

# TRADEMARK USE AND THE PROBLEM OF SOURCE<sup>†</sup>

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*This Article mediates a scholarly debate regarding the existence and desirability of a “trademark use” doctrine. It argues that trademark use is a predicate of liability under the Lanham Act, but those who advocate treating trademark use as a threshold question put much more weight on that concept than it can bear. Courts cannot consistently apply trademark use as a distinct element of the plaintiff’s prima facie case because trademark use can be determined only from the perspective of consumers. Specifically, courts can determine whether a defendant has made trademark use of a plaintiff’s mark only by asking whether consumers are likely to view the defendant’s use as one that indicates the source of the defendant’s products or services. Because such an inquiry is, by its nature, highly context-sensitive, trademark use is not a concept capable of serving the limiting function advocates hope. The trademark use debate, however, reveals a fundamental problem in modern trademark law and theory. Consumer understanding, and particularly consumer understanding of “source,” defines virtually all of modern trademark law’s boundaries. But these boundaries are never fixed because consumer understanding is inherently unstable, particularly with respect to an ill-defined term like “source.”*

## I. INTRODUCTION

“Trademark use” is all the rage. Several scholars recently have put their faith in the trademark use doctrine as a tool for defining the boun-

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daries of trademark law, and particularly as an antidote to the “new and unprecedented form[s] of trademark infringement claim[s]” trademark owners have asserted against information intermediaries and creators of expressive works.<sup>1</sup> These scholars argue that only certain types of uses of another’s mark—*trademark uses*—can constitute infringement, and that courts can predictably limit the scope of trademark rights by emphasizing trademark use as an essential element of infringement.<sup>2</sup> Even better, these scholars suggest, courts can determine early in litigation whether a particular use is trademark use, and therefore can resolve at least some cases without getting bogged down in the unpredictable, context-dependent likelihood of confusion analysis.<sup>3</sup> On this account, not only does the trademark use doctrine help resolve particularly hard cases, it also limits the amount of feedback in trademark law by giving potential defendants greater certainty about the legality of their uses.<sup>4</sup>

The trademark use doctrine is seductive because it promises predictable limits on the scope of trademark rights, and limits of any kind have proven remarkably elusive in modern trademark law. Moreover,

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1. See Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1674 (2007) (arguing that “the trademark use doctrine, properly applied, serves as a limited tool for identifying classes of behavior that cannot constitute infringement”); see also Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. DAVIS L. REV. 371, 395–96 (2006) (“In the course of evaluating infringement and dilution claims in this new and unique setting [on the Internet], courts have too often lost sight of the important limiting function the trademark use requirement should play.”); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 593–94 (2005) (finding a trademark use requirement in the Lanham Act and arguing for rigorous application of the doctrine to immunize search providers from liability); Uli Widmaier, *Use, Liability, and the Structure of Trademark Law*, 33 HOFSTRA L. REV. 603, 708 (2004) (arguing that “the misinterpretation of the trademark use requirement—or more accurately, the flat-out disregard of that requirement—has given rise to a veritable cottage industry among the courts, an entire line of cases that are wrongly decided, that impose trademark infringement liability where none exists”).

2. Barrett, *supra* note 1, at 395–96; Dogan & Lemley, *supra* note 1, at 1670–72. This is not purely an academic argument; defendants increasingly are making trademark use arguments to courts. Google articulated this position in its brief to the Second Circuit in *Rescuecom Corp. v. Google, Inc.*, arguing that

bootstrapping a finding of use by alleging other elements of a trademark claim, such as likelihood of confusion, puts the cart before the horse. Just as a plaintiff in a negligence case cannot claim that the allegation that she fell and broke her arm shows that the defendant breached the applicable duty of care, Rescuecom cannot claim that the allegation of a likelihood of confusion shows that Google engaged in trademark use.

Brief for Defendant-Appellee at 12–13, *Rescuecom Corp. v. Google, Inc.*, No. 06-4881-cv (2d Cir. Feb. 12, 2007), available at <http://claranet.scu.edu/eres/coursepage.aspx?cid=1754&page=docs#> [hereinafter Google Brief] (follow “Google’s Appellee Brief in *Rescuecom v. Google*” hyperlink).

3. Dogan & Lemley, *supra* note 1, at 1695–96.

4. Consumer expectations largely define trademark rights, yet those expectations are influenced by consumers’ understanding (or misunderstanding) of the law. See, e.g., Dogan & Lemley, *supra* note 1, at 1696 (arguing that, because litigation is costly and uncertain, many people who have the right to make a particular use will not, which “in turn may actually affect consumer perceptions of whether such uses are permissible at all”); James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 907 (2007); Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1916 (2007) (arguing that “once courts and Congress began to expand trademark law and committed it to consumer understanding, expansion became self-reinforcing—broader protection begets consumer expectations of greater control, which begets even broader protection”).

the language of trademark use seems familiar to trademark scholars, as trademark law has long limited liability to certain types of uses of another's mark that are colloquially referred to as "trademark uses." The limits trademark use advocates propose therefore appear to follow naturally from trademark law's own policies rather than external forces like the First Amendment. Indeed the doctrine is sufficiently attractive to enjoy relatively widespread support among intellectual property scholars.<sup>5</sup>

Unfortunately, while they advance the trademark use doctrine as a tool for creating predictability, none of the doctrine's advocates is able to articulate clear rules by which courts can distinguish trademark uses from non-trademark uses. Dogan and Lemley, for example, do not specifically define trademark use but focus on uses "to promote [a party's] own products or services" or "to indicate the source or sponsorship of [the party's] products or services."<sup>6</sup> This type of definition is the best we can hope for because the only trademark use limitation in the Lanham Act is a functional one: the infringement provisions implicitly limit liability to uses by the defendant that indicate the source of its products or services. But such a functional trademark use limitation cannot predictably limit liability because it cannot be determined without resort to consumer understanding.<sup>7</sup> Specifically, under modern trademark law, courts can find that a defendant has made trademark use of a plaintiff's mark only if the

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5. In addition to the academic articles noted above, law professors have authored and signed amicus briefs arguing for recognition of trademark use as a threshold determination and have testified before Congress to stress the importance of the doctrine. See Brief of Amici Curiae Intellectual Property Law Faculty in Support of Affirmance, *Rescuecom Corp. v. Google, Inc.*, No. 06-4881-cv (2d Cir. Feb. 22, 2007), available at <http://claranet.scu.edu/eres/coursepage.aspx?cid=1754&page=docs#> (follow "Rescuecom v. Google Law Professors Amicus Brief" hyperlink); *Trademark Dilution Revision Act of 2005: Hearing on H.R. 683 Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 109th Cong. 18-21 (2005) (statement of Mark A. Lemley, William H. Neukom Professor of Law, Stanford Law School). This enthusiasm is not universal, however. Responding particularly to Dogan and Lemley, Graeme Dinwoodie and Mark Janis have rejected the trademark use doctrine both descriptively and prescriptively. Graeme Dinwoodie & Mark Janis, *Confusion over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007). I address many of Dinwoodie and Janis's arguments throughout this Article.

6. Dogan & Lemley, *supra* note 1, at 1682. Margreth Barrett does advocate for the formal understanding, at least to some extent. Barrett, *supra* note 1, at 379-87.

7. Ironically, the very cases that have animated most scholars' advocacy of a trademark use doctrine—the keyword advertising cases—have come to strikingly different conclusions as to whether the trademark use doctrine exists and whether use of another's mark in keyword advertising constitutes trademark use in commerce. Compare *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310, 323 (D.N.J. 2006) (holding keyword use by advertisers constitutes trademark use in commerce), and *Edina Realty, Inc. v. TheMLSonline.com*, No. Civ. 04-4371JRTFLN, 2006 WL 737064, at \*3 (D. Minn. Mar. 20, 2006) (same), with *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 416 (S.D.N.Y. 2006) (holding keyword use is not trademark use in commerce); compare *Washingtonpost.Newsweek Interactive Co. v. Gator Corp.*, No. Civ. A. 02-909-A, 2002 WL 31356645, at \*1 (E.D. Va. July 16, 2002) (holding use of keywords to trigger adware constitutes trademark use in commerce), with *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 412 (2d Cir. 2005) (holding use of keywords to trigger adware is not trademark use in commerce), *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 764 (E.D. Mich. 2003) (same), and *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 729 (same).

evidence suggests consumers are likely to view the defendant's use as one that indicates the source of the defendant's products or services.<sup>8</sup>

Indeed, precisely because trademark use is not separable from consumer understanding, proponents cannot articulate the doctrine without lapsing into claims about likelihood of confusion. In the context of product configuration trade dress, for example, Dogan and Lemley would determine whether a particular use was a trademark use solely by asking whether the defendant's use was likely to cause confusion. "If a party adopts its competitor's protected, non-functional product configuration in a way that confuses potential customers over source, sponsorship, or affiliation, it is engaged in trademark use of that trade dress."<sup>9</sup> So understood, trademark use is simply likelihood of confusion by another name, and it suffers from all the same problems trademark use advocates claim the doctrine solves.

Despite the trademark use doctrine's inability to serve as a limiting mechanism, the trademark use debate is an important one because it exposes a fundamental shortcoming of modern trademark law and theory. Almost every significant limitation in trademark law—from the existence of protectable rights to the scope of those rights and the availability of defenses—depends on consumer understanding. In itself this renders trademark law inherently unstable. Consumer beliefs are highly suggestible and based in part on understanding (or misunderstanding) of the law.<sup>10</sup> This instability is particularly pronounced in trademark law, however, because the relevant consumer beliefs are those regarding "source," an extraordinarily vague concept capable of encompassing almost any imaginable relationship between parties.

To take a seemingly extreme example, imagine consumers came to believe that no one could legally use the "Nike" mark in any way without Nike's permission—perhaps because Nike tells them as much.<sup>11</sup> Operat-

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8. "Source" is defined broadly here to include not only the actual physical source of a product or service, but those who sponsor or are affiliated with the product or service.

9. Dogan & Lemley, *supra* note 1, at 1699.

10. See generally Gibson, *supra* note 4.

11. See NikeStore Customer Service, Privacy/Security, <http://www.nike.com/renov/nikestore/us/v1/us/en/info/privacy.jsp?item=terms> (last visited Feb. 28, 2009) ("All trademarks, service marks and trade names (e.g., the NIKE name, the Swoosh design and the Basketball Player Silhouette (Jumpman) design) are trademarks or registered trademarks of NIKE. Unless otherwise restricted, you may use the content of the website only for your own non-commercial use to place an order or to purchase NIKE products. Any other use is prohibited unless agreed to by NIKE in writing."). These overbroad statements are extremely common. See, e.g., Coca-Cola.com Terms of Use, [http://www.coca-cola.com/webstore/en\\_US/template1/terms\\_of\\_use\\_en\\_US.html](http://www.coca-cola.com/webstore/en_US/template1/terms_of_use_en_US.html) (last visited Feb. 28, 2009) ("Any Content that is a trademark, logo or service mark is also a registered and unregistered trademark of The Coca-Cola Company or others. Your use of any Content, except as provided in these Terms of Use, without the written permission of the Content owner is strictly prohibited. You are also advised that The Coca-Cola Company will aggressively enforce its intellectual property rights to the fullest extent of the law, including the seeking of criminal prosecution."). Google is somewhat more subtle, though one could plausibly read its terms of service as to prohibit use of Google's trademarks. See Google Terms of Service, <http://www.google.com/accounts/TOS?loc=US> (last visited Feb. 28, 2009) ("Unless you have

ing under such a belief, consumers who encountered an article in the *New York Times* entitled “Nike Releases New Cross-Training Line” might well expect that the *New York Times* had licensed use of the Nike mark.<sup>12</sup> If the newspaper did not license use of the Nike mark, these consumers would be confused about Nike’s sponsorship of or affiliation with the *New York Times*,<sup>13</sup> and the paper’s use would therefore infringe Nike’s rights.

Uses in newspaper headlines generally have not been thought to infringe trademark rights, not because of a trademark use doctrine, but only because courts have presumed that consumers do not regard such uses as source indicative.<sup>14</sup> Whether such a presumption historically has been justifiable, it becomes more questionable every day as consumers become more aware of marketing practices, such as product placement, that blur the line between advertising and content. Yet the presumption that consumers do not perceive uses in headlines as source indicative is the only reason, under modern trademark principles, that the *New York Times* would evade liability for its hypothetical use. If and when consumers begin expecting that newspapers license use of trademarks, there will be no principled trademark reason to refuse to expand liability accordingly.<sup>15</sup>

The remainder of this Article proceeds as follows. First, because trademark use advocates and critics alike claim for their view better historical footing, I describe in Part II the role of “use” in traditional trademark law. I argue that, while most traditional use precedent is anachronistic, courts did limit liability to uses of a mark to indicate the source of one’s goods or services. In this sense, courts did require trademark use as a condition of liability. This functional trademark use limitation was meaningful because courts in the traditional era conceived of “source” literally—only uses that caused confusion regarding the actual, historical source of a good were actionable.

I argue in Part III that the modern Lanham Act continues implicitly to condition liability on “trademark use” in this functional sense, as only source-designating uses can cause relevant confusion. Unfortunately, as I argue in Part IV, one can determine whether a particular use indicates

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agreed otherwise in writing with Google, nothing in the Terms gives you a right to use any of Google’s trade names, trade marks, service marks, logos, domain names, and other distinctive brand features.”).

12. If the statistics Jim Gibson cites are at all representative, such an expectation of licensed use is entirely realistic. See Gibson, *supra* note 4, at 924 (citing a 1983 study in which 91.2 percent of respondents agreed that “[n]o product can bear the name of an entertainer, cartoon character, or some other famous person unless permission is given for its use by the owner of the name or character”).

13. Of course consumers in this situation may not care whether the use was licensed. But trademark law has no materiality element; liability does not depend on consumers caring.

14. See, e.g., *Packman v. Chi. Tribune Co.*, 267 F.3d 628, 640 (7th Cir. 2001) (describing the *Chicago Tribune*’s use of “The joy of six” as a newspaper headline in contradiction to a trademark).

15. Courts might well be reluctant to impose liability in such cases, and particularly to issue injunctive relief. Any limitations, however, would have to come from the force of the First Amendment. Trademark theory offers no reason to limit liability in such a case, committed as it is to protecting consumer understanding.

source, and therefore qualifies as a trademark use, only by reference to consumer understanding. This is a problem, as I argue in Part V, because “source” in modern trademark law is a much broader concept than it was in the traditional era, and one without any natural limits. Consequently, trademark use can no longer exert whatever limiting influence it once did. To develop sustainable boundaries, courts will therefore have to divorce the scope of trademark rights from consumer understanding in at least some circumstances and/or define relevant source relationships with greater specificity. I offer some tentative suggestions along these lines in Part VI.

## II. THE ROLE OF USE IN TRADITIONAL TRADEMARK DOCTRINE

This Part describes the role of trademark use in traditional trademark law, specifically during the nineteenth and early twentieth centuries, when trademark law developed in America.<sup>16</sup> Focusing on this bygone era is important for two reasons. First, both advocates and critics of the trademark use doctrine make historical claims to bolster their arguments. Advocates argue that courts have always required trademark use as a condition of liability and that the trademark use requirement has traditionally served as a bulwark against overly expansive trademark protection.<sup>17</sup> Because of the doctrine, they suggest, a grocery store can place generic sodas on the shelf next to Coca-Colas, and content creators can reference trademarks for purposes of criticism or parody without incurring liability.<sup>18</sup> Critics of the trademark use doctrine, on the other hand, “find no foundation for the theory in current U.S. trademark law”<sup>19</sup> and deem historical arguments in favor of the doctrine unavailing. In fact, the critics suggest history casts serious doubt on the claim that a trademark use doctrine will promote certainty.<sup>20</sup> To evaluate these competing arguments, one must understand the context of traditional doctrinal rules and their evolution during the twentieth century.

Second, and more importantly for this Article, revisiting early trademark decisions draws out the stark contrast between courts’ traditional conception of “source” and the much more expansive modern understanding of that concept. Focusing on the way courts broadened the concept of source makes clear why a functional trademark use requirement can no longer be the robust limitation it once might have been.

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16. See McKenna, *supra* note 4, at 1858–73.

17. See Barrett, *supra* note 1, at 376–87; Dogan & Lemley, *supra* note 1, at 1675 (“The recent trademark use decisions, therefore, are simply articulating and refining a longstanding principle of trademark law that finds support in both the Lanham Act and relevant case law, a principle that was, until recently, so widely accepted that trademark owners never sought to challenge it.”).

18. Dogan & Lemley, *supra* note 1, at 1672.

19. Dinwoodie & Janis, *supra* note 5, at 1602, 1622.

20. *Id.* at 1607.

A. *Use Requirements in Traditional Trademark Law and Theory*

Trademark rights traditionally have been defined by a party's use. One acquires rights in a mark through use of the mark in connection with particular goods or services, and priority as between competing users is determined by first use.<sup>21</sup>

A party's use of a mark also delineates the scope of that party's rights. Traditionally, one's rights in a mark extended only to the specific goods or services with which the mark was used.<sup>22</sup> Consequently, only uses by direct competitors were deemed infringing.<sup>23</sup> Trademark rights are no longer so restricted, but a senior party's use of its mark continues to play an anchoring role. Uses of a mark for noncompeting goods may infringe if they are likely to cause confusion, and the similarity of the parties' respective goods or services plays a prominent role in the confusion analysis.<sup>24</sup>

"Use" in this context refers to a particular type of use, however, and not simply any use of a term or device in connection with a party's goods or services. Specifically, for "use" of a term to trigger substantive trademark rights, a party must use the term in such a manner that consumers regard it as indicative of the source of that party's goods or services.<sup>25</sup>

These use rules have deep historical roots,<sup>26</sup> and they continue largely to determine trademark rights today.<sup>27</sup> Because trademark law's use rules were primarily created during the nineteenth century, however, the role of use in trademark law must be understood in the context of courts' understanding of the normative goals of trademark and unfair competition law during that period.

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21. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:9 (4th ed. 2008).

22. McKenna, *supra* note 4, at 1888.

23. *See id.* at 1889.

24. Every federal circuit court applies its own multifactor test of likelihood of confusion to determine liability. There is, however, significant overlap between the various tests, and every circuit includes factors that measure the similarity of the goods or services. Most also consider the likelihood that the plaintiff would expand its offerings to the defendant's market. *See* 4 MCCARTHY, *supra* note 21, §§ 24:30–43 (setting forth each circuit's multifactor test).

25. *See* McKenna, *supra* note 4, at 1892–93.

26. *See, e.g.,* Am. Washboard Co. v. Saginaw Mfg. Co., 103 F. 281, 287 (6th Cir. 1900) ("It is the party who uses [a designation] first as a brand for his goods, and builds up a business under it, who is entitled to protection, and not the one who first thought of using it on similar goods, but did not use it. The law deals with acts, not intentions." (quoting *George v. Smith*, 52 F. 830, 832 (C.C.S.D.N.Y. 1892))).

27. One qualification is necessary here. Since 1988 parties have been able to apply to register trademarks prior to making actual use as long as they have a bona fide intention to use the mark. *See* Lanham Act § 1(b), 15 U.S.C. § 1051(b) (2006). If such applications issue to registration, their owners can claim constructive use of the registered mark from the date of application. *Id.* § 7(c). But since intent to use applications cannot mature into registration unless the applicant can demonstrate actual use within the statutorily prescribed period, even rights acquired through intent-based registrations ultimately depend on actual use of a mark. *Id.* § 1(d) (requiring statement of use to be filed within statutory period following notice of allowance).

Notably, traditional trademark law's focus on use is difficult to explain in terms of the modern search costs theory of trademark law. First, contrary to the conventional claim, advanced by Dinwoodie and Janis,<sup>28</sup> use is neither a necessary nor sufficient determinant of consumer understanding. Here I mean to suggest that a party need not have made *any* use of a term for consumers to associate the term with that particular party, but it is particularly clear that consumer understanding does not depend on any formal aspects of use like affixation.<sup>29</sup> In fact, as courts have increasingly embraced the search costs theory of trademark law, they have sometimes relaxed the use rules and recognized a party's rights in a mark even when that party had never itself made any use of the mark.<sup>30</sup> At the same time, actual use of a trademark in a way typically deemed sufficient to support an application does not guarantee that consumers will associate a term with its first user; the nature of one's use tells us nothing about consumer response to the mark.

It is ironic then that the trademark use doctrine is promoted so vigorously by vocal advocates of the search costs theory.<sup>31</sup> Applied woodenly, use rules almost certainly will produce results in some cases that are inconsistent with consumer expectations. That would not have bothered courts applying traditional trademark principles because those courts did not seek to protect consumer understanding for its own sake. But use rules that are insensitive to actual consumer understanding stand in tension with a search costs theory of trademark law.

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28. See Dinwoodie & Janis, *supra* note 5, at 1626.

29. As Rebecca Tushnet notes, "As far as we know, the brain has no use-in-commerce requirement or other distinction that would keep references to Tiffany-the-girl from activating thoughts of Tiffany's-the-jeweler, or vice versa." Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 549 (2008).

30. In a variety of cases, courts have recognized trademark rights in abbreviations or nicknames used exclusively by the public. See *Nat'l Cable Television Ass'n v. Am. Cinema Editors, Inc.*, 937 F.2d 1572, 1577-78 (Fed. Cir. 1991) ("Moreover, even without use directly by the claimant of the rights, the courts and the Board generally have recognized that abbreviations and nicknames of trademarks or names used *only* by the public give rise to protectable rights in the owners of the trade name or mark which the public modified. Such public use by others inures to the claimant's benefit and, where this occurs, public use can reasonably be deemed use 'by' that party in the sense of a use on its behalf." (footnote omitted)); see also *Johnny Blastoff, Inc. v. L.A. Rams Football Co.*, 188 F.3d 427, 434 (7th Cir. 1999) (quoting *Nat'l Cable Television*, 937 F.2d at 1577); *Volkswagenwerk AG v. Hoffman*, 489 F. Supp. 678, 681 (D.S.C. 1980) (recognizing VW's rights in "Bug" based on public usage of the nickname without VW's protest); *Coca-Cola Co. v. Busch*, 44 F. Supp. 405, 407 (E.D. Pa. 1942) (finding the public use of "Coke" to refer to Coca-Cola's soft drink sufficient to create rights for Coca-Cola in that term); *Am. Stock Exch., Inc. v. Am. Express Co.*, 1980 WL 30139, at \*362-64 (T.T.A.B. June 30, 1980) (attributing to American Express rights in "AMEX" based on public use of that designation to denote American Express); *Norac Co. v. Occidental Petroleum Corp.*, 1977 WL 22645, at \*315 (T.T.A.B. Dec. 15, 1977) (earlier use of "OXY" by public determined priority); *Pieper v. Playboy Enters.*, 1973 WL 19991, at \*320 (T.T.A.B. June 14, 1973) (recognizing Playboy's rights in "Bunny Club").

31. Dogan and Lemley in particular have pressed the search costs rationale. See Dogan & Lemley, *supra* note 1, at 1689; Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223 (2007); Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 466-67 (2005) [hereinafter *The Merchandising Right*]; Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004).

The following Section looks closely at the concept of “trademark use” in two areas of traditional trademark law: (1) the use necessary to establish trademark rights, and (2) the types of uses that were deemed infringing. As this Section demonstrates, the vast majority of “use” cases from this era focused on the question of whether a claimed designation functioned as a trademark, indicating the source of the claimant’s goods or services.<sup>32</sup> For this reason alone, traditional trademark use precedent has limited value in the modern trademark use debate. As Dinwoodie and Janis note, use need not have the same significance in the infringement context as it does in defining a party’s rights.<sup>33</sup>

More importantly, traditional use precedent at most helps define the class of cases that would have been considered *trademark infringement*. The precedent does not help resolve the ultimate question of liability because parties in the traditional era that lacked trademark rights could still get relief in many cases through unfair competition claims. Thus, trademark use advocates who rely on acquisition precedent from this era mischaracterize the precedent to the extent they suggest it absolves non-trademark uses categorically.

### B. Use and the Nature of Rights

Cases from the traditional era dealing with the issue of use generally were decided at a time when courts divided the universe of distinguishing terms into “technical trademarks,” which were protected in actions for trademark infringement, and “trade names,” which could be protected only in actions for unfair competition.<sup>34</sup> This distinction appeared at some point in the late nineteenth century, around the time Congress began to legislate in the trademark area.<sup>35</sup> Technical trademark status was important because only those marks could be registered under early federal statutes, and only owners of registered trademarks could assert federal claims.<sup>36</sup> In this context, “trademark use” was the type of use neces-

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32. See Dinwoodie & Janis, *supra* note 5, at 1610. Barrett concedes that “the case law provides relatively little discussion of when a defendant ‘uses a mark as a trademark’ for purposes of infringement liability.” Barrett, *supra* note 1, at 378. She also later concedes that inconsistency between the language of section 32 and the definition of “use in commerce” makes it possible that “the literal language of the section 45 ‘use in commerce’ definition is limited to defining the acts necessary to gain ownership and registration of a mark.” *Id.* at 385. Barrett nevertheless concludes that “the trademark use requirement is well-established in statutory language and case law, and it serves a separate and distinct purpose in shaping trademark rights.” *Id.* at 378.

33. Dinwoodie & Janis, *supra* note 5, at 1614.

34. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995); see 1 MCCARTHY, *supra* note 21, § 4:4 (defining technical trademarks).

35. One can reasonably question whether this period is the appropriate reference point for “traditional” trademark principles, since trademark and unfair competition law significantly predate federal legislation and virtually none of the pre-Lanham Act precedent imposed such formal requirements. But even focusing on this era as the appropriate reference point, trademark use advocates overemphasize the significance of a determination that a plaintiff could not claim exclusive rights in a trademark.

36. See McKenna, *supra* note 4, at 1862–63.

sary to achieve technical trademark status, and it had both formal and substantive dimensions.

Formally, a technical trademark was affixed to a product itself, or at least the product's packaging or other closely related materials. Each of the first three federal trademark statutes required some form of application of the mark as a prerequisite to registration,<sup>37</sup> and courts considering the validity of a plaintiff's claimed designation focused on affixation and other aspects of the plaintiff's manner of use.<sup>38</sup> The affixation requirement was consistent with courts' understanding of trademarks as "something other than, and separate from, the merchandise."<sup>39</sup>

Affixing a term to products did not guarantee that it would be deemed a technical trademark, however, because not all terms were *capable* of serving as technical trademarks. Only arbitrary or fanciful terms could be technical trademarks; surnames and descriptive terms could not be so classified.<sup>40</sup> Those terms were designated "trade names" and were protected, if at all, in actions for unfair competition.<sup>41</sup>

This distinction between technical trademarks and trade names was part of a delicate balance courts struck to limit the scope of trademark protection. All of unfair competition law, including trademark law, was designed to prevent trade diversion by competitors.<sup>42</sup> But courts recognized that they had to be careful in denouncing trade diversion, because trade diversion is the essence of competition. Applied too broadly, unfair competition law could undermine the benefits of a market economy by condemning many efforts to compete. Courts guarded against over-extension by carefully distinguishing between legitimate forms of compe-

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37. The Trademark Act of 1870 required a statement of the "mode in which [the mark] has been or is intended to be applied and used." Act of July 8, 1870, ch. 230, § 77, 16 Stat. 198, 210 (1870). The Supreme Court declared the Act of 1870 unconstitutional in the Trade-Mark Cases, 100 U.S. 82, 97-99 (1879). Later statutes passed in 1881 and 1905 required a party seeking registration to file a statement of the mode in which the mark was applied or affixed to the goods and the length of time during which the trademark had been used. Trademark Act of 1881, ch. 138, § 1, 21 Stat. 502, 503 (1881), *superceded by* Pub. L. No. 58-84, 33 Stat. 724, 724 (1905), *repealed by* Lanham Act, Pub. L. No. 79-489, § 46(a), 60 Stat. 427, 444 (1946) (codified as amended in various sections of 15 U.S.C. (2006)).

38. *See infra* notes 57-64 and accompanying text.

39. *Davis v. Davis*, 27 F. 490, 492 (C.C.D. Mass. 1886).

40. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995); *see also* 1 MCCARTHY, *supra* note 21, § 4:4 (defining technical trademarks as marks that were "fanciful, arbitrary, distinctive, non-descriptive in any sense and not a personal name").

41. 1 MCCARTHY, *supra* note 21, § 4:5.

42. *See* *Lawrence Mfg. Co. v. Tenn. Mfg. Co.*, 138 U.S. 537, 546 (1891) ("[I]n all cases where rights to the exclusive use of a trade-mark are invaded, it is invariably held that the essence of the wrong consists in the sale of the goods of one manufacturer or vendor as those of another; and that it is only when this false representation is directly or indirectly made that the party who appeals to a court of equity can have relief. This is the doctrine of all the authorities."); *see also* *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) ("Th[e] essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement."); JAMES LOVE HOPKINS, *THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION* § 4, at 12 (1905) ("The principles involved in trademark cases and tradename cases have been substantially identical.").

tition (“mere competition”) and illegitimate attempts to divert trade. Deceptiveness was the point of demarcation.<sup>43</sup>

Put differently, producers were protected in this era only against attempts to divert their trade by competitors who deceived consumers about the source of goods or services. That type of illegitimate trade diversion was possible only when the claimed designation clearly indicated the source of a party’s goods or services. Only then could “he who first adopted it be injured by any appropriation or imitation of it by others, [or] the public be deceived” by a third party who “induc[ed] the public to purchase the goods and manufactures of one person supposing them to be those of another.”<sup>44</sup>

Certain designations—arbitrary or fanciful terms affixed to particular products—clearly did “point distinctively to the origin or ownership of the article to which [they were] applied.”<sup>45</sup> And because those terms provided no direct information about the products with which they were used, courts could safely conclude that a competitor’s later use of the same term lacked a legitimate explanation and was likely to deceive consumers.

A descriptive term, by contrast, might denote “class, grade, style, or quality of the articles”<sup>46</sup> sold by a producer. Consumers therefore might not use such a term as an indication of source at all. Even if they did ascribe some source significance to a descriptive term, competitors had legitimate reasons to use those terms to describe their own products. Courts therefore could not presume, without risking interference with mere competition, that use of a mark similar to a producer’s trade name would divert consumers at all, or that any diversion that did result was illegitimate. Accordingly, in order to prevail, a trade name plaintiff had to prove the defendant intended to divert his trade.<sup>47</sup>

### C. *The (In)significance of Technical Trademark Status*

As the foregoing Section explained, the distinction courts drew between trademarks and trade names was a pragmatic one. But importantly, and in contrast to the significance modern trademark use proponents would ascribe to a finding of no trademark use, the distinction was not necessarily outcome determinative. While use of another’s trade name could not be condemned *categorically*, such use could be condemned in particular circumstances with more evidence of illegitimacy. Specifically, a trade name plaintiff (one who, by definition, had not made “trademark

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43. McKenna, *supra* note 4, at 1906.

44. *Lawrence Mfg.*, 138 U.S. at 546 (quoting *Canal Co. v. Clark*, 80 U.S. (13 Wall.) 311, 322 (1871)).

45. *See id.* at 546–47 (“[T]he office of a trade-mark is to point out distinctively the origin or ownership of the article to which it is affixed . . . .” (quoting *Canal Co.*, 80 U.S. (13 Wall.) at 322)).

46. *Diederich v. W. Schneider Wholesale Wine & Liquor Co.*, 195 F. 35, 37 (8th Cir. 1912).

47. *Id.* at 37–38.

use” of the claimed term) could prevail against a competitor’s use of the trade name if it could prove the competitor intended to pass off its products as those of the plaintiff.<sup>48</sup>

In fact, in virtually all of the cases cited by trademark use advocates as examples of courts imposing a trademark use requirement, the courts explicitly recognized that plaintiffs lacking technical trademark rights were free to pursue claims of unfair competition. For example, Barrett points to *Diederich v. W. Schneider Wholesale Wine & Liquor Co.*<sup>49</sup> as evidence that trademark use required affixation.<sup>50</sup> Yet it is clear in that case that the plaintiff’s failure to make trademark use meant only that it had to go the extra step of proving passing off. As the court noted, “Words not actually affixed to the goods frequently constitute trade-names, and are protected as such against unfair competition.”<sup>51</sup> Indeed, the court thought it was “quite probable that complainant state[d], in its bill, a cause of action against defendant for unfair trade.”<sup>52</sup>

Thus, even if these cases from the traditional trademark era—which focused on the nature of the plaintiff’s rights—help define a modern concept of trademark use, they do not support any kind of *ipso facto* rule that non-trademark uses are not actionable. Trademark use in this era was necessary to receive a federal registration.<sup>53</sup> Owning a registration meant that one could assert a federal trademark infringement claim.<sup>54</sup> Technical trademark status also entitled the owner to a presumption that the defendant’s use of the mark was intended to divert the owner’s trade.<sup>55</sup> But parties with interests in mere trade names were able to get relief against competitors’ use of their trade name.<sup>56</sup> Those plaintiffs simply had to assert state law unfair competition claims, which required evidence of intent to pass off and which, in the absence of diversity, were relegated to state court.

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48. This distinction was a more formal version of a distinction some English courts drew between cases in which the plaintiff could prove exclusive title to a mark (in which case equity would act to enjoin others’ use of the mark immediately and without evidence of fraud) and those in which the plaintiff could not demonstrate title (in which case equity would not act until the plaintiff had established at law that the defendant nevertheless acted to divert his trade). See McKenna, *supra* note 4, at 1856–58.

49. *Diederich*, 195 F. 35.

50. Barrett, *supra* note 1, at 379. The court noted in *Diederich* that “[a] trade-mark owes its existence to the fact that it is actually affixed to a vendable commodity.” 195 F. at 37 (quoting *Hazelton Boiler Co. v. Hazelton Tripod Boiler Co.*, 30 N.E. 339, 344–45 (1892)).

51. *Diederich*, 195 F. at 37.

52. *Id.* at 38. The court did not rule on any unfair trade claim, however, because it lacked subject matter jurisdiction over such state law claim, the parties being residents of the same state. *Id.* at 38.

53. See 1 MCCARTHY, *supra* note 21, §§ 5:6–:10.

54. See *id.*; see also *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 220 U.S. 446, 457 (1911) (discussing jurisdiction).

55. See 1 MCCARTHY, *supra* note 21, §§ 5:6–:10.

56. *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 325 (1938) (“If it is a properly registered trade-mark, a ground to support the action is violation of the Trade-Mark Act. If it is not a properly registered trade-mark, the ground is unfair competition at common law. The facts supporting a suit for infringement and one for unfair competition are substantially the same.”).

The only cases that even arguably support a categorical exclusion from protection are some early trade dress cases in which courts rejected plaintiffs' claims to exclusive use of particular packaging or design features. Though they sometimes drew inspiration from the rule that trademarks were separate and distinct from the goods,<sup>57</sup> courts in these cases primarily were concerned about the competitive consequences of allowing exclusive rights in unpatented design features. In *Davis v. Davis*,<sup>58</sup> for example, the court rejected the plaintiff's claim of rights in its arrangement of bars of soap (which were wrapped in colored paper) on the ground that the plaintiff seemed to be claiming "a patent for an idea, under the guise of the registration of a trade-mark."<sup>59</sup> Similarly in *Harrington v. Libby*,<sup>60</sup> the court rejected the plaintiff's claim to exclusive use of "a tin pail with a bail or handle to it . . . used to contain paper collars for sale and sold with the collars" because to "recognize an exclusive right to an unpatented package" would allow "[t]he forms and materials of packages to contain articles of merchandise . . . [to] be rapidly taken up and appropriated by dealers, until some one, bolder than the others, might go to the very root of things, and claim for his goods the primitive brown paper and tow string, as a peculiar property."<sup>61</sup>

This concern about the use of unfair competition law to protect unpatented design features now finds primary expression in the functionality doctrine. That doctrine, which both promotes competition in advantageous design features and channels protection for useful features to patent law, disqualifies from trade dress protection features that are "essential to the use or purpose of the article or . . . [affect] the cost or quality of the article."<sup>62</sup> Notably, functional features may not be protected by trademark law even if they designate source.

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57. See, e.g., *Moorman v. Hoge*, 17 F. Cas. 715, 718 (C.C.D. Cal. 1871) (No. 9783) (rejecting plaintiff's claim of rights in its distinctively shaped barrels in which plaintiff shipped its whiskey, because a trademark "must be a mark, impressed, cut, engraved, stamped, cast upon, or in some way wrapped around, or appended to, the article, or the package, as something independent of the article itself, or the package used to contain it").

58. 27 F. 490 (C.C.D. Mass. 1886).

59. *Id.* at 492; see also *Diamond Match Co. v. Saginaw Match Co.*, 142 F. 727, 729-30 (6th Cir. 1906) (rejecting plaintiff's claim of exclusive right in tipped matches with partly red and partly blue heads on the ground that "the two colors . . . serve not only a useful purpose but an essential function," and noting that, even though the plaintiff limited its claim to heads of two particular colors, the general rule was that color could not be monopolized to distinguish a product given the limited number of primary colors).

60. 11 F. Cas. 605 (C.C.S.D.N.Y. 1877) (No. 6107).

61. *Id.* at 605-06.

62. *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001) (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)). A feature might also be deemed aesthetically functional "[w]hen aesthetic considerations play an important role in the purchasing decisions of prospective consumers" and the design feature "substantially contributes to the aesthetic appeal of a product." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. c (1995). Unlike cases of mechanical functionality, courts in aesthetic functionality cases focus primarily on whether exclusive use of the claimed feature would put competitors at a "significant non-reputation-related disadvantage." *Traffix*, 532 U.S. at 32 (quoting *Qualitex*, 514 U.S. at 165).

#### D. Trademark Use and Infringement

As noted above, the overwhelming majority of use cases in the traditional era focused on the nature of the plaintiff's rights. Very few cases even mentioned formal aspects of the defendant's use. Moreover, even in cases that did address the defendant's use, it was the nature of the *plaintiff's* use of the claimed trademark that determined the outcome.

In *Air-Brush Manufacturing Co. v. Thayer*,<sup>63</sup> for example, the court noted that the defendant could not have committed trademark infringement because it had not "affixed complainant's registered mark to merchandise of substantially the same descriptive properties," as the governing federal trademark statute required.<sup>64</sup> But the court had already concluded that the plaintiff had no technical trademark rights in "air brush" because the term was, at best, merely descriptive of the plaintiff's products and the plaintiff had never used the term to denote the origin of its goods.<sup>65</sup> Consequently, the plaintiff in that case could not have sustained a trademark infringement claim regardless of how the defendant had used the mark.

The lack of case law addressing the nature of a defendant's use presents something of a puzzle. Unlike the current Lanham Act, the early trademark statutes clearly made affixation a necessary condition of infringing use.<sup>66</sup> Why, then, would we find so little case law in which the defendant's affixation was really at issue? I suggest at least two reasons for the paucity of case law.

First, use of a mark in a manner not attached to one's goods was unlikely to implicate the narrow purposes of traditional trademark law. Recall that courts in this era were concerned only about preventing dishonest trade diversion.<sup>67</sup> Because trade diversion is a risk only when consumers believe that the products they are buying from the defendant actually come from the plaintiff, courts in this era recognized as actionable only confusion about the actual, historical source of a product.<sup>68</sup> They did not recognize confusion as to "sponsorship or affiliation" or any other type of relationship between the plaintiff and defendant. Use of a mark apart from one's products was unlikely to be challenged in this legal environment because such uses were unlikely to cause confusion at the point of sale about the actual source of a product.

Second, as discussed above, not nearly as much rode on the trademark use determination as modern proponents suggest. While the early

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63. 84 F. 640 (C.C.N.D. Ill. 1897).

64. *Id.* at 641.

65. *Id.* at 640-41.

66. *See supra* note 37.

67. *Coats v. Holbrook, Nelson & Co.*, 7 N.Y. Ch. Ann. 713, 717 (1845) (describing as trademark law's purpose preventing a defendant from "attract[ing] to himself the patronage that without such deceptive use of such names . . . would have inured to the benefit of [the plaintiff]").

68. McKenna, *supra* note 4, at 1866.

trademark statutes required that a defendant somehow affix the complainant's mark to its packages or related materials in order to commit trademark infringement, other types of uses could well have constituted unfair competition.

In *Air-Brush*, for example, the court concluded that the plaintiff lacked trademark rights in "air brush" and that the defendant could not be liable for trademark infringement under the federal statute because it had not affixed the term to its products.<sup>69</sup> Nevertheless, the court made clear that the outcome pertained strictly to trademark infringement and that the plaintiff very likely had a viable claim of unfair competition on the same facts. In *Diederich*, the court held that the plaintiff did not have trademark rights in the term "905" when it used that term only on a sign upon a building, and a defendant using the term in the same manner therefore could not be deemed to infringe the plaintiff's trademark rights.<sup>70</sup> Yet that court too stressed that, even if the defendant's use did not amount to trademark infringement, it could well have constituted unfair competition.<sup>71</sup>

Plaintiffs in this era surely understood that lack of technical trademark rights was not fatal and simply pleaded cases that did not involve affixation as unfair competition cases. Though they would have had to prove intent to divert trade to sustain their unfair competition claims, plaintiffs in those cases could get the same relief as in trademark infringement cases. Consequently, courts probably did not often have to confront the question of whether the defendant made technically infringing use.<sup>72</sup>

### *E. Functional Trademark Use and Infringement*

While the formal aspects of trademark use, and particularly the affixation requirement, have been overemphasized by some trademark use proponents, there is a more relevant sense in which courts in the traditional era addressed the nature of a defendant's use. Though they did

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69. 84 F. at 641.

70. *Diederich v. W. Schneider Wholesale Wine & Liquor Co.*, 195 F. 35, 38 (8th Cir. 1912). Interestingly, the dissent in *Diederich* attempted to distinguish the type of use necessary for registration from the type of use necessary to infringe. *Id.* at 40–41 (Sanborn, J., dissenting) (noting that, while the Acts of 1881 and 1905 required the applicant to file a statement of his trademark and "the mode in which the same is applied and affixed to goods," the 1905 Act made actionable affixing the mark to "merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers, or receptacles intended to be used upon or in connection with the sale of merchandise" (emphasis added)).

71. Neither court was able to exercise jurisdiction over potential state law unfair competition claims, however, since diversity was lacking in both cases. See *Diederich*, 195 F. at 38; *Air-Brush*, 84 F. at 641.

72. Moreover, because advertising was relatively undeveloped in the early and mid-nineteenth century, there were relatively fewer circumstances in which another party might have made use of a mark apart from the goods. See Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 575–79 (2006) (describing the growth of advertising between 1860 and the 1920s), and the sources cited therein.

not use the phrase “trademark use” in this context, courts were clear that liability depended on a defendant making a certain kind of use of another’s mark.

As noted above, courts in the traditional era denied descriptive terms technical trademark status because those terms have ordinary, non-trademark meanings in addition to whatever source significance they might have acquired. Because of this potential dual meaning, courts could not conclude solely on the basis of the defendant’s use of the disputed term that consumers who purchased products from the defendant were deceived and otherwise would have patronized the plaintiff. Additionally, competitors had honest reasons, unrelated to source identification, for using certain terms. Descriptive terms, for example, identified qualities of particular products, which sellers of those products might legitimately have wanted to convey to consumers.

To avoid interfering with legitimate uses, courts had to differentiate between uses of a term in its source-designating (trademark) capacity and uses of the term in its ordinary, non-source-designating capacity.<sup>73</sup> And because both types of uses were possible, courts could not infer source designation from the simple fact of the defendant’s use, as they did in the context of technical trademarks.<sup>74</sup> Unfair competition claimants therefore had to prove that the defendant’s use was likely to deceive consumers and to divert trade that otherwise would have gone to the claimant.

Moreover, as an added precaution to ensure room for parties to use descriptive terms in their ordinary sense, courts did not bar defendants from using trade names altogether, even in cases where they were concerned that a defendant’s use might create confusion. Instead, courts crafted precise remedies, often requiring only disclaimers or other visual material that would clearly distinguish the source of the defendant’s goods.<sup>75</sup>

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73. See, e.g., *Avery & Sons v. Meikle & Co.*, 4 Ky. L. Rptr. 759, 763 (1883) (noting that the law allows use of terms that are common property for the ideas that those terms commonly express, so long as the use is not misleading).

74. See *Elgin Nat’l Watch Co. v. Ill. Watch Case Co.*, 179 U.S. 665, 673–74 (1901) (noting that competitors have good reasons to use terms in their primary sense but cannot use terms to divert a producer’s trade); *Alff v. Radam*, 14 S.W. 164, 164 (Tex. 1890) (noting that a party has “no right to appropriate a sign or symbol which, from the nature of the fact it is used to signify, others may employ with equal truth, and therefore have an equal right to employ, for the same purpose” but allowing for the possibility that a plaintiff might nevertheless prevail in such a case if the defendants intentionally simulated the peculiar device or symbol employed by the plaintiff to deceive consumers); *Thompson v. Montgomery*, (1889) 41 Ch.D. 35, 50, *aff’d*, [1891] A.C. 217 (H.L.) (U.K.) (holding that the plaintiff had no exclusive right to the use of “Stone Ale” alone as against the world, or any right to prevent the defendant from selling his goods as having been made at Stone, but could prevail against a defendant who used the words fraudulently to pass off its goods).

75. See, e.g., *Herring-Hall-Marvin Safe Co. v. Hall’s Safe Co.*, 208 U.S. 554, 560 (1908) (modifying decree to “forbid the use of the name ‘Hall,’ either alone or in combination, in corporate name, on safes, or in advertisements, unless accompanied by information that the defendant is not the original Hall’s Safe & Lock Company or its successor, or, as the case may be, that the article is not the product of the last-named company or its successors”); *W.R. Speare Co. v. Speare*, 265 F. 876, 880 (D.C. Cir.

These remedies were sufficient because courts in the traditional era understood “source” to refer only to the actual producer of a product. When a court ordered a defendant to distinguish the source of its products clearly, it meant only that the defendant had to make clear that it was not the plaintiff. One cannot be sure that a defendant’s use will divert customers that otherwise would have gone to the mark owner unless the defendant’s use is likely to deceive consumers into believing that it is the mark owner. It would not do to show that consumers might believe that the defendant had some other type of relationship with the mark owner.

The realities of nineteenth century commerce undoubtedly drove this conception of “source” to a large degree. Courts developed the traditional framework at a time when producers sold relatively few types of products or services in limited geographic areas and when advertising was only in its infancy.<sup>76</sup> The commercial landscape changed rapidly in the early twentieth century, as producers began serving much wider markets, both geographically and in terms of the products and services they offered.<sup>77</sup> This changing commercial reality put pressure on courts to expand the range of uses against which trademark law would respond. Most significantly, mark owners wanted protection for their marks against noncompetitive goods and services.

Beginning around 1920, courts started to respond to this pressure and recognize mark owners’ claims against noncompetitors, even though those parties obviously could not divert trade.<sup>78</sup> Doing so, however, required some doctrinal maneuvering; in particular, it required courts to construe “source” more broadly.

When a mark owner did not produce the same goods as the defendant, consumers would not buy the defendant’s products believing they came from the plaintiff. But consumers might well believe the producer

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1920) (reversing the decree of the lower court and directing the lower court “to enter a decree prohibiting the [defendant] . . . from using the word ‘Speare’ as the name, or part of the name, of their business as undertakers, or in advertisements, telephone directories, signs, or statements of any nature, unless accompanied by the words ‘neither the successors of, nor connected with, the original W. R. Speare establishment,’ in appropriate juxtaposition therewith, and in conspicuous letters, and from making any statement, oral or otherwise, that they or any one of them is continuing the original business formerly done by W. R. Speare under that name at 940 F street, N. W., and now carried on by the defendants, or that they have any privity or connection by succession, inheritance, or otherwise, with said business, or that said original business is no longer in existence or is not being continued by the plaintiff herein”).

76. See Bone, *supra* note 72, at 575–79.

77. See *id.* at 576–79.

78. See, e.g., *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) (acknowledging that the decision did “some violence to the language” of the statute, but refusing to allow registration of Yale for flashlights and batteries in light of the plaintiff’s prior use of the Yale mark for locks and claiming “it ha[d] come to be recognized that, unless the borrower’s use is so foreign to the owner’s as to insure against any identification of the two, it is unlawful”); *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 409–10 (2d Cir. 1917) (finding that while “no one wanting syrup could possibly be made to take flour,” the products were “so related as to fall within the mischief which equity should prevent”).

of those noncompetitive products was related to the mark owner in some way. By redefining the “source” of a product to include related or affiliated parties, courts could capture confusion about a wider range of relationships between the plaintiff and defendant while continuing to insist that trademark infringement required confusion as to “source.”

Also contributing to the redefinition of source was the pressure courts felt to accommodate the emerging practice of mark owners licensing production of products that bore their marks. Licensing posed serious conceptual problems because trademark law traditionally condemned uses that deceived consumers about the actual source of products. When plaintiffs that had licensed production of goods bearing their marks sought to enforce their trademark rights, courts were faced with two parties, neither of which was the actual source of the products bearing the mark at issue. It was difficult for courts in these cases to see how a mark owner deserved relief when it arguably was engaging in the same type of deception as the accused infringer. It was also difficult to see how the defendant’s use diverted consumers who otherwise would have gone to the mark owner when the mark owner was not, in fact, the source of the products bearing its mark. For this reason, licensing traditionally was forbidden.<sup>79</sup>

But courts in the early twentieth century increasingly had difficulty accepting that outsourcing production to affiliates or licensees was illegitimate. To distinguish uses by affiliated companies from infringing uses by third parties, courts gradually loosened the restrictions on licensing. They did so primarily by reconceptualizing what it meant to be the “source” of a product. Courts began to hold that a mark owner could be considered the “source” of the goods if it exercised sufficient control over the quality of those goods even when it did not actually produce the goods bearing its mark.<sup>80</sup>

Congress later codified this understanding of source in section 5 of the Lanham Act, which provides that use of a mark by “related companies” inures to the benefit of the mark owner.<sup>81</sup> A “related company” in this context is one “whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.”<sup>82</sup> Thus, in modern terms, the legal source of a product is not necessarily the actual producer of the product but instead the entity exercising control over its quality. That legal source might be related to the actual producer only by contract.

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79. See McKenna, *supra* note 4, at 1893–95.

80. See, e.g., *Keebler Weyl Baking Co. v. J.S. Ivins' Son, Inc.*, 7 F. Supp. 211, 214 (E.D. Pa. 1934) (“An article need not be actually manufactured by the owner of the trade-mark it being enough that it is manufactured under his supervision and according to his directions thus securing both the right of the owner and the right of the public.”).

81. Lanham Act § 5, 15 U.S.C. § 1055 (2006).

82. See *id.* § 45.

Courts' conceptions of source in these two contexts (infringement and licensing) were deliberately symmetrical. If a mark owner is not the actual producer of the goods sold under its mark, it can not very well contend that a defendant's use of the same mark misleads consumers about the source of its goods any more than the mark owner's own practice. But a mark owner can claim that consumers would assume that the defendant, like the mark owner's licensees, operates under the mark owner's control. The defendant's use, in other words, might cause confusion as to whether the mark owner sponsored or was affiliated with the defendant or its goods.

Understanding how courts' conception of source evolved during this period is critical to understanding the scope of the modern Lanham Act, particularly with respect to the issue of trademark use. With these lessons in mind, the following Part analyzes the role of trademark use in the Lanham Act and the broad notion of source in modern trademark law.

### III. TRADEMARK USE IN THE MODERN LANHAM ACT

Trademark use advocates and critics apparently agree that the Lanham Act does not explicitly make "trademark use" an element of infringement.<sup>83</sup> They differ over the doctrine's implicit status. Dinwoodie and Janis argue that there is no trademark use requirement even implicitly in the statute and that trademark use traditionally has played a role only with respect to the acquisition of trademark rights.<sup>84</sup> Proponents of the doctrine, on the other hand, argue that the trademark use requirement has always been a foundational principle of trademark law and was never discussed explicitly until recently simply because "the vast majority of cases in the pre-Internet era involved defendants that clearly had used the mark (or something like it) as a visible device in marketing their own products."<sup>85</sup>

To the extent they advance a textual argument for the trademark use doctrine, proponents generally focus on the infringement provisions' requirements that a defendant "use" the mark in question "in commerce."<sup>86</sup> Under this reading, the infringement provisions impose three

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83. See Dinwoodie & Janis, *supra* note 5, at 1609 ("There is no statutory language expressly supporting the trademark use theory. Even proponents of the theory concede as much."). The trademark use requirement arguably is more explicit in the recently enacted Trademark Dilution Revision Act of 2006. See Graeme B. Dinwoodie & Mark D. Janis, *Dilution's (Still) Uncertain Future*, 105 MICH. L. REV. FIRST IMPRESSIONS 98, 100 (2006), <http://students.law.umich.edu/mlr/firstimpressions/vol105/dinwoodie.pdf> ("[I]n rather ambiguous language, the act seeks to impose a requirement that an alleged infringer be using the plaintiff's famous mark as a mark."). I discuss trademark use and dilution below in Part III.B.

84. Dinwoodie & Janis, *supra* note 5, at 1609–18.

85. Dogan & Lemley, *supra* note 1, at 1672.

86. Use in commerce is a requirement under both section 32 and section 43(a), though the requirement is articulated somewhat differently in each section. See Lanham Act § 32(1)(a) (stating that "[a]ny person who shall, without the consent of the registrant . . . , use in commerce . . . shall be liable"); *id.* § 43(a)(1) (stating that "[a]ny person who, on or in connection with any goods or services, or

distinct requirements: (1) “use” of a trademark, (2) in commerce, (3) that creates a likelihood of confusion. Indeed, for proponents, “use” must be decided as a threshold matter because “while any number of activities may be ‘in commerce’ or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the ‘use’ of a trademark.”<sup>87</sup>

For this construction to hold, “use in commerce” must refer to a particular type of use. The *New York Times* undoubtedly uses Microsoft’s trademark when it publishes a story about the company and prints Microsoft’s name in the title of the article. Likewise, the defendants in the keyword advertising cases clearly have “used” the plaintiffs’ trademarks in some way in connection with their commercial activities. Google, for example, sold Rescucom’s trademark as a keyword and generated search results in response to the term.<sup>88</sup> The defendants in these cases do not deny such use; they simply claim that their uses qualitatively are not the kinds of uses targeted by the Lanham Act. Use in commerce, they argue, means use in commerce *as a trademark*.<sup>89</sup>

“Use in commerce” is a defined term in the Lanham Act, though the definition is not particularly helpful here. According to section 45, “use in commerce” is “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”<sup>90</sup> More specifically,

a mark shall be deemed to be in use in commerce

(1) on goods when—

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

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

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

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any container for goods, uses in commerce . . . shall be liable”). The newly adopted Trademark Dilution Revision Act of 2006 requires as a condition of liability “use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark.” *Id.* § 43(e)(1).

87. 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400, 412 (2d Cir. 2005); *see also* Rescucom Corp. v. Google, Inc., 456 F. Supp. 2d 393, 400 (N.D.N.Y. 2006).

88. *See Rescucom*, 456 F. Supp. 2d at 393–94. By contrast, in another case sometimes cited for the proposition that infringement requires trademark use, the trademark use issue had to do with the plaintiff’s rights in 1-800-HOLIDAY, while the issue in terms of infringement was whether the defendant used the plaintiff’s mark at all when it registered a telephone number that corresponded to 1-800-HOLIDAY but used or promoted the number only as 1-800-405-4329. *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619, 620, 624 (6th Cir. 1996).

89. *See Rescucom*, 456 F. Supp. 2d at 397–98; *Holiday Inns*, 86 F.3d at 623.

90. Lanham Act § 45.

the services is engaged in commerce in connection with the services.<sup>91</sup>

It seems very unlikely that Congress intended this definition of “use in commerce” to modify the language of the infringement provisions in addition to defining the use necessary to qualify for trademark rights.<sup>92</sup> In fact, it is not clear that the formal criteria set forth in the definition fully capture trademark use even in the context of acquisition. Application of a university’s logo to a T-shirt or other merchandise, for example, would meet the formal affixation requirement, yet many commentators have expressed doubt that such uses really do indicate the source of the merchandise.<sup>93</sup> Also, reading this provision strictly would cast serious doubt on the validity of trade dress registrations, particularly for product configuration trade dress. The definition clearly contemplates affixation of something separate from the goods.

Nevertheless, at least with respect to goods, strict reading of the statute could plausibly lead to the conclusion that a defendant can infringe another’s trademark rights only by affixing the other’s mark to its goods or related materials. This interpretation of “use in commerce” with respect to goods would suggest that “trademark use” is to be determined formally in terms of the physical manner of the defendant’s application.<sup>94</sup>

But this is not the sense of trademark use pressed by most advocates of the doctrine, likely because such a reading of section 45 is incompatible with other parts of the infringement provisions.<sup>95</sup> For one

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91. *Id.*

92. When Congress amended section 45 in 1988, it added the preamble language “‘use in commerce’ means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.” Trademark Law Revision Act of 1988, Pub. L. No. 100-667, § 134, 102 Stat. 3935, 3948 (codified as amended at 15 U.S.C. § 1127 (2006)); *see also* S. REP. NO. 100-515, at 5–6 (1988). It made this change at the same time it revised other provisions in the statute to provide for applications to register marks based on good faith intent to use and to make clear that marks could not be registered on the basis of “token use.” 3 MCCARTHY, *supra* note 21, § 17:21. This is at least circumstantial evidence that Congress understood the use in commerce definition in section 45 to relate to the use necessary to gain ownership rights in marks.

93. *See* Dogan & Lemley, *The Merchandising Right*, *supra* note 31, at 500–01; *cf.* Dinwoodie & Janis, *supra* note 5, at 1614–15 (noting that “the fact that a term is affixed to a product does not in any way guarantee that the term is used as a mark” because the focus of contemporary trademark law is on consumer association rather than formal notions such as affixation).

94. This reading is not inevitable, even if one believes the definition is intended to apply to uses by the defendant. The definition identifies uses that *shall be deemed* uses in commerce, but it is not clearly an exhaustive list. While the definition provides examples of actions that a court would have to find satisfies the “use in commerce” requirement, nothing in the text forbids a court from recognizing other uses in commerce.

95. Reading the “use in commerce” definition as a comprehensive one would also radically alter the scope of false advertising claims under section 43(a). Section 43(a)(1) specifically limits application of both the unfair competition subsection ((a)(1)(A)) and the false advertising subsection ((a)(1)(B)) to *uses in commerce* of “any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact.” Lanham Act § 43(a)(1). If a “use in commerce” means a trademark use as defined in section 45, only *trademark uses* that “misrepresent[] the nature, characteristics, qualities, or geographic origin of [the party] or another person’s goods, services, or commercial activities” are actionable as false advertising. *Id.* § 43(a)(1)(B). But clearly a much broader range of statements are

thing, it would be odd for “use in commerce” to require affixation—by definition use on a good—when section 32 defines infringing use to include uses both *on* and *in connection with* goods or services.<sup>96</sup>

Additionally, because the definition of use in commerce with respect to goods does not include use in advertising, reading the statute strictly would lead to the conclusion that use of a mark to advertise goods could not infringe a mark owner’s rights. Yet section 32 explicitly makes advertising uses actionable,<sup>97</sup> and courts have imposed liability for uses in advertising under both section 32<sup>98</sup> and section 43(a)(1)(A),<sup>99</sup> which does not specifically refer to use in advertising in its definition of infringement. Indeed, as Barrett recognized, several courts found use in advertising actionable even under the 1905 Act, which explicitly required affixation as an element of infringement.<sup>100</sup>

Defining infringing “use in commerce” to require affixation of the plaintiff’s mark would also rule out actions for reverse passing off under the Lanham Act. In a reverse passing off case the defendant sells another’s product as though it were the defendant’s own—for example, by pouring Coca-Cola into bottles labeled “New Soda” and selling the Co-

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actionable as false advertising. *See, e.g.*, Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144, 150 (2d Cir. 2007) (finding literally false defendant’s claim that customers would not get “the best picture out of some fancy big screen” without satellite service and that settling for cable was “illogical”); Castrol Inc. v. Pennzoil Co., 987 F.2d 939, 941 (3d Cir. 1993) (finding literally false and actionable defendant’s product superiority claims, including its claim that Pennzoil motor oil “outperforms any leading motor oil against viscosity breakdown”); Coca-Cola Co. v. Tropicana Prods., Inc., 690 F.2d 312, 318 (2d Cir. 1982) (finding defendant’s television orange juice commercial false on its face when the visual component made an explicit representation that its orange juice was produced by squeezing oranges and pouring freshly squeezed juice directly into a carton and the simultaneous audio component stated that its juice was “pasteurized juice as it comes from the orange”).

96. Lanham Act § 32(1)(a) (imposing liability on a party who, without the registrant’s consent, “use[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services *on or in connection with* which such use is likely to cause confusion, or to cause mistake, or to deceive” (emphasis added)).

97. *Id.* (defining infringement as “use in commerce” of a trademark “in connection with the sale, offering for sale, distribution, or *advertising* of any goods or services” (emphasis added)).

98. *See, e.g.*, Gen. Conference Corp. of Seventh-Day Adventists v. Perez, 97 F. Supp. 2d 1154 (S.D. Fla. 2000) (national religious organization’s “Seventh-Day Adventist” and “SDA” marks infringed by the defendant’s use of the marks in church name, church publications, radio broadcasts, and newspaper advertising); Entm’t & Sports Programming Network, Inc. v. Edinburg Cmty. Hotel, Inc., 735 F. Supp. 1334 (S.D. Tex. 1986) (receiving subscription television programming from a satellite dish antenna without authorization infringed trade name and trademark “HBO” and “Home Box Office” by distributing the trademark owner’s programming to hotel patrons and by advertising the owner’s service in the defendant’s hotel); U.S. Plywood Corp. v. Zeesman Plywood Corp., 92 F. Supp. 336 (S.D. Cal. 1950) (selling and advertising of grooved plywood under the defendant’s trademark “Vene-tex” infringed plaintiff’s “Weldtex” trademark).

99. *See, e.g.*, Weight Watchers Int’l, Inc. v. Stouffer Corp., 744 F. Supp. 1259 (S.D.N.Y. 1990) (using the plaintiff’s mark in the defendant’s advertising that claimed the defendant’s foods could be used in the plaintiff’s diet program infringed the plaintiff’s rights under section 32); Wendy’s Int’l, Inc. v. Big Bite, Inc., 576 F. Supp. 816 (S.D. Ohio 1983) (finding the defendant’s imitation of the plaintiff’s marks in a purported parody of a fast food restaurant’s advertisement infringed the plaintiff’s rights under section 43(a)).

100. *See, e.g.*, Mishawaka Rubber & Woolen Mfg. Co. v. Panther-Panco Rubber Co., 153 F.2d 662, 666–67 (1st Cir. 1946) (holding that use in advertising met the statutory affixation requirement).

ca-Cola as though it were “New Soda.”<sup>101</sup> In these cases, the defendant falsely designates the source of the goods it sells without ever using the plaintiff’s mark in any formal sense. If use in commerce requires affixation, this type of false designation cannot be actionable. Yet courts have long held that reverse passing off violates section 43(a) of the Lanham Act,<sup>102</sup> a position explicitly accepted by the Supreme Court in *Dastar Corp. v. Twentieth Century Fox Film Corp.*<sup>103</sup>

Finally, a formalist approach to trademark use is not even possible with respect to services because the statutory definition of “use in commerce” with respect to services is fatally flawed. According to section 45, a mark is *used* in commerce on services when it is “*used* or displayed in the sale or advertising of services.”<sup>104</sup>

Perhaps recognizing these difficulties with the formalist approach, Dogan and Lemley admit that the “use in commerce” requirement “plays primarily a jurisdictional role in trademark cases” and advocate a more fluid approach to the use in commerce language in the infringe-

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101. Reverse passing off should be contrasted with forward passing off (generally referred to simply as passing off), in which party B sells its own product as though it emanated from A. If, for example, I brewed my own soda and filled Coca-Cola bottles with it and then sold the drink as Coca-Cola, I would be passing off my soda as Coca-Cola.

102. See *Smith v. Montoro*, 648 F.2d 602, 606 (9th Cir. 1981) (recognizing claim of reverse passing off as “analogous to those of other complaints which have been held to state a cause of action under section 43(a)”); *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1216 (8th Cir. 1976) (finding a violation of section 43(a) when a farm equipment manufacturer used photographs of a competitor’s grain trailer labeled as a product of the defendant in the defendant’s sales literature, and noting that “the use of another’s product, misbranded to appear as that of a competitor [i.e., reverse passing off], has been repeatedly found to be ‘a false designation of origin’ actionable under [section] 43(a)”; *John Wright, Inc. v. Casper Corp.*, 419 F. Supp. 292, 325 (E.D. Pa. 1976) (noting that section 43(a) “prohibits ‘reverse palming off,’ i.e., conduct whereby the defendant purchases or otherwise obtains the plaintiff’s goods, removes plaintiff’s name and replaces it with his own”), *aff’d in relevant part sub nom. Donsco, Inc. v. Casper Corp.*, 587 F.2d 602 (3d Cir. 1978); *FRA S.p.A. v. Surg-O-Flex of Am., Inc.*, 415 F. Supp. 421, 423–24 (S.D.N.Y. 1976) (reaffirming previous grant of a preliminary injunction based on allegations that a bandage manufacturer’s former distributor violated section 43(a) by continuing to sell boxes of the manufacturer’s bandages, after termination of the distributorship, by pasting the distributor’s trademark over the manufacturer’s name); *Matsushita Elec. Corp. of Am. v. Solar Sound Sys., Inc.*, 381 F. Supp. 64, 66–67, 70 (S.D.N.Y. 1974) (finding a “clear violation” of section 43(a) based on the defendant’s conduct in slightly modifying the control panel on the plaintiff’s radio, removing the plaintiff’s nameplate to substitute the defendant’s, and scraping off the embossed labeling on the back).

103. 539 U.S. 23, 30 (2003) (“The Trademark Law Revision Act of 1988 made clear that [section] 43(a) covers origin of production as well as geographic origin. Its language is amply inclusive, moreover, of reverse passing off . . . .” (footnote omitted)). It is no answer to suggest, as Barrett does in a new paper, that this difficulty is avoided simply by classifying reverse passing off as a claim for “deceptive marketing,” as the Restatement apparently does. See Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses “in the Manner of a Mark,”* 43 WAKE FOREST L. REV. 893, 931 n.137 (2008). However one characterizes reverse passing off, the Supreme Court has held it is actionable under section 43(a) despite the fact that reverse passing off entails no use of the plaintiff’s mark at all. In other words, the Court found no trademark use requirement in section 43(a), at least for what Barrett calls “deceptive marketing” claims. Even if one could find a robust trademark use requirement elsewhere, it surely would not take plaintiffs long simply to begin filing their claims against search engines as section 43(a) deceptive marketing claims if that allowed them to avoid the trademark use requirement. I doubt the retitled claims would be any less vexing for Google.

104. Lanham Act § 45, 15 U.S.C. § 1127 (2006) (emphasis added).

ment context, making the strict definition inapplicable to infringement.<sup>105</sup> Even Google, a primary advocate of the trademark use doctrine, does not press the argument that trademark uses require affixation. In its brief in *Rescuecom Corp. v. Google, Inc.*, for example, Google concedes that trademark use is possible without “visual branding” and offers two hypothetical “trademark uses” that involve no affixation.<sup>106</sup> “When a waitress tells you that the syrupy brown beverage in your glass is Coca-Cola, that’s trademark use. So too would CBS be in hot water if it started using the three-note NBC chime in its promotions.”<sup>107</sup> These uses would qualify as “trademark uses” despite their lack of affixation, Google concedes, because they denote the source of the relevant product.<sup>108</sup>

Thus, even for the most ardent trademark use supporters, “trademark use” must be defined functionally; a trademark use is a use that indicates the source or origin of one’s goods or services.<sup>109</sup> Rather than focusing on the nature of the designation used and the manner of its use, this definition of trademark use focuses on the meaning conveyed by that use.

The trouble with this functional view of the trademark use requirement is that it is difficult to find in the text of the Lanham Act as an explicit element of infringement. Neither section 32 nor section 43(a) mentions “trademark use” or “use as a designation of source” in its definition of infringement.<sup>110</sup> In fact, the lack of an explicit trademark use requirement in the infringement provisions, together with the exemptions from liability of particular non-trademark uses in section 33(b)(4),<sup>111</sup> conclusively demonstrates to Dinwoodie and Janis that no general trademark use requirement exists.<sup>112</sup> By identifying particular non-trademark uses

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105. Dogan & Lemley, *supra* note 1, at 1675–76.

106. Google Brief, *supra* note 2, at 11–12.

107. *Id.*

108. *Id.*; see *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 400 (N.D.N.Y. 2006) (“A ‘trademark use’ . . . is one indicating source or origin.” (quoting *Pirone v. MacMillan, Inc.*, 894 F.2d 579, 583 (2d Cir. 1990))).

109. Trademark use advocates have not sworn off the manner of use altogether, however. For example, while Dogan and Lemley concede that section 45 needs to be interpreted somewhat more flexibly in terms of infringement, they maintain that the defendant must somehow present the plaintiff’s mark to consumers, and they emphasize that the defendant’s use must be as a mark for its own products or services. See Dogan & Lemley, *supra* note 1, at 1677.

110. The two sections differ to some extent in the language of likelihood of confusion: section 32 refers simply to uses in commerce that are likely to “cause confusion, mistake, or to deceive,” Lanham Act § 32(1)(a), 15 U.S.C. § 1114(1)(a) (2006), while section 43(a) refers more specifically to use “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities,” *id.* § 43(a)(1)(A).

111. See *id.* § 33(b)(4) (making a defense to trademark infringement “the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin”).

112. Dinwoodie & Janis, *supra* note 5, at 1617.

as fair uses, they argue, Congress implicitly rejected a categorical exemption for non-trademark use.<sup>113</sup> Indeed, reading a general trademark use requirement into the infringement provisions would render the fair use provision superfluous, and as Dinwoodie and Janis note, “Ordinary canons of statutory construction counsel against such a reading.”<sup>114</sup>

At first glance, this statutory construction seems compelling. It is difficult to tease a trademark use requirement out of the “use in commerce” language of the statute, and the descriptive fair use defense does seem unnecessary if the statute generally imposes liability only when a defendant makes a trademark use. But close examination reveals that the infringement provisions *do* require “trademark use” in order to trigger liability. This requirement derives not from the definition of “use in commerce” but from the fact that liability attaches only for uses that cause a particular type of confusion—*source* confusion. Because the only uses that can cause source confusion are uses that in some way indicate source, the infringement provisions implicitly require trademark use in the functional sense.<sup>115</sup>

Unfortunately, this implicit trademark use requirement cannot serve the limiting function proponents desire because the question of whether a particular use denotes source can be determined only by reference to consumer understanding.

#### A. *Infringement Requires Confusion as to Source*

Under the Lanham Act, one infringes a registered trademark when she

use[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of [the] registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.<sup>116</sup>

And while the statute does not say so explicitly, it is abundantly clear that the only confusion that is actionable under this provision is confusion as to *source*.<sup>117</sup> This point needs some further elaboration, however,

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113. *Id.* at 1609 n.48. The recently enacted Trademark Dilution Revision Act of 2006 has a similar exemption for fair uses, though it too requires that the defendant use the famous mark “other than as a designation of source.” See Lanham Act § 43(c)(3)(A) (exempting “[a]ny fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s own goods or services”).

114. Dinwoodie & Janis, *supra* note 5, at 1617.

115. This reading does render section 33(b)(4) inescapably superfluous, but as I describe below, superfluity hardly distinguishes the descriptive fair use defense.

116. Lanham Act § 32(1)(a).

117. Section 43(a) *does* explicitly say so—it defines infringing uses as those “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association . . . or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities.” *Id.* § 43(a)(1)(A).

because “source” in modern trademark law is an exceedingly broad and somewhat elusive concept.

### 1. *Source in the Modern Lanham Act*

The claim that the Lanham Act makes actionable only confusion as to source may sound strange since a number of courts and commentators have suggested that the current Lanham Act targets confusion more generally.<sup>118</sup> They reach this conclusion by focusing on the 1962 amendments to section 32 of the statute. As originally drafted, section 32 made actionable uses of a mark that were “likely to cause confusion or mistake or to deceive purchasers as to the source of origin of . . . goods.”<sup>119</sup> Congress in 1962 deleted the second half of the clause, leaving the current statutory language targeting uses “likely to cause confusion, or to cause mistake, or to deceive.”<sup>120</sup>

The extent to which Congress meant to expand the scope of infringement by this amendment is the subject of some debate,<sup>121</sup> but not a particularly important one here. Whether or not Congress intended to sweep a wider range of conduct into the statutory scheme, courts clearly have given the current language broad construction.<sup>122</sup> The important question here is whether Congress’s decision to delete the language requiring confusion as to “source of origin” opened the Lanham Act to claims regarding confusion of any type, or if the provision remains limited to source confusion.

Those who suggest that the amendment broadened the Lanham Act to cover confusion of any type fail to consider the jurisprudential context in which Congress amended the statute. As noted above, at the time of the amendment, courts had already been recognizing a wider range of potential relationships as relevant “source” relationships. Congress’s goal in amending the statute was to broaden the scope of the infringement provision to codify these results. It did not intend to cover confusion in any form. The statute continues to target source confusion, but “source confusion” can now take the form of confusion as to the actual origin of a product or as to the mark owner’s sponsorship of or affiliation

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118. See, e.g., *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 568–69 (2d Cir. 1971); *Dinwoodie & Janis*, *supra* note 5, at 1654.

119. See Lanham Trade-Mark Act of 1946, Pub. L. No. 79-459, § 32(1)(a), 60 Stat. 427, 437.

120. Lanham Act § 32(1)(a).

121. See Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 470–75 (1999) (analyzing the amendment and arguing that, while Congress meant to expand the scope of actionable confusion beyond actual purchasers to potential purchasers, it did not intend deletion of “as to the source or origin of goods” to be considered a substantive change); Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731, 800–01 (2003).

122. See *Kos Pharms., Inc. v. Andrx Corp.*, 369 F.3d 700, 711 (3d Cir. 2004); *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 295 (3d Cir. 2001) (citing deletion of the phrase “purchasers as to the source of origin of such goods or services” from the end of the former definition as evidence that the Lanham Act condemns confusion beyond the traditional source-of-origin confusion); *Syntex Labs.*, 437 F.2d at 568.

with that use. All of these relationships are, in modern terms, “source” relationships.

In fact, reading section 32 as making actionable any form of confusion would lead to the striking conclusion that the Lanham Act grants significantly broader rights to registered marks than it does to unregistered marks under section 43(a). The latter specifically defines infringing uses (of unregistered marks) as those “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.”<sup>123</sup> If the language focusing on specific relationships—sponsorship or affiliation relationships—is to be seen as a restriction on the scope of infringement that is particular to unregistered marks, no court has read it that way; indeed, courts repeatedly make clear that protection for registered and unregistered marks is, for the most part, identical.<sup>124</sup>

An example may help drive home the point. Imagine that PepsiCo started a new advertising campaign claiming that Pepsi is “preferred over Gatorade by cyclists and runners.” Further assume that consumers seeing this ad are confused about whether Pepsi is in fact preferred over Gatorade by cyclists and runners. Would the makers of Gatorade have a claim for trademark infringement? Of course not. The advertisement does not infringe Gatorade’s trademark rights despite causing confusion because it does not cause the right type of confusion—confusion as to source.<sup>125</sup>

## 2. *Only Source-Designating Uses Can Cause Source Confusion*

Having established that the infringement provisions of the Lanham Act make actionable only source confusion—understood in the modern

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123. See Lanham Act § 43(a)(1)(A); see also Dinwoodie & Janis, *supra* note 5, at 1653–54 (arguing that the broader interpretation of the 1962 amendments as having obviated the need to show confusion as to source of origin was affirmed legislatively by the 1988 revisions to section 43(a)).

124. See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776, 768 (1992) (noting that “[s]ection 43(a) ‘prohibits a broader range of practices than does [section] 32,’ which applies to registered marks, but it is common ground that [section] 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under [section] 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under [section] 43(a)” (citation omitted)); *id.* at 776 (Stevens, J., concurring) (characterizing the majority opinion interpreting section 43(a) “as having created a federal cause of action for infringement of an unregistered trademark or trade dress and conclud[ing] that such a mark or dress should receive essentially the same protection as those that are registered”); *ETW Corp. v. Jireh Publ’g, Inc.*, 332 F.3d 915, 921 (6th Cir. 2003) (“Section 43(a) of the Lanham Act provides a federal cause of action for infringement of an unregistered trademark which affords such marks essentially the same protection as those that are registered.”); *Rosco, Inc. v. Mirror Lite Co.*, 304 F.3d 1373, 1383 (Fed. Cir. 2002) (“Unregistered marks receive essentially the same protection as registered marks . . .”).

125. If the claim was unfounded, of course, it might constitute false advertising under section 43(a). Lanham Act § 43(a)(1)(B). That liability turns on the falsity of the claim, however, and not consumer confusion.

sense to include confusion as to sponsorship or affiliation—the central question becomes clear: what types of uses of a trademark have the capacity to cause confusion about the source of a product or service? The question almost answers itself; it is difficult to imagine how any use of a mark that does not indicate source could confuse consumers about source. What would cause the confusion, if not a source indication?

If the only uses of a mark that can cause confusion about source are uses that themselves denote source, then by definition the infringement provisions apply only to uses that designate source. Obviously these uses must indicate the source of something other than the plaintiff's products or services, otherwise they would only reinforce the mark's primary association and would not cause confusion.<sup>126</sup> Implicitly, then, the defendant's use must indicate the source of its own goods or services in order to be actionable. Uses of a term in a non-source-indicative manner, though they may cause confusion of some type, cannot cause confusion that is actionable under the Lanham Act.<sup>127</sup>

McCarthy therefore has it almost right when he suggests that “a non-trademark use is highly unlikely to cause actionable confusion.”<sup>128</sup> McCarthy's characterization is only *almost* right, however, because he actually understates the point. A non-trademark use—one that does not indicate source, sponsorship, or affiliation—is not merely *unlikely* to cause confusion; it is conceptually incapable of causing the type of confusion that is actionable under the Lanham Act.<sup>129</sup>

### 3. *Dinwoodie and Janis's Arguments*

In their effort to cast doubt on the trademark use advocates' descriptive claims, Dinwoodie and Janis argue that a general trademark use requirement “runs counter to a number of instances where third-party uses other than as a mark have been found to be potentially actionable because they cause confusion and disrupt consumer understanding.”<sup>130</sup> They note specifically that a defendant's use of a rival's mark as part of its corporate name—for example, a new company unrelated to the owner of the Nike mark for sneakers adopting the name “Nike Sneakers Inc.”—would clearly give rise to liability.<sup>131</sup> Likewise, Dinwoodie and Janis

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126. For this reason Dogan and Lemley's emphasis on whether a defendant uses the plaintiff's mark to designate the source of *its own* products or services does not aid the inquiry. See Dogan & Lemley, *supra* note 1, at 1677–79.

127. See, e.g., Park 'N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189, 197–98 (1985).

128. 4 MCCARTHY, *supra* note 21, § 23:11.50.

129. Google similarly mischaracterizes the issue when it claims in its brief that “people are often confused, but only confusion caused by trademark use is actionable.” Google Brief, *supra* note 2, at 6. More accurately, not all confusion is relevant; only confusion about source is actionable. And since only use of a source designator can cause confusion as to source, infringement necessarily entails use that designates source.

130. Dinwoodie & Janis, *supra* note 5, at 1625.

131. *Id.* at 1627.

claim, a party's use of a competitor's mark as part of a narrative sentence on the packaging of its goods or on the goods themselves—such as the fictional Zazu's statement that “ZAZU sneakers are much cheaper and more comfortable than NIKE sneakers”—would be protected from liability only if done in good faith, even though such a use would not likely be treated by courts or the United States Patent and Trademark Office as “use as a mark.”<sup>132</sup>

These arguments are unavailing, however, because they treat the reference to a “trademark” too formally. As discussed at length above, the sense in which the Lanham Act requires “trademark use” is the functional sense; “trademark use” is use that denotes the source of the defendant's products or services. In this sense, “trademark use” includes uses of a trade name, service mark, or any other formal designation, so long as that designation indicates source. The technical distinction between trademarks and trade names is not important here, just as it generally is not in modern trademark law. Thus, a party's use of “Nike” in its corporate name *would be* trademark use in this functional sense, even if formally it would be considered use as a trade name, as long as the use indicated source. Likewise, Dinwoodie and Janis's fictional Zazu company would be liable for using its competitor's mark in a narrative sentence when such use was likely to cause confusion. If the use was likely to cause confusion, it could only be because Zazu's use indicated source.<sup>133</sup>

Also unavailing is Dinwoodie and Janis's broader contention that trademark use is insufficient to determine liability under the Lanham Act because “the types of use necessary to *establish* consumer understanding are plausibly different from those uses that might *interfere with extant* consumer understanding and, thus, increase search costs.”<sup>134</sup> Conceptually, Dinwoodie and Janis are correct that the use requirement in the acquisition context need not be symmetrical with the requirement in the infringement context. But they abstract away from the actual language of the statute when they suggest that this conceptual possibility has doctrinal significance. The fact that non-trademark uses can unsettle consumer understanding is not evidence that the statute makes all such uses

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132. *Id.* at 1627–28 & n.138. It is true that this type of use would not likely be treated as a sufficient use to demonstrate use for purposes of registration, but that focuses too much on the technical requirements of registration. This affixation requirement is a proxy for consumer understanding, but consumer understanding controls. If a party could show that this type of use on packaging was in fact viewed by consumers as a source indication, that party could prevail in an infringement suit even without a registration.

133. Dinwoodie and Janis acknowledge in a footnote that some uses of another's mark in a narrative sentence, such as Zazu's use of Nike in fifty-four point bright red type, might be considered trademark uses. *Id.* at 1628 n.139. Dinwoodie and Janis claim, however, that such a conclusion merely substantiates their central claim that the character of the defendant's use is “ultimately a function of context.” *Id.* To the extent Dinwoodie and Janis seek merely to demonstrate that trademark use—understood formally—cannot resolve all cases, I agree. But if these examples are meant to disprove the existence of a trademark use requirement, Dinwoodie and Janis go too far.

134. *Id.* at 1626 (footnote omitted).

actionable. Instead it simply demonstrates the weakness of the search costs theory as a general descriptive account of trademark doctrine.

Finally, Dinwoodie and Janis argue that reading the “‘use as a mark’ requirement strictly as incorporating the notion of the mark as a ‘source-identifier[]’ . . . might undermine the multi-billion dollar industry of brand merchandising and product design” and that the debate about merchandising “should occur through a candid debate about the social value of validating Veblen goods and not collaterally through a back-door interpretation of a newly discovered doctrine of trademark law.”<sup>135</sup> But imposing a requirement of source identification, as the Lanham Act does, only undermines brand merchandising if the marks or logos being used in those contexts do not, in fact, indicate to consumers anything about the source of the products on which they are used. And if the marks do not indicate source in those contexts, then the question of merchandising is not merely one about the social value of Veblen goods; it is fundamentally about the legitimacy of modern trademark law and the “source-identification” it seeks to protect.

#### 4. *The Descriptive Fair Use Defense*

If, as I argue above, only uses of a mark that denote the source of a defendant’s products or services can constitute trademark infringement, what purpose is served by the statutory fair use defense? As Dinwoodie and Janis note, that defense is superfluous if non-trademark uses generally do not fall within the ambit of the infringement provisions.

According to section 33(b)(4), it is a defense to trademark infringement that

the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.<sup>136</sup>

This provision does independent work in the statute only if it is possible for a defendant to use a particular term in a way that simultaneously describes the products or services with which it is used *and* denotes source. And indeed the possibility of such dual meaning was recognized regularly by courts in the traditional trademark era. As the Supreme Court

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135. *Id.* at 1654 (footnote omitted). Dinwoodie and Janis express doubt that the trademark use advocates meant to cast doubt on merchandising though Dogan and Lemley have explicitly questioned the validity of the merchandising right in at least some contexts. See Dogan & Lemley, *The Merchandising Right*, *supra* note 31, at 464.

136. Lanham Act § 33(b)(4), 15 U.S.C. § 1115(b)(4) (2006). Though by their own terms the defenses listed in section 33(b) are applicable only to alleged infringement of an incontestable mark, section 33(a) incorporates all of the defenses in section 33(b)(4), making them legitimate defenses to infringement of any registered trademark. *Id.* § 33(a).

noted in *KP Permanent*, “[T]he common law of unfair competition also tolerated some degree of confusion from a descriptive use of words contained in another person’s trademark.”<sup>137</sup> But this historical fact offers precious little interpretative guidance with respect to the modern statute because the normative goals of modern trademark law are so different from those courts traditionally pursued and because section 33(b)(4) did not exist at the time of those earlier decisions.

Trademark law traditionally focused on preventing competitors from diverting each other’s trade. Courts in this era were operating in a natural rights tradition that called on courts to protect parties’ productive labors while at the same time leaving room for others to exercise their like rights to labor productively. They achieved this balance by insisting that only certain types of trade diversions were actionable—dishonest or deceptive ones. And those courts focused on a narrow form of deception, condemning only attempts to pass off one’s products as those of another. Under traditional trademark principles, then, courts had room to recognize that descriptiveness and source signification were not mutually exclusive. Even if a defendant’s use of a particular mark designated source and confused consumers, it still would not have been actionable if the defendant’s use of the term was truthful.<sup>138</sup>

The modern Lanham Act leaves no room to recognize such duality. Under section 33(b)(4), the only uses for which a defendant may claim fair use are uses “otherwise than as a mark.”<sup>139</sup> The defense applies, in other words, only to descriptive uses that do not denote the source of the defendant’s products or services or suggest another’s sponsorship or affiliation. Such purely descriptive uses need no affirmative defense, however, because they are incapable of causing actionable confusion.

It is true, as Dinwoodie and Janis note, that this interpretation is to some extent inconsistent with the Supreme Court’s claim in *KP Permanent* that “some possibility of consumer confusion must be compatible with fair use.”<sup>140</sup> If the Court meant by that statement that some amount of *actionable* confusion is compatible with the statutory fair use defense, it misread the statute.

In reaching its conclusion, the Court noted that “[s]ection [33](b) places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement even when relying on an incontestable

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137. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 119 (2004) (“[A]s to plaintiff’s trademark claim, ‘[t]he use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product[.]’” (quoting *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924))); *Canal Co. v. Clark*, 80 U.S. (13 Wall.) 311, 327 (1871) (“Purchasers may be mistaken, but they are not deceived by false representations, and equity will not enjoin against telling the truth.”).

138. See *William R. Warner & Co.*, 265 U.S. at 528 (emphasizing that the truthful use of descriptive terms, even if confusing, is not actionable); *Canal Co.*, 80 U.S. (13 Wall.) at 327.

139. Lanham Act § 33(b)(4), 15 U.S.C. § 1115(b)(4) (2006).

140. 543 U.S. at 121.

ble registration” and that “Congress said nothing about likelihood of confusion in setting out the elements of the fair use defense in [section 33](b)(4).”<sup>141</sup> On the latter point—that Congress said nothing about likelihood of confusion in section 33(b)(4)—the Court rejected the plaintiff’s contention that Congress intended the “used fairly” language as a requirement that the defendant’s use not cause confusion.<sup>142</sup>

This interpretation is reasonable, as far as it goes. But the Court’s reasoning was incomplete because it ignored the statutory requirement that the claimed fair use be “otherwise than as a mark.”<sup>143</sup> In my view that language clearly limits the availability of the fair use defense to uses that do not indicate source. Yet uses that do not indicate source can never infringe because they cannot cause actionable confusion.<sup>144</sup> Consequently, while some amount of confusion may be compatible with fair use, no amount of *actionable* confusion is compatible with the statutory fair use provision.

Inasmuch as a finding that the defendant’s use indicates the source of its products or services is a necessary part of the likelihood of confusion determination, it is no surprise that courts have had difficulty determining fair use without considering likelihood of confusion. The Supreme Court itself recognized in *KP Permanent* that likelihood of confusion will play some role in a determination of fair use,<sup>145</sup> and on remand the Ninth Circuit held that the degree of customer confusion remains a factor in determining fair use.<sup>146</sup> Significantly, as long as courts consider likelihood of confusion in determining fair use, early resolution

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141. *Id.* at 118.

142. The Solicitor General argued in *KP Permanent* that the “used fairly” requirement in section 33(b)(4) requires “only that the descriptive term describe the [defendant’s] goods accurately.” *Id.* at 123. Though the Court ultimately did not determine what the “used fairly” language means, it gave some implicit support to the Solicitor General’s interpretation by rejecting the plaintiff’s contention that “used fairly” imported an absence of confusion. *Id.* at 120–21.

143. See Lanham Act § 33(b)(4).

144. See *supra* Part III.A.2.

145. 543 U.S. at 123 (“It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant’s use is objectively fair. Two Courts of Appeals have found it relevant to consider such scope, and commentators and *amici* here have urged us to say that the degree of likely consumer confusion bears not only on the fairness of using a term, but even on the further question whether an originally descriptive term has become so identified as a mark that a defendant’s use of it cannot realistically be called descriptive.”); *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234, 243 (4th Cir. 1997) (“[T]o the degree that confusion is likely, a use is less likely to be found fair . . . .”); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995).

146. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 609 (9th Cir. 2005). Thus, having found a question of fact on likelihood of confusion that precluded summary judgment for the defendant, the court found that summary judgment on the fair use defense also was inappropriate. *Id.* (“Among the relevant factors for consideration by the jury in determining the fairness of the use are the degree of likely confusion, the strength of the trademark, the descriptive nature of the term for the product or service being offered by [the defendant] and the availability of alternative descriptive terms, the extent of the use of the term prior to the registration of the trademark, and any differences among the times and contexts in which [the defendant] has used the term.”).

is extremely unlikely since likelihood of confusion is a fact-intensive determination.<sup>147</sup>

### 5. *Superfluity of Other Defenses*

The observation that the statutory fair use defense is superfluous because it applies only to uses “otherwise than as a mark”<sup>148</sup> has broader implications because it calls into question a number of other trademark doctrines commonly considered defenses.

#### a. Nominative Fair Use

The nominative fair use doctrine is frequently characterized as a defense to infringement even though courts often include in the nominative fair use test some type of confusion factor.<sup>149</sup> As it was articulated in *New Kids on the Block v. News America Publishing, Inc.*,<sup>150</sup> the nominative fair use doctrine applies “where the defendant uses a trademark to describe the plaintiff’s product, rather than its own,” and (1) “the product or service in question [is] one not readily identifiable without use of the trademark”; (2) the defendant uses “only so much of the mark or marks as is reasonably necessary to identify the product or service”; and (3) the defendant does “nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.”<sup>151</sup>

Nominative fair use might reasonably be considered a defense with independent significance if we place heavy emphasis on part (3) of the *New Kids* test, and particularly its focus on a defendant’s actions “in conjunction with the mark.”<sup>152</sup> Specifically, the defense would not be superfluous if courts interpreted the third factor to mean that, where the first

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147. See, e.g., *Clicks Billiards Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1265 (9th Cir. 2001) (“[T]rial courts disfavor deciding trademark cases in summary judgments because the ultimate issue is so inherently factual . . . [T]he question of likelihood of confusion is routinely submitted for jury determination . . .” (quoting *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1355 n.5 (9th Cir. 1985))); *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 318 (4th Cir. 1992) (“Likelihood of confusion . . . has long been recognized to be ‘a matter of varying human reactions to situations incapable of exact appraisal.’” (quoting *Colburn v. Puritan Mills, Inc.*, 108 F.2d 377, 378 (7th Cir. 1939))); *Warner Bros. Inc. v. Am. Broad. Cos.*, 720 F.2d 231, 246 (2d Cir. 1983) (“[L]ikelihood of confusion is frequently a fairly disputed issue of fact on which reasonable minds may differ . . .”).

148. Lanham Act § 33(b)(4).

149. The nominative fair use defense is not clearly grounded in the Lanham Act, at least with respect to infringement claims, and there is therefore no statutory construction question here. The Trademark Dilution Revision Act of 2006 does refer to the defense explicitly, though it is somewhat unclear how the defense applies to dilution claims. See *id.* § 43(c)(3).

150. 971 F.2d 302 (9th Cir. 1992).

151. *Id.* at 308. Even this decision is a bit of a puzzle, however. Judge Kozinski writes that “[b]ecause [this type of use] does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition; such use is fair because it does not imply sponsorship or endorsement by the trademark holder.” *Id.* If it were true that such uses did not imply sponsorship or endorsement, then the use should not be considered infringing anyway and there is no need for the defense.

152. *Id.*

two conditions are met, the defendant's use is fair even if its use of the mark causes confusion, as long as the defendant does nothing *else* in addition to using the mark. Stated differently, if a defendant meets the first two requirements, confusion caused by the defendant's mere use of the mark itself must be tolerated. On this understanding, nominative fair use is distinguishable from the statutory fair use provision in that it allows for the possibility that a confusing use might nevertheless be considered fair.<sup>153</sup>

But this is not the way all courts—and not even all decisions in the Ninth Circuit—have understood nominative fair use.<sup>154</sup> In *Brother Records, Inc. v. Jardine*,<sup>155</sup> for example, the court rejected former Beach Boy Al Jardine's claim that his use of the "Beach Boys" mark to promote his new band was nominative fair use.<sup>156</sup> The court rejected Jardine's claim because his "use of the trademark suggested sponsorship or endorsement by the [owner of the Beach Boys mark]."<sup>157</sup> Indeed, the court in *Jardine* characterized the third requirement of the nominative fair use defense as "merely the other side of the likelihood-of-confusion coin" and reiterated that, in the Ninth Circuit, the nominative fair use analysis replaces the likelihood of confusion analysis.<sup>158</sup> Remarkably, by invoking the nominative fair use defense, a defendant seems to inherit the burden of persuasion on the confusion issue: "whereas plaintiff carries the burden of persuasion in a trademark infringement claim to show likelihood of confusion, the nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion."<sup>159</sup>

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153. This is not to say that nominative fair use would be predictable or clear under these conditions. As Bruce Keller and Rebecca Tushnet noted, the determination of whether a defendant has used only so much of the mark as reasonably necessary to identify the product or service is inescapably subjective. See Bruce P. Keller & Rebecca Tushnet, *Even More Parodic than the Real Thing: Parody Lawsuits Revisited*, 94 TRADEMARK REP. 979, 1006 (2004) ("Establishing a conceptual floor [for nominative fair use] in the form of 'no more than necessary' is too vague and manipulable and does not give sufficient leeway to free speech interests.").

154. Indeed it is not even clear that the *New Kids* court understood nominative fair use this way. In another part of its decision, the court wrote that "[b]ecause [the use of the mark] does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition; such use is fair because it does not imply sponsorship or endorsement by the trademark holder." 971 F.2d at 308.

155. 318 F.3d 900 (9th Cir. 2003).

156. Jardine initially planned to perform with his band as "Beach Boys Family and Friends," and later performed under various "Beach Boys" names, including "Al Jardine of the Beach Boys and Family & Friends," "The Beach Boys 'Family and Friends,'" "Beach Boys Family & Friends," "The Beach Boys, Family & Friends," "Beach Boys and Family," as well as, simply, "The Beach Boys." *Id.* at 902.

157. *Id.* at 908.

158. *Id.* at 908 n.5.

159. *Id.* Since the nominative fair use analysis replaces the traditional likelihood of confusion analysis, it seems the plaintiff is entirely relieved of its responsibility to prove likelihood of confusion when the defendant claims nominative fair use. Cf. William McGeeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 91 (2008) ("This substitution [of nominative fair use for the traditional likelihood of confusion test] also shifts burdens unfairly.").

Because it regarded nominative fair use as analogous to descriptive fair use under section 33(b)(4), the court in *Century 21 Real Estate Corp. v. Lendingtree, Inc.*<sup>160</sup> believed the principle from *KP Permanent* prevented it from placing on the defendant the burden of proving lack of confusion.<sup>161</sup> Consequently, the Third Circuit rejected the Ninth Circuit's view that nominative fair use supplants the traditional likelihood of confusion analysis. The Third Circuit then adopted a different three part test for nominative fair use under which a use is fair if

- (1) . . . use of plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service;
- (2) . . . the defendant uses only so much of the plaintiff's mark as is necessary to describe plaintiff's product; and (3) . . . the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services.<sup>162</sup>

It is not clear that this test better preserves uses of a mark in the face of potential confusion. First, this test may be more restrictive than the Ninth Circuit's test in that it requires that the mark used by the defendant be necessary not only to describe the plaintiff's product, but also to describe the defendant's product or service. Second, and probably more importantly, the third factor of this test still requires a court to determine whether the defendant's use reflects the "true and accurate relationship"<sup>163</sup> between the plaintiff and defendant. Though disguised in somewhat different language, this provision clearly invites courts to engage in precisely the same type of analysis the Ninth Circuit demands.

Substantively, there seems little difference between asking whether "the defendant's conduct or language reflect the true and accurate relationship between the plaintiff and defendant's products or services"<sup>164</sup> and determining whether the defendant's conduct is likely to cause confusion as to sponsorship or affiliation.<sup>165</sup> If a defendant's use reflects the true and accurate relationship, it cannot cause confusion about the relationship between the parties. Consumers may believe that the plaintiff and defendant are related in some way, but they will not be confused if the parties actually *are* related. If, on the other hand, the defendant's use suggests some relationship between the plaintiff and defendant when there is none, it has caused confusion about sponsorship or affiliation. Thus, for all its lofty rhetoric about ensuring that some nominative uses can be deemed fair despite potential confusion, the test the Third Circuit

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160. 425 F.3d 211 (3d Cir. 2005).

161. *Id.* at 222–23. *KP Permanent* was decided purely on statutory grounds, and nominative fair use is a common law doctrine, so the holding of that case technically says nothing about the status of nominative fair use. See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 134 (2004).

162. *Century 21*, 425 F.3d at 222.

163. *Id.*

164. *Id.*

165. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

articulated falls short of making nominative fair use distinct from the likelihood of confusion analysis.

If these recent decisions reflect the proper understanding of nominative fair use, then nominative fair use, like statutory fair use, cannot honestly be called a defense. Instead, uses of a plaintiff's mark to describe the plaintiff are simply excused to the extent they do not cause confusion.<sup>166</sup> Of course, if the defendant's use does not cause confusion, it can never be infringing. The only significance of calling the defendant's use a nominative one, then, seems to be to shift the burden of persuasion to the defendant.

#### b. Comparative Advertising

Comparative advertising, which may be thought of as a type of nominative use, is also sometimes regarded as a defense to trademark infringement claims.<sup>167</sup> But in most of the comparative advertising cases, courts articulate tests that require the absence of confusion for the comparative use to be legitimate. Perhaps the best example is the influential *Smith v. Chanel, Inc.* decision.<sup>168</sup> In that case the court extolled the virtues of competition and competitors' right to copy unpatented products, ultimately holding that the defendant's advertisement of its imitation perfume was not actionable.<sup>169</sup> Yet the court also noted that Chanel's "reputation [was] not directly at stake. [Ta'Ron's] advertisement [made] it clear that the product they offer[ed] [was] their own."<sup>170</sup> Thus, the court was confident that "[i]f it prove[d] to be inferior, [Ta'Ron], not [Chanel], [would] bear the burden of consumer disapproval."<sup>171</sup> And the court couched the comparative advertising "right" expressly in likelihood of confusion terms, holding that "in the absence of misrepresentation or

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166. See McGeveran, *supra* note 159, at 91 (describing the "collapse of the requirements for nominative fair use into a substitute likelihood of confusion test").

167. See, e.g., Dinwoodie & Janis, *supra* note 5, at 1628 (describing a potential "comparative advertising defense").

168. 402 F.2d 562 (9th Cir. 1968).

169. *Id.* at 563. Chanel's claim was based on the defendant's advertisement for "The Ta'Ron Line of Perfumes" in a trade journal directed to wholesale purchasers of perfume. *Id.* The advertisement stated that "the Ta'Ron perfumes 'duplicate 100% perfect the exact scent of the world's finest and most expensive perfumes and colognes at prices that will zoom sales to volumes you have never before experienced!'" *Id.* The advertisement further "suggested that a 'Blindfold Test' be used 'on skeptical prospects,' challenging them to detect any difference between a well known fragrance and the Ta'Ron 'duplicate.'" One suggested challenge was, "We dare you to try to detect any difference between Chanel #5 (\$25.00) and Ta'Ron's 2nd Chance. \$7.00." *Id.* The advertisement also contained an order form in which "each Ta'Ron fragrance was listed with the name of the well known fragrance which it purportedly duplicated immediately beneath. Below 'Second Chance' appeared \*(Chanel #5)." The asterisk referred to a statement at the bottom of the form reading "Registered Trade Name of Original Fragrance House." *Id.*

170. *Id.* at 569.

171. *Id.*

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."<sup>172</sup>

So understood—and this understanding seems generally accepted<sup>173</sup>—comparative advertising is not a defense to trademark infringement in the true sense but merely an explanation of why confusion may be unlikely. Consumers who understand the comparative nature of an advertisement are unlikely to be confused by a reference to a competitor in the advertisement. Since the issue of consumer confusion is embedded within the test, however, comparative advertising does not excuse otherwise infringing conduct. At best, the fact that a defendant's infringing use was in a plausibly comparative context might influence the scope of relief afforded to the plaintiff.

#### B. *Trademark Use and the Trademark Dilution Revision Act of 2006*

Several commentators have suggested that the recently enacted Trademark Dilution Revision Act of 2006 (TDRA) more clearly requires trademark use as a condition of liability.<sup>174</sup> Under the amended section 43(c)(1),

[s]ubject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, *commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark*, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.<sup>175</sup>

This provision unambiguously requires the defendant to use a mark, but the nature of the required use is less obvious. On one hand, the TDRA always refers to a prospective plaintiff's mark as "the famous mark."<sup>176</sup>

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172. *Id.*

173. See 4 MCCARTHY, *supra* note 21, § 25:52 ("[I]t is neither trademark infringement nor unfair competition to truthfully compare competing products in advertising, and in doing so, to identify by trademark, the competitor's goods. However, such comparative advertising will not be permitted if it is likely to confuse buyers as to exactly what they are getting."); see also *Hypertherm, Inc. v. Precision Prods., Inc.*, 832 F.2d 697, 701 (1st Cir. 1987) (holding that an imitator may use in a truthful way an originator's trademark when advertising that the imitator's product is a copy, so long as no confusion as to the source is likely to result); *Calvin Klein Cosmetics Corp. v. Lenox Labs., Inc.*, 815 F.2d 500, 503 (8th Cir. 1987) ("An imitator may use in a truthful way an originator's trademark when advertising that the imitator's product is a copy so long as that use is not likely to create confusion in the consumer's mind as to the source of the product being sold.").

174. See Stacey L. Dogan & Mark A. Lemley, *The Trademark Use Requirement in Dilution Cases*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 101, 109–14 (2008).

175. Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1) (2006) (emphasis added). The Act defines "dilution by blurring" as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark," *id.* § 43(c)(2)(B), and "dilution by tarnishment" as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark," *id.* § 43(c)(2)(C).

176. *Id.* § 43(c)(1).

By defining the dilution claim as one that arises when another person “commences use of a mark or trade name . . . that is likely to cause dilution of the famous mark,”<sup>177</sup> Congress juxtaposed the diluting mark against the famous mark and implied that actionable dilution depends on the presence of two marks—the plaintiff’s famous mark and some other mark used by the defendant, presumably its own mark. Hence, the TDRA makes actionable only trademark uses.

On a textual level, this is a plausible reading of the statutory provision, and probably even the best reading. It is not, however, an inevitable one. Even if the statute clearly requires that the defendant use a second mark that might dilute the famous mark, it does not clearly require that the defendant use that other mark as a designation of the source of its own goods or services. Indeed, at a theoretical level, there is no particular reason to restrict tarnishment claims—which the statute now explicitly includes—to source-indicative uses. Non-source-indicative uses are at least as likely to reflect badly on a famous mark or depict that mark in an unsavory light. If Congress nevertheless believed that dilution claims should be limited to only some harmful uses, it could have made the nature of the required use more explicit by giving the owner of a famous mark a dilution claim when a defendant uses in commerce “*a designation of the source of its own products or services that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark.*”

Ultimately, however, the question of whether the claim language itself limits dilution claims to trademark uses is of relatively limited significance because section 43(c)(3)(A) of the statute clearly excludes from liability most (if not all) non-trademark uses.<sup>178</sup> Phrased as an exclusion rather than a defense, that section declares not actionable as dilution by blurring or dilution by tarnishment “any fair use, including a nominative or descriptive fair use . . . of a famous mark by another person *other than as a designation of source for the person’s own goods or services.*”<sup>179</sup>

However one interprets the claim language of section 43(c)(1), this exclusion provision clearly puts most non-trademark uses beyond the reach of the federal statute. If the statute, properly interpreted, creates a cause of action only against trademark uses that dilute a famous mark, the exclusion is redundant of the claim language; it simply excludes a subset of uses that already fall outside the scope of section 43(c)(1).<sup>180</sup>

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177. *Id.*

178. *Id.* § 43(c)(3)(A).

179. *Id.* (emphasis added).

180. To find a trademark use limitation in the claim language, one must distinguish between the plaintiff’s famous mark and the other mark used by the defendant, and infer a requirement that the defendant use the other mark as an indication of the source of its goods or services. The exclusion provision, by contrast, applies only when the defendant is using the plaintiff’s famous mark—in other words, when there is no second mark. *Id.* (excluding “any fair use, including a nominative or descriptive fair use . . . of a famous mark by another person” (emphasis added)).

Alternatively, even if the claim language does not limit claims to trademark uses, the exclusion provision prevents dilution claims against most, if not all, non-trademark uses.

But this is not to say that true believers in the trademark use doctrine ought to be entirely indifferent about the location of the trademark use requirement in the TDRA. For one thing, the exclusion may not rule out claims against all non-trademark uses. The exclusion applies only to fair uses of a mark other than as a designation of the source of one's own products or services.<sup>181</sup> Courts could conceivably read "fair use" and "otherwise than as a mark" as separate requirements, thereby continuing to allow dilution claims against non-trademark uses that are not deemed fair.<sup>182</sup> Indeed, courts have sometimes treated the fair use language of section 33(b)(4) as a separate requirement of descriptive fair use.<sup>183</sup> If fair use is a separate, additional requirement of the exclusion, only a subset of non-trademark uses will be excluded under this provision—only those non-trademark uses that qualify as fair uses.<sup>184</sup>

The location of the trademark use requirement (or the exclusion of fair non-trademark uses) also might determine the burden of proof on trademark use. In particular, the location of the limitation might determine whether the plaintiff in a dilution case must prove that the defen-

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181. *Id.*

182. Rather than define fair use for purposes of dilution, the statute notes that fair use includes nominative and descriptive fair use, as well as uses to comment on, criticize, or parody the mark owner. *Id.* It remains unclear how courts will interpret the exemptions, particularly with respect to the parody defense. In the context of infringement, parody is most frequently evaluated according to the extent to which it causes confusion. *See* 6 MCCARTHY, *supra* note 21, § 31:153 ("Some parodies will constitute an infringement, some will not. But the cry of 'parody!' does not magically fend off otherwise legitimate claims of trademark infringement or dilution. There are confusing parodies and non-confusing parodies. All they have in common is an attempt at humor through the use of someone else's trademark. A non-infringing parody is merely amusing, not confusing."). Confusion obviously is not relevant to a dilution claim, and it remains to be seen whether courts can adequately identify parody without reference to confusion.

183. These courts would require that the defendant's use (1) describe the defendant's products or services, (2) be otherwise than as a mark, and (3) be fair and in good faith. *See, e.g.,* EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopolis Inc., 228 F.3d 56, 64–68 (2d Cir. 2000) (evaluating whether the defendant's use was descriptive separately from the issue of whether the use was in good faith); *see also* Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 796 (5th Cir. 1983) (considering probative, in evaluating a fair use claim, the defendant's lack of intent to use "fish fry" in a trademark sense and conscious packaging so as to avoid confusion). As these decisions make clear, however, the three factors cannot easily be disentangled. In *EMI*, for example, the court treated the issue of descriptiveness in contrast to trademark use. 228 F.3d at 64–65. It considered, the "physical nature of the use in terms of size, location, and other characteristics in comparison with the appearance of other descriptive matter or other trademarks." *Id.* at 65 (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. c (1995)). Good faith, on this account, deals with the defendant's intent (or lack of intent) to trade on the good will of the trademark owner by creating confusion about sponsorship or affiliation. *Id.* at 66. Since direct evidence of intent rarely is available, courts consider "the overall context in which the marks appear and the totality of the factors that could cause consumer confusion." *Id.*

184. Or, to be more precise, only non-trademark uses that are fair uses would be exempted under section 43(c)(3)(A). Uses that might also be considered non-trademark uses are exempted to the extent they qualify as news reporting or non-commercial uses under section 43(c)(3)(B) or (C). *See* Lanham Act § 43(c)(3)(B)–(C).

dant's use was a trademark use or the defendant must prove that its use was not a trademark use. If the trademark use limitation comes only from the exclusion, courts may be more comfortable treating non-trademark use as a defense and forcing the defendant to prove that its use was not a trademark use. Indeed, courts frequently have characterized fair use in copyright law as a defense even though the fair use provision in the Copyright Act, like section 43(c)(3)(A), is stated as an exclusion from liability.<sup>185</sup>

Only time will tell how courts will interpret the TDRA and whether the locus of the trademark use limitation will affect its scope. But regardless of how courts resolve these interpretive issues, just as with trademark infringement, the trademark use requirement can predictably limit the scope of dilution claims only if courts can develop objective rules for determining when a particular use qualifies as a trademark use. Unfortunately, as the next Part makes clear, trademark use does not lend itself to clear rules.

#### IV. TRADEMARK USE AND CONSUMER UNDERSTANDING

As demonstrated above, both the infringement and dilution provisions of the Lanham Act make only trademark uses actionable.<sup>186</sup> These trademark use limitations are functional ones: a trademark use is one that designates the source of a party's products or services.<sup>187</sup> A court confronted with a claim of trademark use therefore must determine whether the defendant's use designates the source of the defendant's products or services. But perspective matters here, and it is clear that a court faced with a trademark use question must make its determination from the perspective of consumers. More specifically, a court must determine whether consumers are likely to perceive the defendant's use as an indication of the source of its products or services.

This consumer perspective should seem obvious since consumer understanding so widely controls in trademark law. Indeed, virtually every *distinction* courts and the Trademark Office draw between protectable and unprotectable matter depends on consumer understanding.

To determine whether a term is a trademark or a generic term, for example, a court must determine "[t]he primary significance of the mark

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185. See 17 U.S.C. § 107 (2006) ("Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work . . . is not an infringement of copyright."); *Campbell v. Acuff-Rose Music Inc.*, 510 U.S. 569, 590 (1994) ("Since fair use is an affirmative defense, its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets." (footnotes omitted)); cf. *SunTrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1260 n.3 (11th Cir. 2001) ("I believe that fair use should be considered an affirmative *right* under the 1976 Act, rather than merely an affirmative defense, as it is defined in the Act as a use that is not a violation of copyright. However, fair use is commonly referred to as an affirmative defense and, as we are bound by Supreme Court precedent, we will apply it as such." (citations omitted)).

186. See *supra* Parts III.A–B.

187. See *supra* Part III.A.2.

to the relevant public.”<sup>188</sup> When the term primarily signifies to the relevant public the source of the claimant’s products or services, the term warrants protection. Likewise, to determine whether a descriptive term has acquired secondary meaning and therefore merits trademark protection, a court must determine whether “the primary significance of the term *in the minds of the consuming public* is not the product but the producer.”<sup>189</sup> Whether a term should be denied protection because it is primarily a mere surname depends on whether the relevant purchasing public is likely to regard the term as merely a surname.<sup>190</sup> Similarly, the question of whether a term should be denied protection on the ground it is primarily geographically descriptive turns on likely perception by consumers.<sup>191</sup> The tests for both deceptiveness and deceptive misdescriptiveness also imbed determinations of consumer understanding.<sup>192</sup>

Courts reviewing Trademark Office determinations of registrability have long recognized that trademark use simply cannot be determined formally. Considering whether the applicant had used the words “Living Earth” as a trademark and therefore could claim the phrase as a trademark, the Court of Customs and Patent Appeals<sup>193</sup> wrote:

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188. See Lanham Act § 14(3) (“The primary significance of the registered mark *to the relevant public* rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.” (emphasis added)).

189. Kellogg Co. v. Nat’l Biscuit Co., 305 U.S. 111, 118 (1938) (emphasis added); see also Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 851 n.11 (1982) (“[S]econdary meaning [is acquired when] . . . in the minds of the public, the primary significance of a product feature . . . is to identify the source of the product rather than the product itself.”).

190. Indeed, it does not even matter whether the party using the name actually has the name as her surname. What matters is consumer perception. See, e.g., 815 Tonawanda St. Corp. v. Fay’s Drug Co., 842 F.2d 643, 648 (2d Cir. 1988) (requiring the plaintiff, asserting rights in the personal name Fay, to prove secondary meaning even though there was “no one named Fay . . . associated with Fay’s Leader”). Likewise, even if the mark actually is comprised of surnames, secondary meaning is not required if consumers are not likely to view the mark as such. See Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 1054 (6th Cir. 1999) (finding that while the CarMax mark was purportedly a combination of the first names Carson and Max, the public would not perceive it to be a combination of personal names when used as a mark to sell used cars).

191. Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc., 871 F.2d 590, 594 (6th Cir. 1989) (“Where it is determined that the mark as perceived by potential purchasers describes the geographic origin of the goods the mark is primarily geographically descriptive.”).

192. A claimed mark is deceptively misdescriptive, and therefore denied registration, when (1) “the mark misdescribe[s] the goods or services” with which the mark is used; and (2) “consumers [are] likely to believe the misrepresentation.” *In re Phillips-Van Heusen Corp.*, 2002 WL 523343, at \*1048 (T.T.A.B. Mar. 28, 2002). A mark is adjudged deceptive, and therefore denied registration, when: (1) “the term [is] misdescriptive of the character, quality, function, composition or use of the goods [or services]”; (2) “prospective purchasers [are] likely to believe that the misdescription actually describes the goods or [services]”; and (3) “the misdescription [is] likely to affect [consumers’] decisions to purchase.” *Id.* (quoting *In re Budge Mfg. Co.*, 857 F.2d 773, 775 (Fed. Cir. 1988)).

193. The Court of Customs and Patent Appeals was a precursor to the Federal Circuit and heard appeals of registration decisions. That court was abolished by the 1982 Federal Courts Improvement Act, and its jurisdiction was consolidated into the new Federal Circuit. Federal Courts Improvement Act, Pub. L. No. 97-164, 96 Stat. 25 (1982); see also *S. Corp. v. United States*, 690 F.2d 1368, 1370 (Fed. Cir. 1982) (en banc) (adopting precedent of the United States Court of Claims and United States Court of Customs and Patent Appeals as binding).

No authority has been cited, and none has been found to the effect that a trademark use requires a display of a design of any particular size or prominence. The important question is not how readily the mark will be noticed but whether, when it is noticed it will be understood as indicating origin of the goods.<sup>194</sup>

The Trademark Office continues to acknowledge that consumer understanding ultimately determines whether claimed matter functions as a trademark, even though it often must rely on proxies for likely consumer perception since it rarely has evidence of actual perception before it. The *Trademark Manual of Examining Procedure* instructs examining attorneys evaluating whether a particular term is a trademark eligible for registration or merely a trade name to focus on “the manner of its use and the probable impact of the use on customers.”<sup>195</sup>

In all of these contexts and others, a court or the Trademark Office must determine whether a contested term performs a source identifying function or some other function. And in all cases, the determination depends in whole or in part on consumer perception of the use.<sup>196</sup>

In fact, there are only two exceptions to the general rule that consumer understanding controls the determination of protectability—the functionality doctrine<sup>197</sup> and *Dastar*’s treatment of creative content.<sup>198</sup>

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194. *Chun King Corp. v. Genii Plant Line, Inc.*, 403 F.2d 274, 276 (C.C.P.A. 1968) (quoting *In re Singer Mfg. Co.*, 225 F.2d 939, 941 (C.C.P.A. 1958)) (finding “Living Earth” registrable as a trademark because “it would be regarded as a trademark by purchasers of petitioner’s goods”).

195. TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1202.01 (5th ed. 2007) (emphasis added).

196. For this reason, all of these determinations are regarded as questions of fact, often not easily resolvable on summary judgment. See, e.g., *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 793–94 (5th Cir. 1983) (noting that categorization of a term and existence of secondary meaning are questions of fact); 2 MCCARTHY, *supra* note 21, § 15:29 (recognizing that secondary meaning is a question of fact).

197. Functional product features, even ones that have source significance, are not eligible for trademark protection. See Lanham Act §§ 2(e)(5), 14(3), 33(b)(8), 43(a)(3), 15 U.S.C. §§ 1052(e)(5), 1064(3), 1115(b)(8), 1125(a)(3) (2006). According to the Supreme Court, “a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device.” *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001). A feature may also be deemed aesthetically functional, and therefore unprotectable, if exclusive use of that feature “would put competitors at a significant non-reputation-related disadvantage.” *Id.* at 32–33. These definitions do rely to some extent on consumer behavior. Consumer demand presumably is relevant, for example, to the question of whether a feature is “essential to the use or purpose of the article.” Likewise, whether exclusive use of a feature “would put competitors at a significant non-reputation-related disadvantage” depends on consumer demand for the feature. But neither definition depends on consumer understanding regarding source.

198. In *Dastar*, the Supreme Court dealt with the issue of reverse passing off claims in which the “false designation of origin” by the defendant was its unattributed presentation of uncopyrighted content created by another. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 31 (2003). The Court narrowly construed “origin of goods” as used in section 43(a) to refer only to the origin of the physical articles in which creative content is embodied. *Id.* at 37 (“[I]n light of the copyright and patent laws (which were [designed to protect originality and creativity]), we conclude that the phrase [origin of goods] refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods.”). Consequently, under *Dastar*, creative content embodied in books, movies, or other forms seems categorically incapable of performing a source-indication function that courts will recognize.

These exceptions are notable precisely because they are such departures from the norm. Moreover, in both cases the special rules are animated by concerns about trademark law interfering with another statutory regime (patent law in the functionality context and copyright law in the *Dastar* context). The determination of whether a defendant's use designates source generally does not implicate these special concerns, and there is therefore no reason to believe that trademark use should or could be determined on any basis other than consumer understanding. Thus, to be specific, the issue in the trademark use cases is whether the relevant purchasing public is likely to regard the defendant's use as one that designates the source of the defendant's goods or services.<sup>199</sup>

This is not to say that direct evidence of consumer understanding will always be readily available.<sup>200</sup> Indeed, in the absence of direct evidence courts have in the past engaged the question of source indication by focusing on circumstantial evidence such as the nature and prominence of the use at issue, particularly relative to other trademarks.<sup>201</sup> But just as in the secondary meaning context where courts seek to determine whether a descriptive term has taken on source significance, these circumstantial clues are only proxies for consumer understanding.<sup>202</sup>

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199. McCarthy therefore offers no more than his assessment of the likely impact on consumers when he concludes that a hypothetical software company does not make trademark use of "Microsoft Windows" when it advertises that its "new [software] program will run flawlessly on MICROSOFT WINDOWS" and that a magazine does not use "Microsoft" as a trademark when it "features on its cover in bold letters the teaser ad 'INSIDE: NEWS ON THE LATEST MICROSOFT PRODUCT!'" 4 MCCARTHY, *supra* note 21, at § 23:11.50.

200. See *Heartland Bank v. Heartland Home Fin., Inc.*, 335 F.3d 810, 820 (8th Cir. 2003) (Smith, J., concurring) ("[I]n a trademark case, circumstantial evidence may be all that is available to establish secondary meaning."); *Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 596 (6th Cir. 1989) ("Direct proof of secondary meaning is difficult to obtain.").

201. See *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30–31 (2d Cir. 1997) (focusing on the defendant's prominent display of its better-known trademarks and lack of use of the contested term on packaging or promotional materials); *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995) (finding the defendant's use of a pine tree shape for its pine-scented air fresheners use "otherwise than as a mark" where air fresheners came in a box prominently bearing the "Glade Plug-Ins" trademark as well as the Johnson's corporate logo and each unit had "Glade" imprinted across the front of the product itself); *Zatarains*, 698 F.2d at 796 (finding the defendant's use of "fish fry" to be fair use when the defendant did not intend to use the term in a trademark sense, had never attempted to register the words as a trademark, believed "fish fry" was a generic name for the type of coating mix they manufactured, and consciously packaged and labeled its products in such a way as to minimize any potential confusion in the minds of consumers); *Venetianaire Corp. of Am. v. A & P Imp. Co.*, 429 F.2d 1079, 1082 (2d Cir. 1970) (focusing on typestyle and prominence of "hygienic" to determine whether defendant's use was "otherwise than as a trade or service mark").

202. See *Heartland Bank*, 335 F.3d at 820 (Smith, J., concurring) ("Various circuits and authorities recognize that *in the absence of direct proof*, the court must draw reasonable inferences from the evidence of money spent in advertising to establish that the mark is from a particular source, of the type of advertising used, of long-term usage of the mark, and of sales volume." (emphasis added)); *Comm. for Idaho's High Desert, Inc. v. Yost*, 92 F.3d 814, 822 (9th Cir. 1996) (calling survey evidence "one of the most persuasive ways to prove secondary meaning" but not requiring it); *Co-Rect Prods., Inc. v. Marvy! Adver. Photography, Inc.*, 780 F.2d 1324, 1333 n.9 (8th Cir. 1986) ("Consumer surveys are recognized by several circuits as the most direct and persuasive evidence of secondary meaning."); see also *Berner Int'l. Corp. v. Mars Sales Co.*, 987 F.2d 975, 982 (3d Cir. 1993) (noting that, while not re-

The important point here is that, because trademark use can be determined only from the perspective of consumers, it cannot serve as a threshold requirement separable from the likelihood of confusion inquiry. A determination that the defendant's use indicates the source of its products or services is a necessary part of every likelihood of confusion finding. Moreover, in most of the types of cases trademark use advocates have identified as candidates for application of the doctrine, a determination that the defendant's use of the plaintiff's mark indicates source would be essentially dispositive: to reach a conclusion on trademark use, the court will have to consider much of the same evidence it will need to evaluate to make a finding on likelihood of confusion. There is little dispute in the search engine cases, for example, that the defendant is using a term that consumers recognize as the plaintiff's trademark.<sup>203</sup> The dispute is about *how* the defendant is using that mark. Consequently, as Dogan and Lemley concede, similarity of the marks is unlikely to be contested.<sup>204</sup> Likewise, if consumers recognize the term used by the defendant as the plaintiff's trademark and also believe the defendant is using the term to indicate the source of its own goods or services, then it is a short step to concluding the goods or services are sufficiently similar and that the entities might be related in some way. Indeed, the respective parties' goods and services are very likely to be considered in determining whether the defendant's use indicates source.

A. *Courts and Commentators Are Unable to Discuss Trademark Use Without Making Claims About Likelihood of Confusion*

That trademark use cannot be determined without resort to consumer understanding and therefore cannot be separated formally from the likelihood of confusion determination is clear from courts' inability to explain their decisions in trademark use cases without lapsing into discussions of likelihood of confusion. In *Rock & Roll Hall of Fame & Museum, Inc. v. Gentile Products*,<sup>205</sup> for example, the court noted that, in order to prevail, "it is clear that a plaintiff must show that it has actually used the designation at issue as a trademark, and that the defendant has also used the same or a similar designation as a trademark."<sup>206</sup> But the court further elaborated on the "trademark use" requirement: "In other words, the plaintiff must establish a likelihood that the defendant's de-

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quired, "direct consumer evidence, e.g., consumer surveys and testimony is preferable to indirect forms of evidence").

203. One can imagine more difficult cases in which it is not clear that consumers recognize the term used by the defendant as a trademark of the plaintiff. In such a case, consumers are unlikely to be confused even if the defendant uses the term to indicate the source of its own products or services.

204. Dogan & Lemley, *supra* note 1, at 1694 ("By hypothesis, non-trademark uses often involve the identical mark. This is because the defendant employs the mark itself either as a signal of consumer preferences or to refer to the trademark or something that it represents.").

205. 134 F.3d 749 (6th Cir. 1998).

206. *Id.* at 753.

signation will be confused with the plaintiff's trademark, such that consumers are mistakenly led to believe that the defendant's goods are produced or sponsored by the plaintiff."<sup>207</sup> In this formulation, a "trademark use" is simply one that is likely to be confused with the plaintiff's trademark.<sup>208</sup>

Similarly, in *Interactive Products Corp. v. a2z Mobile Office Solutions, Inc.*,<sup>209</sup> the court claimed that, prior to evaluating likelihood of confusion, there was a preliminary question about whether the defendant's use of the plaintiff's mark in the URL post-domain path was a use that identified the source of their goods.<sup>210</sup> "If defendants [were] only using [the plaintiff's] trademark in a 'non-trademark' way—that is, in a way that [did] not identify the source of a product—then trademark infringement and false designation of origin laws do not apply."<sup>211</sup> Yet the court described the "ultimate issue in [the] case" as "whether a consumer [was] likely to notice [the plaintiff's mark] in the post-domain path and then think that the [product sold on that web page] may [have been] produced by the same company (or a company affiliated with the company) that [made the plaintiff's product]."<sup>212</sup> The court then resolved the case by determining that the plaintiff had not presented any evidence that the presence of the plaintiff's mark in the post-domain path of the defendant's website was likely to cause consumer confusion regarding the source of the website or of the products offered for sale on the website.<sup>213</sup> Clearly, notwithstanding its initial framing, the court resolved the case, not on a "preliminary question" of trademark use, but on the basic question of likelihood of confusion.

A variety of false endorsement cases also depend on evaluating source designation by reference to likely confusion. In *Waits v. Frito-Lay, Inc.*,<sup>214</sup> for example, Tom Waits objected to Frito-Lay's use of a

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207. *Id.* at 753–55 (holding that the plaintiff had not acquired any trademark rights in a depiction of its museum because it had not created a consistent commercial impression in its use and that the defendant's use did not constitute trademark use because defendant's depiction of the museum was not readily recognized as an indication of source).

208. The court aptly demonstrated the difficulty of distinguishing between trademark and non-trademark use in its attempt to distinguish the posters at issue from a hypothetical photograph of a Coca-Cola bottle. *Id.* at 754. In support of its claim, the museum had argued that the posters of the museum were analogous to a picture of a Coke bottle, in which the subject of the picture served both as an appealing visual image and as a designation of source. *Id.* The court rejected the analogy, noting that—unlike the Coke bottle—the museum was never presented in a consistent manner such that consumers might recognize it as more than a picture of an extant building. *Id.* At the same time, however, it recognized that the Coke bottle was a much harder case, and accepted that "a photograph which prominently depicts another person's trademark might very well, wittingly or unwittingly, use its object as a trademark." *Id.* It left open the question of how a court would determine when a prominent depiction of another's trademark used that object as a trademark.

209. 326 F.3d 687 (6th Cir. 2003).

210. *Id.* at 695.

211. *Id.*

212. *Id.* at 696.

213. *Id.* at 698.

214. 978 F.2d 1093 (9th Cir. 1992).

sound-alike in its Doritos advertisement.<sup>215</sup> Rather than applying some formalistic set of rules to determine what “mark” belonging to Waits Frito-Lay had used, the court evaluated Waits’s claim by asking whether “ordinary consumers . . . would [have been] confused as to whether Tom Waits sang on the commercial . . . and whether he sponsor[ed] or endorse[d] SalsaRio Doritos.”<sup>216</sup> It concluded that Frito-Lay was liable because it did something that suggested sponsorship or affiliation.<sup>217</sup> In other words, the proof that Frito-Lay had made a source-designating use (a “trademark use”) was in the likelihood of confusion.

Similarly in *Allen v. National Video, Inc.*,<sup>218</sup> the court granted summary judgment to Woody Allen on his claim that the defendant’s use of a look-alike in an advertising photograph falsely suggested Allen’s endorsement, in violation of section 43(a).<sup>219</sup> Like in *Waits*, the court focused on the consequences of a particular use rather than the nature of that use. Though it believed that the pose of the look-alike was “the classic stance of the product spokesperson,” the pose seemed only additional evidence of endorsement: “When a public figure of Woody Allen’s stature appears in an advertisement, his mere presence is inescapably to be interpreted as an endorsement.”<sup>220</sup>

What all of these cases have in common is that they approach the question of whether the defendant’s use violates the plaintiff’s rights by focusing on the effect of that use rather than trying to identify formal criteria by which to categorize trademark and non-trademark uses.<sup>221</sup>

Google gets part of the way there in its brief in *Rescuecom* when it concedes that visual branding is not necessary for trademark use: “When a waitress tells you that the syrupy brown beverage in your glass is Coca-Cola, that’s trademark use.”<sup>222</sup> Yet Google misses the import of this ex-

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215. *Id.* at 1097–98.

216. *Id.* at 1111 (quoting the trial court’s jury instructions).

217. *Id.*

218. 610 F. Supp. 612 (S.D.N.Y. 1985).

219. *Id.* at 627 & n.8, 632. The case settled prior to trial, with National Video reportedly paying Allen \$425,000. *Woody Allen Settles Lawsuit Involving Advertiser’s Use of “Look Alike” Performer for \$425,000*, ENT. L. REP., Oct. 1986, at 20.

220. *Allen*, 610 F. Supp. at 627 n.8.

221. To be sure, courts do not always believe that the complained of use really is likely to cause confusion. In *ETW Corp. v. Jireh Publishing, Inc.*, for example, the court refused to consider “any and all images of Tiger Woods” a trademark of Woods, holding that “[n]o reasonable person could believe that merely because these photographs or paintings contain Woods’s likeness or image, they all originated with Woods.” 332 F.3d 915, 922 (6th Cir. 2003). Likewise, the court in *Kournikova v. General Media Communications Inc.*, rejected tennis player Anna Kournikova’s false endorsement claim against Penthouse magazine, which had published photos of a topless sunbather who the magazine falsely identified as Kournikova. No. CV 02-3747, 2002 WL 31628027 (C.D. Cal. Aug. 2, 2002). It rejected Kournikova’s claim because it found that no reasonable reader would believe that Kournikova endorsed the magazine when the story, the cover headline (“CAUGHT UP CLOSE ON NUDE BEACH”), and context made it clear that the neither plaintiff nor the person in the photos voluntarily posed for the magazine. *Id.* at \*1620. But the important point here is that, even when courts reject a claim, they do so because they believe the use does not suggest endorsement, evaluated from the perspective of consumers.

222. Google Brief, *supra* note 2, at 11–12.

ample when it continues to insist that a party must present the mark to customers in order to infringe.<sup>223</sup>

Imagine a slight variation on Google's example in which a customer asks a waitress to bring her a Coca-Cola. The waitress says nothing and returns with a syrupy brown beverage that, quite reasonably, the customer believes to be Coca-Cola. Clearly the waitress in this example has indicated to the customer that Coca-Cola is the source of the syrupy brown beverage, but she has done this without ever "presenting" the mark to the customer.<sup>224</sup> Indeed, in the words of the Second Circuit, the waitress's utilization of the Coca-Cola trademark was entirely "internal."<sup>225</sup>

As this example demonstrates, a party can indicate source in many ways, sometimes without ever presenting the mark to consumers. A party must of course do *something* to cause consumers to believe it has designated the source of its products or services. But courts should not be too rigid when identifying *what* the defendant has done to indicate source. Instead, courts should focus on *whether* the defendant has indicated source and simply ask whether consumers understand the use—whatever it is—to indicate source.

### B. Trademark Use in the Search Engine Context

When applying these lessons to the search engine cases, it is clear that courts thus far generally have framed the trademark use question incorrectly.

There are two contexts in which a search engine might be thought to make "trademark use" of a party's marks when it sells keywords to advertisers. The first context involves the search engine and the advertisers who purchase the right to have their advertisements triggered in response to certain keywords. In this context, the question is whether the advertisers—the relevant purchasing public—view the keywords they purchase as indications of the source of the search engine's services. More specifically in the context of the *Rescuecom* case, the question is whether the parties who purchase the right to have their ads triggered in response to "Rescuecom" are likely to believe that Google's use of "Rescuecom" as a keyword suggests that Rescuecom sponsored or is affiliated with Google's services. Admittedly, this type of confusion seems unlikely, and it may well be that plaintiffs in these cases do not even seriously allege as much. But the question cannot be resolved without focusing on the understanding of the keyword purchasers.

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223. *Id.* at 23.

224. *Cf.* *Coca-Cola Co. v. Old Country Rd. Diner, Inc.*, 1971 WL 16669, at \*219–20 (E.D.N.Y. Dec. 22, 1971) (finding a violation of a previously entered consent judgment when the "plaintiff's trade examiners made visits to the place of business of the defendant and placed orders for 'Coca-Cola', or 'Coke', and in thirty-four (34) instances were served a product not 'Coca-Cola'; and without explanation").

225. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 409 (2d Cir. 2005).

The second context in which a search engine might be thought to make trademark use of a keyword is in generating search results. Here, contrary to the Second Circuit's opinion in *1-800 Contacts*, the issue is not whether the search engine makes the mark visible to consumers.<sup>226</sup> Rather, the relevant question is whether consumers *understand* the search engine, in generating its search results, to be using the keyword in a way that signifies some type of source relationship between the search engine and the owner of the trademarked keyword.<sup>227</sup> If consumers do not understand Google to be using the Rescucom mark at all, or to be using it in a way that designates source, then Google has not made infringing trademark use. If, on the other hand, consumers understand Google's use of the term to indicate the source of Google's search services, it has made "trademark use."

Precision is important here. It would not be sufficient for direct infringement for Rescucom to prove that Google's use of Rescucom indicated to consumers that Rescucom was the source of the products or services sold by the advertisers whose ads are generated by the search. Rather, it must be clear that consumers regard the search results as an indication that *Rescucom is the source of Google's search services*.<sup>228</sup> If it is true, as Google claims in its brief to the Second Circuit, that Rescucom's allegations of confusion are limited to the claim that "at least some consumers . . . are deceived into believing such Sponsored Links

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226. *See id.* ("A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a [sic] individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services.")

227. The Second Circuit is therefore wrong to focus on whether the trademark is communicated to the public as opposed to utilized internally. *See id.* The issue is consumer understanding, not communication by the defendant. Communication may be a proxy for consumer understanding in some cases, but it is only a proxy.

228. Section 43(a) makes clear this requirement that the defendant's use indicate the source of *its own* goods or services. Lanham Act § 43(a), 15 U.S.C. § 1125(a)(1)(A) (2006) ("Any person who . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . ." (emphasis added)). Opponents of the trademark use doctrine have sometimes ignored the fact that the statute requires this specific type of confusion and have argued about the search engine cases by pointing to broader confusion search engines might generate. *See, e.g.,* Dinwoodie & Janis, *supra* note 5, at 1635–36 (arguing that the trademark use doctrine prevents trademark law from sufficiently regulating the presentation of search results, particularly with respect to differentiation of paid and unpaid search results); Glynn S. Lunney, Jr., *Trademarks and the Internet: The United States' Experience*, 97 TRADEMARK REP. 931, 937 (2007) (arguing that the Second Circuit's treatment of keyword advertising cases through the trademark use doctrine "may vindicate the conduct of a particular defendant, but in addition to other difficulties, is poorly tailored to protecting the relevant consumer interests at stake. Some keyword-triggered ads can materially confuse consumers, leading them to buy from company A believing they are buying from company B, while other triggered ads do not . . ."). These commentators' concerns about more generalized confusion caused by search engines, of course, merit serious consideration. But the type of confusion they describe falls outside the reach of trademark law regardless of the trademark use doctrine.

are related to Rescuecom,’ and that consumers ‘may become confused, mistaken, misled and/or deceived that Sponsored Links which link to Rescuecom Corporation’s competitor’s websites may be affiliated with, connected to, or approved by’ Rescuecom,” then Rescuecom’s allegations would be insufficient on this score.<sup>229</sup>

## V. THE PROBLEM OF SOURCE IN TRADEMARK LAW

As the trademark use advocates legitimately fear, the trademark use determination is highly contextual and ill-suited to early resolution because it depends on consumer understanding. The consumer focus also means the trademark use determination is likely to be fairly unpredictable from an *ex ante* position.

But while the concept of trademark use is not capable of delineating clearly the scope of trademark rights, trademark law’s tendency towards ever broader rights cannot be attributed to the lack of a threshold trademark use doctrine. Instead, what the trademark use debate demonstrates is the fundamental inadequacy of modern trademark theory.

Unlike traditional trademark law, which regarded consumer confusion only as evidence of potential illegitimacy,<sup>230</sup> modern trademark law, deeply influenced by the search costs rationale, regards consumer confusion as a problem in and of itself. Not surprisingly, consumer understanding therefore pervades trademark law.

By itself, this heavy focus on consumer understanding renders trademark law inherently unstable. Consumers’ expectations naturally evolve as they become more familiar with new commercial contexts or relationships. And consumers do not develop their expectations in a vacuum. Instead consumers are bombarded with marketing information

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229. Google Brief, *supra* note 2, at 12 (citations omitted). This type of confusion might conceivably be the basis of secondary liability for Google, though the tests for secondary trademark liability are stringent. See *Perfect 10, Inc. v. Visa Int’l Serv., Ass’n*, 494 F.3d 788, 806 (9th Cir. 2007) (“The tests for secondary trademark infringement are even more difficult to satisfy than those required to find secondary copyright infringement.”). “To be liable for contributory trademark infringement, a defendant must have (1) ‘intentionally induced’ the primary infringer to infringe, or (2) continued to supply an infringing product to an infringer with knowledge that the infringer is mislabeling the particular product supplied.” *Id.* at 807 (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 (1982)). When the alleged direct infringer supplies a service rather than a product, under the second prong of this test, the court must “consider the extent of control exercised by the defendant over the third party’s means of infringement.” *Id.* at 807 (quoting *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999)). For liability to attach, there must be “[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.” *Lockheed Martin*, 194 F.3d at 984. Vicarious liability for trademark infringement requires “a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.” *Perfect 10*, 494 F.3d at 807 (quoting *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992)).

230. McKenna, *supra* note 4, at 1866–71 (noting that courts traditionally tolerated substantial confusion in situations in which the defendant could not be characterized as illegitimately seeking to divert sales from a competitor).

designed to shape their understanding of commercial relationships, and there is substantial evidence of its success. Moreover, legal doctrine and consumer expectations feed off each other, creating an endless loop: what consumers know (or think they know) about the law shapes expectations, which then feed back into the law only to influence future expectations.<sup>231</sup> This type of doctrinal feedback is not, of course, unique to trademark law.<sup>232</sup> Yet, dependence on consumer understanding creates particular instability in trademark law because courts are required to instantiate consumer understanding of “source” relationships.

In some sense this has always been true: trademark law has always depended on consumer understanding of source. But this focus creates much greater instability now than it used to because source is now defined much more broadly. When they were concerned only with trade diversion, courts defined source narrowly as the actual, historical source of a product.<sup>233</sup> This allowed courts to differentiate between relevant and irrelevant forms of confusion and easily rule out liability for things like editorial uses. There was little risk that consumers looking for an automobile would be diverted to a newspaper because they saw Ford Motor Company in the title of a newspaper article.

By contrast, “source” in modern trademark law is an extraordinarily broad concept capable of encompassing virtually any relationship between entities. In particular, courts must determine whether a relatively small proportion of consumers<sup>234</sup> are likely to believe the trademark

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231. Cf. Gibson, *supra* note 4.

232. See, e.g., Lucas v. S.C. Coastal Council, 505 U.S. 1003, 1034 (1992) (Kennedy, J., concurring) (noting the circularity in the context of government takings: “if the owner’s reasonable expectations are shaped by what courts allow as a proper exercise of governmental authority, property tends to become what courts say it is”); United States v. White, 401 U.S. 745, 786 (1971) (Harlan, J., dissenting) (noting, in the context of the Fourth Amendment’s protection of our reasonable expectations of privacy, that “[o]ur expectations, and the risks we assume, are in large part reflections of laws that translate into rules the customs and values of the past and present”); Gibson, *supra* note 4, at 951 n.262; Sara K. Stadler, *Incentive and Expectation in Copyright*, 58 HASTINGS L.J. 433, 454 (2007) (noting in copyright law that “[w]hen Congress acts to provide creators with the rewards they expect . . . the result is a circularity of expectation that leads . . . to an increase in exclusivity”).

233. See McKenna, *supra* note 4, at 1866.

234. Courts generally articulate the relevant standard as a question of whether the defendant’s use is likely to cause confusion among “an appreciable number of ordinarily prudent purchasers.” *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979) (“[A]n appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods . . .” (quoting *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978), *cert denied*, 439 U.S. 1116 (1979))); see also *Int’l Ass’n of Machinists & Aerospace Workers, AFL-CIO v. Winship Green Nursing Ctr.*, 103 F.3d 196, 201 (1st Cir. 1996) (“The law has long demanded a showing that the allegedly infringing conduct carries with it a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care.”). While there is no absolute quantitative threshold for determining what level of confusion is “appreciable,” courts have generally been persuaded by evidence of 15 percent confusion. See, e.g., *Exxon Corp. v. Tex. Motor Exch. of Houston, Inc.*, 628 F.2d 500, 507 (5th Cir. 1980) (finding a 15 percent level of confusion was strong evidence of likelihood of confusion); *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1061 (2d Cir. 1979) (finding a 15 to 20 percent level of confusion corroborates likelihood of confusion); *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 279 (7th Cir. 1976) (finding a 15 percent level of confusion was neither small nor de minimis). In one case, the court called evidence of 8.5 percent con-

owner “sponsored” or was “affiliated with” the defendant’s products or services. Moreover, trademark law condemns confusion about sponsorship or affiliation without precisely defining those terms or attempting to determine whether, or in what circumstances, consumers care about such relationships.

And the modern marketplace abounds with licensing arrangements unimaginable in the traditional trademark era. *American Idol* judges Simon Cowell, Paula Abdul, Randy Jackson, and Kara DioGuardi spend each episode behind prominently placed Coca-Cola cups.<sup>235</sup> As part of a relationship between General Motors and the producers of the recently released *Transformers* movie, four GM vehicles have starring roles in the film: the Chevrolet Camaro, the Hummer H2, the GMC Topkick pick-up truck, and the Pontiac Solstice convertible.<sup>236</sup> Even start times are for sale: because of a promotional arrangement with 7-Eleven, the Chicago White Sox have begun every home game since the beginning of the 2007 season at 7:11 p.m.<sup>237</sup>

Not surprisingly, in this legal and marketing context courts are finding it increasingly difficult to rule out source signification in virtually any context. When product placement is commonplace, can consumers ever be sure that the presence of a branded product in a creative work does *not* reflect a licensing relationship? If the start time of a baseball game indicates 7-Eleven’s sponsorship, is it really possible to say definitively that consumers would conclude that the presence of “Microsoft” in the title of an article does not?

The seriousness of these questions ought to give pause to anyone who believes trademark law does—or should—protect only limited rights. The fact is that courts can plausibly find likely confusion regarding sponsorship or affiliation based on almost any use of another’s mark. “Sponsorship” and “affiliation” are broad enough concepts to encompass virtually any imaginable relationship between entities, and almost all of those imaginable relationships exist in the modern marketplace. And

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fusion “strong evidence” of a likelihood of confusion. *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 365 F. Supp. 707, 716 (S.D.N.Y. 1973), *modified on other grounds*, 523 F.2d 1331 (2d Cir. 1975).

235. For *American Idol*, this is only the beginning of the product placement. See Katherine Neer, *How Product Placement Works*, HOW STUFF WORKS, <http://money.howstuffworks.com/product-placement6.htm> (last visited Feb. 28, 2009) (noting other product placement strategies on the show, such as having the contestants wait in the Coca-Cola room during elimination episodes). *American Idol* is hardly alone in this practice. See ROB WALKER, *BUYING IN: THE SECRET DIALOGUE BETWEEN WHAT WE BUY AND WHO WE ARE* 129 (2008) (reporting that, in 2006, six minutes and twenty-two seconds of a typical prime-time television show were devoted to paid product placements and that, in the third quarter of 2006 alone, episodes of *Rockstar: Supernova* included 1,609 product or brand image shots).

236. See OJ Fagbire, *Transformer Movie Incorporates the Strongest Product Placement in Film History*, PRODUCT PLACEMENT NEWS, July 16, 2007, <http://www.productplacement.biz/200707172268/news/product-placement/transformer-movie-incorporates-the-strongest-product-placement-in-film-history.html>.

237. See Richard Sandomir, *White Sox Have New Start Time: 7-Eleven*, N.Y. TIMES, Oct. 11, 2006, <http://www.nytimes.com/2006/10/11/sports/baseball/11sox.html>.

because modern trademark law regards confusion itself as the relevant harm, it has no principled way to distinguish confusion regarding different relationships. To put it more concretely, the search costs theory, in its present form, is theoretically and practically incapable of providing a normative basis for limiting the scope of trademark rights.<sup>238</sup>

Finding a way out of this perpetual cycle will require fundamental rethinking of the purposes of trademark law. Only when we develop a richer theoretical basis for protecting source indicators and a better understanding of the alleged harms suffered by consumers and producers when consumers are confused can we develop methods for systematically distinguishing between relevant and irrelevant confusion. This is the challenge for all who seek meaningful limits on trademark rights, and it will require much more sustained analysis than this Article can provide.

There are, however, some potential methods of limiting the scope of trademark rights worth mentioning here, if only to frame some possibilities for further elaboration. These possibilities are the subject of the remaining Sections of this Article.

#### A. *Divorcing the Scope of Rights from Consumer Expectations*

The most obvious way to curb expansion of trademark rights is to recognize additional doctrines, like functionality, that are outcome determinative without regard to consumer understanding.<sup>239</sup> Some existing defenses could be made independent simply by ceasing to condition the defenses on lack of confusion. Courts could determine, for example, that comparative advertising has social benefit and is not infringement even if it causes some confusion. Likewise, Congress could amend section 33(b)(4) to remove the requirement that the use be “otherwise than as a mark,” thereby making any descriptive use of a mark a fair use, even if consumers might also regard the use as source designating.

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238. Mark owners generally have understood this, and they have been able to achieve their current level of control by arguing within trademark doctrine, using the language and logic of the search costs theory. See McKenna, *supra* note 4, at 1916 (“Producers are able to frame just about any argument for broader protection in terms of consumer expectations, which they are in position to influence systematically through marketing.”).

239. Functionality does depend to some extent, of course, on consumer expectations in the marketplace. In assessing mechanical functionality, a court must determine whether a feature is “essential to the use or purpose of the article or affects the cost or quality of the article.” *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001) (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)). One could imagine fairly objective criteria on which to evaluate cost, but whether a feature is essential to the use or purpose of an article depends, at least to some extent, on how consumers expect to use the article. The focus on consumers is perhaps more significant in the context of aesthetic functionality since a feature is deemed aesthetically functional if its “exclusive use . . . would put competitors at a significant non-reputation-related disadvantage.” *Id.* (quoting *Qualitex*, 514 U.S. at 165). Whether parties need to use certain features to compete effectively in a given market depends to a substantial degree on how one defines the relevant market. Assuming that is done by focusing on the substitutability of different products, consumers ultimately define the relevant markets.

These changes would be only a partial remedy, however, because some determinations inherent in these defenses cannot be completely severed from consumer perception. In the comparative advertising context, for example, even if they are not required to consider confusion, courts will have to determine whether a challenged use is in fact comparative. The answer in some cases may be clear, but it seems likely that courts will evaluate comparativeness from a consumer perspective—asking whether consumers are likely to perceive the use as comparative. Similarly, even if the statutory fair use provision was amended to allow descriptive uses to be deemed fair even if they also indicate source, courts would still have to determine that the challenged use was a descriptive one.<sup>240</sup> This inquiry also can be resolved only from a consumer perspective. In neither of these contexts, however, would the relevant consumer perception relate to “source,” nor would courts have to determine whether consumers were confused.

### *B. Redefining Source to Limit Trademark Rights*

Another, potentially more controversial, way to limit the scope of trademark rights would be to redefine source more narrowly so that consumer confusion would have to relate to a more limited set of possible relationships. This solution is based on the intuition that not all types of confusion are equally harmful: some confusion affects consumers’ purchasing decisions, and some does not. Starting from the assumption that consumer confusion is harmful only to the extent that it affects purchasing decisions, courts could differentiate between relevant and irrelevant confusion on a case-by-case basis by requiring the plaintiff to prove that the defendant’s use is likely to cause confusion that will materially affect consumer purchasing decisions.

A judicially created materiality requirement is not inconsistent with anything in the Lanham Act, nor would it be unprecedented in this area. Courts developed and continue to implement a materiality requirement in false advertising cases under section 43(a)(1)(B) of the Lanham Act.<sup>241</sup> Under that provision, “any person who believes that he or she is or is likely to be damaged” has a cause of action against

[a]ny person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or

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240. See 6 MCCARTHY, *supra* note 21, § 11:45.

241. Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B) (2006).

geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action.<sup>242</sup>

Interpreting this language, courts have long required that the "false or misleading description of fact, or false or misleading representation of fact" be material in the sense that it would affect consumers' purchasing decisions.<sup>243</sup> In *National Basketball Ass'n v. Motorola, Inc.*,<sup>244</sup> for example, the court addressed the NBA's false advertising claim based on a press release from Motorola "stating that SportsTrax provides 'updated game information direct from each arena' which 'originate[s] from the press table in each arena' and on a statement appearing on the spine of the retail box and on the retail display stand that SportsTrax provides 'game updates from the arena.'"<sup>245</sup> The court concluded that, while the statements were false because Motorola collected its information from television and radio broadcasts, they were not actionable: "The inaccuracy in the statements would not influence consumers at the present time, whose interest in obtaining updated game scores on pagers is served only by SportsTrax."<sup>246</sup>

Applied in the context of trademark infringement, courts could require that, as a result of the defendant's use, not only were consumers likely to be confused regarding the source of the defendant's products or services, but that consumers' confusion would materially affect their purchasing decisions. Imposing such a materiality requirement would, in some cases, eliminate liability altogether. In other cases, focusing on materiality might affect the nature of the remedies afforded to the mark

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242. *Id.*

243. The Fifth Circuit has held that materiality can be presumed when the challenged statement is literally false. *Pizza Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 497 (5th Cir. 2000). Though it cited some cases from other circuits for this proposition, those cases do not clearly support the Fifth Circuit's position. *Castrol, Inc. v. Quaker State Corp.*, for example, imposes a "different burden in proving literally false the advertised claim that tests prove defendant's product superior, than it does in proving the falsity of a superiority claim which makes no mention of tests." 977 F.2d 57, 62 (2d Cir. 1992). But that decision does not deal with any distinction between literally false statements and literally true but misleading statements. The only other circuit that has explicitly addressed the question is the Eleventh Circuit, and it has expressly held that materiality must be proven in all cases, even where the defendant's statement is literally false. *Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*, 299 F.3d 1242, 1250-51 (11th Cir. 2002) ("To the extent that the Fifth Circuit decision marks a circuit split, we stand with the First and Second Circuits, concluding that the plaintiff must establish materiality even when a defendant's advertisement has been found literally false."). In my view, the Eleventh Circuit's approach is sound. As that court noted, regardless of the reason any particular statement deceives consumers, "not all deceptions affect consumer decisions." *Id.* at 1250.

244. 105 F.3d 841 (2d Cir. 1997).

245. *Id.* at 855.

246. *Id.*; see also *Pizza Hut*, 227 F.3d at 503-04 (finding Papa John's advertising slogan "Better Ingredients. Better Pizza" misleading in the context of the advertisements at issue, but that there was "no evidence demonstrating that the slogan had the tendency to deceive consumers so as to affect their purchasing decisions"). Some courts have allowed that statements relating to "inherent quality[ies] or characteristic[s]" of products are presumed material. See, e.g., *Cashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 311-13 (1st Cir. 2002) (finding the statement that women's blazers were a blend of wool and cashmere material as to the content of the product because it related to an "inherent quality or characteristic" of the product, requiring only that defendant's misrepresentation was *likely* to influence consumers' purchasing decisions).

owner. If, for example, it appears in a particular case that consumers' purchasing decisions are affected by confusion about actual source, but not by confusion regarding a potential licensing relationship, then courts could adequately prevent material confusion without enjoining the defendant's use altogether—perhaps simply by requiring clear labeling of the actual source.

If we could determine with greater confidence that certain types of relationships between parties tend to be material to consumers while others do not, this distinction could be made more categorically. Specifically, courts could simply define relevant “source” confusion as confusion relating to those particular types of relationships that tend to be material to consumers. Courts could, for example, reject the idea that source must mean the same thing in the infringement context as it does in the context of creating and maintaining rights and require infringement plaintiffs to prove consumer confusion about actual source rather than “sponsorship” or “affiliation.”

In this dichotomous system, IBM would have legitimate rights in its mark even if it outsourced production of its computers, as long as it exercised quality control over the actual producers. When it attempted to enforce its rights against another party, however, IBM would have to show that consumers actually believed that IBM manufactured the other party's goods.<sup>247</sup>

There are risks to limiting trademark rights in this way, and I do not suggest that I have fully considered every issue with this approach here. First, this model depends to a large extent on an assumption that consumers do not understand the business arrangements of most trademark owners. In the IBM example above, it assumes that consumers do not know, and probably do not care, what entity actually produces IBM computers. But this assumption may not always be justified. Consumers may in some cases understand a mark owner's business arrangements well enough that dichotomous treatment of “source” would limit trademark rights too much. Take a well-known franchising situation, for example. If consumers understand that virtually all McDonald's restaurants are individually owned and that the McDonald's Corporation is not the actual source of the food served in any given restaurant, they are not likely to believe that McDonald's Corporation is the actual source of food at an unauthorized McDonald's restaurant. But because this disbelief that the McDonald's Corporation is the source of the food would not differentiate the unauthorized restaurant from the authorized ones, these consumers may well still expect to be able to order a Big Mac at the unauthorized McDonald's.

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247. Because source is defined differently here, we would not be concerned that consumers wrongly attributed production of the genuine IBM computers to IBM.

Second, this approach may in some cases run contrary to consumer expectations and increase search costs. It may be that, at least in some cases, consumers do care about more than the actual source of a product or service such that other types of relationships (“sponsorship” or “affiliation” relationships) affect those consumers’ purchasing decisions. For those who regard search costs as a significant consideration in trademark law, this should be regarded as a serious concern. This problem could be mitigated, however, by combining a narrower definition of source with a type of materiality test. Under such an approach, confusion about anything other than actual source would be presumptively irrelevant, unless the mark owner could show that consumer confusion about some other type of relationship was material to the relevant consumers’ purchasing decisions.

## VI. CONCLUSION

Trademark law is in desperate need of a reliable limiting principle. Unfortunately, trademark use is not capable of filling that role. Although the Lanham Act does condition liability on a defendant making a source-indicating use of the plaintiff’s mark, source indication, like virtually everything else in trademark law, can be determined only from the perspective of consumers. In fact, it is precisely this reliance on consumer understanding, and not courts’ failure to apply a robust trademark use doctrine, that is responsible for trademark law’s perpetual expansion. Only by divorcing the scope of trademark rights from consumer understanding in at least some circumstances and defining relevant source relationships with much greater specificity can courts create boundaries with any stability. Determining when to deviate from consumer understanding, however, will require a much richer theoretical account of the purposes of trademark protection than currently prevails. In this respect, the trademark use debate is not an isolated one, but a window to a more fundamental conceptual problem.