id_rubrique=10) (search engine not liable); *Laurent C. v. Google France*, Tribunal de grande instance [T.G.I.] [trial court] Paris, Feb., 13, 2007 (Fr.), available at [http://www.legalis.net/jurisprudence.php3?id\\_rubrique=10](http://www.legalis.net/jurisprudence.php3?id_rubrique=10) (Google potentially liable under tort principles but not trademark law proper). For a discussion of the numerous opinions in Germany and France, see generally Peter Ruess, *Pop-Up Ads and Keywords in Europe*, Fourteenth Annual Fordham Conference on International Intellectual Property Law (April 2006) (on file with the authors). See also *infra* note 221 (discussing differences between the United States and the European Union).

161. See *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 411 (2d Cir. 2005).

162. *Id.*

deliver to the user.<sup>163</sup> As a result, the court concluded that the marketing company had not engaged in trademark use.<sup>164</sup>

The various distinctions that the *1-800 Contacts* court highlighted between the business models employed by different online intermediaries would, however, have been far more persuasive if explicitly grounded in a concern of trademark law, such as effects on consumers. The court did not explain why these differences mattered. Moreover, despite the caution of the Second Circuit in *1-800 Contacts*, some courts and scholars are extending its holding to the sale of sponsored links by search engines.<sup>165</sup> But treating all such uses as outside the potential scope of the Lanham Act prevents courts from giving weight to these (or other) distinctions, or developing case law identifying those aspects of sales practices that best further the purposes of trademark and unfair competition law.<sup>166</sup>

Trademark law can also serve a valuable regulatory role with regard to the *presentation* of search results. Indeed, regulating the presentation of results by a search engine goes more directly to the core of trademark law; the effect on consumers is less attenuated than in addressing sales policies and practices by search engines. For example, the likelihood of consumers being confused as a result of keyword practices may depend, in part, on the clear differentiation between organic and sponsored links.<sup>167</sup> Yet, Google over time has increased the font size of the sponsored links generated by its Adwords program to match those of its organic results.<sup>168</sup> Likewise, there is arguably a difference between Google's initially clear differentiation in the presentation of organic and paid results, and the current user interface, which displays sponsored links above and beside organic results and in a background palate that more closely resembles that on which the organic

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163. *Id.* at 412.

164. *Id.*

165. *See Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393 (N.D.N.Y. 2006); Brief of Amici Curiae Intellectual Property Law Faculty in Support of Affirmance, *Rescuecom Corp. v. Google, Inc.*, Appeal No. 06-4881-CV.

166. The *Wentworth* court also sought to treat the sale of sponsored links differently as a matter of law from pop-up ads. *See J.G. Wentworth v. Settlement Funding LLC*, No. 06-0597, 2007 WL 30115 (E.D. Pa. Jan. 4, 2007). But of course, there are ways in which the use of sponsored links is arguably a preferable form of contextual advertising to pop-ups: pop-ups often rely on spyware, are more intrusive than sponsored links, and appear after the user has sought a specific destination. *See Peter W. Becker et al., Muddy Waters: Evolving Law and Policy in Internet Advertising*, Paper Presented at Annual Meeting of the International Trademark Association 28 (May 2007) (copy on file with *Iowa Law Review*).

167. *See Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 702 (E.D. Va. 2004) (describing organic results as generated by "neutral and objective criteria"). Indeed, the Federal Trade Commission has warned search engines to differentiate clearly between paid and unpaid results. *See Reuters, Search Engine Providers Address FTC Complaints*, USA TODAY, July 2, 2002, available at <http://www.usatoday.com/tech/news/2002/07/02/ftc-search-engines.htm>.

168. *See Google Ups Adwords Font Size*, MICRO PERSUASION, Dec. 9, 2005, [http://www.micropersuasion.com/2005/12/google\\_ups\\_adwo.html](http://www.micropersuasion.com/2005/12/google_ups_adwo.html).



results appear. Trademark law should police when that differentiation is insufficient to optimize effects on consumer search costs, but trademark use doctrine would foreclose any meaningful role for trademark law. We reject such an abdication of responsibility.

#### 4. Prudential Concerns

The core lesson of the preceding arguments is that just as an unauthorized use of a mark as a mark may be permitted under trademark law for a number of reasons, so too a use otherwise than as a mark may be actionable. To be sure, trademark uses are more likely to infringe; they still represent the paradigmatic infringement case. Likewise, non-trademark uses are on balance more likely to be justified or non-actionable in any number of ways because they are less likely to implicate the core concerns of trademark law. Thus, one might suggest that prudential concerns warrant the adoption of the trademark use theory as an approximate, but acceptable, proxy for the results courts will achieve through case-by-case contextual adjudication.<sup>169</sup>

However, such concerns are outweighed by a number of considerations reflecting our preferred analytical approach to trademark law. For example, in the context of keyword-triggered advertising, trademark use theorists reach their conclusion about the effect of search engine activity on search costs not by any empirical analysis of that activity but rather simply by labeling the type of use. As a result, their conclusion rests heavily on conjecture. Such an approach, by theorists purportedly implementing the Chicago School analysis of search costs, ignores an important broader lesson of the Chicago School, namely to forswear formalistic reasoning.<sup>170</sup> As Judge Easterbrook has noted about another label-centric aspect of trademark doctrine, namely distinctiveness, “the vocabulary of trademark law may confuse more readily than they illuminate . . . , a caution litigants should take seriously before arguing cases so that everything turns on which word we pick. It is better to analyze trademark cases in terms of the functions of trademarks.”<sup>171</sup> The *1-800 Contacts* court clearly thought that the sale of pop-up ads by WhenU.com was different from the sale of keywords by

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169. The Supreme Court, at least, presently seems enamored with rough proxies in trademark law. See Dinwoodie, *Rehnquist*, *supra* note 29, at 206–07; see also *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 212–15 (2000). Prudential concerns suggest that trademark law should act to enjoin harmful conduct only where the gains of doing so outweigh the costs. Those costs may be generated both by barriers to legitimate market activity induced by uncertainty or compliance obligations, and by the demands placed upon administrative and judicial institutions to make excessively accurate assessments of consumer understanding. See Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2123–25 (2004); Dinwoodie, *Social Norms*, *supra* note 29, at 10.

170. See McClure, *Trademarks and Competition*, *supra* note 25, at 31.

171. *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1431 n.3 (7th Cir. 1985).

Google.<sup>172</sup> Trademark use theorists would compel courts to draw that line by applying a different label to the respective activities of the two companies. Our solution is more modest: allow the litigants to demonstrate that the two uses have different effects with respect to those issues (e.g., consumer confusion) of concern to trademark law.

If, in fact, one sought to discern the current effect of search engine-generated results on consumers, one might well find confusion. But the nature and extent of that confusion, both important in determining liability, are still unclear. At the very least, the effect of these search results on consumers is an open question.<sup>173</sup> The Chicago School analysis of the economics of trademark law rests on simple (and relatively uncontested) premises about consumer shopping behavior.<sup>174</sup> However, highly dynamic information environments put pressure on the explanatory power of a generalized model. It is presently impossible to know what meaning consumers attach to search terms and search results or what expectations flow from the use of different search methods.<sup>175</sup> As a result, we are reluctant to follow an approach to trademark law that jettisons attention to context. The solution of trademark use theory to the individualization and complexity of modern shopping is to assume it away.

Trademark use theorists further elide any complexity by analogizing to use of marks offline. For example, courts and scholars advocating the trademark use theory routinely compare search engine activity to the placement of generic products beside their branded equivalent in retail stores.<sup>176</sup> While analysis of such offline activity may be instructive in identifying the ways in which positive externalities are captured by market participants, as Eric Goldman's current research shows, consumer

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172. See *1-800 Contacts Inc., v. WhenU.com, Inc.*, 414 F.3d 400, 411 (2d Cir. 2003).

173. Compare *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 700 (E.D. Va. 2004), with PEW INTERNET & AMERICAN LIFE PROJECT, SEARCH ENGINE USERS 18 (2005) (finding that only one in six searchers can consistently distinguish between paid and unpaid search results).

174. See generally LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 116; Landes & Posner, *supra* note 116.

175. See Goldman, *supra* note 3, at 521 ("Simply put, one cannot make any legally-supportable inferences about searcher objectives based on the keywords used."). *Contra* Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 108 (2005) (making assertions regarding consumer response to hypothetical query and search result).

176. See, e.g., Dogan & Lemley, *supra* note 3, at 810 (analogizing to the legitimate practice of placing generic drugs on store shelves adjacent to brand name equivalents and noting that drug "stores are not liable for 'accepting' the placement"). Of course, in assessing the usefulness of this analogy, one might also take note of the recent scandals surrounding the use of payments to encourage the listing of music on radio playlists or the placement of books in the front of retail stores, in large part because the distributors of information in those instances do serve as trusted filters by the public. Jeff Leeds, *CBS Radio Tightens Policies in Settlement over Payola*, N.Y. TIMES, Oct. 20, 2006, at C3.

understanding in the context of bricks-and-mortar retail stores is much more stable than we currently see in the online context.<sup>177</sup>

Despite all these concerns, policymakers may decide that potential long-term gains from allowing search engines to offer information tied to the trademarks of rival producers warrant discounting short-term confusion among consumers. This would seem a plausible, proactive policy to adopt, but it is wholly unrelated to the principles underlying trademark use. Indeed, discussion of that policy and relative social values of paternalism, information overload, and education of consumers are foreclosed by the assertion of the trademark use theory.

### 5. Incompleteness

Finally, notwithstanding its dominant place in contemporary trademark thought, search costs theory fails to provide a comprehensive explanation of,<sup>178</sup> or prescriptive basis for, trademark law.<sup>179</sup> Trademark use doctrine instantiates this incomplete conception of trademark and unfair competition law not only by its (supposedly) rigid adherence to search costs in defining rights but also by consciously precluding consideration of other values. This prescriptive incompleteness is again perhaps best illustrated by

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177. See generally Eric Goldman, Brand Spillovers, (Aug. 3, 2006) (unpublished manuscript, on file with *Iowa Law Review*).

178. Much trademark law is informed (explicitly or implicitly) by other social values. This is evident even in the pronouncements by courts that are seen as endorsements of the search costs rationale. See, e.g., *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 162 (1995). For example, the *Qualitex* Court explained the purposes of trademark law in the following terms:

At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby 'encourage[s] the production of quality products,' and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale.

*Id.* (internal citation omitted).

179. See Margaret J. Radin, *A Comment on Propertization and Its Legal Milieu*, 54 CLEV. ST. L. REV. 23, 32 (2006); Dinwoodie, *Rehnquist*, *supra* note 29, at 209. Conventional American intellectual property scholarship, heavily driven by economic analysis, assumes that free-riding should not give rise to liability absent some justification grounded in the economics of innovation. But trademark and unfair competition law have historically reflected values, such as commercial ethics, in addition to concerns of economic efficiency. See McKenna, *supra* note 2, at 1848, 1860. Trademark use theory reflects a relatively narrow prescriptive vision in assuming that free riding implicates no other normative commitments. For example, in Europe, keyword advertising disputes have been litigated in part under the rubric of unfair competition, rather than trademark infringement proper. See *supra* note 160. Unfair competition implicates questions of honest commercial practices much more directly than do theories grounded in economic efficiency. The values of commercial ethics are, however, retained in the current U.S. trademark statute in the concept of good faith found in the fair use defense in section 33(b)(4) of the Lanham Act.

the application of the doctrine to curtail discussion of the relationship between trademarks and search engines.

As envisioned in search costs theory, trademark law should demonstrate a fidelity to the market, which tends, in turn, to exalt the market's defining philosophical and political principle, namely freedom. The notion of consumer choice is increasingly seen as a marker of economic, social, and political freedom. By adopting legal rules (like trademark use) that venerate one conception of choice, trademark law is supposed to be bolstering the economic goal of an efficient marketplace and the political ideal of freedom. However, as trademarks assume a greater social significance and business models elevate trademark law as a principal tool of information policy,<sup>180</sup> trademark law may have to take into account concerns about individual autonomy that range more broadly than mere marketplace choice.<sup>181</sup>

For example, in an online world structured pervasively by search engines that facilitate information flows to consumers, search costs theory may predict substantial benefits from that search engine activity (e.g., by allowing consumers to see a range of price options for the same product).<sup>182</sup> But in some cases, apparent enhancements of consumer choice may be

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180. See Chris Nuttall, *Way of the Web: Start Ups Map the Route as Big Rivals Get Microsoft in Their Sights*, FIN. TIMES, Nov. 17, 2005, at 17 (discussing Microsoft assessment of future business models).

181. One of us develops this argument more fully elsewhere. See Dinwoodie, *Social Norms*, *supra* note 29, at 31. As discussed more fully in *Trademark Law and Social Norms*, this implicitly raises a question of institutional implementation: to whom should we direct these observations regarding the political ideals implicated by trademark law? See *id.* To the extent that the broadening of vision that we advocate here would reach so far as to question basic tenets about the role of advertising and the creation of consumer preferences in society, the argument is aimed more at scholars and policymakers (though hopefully it might at least cause courts to exercise caution). See *id.* We suspect that one of the explanations for the attractiveness of the trademark use theory is that its proponents may doubt the capacity of the political process to conduct a broader conversation about the role of trademarks. However, we have great faith that the likely beneficiaries of a trademark use doctrine—such as internet intermediaries—will be well-represented in the political process and will press for a thorough airing of their perspective. Cf. Trademark Dilution Revision Act of 2006, § 43(c)(3)(A), 15 U.S.C.A § 1125(c) (West Supp. 2006) (excluding the facilitation of fair use from dilution liability). Indeed, our primary concern would be that the critique of trademark use would rest only on the assertion of absolute property rights by trademark owners, which is the type of blinkered analysis that we seek to avoid.

182. See Lucas D. Introna & Helen Nissenbaum, *Shaping the Web: Why the Politics of Search Engines Matters*, 16 INFO. SOC'Y 169 (2000) (offering an assessment of the benefits of search engines); Jon Garvie, *Search Parties*, TIMES LITERARY SUPP., Feb 10, 2006, at 31 (reviewing JOHN BATTELLE, *THE SEARCH: HOW GOOGLE AND ITS RIVALS REWROTE THE RULES OF BUSINESS AND TRANSFORMED OUR CULTURE* (2006), and MICHAEL STRANGELOVE, *THE EMPIRE OF MIND: DIGITAL PIRACY AND THE ANTI-CAPITALIST MOVEMENT* (2006)); see also *supra* Part III.A.1 (arguing that the search costs analysis is not without some doubt). It is also possible that, when values other than search costs are considered, one might conclude that contextual advertising has substantial social benefits and should still be permitted, even where it makes extensive use of trademarks as part of the sales or indexing process.

illusory, reflecting not the capacity for autonomous action by individuals but simply obedience to third-party insinuations (e.g., about how desirable it would be for a consumer to purchase sets of complementary goods based upon prior necessity-grounded purchases).<sup>183</sup> Economically well-off consumers may see an expansion in choice (facilitated, for example, by on-line contextual advertising) as a symbol of economic, social, and political freedom. By contrast, less formally educated and poorer consumers may see choice in more ambivalent terms, much less intimately bound to political freedom.<sup>184</sup> Thus, *even* if the use of marks by search engines *does* reduce search costs, these broader policy concerns might counsel against such uses receiving immunity under trademark use theory.<sup>185</sup>

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183. Moreover, recent studies suggest that the benefits of enhanced consumer choice may have a worrisome correlation with class. See BARRY SCHWARTZ, *THE PARADOX OF CHOICE: WHY MORE IS LESS* (2004); Barry Schwartz, Hazel Rose Markus & Alana Conner Snibbe, *Is Freedom Just Another Word for Many Things to Buy?*, N.Y. TIMES MAG., Feb 26, 2006, at 14; cf. Pasquale, *Externalities*, *supra* note 147, at 56 n.178 (suggesting that “[l]ow-income internet users are probably the worst affected by overload externalities”). Of course, to some extent, existing trademark law—purporting to act on empirical market realities—contains the seeds of class differentiation in a number of doctrinal devices. And it is hardly clear how trademark law should accommodate the data from these studies.

184. See Schwartz et al., *supra* note 183, at 15. Schwartz argues:

While the upper and middle classes define freedom as choice, working class Americans emphasize freedom from instability. These perspectives echo the distinction between freedom to and freedom from made by Franklin Roosevelt and the philosopher Isaiah Berlin half a century ago . . . [W]hat freedom is, and where it should be nurtured and where constrained, are hotly contested issues.

*Id.* Indeed, to paraphrase Schwartz, what choice is, and where it should be nurtured or constrained, are hotly contested issues—or, at least, they should be.

185. Contextual advertising also implicates a range of other social concerns. For example, Google has acknowledged that it has

considered every potential targeting option, [but has] come back every time to the idea that the trust of the user is paramount. . . . After the initial outcry over Google’s Gmail service, which displays ads based on the content of individual e-mail messages, the company has been wary of taking actions that would raise privacy concerns.

Hansell, *supra* note 23, at C1. Thus, Google has not yet used “behavioral targeting,” which relies on tracking what people do online. See *id.*; see also BATTELLE, *supra* note 182, at 98 (arguing that “search will rewire the relationship between ourselves and our government”); Garvie, *supra* note 182, at 31 (noting that advances in search functions “propel individuals into relationships of greatly increased trust and reliance with scarcely comprehensible digital systems” and that “as the search industry becomes increasingly geared towards inference, the role of individual agency, online and off, will be subtly abrogated”). Trademark law is only one means of addressing these broader concerns. Our instincts are that the common law system of adjudication (even with some statutory structuring) might prove more appropriate for the dynamic nature of online searching than detailed governmental regulation, but there may be a role for more than one regulatory mechanism. See Pasquale, *Rankings*, *supra* note 147, at 135 (suggesting that the Federal Trade Commission “could further advance fair competition in the search market by requiring large search engines to put in place basic procedural protections for those potentially harmed by query results”).

This inquiry into the social utility of search engines brings into play questions raised in contemporary scholarship questioning more generally the social utility of constructing behavior around brands.<sup>186</sup> It is also reminiscent of an earlier wave of scholarly literature, more vibrant in the social sciences than in law, that expressed concern regarding the utility of validating consumerist and materialist impulses.<sup>187</sup> Thus, it is not clear how trademark law should shape the relationship between consumers and information intermediaries in light of social values broader than economic efficiency.<sup>188</sup>

Our point here is not to argue that materialism promoted by encouraging complementary purchases is a social ill or that trademark law should be radically redrawn as a consequence of this critique. Instead, resolution of such policy dilemmas is only partly informed by search costs analysis and partly informed by values that are either exogenous to search costs or are not readily assimilated into search costs calculations. Trademark use theorists would shut out these values on the basis of an assumed conclusion regarding the effects of non-trademark use on search costs.<sup>189</sup> Trademark policy should not be set by so narrow a prescriptive principle.

#### B. FALSE DETERMINACY

Another prescriptive claim made on behalf of the trademark use theory is that it promises determinacy. Proponents argue that the trademark use

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186. See, e.g., NAOMI KLEIN, *NO LOGO* (2002).

187. See generally JOHN KENNETH GALBRAITH, *THE NEW INDUSTRIAL STATE* (1967). There were exceptions within the legal academy. See e.g., Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 *YALE L.J.* 1165 (1948). But trademark law largely resisted those arguments.

188. See Eric Goldman, *A Coasean Approach to Marketing*, 4 *WIS. L. REV.* 1151, 1152–56 (2006). Of course, the root source of these concerns might be *expansive* protection for trademarks, as well as broader societal impulses toward the devaluation of education and the elevation of material wealth. Restraining the use of trademarks by third parties thus might seem to be the wrong target for scholars concerned with these developments. A critical analysis of brands might support the generalized contraction of the ability of trademark owners to control merchandizing that trademark use theory might cause. On the other hand, some forms of strong intellectual property, especially if reoriented toward the interest of individuals, can serve audience or public interests. Cf. Justin Hughes, *“Recoding” Intellectual Property and Overlooked Audience Interests*, 77 *TEX. L. REV.* 923, 940–52 (1999). As a third alternative, it might also be that third party use of brands that interferes with merchandizing practices should be more freely permitted in some contexts than others. See GRAEME B. DINWOODIE & MARK D. JANIS, *TRADEMARKS AND UNFAIR COMPETITION* 4 (Supp. 2006–07) (questioning whether the generation of merchandising income by Britney Spears raises the same normative questions as when that income is raised by universities). But these assessments are not dependent (and only barely informed by) any analysis of search costs. Yet, trademark use theory narrows the debate to a question of search costs.

189. Indeed, trademark use proponents would exacerbate the impoverishment of trademark policy debate by drawing into the concept of trademark use all of the various permissible use doctrines and dressing them up in the restrictive language of search costs.

requirement serves a “gatekeeper function” in infringement litigation, cutting off liability “without regard to a factual inquiry into consumer confusion” in cases where the defendant’s activity does not qualify as use as a mark.<sup>190</sup> As such, the trademark use requirement theoretically offers defendants a weapon by which to secure summary judgment, reducing litigation costs, avoiding the uncertainties of proving confusion, and providing a bulwark against abusive claims of trademark infringement.

Given the concern with determinacy that, in large part, motivates trademark use theory, a use-based concept might seem to be an attractive vehicle by which to pursue those goals because its adoption promises structural symmetry in trademark rules.<sup>191</sup> Under such a view, the trademark use requirement for establishing trademark rights would mirror the trademark use requirement for infringing trademark rights, and progress toward determinacy in one theoretically would carry over to the other. Moreover, the implication is that rules developed over several decades in the context of establishing rights could be transplanted into the context of enforcing trademark rights, with all the attendant certainty benefits that one might expect when relying on an established jurisprudence. However, symmetry in the rules of trademark use cannot be assumed *ipse dixit* to be normatively desirable. As we have shown, the nature of use required to establish consumer association might be quite different from the nature of unauthorized use that interferes with that association.<sup>192</sup> Questions of symmetry aside, the creation of a trademark use prerequisite for trademark liability would not achieve greater determinacy in any event. Long experience suggests that the trademark use doctrine is a dreadful candidate for the role of gatekeeper. In the contexts in which explicit trademark use rules have been applied most frequently—disputes about priority of rights and their geographic scope—trademark use has had a checkered history that would be likely to repeat itself in the infringement context.

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190. Dogan & Lemley, *supra* note 3, at 805; *see also* Barrett, *supra* note 3, at 379 (asserting that trademark use requirement would “shelter[] certain unauthorized but information-enhancing uses of marks without necessitating a factual inquiry into the issue of consumer confusion”); Dogan & Lemley, *supra* note 3, at 831, 836 (making similar assertions).

191. The prospect of symmetry is especially attractive to those who see trademark use as a pervasive, animating theme in trademark. *See, e.g.*, Widmaier, *supra* note 3, at 626–27 (advocating a “holistic approach” in which the analysis of trademark use in the context of establishing rights “is no different in principle” from the analysis of trademark use in the infringement context). Elsewhere, we attack more comprehensively the assertions that trademark use should be, or is, the central dogma of trademark law. *See* Dinwoodie & Janis, *supra* note 43 (critiquing the philosophy of trademark use “essentialism” and showing that rubrics such as consumer association, with its built-in contextualist approach, have more powerful explanatory force in trademark law).

192. *See supra* Part II.A and III.A.

### 1. The Development of Ancillary Use Doctrines

When trademark law has sought to impose rules based on actual use, courts invariably have reconfigured those rules. Courts have evaded the constraints of actual use, sometimes for good reasons, by developing ancillary doctrines of use tailored to implement a range of policy choices or to respond to the equities in particular disputes. For example, experience demonstrates that rules requiring actual use tend to become encrusted with constructive use doctrines. One notorious illustration is the rise and fall of the token use doctrine. Courts recognized that strict insistence on actual use as a precondition to the establishment of registered rights might create barriers to new market entry and, thus, impede competition. Accordingly, they departed from strictures of actual use and allowed mere “token uses” of a mark to suffice to establish rights. Eventually, Congress realized the importance of permitting rights based upon constructive use and enacted the intent-to-use scheme under which a trademark claimant can apply for a trademark registration on the basis of a declaration of intent to use the mark in the future.<sup>193</sup>

And there are numerous other examples where activities that do not appear to qualify as actual use nevertheless have been given legal effect, either by an exception to the use doctrine or by reinterpretation of what constitutes “use in commerce.”<sup>194</sup> Thus, a trademark claimant’s activities that do not qualify as actual use, but which are deemed “analogous” to actual use, may be considered sufficient to establish priority over rival producers.<sup>195</sup> Likewise, a trademark claimant that uses a mark only within a certain geographic area might be granted common law rights whose scope extends into other areas into which the claimant might later “naturally expand.”<sup>196</sup> A trademark claimant that uses a mark only outside the United States might be accorded protection in the United States if the mark is well-known here.<sup>197</sup> These cases reflect an inherent quality of actual use rules: they multiply into bundles of actual and ancillary use concepts. This is no prescription for determinacy.

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193. The intent-to-use regime became a part of U.S. trademark law via a 1988 legislative package. See DINWOODIE & JANIS, *supra* note 89, at ch. 4. Congress simultaneously abolished the judicially developed token use doctrine, the purposes of which were now furthered more efficiently by the intent-to-use provisions. See *id.*

194. For one prominent recent example of reinterpretation, see *Int’l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 380–81 (4th Cir. 2003).

195. See, e.g., *Herbko Int’l, Inc. v. Kappa Books, Inc.*, 308 F.3d 1156, 1162 (Fed. Cir. 2002) (reciting the analogous use test).

196. See MCCARTHY, *supra* note 67, § 26.2; see also *Tally-Ho, Inc. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1027–28 (11th Cir. 1989) (suggesting criteria for the definition of the zone of expansion).

197. See, e.g., *Grupo Gigante v. Dallo & Co., Inc.*, 391 F.3d 1088, 1093 (9th Cir. 2004); *Int’l Bancorp*, 329 F.3d at 381. But see *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007).



## 2. Uncertainty in Actual Use Inquiries

Even where courts purport to be assessing actual use, those assessments are anything but crisp. Courts in these cases frequently trade certainty for individualized appraisals of context. For example, many courts expressly analyze actual use by considering the “totality of circumstances,”<sup>198</sup> notwithstanding the detailed and apparently rigid statutory articulation of “use in commerce.”<sup>199</sup> Under this approach, use may be established in some cases absent sales, but in other cases, sales may be insufficient.<sup>200</sup> Mere advertising is not enough to establish use of a mark, but coupled with other non-sales activities, advertising may be relevant.<sup>201</sup> The transport of marked goods might establish use, but it might not.<sup>202</sup>

## 3. A Diagnosis: Use as Proxy

The regularity of these departures from bright-line, actual use rules can be explained as efforts to vindicate the basic purposes of trademark and unfair competition law. Courts have discounted the apparent certainty of strict actual use in order to give effect to other values, such as facilitating economic expansion, inter-mark-owner equities, and protecting consumer understanding.<sup>203</sup> But these values undergird many other well-established

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198. See *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1195 (11th Cir. 2001); *Chance v. Pac-Tel Teletrac, Inc.*, 242 F.3d 1151, 1158 (9th Cir. 2001).

199. See 15 U.S.C. § 1127 (2000).

200. See *Planetary Motion*, 261 F.3d at 1195–96; *New England Duplicating Co. v. Mendes*, 190 F.2d 415, 418 (1st Cir. 1951).

201. See *New W. Corp. v. NYM Co. of Cal., Inc.*, 595 F.2d 1194, 1200 (9th Cir. 1979).

202. See *Paramount Pictures Corp. v. White*, 31 U.S.P.Q.2d (BNA) 1768, 1773–75 (T.T.A.B. 1994).

203. Pressures to adjust notions of use to reflect the exigencies of particular historical moments are unlikely to subside. The use of trademarks online presents a recent example. The inevitably cross-border character of such use creates a tension between the global nature of modern trade and the continuing territoriality of trademarks. This prompted the World Intellectual Property Organization (“WIPO”) to develop provisions on the concept of use on the Internet, which were adopted as a Joint Recommendation by the WIPO General Assemblies and the Paris Union in 2001. See *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*, adopted by Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO), at the Thirty-Sixth Series of Meetings of the Assemblies of the Member States of WIPO, WIPO Doc. 845(E) (Sept. 24–Oct. 3, 2001), available at [www.wipo.int/about-ip/en/development\\_iplaw/doc/pub845.doc](http://www.wipo.int/about-ip/en/development_iplaw/doc/pub845.doc). Under the Joint Recommendation, use of a sign on the Internet should only be treated as use in any particular state if the use of the sign has a commercial effect in that state. See *id.* art. 2. Thus, online use of a mark in France will not necessarily be treated as use of the mark in the United States sufficient to acquire rights or to infringe the rights of others. See generally Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, WIPO Doc. No. WIPO/PIL/01/4 (Jan. 31, 2001) (unpublished manuscript), available at <http://www.wipo.int/portal/index.html.en> (search “WIPO/PIL/01/4”); Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: Transnational Dialogue as a Lawmaking Institution* (Mar. 22, 2006) (unpublished manuscript, on file with *Iowa Law Review*). This

trademark doctrines. Thus, many cases nominally decided on the basis of use dissolve into analyses suspiciously similar to those of other doctrines such as distinctiveness and likelihood of confusion.<sup>204</sup> So employed, use functions principally as a proxy. It makes no autonomous analytical contribution.

A recent case, *In re Aerospace Optics, Inc.*,<sup>205</sup> illustrates how judges transform trademark use into a proxy for distinctiveness. The applicant sought to register a stylized version of the word SPECTRUM for use on various aviation products, submitting specimens of use that showed the use of the word as part of a sentence in point of sale brochures.<sup>206</sup> The examiner had rejected the application on the ground that “the manner in which the applied-for mark is used on the specimens of use is not indicative of trademark use.”<sup>207</sup> On appeal, the Trademark Trial and Appeal Board recited a trademark use prerequisite for establishing rights but cast that prerequisite in the language of distinctiveness: use for the purpose of establishing rights would be satisfied only when the designation was “used in such a manner that it would be readily perceived as identifying the specified goods and distinguishing a single source or origin of the goods.”<sup>208</sup> Assessing whether a designation was used in such a manner required attention to context—including as a “critical element” the “impression” that the designation made on consumers.<sup>209</sup>

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development highlights two essential lessons. First, this refinement of the concept of use has been prompted not by a deeper philosophical understanding about the nature of “use,” but rather by the pragmatic demands of global trade and online commerce. Second, reflecting that instrumental character, whether use has occurred will be determined by the effects of that use because those effects trigger the core concerns of trademark law. Attempting to separate use from its context and its effect is futile, and claims of determinacy based on such line-drawing are accordingly questionable.

204. In articulating the totality of the circumstances test, the Eleventh Circuit tied actual use directly to consumer association and required courts to inquire into “the activities surrounding” the use of the mark to determine whether consumer association was established. *See Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1195 (11th Cir. 2001).

205. *In re Aerospace Optics, Inc.*, 78 U.S.P.Q.2d (BNA) 1861, 1862–63 (T.T.A.B. 2006).

206. Specimens of use are intended to help the trademark examiner determine whether the term is likely to be seen by consumers as connecting the goods to a single source. *See In re Safariland Hunting Corp.*, 24 U.S.P.Q.2d (BNA) 1380, 1381 (T.T.A.B. 1992); *see also* TMEP, *supra* note 134, at § 1202.

207. *Aerospace Optics*, 78 U.S.P.Q.2d (BNA) at 1862 (characterizing examiner’s rejection).

208. *Id.*

209. Indeed, as if to highlight the fact that one cannot determine whether use is use as a mark without attention to context, the Board recognized that the mark would have been registered if used in a different context. *Id.* at 1864. Whether a mark is distinctive depends both on its inherent meaning and the way it is used. For similar examples demonstrating that use as a mark has no ontological meaning, *see, e.g., In re Manco*, 24 U.S.P.Q.2d (BNA) 1938, 1942 (T.T.A.B. 1992) (concluding that THINK GREEN failed to function as a mark for mailing and shipping cardboard boxes when used on such boxes because it would be perceived as an informational slogan devoid of trademark significance); *In re Volvo*, 46 U.S.P.Q.2d (BNA) 1455,

And this phenomenon of use as a proxy is by no means limited to distinctiveness. When a trademark examiner rejects an application on the ground that the applicant failed to show use as a mark, that rubric is likely to be functioning as a proxy for one of numerous other trademark doctrines and sub-doctrines, including functionality.<sup>210</sup> Thus, experience suggests that, in application, use-based rules are inseparable from other contextual trademark standards (such as distinctiveness or confusion). In that light, to suggest that one approach imparts greater determinacy than the other is a non sequitur.<sup>211</sup>

#### 4. Lessons for Trademark Use in the Infringement Context

There is, therefore, no reason to expect that creating a threshold trademark use requirement for infringement will lead to greater certainty. The experience recounted above suggests that a trademark use requirement will become fertile ground for the development of ancillary use doctrines, and that assessments of trademark use are likely to incorporate

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1457 (T.T.A.B. 1998) (holding that DRIVE SAFELY failed to function as a mark for automobiles and structural parts when the phrase appeared within a paragraph of text in an advertisement).

210. The TMEP goes so far as to instruct its examiners that:

When the examining attorney refuses registration on the ground that the subject matter is not used as a trademark, the examining attorney should explain the specific reason for the conclusion that the subject matter is not used as a trademark . . . . [F]or a discussion of situations in which it may be appropriate, depending on the circumstances, for the examining attorney to refuse registration on the ground that the asserted trademark does not function as a trademark, *e.g.*, TMEP §§ 1202.01 (trade names), 1202.02(a) *et seq.* (functionality), 1202.03 (ornamentation), 1202.04 (informational matter), 1202.05 (color marks), 1202.06 (goods in trade), 1202.07 (columns or sections of publications), 1202.08 (title of single creative work), 1202.09 (names of artists and authors), 1202.10 (model or grade designations), 1202.11 (background designs and shapes), 1202.12 (varietal and cultivar names).

TMEP, *supra* note 134, at § 1202.

211. Our critique of trademark use as a deterministic tool does not diminish the relevance of the nature of the defendant's use in determining liability. For example, the manner of the defendant's marketing, the duration of the defendant's use, whether the defendant used the mark accompanied by a house mark, and whether the defendant has included a disclaimer along with its use of the mark, all inform a court's infringement analysis. *See generally* Sally Beauty Co. v. Beautyco, Inc., 304 F.3d 964 (10th Cir. 2002) (manner of marketing); Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135 (9th Cir. 2002) (web marketing); Nabisco, Inc. v. Warner-Lambert Co., 220 F.3d 43 (2d Cir. 2000) (house mark); Conopco, Inc. v. May Dep't Stores Co., 46 F.3d 1556 (Fed. Cir. 1994) (private label and nature of defendant's use); Merchant & Evans, Inc. v. Roosevelt Bldg. Prods. Co., 963 F.2d 628, 637 (3d Cir. 1992) (duration and marketing channels). Likewise, the nature of a defendant's use is an important part of a court's fair use analysis. *See* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 408 F.3d 596, 609 (9th Cir. 2005) (listing factors relevant to good faith).

considerations of consumer association and likely confusion.<sup>212</sup> If this were to happen, certainty would not be enhanced.<sup>213</sup>

For example, if courts implement a threshold trademark use requirement, cases may arise in which the defendant asserts that there should be no liability because its advertising and sales activities did not amount to trademark use. Plaintiff trademark owners might then argue that the threshold test is satisfied by defendant's token use, or some other ancillary concept. Moreover, even absent such doctrinal evolution, trademark owners might find it relatively easy to raise factual issues regarding consumer association or confusion as pertinent to assessments of use.

Recent international experience corroborates these concerns over the fact-intensive nature of trademark use. For example, the Australian Trademark Act expressly provides that a trademark is infringed only when a sign is used "as a mark."<sup>214</sup> But determining when a sign is used as a mark has proved extremely difficult.<sup>215</sup> In particular, Australian courts have felt compelled to resort to contextual analysis, including evidence of actual confusion, in order to characterize the defendant's use.<sup>216</sup> The European Court of Justice appears to be moving in the same direction.<sup>217</sup> In its most

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212. Of course, some trademark use proponents might argue that the trademark use doctrine will be a new creation, shorn of its historical baggage and reconfigured for application in the infringement context. That would be a turnabout as trademark use theorists tend to claim that their proposals are rooted in history. *See supra* text accompanying note 78. Moreover, it would call for a leap of faith that new variants on trademark use would somehow succeed in achieving certainty where numerous other use doctrines have demonstrably failed.

213. Indeed, it may even be eroded as the stated grounds for decision-making become detached from the real motivations underlying a decision. *See infra* text accompanying notes 284–86 (discussing transparency).

214. *See* Trademarks Act 1995, § 20 (Austl.).

215. One Australian scholar has observed to us that the "suggestion that such a requirement provides certainty when dealing with concrete issues is, however, laughable." *See also* Bill Ladas, *No Trade Mark Use, No Infringement* – Christodoulou v. Disney Enters., Inc., Freehills Intellectual Property Bulletin, available at [http://www.freehills.com.au/publications/publications\\_5558.asp](http://www.freehills.com.au/publications/publications_5558.asp) ("The issue [of trademark use] is highly fact-specific, and similar circumstances could lead to a different result depending upon the perception of consumers").

216. *See* Kolotex Glo Austl. Pty Ltd. v. Sara Lee Personal Prods. (1993) 26 I.P.R. 1 (Austl.).

217. It is not clear whether EU law contains a trademark use requirement. Over the last few years, various national courts have referred questions regarding the existence of a trademark use requirement to the European Court of Justice, and the Court's answers have been far from consistent. *See* Case C-245/02, *Anheuser-Busch, Inc. v. Budejovicky Budvar*, [2004] E.C.R. I-10989 (ECJ 2004) (EU); Case C-206/01, *Arsenal Football Club Plc v. Reed*, 2002 E.C.R. I-10273 (ECJ 2002) (EU); Case C-2/00, *Holterhoff v. Freiesleben*, [2002] E.C.R. I-4187 (ECJ 2002) (EU). *See also* Case C48/05, *Adam Opel v. Autec AG*, (ECJ 2007) (EU), 2007 WL 187793, available at <http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=en>. The *Adam Opel* Court did not squarely address the argument that infringement depended on a trademark use. Instead, the Court held that there is a *prima facie* case of infringement if the defendant's use "affects or

recent judgment on trademark use, handed down in early 2007, the Court seemed to endorse an approach tied closely to the factual question of confusion (or related antecedents of association). In that case, *Adam Opel AG v. Autec AG*,<sup>218</sup> the plaintiff car manufacturer sued a toy company that sold remote-controlled scale models of the plaintiff's car bearing the plaintiff's mark. The defendant argued that its use on scale model cars was not "use as a mark" and, thus, was immune from liability under the German trademark statute.<sup>219</sup> The Court did not say definitively whether the defendant's use was as a matter of law of the type that came within the scope of the trademark owner's rights. Instead the Court held that potential liability depended on whether the relevant consumer "perceive[d] the sign identical to the [plaintiff's] logo appearing on the scale models . . . as an indication that those products come from . . . [plaintiff] or an undertaking economically linked to it."<sup>220</sup> This formulation is, in essence, an analysis of likely confusion or, more strictly, of antecedent consumer association that might in turn lead to confusion.

The significance of *Adam Opel* from an American perspective<sup>221</sup> is that it reinforces the lessons drawn from the Australian experience: trademark use

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is liable to affect the functions of [the plaintiff's] trademark," and the Court effectively defined trademark use in explaining how a plaintiff would make out that case. *Id.* at ¶¶ 22–25.

218. See Case C48/05, *Adam Opel v. Autec AG*, (ECJ 2007) (EU), 2007 WL 187793, available at <http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=en>.

219. *Id.* at ¶ 10; see also First Council Directive 89/104/EEC, art. 5(1)(a), to Approximate the Laws of the Member States Relating to Trade Marks, 1989 O.J. (L 40) 1 (EC) [hereinafter EU Trademark Directive].

220. *Adam Opel*, 2007 WL 187793, at ¶ 24.

221. Despite the failure of the trademark use requirement to provide any greater certainty, there is arguably a stronger prescriptive argument for the trademark use requirement within the EU for several reasons. First, the EU Trademark Directive creates something close to an absolute property right for trademark owners vis-a-vis the use of the identical mark on goods identical to those for which mark is registered. See EU Trademark Directive, *supra* note 219, art. 5(1)(a). Proving likely confusion is not necessary. See *id.* And the defenses in Article 6 are, at least as interpreted by the Court of Justice, insufficient to permit a series of uses that we might wish to permit. Thus, courts yearn for a limit on the scope of prima facie rights under Article 5, such as a trademark use requirement might create. Second, the EU Trademark Directive seeks to ensure that the same level of trademark protection is available from one country to another, thus facilitating the free movement of goods and services. As the *Adam Opel* court acknowledged, this can only be achieved through a uniform interpretation of the types of use that are actionable under Article 5(1). See *Adam Opel*, 2007 WL 187793, at ¶ 17. Yet, once that concept of actionable use is defined by reference to the national consumer, the question of trademark use becomes hostage to factual assessments of consumer association that might vary from one member state to another (unless the Court is willing to acknowledge that questions of consumer association and likely confusion might also involve legal policy choices). The Advocate General, in contrast, was willing to accept that what constituted "trademark use" should be partially a matter of (national) consumer perception and partly a matter of (EU) legal policy. See *id.* at ¶¶ 24–25. Finally, if a trademark use requirement grounded in EU-wide legal policy excluded use on model cars from the scope of a trademark owner's rights, national unfair competition law might provide a back-up designed to regulate egregious behavior violating norms other than economic efficiency. U.S. law currently contains no such back-up.

is a requirement that ultimately will give way to an analysis of consumer association or likely confusion. Comparative analysis thus supports our argument that trademark use is a far more complex and fact-dependent concept than its advocates admit.<sup>222</sup> If U.S. courts followed the same approach, the principal benefit claimed for the trademark use requirement—its purported gatekeeper function and, thus, reduced litigation costs—disappears.

Two recent U.S. cases that expressly invoke a trademark use requirement illustrate the inability to detach use from questions of association or confusion. In *Interactive Products Corporation v. a2z Mobile Office Solutions, Inc.*,<sup>223</sup> when the defendant used the plaintiff's mark in the post-domain path of a URL, the court purported to erect a trademark use requirement. The court declared that if the defendants were using the trademark only "in a 'non-trademark' way—that is, in a way that does not identify the source of a product—then trademark infringement and false designation of origin laws do not apply."<sup>224</sup> Because the court concluded that there was no evidence that the defendant had used the mark in that fashion, it was able to resolve the case without reaching the multi-factor likelihood of confusion test.<sup>225</sup> However, the court's very definition of "non-trademark way" intermingled trademark use and consumer association concepts, and its analysis of use was in effect an assessment of confusion conducted without any rigor. The court stated that the issue in the case was whether the presence of the plaintiff's mark in the defendant's post-domain path "[was] likely to cause confusion among consumers," or, alternatively, "whether a consumer [was] likely to notice [the plaintiff's mark] in the post-domain path" and then think that defendant's product may be produced by the plaintiff.<sup>226</sup> And the court rendered judgment on the purported trademark use issue by speculating briefly on consumers' on-line behavior and basing a generalized conclusion (that "post-domain paths do not typically signify source")<sup>227</sup> on what appears to be judicial supposition.<sup>228</sup>

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222. See also *Verimark (Pty) Ltd. v. BMW (AG)*, [2007] SCA 53, 61 (Republic South Africa, Court of Appeal, May 17, 2007) (noting that what is required to establish trademark use is "an interpretation of the mark through the eyes of the consumer as used by the alleged infringer"; "if the use creates an impression of a material link between the product and the owner of the mark there is infringement; otherwise, there is not").

223. *Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc.*, 326 F.3d 687 (6th Cir. 2003).

224. *Id.* at 695.

225. See *id.* at 698.

226. *Id.*

227. *Id.*

228. The court speculated about whether consumers would typically reach a secondary webpage by typing in a full URL (i.e., including post-domain paths) and concluded, apparently on judicial notice, that they would not. See *Interactive Prods.*, 326 F.3d at 697. Consumers would "more likely" reach a retailer's main page, and link to the secondary page. *Id.* at 697. These

The Ninth Circuit's *Bosley* decision<sup>229</sup> also illustrates the false determinacy of trademark use, albeit in a different way. Defendant Kremer operated a website critical of plaintiff Bosley's hair restoration services at the domain [www.BosleyMedical.com](http://www.BosleyMedical.com), and Bosley alleged infringement (among other claims) of its BOSLEY MEDICAL mark.<sup>230</sup> The Ninth Circuit affirmed summary judgment against Bosley on the infringement claim.<sup>231</sup> The court read the phrase "in connection with the sale of goods or services" in the Lanham Act infringement provision as requiring that the trademark owner show that the defendant's use was a "commercial" use.<sup>232</sup>

Perhaps reflecting the ambiguity over the meaning of trademark use, trademark use theorists have read this supposed "commercial use" element of the cause of action as a trademark use requirement.<sup>233</sup> The plausibility of this assimilation aside, the court's analysis of this requirement was primarily a vehicle for a priori conclusions regarding confusion. The court asserted that "no customer will mistakenly purchase a hair replacement service from Kremer under the belief that the service is being offered by Bosley" and that Kremer was not "capitalizing on [Bosley's] good will."<sup>234</sup> The court also interjected an attenuated speech analysis into the prima facie infringement case, stating that "the appropriate inquiry is whether Kremer offers *competing* services to the public" and concluding that because "Kremer is not Bosley's competitor; he is their critic," the court should deem the use to be not in connection with a sale of goods and services.<sup>235</sup> *Bosley* provides an important caution about embracing a trademark use requirement: it is so malleable that it can readily morph into any form that may suit judges' predispositions (here, regarding speech). A trademark use requirement is not a vehicle for enhancing certainty in trademark litigation.

### C. IGNORING COMPLEXITIES IN THE CONCEPT OF A MARK

In the previous Subpart, we demonstrated that the concept of use is unlikely to provide the stability and certainty sought by trademark use theorists. Here, we show that adopting "use as a mark" as the lodestar of liability analysis raises further questions that are as much about elucidating the essential characteristics of a mark as they are about the essential characteristics of use. The debate over the character of a mark encompasses both empirical questions about how brands function in contemporary

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suppositions may, of course, be correct. But that is not the point. The methodology is hardly emblematic of the values that trademark use theorists tout.

229. *Bosley Med. Inst. v. Kremer*, 403 F.3d 672 (9th Cir. 2005).

230. *Id.* at 675.

231. *Id.* at 682.

232. *Id.* at 676–77.

233. See Dogan & Lemley, *Defenses*, *supra* note 18, at 17 n.52.

234. See *Bosley*, 403 F.3d at 679–80.

235. *Id.* at 679. Of course, competitors can also be critics.

society and normative dilemmas about which aspects of a mark trademark law should protect.

If the trademark use theory were to be adopted, courts would experience great pressure to delineate more sharply what they mean by the legal concept of a “mark.” The writings of trademark use theorists reflect how complex this exercise would be and wander into fundamental debates concerning the nature of trademark law. Under a restrictive reading of use as a mark, trademark use theory would (perhaps unwittingly) dismantle bodies of trademark law that have, over the last thirty years, come to be of vast commercial significance. Under a broader reading, this commercial value might be left intact, but the theory would not achieve the objectives for which it has been propounded.

Consider the hidden complexities introduced by one leading definition. Professor Barrett defines “use a mark” as “application of a mark in a manner that invites consumers to associate the mark with goods or services that the user is offering for sale or distribution and to rely on it for information about the source, sponsorship, or affiliation of those goods or services.”<sup>236</sup> This definition raises a number of interpretive challenges. Must the consumer actually “rely” on the defendant’s use of the mark for information about the source of the defendant’s goods or services? Barrett’s definition puts in play whether a trademark should be defined by reference to the defendant producer’s intention or consumer understanding.<sup>237</sup> What

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236. Barrett, *supra* note 3, at 375. See also *id.* at 436 (arguing that certain types of activities “do not constitute trademark use because they do not use the mark as a brand to communicate the source of the defendant’s (or anyone else’s) goods or services to consumers”); Dogan & Lemley, *supra* note 3, at 805 (defining trademark use as “the use of the mark to brand or advertise the defendant’s services or to suggest an affiliation with the plaintiff”); Widmaier, *supra* note 3, at 604–06.

237. Professor Barrett tries to minimize some of these ambiguities by suggesting that “[f]or purposes of infringement liability, determining whether the defendant has made a trademark use [only] of a plaintiff’s mark is an objective inquiry.” See Barrett, *supra* note 3, at 446 n.333. As a result, the defendant’s subjective intention would not be relevant to the determination of whether its use was a trademark. However, we are unsure what form an “objective” inquiry regarding trademark use would take. In particular, would a court be permitted to make reference to the likelihood of confusion or the extent of consumer association with a single source created by the defendant’s use of the term? Both of these questions are fact-intensive, and expert surveys are often an important part of the proof. If these considerations are part of the objective inquiry, it is hard to see how the trademark use requirement will serve the gatekeeper function that its advocates desire. Indeed, an objective determination of trademark use would likely become something very similar to the analysis of confusion that trademark use advocates seek to avoid (with perhaps greater focus on “association” than “confusion”). This is the lesson of the comparative analysis above. See *supra* text accompanying notes 214–22. In seeking to develop this idea, Professor Barrett distinguishes between an analysis of the nature of the use for purposes of infringement liability, which she suggests should be an objective inquiry, and a court’s analysis of fair use, which she argues should be “subjective in nature, excusing uses that may, objectively, constitute trademark use, but which were intended by the defendant, in good faith, only to describe the defendant’s product or service.” *Id.* However, the Ninth Circuit, on remand in *KP Permanent*, picking up on language in the Supreme Court’s opinion in



if the consumer relies on the defendant's use of the mark to indicate his *devotion* to the sporting talents of the plaintiff? Do trademark use theorists mean to reject the modern notion of a mark as encompassing feelings of affiliation? If the defendant does not "invite[] consumers to associate the mark with goods or services"<sup>238</sup> because, for example, the mark is being used *by the defendant* for its aesthetic purposes, is that use as a mark? Where a mark has a dual meaning as a source-identifier and a form of ornamentation, can a defendant escape liability by claiming that its use was ornamental even if the plaintiff's use was as a source-identifier?

International developments again highlight that ignoring the complexity surrounding the concept of a "mark" may give rise to a number of unintended consequences. For example, the U.K. courts have also sought guidance from the European Court of Justice on whether use must be "use as a mark" in order to be infringement under the European Union Trademark Directive. The issue was raised by Mr. Justice Laddie in *Arsenal Football Club v. Reed*, in which a prominent soccer club sued a soccer merchandise retailer that sold unauthorized souvenirs bearing the trademarks owned by the soccer club (its name and badge).<sup>239</sup> Mr. Justice Laddie concluded that because "the use in question would be perceived as a badge of support, loyalty or affiliation to the trade mark proprietor" that would not be use as a mark sufficient to support a finding of trademark infringement.<sup>240</sup>

The European Court of Justice rejected that argument on the ground that whether the defendant has made a trademark use was not, as such, the relevant consideration on the question of infringement. Instead, liability should turn on whether the use complained about was likely to "jeopardise the guarantee of origin which constitutes the essential function of the mark."<sup>241</sup> However, in an almost contemporaneous decision of the House of

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the same case, determined good faith for the purposes of the fair use defense under section 33(b)(4) by reference to a number of objective factors. *See* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 408 F.3d 596, 609 (9th Cir. 2005).

238. Barrett, *supra*, note 3, at 375.

239. *See* Arsenal Football Club v. Reed, (2001) 25 R.P.C. 922, 922-23 (Ch.).

240. *Id.* at 943.

241. Case C-206/01, Arsenal Football Club v. Reed, 2002 E.C.R. I-10273, at 604. The European Court of Justice explained that:

Once it has been found that, in the present case, the use of the sign in question by the third party is liable to affect the guarantee of origin of the goods and that the trade mark proprietor must be able to prevent this, it is immaterial that in the context of that use the sign is perceived as a badge of support for or loyalty or affiliation to the proprietor of the mark.

*Id.* at 61. After some resistance from Mr. Justice Laddie, the English Court of Appeal ensured the effectuation of the European Court's ruling. *See* Arsenal Football Club v. Reed, [2003] E.T.M.R. 73 (Court of Appeal 2003) (U.K.). *See also supra* text accompanying notes 217-220 (discussing subsequent case law of the European Court of Justice).

Lords in *R. v. Johnstone*, the U.K.'s highest court appeared to hold that in order to be an infringing use, use of a mark must be use as a "badge of origin."<sup>242</sup> The import of that decision is unclear, but "there is no doubt that [the] judgement in *Johnstone* has left the question of use in some disarray in the UK."<sup>243</sup>

This disarray reflects the intensity of an underlying theoretical dilemma regarding the essence of trademarks and trademark law. A similar dilemma exists in the United States. The modern view of trademarks as more than mere indications of source clearly reflects how consumers actually use marks in a brand-conscious society,<sup>244</sup> and thus, scholarly and judicial disagreement centers on the normative question: should trademark law protect signals of affiliation and endorsement? Should trademark law protect the full panoply of human reactions and consumer meaning induced by brands?

This normative debate is also reflected in the asymmetry between the definition of a "mark" and the infringement provisions contained in the U.S. statute. Section 45 of the Lanham Act still defines trademarks in terms that stress *source*-identification: a trademark includes "any word, name, symbol, or device, or any combination thereof . . . used by a person . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."<sup>245</sup> Although the statutory definition of a trademark has remained constant since the enactment of the Lanham Act,

242. See *R. v. Johnstone*, [2004] E.T.M.R. 2 (H.L.) (U.K.).

243. Jennifer Davis, *Between a Sign and a Brand: Mapping the Boundaries of a Registered Trade Mark in European Union Trade Mark Law*, in *TRADE MARKS AND BRANDS: AN INTERDISCIPLINARY CRITIQUE* (Lionel Bently, Jennifer Davis & Jane Ginsburg, eds.) (forthcoming 2007). See generally Rico Calleja, *R. v. Johnstone: Bootlegging and Legitimate Use of an Artiste's Trade Mark*, 14 ENT. L. REV. 186 (2003); Jennifer Davis, *To Protect or Serve? European Trade Mark Law and the Decline of the Public Interest*, 25 EUR. INTEL. PROP. REV. 180 (2003); P. Dryberg and M. Skylv, *Does Trade Mark Infringement Require That the Infringing Use Be Trade Mark Use and if So, What Is "Trade Mark Use?"*, 25 EUR. INTEL. PROP. REV. 229 (2005); A. Poulter, *What is "Use": Reconciling Divergent Views on the Nature of Infringing Use*, TRADEMARK WORLD, Dec. 2003/Jan. 2004, at 23; R. Sumroy & C. Badger, *Infringing 'Use in the Course of Trade': Trade Mark Use and the Essential Function of a Trade Mark*, in *TRADE MARK USE* (J. Phillips & I. Simon eds., 2005).

244. As Judge Alex Kozinski has noted:

There's a growing tendency to use trademarks not just to identify products but also to enhance or adorn them, even to create new commodities altogether. There was a time when the name of a shirt's manufacturer was discreetly sewn inside the collar. Izod and Pierre Cardin changed all that, making the manufacturer's logo an integral part of the product itself. Do you like a particular brand of beer? Chances are you can buy a T-shirt that telegraphs your brand loyalty. Some people put stickers on their cars announcing their allegiance to the Grateful Dead. Go figure.

Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 961 (1993). Indeed, the principal economic value of marks might lie in their capacity to embody these extended forms of meaning.

245. Lanham Act § 45, 15 U.S.C. § 1127 (2000).

judicial understanding of the concept of a trademark has substantially expanded in line with both a broader social role for marks and liberalizing changes to other parts of the Lanham Act, including the infringement provisions. For example, although the provision delineating the scope of liability for infringement of registered marks (section 32 of the Lanham Act) initially limited liability to uses by the defendant that were “likely to cause confusion or mistake or to deceive purchasers as to the source of origin of goods,” a 1962 amendment deleted the second half of the clause.<sup>246</sup> This appeared to render actionable the confusion of persons other than purchasers and confusion regarding matters other than the source of origin.<sup>247</sup> Certainly, courts thought so, reflecting in part a broader view of how trademarks operated in fact. And judicial expansion of protection beyond strict source-identification since 1962 was later affirmed in the 1988 revisions to the Lanham Act. The 1988 Act amended the infringement provision relating to unregistered marks explicitly to create liability for uses “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.”<sup>248</sup>

This asymmetry between the philosophy informing the establishment of rights and that informing the definition of infringement might reflect a real schism between competing notions of the legally protectable aspects of a mark.<sup>249</sup> And we suspect that the philosophical disagreement may infect litigation over the interpretation of use “as a mark.” For example, if courts read a “use as a mark” requirement strictly as incorporating the notion of the mark as a “source-identifier,”<sup>250</sup> they might undermine the multi-billion dollar industry of brand merchandising and product design. We do not believe that trademark theorists intend this outcome.<sup>251</sup> If they did, this redrawing of the scope of trademark rights should occur through a candid debate about the social value of validating Veblen goods<sup>252</sup> and not collaterally through a back-door interpretation of a newly discovered doctrine of trademark law. If instead, proponents mean to read “use as a mark” as incorporating the broader social understanding of “mark” that has

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246. *Syntex Labs., Inc. v. Norwich Pharm. Co.*, 437 F.2d 566, 568 (2d Cir. 1971).

247. It is a matter of debate whether Congress intended the extent of expansion that the 1962 amendment has precipitated. See Sara Stadler, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731, 800–01 (2003).

248. 15 U.S.C. § 1125(a)(1)(A).

249. See Jerre B. Swann, *Dilution Redefined for the Year 2002*, 92 TRADEMARK REP. 585, 596 (2002).

250. This term is often used as the common short-hand term for mark.

251. See generally Dogan & Lemley, *supra* note 3.

252. Veblen goods are commonly called “status purchases”—goods that consumers find more desirable because of their exclusivity and relatively high price rather than their intrinsic qualities. See THORSTEIN VEBLEN, *THE THEORY OF THE LEISURE CLASS* 85 (1899).

come to inform contemporary trademark law, then the capacity of the theory to limit the expansion of trademark law might be open to question. If a plaintiff need only show that the defendant's use involves uses of a mark that raise questions of association, it will not be difficult for plaintiffs to state a plausible case of infringement.

Rather, we believe that trademark use theorists seek to curtail what they regard as the unwarranted expansion of trademark rights. Yet, to prune trademark rights back to their core may require a more effective cutting tool. At the very least, it requires a device that does not possess the ancillary entanglements with the contested notion of a "trademark."

Nor is merchandizing the only established form of trademark protection that a virulent trademark use theory might put in jeopardy. We expect that product design claims could be suspect under a trademark use theory. Over the last three decades, courts in the United States and elsewhere have recognized that "almost anything at all that is capable of carrying meaning" may function as a trademark for consumers and, acting on that premise, have vastly expanded the types of subject matter that can receive protection under trademark law.<sup>253</sup> Indeed, there are now effectively no restrictions on trademark subject matter under U.S. law.<sup>254</sup>

Despite this liberal approach to trademark subject matter, protection for new forms of subject matter, such as product designs, has proven controversial. Opposition to generous trademark protection for designs reflects both a skepticism about whether designs typically act to identify the source of products for consumers and concern that trademark protection for designs may confer monopoly power over a product market or offer patent-like protection for innovation not meeting patent standards.<sup>255</sup> Because courts have largely removed subject-matter limits on protection, opponents of broad product design protection are thus forced to articulate their objections as attacks on distinctiveness.<sup>256</sup>

As a result, the focus of product design litigation is often whether the design is distinctive—that is, whether it is acting as a mark. Although that question is most typically raised in the context of establishing trademark rights, the trademark use theory threatens to transfer the courts' skeptical

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253. See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 162 (1995).

254. See Dinwoodie, *Social Norms*, *supra* note 29, at 6.

255. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 215 (2000); *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001).

256. Indeed, the U.S. Supreme Court decision in *Wal-Mart v. Samara* on the inherent distinctiveness of product design trade dress represents a leading example of a court collapsing a number of legitimate trademark policy concerns into a single (distinctiveness) doctrine. In some respects, this is not surprising given the history of distinctiveness doctrine. See Dinwoodie, *supra* note 79, at 238 (noting that distinctiveness analysis typically incorporates competitiveness considerations as well as empirical questions of consumer association). But a failure to treat the different policy concerns separately does prevent a proper identification of the competing interests at stake. See Dinwoodie, *Social Norms*, *supra* note 29, at 31.

approach on that question to the infringement context, even where it can be established that the plaintiff's design *does* act as a source-identifier. Under the trademark use theory, if the *defendant* is not using the design as a mark, no liability will arise. Yet, because a product design will almost always serve purposes in addition to source-identification, that argument will almost always be available to defendants that simulate the plaintiff's design. While skeptical judicial attitudes to the possibility of designs acting as source-identifiers may be assuaged by a plaintiff demonstrating substantial efforts over time to create such meaning for consumers, a defendant is unlikely (especially when first putting the product on the market) to have behaved in ways that show the design to be acting as *its* mark, rather than for some other purpose. But the harm to the distinctiveness of the plaintiff's mark and the confusion caused among consumers will be precisely the same, regardless of whether the public immediately understands the design to be a source-identifier for the defendant.<sup>257</sup>

Again, comparative analysis suggests that this scenario is not speculative. A Singapore court recently relied on trademark use theory to limit protection for a mark consisting of the shape of pipe fittings, which was alleged to be distinctive and, thus, serving as a trademark.<sup>258</sup> The court held that, regardless of whether the plaintiff's design was acting as a trademark, because there was "no evidence . . . that the defendant . . . had in fact used the pipe fittings . . . as a trademark as such," the infringement claim would be dismissed.<sup>259</sup> Given the ongoing debate in the United States about the appropriateness of protecting product design trade dress, fomented in part by recent Supreme Court decisions that express skepticism about the protection of product design and seek to curtail the scope of such protection,<sup>260</sup> we would expect the trademark use theory to be deployed against product design claims.<sup>261</sup> Yet, if effective, the theory would once again drastically redraw established trademark law without considering any of the important questions that are raised by product design trademarks,

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257. Of course, if the public actually makes a confused association between the products of the plaintiff and defendant, then one might argue that the defendant *is* making a trademark use. But as we discussed above in the context of *Adam Opel*, such an argument is inconsistent with the notion of clear threshold requirements that trademark use theorists desire.

258. *Nation Fittings (M) Sdn Bhd v. Oystertec Plc*, SGHC 225 (Singapore H.Ct. 2005), available at <http://www.asianlii.org/sg/cases/SGHC/2005/225.html>.

259. *Id.*

260. See Dinwoodie, *Rehnquist*, *supra* note 29, at 193–95.

261. Indeed, the Sixth Circuit decision in *Gentile* provides some support for our suspicion. *Rock & Roll Hall of Fame & Music, Inc. v. Gentile Prods.*, 134 F.3d 749 (6th Cir. 1998). There, the Sixth Circuit reversed an infringement finding where a photographer had included the silhouette design of the distinctive Rock & Roll Hall of Fame in a photograph taken of the Cleveland skyline. *Id.* at 751. The court endorsed what might be seen as an early version of the trademark use theory. See *id.* at 753. However, the case could have been decided more properly on other grounds, and the decision no doubt reflected a concern about the overlap between copyright and trademark law.

such as competitive effects and interference with patent protection. Instead, the revision of the law would be achieved through the mere assertion that defendants frequently use designs otherwise than as marks, even in the face of evidence that a design acts as a source-identifier for the plaintiff producer.

D. THE FALSE ALLURE OF A WONDER THEORY

Trademark use has been promoted as the wonder drug for trademark law, a limiting theory of immense attraction in an otherwise expansionist climate.<sup>262</sup> Thus, as we have seen, proponents claim that trademark use is indispensable for protecting consumer interests,<sup>263</sup> preserving competition,<sup>264</sup> encouraging information intermediaries to invest in online commerce,<sup>265</sup> and preserving speech interests.<sup>266</sup> Some go so far as to connect trademark use with prospects for developing new information technologies.<sup>267</sup>

It is hard to take issue with any of these policy goals.<sup>268</sup> However, legitimate debates over the role of trademark law in regulating contextual advertising, parody, merchandising, and product design simulation, to

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262. See, e.g., Barrett, *supra* note 3, at 373; Dogan & Lemley, *supra* note 3, at 836–37 (“The doctrine of trademark use . . . holds sway against changing notions of consumer confusion; it is designed to be a bulwark against unreasonable expansion of trademark law.”).

263. See Barrett, *supra* note 3, at 456 (concluding that “the trademark use requirement serves as an essential means of protecting consumers’ interests in the digital context”); Michael H. Davis, *Death of a Salesman’s Doctrine: A Critical Look at Trademark Use*, 19 GA. L. REV. 233, 234 (1985) (“Because trademark use is a form of consumer protection, each time the doctrine is eroded, the consuming public is injured.”).

264. See Davis, *supra* note 263, at 242 (arguing that trademark use is important because it imposes a burden on the trademark claimant, thus providing “some assurance that the anticompetitive and monopolistic grant of trademark rights is justified”); Dogan & Lemley, *supra* note 3, at 798 (arguing that trademark use doctrines reduce consumer search costs, thus facilitating the flow of information in the marketplace and thereby helping to ensure that the marketplace is robustly competitive).

265. See Dogan & Lemley, *supra* note 3, at 782.

266. See *id.* at 798 (asserting that trademark use doctrines “help to ensure that the trademark grant does not stifle informative speech by noncompetitors”). For recent analyses of the trademark/speech intersection, see generally Michael K. Cantwell, *Confusion, Dilution and Speech: First Amendment Limitations on the Trademark Estate: An Update*, 94 TRADEMARK REP. 547 (2004); Pratheepan Gulasekaram, *Policing the Border Between Trademarks and Free Speech: Protecting Unauthorized Trademark Use in Expressive Works*, 80 WASH. L. REV. 887 (2005).

267. See Barrett, *supra* note 3, at 456–57 (warning that recognizing trademark liability without a trademark use requirement “will stifle the development of new information technologies, with no offsetting advantage”).

268. Other scholars concerned with the expansion of trademark rights have placed blame on other parts of trademark law (e.g., the actionability of initial interest confusion). See, e.g., Rothman, *supra* note 175, at 111–13 (listing ills that will flow from an unchecked doctrine of initial interest confusion). The excesses of particular trademark decisions are likely the result of a number of trademark doctrines, and they will best be checked by attending to that variety of doctrines rather than seeking a single panacea.

mention but a few examples, implicate a number of different values and considerations far too extensive to be captured adequately by the single concept of trademark use.<sup>269</sup> Trademark use is simply too blunt a concept, no matter how defined, to capture the full range of values at play in these debates.

Contextualism is a better alternative than the formalism of trademark use and has always been important in trademark law. Context is the means by which courts have traditionally constrained the scope of trademark law and trademark rights. Apple Vacations, Inc., which owns the mark APPLE for holiday travel services, cannot enjoin the use of APPLE for computers if, despite the use of identical words, the context of the respective product markets ensures a lack of confusion. Likewise, although private label goods might be adorned with similar labels *and* used on identical goods, the context of the form of their marketing and distribution may persuade courts that consumers can adequately differentiate between branded and private label options.<sup>270</sup> Comparative advertising efficiently aids consumers to obtain similar products at cheaper prices, but if that comparative advertising takes the form of language that deceives consumers about a false similarity, context tells us that the savings are illusory and the defendant's use is an infringement.<sup>271</sup> Ordinarily, a defendant has a right to use its own name in its business,<sup>272</sup> but if the defendant has sold the name for valuable consideration to a third party, that context demands that we take a different view.<sup>273</sup> When a defendant would be at a competitive disadvantage if unable to simulate a distinctive design, we treat the design as functional and free to be copied.<sup>274</sup> However, if context suggests that the advantage is reputation-related, trademark law takes a different view.

In all these cases, the formalistic labeling of the defendant's use is a poor guide to the appropriate outcome under trademark law. Context matters. Analysis of confusion is inherently contextual, while trademark use, if it is to achieve the goals set for it by proponents, is a formalistic monolith. A contextual analysis, of course, is somewhat messier, as context requires parties to develop a greater range of facts. But that is what allows trademark law to adapt and deal comprehensively with the range of commercial settings to which it applies in the modern economy. And, as we demonstrated above, the formalist character of the use doctrine has historically caused courts to modify and stretch it, thus robbing the doctrine

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269. Similar problems arguably attend over-reliance on the distinction between idea and expression to ensure an appropriate scope of copyright protection. *See generally* Samuelson, *supra* note 114.

270. *See* Conopco, Inc. v. May Dep't Stores, 46 F.3d 1556, 1565 (Fed. Cir. 1994).

271. *See* Smith v. Chanel, Inc., 402 F.2d 562, 565-66 (9th Cir. 1968).

272. *See* L.E. Waterman v. Modern Pen. Co., 235 U.S. 88, 98 (1914).

273. *See* Levitt Corp. v. Levitt, 593 F.2d 463, 468-69 (2d Cir. 1979).

274. *See* Dinwoodie, *supra* note 35, at 704-06.

of the benefits that proponents seek and tending to result in courts adopting the type of messy, contextual analysis we prefer.

Thus, one might ask, what's the difference, if the result is the same? Contextualism is to be preferred because it allows for transparent development of trademark law. Trademarks serve a number of roles other than providing consumers with informational short-cuts, such as augmenting the social vocabulary, facilitating economic expansion, and assuring the public of the authenticity of artistic products.<sup>275</sup> And those roles might implicate policy concerns that vary widely in weight and significance. While trademark law does not always deal as crisply with those competing values as it might, it is only by discussion of the context that those values can be brought to the surface and properly weighed against the core value of avoiding consumer confusion.

Moreover, the need for attention to context has only grown as trademarks have come to assume an even greater multitude of roles in contemporary society: trademarks are increasingly important to self-identity,<sup>276</sup> to political speech,<sup>277</sup> to efficient organization of information,<sup>278</sup> to product comparison,<sup>279</sup> to entertainment,<sup>280</sup> and to business models facilitating free copyright content online.<sup>281</sup> The multivalence of trademark law is not well accommodated by the supposedly binary switch of trademark use/non-trademark use. Trademarks do far too much for such a line to be of much help. Our approach allows trademark litigants to advance different policy objectives. A review of recent trademark cases shows that disputes frequently involve a number of competing values and may require balancing of the gains of consumer avoidance with the competing social gains of free speech or some other public good.<sup>282</sup>

To mention but one example, in the recent legislative reform of dilution law, trademark use was proposed (and arguably adopted by Congress) as a way of limiting the more powerful dilution remedy and, thus,

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275. See generally Kozinski, *supra* note 244 (discussing a number of uses of trademarks).

276. See generally *S. F. Arts & Athletics, Inc. v. U. S. Olympic Comm.*, 483 U.S. 522 (1987).

277. See *Mastercard Int'l, Inc. v. Nader 2000 Primary Comm., Inc.*, 70 U.S.P.Q.2d (BNA) 1046, 1048–51 (S.D.N.Y. 2004).

278. See *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 702–04 (E.D. Va. 2004).

279. See *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968).

280. See Lorne Manly, *When the Ad Turns into the Story Line*, N.Y. TIMES, Oct. 2, 2005, § 3, at 1.

281. See Nuttall, *supra* note 180.

282. Of course, multifactor tests, such as likelihood of confusion in trademark law, can acquire their own formalism over time. See Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1590–92 (2006). However, courts have not been shy about adapting the standard tests where the special circumstances of a case render the multifactor test unhelpful. See Dinwoodie & Janis, *supra* note 38, at 1709 n.32.



effectuating First Amendment values.<sup>283</sup> However, we would rather effectuate those values by explicitly incorporating other thresholds linked to the purpose of dilution (e.g., protecting unique marks), substantive constraints on the meaning of the dilution (assuming we secure a better conceptual grasp of the harm caused by dilution), or defenses that transparently and explicitly require courts to take into account the policy values (e.g., the benefit of free speech, news reporting) that are potentially at issue when dilution claims are asserted.

Current trademark adjudication is insufficiently transparent. One of the primary causes of that problem is that courts often dress up legitimate policy objectives, such as the pursuit of certainty or ensuring fair competition, in formalistic language that immunizes the conclusion (and hence the underlying policy objective) from scrutiny and testing. Indeed, the language of consumer association and consumer confusion, which we insist must retain its primacy in trademark law, is the most common vehicle for such unhelpful habits.<sup>284</sup> But trademark use is another such vehicle and one that is clearly gaining in popularity. The policy basis for the application of the trademark use theory often rests upon a priori assumptions about consumer understanding.<sup>285</sup> Scholars assert, in the face of ambiguous empirical evidence, that non-trademark use cannot give rise to confusion. This error is redolent of an unfortunate tendency to create new doctrines on the basis of untested empirical assertions about consumer behavior more generally.<sup>286</sup> This tendency, rather than obviating the need for analysis of confusion, simply dresses up an a priori conclusion about confusion with a label that evinces objective pretensions. It reveals the trademark use theory to be a vehicle for apparent reactive lawmaking without forcing courts either to make the factual determinations central to a reactive approach or to defend the policy basis for an alternative proactive prescription.

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283. See *Dilution Hearing*, *supra* note 8. The final version of the bill pursued this goal rather inartfully, raising some doubt about whether the trademark use requirement was indeed introduced as an element of the dilution cause of action. See generally Dinwoodie & Janis, *supra* note 9.

284. See Dinwoodie, *Social Norms*, *supra* note 29, at 12.

285. See Barrett, *supra* note 3, at 430; see also Rothman, *supra* note 175, at 108. Dogan and Lemley do also ground their version of the theory in the pragmatic capacity of search engines to monitor uses and the undeniable assertion that trademark rights do not protect against all uses of the mark. However, their justification for allowing contextual advertising under the rubric of trademark use also contains a priori conclusions about the invariable effect of contextual advertising on consumers' search costs. See Dogan & Lemley, *supra* note 3, at 812 (dismissing as "rather silly" a theory of confusion based upon "whether the advertiser is likely to confuse consumers by placing its ad next to the search results generated by the trademark as search term"); cf. *id.* at 784 ("Search technologies, as well as consumer practices and expectations, are constantly evolving in a way that makes it impossible to assess the existence and the costs of consumer confusion.").

286. This tendency is typified by the jurisprudence of Justice Scalia. See Dinwoodie, *Rehnquist*, *supra* note 29, at 196–97, 203 (discussing *Wal-Mart* and *Dastar*).

Consider two examples. Courts frequently justify parodies of trademarks on the ground that consumers would not be confused by the defendant's parodic use.<sup>287</sup> In such cases, courts often refer to free speech concerns that might counsel in favor of the defendant's speech not being enjoined, but the conclusion of a court rarely depends upon free speech values trumping concerns about confusion. Yet *some* parodies *are* less likely to confuse consumers, suggesting a lesser need to be concerned about the affirmative goals of trademark law. And *some* parodies might be less justified by our principles of free speech than others, thus warranting lesser solicitude to effectuate those values. But those calculations cannot be made simply by calling the activity parody (say, as opposed to satire), and the relevant policy considerations that guide courts cannot fully be assessed by characterizing the entire use by defendant as protected speech. Does satire deserve less protection than parody, for example, as is the case in copyright law? We think it is hard to set a definitive rule. Yet, certainty—the goal claimed for trademark use theory—will in fact be enhanced by identifying the aspects of a defendant's parody or satire that prompted a court to find infringement or otherwise.

Likewise, to return to the topic of contextual advertising that drives much of this debate, as discussed above, we are persuaded that there may be good reasons to treat differently the different techniques by which producers bring their webpage to the attention of web users.<sup>288</sup> Meta-tagging arguably has social effects that are different from those caused by sponsored links, which are different, in turn, from those generated by pop-up ads, which are different again (perhaps) from those that will be induced by the further development of what might be the next phenomenon in online searching, namely, social bookmarking.<sup>289</sup> Our intuitions on this point are informed by senses of commercial ethics, as well as privacy values and, of course, the likely effects on consumer confusion. But, if trademark use is the theory that structures trademark law, none of those values will form part of the discussion of trademark liability when a court is confronted with whether the next form of online promotion gives rise to liability under the Lanham Act.

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287. See, e.g., *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1488 (10th Cir. 1987); see also Gary Myers, *Trademark Parody: Lessons from the Copyright Decision in Campbell v. Acuff-Rose Music, Inc.*, 59 LAW. & CONTEMP. PROBS., Spring 1996, at 181.

288. See *supra* note 166.

289. See Mark Daoust, *Social Bookmarking for Traffic*, SITE PRO NEWS, Mar. 22, 2006, <http://www.sitepronews.com/archives/2006/mar/22.html> (describing Yahoo's ceding of search engine market to Google but looking for new market built around social bookmarking); see also del.icio.us social bookmarking, <http://del.icio.us/> (last visited July 4, 2007) (offering social bookmarking services).

## IV. REFLECTIONS ON CONTEXTUALISM IN TRADEMARK LAW

For all the reasons articulated in Part III, we reject the trademark use theory. It is at once too amenable to degeneration in order to provide adequate certainty and too blunt to cope with the exigencies presented by the range of trademark disputes that are litigated under the Lanham Act. We prefer a contextual approach that would operate on two essential principles. First, indiscriminate immunity based on a formal notion of trademark use should not undermine confusion as the lodestar of trademark liability. Confusion should remain a central factor in assessing the context in which consumers experience marks.<sup>290</sup>

Second, courts should continue developing defenses and limitations on trademark rights by articulating and weighing competing rationales (e.g., free speech, the value of comparative advertising, the need to avoid anticompetitive effects) that should prevail notwithstanding some levels of confusion.<sup>291</sup> And the Supreme Court's explicit endorsement of that proposition in *KP Permanent* should, we hope, embolden courts to continue in that task. This component of our approach is important. Traditionally, courts in trademark cases seem to have found it easiest to engage the law proactively through developing defenses and limiting doctrines.<sup>292</sup> Confusion assessments may have a larger reactive element, and sole reliance on confusion as the tool for calibrating rights would put at risk the law's ability to evolve progressively.<sup>293</sup> Accordingly, when we speak of a contextual approach, it is one that contemplates autonomous defenses, not one in which every inquiry is subsumed under confusion analysis.

The debate over trademark use—and our proposal for an alternative, contextualist approach—has the greatest immediate significance in the context of online contextual advertising, particularly in pending litigation involving Google in a number of countries (including the United States).<sup>294</sup> Under a trademark use theory, search engines, such as Google, that use others' trademarks in the sale of targeted advertising would receive immunity from trademark infringement merely by characterizing their uses

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290. Indeed, the court in *GEICO v. Google, Inc.* adopted precisely that approach, holding the search engine potentially liable but ultimately granting judgment for the defendants because of a lack of likely confusion. See *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 704 (E.D. Va. 2004).

291. That balancing of objectives might be performed either in determining actionable levels and types of confusion or in developing defenses. Courts engaged in confusion analysis have always implicitly made such calculations, although too often without acknowledging that choices are being made. One finds more frequent reference to competing concerns in decisions of courts applying and developing defenses to trademark claims, but even there, courts too often wrap up their conclusion in the more comfortable language of confusion. See Dinwoodie, *Social Norms*, *supra* note 29, at 15.

292. See generally *id.* (exploring proactive engagement).

293. See *id.* at 6–9.

294. See *supra* notes 10–12.

of marks as something other than use as a mark. By foreclosing trademark law from playing any role in the regulation of contextual advertising results generated by search engines, regardless of effects on consumers, the trademark use theory evinces a confidence in unrestrained market behavior that we find troubling.<sup>295</sup> Under our approach, courts would typically analyze both the manner in which search engines sold advertising and the manner in which they presented search results to consumers. In the usual case, courts would be free to balance the extent of any likely confusion against countervailing values and, in light of that balance, would consider whether to apply one of any number of defenses.

It should be clear that our approach would not lead invariably to trademark infringement liability for all sales of keywords tied to trademarks. Our approach recognizes and accommodates not only the social costs of confusion but also the potential gains of third-party use of marks (even if there are *some* countervailing confusion costs) and the importance of affording some latitude to new innovators in the early stages of product development.<sup>296</sup> Because of its inherent flexibility, a contextual approach is well-suited to account for both the information benefits and the information costs of search engines.<sup>297</sup>

Some may perceive our approach as expressing a preference for standards over rules. While we think the dichotomy is a bit too stark as applied here, our contextual approach should provide some of the benefits typically associated with standards. In particular, it should preserve the possibility of legal evolution as consumer attitudes, advertising techniques, and relevant technologies evolve. At the same time, it is surely true that our approach is subject to one drawback that is characteristic of standards-based approaches: it achieves flexibility at the cost of trading away some certainty, and it therefore has the potential to chill some valuable social and commercial activity.<sup>298</sup> In the context of the search engine industry, where forms of consumer searching, search technologies, and resultant consumer

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295. See *supra* Part III for detailed prescriptive arguments.

296. See Dinwoodie, Social Norms, *supra* note 29, at 24 (arguing for trademark law to take this into account).

297. We are not suggesting that confusion analysis be used as a pretext for compelling search engines to tailor search results optimally for each individual search. That is not our approach but is rather a *reductio ad absurdum* of it. Traditional confusion analysis does not countenance such micro-regulation, whether applied to offline or online consumer transactions. See Graeme B. Dinwoodie, *What Linguistics Can Do For Trademark Law*, in TRADE MARKS AND BRANDS: AN INTERDISCIPLINARY CRITIQUE (Lionel Bently, Jennifer Davis & Jane Ginsburg, eds.) (forthcoming 2007).

298. Of course, as we demonstrated above, we may be trading away very little certainty given the doctrinal ambiguities surrounding use as a mark.

understandings are evolving rapidly, the need for certainty may be particularly acute.<sup>299</sup>

But throwing out standards altogether in favor of rule-bound law—the modus operandi of trademark use theory—is too crude a response. A more refined solution would preserve the flexibility of the standards-based approach while developing mechanisms to hedge against its uncertainties in particularly sensitive cases. This suggestion is by no means unprecedented. For example, in copyright law, Congress recognized that Internet service providers should not bear the cost of individual monitoring of user activity involving unauthorized copyrighted works, and so provided them with conditional immunity from infringement liability through a safe harbor provision, section 512 of the Copyright Act.<sup>300</sup> Likewise in trademark law, it may make sense to interpose a limited safe harbor for some actors, in some contexts, in order to mediate between uncertain standards and inflexible rules. In the particular case of search engines, it may be appropriate for Congress to establish a safe harbor that immunizes responsible intermediaries who present information in a nonconfusing and transparent fashion from incurring trademark liability.

Section 512 has many detractors, some of whom appropriately lament the provision's formidable detail and the intensely contested political battle from which it emerged.<sup>301</sup> But we regard it as a plausible conceptual model on which one could construct a limited safe harbor in trademark law. Molly Van Houweling's recent research, while acknowledging that the copyright safe harbor has not succeeded in optimizing social gains, provides some design criteria that may lead to the formulation of more effective safe harbors.<sup>302</sup>

Van Houweling recommends that safe harbors be designed to minimize the risk that positive externalities will be lost as a result of overcompliance.<sup>303</sup> Overcompliance can occur when actors who would have tested the limits of permissible behavior in the absence of the safe harbor are enticed by the safe harbor's promise of immunity. When limit-testers constrain their behavior in pursuit of immunity, there may be a consequent loss of socially beneficial activity.<sup>304</sup> Applied to trademark law, this social loss could take the

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299. Standards-based approaches are thought to develop certainty over time through the accretion of case law, but this process may not unfold neatly in a rapidly changing environment. See generally Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 557 (1992).

300. See Graeme B. Dinwoodie, *Private Ordering and the Creation of International Copyright Norms: The Role of Public Structuring*, 160 J. INST. & THEORETICAL ECON. 161, 170–74 (2004).

301. See *id.*

302. See Molly Van Houweling, *Safe Harbors in Copyright Law* (July 31, 2006) (unpublished manuscript, on file with the authors).

303. See *id.* at 13–17.

304. See *id.* at 11–13. This assumes that the safe harbor is set to provide reassurance for conduct that falls somewhere between what a risk-averse actor might do absent immunity and what a limit-testing actor might do. The effect of establishing this level of immunity is that it can

form of higher search costs, as search engines and other intermediaries are chilled from innovating and fail to realize their full potential to organize information efficiently for consumers.

Van Houweling's solution for copyright safe harbors is to design safe harbors more generously but to extract collateral concessions from beneficiaries that further the policies of the relevant legal regime.<sup>305</sup> We think that the solution is likely to translate well to trademark law, in the context of a trademark infringement safe harbor for search engines. That is, instead of establishing the safe harbor to immunize behavior that falls somewhere between the behavior of a limit-tester (like, say, Google) and that of a more risk-averse search engine (like, say, Yahoo!),<sup>306</sup> we would offer a safe harbor of broader scope but impose various conditions on search engines as a prerequisite to invoking immunity.<sup>307</sup> For example, search engines might be required to present disclaimers on search results pages,<sup>308</sup> to disclose information about search methodology,<sup>309</sup> to differentiate clearly

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often be interpreted as establishing a limit on permissible behavior, causing a loss of potentially positive uses.

305. See *id.* at 1 (“An alternative type of safe harbor would condition rule-like treatment not on especially conservative use of copyright works, but instead on other, affirmative steps that contribute to the copyright system as a whole.”). For example, a party that facilitates the distribution of unauthorized copyrighted works might be immunized from copyright infringement liability under certain circumstances in accord with a limited safe harbor provision but might be required to ensure that the unauthorized copies bear proper attribution to the author of the copyrighted work. *Id.* at 14. Attribution, while not a core concern of copyright policy, would nonetheless be likely to contribute to the furtherance of the overarching goals of the copyright system.

306. Yahoo! recently changed its policy to stop the sale of advertising keyed to trademarks. See Kevin Newcomb, *Yahoo! Modifies Trademark Keyword Policy*, CLICKZ NEWS, Feb 24, 2006, <http://www.clickz.com/showPage.html?page=3587316>.

307. We recognize that some of these conditions may extract from search engines affirmative contributions to optimize search costs that exceed the bounds of typical trademark policy. But this is appropriate given the more generous immunity that is being offered as a *quid pro quo*. See Van Houweling, *supra* note 302, at 13.

308. Google has demonstrated a willingness to make prominent declarations regarding sponsorship and connection on its webpage as part of the Google Book Project. See Pasquale, *Externalities*, *supra* note 147, at 19 n.54 (quoting Google's webpage explanation: “These links aren't paid for by those sites, nor does Google or any library benefit if you buy something from one of these retailers.”); Pasquale, *Rankings*, *supra* note 147, at 121–22 (discussing how Google dealt with search results that it perceived as anti-semitic).

309. See Inrona & Nissenbaum, *supra* note 182, at 32 (advocating disclosure of algorithms). Search engines are beginning to do so. See Pasquale, *Rankings*, *supra* note 147, at 118 (noting Google's practices). Of course, a very generalized disclosure about methodology is unlikely to be carefully read by web users and unlikely to enlighten. Like the early forms of disclosures on securities prospectuses, they might initially generate some enhanced legitimacy for the search engines, but they will not alter users' conduct unless they are seen as something more than boilerplate. This might suggest that the level of detail supplied in order to be effective would be so detailed that it could come to resemble a regulation issued by a governmental agency such as the Food and Drug Administration or the Federal Trade Commission. This raises a question for

between organic and sponsored search results, or when put on notice of allegedly infringing activity, to de-index the infringing webpage.<sup>310</sup> The goal is to develop conditions that oblige search engines to present information accurately and transparently, without imposing costs so high as to thwart innovation or implicate other social objectives such as privacy.<sup>311</sup>

If such a safe harbor for search engines or other types of intermediaries were established, it might serve as a useful rule-based adjunct to an otherwise standards-driven, contextual analysis for trademark liability. But we would not expect all search engines to structure their business models so as to bring themselves within the safe harbor. Nor would we particularly encourage it. Intermediaries that wished to pursue a business model based on less information to consumers about their methodology could either operate without any use of trademarks (in the mold of risk-averse actors) or test the limits of traditional doctrine by litigating questions of confusion. Consumers could choose among competing search engines. The market would determine the relative success of different models.

Over time, we would expect our approach to further the efficiency of search engines as search costs reducers by ensuring proper differentiation of paid and unpaid results. And the possibility of litigation under traditional trademark principles would preserve the public good aspect of trademark litigation as a generator of norms that provide incremental certainty for market actors. But the mix of options might also educate web users about the search capacities and biases of different search results and search engines. Such a result would counter the potentially path-dependent nature of confusion-based claims that embed notions of uninformed consumers as

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us: would the terms of disclosure best be effectuated through regulations of the Trademark Office, which are easier to revise, than through the entire legislative apparatus of Congress?

310. *Cf.* 17 U.S.C. § 512 (2000) (setting out a series of “notice and takedown” procedures for online materials that allegedly infringe copyright).

311. We recognize that the project of articulating appropriate conditions is an ambitious one that runs squarely into our concerns about crafting rules prematurely in a volatile socio-technological environment. *See supra* text accompanying note 28. We also recognize that some of the conditions that we have described as potentially triggering safe harbor immunity are conditions that typify a lack of likely confusion. Some might object that a safe harbor has little significance if it only restates the conditions of non-liability. Why would an infringement defendant ever invoke the safe harbor (or comply with its conditions) if the defendant could merely assert non-infringement? The answer, ironically, lies in the certainty and cost concerns that drive the trademark use theory. To achieve immunity through litigation is costly, and the adequacy of the confusion-dispelling measures will be determined *ex post*. The safe harbor confers immunity *ex ante* and without the cost of litigation. Thus, we might go so far as to say that there is value to a safe harbor even if the safe harbor conditions do no more than map the conditions of non-liability under the general standard. But we take seriously the point that crafting the scope of any safe harbor will require considerable thought. In particular, we would stress an important design feature identified by Van Houweling, namely, the grant of more generous immunity to the beneficiary in return for collateral concessions that further the broader goals of unfair competition law.

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the norm in assessing the appropriate degree of paternalism for trademark law in this area.<sup>312</sup>

The conditions that we impose would seek to increase the transparency of the search process, ensuring that consumers will become better informed, making the search results more reliable, and reducing search costs. This is consistent with the core purposes of trademark law. It might also enhance broader values of commercial ethics that inform unfair competition law.<sup>313</sup>

## CONCLUSION

The trademark use theory is flawed. It lacks a firm foundation in existing law, and it would be counterproductive if adopted as a meta-principle for future trademark law and policy. Trademark use theory cannot be justified on a search costs rationale, and it will not provide the certainty its proponents promise. By ignoring the multivalence of trademark law, the theory threatens to undermine transparent trademark decisionmaking. Instead, trademark law should retain its traditional preference for contextualism and should place assessments of confusion over supposedly deterministic characterizations of use. Individualized assessments of marks in their commercial milieu will permit trademark law to better police new information markets, perhaps in tandem with statutory safe harbors for new-technology intermediaries such as search engines.

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312. See Dinwoodie, *Social Norms*, *supra* note 29, at 30. Educating consumers about the meaning of search results has not been hugely successful to date. See PEW INTERNET & AMERICAN LIFE PROJECT, *supra* note 173 (discussing Pew study).

313. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415–16 (1916).