TRADEMARKS AND CONSUMER SEARCH COSTS ON THE INTERNET

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ABSTRACT

In theory, trademarks serve as information tools by conveying product information through convenient, identifiable symbols. In practice, however, trademarks have increasingly been used to obstruct the flow of information about competing products and services. In the online context, in particular, some courts have recently allowed trademark holders to block uses of their marks that would never have raised an eyebrow in a brick-and-mortar setting—uses that increase, rather than diminish, the flow of truthful, relevant information to consumers. These courts have stretched trademark doctrine in more than one dimension, both by expanding the concept of actionable “confusion” and by broadening the classes of people who can face legal responsibility for that confusion. And they have based their decisions not on the normative goals of trademark law, but on unexplored instincts and tenuous presumptions about consumer expectations and practices on the Internet. We argue that this expansionist trend in Internet trademark cases threatens to undermine a central goal of the Lanham Act—to promote fair and robust competition through reducing consumer search costs.

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I. INTRODUCTION

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

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1. See Ty Inc. v. Perryman, 306 F.3d 509, 510 (7th Cir. 2002) (“The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of the particular source of particular goods.”).
2. See id. (explaining how trademarks contribute to consumer savvy and affect market choices).
use a mark in connection with goods or services to infringe, the insistence on likelihood of confusion, and the exemption for truthful comparative advertising—arose in part from attempts to make trademark law serve, rather than impede, the free flow of nondeceptive information.

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

3. See 15 U.S.C. §§ 1114(1), 1125(a)(1) (2000) (limiting causes of action for trademark infringement to uses “in connection with” the sale or offering of goods or services “in commerce”); DaimlerChrysler AG v. Bloom, 315 F.3d 932, 936, 939 (8th Cir. 2003) (concluding that use of telephone number that translated into 1-800-MERCEDES did not constitute “use” of the mark for purposes of the Lanham Act when defendant “only licensed the phone number but did not advertise or promote Mercedes' protected marks”); L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26, 32–34 (1st Cir. 1987) (rejecting state antidiulotion claim against publisher that produced a parody of an L.L. Bean ad because the publisher “did not use Bean’s mark to identify or promote goods or services to consumers”). Refer also to note 11 infra (comparing courts’ differing applications of the “use” requirement in the Internet context).

4. See 15 U.S.C. §§ 1114(1), 1125(a). Refer also to notes 36–38 infra and accompanying text (explaining the elements that support a claim of likelihood of confusion).

5. See 15 U.S.C. § 1115(b)(4) (permitting the good faith use of “descriptive” terms as a defense to a trademark infringement claim); Smith v. Chanel, Inc., 402 F.2d 562, 569 (9th Cir. 1968) (holding that “in the absence of misrepresentation or confusion as to source or sponsorship a seller in promoting his own goods may use the trademark of another to identify the latter’s goods”). Refer to notes 66–76 infra and accompanying text (explaining when comparative advertising is acceptable).

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

7. Refer to notes 10–11 infra and accompanying text (discussing two cases that expanded liability).

8. See 15 U.S.C. §§ 1114, 1125. Refer also to notes 77–80 infra and accompanying text (outlining the erosion of the substantive requirements under traditional trademark law).
engaging in trademark infringement.” But a handful of courts have lately dispensed with these limiting rules and endorsed liability against parties that neither used the trademark as a brand for their own products, nor satisfied the rigorous standard for contributory liability. In particular, two recent decisions held that Internet intermediaries could face liability for using trademarks to help advertisers identify consumers interested in the trademark holder’s products. These decisions—Playboy Enterprises, Inc. v. Netscape Communications Corp.10 and 1-800 Contacts, Inc. v. WhenU.com11—either created a new, broader species of contributory trademark infringement, or applied the doctrine of direct infringement by broadening the meaning of trademark “use” to include parties that did not even arguably offer their own products or services under the mark. Either way, these courts broke new and troubling ground.

Compounding the effects of this first expansion, courts have increasingly shifted the focus of infringement analysis away from consumer confusion and toward a more generalized inquiry into whether a challenged use diverts attention away from the trademark holder. “Initial interest confusion,” which historically referred to a form of consumer confusion that occurred before the point of sale,12 has morphed into a standalone doctrine whose criteria bear little relationship to a traditional likelihood of confusion claim. Some courts have used the initial interest confusion doctrine to justify claims against virtually any use that temporarily diverts customers to a website not authorized by the trademark holder, regardless of whether the diversion resulted

10. 354 F.3d 1020 (9th Cir. 2004) (holding that Internet search engine could face liability for allowing advertisers to use trademarks as “keywords” that, if entered by Internet users, would generate ads not authorized by the trademark holder).
12. 3 J. THOMAS McCARTHY, McCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:6 (4th ed. 1997) (stating that “infringement can be based upon confusion that creates initial customer interest, even though no actual sale is finally completed as a result of the confusion”).
from confusion or harmed consumer interests in any way. The courts' adoption of the "initial interest confusion" doctrine as a replacement for proof of likelihood of confusion, along with a related conclusion that consumer frustration can cause dilution of a famous mark, has allowed trademark holders to enjoin competitors from using marks in metatags, domain names, or other contexts that might conceivably result in a consumer mistakenly reaching a website not authorized by the trademark holder. Whether or not one agrees with the outcome of these decisions, they undoubtedly chart new territory in trademark law and expand the kinds of trademark usage that can subject a defendant to an infringement claim. And although the initial interest confusion doctrine at first only involved competitors who were clearly attempting to confuse consumers into reaching the wrong sites, over time the doctrine has been invoked to prevent noncompetitive uses as well as uses that appeared more likely to enlighten than to confuse.

13. See Brookfield Communications, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1062 (9th Cir. 1999) (allowing cause of action when, "[a]lthough there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using 'moviebuff.com' or 'MovieBuff' to divert people looking for 'MovieBuff' to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark").

14. See Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1327 (9th Cir. 1998) (concluding that registration of a famous mark as a domain name causes dilution because "potential customers . . . will be discouraged if they cannot find [the trademark holder's] web page" by typing FamousMark.com). This rationale, at least in the absence of any evidence of an actual effect on the trademark's selling power, may be suspect after Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 432–34 (2003), which held that the Federal Trademark Dilution Act requires proof of actual (rather than likely) dilution of a famous mark.

15. Refer to notes 166–86 infra and accompanying text (discussing courts' expansion of the initial interest doctrine).

16. See Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 296–98 (3d Cir. 2001) (finding that one of the more important factors in establishing an initial interest confusion claim is that the parties are direct competitors). Indeed, courts acknowledged that even competitors might sometimes have a legitimate reason to use the trademark on their sites and related descriptors. See, e.g., Playboy Enters., Inc. v. Welles, 279 F.3d 796, 802–04 (9th Cir. 2002) (holding that the use of trademarks in a website's metatags is appropriate when the site refers to trademark in a nominative way and when the metatags accurately reflect the content of the site).

17. See, e.g., Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1024–26 (9th Cir. 2004) (applying the initial interest confusion doctrine to Internet keywords including trademarked terms that could lead users to sites not authorized by the trademark holder); Promatek Indus., Ltd. v. Equitrac Corp., 300 F.3d 808, 812–13 (7th Cir. 2002) (concluding that a Lanham Act violation occurs even though consumer confusion as to the identity of a mark is dispelled before the sale is consummated). Even as initially articulated, the Ninth Circuit described initial interest confusion broadly enough to encompass attention-grabbing efforts: "Initial interest confusion occurs when the defendant uses the plaintiff's trademark 'in a manner calculated 'to capture initial consumer attention, even though no actual sale is finally completed as a result of the
We argue that, cumulatively, these two axes of trademark expansion pose a grave danger to the law’s information-facilitating goals. The extension of trademark law to search engines, directories, and other parties that use marks as classification tools poses a grave threat to speech and to the dissemination of truthful information. By suggesting that Internet intermediaries have a responsibility to police the content of their advertisers and a duty to avoid the use of marks as keywords to identify logically related products, Playboy and its progeny threaten to chill a vast sector of informative speech, particularly (but not solely) in the Internet context. This chilling effect occurs both directly—by restricting the dissemination of truthful comparative advertising—and indirectly—by eliminating the primary source of revenue that has supported the development of sophisticated and accurate search engine technology.

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

Each of these decisions distending trademark law rested at

least partly on an instinct that the law should prevent parties from profiting from the use of another party's mark. In analyzing Netscape’s good faith in Playboy, for example, the Ninth Circuit emphasized that Netscape had profited when its advertisers used Playboy’s trademarks to call attention to their competing products. The court’s overall analysis implied that there was something unsavory about benefiting financially from the goodwill of an established trademark. But “unfair competition” is not redundant. This unjust enrichment instinct runs counter to the core values of trademark law, which make the value of fair competition paramount. If carried to its logical extreme, this instinct would argue in favor of a property right in gross for trademark holders—something the courts have vigorously resisted in the past.

18. The 1-800 Contacts decision may also have rested on a felt sense that pop-up ads are a nuisance akin to spam. See Kristen M. Beystehner, See Ya Later, Gator: Assessing Whether Placing Pop-Up Advertisements on Another Company’s Website Violates Trademark Law, 11 J. INTELL. PROP. L. 87, 87, 110–15 (2003) (criticizing pop-up ads as “guerilla marketing tactics” and arguing that they should be actionable). But see Peter Randall, Will Copyright Eat Gator? The Conflict Between Copyright, the Computer Desktop, and Customization of the Internet Experience, 2003 U. ILL. J.L., TECH. & POL’Y 259, 259–64 (defending pop-up ads as an instance of user customization).

19. See Playboy Enters., 354 F.3d at 1028–29 (noting that search engines profit from click-through ads that sometimes result from confusion); see also Brookfield Communications, 174 F.3d at 1066–67 (upholding claim against competitor who used trademark in metatags, because “[a]lthough there is no source confusion in the sense that consumers know [whom] they are patronizing[,] . . . there is nevertheless initial interest confusion in the sense that, by using ‘moviebuff.com’ or ‘MovieBuff’ to divert people looking for ‘MovieBuff’ to its web site, [the defendant] improperly benefits from the goodwill that [the plaintiff] developed in its mark”).

20. See Scott Fetzer Co. v. House of Vacuums Inc., No. 03-51118, 2004 WL 1810243 (5th Cir. Aug. 12, 2004) (“Mr. Farmer admitted that he intended to attract the attention of customers interested in purchasing or repairing Kirby vacuum cleaners. . . . Intent to compete, however, is not tantamount to intent to confuse.”); Duraco Prods., Inc. v. Joy Plastic Enters., Ltd., 40 F.3d 1431, 1445 (3d Cir. 1994) (distinguishing “robust competition” from “unfair competition” in that the latter involves deception).


22. See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 455–56 (4th Cir. 1999) (rejecting “radical” dilution theories that “would create property rights in gross” in trademarks); Ralph S. Brown, Jr., Advertising and the Public Interest: Legal Protection of Trade Symbols, 57 YALE L.J. 1165, 1199–1201 (1948) (approving of the limited reach of trademark law to protect holders’ interests in trade symbols); Mark A. Lemley, The Modern Lanham Act and the Death of Common Sense, 108 YALE L.J. 1687, 1714 (1999) [hereinafter Lemley, Modern Lanham Act] (arguing that courts should oppose the expansion of trademark protections beyond limited cases of true confusion or dilution); Glynn S. Lunney, Jr., Trademark Monopolies,
Admittedly, the courts have no easy task in deciding whether certain behavior on the Internet is likely to confuse consumers. Search technologies, as well as consumer practices and expectations, are constantly evolving in a way that makes it impossible to assess the existence and the costs of consumer confusion. But courts in these cases must keep in mind that they are more than enforcers of existing norms—they are norm creators, in the sense that the rules they develop will determine practices on the Web and whether the Internet realizes its potential as a vast clearinghouse of information and content. If the courts create norms that prohibit search engines from “using” trademarks in any way that might bring financial benefit to the trademark holder’s competitor, to a noncompeting business, or to themselves, they will have disserved the informational objectives of the Lanham Act by turning trademarks into vehicles for suppressing information.

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

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


24. See Graeme Dinwoodie, Trademarks and Territory: Detaching Trademark Law from the Nation-State, 41 HOUS. L. REV. 885, 889–90 (2004) (discussing the proactive versus reactive nature of trademark law). The norms-creator role is particularly important in the fast-changing context of the Internet, in which both technology and user expectations are in rapid flux. Because of the absence of settled expectations, courts have a real opportunity to shape consumer expectations about Internet rights and practices at very little cost.
of information in the marketplace. We begin with the trend toward liability against parties who have not themselves “used” trademarks in the traditional branding sense. We contend that these cases will inevitably chill the behavior of publishers, search engines, and other intermediaries whose information-facilitating services implicate the use of all kinds of words, including trademarks. This chilling effect is only compounded by the indeterminacy of trademark analysis in an “initial interest confusion” era. The absence of normative guidelines in initial interest confusion cases, coupled with courts’ increased reliance on an unjust enrichment rationale, make predicting whether a court would condone or condemn a particular use of a trademark on the Internet tricky at best. At worst, these developments suggest that parties now risk liability by using trademarks in truthful, information-enhancing ways. The combined effect of these developments could well be to make consumer searches more difficult on the Internet than in the offline context.

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

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

II. TRADEMARKS AND INFORMATION

A. Economic Theory—Trademarks and Search Costs

Most people think of trademark law in terms of what it forbids: the use of another party’s trademark, or something resembling it, in a way that will cause confusion among consumers in the marketplace. Courts commonly describe the goal of trademark law as avoiding consumer confusion, which has the corollary effect of preventing the appropriation of a producer’s goodwill.25 Both consumers and producers, these courts point out, benefit from having access to truthful information about the source of products and services.26

In economic terms, trademarks contribute to economic efficiency by reducing consumer search costs.27 Rather than

25. See, e.g., Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189, 197–98 (1985) (noting that the goal of trademark protection is to protect the consumer’s ability “to distinguish among competing producers”); Ty Inc. v. Perryman, 306 F.3d 509, 510 (7th Cir. 2002) (noting that the central concern of trademark law is to provide consumers with “a concise and unequivocal identifier of the particular source of particular goods”).


having to inquire into the provenance and qualities of every potential purchase, consumers can look to trademarks as shorthand indicators. Because information is less expensive, consumers will demand more of it and will arguably become better informed, resulting in a more competitive market. This system works, of course, only if consumers can trust the accuracy of trademarks, and this is where the law comes in. By protecting established trademarks against confusing imitation, the law ensures a reliable vocabulary for communications between producers and consumers. Both sellers and buyers benefit from the ability to trust this vocabulary to mean what it says it means. Sellers benefit because they can invest in goodwill with the knowledge that others will not appropriate it. Consumers benefit because they don’t have to do exhaustive

*Competition Test*, 51 U. CHI. L. REV. 867, 869–70 (1984) (noting that trademark law encourages competition, which potentially decreases the cost to consumers); *see also Qualitex*, 514 U.S. at 163–64 (explaining that trademark law “reduce[s] the customer’s costs of shopping and making purchasing decisions,” and “helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product” (internal quotation marks omitted) (alteration in original)); Union Nat’l Bank of Tex., Laredo v. Union Nat’l Bank of Tex., Austin, 909 F.2d 839, 844 (5th Cir. 1990) (“The idea is that trademarks are ‘distinguishing’ features which lower consumer search costs and encourage higher quality production by discouraging free-riders.”). *Cf.* Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942) (“A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants.”).

28. See Hal R. Varian, *Microeconomic Analysis* 82 (2d ed. 1984) (describing “perfect information” as one of the characteristics of a competitive market). To some extent, the brand-based product differentiation encouraged by trademark law arguably runs in tension with the law’s information-facilitating goals. Ralph Brown famously argued that strong trademark protection has the effect of misallocating resources toward advertising, “[n]ot [of which], however, is designed not to inform, but to persuade and influence.” Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 Yale L.J. 1165, 1169 (1948) (footnote omitted). Furthermore, “[c]onsidering the economic welfare of the community as a whole, to use up part of the national product persuading people to buy product A rather than product B appears to be a waste of resources.” *Id.* Yet trademarks undeniably provide value in conveying information about products and sources. Thus, “the only sensible conclusion, and the one eventually reached, was that trademark protection can both advance and disserve the development of an efficient and desirably competitive market.” Lunney, *supra* note 22, at 370. The key was to craft rules that minimized trademarks’ anticompetitive effects. *Id.* at 371.

29. See Landes & Posner, *supra* note 27, at 270 (“If the law does not prevent it, free riding will eventually destroy the information capital embodied in a trademark, and the prospect of free riding may therefore eliminate the incentive to develop a valuable trademark in the first place.”).

30. By preserving the integrity of brands and advertising, trademark protection has a corollary effect of creating incentives to maintain high quality products. See Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. (forthcoming 2004) (manuscript at 12, on file with the Houston Law Review) (“[W]ithout the ability to distinguish one brand from another, there would be no reason for firms to create brands with more costly but higher quality characteristics.”).
research or even spend extra time looking at labels before making a purchase; they can know, based on a brand name, that a product has the features they are seeking.\textsuperscript{31} Trademark law, in other words, aims to promote rigorous, truthful competition in the marketplace by preserving the clarity of the language of trade.\textsuperscript{32}

Overly restrictive trademark law has the potential to stifle competition rather than to facilitate it. Particularly when trademark holders have economic power, giving them absolute control over uses of their marks could erect significant barriers to entry for competitors seeking to describe their own products.\textsuperscript{33} Even in less differentiated markets, strong trademark rights come at a cost because they have the potential to remove words from our language and product features from competition.\textsuperscript{34} One task of trademark law, then, is to preserve the informative role of trademarks while minimizing these downside risks.

\section*{B. Some Limiting Rules of Trademark Law and Their Search Costs Rationale}

The pro-information, procompetition goal of trademark law has several important implications for the scope of trademark protection, particularly in comparison to other areas of intellectual property law. First and most generally, trademarks are not property rights in gross, but limited entitlements to protect against uses that diminish the informative value of marks.\textsuperscript{35} Trademark law

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\item See Smith v. Chanel, Inc., 402 F.2d 562, 566 (9th Cir. 1968) ("Preservation of the trademark as a means of identifying the trademark owner's products . . . makes effective competition possible in a complex, impersonal marketplace by providing a means through which the consumer can identify products which please him and reward the producer with continued patronage. Without some such method of product identification, informed consumer choice, and hence meaningful competition in quality, could not exist.").
\item See Economides, Trademarks, supra note 27, at 602 (stating that trademarks "facilitate and enhance consumer decisions"); Kratzke, supra note 21, at 214–17 (arguing that trademarks are highly efficient means of conveying product information); Phillip Nelson, Advertising as Information, 82 J. Pol. Econ. 729, 729–31, 743–52 (1974) (arguing that the simple fact that a product is advertised conveys information about the "experience qualities" of that product); Phillip Nelson, Information and Consumer Behavior, 78 J. Pol. Econ. 311, 323–25 (1970) (comparing the advantages of national-brand versus retail advertising); George J. Stigler, The Economics of Information, 69 J. Pol. Econ. 213, 220–24 (1961) (arguing that, although imperfect, advertising is a valuable means to reduce consumer ignorance).
\item See Lunney, supra note 22, at 421 (noting that trademark protection may encourage monopolistic behavior).
\item See Rochelle Cooper Dreyfuss, Expressive Genericity: Trademarks as Language in the Pepsi Generation, 65 Notre Dame L. Rev. 397, 398–99 (1990) (noting that current jurisprudence deals poorly with the evolving significance of trademarks as a part of language).
\item See Beanstalk Group, Inc. v. AM Gen. Corp., 283 F.3d 856, 861 (7th Cir. 2002)
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thus historically limited itself to preventing uses of marks that “defraud[ed] the public” by confusing people into believing that an infringer’s goods were produced or sponsored by the trademark holder. Likelihood of confusion does not necessarily follow every time a party adopts another’s trademark; it turns on a complex analysis that considers competitive proximity, consumer sophistication, and other factors that explore whether consumers will truly presume a false association and thus taint the information marketplace. Although Congress recently added a

(stating that “a trademark is an identifier, not a freestanding piece of intellectual property; hence the rule that a trademark cannot be sold in gross, that is, without the assets that create the product that it identifies”); Marshak v. Green, 746 F.2d 927, 929 (2d Cir. 1984) (invoking the rule against assignments of trademarks in gross, which states that “[a] trade name or mark is merely a symbol of goodwill; it has no independent significance apart from the goodwill it symbolizes”). See generally ETW Corp. v. Jireh Publ’g, Inc., 332 F.3d 915, 922 (6th Cir. 2003) (differentiating between trademarks and patents because the latter confer a property right in gross rather than a limited interest). Professor Landes and Judge Posner explain that the rule against the transfer of trademarks in gross is important to prevent consumer deception during a “last-period” game, in which the company is going out of business and wishes to spend its goodwill; the long-term effect of permitting confusion of consumers in this way would be to increase aggregate search costs. See LANDES & POSNER, supra note 27, at 185–86; see also Kratzke, supra note 21, at 247–49 (offering an economic rationale for the rule “that a trademark user cannot assign the trademark in gross”); Stephen L. Carter, Comment, The Trouble With Trademark, 99 YALE L.J. 759, 786 (1990) (arguing that the prohibition on assignments in gross is consistent with trademark theory properly understood). Cf. generally Lemley, Modern Lanham Act, supra note 22 (criticizing trends in trademark law that permit transfers in gross). But see generally Allison Sell McDade, Note, Trading in Trademarks—Why the Anti-Assignment in Gross Doctrine Should Be Abolished When Trademarks Are Used as Collateral, 77 TEX. L. REV. 465 (1998) (proposing that in gross assignment rights be permitted when the assignment is offered as collateral for a loan).


37. The most significant exception to this rule may be the merchandising cases, in which some courts have allowed trademark holders to prevent use of their marks as products, rather than as indicators of the brand or source of products. See, e.g., Boston Athletic Ass’n v. Sullivan, 867 F.2d 22, 35 (1st Cir. 1989) (finding infringement in unauthorized sale of “Boston Marathon” t-shirts, reasoning that “when a manufacturer intentionally uses another’s mark as a means of establishing a link in consumers’ minds with the other’s enterprise, and directly profits from that link, there is an unmistakable aura of deception”).

The confusion or deceit requirement (of the Lanham Act) is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams’ trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act.

Boston Prof’l Hockey Ass’n v. Dallas Cap & Emblem Mfg., Inc., 510 F.2d 1004, 1012 (5th Cir. 1975) (emphasizing this added). But at least as many courts have rejected the merchandising theory, and it is likely the U.S. Supreme Court would do so as well. See Stacey L. Dogan & Mark A. Lemley, The Merchandising Right: Fragile Theory or Fait Accompli?, EMORY L.J. (forthcoming 2005) (on file with Authors); see also Lemley, Modern Lanham Act, supra note 22, at 1706–09 (criticizing the merchandising right cases).

38. See Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961) (establishing factors of likelihood of confusion between different products in the Second Circuit); see also AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 & n.11, 349 (9th Cir. 2004) TRADEMARKS AND CONSUMER SEARCH 789
federal cause of action based on the “dilution” of famous trademarks, the statute is expressly designed to focus on uses that increase consumer search costs, either by “blurring” the significance of a unique mark or by giving such a mark a negative association, and to permit uses such as commentary and comparative advertising that actually facilitate consumer search. The Supreme Court has further limited the dilution law by interpreting it to require actual injury to the source-identifying function of a famous trademark. Like the more traditional likelihood of confusion analysis, therefore, dilution—at least as properly understood—


40. Dilution of a unique mark increases consumer search costs by making consumers who once associated any mention of the trademark with its owner look further for context. See Maureen A. O’Rourke, Defining the Limits of Free-Riding in Cyberspace: Trademark Liability for Metatagging, 33 GONZ. L. REV. 277, 291–95 & n.65 (1997) [hereinafter O’Rourke, Defining the Limits] (noting the harms of dilution). If consumers hear the term “Exxon,” they think immediately of the oil company. If they hear “National” or “United,” by contrast, they need context to understand what is being referred to. The risk of blurring is precisely that unique terms will over time be relegated to context-specific terms. Id.

41. 15 U.S.C. § 1125(c)(4) (exempting comparative commercial advertising, noncommercial use, and news reporting from a claim of trademark dilution).

42. See Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 432–34 (2003) (holding that 15 U.S.C. § 1125(c)(1) “requires a showing of actual dilution, rather than a likelihood of dilution”). Whether requiring actual harm is in fact in the public interest is open to question, because the federal dilution statute generally limits remedies to prospective injunctive relief. See 15 U.S.C. § 1125(c)(2). But the Court’s instinct that the law must limit the scope of dilution is in some ways undoubtedly correct. The International Trademark Association (INTA) has proposed legislation at this writing that would change the standard to likelihood of dilution, but that would also make it more difficult to qualify for dilution protection and would expand the defenses for those whose use of a mark was actually reducing, rather than increasing, search costs. Committee Print to Amend the Federal Trademark Dilution Act: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the House Comm. on the Judiciary, 108th Cong. 5–13 (2004) (statement of Jacqueline A. Leimer, President, INTA), available at http://www.house.gov/judiciary/93227.PDF.

43. Although courts seem to understand the concept of blurring the distinctiveness of a formerly unique mark, they occasionally have more difficulty with dilution by tarnishment. In theory, tarnishment applies only where the defendant brands its own goods with the plaintiff’s mark, and where those goods are inferior in quality to or less reputable than the plaintiff’s unrelated goods. See L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26, 31 (1st Cir. 1987) (noting that “[a] trademark is tarnished when consumer capacity to associate it with the appropriate products or services has been diminished [by being] linked to products which are of shoddy quality”). For example, if a defendant sells Toyota-brand pornography, those who encounter the use may think less highly of the Toyota brand name because they subconsciously associate it with pornography, even if they understand that the car company did not itself sponsor the materials.

Courts applying the tarnishment doctrine have sometimes used it to target criticism or derogatory speech about the trademark owner, a result that finds little justification in the search costs rationale. See, e.g., Deere & Co. v. MTD Prods., Inc., 41 F.3d 39, 44–46
turns on injury to the informative value of a mark. 44

Second, trademark law rewards—and provides incentives for—investment in goodwill, but does not provide rights to all of the economic value that derives from that goodwill. Our competitive economy is based on the premise that competitors can generally appropriate ideas for products and services, as long as they are doing so in a nondeceptive way and not infringing some other exclusive right, such as copyright or patent. 45 The patent and copyright systems represent a response to the potential market failure that can result from the copying of public goods. 46 By contrast, trademark law is avowedly not designed to resolve any perceived failure in the market for

44 See Moseley, 537 U.S. at 433–34 (stating that under the FTDA, mental association with another product does “not necessarily reduce the capacity of the famous mark to identify the goods of its owner”); see also Stacey L. Dogan, An Exclusive Right to Evoke, 44 B.C. L. REV. 291, 315–16 (2003) (interpreting Moseley to limit the federal antidilution statute to uses that reduce the “singularity” of famous marks).

45 See TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 225, 239 (1994) (“Copying is not always discouraged or disfavored by the laws which preserve our competitive economy.”); Deere & Co. v. Farmhand, Inc., 560 F. Supp. 85, 98 (S.D. Iowa 1982) (“It is not only fair to imitate non-patented functional products, it is necessary to our form of economy.”). When copying unprotected product features, competitors must sometimes take extra steps to protect against consumer confusion—for example, prominently using their own trademarks in marketing the copied product. See, e.g., Kellogg Co. v. Nat’l Biscuit Co., 305 U.S. 111, 120 (1938) (“Kellogg Company was free to use the pillow-shaped form, subject only to the obligation to identify its product lest it be mistaken for that of the plaintiff.”); Fisher Stoves, Inc. v. All Nighter Stove Works, Inc., 626 F.2d 193, 195 (1st Cir. 1980) (determining that the defendant took the necessary precautions to avoid consumer confusion by clearly displaying its name and logo on the product). In this way, the courts protect the competitive marketplace while at the same time keeping search costs to a minimum. Cf. Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964). Although states “may, in appropriate circumstances, require that goods . . . be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source,” they “may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself.” Id. at 232–33.

46 In economic terms, a public good is both nonrivalrous and nonexcludable, meaning that after it has been created and released, many parties can possess it simultaneously and the original creator cannot physically exclude others from doing so. See Bruce Abramson, Promoting Innovation in the Software Industry: A First Principles Approach to Intellectual Property Reform, 8 B.U. J. SCI. & TECH. L. 75, 92 (2002). U.S. copyright and patent law rest on the notion that, absent some form of legal protection, creators will underinvest in public goods such as useful inventions, art, and music. See, e.g., Wendy J. Gordon, Asymmetric Market Failure and Prisoner’s Dilemma in Intellectual Property, 17 U. DAYTON L. REV. 853, 854–55 (1992); Wendy J. Gordon, Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors, 82 COLUM. L. REV. 1600, 1610–11 (1982).
quality products and services.\textsuperscript{47} Thus, trademark law is reluctant to provide protection for product configurations because doing so may give the trademark owner control not just over search characteristics, but also over the intrinsic value of the product itself.\textsuperscript{48} Only where the product configuration has an established meaning as a brand in the minds of consumers is it entitled to protection.\textsuperscript{49}

Trademark law’s procompetitive objectives sometimes require limitations on trademark holders’ rights, even when competitors might appear to receive a windfall as a result.\textsuperscript{50} The U.S. Supreme Court recently emphasized, for example, that even if the public associates a particular feature with its first producer, the Lanham Act does not prevent others from copying that feature if it is part of what makes the product work.\textsuperscript{51} The law may require some remedy, including clear source identification, to protect against consumer confusion and the resulting increase in search costs, but it does not allow exclusive rights to the functional product feature. In other words, when market access and competition run in tension with the trademark holder’s interests in protecting its product-associated goodwill, the competitive interests trump.\textsuperscript{52}

Many venerable doctrines of trademark law reflect these general guiding principles. The genericness doctrine, for example, prevents a party from claiming rights to a term “that

\textsuperscript{47} See TrafFix Devices, 532 U.S. at 29 (noting that certain types of copying, such as reverse engineering, are fundamental to the workings of our competitive economy).


\textsuperscript{49} Id. at 212.

\textsuperscript{50} See Kellogg Co., 305 U.S. at 122 (stating that Kellogg Company’s sharing in the goodwill of the unprotected “Shredded Wheat” market was “not unfair”).

\textsuperscript{51} See TrafFix Devices, Inc., 532 U.S. at 34–35 (“The Lanham Act . . . does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller.”). On the contours of trademark functionality doctrine, see Mark Alan Thurmon, The Rise and Fall of Trademark Law’s Functionality Doctrine, 56 FLA. L. REV. 243 (2004); Robert C. Denicola, Freedom to Copy, 108 YALE L.J. 1661, 1670–74 (1999).

\textsuperscript{52} See Kellogg Co., 305 U.S. at 122.

Kellogg Company is undoubtedly sharing in the goodwill of the article known as ‘Shredded Wheat’; and thus is sharing in a market which was created by the skill and judgment of plaintiff’s predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested.

Id.
refers, or has come to be understood as referring, to the genus of which the particular product is a species.\textsuperscript{53} Competitors, in other words, have the right to explain what they are selling, even when their use of the generic term clearly piggybacks on the efforts of the party that first introduced the product.\textsuperscript{54} The genericness doctrine arises out of a concern for consumer search costs: Consumers will be misled if what they believe is a generic term is in fact a product sold by only one company.\textsuperscript{55} And if competitors cannot use the generic term to describe their own products, consumers will incur unnecessary expense in trying to locate the competitors’ versions. At the same time, the genericness doctrine can impose search costs on consumers, particularly when a once-famous mark such as “aspirin” or “thermos” becomes generic.\textsuperscript{56} Consumers who associate the famous mark with the company that uses it may well be confused when competitors begin using the mark as a generic term.\textsuperscript{57} The law is willing to make that sacrifice 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.\textsuperscript{58} Even so, courts

\textsuperscript{53} Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976).

\textsuperscript{54} See, e.g., Kellogg Co., 305 U.S. at 122; Abercrombie & Fitch, 537 F.2d at 9 (“[N]o matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name.”); see also J. Kohntam, Ltd. v. Louis Marx & Co., 280 F.2d 437, 440 (C.C.P.A. 1960) (denying the exclusivity of the word “matchbox” as used to describe a type of toy); cf. Gruner + Jahr USA Publ’g. v. Meredith Corp., 991 F.2d 1072, 1078 (2nd Cir. 1993) (holding that PARENTS magazine could not prevent use of the name PARENTS’ DIGEST because “registering the proper noun ‘Parents’ as a trademark scarcely can be held to have removed it from being available for use by others, or grant exclusive possession of this property right to the trademark registrant” (internal citation omitted)).

\textsuperscript{55} See Bayer Co. v. United Drug Co., 272 F. 505, 509, 510–11 (S.D.N.Y. 1921) (analyzing whether ASPIRIN had become a generic term to consumers); Landes & Posner, supra note 27, at 296; Ralph H. Folsom & Larry L. Teply, Trademarked Generic Words, 89 YALE L.J. 1323, 1337, 1342–43 (1980) (evaluating how hybrid terms would raise consumer search costs if they were granted continuing protections despite becoming generic).

\textsuperscript{56} See Bayer Co., 272 F. at 514–15; Am. Thermos Prods., Inc. v. Aladdin Indus., Inc., 207 F. Supp. 9, 14 (D. Conn. 1962).


\textsuperscript{58} See Folsom & Teply, supra note 55, at 1340–41; Landes & Posner, supra note 27, at 291–92; see also Justin Hughes, The Philosophy of Intellectual Property, 77 GEO.
sometimes take steps to protect trademark owners in this situation—for example, by establishing rules requiring competitors who adopt a generic term that was once a protectable trademark to take steps to minimize confusion with the former mark owner.\footnote{Genesee Brewing Co. v. Stroh Brewing Co., 124 F.3d 137, 150 (2d Cir. 1997) (concluding that plaintiff’s mark HONEY BROWN for its ale was generic, but defendant could still be liable if it did not use “every reasonable means to prevent confusion” in using the generic term) (quoting Kellogg Co., 305 U.S. at 121); see also, e.g., Home Builders Ass’n v. L & L Exhibition Mgmt., Inc., 226 F.3d 944, 950 (8th Cir. 2000); Forchner Group, Inc. v. Arrow Trading Co., 124 F.3d 402, 408–09 (2d Cir. 1997).}

The functionality doctrine likewise prevents parties from claiming trademark rights in a product feature that “is essential to the use or purpose of the article or if it affects the cost or quality of the article.”\footnote{TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 32–33 (2001) (quoting Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 165 (1995)).} Even when consumers have come to associate a particular feature with a single seller, that feature cannot serve as a trademark if exclusive use of it would put competitors at a disadvantage.\footnote{See TrafFix Devices, 532 U.S. at 34–35 (“The Lanham Act . . . does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller.”).} The connection between the functionality doctrine and a functioning market is even more fundamental than search costs—consumers cannot choose between competing products if one manufacturer can use a law designed to facilitate an efficient market to eliminate competing products altogether. Preventing trademark owners from protecting functional aspects of their products is therefore consistent with a search costs rationale. Because, however, functional characteristics, aesthetic appeal, and source-identifying information may sometimes be lumped together in the same product—think of the Ferrari\footnote{See Esercizio v. Roberts, 944 F.2d 1235, 1246–47 (6th Cir. 1991) (holding that the exterior design of the Ferrari is nonfunctional).}—the functionality doctrine has the potential to increase consumer search costs in some cases.\footnote{See Peter E. Mims, Note, Promotional Goods and the Functionality Doctrine: An Economic Model of Trademarks, 63 Tex. L. Rev. 639, 659–59 (1984) (recognizing the role that the functionality doctrine plays in lowering search costs, but arguing that the doctrine of aesthetic functionality interferes with that role). For academic commentary on the functionality doctrine and the tradeoffs it embodies, see Mary Audet, Functionality Unanimously Trumps Incontestability After Trademark Law Treaty Act and Wilhelm Pudenz v. Littlefuse, Inc.: Next Replace Mismarker “Incontestable” with “Conclusive”, 40 Idea 473, 483–87 (2000); Graeme B. Dinwoodie, The Death of Ontology: A Teleological Approach to Trademark Law, 84 Iowa L. Rev. 611, 699–701 (1999); Thurmon, supra note.
secondary meaning, for example, some consumers might assume that all products with that feature come from a single source. As with generic marks, however, courts have responded to this possibility not by prohibiting use of the feature, but by requiring competitors to “use reasonable care to inform the public of the source of [their] product[s].” To the extent that the use may even then mislead some members of the public, the functionality doctrine presupposes that the harm to consumers in these cases is outweighed by the greater availability of competitive products in the first place.

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

The rule that competition and information dissemination trump trademark holder economic interests 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. Resellers of new, used, and refurbished products, for example, have a right to use trademarks to accurately identify the original source of the goods. The fact that these users advertise using the trademark is not illegal, because they have

51, at 244–53.

64. Gum, Inc. v. Gumakers of Am., Inc., 136 F.2d 957, 960 (3d Cir. 1943) (citing Kellogg Co., 305 U.S. at 120); Am. Greetings Corp. v. Dan-Dee Imps., Inc., 807 F.2d 1136, 1141 (3d Cir. 1986) (“[I]f the functional feature or combination is also found to have acquired secondary meaning, the imitator may be required to take reasonable steps to minimize the risk of source confusion.”); cf. Am. Fork & Hoe Co. v. Stampit Corp., 125 F.2d 472, 475 (6th Cir. 1942) (“[I]n order to establish even the limited right of compelling appellant to take positive steps to avoid confusion, the existence of secondary meaning must plainly appear.”).

65. See, e.g., Scott Fetzer Co. v. House of Vacuums Inc., No. 03-51118, 2004 WL 1810243 (5th Cir. Aug. 12, 2004) (permitting resale and repair shop to use the names of the brands it supplied); Nitro Leisure Prods., L.L.C. v. Acushnet Co., 341 F.3d 1356, 1364–65 (Fed. Cir. 2003) (permitting a refurbisher of used golf balls to sell them under their original brand name); Bijur Lubricating Corp. v. Decco Corp., Civ. No. 00-5157, 2004 WL 1900367, at *1, *2–*8 (D.N.J. Aug. 26, 2004) (permitting resellers of used and refurbished goods to sell their wares as used or refurbished under the original trademark); Bumble Bee Seafoods, L.L.C. v. UFS Indus., 71 U.S.P.Q.2d 1684 (S.D.N.Y. 2004) (permitting tuna-salad maker that used Bumble Bee tuna in its salad to advertise that fact).
legitimate reasons to attract the attention of those seeking the trademarked good. The result is, of course, that the second-hand dealer gets some advantage from the trademark. But... that [rule] is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer. Competitors, moreover, may use descriptive marks in their nontrademark sense to describe the features or qualities of their own products.

Perhaps most significantly in light of the recent trends in trademark law, competitors have an affirmative right to use others' trademarks to capture public attention and attempt to divert it to their own products. As long as they do not mislead people into presuming some kind of affiliation between themselves and the trademark holder, competitors may use the mark to explain that their product imitates or aspires to the qualities of the trademark holder's goods. In Saxlehner v. Wagner, the Supreme Court allowed a natural water producer to use its competitor's mark to identify the product that it was copying. Justice Holmes explained that as long as the defendants did not create confusion about the real source of their product, they were free “to tell the public what they are doing and to get whatever share they can in the popularity of the [trademarked product] by advertising that they are trying to make the same article and think that they succeed.” The Court distinguished between deceptive appropriation of goodwill and legitimate comparative advertising, concluding that by flagging

66. Scott Fetzer Co., 2004 WL 1810243, at *3 (“Independent dealers and repair shops may use a mark to advertise truthfully that they sell or repair certain branded products . . . .”); Bijur Lubricating Corp., 2004 WL 1900367, at *9–*10 (permitting the use of the trademark in metatags).
67. Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 130 (1947). In cases involving used or reconditioned products, courts require disclosure of that fact rather than preventing the seller from using the manufacturer's trademark. Id.; cf. Rolex Watch, U.S.A., Inc. v. Michel Co., 179 F.3d 704, 709–10 (9th Cir. 1999) (refusing to allow reseller to use Rolex mark when modifications to watches were so substantial that they “result[ed] in a new product”).
68. See 15 U.S.C. § 1115(b)(4) (2000) (providing a defense to infringement when a term is used “fairly and in good faith . . . to describe the goods or services of [the] party”); Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 791 (5th Cir. 1983) (describing the “fair-use” defense); see also Car-Fresher Corp. v. S.C. Johnson & Son, Inc., 70 F.3d 267, 269 (2d Cir. 1995) (“It should make no difference whether the plaintiff's mark is to be classed on the descriptive tier of the trademark ladder . . . . What matters is whether the defendant is using the protected word or image descriptively, and not as a mark.”).
69. 216 U.S. 375 (1910).
70. Id. at 379–80.
71. Id. at 380.
its product as an imitator of the original, “they are not trying to get the good will of the name, but the good will of the goods.”

Similarly, in Smith v. Chanel, Inc., the court allowed a knock-off perfume manufacturer to advertise that its perfume smelled like Chanel No. 5. The court dismissed Chanel’s argument “that protection should also be extended to the trademark’s commercially more important function of embodying consumer good will created through extensive, skillful, and costly advertising,” reasoning that “[t]he courts . . . have generally confined legal protection to the trademark’s source identification function for reasons grounded in the public policy favoring a free, competitive economy.”

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

The same rationale has led courts to allow generic manufacturers to imitate branded trade dress in a way that evokes but does not confuse. These cases, like those involving comparative advertising, emphasize that the public benefits from having fuller information about the products available in the marketplace.

72. Id. at 380–81.
73. 402 F.2d 562 (9th Cir. 1968).
74. The defendant’s advertisements included at least two references to Chanel No. 5. In one reference, the defendant challenged consumers: “We dare you to try to detect any difference between Chanel #5 (25.00) and Ta’Ron’s 2nd Chance. $7.00.” Id. at 563. The corresponding order form listed “Second Chance” with “*(Chanel #5)” just below it. Id. Accord Calvin Klein Cosmetics Corp. v. Lenox Labs., Inc., 815 F.2d 500, 503–04 (8th Cir. 1987) (upholding competitor’s use of the Calvin Klein mark OBSESSION if used in a nondeceptive, comparative manner); G.D. Searle & Co. v. Hudson Pharm. Corp., 715 F.2d 837, 842 & n.12 (3d Cir. 1983) (generic could advertise that its product was “[e]quivalent to” plaintiff’s if accompanied by a disclaimer); Upjohn Co. v. Am. Home Prods. Corp., 598 F. Supp. 550, 561 (S.D.N.Y. 1984) (permitting maker of Advil to advertise Advil’s equivalent strength to Motrin by using the MOTRIN mark).
75. Chanel, 402 F.2d at 566.
76. LANDES & POSNER, supra note 27, at 206.
77. See Am. Home Prods. Corp. v. Barr Labs., Inc., 656 F. Supp. 1058, 1068 (D.N.J. 1987) (construing New Jersey and federal trademark statutes to render unlicensed imitation “irrelevant unless confusion also is shown”); see also Conopco, Inc. v. May Dep’t Stores Co., 46 F.3d 1556, 1565 (Fed. Cir. 1994) (finding no infringement when private label retailer “packages its product in a manner to make it clear to the consumer that the product is similar to the national brand, and is intended for the same purposes”).

The resemblance between two products can alert consumers to the functional or utilitarian equivalence between them, to the fact that one product may be substituted for the other in the ultimate uses for which the products are intended. The free flow of information regarding the substitutability of products
justifies the existence of trademark protection and helps to set limits on the scope of that protection.

Two final limiting doctrines help to ensure that the trademark grant does not stifle informative speech by noncompetitors. First, to infringe, a defendant must “use[]” a mark “in commerce” “on or in connection with any goods or services.”

Courts historically insisted that trademark “use” required that the defendant market goods or services under the mark. As the Eighth Circuit recently explained, “the mark holder is generally not entitled to relief unless the defendant advertises or otherwise promotes [the actual mark] thereby causing the public to see the protected mark and associate the infringer’s goods or services with those of the mark holder.”

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.

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is valuable to individual consumers and to society collectively, and by providing it a supplier engages in fair competition based on those aspects—for example, price—in which the products differ.

Id. Not all countries protect comparative advertising to the same degree as the United States. See, e.g., Warren S. Grimes, Control of Advertising in the United States and Germany: Volkswagen Has a Better Idea, 84 HARV. L. REV. 1769, 1787 (1971) (discussing limitations on comparative advertising in Germany).

79. 15 U.S.C. § 1125(a)(1) (2000); see also id. § 1114(a)(1). The act defines “use in commerce” as “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.” 15 U.S.C. § 1127. A use qualifies as a use in commerce on goods only when

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

(B) the goods are sold or transported in commerce.

Id. For services, a use qualifies “when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.” Id.

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


82. The Federal Trademark Dilution Act requires a “commercial use in commerce of a mark or trade name,” 15 U.S.C. § 1125(c)(1), a standard that more explicitly incorporates the use requirement by applying only to “commercial speech” as that term is defined in First Amendment jurisprudence—speech that proposes a commercial transaction. H.R. REP. NO. 104-374, at 4 (1995), reprinted in 1995 U.S.C.C.A.N. 1029,
Second, and relatedly, defendants who do not themselves “use” a mark in commerce can face liability for another’s infringement only if they actively induce that infringement or knowingly help to bring it about.\textsuperscript{83} By limiting trademark claims to those who themselves use marks in a way that suggests some affiliation between themselves and the trademark holder (and to others intimately involved in their infringing activities), the law ensures that information facilitators, publishers, and others who bear only a tangential relationship to trademark infringement can go about their business without the responsibility of having to police all of the parties with whom they have commercial relations.

C. Alternatives to the Search Costs Rationale

There are other economic justifications sometimes offered for trademark law.\textsuperscript{84} Some have spoken of trademark law as promoting a “signaling” function of advertising. Others talk about the growth of national brands as facilitating the expansion of companies into different territories and product markets. Still others reason that trademarks are a form of property, and their owners are therefore entitled to a broad right to prevent others from using the marks.\textsuperscript{85} However, these alternative justifications should not distract the reader from a proper focus on search costs.

The signaling theory suggests that firms advertise because advertising signals that their goods are of higher quality, because advertising will pay for itself only with repeat business. But this theory works best if no one knows about it. If consumers actually treat advertising as a signal of quality, makers of low-quality goods have an incentive to deceive those consumers by

\textsuperscript{83} See Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 853–54 (1982) (concluding that manufacturers and distributors are liable for harm resulting from their intentional inducement of another to engage in trademark infringement).

\textsuperscript{84} Noneconomic justifications for trademark law are rare, and we do not consider them here. For one example, see Barton Beebe, The Semiotic Analysis of Trademark Law, 51 UCLA L. REV. 621 (2004) (presenting a noneconomic analysis of trademark law using the theory of semiotics). See generally Bone, supra note 30 (summarizing and rejecting various noneconomic justifications for trademark law).

\textsuperscript{85} See Lemley, Modern Lanham Act, supra note 22, at 1690–91 & nn. 12–16 (discussing other economic justifications for trademark law, including the “signaling” theory and “the role of trademarks in allowing the growth of complex, long-term organizations spread over a wide geographic area”).

1031; see also Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 905–06 (9th Cir. 2002), cert. denied, 537 U.S. 1171 (2003) (explaining that “noncommercial use” under the Federal Trademark Dilution Act “refers to a use that consists entirely of noncommercial, or fully constitutionally protected, speech”).
advertising their goods, leading consumers to believe mistakenly that they are of high quality. Signaling theory is therefore self-limiting. It can only work where the expenditure on advertising is so great that it cannot be recouped by initial purchases, only by repeat business, and where the public recognizes it as such. Further, it applies only to goods that require repeat purchases and whose quality is not evident upon casual inspection. It does not serve to justify trademark protection more generally.

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

Finally, it is increasingly common to simply assume that trademarks are a form of (intellectual) property and therefore that their “owner” is entitled to control virtually all of their uses. There are several problems with this rationale. First, it is not true that even the owners of real property have unlimited power over their land. Second, intellectual property is fundamentally


88. Indeed, most large multiproduct companies, such as 3M and Proctor & Gamble, maintain hundreds or even thousands of different brands, suggesting that they understand the importance of limiting the use they make of any single trademark.

89. See, e.g., ELINOR OSTROM, GOVERNING THE COMMONS: THE EVOLUTION OF INSTITUTIONS FOR COLLECTIVE ACTION 23 (1990) (citing third-world countries' expropriation of privately owned land for nationalization of forests); Carol Rose, The Comedy of the Commons: Custom, Commerce, and Inherently Public Property, 53 U. CHI. L. REV. 711, 769 (1986) (illustrating how a property owner's rights may be limited by externalities). Thomas Grey argued more than two decades ago that the concept of property as a “bundle of rights” means that property interests are necessarily
different from real property, and the rights granted to owners of patents and copyrights are substantially weaker than those granted to real property owners. Third, and most importantly, trademarks are not like other forms of intellectual property. We grant patents and copyrights in order to encourage the creation of patented and copyrighted works. There is no similar need to encourage the creation of brands. While it is occasionally suggested that trademarks are protected in order to encourage the creation and advertisement of new brands, that is not valuable in and of itself but only insofar as the brands created reduce consumer search costs. As the Fourth Circuit observed decades ago, “a man of ordinary intelligence could easily devise a score of valid trade-marks in a short period of time.” Because trademarks do not exist to foster brand creation, calling trademarks “property” amounts to an unjustified conclusion that we should grant a certain set of rights over language.

III. THE DISMANTLING OF TRADEMARK STANDARDS IN INTERNET CASES

Perhaps ironically, the Internet—with its promise as an informational mecca—has triggered a rethinking of the rules of

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90. For a detailed discussion, see Lemley, *Property*, supra note 21 (explaining why intellectual property cannot be equated to real property).


93. This is not to say that trademark law has no incentive basis. But trademark law diverges from copyright and patent law in the aim of those incentives. By protecting the integrity of branding and advertising information in the marketplace, trademark law provides businesses with an incentive to provide consistency in the quality of their products and services. But, unlike patent and copyright law, it does not aim to encourage the development of the intellectual property—the trademark—itself.

trademark law in a way that could well restrict the free flow of comparative information in the marketplace. Courts in Internet cases have resurrected the oft-rejected unjust enrichment rationale for trademark rights and have used it as the basis for a steady expansion of trademark holders’ rights in two distinct directions. First, a handful of courts have widened the net of trademark infringement to encompass search engines, advertising firms, and others who help competitors reach their audiences through nontraditional “uses” of established marks. Second, courts have extended the definition of actionable confusion to include the mere possibility of customer diversion to competitors’ websites, in some cases even when the consumer knows where she is headed at all times. Both of these expansions undermine the core goal of trademark law—to reduce consumer search costs, thereby increasing the availability of information in the marketplace. The combination of these two expansions in cases like *Playboy Enterprises, Inc. v. Netscape Communications Corp.*\(^{95}\) and *1-800 Contacts, Inc. v. WhenU.com*\(^{96}\) is particularly problematic.

*Playboy* involved a suit against Netscape based on its use of trademarks through “keywords” used to help target advertising to relevant audiences.\(^{97}\) Netscape’s search engine, like most such services, offered advertisements alongside the search results generated in response to user queries.\(^{98}\) Netscape had allowed—indeed, required—adult services that advertised through its search engine to include “playboy” as one of the search terms that, if entered by users, would generate an ad on Netscape’s search results page.\(^{99}\) The Ninth Circuit held that this use of the PLAYBOY mark could confuse consumers into believing that the advertisers were affiliated with Playboy,\(^{100}\) and that Netscape could face legal responsibility for creating that confusion.\(^{101}\) In allowing Playboy’s claim against Netscape to proceed, the Ninth Circuit decided not to choose between a direct and a contributory infringement theory, concluding “that defendants are either directly or contributorily liable” so that it “need not decide”

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\(^{95}\) *354 F.3d 1020 (9th Cir. 2004).*

\(^{96}\) *309 F. Supp. 2d 467 (S.D.N.Y. 2003).*

\(^{97}\) *Playboy Enters.*, 354 F.3d at 1022–23.

\(^{98}\) *Id.* at 1023.

\(^{99}\) *Id.*

\(^{100}\) Refer to notes 224–29 *infra* and accompanying text (discussing various rationales for this conclusion).

\(^{101}\) *Playboy Enters.*, 354 F.3d at 1024.
which.\textsuperscript{102} Although the court’s reasoning remains a mystery, the decision left no doubt that, in the panel’s view, the Lanham Act could reach parties that used trademarks, not as brands, but as classification tools for targeting advertisements whose content they did not control.

In 1-800 Contacts, a trademark holder sued to prevent the use of its mark to generate pop-up advertisements.\textsuperscript{103} The plaintiff, which sold contact lenses under the mark 1-800 CONTACTS, sought to prevent its competitors’ pop-up ads from being displayed when users entered \texttt{<www.1800contacts.com>} into their web browsers or used the 1-800 CONTACTS mark as a query in an Internet search.\textsuperscript{104} Plaintiff sued both the advertisers and the firm whose software generated the pop-up ads, claiming that both had “used” its marks in a way that created a likelihood of confusion among consumers.\textsuperscript{105} In allowing the claims to proceed, the court held that both categories of defendants had “used” the trademark as contemplated by the Lanham Act. First, the court held that by generating pop-up ads to appear “when . . . users have specifically attempted to access Plaintiff’s website—on which Plaintiff’s trademark appears—Defendants are displaying Plaintiff’s mark ‘in the . . . advertising of’” the defendant advertiser’s competing services.\textsuperscript{106} Second, by including the trademark in a directory of terms that trigger advertisements on computers using defendant’s software, the software developer “used” the mark “to advertise and publicize companies that are in direct competition with Plaintiff.”\textsuperscript{107} In so doing, the court put itself in direct conflict with the only two other cases to consider trademark liability for pop-up ads.\textsuperscript{108}

A third case, Government Employees Insurance Co. v. Google Inc.,\textsuperscript{109} denied Google’s motion to dismiss a trademark complaint based on keyword advertising. Like the courts in Playboy and 1-800-Contacts, the Government Employees court upheld claims of both direct and indirect infringement, but its reasoning on direct infringement stretched the law even further than the

\begin{itemize}
\item \textsuperscript{102} Id.
\item \textsuperscript{103} 1-800 Contacts, Inc. v. WhenU.com, 309 F. Supp. 2d 467, 471 (S.D.N.Y. 2003).
\item \textsuperscript{104} Id. at 489.
\item \textsuperscript{105} Id. at 472, 479.
\item \textsuperscript{106} Id. at 489 (second alteration in original).
\item \textsuperscript{107} Id.
\item \textsuperscript{109} No. 1:04CV507LMBTCB, 2004 WL 1977700 (E.D. Va. Aug. 25, 2004).
\end{itemize}
previous two cases had. Rather than finding that Google had engaged in trademark "use" by suggesting a relationship between Government Employees Insurance Co. (GEICO) and Google’s advertisers, the Government Employees court found potential infringement because the use of keywords might “falsely identify a business relationship or licensing agreement” between Google and GEICO. It is not clear why anyone would think there was any such relationship, and there certainly are not any prior cases supporting such a theory. But in any event, the court’s idiosyncratic ruling on direct infringement puts it outside the scope of the doctrines we consider here.

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

Trademark owners have alleged two different theories under which intermediaries such as search engines might be liable for permitting advertisers to use trademarks as keywords. The theories are generally conflated together, as they are in the complaints in both Government Employees and Google Inc. v. American Blind & Wallpaper Factory, Inc. and in Judge Brinkema’s ruling on the motion to dismiss in Government Employees. But it is important to distinguish the two theories because they have very different implications and they require application of different legal doctrines. The first theory is one of direct infringement: the search engine is itself making an illegal use of the mark by selling keywords, regardless of the text, legitimacy, or potential for confusion of the ads that result. On that theory, the provision of any ads targeted using keywords is illegal. Alternatively, trademark owners have raised a second theory: particular advertisements are likely to confuse consumers; therefore, those advertisers are liable for trademark infringement and the search engine providing the advertisements is liable for unlawfully contributing to that infringement.

110. Id. at *3 (“[W]hen defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so.”).

111. The court also held that Google could be liable for contributory and vicarious liability if, as alleged, its advertisers had used plaintiffs’ marks in confusing ways in the text of their ads and if Google had exercised “significant control over the content” of those ads. Because of the breadth of plaintiffs’ allegations and the preliminary status of the case, the court deferred a decision on whether Google’s control was sufficient to subject it to third-party liability. Id. at *4.

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B. Direct Infringement and Trademark Use.

By upholding direct infringement claims against Internet intermediaries, the *Playboy* and 1-800 Contacts cases demonstrate a disturbing trend away from the statutory requirement of trademark use, at least as traditionally interpreted by the courts. The Lanham Act prohibits only use of a trademark “in connection with” the offering of goods or services in commerce and defines such a use as occurring in the context of services “when [the mark] is used or displayed in the sale or advertising of services and the services are rendered in commerce.” It is the use of the mark to brand or advertise the defendant’s services or to suggest an affiliation with the plaintiff—so-called “trademark use”—that triggers trademark law.

The trademark use requirement serves a gatekeeper function, limiting the reach of trademark law without regard to a factual inquiry into consumer confusion. The rationale for the doctrine stems from the practical reality that it would be both unwise and impossible to permit trademark owners to control every use of their marks. People and businesses use trademarks every day, in conversation, in news reporting, in songs, and in books. Trademark law has never given trademark owners

114. Id. § 1127.
115. See, e.g., DaimlerChrysler AG v. Bloom, 315 F.3d 932, 939 (8th Cir. 2003) (“[T]he licensing of a toll-free telephone number, without more, is not a ‘use’ within the meaning of the Lanham Act . . . .”); Holiday Inns, Inc. v. 800 Reservation, Inc., 86 F.3d 619, 623–26 (6th Cir. 1996) (holding that the use of a telephone number that translated into 1-800-H0LIDAY—with a zero in place of the “O”—was not trademark “use” within the Lanham Act because the defendant had not advertised its services under the offending alphabetical translation); cf. Lone Star Steakhouse & Saloon, Inc. v. Longhorn Steaks, Inc., 106 F.3d 355, 361 (11th Cir. 1997) (holding that use of a mark “on a sign displayed on an interior wall of Plaintiff’s . . . [r]estaurant . . . did not constitute a valid service mark use because it was not being used to identify or distinguish the services being offered”); Lockheed Martin Corp. v. Network Solutions, Inc., 141 F. Supp. 2d 648, 656 (N.D. Tex. 2001) (“Without doubt, ownership of a domain name that contains the plaintiff’s registered trademark puts the plaintiff’s reputation and name at the mercy and whim of the domain name owner. However, acceptance of registrations for domain names is not a use of a mark; nor does it reflect an intent to profit from the mark.” (internal citation omitted)); Acad. of Motion Picture Arts & Scis. v. Network Solutions, Inc., 989 F. Supp. 1276, 1278–79 (C.D. Cal. 1997) (reasoning that the registration and cataloging of domain names by the defendant did not violate the Lanham Act when defendant neither directly used plaintiff’s protected marks in commerce nor attached the domain names to any goods or services sold by the defendant); Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 957 (C.D. Cal. 1997) (determining that defendant’s acceptance of domain name registrations resembling plaintiff’s protected mark was not use of mark as required by trademark law but was “connected only with names’ technical function on the Internet to designate a set of computers”), aff’d on other grounds, 194 F.3d 980 (9th Cir. 1999).
exclusive control over any use of their marks.\textsuperscript{116} Rather, the law is designed to prevent consumer confusion by those who brand their own goods or services with a mark sufficiently similar to the plaintiff's mark such that consumers may be deceived into believing there is some connection between the two. Individuals and companies may make reference to, or use of, a trademark without fear of liability unless they are making a trademark use.

Both 1-800 Contacts and Playboy err by holding that using a trademarked term as a "trigger" for supplying advertisements is a trademark use that can subject search engines to liability as direct infringers.\textsuperscript{117} The courts appear to have been misled by the similarity in terminology of two very different elements of a trademark cause of action: the "use in commerce" requirement and the "trademark use" requirement. While the use of a trademark as a keyword may well be a use in interstate commerce sufficient to invoke the jurisdiction of the federal courts,\textsuperscript{118} satisfying this minimal requirement is not the same as proving that the defendants have made trademark use of the plaintiff's brand.\textsuperscript{119} Unfortunately, an increasing number of courts equate the two and thus do not analyze the requirement of trademark use directly. This is a crucial error.\textsuperscript{120} Courts outside

\textsuperscript{116} Refer to notes 89–93 supra and accompanying text (discussing limitations on trademarks as property).

\textsuperscript{117} See Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1030 (9th Cir. 2004); 1-800 Contacts, Inc. v. WhenU.com, 309 F. Supp. 2d 467, 489 (S.D.N.Y. 2003).

\textsuperscript{118} See In re Trade-Mark Cases, 100 U.S. 82, 94–95 (1879) (holding that the U.S. Constitution did not authorize federal trademark protection unless a mark was used in interstate commerce). Indeed, it is at least possible that search engines are not engaged in "use in commerce" even in the jurisdictional sense. In General Healthcare Ltd. v. Qishat, 364 F.3d 332 (1st Cir. 2004), the First Circuit held that advertising was not a "use within the meaning of the statute." Id. at 337. While the advertisers using keywords are generally selling products, and may therefore satisfy this requirement, search engines are not selling any products using the trademarked brands and are at most participating in advertising of those brands.


\textsuperscript{120} Other courts, by contrast, understand the distinction. See U-Haul Int'l, Inc. v. WhenU.com, Inc, 279 F. Supp. 2d 723, 727–29 (E.D. Va. 2003) (holding that selling a pop-up advertisement based on a trademarked keyword was not trademark use and therefore not infringement); Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d 734, 757–64 (E.D. Mich. 2003) (same); German Court Holds Use of Competitor's Mark in Web Site Metatags No Infringement, 9 Electronic Com. & L. Rep. 289 (2004) (reporting a German appeals court decision holding that use of a trademark in metatags was not an "exploitation" of the mark). But see Hertz Autovernietzung GmbH v. Claria Corp., LG Cologne, No. 31 O
the United States also exhibit confusion about the proper scope of trademark use, although they have no jurisdictional “use in commerce” requirement to apply and thus are led astray in other ways. 121

Selling advertising space based on an Internet keyword that is also a trademark does not use that trademark as a brand. The Internet intermediary is not selling any product or service using those terms as an identifier. It is perhaps, as the 1-800 Contacts court notes, “allowing [the advertiser] to profit from the goodwill” of that mark. 122 But it is not illegal simply to make money in a way that involves the use of a trademark. Indeed, courts considering analogous situations have rejected trademark claims on the ground that the defendant was not engaged in trademark use. For example, a number of plaintiffs have sued Internet domain name registrars such as Network Solutions for selling their trademarks as domain names to cybersquatters who then use the names to infringe the trademarks. There is no question that Network Solutions is trading on the goodwill of the trademark owner—it is making money by selling a domain name


121. In Viaticum/Luteciel v. Google France, T.G.I. Nanterre, 2e ch., Oct. 13, 2003, RG No. 03/00051, the French district court held that any use of a registered mark for any purpose was illegal. It enjoined an Internet search engine from permitting advertisements to appear when consumers searched for a trademarked term, even when those advertisements were keyed off of a different, generic term. And in Metaspinner Media GmbH v. Google Deutschland, LG Hamburg, No. 312 O 887/02 (Nov. 14, 2003), the German district court in Hamburg found that the search engine engaged in trademark use when it sold advertising space based on keywords identical to the plaintiff’s trademark and issued a preliminary injunction against Google. Google refused to accept the injunction as a final ruling; therefore, Metaspinner refiled its case in May 2004 to “prevent further infringements of rights and to sustain the preliminary injunction.” Google’s AdWords Under Attack—Overview Over the Pending Lawsuits, at http://www.linksandlaw.com/adwords-pendinglawsuits.htm (last visited Sept. 25, 2004). On September 21, 2004, the court dismissed the suit. Id.

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

122. 1-800 Contacts, 309 F. Supp. 2d at 490.
that incorporates the mark itself. Nor is there any question that Network Solutions is engaged in interstate commerce. Nonetheless, courts have uniformly held that Network Solutions cannot be held liable as a direct infringer because it is not using the protected term as a trademark. The domain name registrants themselves may engage in trademark use by cybersquatting or confusing visitors to the site, but the company selling the domain names does not. Similarly, the Eighth Circuit held in DaimlerChrysler AG v. Bloom that a telecommunications company did not use the term “Mercedes” in a trademark sense merely by licensing a vanity phone number that spelled “1-800-MERCEDES” to Mercedes dealers. The dealers themselves might engage in trademark use by advertising the phone number or otherwise presenting it as a brand to the public, the court reasoned, but the company selling the phone number did not. Likewise, WhenU’s customers may or may not make trademark use of the term “1-800 Contacts” in their ads, but WhenU itself does not make such a use.

By recognizing that advertisers may be engaged in trademark “use” in connection with their ads, we do not mean to

123 See Lockheed Martin Corp. v. Network Solutions, Inc., 141 F. Supp. 2d 648, 656 (N.D. Tex. 2001) (holding that Network Solutions’ “acceptance of registrations for domain names is not a use of a mark; nor does it reflect an intent to profit from the mark”); Acad. of Motion Picture Arts & Sci. v. Network Solutions, Inc., 989 F. Supp. 1276, 1280 (C.D. Cal. 1997) (concluding that Network Solutions’ registering and cataloging of domain names did not constitute “commercial use” of the marks and thus is not liable as a direct trademark infringement); Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 957 (C.D. Cal. 1997) (“[Network Solutions] merely uses domain names to designate host computers on the Internet. This is the type of purely ‘nominative’ function that is not prohibited by trademark law.”). In the Central District of California Lockheed Martin case, the Ninth Circuit held on appeal that Lockheed had no trademark claim against Network Solutions because Network Solutions merely provided a service that helped others to infringe, an act that is not illegal under trademark law. Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984–85 (9th Cir. 1999). That reasoning is certainly applicable to Internet search engines.

124 Id. at 938–39. The Sixth Circuit has also taken this approach. Interactive Prods. Corp. v. A2Z Mobile Office Solutions, Inc., 326 F.3d 687, 695 (6th Cir. 2003) (“If defendants are only using [plaintiff’s] trademark 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.”). And the Fifth and Ninth Circuits have applied the trademark use doctrine in the dilution context, holding that it “requires the defendant to be using the trademark as a trademark, capitalizing on its trademark status.” TMI, Inc. v. Maxwell, 368 F.3d 433, 437 (5th Cir. 2004) (quoting Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 880 (9th Cir. 1999)); see also Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 903 (9th Cir. 2002).

125 Id. at 938–39. The Sixth Circuit has also taken this approach. Interactive Prods. Corp. v. A2Z Mobile Office Solutions, Inc., 326 F.3d 687, 695 (6th Cir. 2003) (“If defendants are only using [plaintiff’s] trademark 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.”). And the Fifth and Ninth Circuits have applied the trademark use doctrine in the dilution context, holding that it “requires the defendant to be using the trademark as a trademark, capitalizing on its trademark status.” TMI, Inc. v. Maxwell, 368 F.3d 433, 437 (5th Cir. 2004) (quoting Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 880 (9th Cir. 1999)); see also Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 903 (9th Cir. 2002).

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suggest that merely purchasing a trademarked keyword constitutes such use. Indeed, there are any number of reasons why someone might legitimately want to use another’s trademark, either as a search term or indeed in the text of the ad itself. They may resell used goods or repair trademarked goods. They may want to review, criticize, or parody the trademark owner. They may offer price, quality, or availability information about the trademark owner’s goods. They may be competitors who want to provide truthful comparative advertising. They may provide complementary or related goods in which buyers of the trademarked product might have an interest. They may provide unrelated products using a common English word that is either a descriptive trademark (for example, the American Society for the Blind buying the keyword “American Blind”) or an arbitrary one (say, apple vendors buying the keyword “apple,” against the wishes of Apple Computer). Even against advertisers, then, trademark liability does not necessarily follow from use of a protected mark. It arises, if at all, from the confusing content and context of the ad itself, rather than the mere use of the mark as a classification tool.

The speech-oriented objectives of the trademark use doctrine protect more than just intermediaries; they prevent trademark holders from asserting a generalized right to control language, an interest that applies equally—and sometimes especially—when the speaker competes directly with the trademark holder. The trademark use doctrine has broad application: because of it, newspapers are not liable for using a trademarked term in a headline, even if the use is confusing or misleading. 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

128. Refer to notes 65–67 supra and accompanying text; see also Scott Fetzer Co. v. House of Vacuums Inc., No. 03-51118, 2004 WL 1810243, at *8 (5th Cir. Aug. 12, 2004) (“Trademark law does not entitle markholders to control the aftermarket in marked products.”).

129. See Dreyfuss, supra note 34, at 418–24 (warning of the danger of losing vocabulary and suppressing expressive communication because of overly broad trademark protection and proposing to solve it by rendering terms “expressively generic” if society wishes to appropriate them for cultural use); cf. Jessica Litman, Breakfast with Batman: The Public Interest in the Advertising Age, 108 YALE L.J. 1717, 1732–33 (1999) (discussing the pervasiveness of trademarked symbols in popular culture).
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.\textsuperscript{130} They may be making money from their “uses” of the trademark, and the uses may be ones the trademark owner objects to, but they are not trademark uses and therefore are not within the ambit of the statute.

In fact, the sweeping breadth of the direct infringement theory becomes evident when we consider that virtually all of the legitimate advertiser uses of a trademark identified above would be impermissible if we treated the act of selling a mark as a keyword as per se illegal. So too would eBay’s entire business model, which is premised on permitting people to search for and buy used products featuring trademarks, usually without the consent of the trademark owner.

The trademark use doctrine is entirely consistent with the search costs rationale that lies at the heart of trademark law. Requiring trademark use furthers the fundamental goal of lowering search costs by permitting individuals, companies, and the media to use a mark to increase consumer access to information, including information about the product or service sold under the mark. Just because consumers are searching for a product by using the trademark does not mean that they only want information from the trademark owner.\textsuperscript{131} The law permits newspapers, individuals who have bought the product, Consumer Reports, online evaluation and comparison sites like epinions.com, and a host of others (including even competitors) to avoid circumlocution and talk about the trademarked product using the trademark.\textsuperscript{132} Trademark owners might not always like

\textsuperscript{130}. While some of these users are intermediaries (telephone directories, magazines, and pharmacies) or third parties with no commercial interest in the market in question (newspapers and individuals), others—like the companies doing their own market research, locating their gas stations and restaurants, or selling generic drugs—are direct competitors. The limitation of liability to “trademark uses” thus applies not only to intermediaries, but also to competitors who use marks as something other than brands for their own products. In the search engine context, while it is clear that intermediaries do not engage in trademark use, in many cases the competing advertiser does not either.

\textsuperscript{131}. See Goldman, \textit{supra} note 23, at 6–21 (discussing the various reasons an Internet searcher might type a trademark into a search engine).

\textsuperscript{132}. Creating circumlocutions to avoid trademarks is costly. See Folsom & Teply,
what these third parties have to say, but letting them say it furthers the larger goal of getting information about the product into the hands of consumers.\footnote{133}

Further, the trademark use doctrine is consistent with the broader search costs rationale, even if it occasionally forces us to countenance some consumer confusion. Trademark law is acting here as a creator of norms, rather than as a follower of existing norms. Like functionality or genericness, the key is to balance the search costs that will be imposed if we forbid relevant advertising against the search costs that might result from permitting that advertising and potentially confusing consumers. The trademark use doctrine strikes that balance in favor of permitting uses that are generally cost-reducing because they provide relevant, nonconfusing information to consumers,\footnote{134} even if on occasion they may be cost-enhancing.\footnote{135}

Maintaining the focus on search costs is critical to keeping the doctrine of trademark use alive. It is far too easy for courts and commentators to slip into the rhetoric of “free riding” and “unfair competition.”\footnote{136} We must keep in mind that not all commercial uses of a mark are or should be impermissible.\footnote{137} Remembering to ask why we are protecting the mark in the first place will go a long way towards helping distinguish legitimate from illegitimate uses of the mark.

\footnote{supra note 55, at 1340–42 (illustrating the cost that hybrid trademarked words can have on consumers); Landes & Posner, supra note 27, at 288, 292–93 (demonstrating that when a trademark holder appropriates a generic name, the holder may have a language monopoly on that term that generates economic rents).}

\footnote{133. It is true that consumers may sometimes get too much information and that just like too little information, too much relevant information can increase search costs. But as Professor Eric Goldman points out, intermediaries like search engines generally have incentives to help consumers solve this problem by finding the most relevant information. Goldman, supra note 23, at 82–85. Thus, Google will remove ads entirely if consumers aren’t clicking on them because its goal is to facilitate rather than impede user search.}

\footnote{134. See Jacobs, supra note 27, at 165 (noting that a reference to a trademark by another is efficient if it provides useful information).}

\footnote{135. Cf. David W. Barnes & Teresa A. Laky, Classic Fair Use of Trademarks: Confusion About Defenses, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 833, 834 (2004) (noting that courts engage in a similar implicit balancing under the fair use doctrine, permitting some confusion in order to further the goals of the doctrine).}

\footnote{136. For example, one author has attempted to justify the result in 1-800 Contacts by arguing that a doctrine of trademark use would interfere with efforts to prevent free riding. Chatterjee & Merriett, supra note 119, at 1131–32; cf. Lemley, Property, supra note 21, (manuscript at 3–16) (noting how these conclusions of “free riding” and unfair competition tend to flow without analysis from the conclusion that a legal right is “property”).}

\footnote{137. As Professor Wendy Gordon so eloquently put it, “[a] culture could not exist if all free riding were prohibited within it.” Wendy J. Gordon, On Owning Information: Intellectual Property and the Restitutionary Impulse, 78 VA. L. REV. 149, 167 (1992).}
C. Contributory Infringement

Even companies that do not themselves meet the requirements of trademark use may be liable in certain limited circumstances as contributory infringers.\(^{138}\) But contributory infringement requires both an act of direct infringement (in these cases, by the advertisers) and a special, narrowly defined relationship between the defendant and that infringement. The cases finding contributory infringement by Internet intermediaries stand on shaky ground on both fronts.

1. Advertisers as Direct Infringers. Like its distant cousins in patent and copyright law, the doctrine of contributory trademark infringement requires proof of an act of direct infringement by someone else.\(^{139}\) There can be no contributory liability if there is no infringement to contribute to.

If an advertiser’s use of an Internet keyword is held to be a trademark use,\(^{140}\) the direct infringement question turns on whether the advertiser is likely to confuse consumers by placing its ad next to the search results generated by the trademark as search term. Phrased in this way, the theory of confusion seems rather silly. Offline, companies target their ads to be relevant to the content they support all the time. Beer companies and competing sports events advertise at football stadiums and on TV broadcasts of football games because they believe consumers of those events will be interested in their products. Advertisers target the purchasers of particular magazines by putting very different ads in *Architectural Digest* than those in *Glamour*. Companies place ads on particular pages of the *New York Times* with specific reference to the content that is likely to attract particular readers—business ads in the business section, entertainment events in the arts section, even ads for advertising

\(^{138}\) The *Playboy* court finessed this distinction, holding that it need not decide whether direct or contributory infringement applied because it was sure that it was one or the other. *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004). This judicial sleight-of-hand allowed the court to confuse the elements of the two causes of action, finding Netscape liable under legal standards that apply only to direct infringers without actually finding that Netscape was such a direct infringer.

\(^{139}\) See *Proctor & Gamble Co. v. Haugen*, 317 F.3d 1121, 1128 (10th Cir. 2003) (identifying “[t]he elements of a contributory liability claim [as] (1) supply of a product and (2) knowledge of direct infringement” (citing Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264–65 (9th Cir. 1996))).

\(^{140}\) As discussed in the previous subpart, trademark use serves a “gatekeeper” function and should preclude liability for Internet intermediaries such as search engines, directory services, and sellers of advertising space. Although the doctrine should also bar liability against advertisers who do no more than purchase keywords, courts may be more tempted to find their use a trademark use because the advertisers are using the trademark to call attention to their own products.
services in the weekly section devoted to marketing. Intellectual property law firms run ads in special "intellectual property" issues of legal periodicals. In each case, they are maximizing the chance that their ads will be in direct proximity to a story or event involving a competitor. But no one thinks these targeted uses are infringing because we understand that consumers can mentally distinguish between ads and content. No one thinks the subject of an article sponsors or endorses the ad on the facing page. That's just not the way the world works.\footnote{141}

What is different online? One difference is that we've gotten much better at targeting ads. Early advertising-supported Internet business models failed because advertisers had a metric—the "click-through rate"\footnote{142}—to see how many viewers were actually interested in their ads, and the answers were disappointing. Google and Yahoo! make significant money from advertising precisely because they are giving viewers ads that interest them; the result is good for consumers and good for advertisers, but might be unsettling to the owner of a website from whose attention a consumer is drawn by an interesting ad. This is not, however, necessarily evidence of confusion; it may reflect consumers finding what they are looking for in an ad rather than in a search result. If so, a law based on reducing consumer search costs should not be concerned.

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

\paragraph{a. The Origins of Initial Interest Confusion.} The doctrine now known as "initial interest confusion" had its genesis in a set of cases in which unscrupulous competitors sought to divert sales away from trademark owners by increasing consumer search costs. In the paradigm case, Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons,\footnote{143} the plaintiffs used the mark GROTRIAN-STEINWEG to sell pianos. When the

\footnote{141. Thus, Gregory Shea argues that keyword advertising should not be illegal because consumers are not confused into assuming sponsorship merely because an ad runs near other text. Gregory Shea, Note, Trademarks and Keyword Banner Advertising, 75 S. CAL. L. REV. 529 (2002). To be sure, in deciding questions of consumer confusion, trademark law is reactive rather than proactive. Whether there is confusion depends on what consumers think; if consumer expectations change so that they believe all ads are sponsored by the subject of stories or shows with which they appear, confusion doctrine will change to accommodate that change in expectations. Thus, unlike the trademark use and contributory infringement doctrines, trademark law does not serve a normative entrepreneurial function when it comes to the likelihood of confusion doctrine.}

\footnote{142. Playboy Enter., 354 F.3d at 1028–29 (defining "click-through" rates).}

\footnote{143. 523 F.2d 1331 (2d Cir. 1975).}
defendant maker of the famous Steinway pianos counterclaimed for trademark infringement, the plaintiff argued that there could be no infringement because no customers would actually purchase a Grotrian-Steinweg in the mistaken belief that it was a Steinway. The court found the absence of point-of-sale confusion irrelevant:

We decline to hold . . . that actual or potential confusion at the time of purchase necessarily must be demonstrated to establish trademark infringement under the circumstances of this case.

The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway or that Grotrian had some connection with Steinway and Sons. The harm to Steinway, rather, is the likelihood that a consumer, hearing the “Grotrian-Steinweg” name and thinking it had some connection with “Steinway[,]” would consider it on that basis. The “Grotrian-Steinweg” name therefore would attract potential customers based on the reputation built up by Steinway in this country for many years.

Confusion, in other words, actually diverted consumer attention to a product other than the one they were seeking, and having reached that product, some consumers may decide to give up their quest for the original. Steinway reflects a logical extension of the traditional “likelihood of confusion” analysis of trademark law, fully consistent with the search costs rationale. When confusion diverts customers to a competitor of the trademark holder and “switching costs” keep them there, uncertainty enters the trademark-product connection, which ultimately increases consumer search costs.

“Initial interest confusion” as originally conceived did not reflect a new doctrine; rather, it was a simple recognition that competition-distorting confusion can occur at times other than the point of sale. Moreover, in the pre-Internet cases relying on the theory, the defendant had branded its product with a mark

144. Id. at 1335, 1341–42.
145. Id. at 1342; see also Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 259–60 (2d Cir. 1987) (finding that Pegasus Petroleum Corp.’s invocation of a mythological winged horse gave it a beneficial association with Mobil’s mark, a flying horse). Mobil discusses initial interest confusion and is often cited as authority for the doctrine. However, the actual facts of the case involved sales of wholesale oil under the name Pegasus Petroleum, without the use of Mobil’s Pegasus logo or anything like it, and therefore provide a rather weak case for applying the doctrine. Mobil Oil Corp., 818 F.2d at 256.
146. In this context, switching costs consist of the inconvenience of re-initiating a search for the product originally sought.
confusingly similar to the plaintiff's and had no comparative advertising or other pro-informational justification for its choice of mark. Given the net harm to consumers, these cases justified judicial relief.\(^{147}\)

This elegant rationale does not translate readily into the online context, in which switching costs are minimal,\(^{148}\) confusion is frequently speculative, and many defendants have persuasive arguments that their uses bring benefits to consumers. A number of courts in Internet cases have nevertheless both invoked and expanded the notion that capturing initial interest can form the basis for a trademark infringement claim.

In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*,\(^{149}\) the Ninth Circuit adopted a theory of "initial interest confusion" to prevent a party from using its competitors' trademarks in the metatags of its website. In *Brookfield*, defendant West Coast had chosen Brookfield's MOVIEBUFF mark as a domain name for its own movie search website and had included MovieBuff and related terms in metatags.\(^{150}\) The court found the domain name confusing under a straightforward likelihood of confusion analysis,\(^{151}\) but acknowledged that if West Coast were operating under a different domain name, "it is difficult to say that a consumer is likely to be confused about whose site he has reached or to think that Brookfield somehow sponsors West Coast's web site."\(^{152}\) The court nonetheless enjoined the metatag use, reasoning that West

\[\text{References}\]

147. *See* Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 382 (7th Cir. 1996) ("[T]he Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer's, even if confusion as to the source of the goods is dispelled by the time any sales are consummated."); Forum Corp. of N. Am. v. Forum, Ltd., 903 F.2d 434, 442–43 (7th Cir. 1990) (overturning district court's conclusion that confusion was de minimis because the proffered evidence was based on an incomplete survey sample of customers); Sara Lee Corp. v. Kayser-Roth Corp., Civ. No. 6:92CV00460, 1992 WL 436379, at *24 (M.D.N.C. Dec. 1, 1992) (stating that initial interest confusion "offers an opportunity for sale not otherwise available by enabling defendant to interest prospective customers by confusion with the plaintiff's product"); Koppers Co. v. Krupp-Koppers GmbH, 517 F. Supp. 836, 844 (W.D. Pa. 1981) (concluding that the use of the defendant's mark harmed consumers by causing confusion).


Use of the highway billboard metaphor is not the best analogy to a metatag on the Internet. The harm caused by a misleading billboard on the highway is difficult to correct. In contrast, on the information superhighway, resuming one's search for the correct website is relatively simple[, involving only] one click of the mouse and a few seconds delay . . . .

*Id.*

149. 174 F.3d 1036 (9th Cir. 1999).

150. *Id.* at 1061–62 (analysing claims based on use of mark in metatags).

151. *Id.* at 1055–61.

152. *Id.* at 1062.
Coast had no right to use Brookfield's mark to divert customers to its competing site:

Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using “moviebuff.com” or “MovieBuff” to divert people looking for “MovieBuff” to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark.¹⁵³

*Brookfield* takes the initial interest confusion rationale in a novel and dangerous direction that disregards its confusion-based origins, defies core trademark doctrine, and thwarts the normative goals of trademark law. As a doctrinal matter, the Ninth Circuit overlooked the fact that *Steinway* and other early cases finding presale confusion had good reason to believe that customers would actually be confused by the defendant’s public use of a mark resembling the plaintiff’s. In *Steinway*, for example, after warning that “each trademark infringement case is to some extent *sui generis,*” the Second Circuit found infringement in light of the strength of the Steinway mark, the direct competition between the parties, substantial evidence of actual confusion, and the defendant’s intent to free ride on Steinway’s reputation.¹⁵⁴ *Brookfield*, in contrast, appears to presume that confusion would result from the use of a trademark in metatags, without examining any evidence of how the metatags affected actual search results or whether any single consumer was ever actually misled.

Beyond creating a poor fit with *Steinway*, by suggesting that a trademark holder could sue based on any use of a mark that might “divert” customers to a competitor, the Ninth Circuit ignores the legion of cases that have allowed competitors to use marks in just that way.¹⁵⁵ Normatively, the *Brookfield* decision undermines the proconsumer, pro-information goals of trademark law by allowing trademark holders to impede competitors’ efforts to draw attention to their comparable products. It is ironic that the court did so in the name of promoting precisely those goals.

Despite the Ninth Circuit’s broad language in *Brookfield*, most courts that followed its lead initially applied the “initial

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¹⁵³. *Id.* (emphasis added).


¹⁵⁵. Refer to notes 107–08, 113–15 *supra* and accompanying text (discussing these permissible uses).
interest confusion” doctrine in narrow cases involving direct competitors who appeared to be attempting a “bait and switch”—an attempted conversion of customers only after they had unwittingly reached the competitor’s site. Further, many of the cases involved efforts to confuse that extended beyond the initial decision to visit a website. In Planned Parenthood Federation of America, Inc. v. Buccic and Jews For Jesus v. Brodsky, for example, consumers reaching the defendants’ sites were falsely led to believe that the site they reached was authorized by the trademark owner and only gradually came to realize their mistake as they kept reading. In this limited context—in which the competitor diverts customers through the combination of initial confusion and switching costs—these decisions find support in the search costs rationale of trademark law. Like Steinway, the courts did not need a new cause of action to enjoin defendants’ use of the marks in these cases. Each involved either a deceptive, labeling-type use of the trademark or otherwise misleading content in the website.

More recently, however, courts have extended the initial interest confusion doctrine to correspond to the broader reading of Brookfield, under which real confusion is not required. In Promatek Industries, Ltd. v. Equitrac Corp., for example, the Seventh Circuit upheld an injunction against a service company’s use in metatags of the name of a product for which it offers maintenance and repair services. The court found a probability of initial interest confusion without considering whether consumers were actually confused and without giving any weight to the service company’s legitimate interest in describing its products. Similarly, in People for the Ethical Treatment of Animals v. Doughney, the court found initial interest confusion based on the use of the domain name peta.org to link to a site entitled “People Eating Tasty Animals,” a parody of the “People

158. See Bucci, 42 U.S.P.Q.2d at 1432; Brodsky, 933 F. Supp. at 290.
159. Indeed, traditional principles of false advertising under § 43(a) might well be sufficient to enjoin these uses.
160. 300 F.3d 808 (7th Cir. 2002).
161. Id. at 810; cf. Trans Union LLC v. Credit Research, Inc., 142 F. Supp. 2d 1029 (N.D. Ill. 2001) (allowing use of trademark in metatags when plaintiff was affiliated with defendant and offered products derived from its database).
162. Promatek, 300 F.3d at 812–13. But see Bihari v. Gross, 119 F. Supp. 2d 309, 320–21 (S.D.N.Y. 2000) (noting that operator of Internet website using the plaintiff’s mark is merely providing a means of cataloging the plaintiff’s site and thus should not be enjoined from using the mark).
163. 263 F.3d 359 (4th Cir. 2001).
for the Ethical Treatment of Animals” website that visitors were presumably trying to reach.\textsuperscript{164} Once visitors reached the page, there is no way they could have been confused given the very different title and the obviously parodic message of the page. Nonetheless, the court found the instant of confusion created before visitors saw the content of the website to be actionable.\textsuperscript{165} In 1-800 Contacts, Inc. v. WhenU.com,\textsuperscript{166} the court held that the use of a mark to trigger pop-up ads could result in actionable initial interest confusion.\textsuperscript{167} Rejecting the defendant’s argument that consumers knew that the pop-up ad’s sponsors were unaffiliated with the trademark holder for which they searched, the court found such lack of confusion irrelevant:

The harm to Plaintiff from initial interest confusion lies not in the loss of Internet users who are unknowingly whisked away from Plaintiff’s website; instead, harm to the Plaintiff from initial interest confusion lies in the possibility that, through the use of pop-up advertisements, Defendant . . . “would gain crucial credibility during the initial phases of a deal.”\textsuperscript{168}

For the court, the real concern was that permitting WhenU.com to run pop-up ads keyed to a trademark “allow[ed] Defendant . . . to profit from the goodwill” of that mark.\textsuperscript{169}

Most recently, in Playboy Enterprises, Inc. v. Netscape Communications Corp.,\textsuperscript{170} the Ninth Circuit concluded that initial interest confusion could result from the placement of adult entertainment ads next to Playboy-related search results.\textsuperscript{171} Playboy involved a challenge to Netscape’s practice of selling keywords to its advertisers for use in generating banner ads.\textsuperscript{172} Netscape required all adult entertainment services that advertised with it to include PLAYBOY and related marks as search terms that, if entered by the user, would generate the advertiser’s banner ad.\textsuperscript{173} According to the court, Playboy “introduced evidence that the adult-oriented banner ads displayed on [Netscape’s] search results pages are often graphic

\begin{thebibliography}
\item\textsuperscript{164} Id. at 362–63.
\item\textsuperscript{165} Id. at 366–67.
\item\textsuperscript{166} 309 F. Supp. 2d 467 (S.D.N.Y. 2003).
\item\textsuperscript{167} Id. at 493–94.
\item\textsuperscript{168} Id. at 493 (emphasis added).
\item\textsuperscript{169} Id. at 490.
\item\textsuperscript{170} 354 F.3d 1020 (9th Cir. 2004).
\item\textsuperscript{171} Id. at 1026–29.
\item\textsuperscript{172} Id. at 1023.
\item\textsuperscript{173} Id.
\end{thebibliography}
in nature and are confusingly labeled or not labeled at all.\textsuperscript{174} Playboy claimed that users would be confused by the juxtaposition of “playboy” as a search term and the unlabeled ads.\textsuperscript{175}

In reversing summary judgment for the defendant, the Ninth Circuit held that Playboy might succeed in proving that the unlabeled advertisements confused consumers and that Netscape was legally responsible for creating such confusion.\textsuperscript{176} Admittedly, the Ninth Circuit relied upon survey evidence that suggested that many computer users actually believed that a relationship existed between Playboy and banner advertisers generated by the “playboy” keyword.\textsuperscript{177} Yet the court’s decision to extend trademark law to banner advertisements that did not themselves reveal the mark to the user represented a further extension of trademark law.

b. Initial Interest Confusion May Constitute Evidence of Likelihood of Confusion or Deception, but Should Not Provide a Distinct Cause of Action. The changes to the “initial interest confusion” doctrine discussed in the previous subpart violate both the letter and the spirit of trademark law by unmooring the doctrine from the search costs rationale.\textsuperscript{178} To the extent that advertisers use deception to misdirect consumers to their products—whether through use of confusingly similar trademarks, by “trick[ing]” consumers into reaching the wrong site,\textsuperscript{179} or through other forms of misleading advertising—they

\textsuperscript{174} Id.
\textsuperscript{175} Id. at 1025 (noting that Playboy claimed that “[b]ecause banner advertisements appear immediately after users type in PEI’s marks, PEI asserts that users are likely to be confused regarding the sponsorship of unlabeled banner advertisements”).
\textsuperscript{176} Id. at 1024.
\textsuperscript{177} Id. at 1026–27. There are indications that the survey in this case was seriously flawed. See Goldman, supra note 23, at 69–70 & n.268 (making this point).
\textsuperscript{178} As Judge Learned Hand warned, “We are nearly sure to go astray in . . . [trademark law] as soon as we lose sight of the underlying principle that the wrong involved is diverting trade from the first user by misleading customers who mean to deal with him.” S.C. Johnson & Son v. Johnson, 116 F.2d 427, 429 (2d Cir. 1940).
\textsuperscript{179} The Seventh Circuit appeared at first to require bait and switch misrepresentations as an element of initial interest confusion. See AM Gen. Corp. v. DaimlerChrysler Corp., 311 F.3d 796, 827–28 (7th Cir. 2002) (commenting that similarities in product design do not necessarily present a “bait and switch” risk); Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 392 (7th Cir. 1996). But see Promatek Indus., Ltd. v. Equitrac Corp., 300 F.3d 808, 812 (7th Cir. 2002) (finding liability without mentioning bait and switch misrepresentations). Cf. Bihari v. Gross, 119 F. Supp. 2d 309, 321 (S.D.N.Y. 2000) (concluding that actionable initial interest confusion is limited to cases in which “the defendant was using the plaintiff’s mark to trick Internet users into visiting defendant’s website, believing either that they were visiting plaintiff’s website or that the defendant’s website was sponsored by the plaintiff”).
are hindering information flow and should be enjoined. But the fact that an advertiser uses a keyword to reach a consumer with accurate information that is of interest to that consumer cannot itself be “confusion,” whether of initial interest or any other variety. It may be a diversion of consumer attention, but if the consumer is not confused, that diversion is simply not illegal. The presentation of viable alternatives or the truthful description of a competitor’s capabilities do not distort the market; to the contrary, this information contributes to a robust and fully informed market.\footnote{80}

Much of the current problem has resulted from misuse of the “initial interest confusion” concept in keyword cases. In the trademark context, the concept refers to a type of presale confusion that diverts consumers to a product other than the one they were seeking in circumstances in which it is costly to reverse course. The diversion, to constitute trademark infringement, must result from consumers’ mistaken belief that the trademark owner is sponsoring the ad page. Generally this results from some visible use of the plaintiff’s mark. Where the advertisement or other item that attracts the user’s attention does not contain the trademarked term or allusions to the trademark at all, courts should be extremely skeptical of claims of initial interest confusion.\footnote{81}

\footnotetext{80}{A recent note in the \textit{Harvard Law Review} suggests that anyone who searches for a descriptive, arbitrary, or coined trademark has made a decision that they are only interested in finding that product. Note, \textit{Confusion in Cyberspace: Defending and Recalibrating the Initial Interest Confusion Doctrine}, 117 HARV. L. REV. 2387, 2406 (2004) [hereinafter \textit{Confusion in Cyberspace}]. But as Professor Eric Goldman has observed, that is just wrong as a factual matter. Many people choose trademarks as search terms without intending to exclude other brands. Goldman, supra note 23, (manuscript at 18–19). Further, many advertisers will be providing goods or services related to that very mark. If I want to buy used Titleist golf balls, it is not clear how I should look for them without using the trademark TITLEIST. The Harvard note also misses a more fundamental point: even a consumer who expects clean search results is surely used to seeing ads that seek to attract their attention. The fact that consumers have to look at ads is not “initial interest confusion.” And the ads will not go away if keyword-based advertising is declared illegal; they will just become less well targeted and therefore less interesting to the consumer. How reducing the relevance of ads reduces consumer search costs is not clear.}

\footnotetext{81}{Some “hidden” uses such as metatags will be actionable on this theory because they helped to bring about some visible presentation of the mark. In \textit{Niton Corp. v. Radiation Monitoring Devices, Inc.}, 27 F. Supp. 2d 102 (D. Mass. 1998), for example, the defendant directly copied the meta-language in plaintiff’s website, including the plaintiff’s trademark. \textit{Id.} at 104. When an employee of plaintiff Niton performed an Internet search using the phrase “home page of Niton Corporation,” the defendant’s website turned up in the search results, along with the description “The Home Page of Niton Corporation, makers of the finest lead, radon, and multi-element detectors.” \textit{Id.} Such a visible use of the NITON mark presents a classic case of likelihood of presale confusion because consumers viewing this search result would understandably assume that the link would lead them to the plaintiff.}
It is possible that in some circumstances the content of an advertisement or website may contain an implied falsehood, particularly when paired with a trademark-based keyword search. Suppose, for example, I type “Red Sox” as my search term, and the search engine generates an advertisement that says, “We have the tickets you want.” If I click on the advertisement in the hope that I will find Red Sox tickets, I may well be disappointed, sometimes only after wasting time searching the site. However, while the advertiser has misled me, it has done so through the misleading content of its ad in the context of the user’s search and not solely through its use of the keyword. The appropriate cause of action in these circumstances may be a false advertising claim under Lanham Act § 43(a)(1)(B) rather than a claim for trademark infringement. And even if it is a trademark claim, it is the text of the ad, not the keyword, that causes confusion, and so it is the advertiser and not the intermediary who should be liable for that confusion.

In other cases, however, consumers’ attention is attracted to ads not through deceit but by giving the consumer information she wanted or in which she at least might be interested—precisely the sort of reduction in search costs that trademark law is supposed to encourage. This includes a number of cases in which the ads include the trademarked term itself. If the advertiser has a legitimate reason to use the trademark—for example, to engage in comparative advertising, to criticize or 

182. The Lanham Act allows a false advertising claim against any person who, “in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities.” 15 U.S.C. § 1125(a)(1)(B) (2000). The provision thus has two significant requirements: (1) that the representation occur in commercial advertising or promotion, and (2) that it contain “false or misleading descriptions or false or misleading representations of fact made about one's own or another's goods or services.” S.C. Johnson & Son v. Clorox Co., 241 F.3d 232, 238 (2d Cir. 2001); see also Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc., 314 F.3d 48, 56–58 (2d Cir. 2002) (interpreting the “advertising or promotion” language to apply only to commercial speech disseminated to the relevant public and designed to influence purchasing decisions).

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

183. See Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) (distinguishing hijacking a customer to visit a website and distracting a customer with another choice).
parody the trademark owner, to advertise used or reconditioned tradmarked goods for sale or a willingness to service those goods, or to publish stories about the brand or its owner—the use of the term is legitimate and should not be considered confusing.184

The courts in the 1-800 Contacts and Playboy cases erred by finding initial interest confusion merely because the ads in question “might divert potential customers from Plaintiff” on the basis of the proximity in space and the subject matter of the advertisements, absent any proof of actual confusion.185 In short, they were not prohibiting “initial interest confusion,” but the mere fact of “initial interest” itself.186 Trademark infringement requires more than likelihood of diversion—it requires likelihood of confusion.187 A court should not conclude that every use of trademarks in metatags or keywords does this. Particularly as technology advances, courts should consider whether the use, in context, is more likely to confuse or to add to the wealth of information that the consumer might think important. In making this decision, courts should consider whether the defendant was legitimately attempting, in a nonconfusing and nondiluting way, to capture viewers’ attention in the same way that vendors have traditionally done by placing like products next to one another on grocery shelves.188

184. For this reason, Google’s new trademark policy for the U.S. and Canada, which permits the purchase of ad space based on a trademarked keyword but not the use of the trademarked term in the ad itself, is too favorable to trademark owners. See Google, Trademark Complaint Procedure, at http://www.google.com/tm_complaint.html (last visited Sept. 25, 2004) (stating that Google will require an advertiser to remove the trademarked term from the ad at a trademark owner’s request). It would forbid a number of ads that the advertiser has a legal right to run and that would help consumers find what they are looking for. Google has presumably adopted this policy as a compromise because of the many suits and threats of suit made against it by trademark owners. But the fact that Google will block ads that are unquestionably legal is evidence of the in terrorem effect the expansion of trademark liability is having.


186. A similar flaw is evident in the Ninth Circuit’s recent decision in Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002 (9th Cir. 2004), which concluded that Nissan Computer’s site nissan.com was not confusing, but then found liability nonetheless because Nissan Computer sold ads, including automobile ads for Nissan competitors, and doing so “capitalized on consumers’ initial interest” by “trad[ing] on the goodwill” of the mark owner. Id. at 1019.

187. See 1 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 10:25 (1973) (“[O]ne cannot dispense with the carefully constructed requirements for trademark protection by blithely claiming that defendant ‘misappropriated’ some symbol of plaintiff. . . .”).

Some commentators have argued that courts should take technological reality into account and deny infringement claims based on the use of marks in metatags altogether because metatags simply allow competitors to present choices and do not necessarily confuse consumers.\textsuperscript{189} We would not go that far because we think there are limited circumstances in which the use of hidden content can deceive consumers and increase their search costs. But those are exceptional cases, and there is no basis for assuming that any effort to attract consumer attention is itself illegal. In part because the cost of switching websites is so minimal, and in part because modern consumers have a realistic sense of the plethora of results they can get from searches—some highly relevant, some not—they arguably have greater patience with obtaining some red herrings.\textsuperscript{190} Although

fair use of trademark in metatags of defendant's website when the use “is the only way [defendant] can get his message to the public. . . . A broad rule prohibiting use of 'Bihari Interiors' in the metatags of websites not sponsored by Bihari would effectively foreclose all discourse and comment about Bihari interiors, including fair comment.” \textit{Id.} Although trademark holder protection is important to promote, so is the ability of competitors to get customers' attention.

\textsuperscript{189} See David M. Klein & Daniel C. Glazer, \textit{Reconsidering Initial Interest Confusion on the Internet}, 93 TRADEMARK REP. 1035, 1061 (2003) (noting that in cyberspace, “[a]ny 'diversion' of the consumer's interest does not necessarily result from the consumer being misled; rather, it results from the consumer's informed choice in selecting from a group of hyperlinks to websites”; \textit{id.} at 1061–62 (“Although metatags allow consumers to consider listed websites in close proximity, there is no more representation made to the consumer of affiliation or sponsorship than in the context of a telephone book's yellow pages.”); see also Goldman, \textit{supra} note 23, at 58–67 (arguing that initial interest confusion is a bad doctrine that leads to pernicious consequences online more generally). For a prescient discussion of the problems metatags would pose for Internet trademark law, see generally O'Rourke, \textit{Defining the Limits}, \textit{supra} note 40. See also generally Yelena Dunaevskey, Comment, \textit{Don't Confuse Metatags With Initial Interest Confusion}, 29 FORDHAM URB. L.J. 1349 (2002); Julie A. Rajzer, Comment, Misunderstanding the Internet: How Courts Are Overprotecting Trademarks Used in Metatags, 2001 L. REV. M.S.U.-D.C.L. 427 (2001).

Under this approach, “cyberstuffing”—i.e., repeating a mark in metatags solely to gain prominence in a search result—would not be prohibited. See Goldman, \textit{supra} note 23, at 24 & n.62 (describing cyberstuffing and noting that it is currently prohibited by most search engines). This might be a problem—stuffing metatags with irrelevant information may actually increase consumer search costs, and some courts have prohibited it. See SNA, Inc. v. Array, 51 F. Supp. 2d 554, 562–63 (E.D. Pa. 1999) (finding that repetitious use of competitor's mark in website metatags, with intent to harm the competitor, constituted “a bad faith effort to confuse internet users” rather than a good faith attempt to index the contents of the site). But as Professor Eric Goldman observes, search engines exist in a competitive market and have a strong incentive to provide their users with the most relevant search results, weeding out algorithms that can be gamed and responding to efforts to divert consumer attention in ways that turn consumers off. See Goldman, \textit{supra} note 23, at 29–30. Indeed, just this form of technology competition may have rendered the metatag cases irrelevant: Google, the primary search engine today, does not use metatag data in determining the relevance of a search result. \textit{Id.} at 33.

\textsuperscript{190} Professor Eric Goldman reports studies showing that Internet searchers will spend significant time on a search, sometimes redefining their search terms or trying a different search engine before giving up. Goldman, \textit{supra} note 23, at 13.
trademark holders may complain that those red herrings are exactly what they want to avoid because of the risk that consumers might be diverted to them, trademark law has never empowered trademark holders to prevent consumers from being attracted by truthful information rather than being deceived by false information. Most consumers would probably prefer more comprehensive information to a world in which trademark owners could control what they see, at least as long as they could be protected against deception.191

Further, if courts create a world in which trademark owners can control which ads appear alongside websites or search results, they may increase consumer search costs beyond the level of those costs offline. In the physical world, mere proximity of goods or advertisements has never been thought to be illegal. Generic drug manufacturers can market their products in part by ensuring that they appear on pharmacy shelves next to their brand-name equivalents. Gas stations can compete by staking out adjacent street corners. But there is no similar notion of proximity online. You can’t see the website “next door.”192 The only way to create such proximity is to permit Internet intermediaries like search engines to offer people links to competitive goods that they might enjoy.

There is a related problem—the problem of coddling consumers and thereby changing their expectations.193 If we forbid intermediaries from providing such comparative information, relegating them to pointing to official sites, we may create a self-fulfilling prophecy. Right now, relevance-based search practices have led consumers to understand that search engines return hits based on relevance and not on ownership. But if the law mandates that only official sites can take advantage of keyword trademarks, search engines will have to change their practices and consumers may come to believe that any search result must have some sort of affiliation with the trademark owner. If the law causes this belief, it might then have to permit suits against advertisers or websites whose pages come up in search results lists,194 because otherwise consumers

191. See Klein & Glazer, supra note 189, at 1063 (“[C]onsumers arguably benefit from a wider variety of choices in their purchasing decisions when multiple websites are listed in the results of a search engine query.”).


193. For a discussion of this problem in consumer confusion analysis more generally, as the law has taken more and more account of ignorant and credulous consumers, see Litman, supra note 129, at 1722–23.

194. In our experience, even now search engines receive complaints from trademark
will be confused. The law will have thus created the very confusion it seeks to remedy.\textsuperscript{195} And in the process, it will have rendered search engines much less valuable as tools for consumers to find product information. The early promise of the Internet as a marketplace utopia in which consumers are empowered and fully informed will be well and truly dashed.

Indeed, the current moment offers a rare opportunity for courts to shape consumer expectations before they have congealed. Because keywords, metatags, and other Internet informational tools are relatively new devices, consumers’ understanding of their relationship to trademarks continues to evolve. Given the unsettled nature of consumer expectations, courts can and should decide these cases based on the first principles of trademark law, rather than on weak surveys or unfounded assumptions about consumer practices on the Internet.

The foregoing leads us to conclude that initial interest confusion is not properly viewed as a separate cause of action at all.\textsuperscript{196} By recognizing initial interest confusion as a separate claim, courts have shifted the emphasis of trademark suits away from the question of whether a use confuses to whether it attracts initial interest; as recent cases demonstrate, this shift in emphasis threatens to write the confusion requirement out of the Lanham Act altogether. True instances of initial interest confusion may affect consumer search costs and so may provide evidence of harm under traditional principles of trademark law. Further, “bait and switch” advertising may be independently actionable under the Lanham Act. But thinking of initial interest confusion as a separate category is a mistake because it leads courts to jettison the limitations and defenses that have long kept trademark law on the proper path of minimizing consumer search costs.

\textsuperscript{195} Something similar has arguably happened with merchandising of logos. Fifty years ago, no one would have assumed that any t-shirt bearing the name of a sports team must have been licensed by the team. But because the law began to require such licensing, today that is arguably exactly what people think. For a discussion of the implications of this, see generally Dogan & Lemley, supra note 37.

\textsuperscript{196} The First Circuit appears to take this approach, though it has not addressed the question recently. See Astra Pharm. Prods., Inc. v. Beckman Instruments, Inc., 718 F.2d 1201, 1207–08 (1st Cir. 1983) (declining to adopt initial interest confusion as a separate cause of action); Beacon Mut. Ins. Co. v. OneBeacon Ins. Group, 290 F. Supp. 2d 241, 245–47 (D.R.I. 2003) (“It is unclear . . . whether the First Circuit recognizes [initial interest confusion] as valid.”). Contra EMC Corp. v. Hewlett-Packard Co., 59 F. Supp. 2d 147, 150 (D. Mass. 1999) (commenting that because many circuits have endorsed the initial interest confusion doctrine, “the First Circuit would likely have spent more time discussing the issue had it intended to expressly reject the theory”).
c. Initial Interest Confusion Requires Competitive Proximity Between the Parties. There is a second problem with the judicial expansion of initial interest confusion. Diverting use of trademarks is even plausibly a problem only in two contexts: first, as in the paradigm initial interest confusion cases, when the parties to the suit are competitors and the combination of confusion and switching costs may divert would-be customers to the competitor’s product; and second, when diversion to a noncompetitor imposes sufficient search costs on the consumer that the source-identifying value of the trademark will inevitably suffer. Only the first of these types of diversion even arguably qualifies as traditional trademark infringement—i.e., the use of a mark to create a perceived connection between competing products and to convert consumers based on that perceived connection. As a result, the Third Circuit held in Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc. that initial interest confusion requires proof that the parties are direct competitors or share a “strong interrelatedness.”

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

197. See, e.g., Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons, 523 F.2d 1331, 1341–42 (2d Cir. 1975) (reasoning that a purchaser led astray by initial interest may in fact purchase the competitor’s goods due to a combination of confusion and preference for lower prices); Brookfield Communications v. W. Coast Entm’t Corp., 174 F.3d 1036, 1056–58 (9th Cir. 1999).

198. See, e.g., Panavision Int’l, L.P. v. Toeppen, 141 F.3d 1316, 1326–27 (9th Cir. 1998).

199. 269 F.3d 270 (3d Cir. 2001).

200. Id. at 297; see also Chatam Int’l, Inc. v. Bodum, Inc., 157 F. Supp. 2d 549, 557–59 (E.D. Pa. 2001); Confusion in Cyberspace, supra note 180, at 2388 (endorsing the initial interest confusion doctrine, but requiring competitive proximity).

201. See Toeppen, 141 F.3d at 1326–27 (finding that, by registering the trademark holder’s mark as a domain name, cybersquatter had diluted the value of the trademark because potential customers would feel frustrated by the inability to locate the trademark holder at the expected address and might give up their search altogether).

their products or services, and even when a mark’s fame and cachet make such a strategy appealing, the noncompetitor’s use will not necessarily prevent customers from continuing to seek out the trademark holder or make them think less of the trademark holder’s mark. Occasionally, a noncompetitor might divert consumers in a way that could frustrate their ability or willingness to reach the trademark holder by, for example, “mousetrapping”203 them at a site unrelated to the trademark holder. Such situations, however, are rare and should be evaluated under the stricter requirements of the Federal Trademark Dilution Act.

For more run-of-the-mill trademark infringement cases, the search costs rationale suggests that presale confusion should support a claim only when the parties compete in a relevant market, such that confusion could divert consumers from the trademark holder to the imitator. Direct competitors are the ones most likely to benefit from temporary diversion of consumer attention. Noncompetitors presumably won’t distract customers from their purchase—a driver induced to exit the highway by a sign for a hamburger restaurant won’t be satisfied with a movie rental store instead.204 And while search costs may sometimes increase somewhat as a result of the fruitless diversion, neither the advertiser nor the search engine has an incentive to continue with truly unsuccessful keyword-ad pairings. Whether traditional or initial interest confusion is at issue, it should concern the law only if it materially affects ultimate purchasing decisions.205

Further, expanding the doctrine of initial interest confusion beyond direct competition, as the courts implicitly do when they apply it to search engines or providers of pop-up ad services, leads to unreasonable results. All sorts of legitimate uses of a trademark rely on a party’s ability to attract the attention of a consumer temporarily by referring to that trademark. Companies that want to sell complementary goods need to target their ads to the purchasers of the complement—running airline specials to Anaheim in conjunction with searches for Disneyland, for

203. “Mousetrapping” is “[a] technique that forces a user to remain on a specific Web site by not allowing the user to leave the site.” Webopedia, Mousetrapping, at http://www.webopedia.com/TERM/m/mousetrapping.html (last modified Feb. 20, 2004).

204. They may sometimes draw customers to a complementary or even unrelated product or service, but this should not concern the trademark law as long as consumers are not confused about the relationship between the parties at the time of sale.

205. This is the standard that Professor Lisa Sharrock suggests is consistent with the “conservative approaches” of the Third, Fifth, and Seventh Circuits, and we think it is the right one. See Lisa M. Sharrock, Realigning the Initial Interest Confusion Doctrine with the Lanham Act, 25 WHITTIER L. REV. 53, 54–55, 65–70 (2003).
example. And it is legal for them to do so. Moviemakers who wish to poke fun at that much-maligned potted meat, Spam, must use the SPAM mark to make their point, and it is legal for them to do so.\footnote{206} Songwriters who wish to make fun of Barbie must use the BARBIE mark to attract listeners' attention, and it is legal for them to do so.\footnote{207} Artists who wish to make statements about Barbie must use the doll itself to make their point, and it is legal for them to do so.\footnote{208} Newspapers that wish to publish stories or run contests about a band must use the name of the band to convey their point, and it is legal for them to do so.\footnote{209}

These uses are legal because the use of the mark to draw consumer attention actually reduces consumer search costs because the object of the attention is related to the mark in question. Yet each of these uses also has the potential to confuse consumers for a time, making them think of the trademark holder's good. The law permits these uses because the value to consumers of being able to find parodies, satires, evaluations, and commentaries outweighs any difficulty occasioned by the fact that more than one person may use the term “Barbie.”\footnote{210}

Construing initial interest confusion to be limited to circumstances of direct competition or dilution is the only way to render it consistent with these viable legal doctrines.

One cannot, then, draw a general conclusion that the purchase of advertising space based on the presence of a trademarked keyword in a user search is necessarily likely to confuse consumers. Only a factual analysis of the text of the ad, the nature of the site and the reasons for using the mark, and the costs of finding what the consumer was actually looking for can support a finding of consumer confusion.\footnote{211} The courts holding otherwise have misapplied basic infringement doctrine.

\footnote{206}{See Hormel Foods Corp. v. Jim Henson Prods., Inc., 73 F.3d 497, 501, 508 (2d Cir. 1996).}
\footnote{207}{See Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 900–01 (9th Cir. 2002).}
\footnote{208}{Mattel, Inc. v. Walking Mountain Prods., 353 F.3d 792, 799–800 (9th Cir. 2003).}
\footnote{209}{New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 303–05, 310 (9th Cir. 1992); see also Rogers v. Grimaldi, 875 F.2d 994, 996–97, 1005 (2d Cir. 1989) (holding that Ginger Rogers could not sustain a trademark claim against the producers and distributors of the movie Ginger and Fred on the basis that the movie falsely suggested that it was about her).}
\footnote{210}{Walking Mountain Prods., 353 F.3d at 807.}
\footnote{211}{As an aside, this more traditional reading of “initial interest confusion” should suffice to protect search engines and suppliers of Internet services from liability for direct infringement even if the courts find that such intermediaries are engaged in trademark use. 1-800 Contacts and WhenU are not competitors. 1-800 Contacts sells contact lenses, and WhenU provides Internet marketing services. Similarly, Playboy and Excite aren't competitors. Playboy sells pornography and Excite provides Internet search results. The plaintiffs in these cases might have a claim for direct initial interest confusion against...}
2. **Active Inducement.** It seems clear that at least some keyword advertisements advance consumer interests and do not infringe. But others, when paired with misleading ad content, may well confuse consumers. The question then becomes whether the advertisers alone should face legal responsibility for that infringement, or whether trademark holders should also have claims against the intermediaries that enabled their ads.

Unlike patent and copyright law, the doctrine of contributory trademark infringement is narrowly drawn. It has traditionally been limited to cases of actual inducement to infringe or to cases in which the maker of a product continues to supply that product to one it knows is engaging in trademark infringement using that product. The goal of the doctrine is to permit the enforcement of counterfeiting law against those who made the counterfeit goods, and not merely against those who applied the labels. By contrast, contributory liability for the provision of a service is extremely rare in trademark law and requires that the defendant directly control and monitor the third party infringer. There is no affirmative duty to investigate or take precautions against infringement by a third party; liability arises only if a service provider has actual knowledge of infringement using a service under its direct control.

other contact lens companies or other vendors of adult materials that place their ads with these intermediaries, but they should not have a claim for direct infringement against the intermediaries themselves.

In *Playboy*, the situation was arguably more complicated because Netscape allegedly required advertisers who purchased a particular group of keywords to include the terms “playboy” and “playmate” as part of the package. *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1023 (9th Cir. 2004). But Netscape itself wasn’t running ads that confused consumers or selling products in competition with *Playboy*, id., so its liability for selecting the keywords in question should be addressed under principles of contributory rather than direct infringement.

212. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 & n.19 (1984) (stating that trademark law has a “narrow standard” for contributory infringement compared to the broader patent and copyright standards).


214. See John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 IOWA L. REV. 101, 105 (1994) (“Because a product supplier is engaged in product competition, these contributory infringement cases involve special considerations that are not necessarily present in cases in which the defendant contributes to the infringement in some way other than supplying the product.”).

215. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999) (noting that the extent of control exercised by the alleged infringer is an important factor in deterring contributory infringement).

216. See *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1148–49 (7th Cir. 1992) (remarking that it is unclear how contributory infringement applies to people who do not actually manufacture or distribute the infringed goods). Applying this reasoning, courts have held, for example, that a flea market operator can
As we argued above, the courts that have found initial interest confusion online may have erred by concluding that a competitor that locates its product near the trademark owner’s product in Internet “space” has engaged in an illegal use of the trademark. They may also have erred by assuming that any such use is confusing. They then compound these errors by expanding liability from direct competitors who make such uses to anyone who helps them to do so, undermining the principles of trademark law in the process. Under the rationale of the *Playboy* and *1-800 Contacts* courts, magazine publishers could be held liable for selling advertising space in conjunction with a special issue about a trademark holder, on the theory that the juxtaposition between the ads and the stories would draw people’s attention to the ads. Billboard owners could be liable for selling billboard space near a Burger King to McDonald’s. Web hosting services could be liable for the misleading content of the sites they host.

Early Internet decisions wisely refrained from imposing these burdens on Internet service companies. In *Lockheed Martin Corp. v. Network Solutions, Inc.* the Ninth Circuit rejected the argument that Network Solutions—which sold Internet domain names such as “skunkworks.com,” Lockheed’s service mark, to cybersquatters—had a duty to screen the domain names in question to weed out potentially infringing ones. The court agreed with the district court’s conclusion that there is “no affirmative duty to police the Internet in search of potentially infringing uses of domain names.” A closer analogy to the sale face contributory liability if it learns of infringement by vendors and fails to act. See id. at 1149; Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264–65 (9th Cir. 1996). But courts have, with good reason, refused to extend the “willful blindness” notion beyond flea markets and other contexts involving “[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.” See *Lockheed Martin*, 194 F.3d at 984–85 (holding that domain name registration service “does not entail the kind of direct control and monitoring required to justify an extension of the ‘supplies a product’ requirement”).

217. Refer to Part III.C.1.c *supra*.

218. Refer to Part III.C.1 *supra*.

219. In addition to the *Playboy* and *1-800 Contacts* cases, the court in *Government Employees* concluded that GEICO could state a cause of action for vicarious trademark infringement by alleging that third-party advertisements on Google and Overture were under the “joint ownership and control” of the search engine and the advertiser. Gov’t Employees Ins. Co. v. Google Inc., No. 1:04CV507LMBTCB, 2004 WL 1977700, at *5 (E.D. Va. Aug. 25, 2004). As a factual matter it seems quite unlikely that search engines own the ads that others run on their sites, though if that were true it might be possible to state a claim for vicarious infringement.

220. 194 F.3d 980 (9th Cir. 1999).

of advertising based on keywords is hard to imagine. Network Solutions was “trading on the goodwill” of trademark owners by selling domain names that included their marks to at least as great an extent as Netscape and WhenU were. Playboy and 1-800 Contacts are in direct conflict with Lockheed Martin, yet neither decision so much as mentions the case. The omission in Playboy—decided in the very same jurisdiction as Lockheed Martin—is particularly striking. It seems clear that the courts disregarded the conflict because they failed to recognize that claims based on keyword advertisements sound in contributory, rather than direct, trademark infringement.\(^{222}\)

D. Policy Concerns with Expanded Liability.

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

Application of contributory trademark infringement to Internet intermediaries such as search engines may be entirely inappropriate. Limiting liability for contributory infringement—both offline and online—helps lower consumer search costs by ensuring that intermediaries who provide information or search services are not chilled from doing so by the risk of trademark liability. The search costs rationale is clearest in the case of an Internet search engine. Holding search engines liable for giving consumers what they are looking for—content targeted in response to their queries—would be perverse in a legal system devoted to helping consumers conduct efficient searches. It might also interfere with the development of efficient search algorithms if search engines are forced to rank-order responses not by what consumers consider most relevant, but in accordance with trademark owners’ demands.\(^{223}\) Other intermediaries also help

\(^{222}\) Playboy gave lip service to the contributory infringement issue but utterly failed to analyze it. The court simply found “that defendants are either directly or contributarily liable,” so that it “need not decide” among plaintiff’s theories of liability. Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1024 (9th Cir. 2004). It then proceeded to analyze the case solely as a matter of direct infringement.

\(^{223}\) Professor Eric Goldman expresses this fear. See Goldman, supra note 23, at 4. He would create a safe harbor for search engines. Id. at 80–86; see also Rita Weeks, Trademarking the Sun and Moon? Why Google Should Not Be Held Liable For Trademark Infringement Based on Their Sale of Keyword Ads (working paper 2003) (on
reduce search costs by providing consumers with advertisements or information designed with the consumer's interests in mind.

Limiting liability may be appropriate for another reason as well—to avoid undue chilling of unquestionably legitimate behavior by intermediaries. If we apply the contributory infringement doctrine to intermediaries, the contributory infringer's liability will depend on facts that it cannot control and that it may not even be able to determine reasonably. Under the threat of contributory liability for initial interest confusion, a magazine publisher or a billboard owner—or the seller of Internet advertising space—would need to prescreen the content of the ads, compare the content to the location of the ads, and make a judgment call as to whether or not consumers might be likely to be confused by the juxtaposition. If there might be confusion, these intermediaries would then have to make a series of further determinations:

Was the use truthful comparative advertising or instead false or misleading?

Was the use a protected nominative use, a judgment that, at least in the Ninth Circuit, requires deciding whether the use of the mark by the advertiser was necessary?

Was the use a fair use of a descriptive mark?

Is the mark in question in fact generic?

Has the advertiser included a disclaimer, and if so, is the disclaimer likely to be effective?

224. Even the 1-800 Contacts court did not go so far as to hold that any pop-up advertisement would infringe on the plaintiff's trademark. Rather, it based its ruling on the content of the ads posted by WhenU's customers, something over which WhenU has little or no control. 1-800 Contacts, Inc. v. WhenU.com, 309 F. Supp. 2d 467, 494–505 (S.D.N.Y. 2003).

225. New Kids on the Block v. News Am. Pub'l'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992) (holding that “a commercial user is entitled to a nominative fair use defense” if certain requirements are met). In Playboy Enterprises, Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1029–30 (9th Cir. 2004), the court rejected the nominative use defense out of hand because the advertiser did not need to use the term “playboy.” But for other uses, such as the one approved by the same court in Playboy Enterprises, Inc. v. Welles, 279 F.3d 796, 802 (9th Cir. 2002), the use of the term would be necessary. Thus, intermediaries would have to make a judgment about whether a court would conclude that, under the circumstances of a particular case, the use of a mark was reasonably necessary.

226. In Playboy Enterprises, Inc. v. Netscape Communications Corp., the court suggested that appropriate disclaimers would solve the problem altogether. Playboy Enter., 354 F.3d at 1029. However, that still leaves factual issues unresolved. Google and Yahoo!, for example, refer to their advertisements as “Sponsored Links” to distinguish them from ordinary search results, and they also set the ads off to the right side. Is this
Most problematic, what is the advertiser's intent in writing the copy?227

An intermediary could be subject to trademark liability if it got any of these judgments wrong, although publishers (and perhaps search engines) could probably argue successfully that the remedies against them are limited to injunctive relief.228 Indeed, under Playboy and 1-800 Contacts, the intermediary might even be found to have acted in bad faith.229 It may be reasonable to require the advertisers themselves to bear this burden; they are familiar with the content of the ads, and they are the ones who stand to benefit from any confusion they create. But it seems unrealistic to expect intermediaries to have either the knowledge or the skill to make these decisions well. Because the Playboy court ignored the distinction between direct and contributory infringers, it imposed these burdens not on the logical party—the advertiser—but on the intermediary.

The risk of liability will more likely chill Internet intermediaries than their offline counterparts. Magazine publishers and billboard owners can at least be expected to see the advertisements they run before the public does. It is possible, therefore, that they could screen those ads for trademark compliance and appropriate disclaimers, though it is far from clear that society should impose this burden on them.230 Such a

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227. The Playboy court was quick to infer intent to deceive from the asserted fact of initial interest confusion itself. Id. at 1028–29. Because the court confused direct and contributory infringement, it focused on Netscape's intent rather than on the advertiser's, but in a true contributory infringement case it is the advertiser's intent that would matter in the likelihood of confusion analysis, although proof of Netscape's intent would also be required. See 4 J. THOMAS McCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:18, at 25-37 (4th ed. 2004) (discussing the role of intent in indirect infringement). How a contributory infringer is to discern the advertiser's intent in order to learn how it bears on the confusion analysis is not clear.


229. Playboy Enter., 354 F.3d at 1029 (noting that the alleged infringer did nothing to alleviate confusion and profited from it); 1-800 Contacts, 309 F. Supp. 2d at 501–02 (finding bad faith when the intermediary knowingly included the trademark to increase its competitive advantage). This is important because it may entitle the plaintiff to damages, as the limitations on liability in 15 U.S.C. § 1114(2)(B) only apply to “innocent violators.”

requirement seems even more out of place in the fast moving world of Internet search technology. Keyword-based purchases of ads at both Google and Yahoo! operate on a pay-per-click basis; which ads actually appear in response to each search result depends in part on the willingness of advertisers to pay, and (at least at Google) in part on how successful the ad is in attracting attention. The ads change regularly, and so do the search queries; it would make little sense to require some central authority at an Internet search engine to read ads in advance and approve or disapprove their content. Unlike a magazine or billboard that changes only once every month and is produced well in advance, an Internet search results page is constructed on the fly in an automated process that takes only a small fraction of a second. Asking Internet searchers to wait a few weeks—or even a few days—while a lawyer evaluates the context of their query simply is not reasonable.

Nor will that evaluation effectively shield a search engine

position of having to decide whether Senator John Kerry’s attack on President George W. Bush is likely to cause initial interest confusion because it has too many pictures of Bush in it. Even if making that call seems easy—Hagan and Nader won their cases, and it seems obvious they should have—we don’t want to give trademark owners a tool to try to chill political speech.

231. Yahoo!, unlike Google, runs its ads in the search results list itself, rather than in separate boxes on the side of the page. This approach may raise concerns under unfair competition laws because people may wrongly assume that a Yahoo! ad is in fact a legitimate search result. See Reuters, Britain Cracks Down on Paid Search, CNET News.com, at http://news.com.com/Britain+cracks+down+on+paid+search/2100-1024_3-5235529.html (last modified June 16, 2004) (noting that British regulators have challenged Yahoo!’s practice as not clearly identifying paid ads). But under the 1-800 Contacts opinion, even clearly differentiated banner or sidebar ads are vulnerable to trademark challenge. 1-800 Contacts, 309 F. Supp. 2d at 503–04 (rejecting defendant’s argument that disclaimers on its pop-up ads adequately alleviated the likelihood of confusion).


Internet advertisements can also be displayed randomly. Many search engines offer “run-of-service” or “run-of-site” packages, in which they charge a lower price and place the ad wherever they have unsold space, rather than in a space chosen by the advertiser. The same advertisement, therefore, could appear both in response to a keyword search and as part of a random, run-of-site rotation. The ad would look the same to the consumer (thereby raising the same purported risk of confusion), but in the latter case, neither the advertiser nor the site has done anything to “trade off” the trademarked keyword. This example illustrates the oddity of a trademark cause of action that does not turn on use of mark as brand in a way that is visible to consumers.

233. It is possible that a court would deny injunctive relief in such a case under 15 U.S.C. § 1114(2)(C) (2000), which provides that injunctive relief against trademark infringement by a publisher is unavailable if the effect of the injunction “would delay . . . [the] transmission of such electronic communication after the regular time for such . . . transmission . . . due to the method by which . . . transmission of such electronic communication is customarily conducted in accordance with sound business practice.”
from liability. There is no global list of trademarks. Even searching the registers of hundreds of countries will provide only partial protection because the United States and some other countries provide common law trademark protection to unregistered marks. Search engines can’t wait to be notified of infringement; in at least one case a search engine was held liable for damages based on permitting an advertiser to use a keyword even though it was never notified of the claimed infringement. Nor can they find a safe harbor in limiting keywords to descriptive or generic terms—Google has already been enjoined in France from permitting the use of the keywords “travel market” and “flight market” and has been sued in the United States over the keywords “American blind” and “American wallpaper.”

Further, even a cautious policy of affirmatively weeding out anything that might conceivably be a trademark won’t solve the contributory initial interest confusion problem for Internet search engines. Most search engines sell targeted advertising using a process called “broad matching.” Under the broad matching system, an advertiser may select an ad to run on the keyword “car.” That ad will appear not only if a user searches for the exact term “car,” but also if they use a hybrid query like “Toyota car,” or “Renault Le Car,” or “Car and Driver.” Even the Playboy court would presumably see nothing wrong with selling an ad based on the keyword “car.” But because so many trademarks include descriptive or generic terms, and because search queries may mix trademarks and generic terms, it is far from a simple matter to determine when an ad might show up in a context to which a trademark owner might object. It certainly

234. See, e.g., Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 209 (2000) (“In addition to protecting registered marks, the Lanham Act . . . gives a producer a cause of action for the use by any person of ‘any word, term, name, symbol, or device, or any combination thereof . . . which . . . is likely to cause confusion . . . as to the origin, sponsorship, or approval of his or her goods . . . .’” (alterations in original) (quoting 15 U.S.C. § 1125(a) (2000))).

235. Viaticum/Luteciel v. Google France, T.G.I. Nanterre, 2e ch., Oct. 13, 2003, RG No. 03/00051. By contrast, in Nemetschek the German court held that a search engine could not be liable without prior notice of the infringement. This may relieve the burden on the search engine to some extent, but would still require it to review and block keywords whenever it was notified of a claim of infringement.

236. In French, “bourse des vols” and “bourse des voyages.” Id.


238. See Kaminer, supra note 232, at 39–43 (providing additional explanation of the keyword search process); Google AdWords, Adwords Support: What are Keyword Matching Options?, at https://adwords.google.com/support/bin/answer.py?answer=6100 (last visited Sept. 25, 2004) (defining the term “broad match” as it relates to keyword banner advertising).
can’t be done in an automated fashion, and even if lawyers are in charge of reviewing each keyword buy, they won’t be able to anticipate the wide range of potential searches in which the search algorithm might find the keyword relevant. The alternative is to prohibit all ads unless they have been vetted in advance. This would require compelling search engines to give primacy to lawyers in their business models, would delay the inclusion of both ads and content in search results, and would make it harder, not easier, for consumers to find reliable information about goods and services. The effect of the Playboy and 1-800 Contacts decisions will ripple well beyond obvious cases of trademark use to cover seemingly innocuous keyword searches.239

While there is some risk that consumers might be temporarily confused by information that purports to be relevant but is not, traditional trademark and false advertising laws can generally take care of that problem by permitting suit against the advertiser or site providing the misleading information. Buying ad space based on a keyword isn’t trademark use, but running an ad that misleadingly uses a trademark surely is. Even if the advertiser manages to mislead without making a trademark use, other doctrines, such as false advertising, may prevent such conduct.240 And in the final analysis, even if some unremedied confusion may exist because some consumers believe that trademark holders approve every ad keyed to their trademark, this is a situation in which trademark law should set—rather than respond to—norms.241 The doctrine of trademark use, in particular, holds sway against changing notions of consumer confusion; it is designed to be a bulwark against

239. See Am. Blind & Wallpaper Factory, 2003 WL 23180991, at paras. 11–18 (filing of declaratory judgment action over the propriety of selling ads based on the keywords “blind” and “wallpaper” that may run in a search for the terms “American blind” or “American wallpaper”); Viaticum/Luteciel v. Google France, T.G.I. Nanterre, 2e ch., Oct. 13, 2003, RG No. 03/00051 (enjoining any use that would cause ads to appear when a user searches for the French terms for “flight market” and “travel market,” including the use of such generic keywords as “flight,” “travel,” and “market”).

240. Some commentators have suggested that relying on false advertising may be preferable to invoking trademark law. See Goldman, supra note 23, at 71 (noticing that “[t]he dissemination of false filtering content might trigger other legal doctrines, such as false advertising, but it would be inappropriate to deem those efforts per se trademark infringement”); O’Rourke, Defining the Limits, supra note 40, at 296–99 (examining the relationship between metatags and false advertising and noting that metatagging may not necessarily constitute advertising or promotion under the Lanham Act).

241. Cf. Indianapolis Colts, Inc. v. Metro. Balt. Football Club LP, 34 F.3d 410, 414 (7th Cir. 1994) (“There is great variance in consumer competence, and it would be undesirable to impoverish the lexicon of trade names merely to protect the most gullible fringe of the consuming public.”).
unreasonable expansion of trademark law. Expanding liability to include intermediaries that connect the consumer with the advertiser is neither necessary nor wise.

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

IV. TURNING THE TIDE

The problems we have identified arise because the courts in the Internet cases we have discussed appear willing to stretch or to ignore traditional doctrine because of their equitable concerns about unjust enrichment. This may be a particular problem on the Internet because the novelty of the medium convinces courts and commentators that the issues that arise there are new ones with no obvious analogues in the offline world. Sometimes that is true; cybersquatting, for instance, fits uneasily within traditional trademark law, and courts spent some time stretching that law before Congress and ICANN stepped in with laws and regulations designed to deal with the problem directly.

242. *Playboy Enters., Inc.* v. *Netscape Communications Corp.*, 354 F.3d 1020, 1023 (9th Cir. 2004). More specifically, Netscape required purchase of the keyword by anyone interested in buying its “adult entertainment” keyword package. Advertisers, of course, could choose another package or no package at all. *Id.*

243. A more difficult case is presented by Google’s “keyword suggestion tool,” an automated feature that returns a list of suggested keywords to advertisers based on the text and context of the ad itself. The keyword suggestion tool may suggest the use of trademarks as keywords, a fact that at least at first glance makes Google look more like Netscape. However, Google’s keyword suggestion tool is actually driven by an algorithmic analysis of other user searches. So if the tool suggests the use of a mark in connection with an ad, it is because consumers consider the mark relevant given the context of the ad. That relevancy is something that the law should promote, given its focus on search costs. See Goldman, *supra* note 23, at 76–77 (suggesting that relevancy should be factored into a likelihood of confusion analysis). One way the law might consider relevance is through the doctrine of nominative use, but only if that doctrine is not read so narrowly that it requires necessity rather than merely relevancy. See generally Weeks, *supra* note 223 (suggesting that Google should be protected under the doctrine of nominative use). *Playboy’s* narrow construction of the doctrine may render it of little benefit to Internet search engines.

the case of Internet keywords, the apparent novelty of the question has served to distract courts from the application of well-established rules of trademark law and has allowed them to give free rein to well-intentioned but fundamentally misguided instincts about ownership and unjust enrichment, instincts that are based in conceptions of property and not on the quite different policy moorings of trademark law.

The result is a problem whose solution is both simpler and more difficult than one sees in a typical law review article. We are not saying the law needs changing; it doesn’t. Existing trademark law is just fine and can handle Internet keywords without substantial modification. What must change is that the courts must remember to apply that law. At one level, this is easy enough to do; we don’t need to draft a statute, propose a new multifactor test, or anything of the sort in order to solve the problems we have discussed in this paper. At another level, our “proposal” may be harder to implement precisely because it doesn’t take the form of new law. Courts must be mindful of longstanding legal rules and even more so of the fundamental normative goal that underlies those rules—the reduction of consumer search costs. By focusing on this goal, courts may find themselves more able to resist the seductive allure of the unjust enrichment claim. Our hope in this paper is to remind courts and commentators of the equities on the other side—the reasons we have limiting doctrines in trademark law and the importance of applying them uniformly. Only with the animating principles of trademark law firmly in mind can courts hope to get the law right in the new environment of the Internet.

Name Dispute-Resolution Policy, at http://www.icann.org/udrp/udrp.htm (last updated Aug. 26, 2001). On the stretching of traditional trademark law to capture cybersquatters, see Lemley, Modern Lanham Act, supra note 22, at 1701–03; Justin Hughes, The Internet and the Persistence of Law, 44 B.C. L. REV. 359, 377 (2003) (noting that before the ACPA and the Uniform Dispute Resolution Policy, “[t]o reach reasonable results, . . . courts often had to stretch and distort traditional trademark notions”). For a contrary argument that the ACPA was unnecessary, see Suzanna Sherry, Haste Makes Waste: Congress and the Common Law in Cyberspace, 55 VAND. L. REV. 309, 320–22 (2002).