
NOTES

APPLYING LIABILITY RULES TO METATAG CASES AND OTHER INSTANCES OF TRADEMARK INFRINGEMENT ON THE INTERNET: HOW TO GET TO “NO HARM, NO FOUL”

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INTRODUCTION

Metatags, the invisible elements of website source code that identify a website’s subject matter, have been a surprising source of legal disputes. Much has been written on legal conflicts stemming from the use of trademarks

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in metatags,¹ but the issues remain largely unresolved.² In general, courts have applied a legal theory that is almost universally disparaged by scholars and other commentators.³ The unresolved nature of the law as applied to metatags may be acceptable because metatags, as a method of internet searching and navigation, have fallen out of favor in the last eight years.⁴ The doctrines and modes of analysis from the metatag cases, however, may have widespread application for other types of trademark infringement on the internet. Although the internet's most popular search engine, Google, does not use keyword metatags in its main search engine operations, it does use descriptive metatags in its search results.⁵ In addition, despite the decreasing prevalence of metatags as an internet technology, cases involving metatags still show up in courts.⁶ This Note discusses metatag cases and suggests a new approach to these and other cases involving trademarks on the internet that may help resolve some of the tension between adhering to the purposes of trademark protection and protecting the interests of trademark owners.

The metatag was an early workhorse of the internet.⁷ Underlying each website was a framework of HTML markup language that included the source code for the website.⁸ A normal user would never see this code, although a sophisticated user who wanted to could easily read this information.⁹ Included in this source code were meta elements, or metatags, that helped identify the subject matter of the website.¹⁰ These metatags fall into two main categories: the keyword element and the descriptive element.¹¹ The keyword element is a

¹ E.g., Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2005) [hereinafter Dogan & Lemley, *Search Costs*]; Greg Lastowka, *Google's Law*, 73 BROOK. L. REV. 1327 (2008) [hereinafter Lastowka, *Google*]; Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105 (2006).

² See *infra* Part II.

³ See *infra* text accompanying notes 144-78.

⁴ Eric Goldman, *Metatags as Per Se Trademark Infringement*, TECH. & MARKETING L. BLOG, http://blog.ericgoldman.org/archives/2006/02/metatags_as_per.htm (Feb. 3, 2006, 7:12 PST) (commenting that metatag disputes are "so 1999" and that arguing that while metatags may not actually be relevant for trademark disputes, courts still act as if they are).

⁵ See Lastowka, *Google*, *supra* note 1, at 1334-41; Matt Cutts, *Google Does Not Use the Keywords Meta Tag in Web Ranking*, GOOGLE WEBMASTER CENT. BLOG, <http://googlewebmastercentral.blogspot.com/2009/09/google-does-not-use-keywords-meta-tag.html> (Sept. 21, 2009, 10:00 PST).

⁶ See, e.g., *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1228 (11th Cir. 2008).

⁷ See Lastowka, *Google*, *supra* note 1, at 1371-72.

⁸ See F. Gregory Lastowka, Note, *Search Engines, HTML, and Trademarks: What's the Meta For?*, 86 VA. L. REV. 835, 845-51 (2000) [hereinafter Lastowka, *Search Engines*].

⁹ *Id.* at 861.

¹⁰ *Id.*

¹¹ *Id.* at 844-45.

word, short phrase, or series of words and short phrases that signals the content of the website.¹² Often, this element was simply a word such as “basketball,” “painting,” or “sex.” The descriptive metatag is a longer element that contains a concise summary of the website’s contents.¹³ For legal purposes, the keyword element has been more highly contested.¹⁴

Early internet search engines, often called crawlers, operated by looking for the most relevant metatags for a particular search.¹⁵ The problem with this method, however, was that a website’s underlying metatags may have had nothing to do with the actual content of the webpage.¹⁶ This was true regardless of whether the website had included a protected trademark in the metatags or not. Webmasters, seeking to maximize the number of hits that their website received, would simply embed a plethora of related and unrelated words in their metatags to drive consumer traffic.¹⁷

Legal battles commenced when internet businesses began to use their competitors’ registered trademarks in their own websites’ metatags.¹⁸ One court analogized this tactic to a business posting its sign in the window of a competitor’s store in an attempt to win customers, or at least to confuse customers and keep them away from the competitor.¹⁹ A simple analogy, adapted from the “Brookfield Analogy” used by the Ninth Circuit in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*,²⁰ may help illustrate this issue.²¹

Imagine an individual, Wallace, is on the highway and wants to eat at McDonald’s. Wallace sees a sign for McDonald’s at Exit 7. Wallace takes Exit 7, and drives a few miles off the highway to get to the restaurant. Upon reaching the restaurant, Wallace sees the Golden Arches. He goes in and orders his usual Big Mac, but when he takes his first bite, he realizes it is not a Big Mac. Instead, the burger is a Whopper, and Wallace realizes he is actually in a Burger King made to look like a McDonald’s. Realizing that this restaurant is a Burger King, Wallace angrily gets back on the highway to find a real McDonald’s. Confused by the false sign, Wallace made an unwanted purchase. Wallace’s confusion and his incorrect purchase are what trademark

¹² *Id.* at 845.

¹³ *Id.* at 846.

¹⁴ *See id.* at 874.

¹⁵ *Id.* at 848.

¹⁶ *See id.* at 849 n.67.

¹⁷ *Id.* at 851-52.

¹⁸ *See, e.g., Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1066 (9th Cir. 1999) (holding that use of a competitor’s trademark in a website’s metatags causes initial interest confusion and is enough to find trademark infringement).

¹⁹ *Id.* at 1064.

²⁰ *Id.*

²¹ *Id.*

protection seeks to prevent.²² More specifically, we want to prevent one company, in this case Burger King, from doing something that will confuse consumers and improperly cause them to purchase what they falsely believe are McDonald's products.²³ Trademark protection also wants to ensure that consumers are not forced to waste resources – in this case, time and gasoline – to find the product that they want.²⁴

Now consider Wallace's friend, Fiona, who is also driving on the highway and wants to eat at McDonald's. This time, the sign before Exit 8 shows that both a McDonald's and a Burger King are located at the exit. Fiona takes Exit 8, planning to go to the McDonald's. She enters a parking lot with both restaurants, however neither restaurant looks like a typical McDonald's or Burger King. Fiona enters the first restaurant, which she quickly discovers is the Burger King, not the McDonald's. Hungry and still wanting to eat at McDonald's, Fiona leaves the Burger King and walks across the parking lot to the McDonald's to order her meal. This example of a consumer experiencing some fleeting confusion before making his or her ultimate decision is similar to what is known as "initial interest confusion."²⁵

These examples are highly unlikely, but they help distinguish the problems posed by "normal" or traditional trademark infringement and the problems posed by trademark infringement in internet metadata or metatags. In the first example, the consumer, Wallace, confused by the false sign bought a product he did not want and must expend additional time and resources to get what he wanted. In the second example, the consumer, Fiona, simply had to walk a few feet to the intended restaurant, suffering no real harm and eventually choosing the restaurant that she really wanted. Her confusion is ephemeral and caused her no substantial detriment.

The purpose of this Note is not to criticize courts for finding trademark infringement in internet metatags, but to suggest an alternative remedy in these cases that relies instead on liability rules. This proposed remedy would protect both consumers and trademark owners, while ensuring that courts do not discourage the use and development of an important public good – the internet. This suggestion is an alternative position to the three major theories offered by

²² Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 555-56 (2006) ("The major focus of trademark law is protecting the source identification and information transmission function of marks. Doing this serves three important policy goals. First, and most important, it helps to reduce consumer search costs. . . . Second, protecting the exclusivity of a mark supports seller incentives to maintain and improve product quality. . . . Third, protecting a mark reduces the risk that consumers will be misled into buying products they do not want."); *see also infra* Part II.

²³ Bone, *supra* note 22, at 556 ("[P]rotecting a mark reduces the risk that consumers will be misled into buying products they do not want.").

²⁴ *Id.* at 555.

²⁵ *See Brookfield*, 174 F.3d at 1064.

courts and scholars in this area.²⁶ The first, and most prominent and widely criticized of these positions is known as initial interest confusion.²⁷ This position is held by a majority of circuits that have encountered the issue of trademark infringement in metatags.²⁸ On the opposite end of the spectrum is the second theory, the “trademark use doctrine,” which a number of prominent intellectual property and internet law scholars advocate.²⁹ Trademark use,³⁰ however, is not the rule used by many circuits. The final theory, proposed by scholars unhappy with the overreaching of the initial interest doctrine and the comparatively lax approach of the trademark use doctrine, is the “likelihood of confusion test.”³¹ As a theoretical matter, this third approach may be the most sound because it uses traditional trademark analysis, but it shows few signs of judicial acceptance.³² Instead of advocating for a theory on which to base trademark infringement liability, this Note suggests that the most effective time to deal with the competing concerns of scholars, courts, and lawyers is at the remedy stage. While this Note mainly focuses on issues concerning metatags, its suggestions are suitable for other types of trademark disputes on the internet, such as general search engine use.

One assumption this Note makes is that the legal protections one can seek are bounded by the remedies available. For example, if nominal damages are the only remedy available for a certain infraction, it is unlikely that many (or anyone at all) will file suit in response to infringement. Of course, there are also hefty costs and reputational harms associated with litigation, and these should not be minimized – plaintiffs could use these costs to gain leverage in

²⁶ See *infra* Part II for a discussion of these theories.

²⁷ The quintessential example of this theory is embodied in the Ninth Circuit decision, *Brookfield*, 174 F.3d at 1065, which held a party liable for trademark infringement by “creating the initial interest confusion.” See *supra* text accompanying note 25.

²⁸ See, e.g., *PACCAR Inc. v. TeleScan Techs. L.L.C.*, 319 F.3d 243, 250-58 (6th Cir. 2003); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002); *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 293 (3d Cir. 2001). In addition to these circuit court decisions, there are a large number of district court opinions relying on the *Brookfield* decision. For a comprehensive list of these cases, see Rothman, *supra* note 1, at 118 n.36.

²⁹ See, e.g., Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1670 (2007) [hereinafter Dogan & Lemley, *Grounding*] (arguing that liability for trademark infringement should be limited to situations where courts traditionally required that an infringing user uses a competitor’s trademark in the promotion and sales of their infringer’s goods); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 596 (2005).

³⁰ See *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 412 (2d Cir. 2005) (requiring activities to involve “use in commerce” in order to establish a successful claim of trademark infringement).

³¹ See, e.g., Lastowka, *Search Engines*, *supra* note 8, at 838.

³² See sources cited *supra* note 28. See generally Lastowka, *Search Engines*, *supra* note 8.

settlement negotiations. Lastly, it is important to note that in the case of trademark infringement, eliminating injunctions as a possible remedy will drastically change an individual's calculus for deciding whether to file a suit.

Part I begins with a basic discussion of trademark law, the various competing theories of internet trademark infringement, and a summary of some of the leading cases in the field. Part II discusses the difference between property and liability rules and how liability rules could work for internet trademark infringement cases. Application of liability rules in these cases can minimize some of the harmful, inefficient side effects of easily awarding injunctions. Part III explains how changing the focus to the remedy stage can serve as a compromise to the competing views of scholars, businesses, judges, and internet users. Part III also proposes a new remedy framework for courts to apply in these internet trademark cases.

I. THE STATE OF TRADEMARK LAW ON THE INTERNET

A. *Historical Background of Trademarks*

In order to appreciate the current state of trademark law, especially as relating to the internet, one must understand its foundations and underlying purposes. A common approach to the study of trademarks is to conflate them with patents and copyrights as just another type of intellectual property.³³ Accepting this idea leads to the conclusion that the driving force behind trademark enforcement is the protection of the trademark owner's goodwill. This is not true, however.³⁴ Trademark protection primarily focuses on preventing consumer confusion, not the goodwill associated with the mark. While patent and copyright law had an early tradition in the United States³⁵ as a means of social progress and the basis of an incentive to create,³⁶ the foundations of these types of intellectual property differ from the actual purposes and history of trademark law.

³³ See generally Bone, *supra* note 22.

³⁴ Edward S. Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 LAW & CONTEMP. PROBS. 173, 181 (1949) (arguing that Congress intentionally rejected the idea of giving trademark owners rights in gross).

³⁵ See, e.g., U.S. CONST. art. I, § 8, cl. 8 ("To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . .").

³⁶ Letter from Thomas Jefferson to Isaac McPherson (Aug. 13, 1813), in 13 THE WRITINGS OF THOMAS JEFFERSON 326, 334 (Andrew A. Lipscomb & Albert Ellery Bergh eds., 1905) ("Society may give an exclusive right to the profits arising from them, as an encouragement to men to pursue ideas which may produce utility, but this may or may not be done, according to the will and convenience of the society, without claim or complaint from anybody.").

Identifying marks have been used since antiquity, beginning with the branding of animals and marks on pottery.³⁷ During the medieval period, trade guilds used marks to identify their goods.³⁸ However, these marks were a way for buyers to trace defective goods back to the maker; there was little concern for preventing customer confusion.³⁹

As markets expanded with the rise of cities, and long-distance transportation became easier, the modern idea of trademarks began to take shape.⁴⁰ Prior to the Civil War, trademarks were primarily informational tools used to identify the specific maker or merchant of an item.⁴¹ Often these marks consisted of small stamps on the bottom of an item.⁴² For example, Paul Revere would mark his silver pieces with “REVERE” or “PR.”⁴³ During this period, having a strong trademark meant little and was difficult to achieve because commerce was confined to local and regional markets.⁴⁴

This changed shortly after the Civil War as the transcontinental railroad began transforming the United States into a national market.⁴⁵ Coupled with this increase in market size was a growth in advertising.⁴⁶ People could now select a large variety of goods through mail order, which helped create a need for stronger source identification.⁴⁷ Additionally, at the same time the ability to market items grew, so did the ability to produce more products at a lower cost.⁴⁸ As companies built up reputations for having superior products, they realized that it was in their interest for consumers to be able to readily identify these desired goods through their trademarks.⁴⁹ Repeat use by consumers

³⁷ JANE C. GINSBURG, JESSICA LITMAN & MARY L. KEVLIN, *TRADEMARK AND UNFAIR COMPETITION LAW* 43 (4th ed. 2007); Sidney A. Diamond, *The Historical Development of Trademarks*, 65 *TRADEMARK REP.* 265, 266-72 (1975); Gerald Ruston, *On the Origin of Trademarks*, 45 *TRADEMARK REP.* 127, 128 (1955).

³⁸ Diamond, *supra* note 37, at 280; Lastowka, *Search Engines*, *supra* note 8, at 838-39; *see also* FRANK I. SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS* 16 (1925) (explaining that guilds were self-policing, which explains why so few trademark disputes arose in courts during this period).

³⁹ *See* 1 J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 5:1 (4th ed. Westlaw 2009); Diamond, *supra* note 37, at 280.

⁴⁰ *See* Diamond, *supra* note 37, at 280-81.

⁴¹ *Id.* at 280 (“Preferences for particular workmanship began to develop and, as in modern times, the trademark on the goods made it possible for the consumer to identify a product with its source.”).

⁴² *See id.* at 280-82.

⁴³ Revere Silver, *THE PAUL REVERE HOUSE*, <http://www.paulreverehouse.org/bio/silver.shtml> (last visited Feb. 17, 2010).

⁴⁴ *See* Bone, *supra* note 22, at 575-76.

⁴⁵ *Id.* at 576.

⁴⁶ *Id.* at 576-77.

⁴⁷ *Id.* at 577.

⁴⁸ *Id.*

⁴⁹ *Id.* at 577-79.

required a certain amount of goodwill creation, and the key to this was marketing.⁵⁰ In the mid-twentieth century, the goal of advertising shifted from the creation of easily identifiable brands to an idea that companies could persuade consumers to use their products, and could even create new markets for these goods.⁵¹ These techniques, long-confined to radio and print media, grew in sophistication with the rise of the television and the internet. With the expansion of internet commerce and near limitless choices and access to information for consumers, trademark owners face new challenges that early guild masters could never have foreseen.

B. *Foundations of Trademark Law*

The history behind the development of trademark law is hardly clear and does not provide a coherent understanding of the foundations of either trademark or unfair competition law.⁵² Courts reviewed trademark disputes during the early period of the eighteenth and nineteenth centuries as a form of fraud.⁵³ Approached in this manner, plaintiffs in early trademark dispute cases were required to prove as an element of the tort that defendants intended to deceive.⁵⁴ In the late nineteenth and early twentieth century, courts moved away from relying on a fraud theory and embraced the tort of unfair competition.⁵⁵ The use of the now-common injunction as a remedy to protect a trademark owner under a property right theory first appeared in the early- to mid-nineteenth century.⁵⁶

Early courts distinguished between two types of claims.⁵⁷ The first claim, technical trademark infringement, covered the use of a specific and arbitrary mark (“Coca-Cola,” for example) that bore no descriptive relevance to the product sold.⁵⁸ Under this claim, use of this type of mark was protected

⁵⁰ *Id.* at 579.

⁵¹ *Id.*

⁵² *Id.* at 566-67.

⁵³ See 1 LOUIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 2:1 (4th ed. Westlaw 2008); 1 MCCARTHY, *supra* note 39, § 5:2.

⁵⁴ See 1 MCCARTHY, *supra* note 39, § 5:2.

⁵⁵ *Id.* § 2:7 n.2.

⁵⁶ Diamond, *supra* note 37, at 288 (citing *Millington v. Fox*, (1838) 40 Eng. Rep. 956, 956; 3 Mylne & Craig 338, 338 (providing the first injunction against trademark infringement)).

⁵⁷ Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses “In the Manner of the Mark,”* 43 WAKE FOREST L. REV. 893, 905 (2008).

⁵⁸ *Id.* at 904; see also 1 MCCARTHY, *supra* note 39, § 11:4.

because no other party could stake a claim to the name.⁵⁹ The second type of trademark protection covers “secondary meaning marks,” which are common words or phrases used by a company to describe their product.⁶⁰ Courts protected the first type of trademarks under a trademark infringement theory and the second with an unfair competition theory.⁶¹

1. The Lanham Act

In 1946, Congress stepped in to solve the question of under what legal theory trademark infringement would fall.⁶² While Congress had previously offered trademark protections,⁶³ it comprehensively codified trademark protections with the passing of the Lanham Act.⁶⁴ The committee reporting the Act stated, “There is no essential difference between trademark infringement and what is loosely called unfair competition. Unfair competition is the genus of which trademark infringement is one of the species”⁶⁵

The Act broadly defined trademarks as:

[A]ny word, name, symbol, or device, or any combination thereof – (1) used by a person, or (2) which a person has a bona fide intention to use in commerce . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.⁶⁶

⁵⁹ See Barrett, *supra* note 57, at 905 (“A technical trademark, by definition, was either made up (and thus had no meaning) or had a meaning that bore no descriptive or other logical relationship to the user’s product.”).

⁶⁰ *Id.* at 904; see also 1 MCCARTHY, *supra* note 39, § 16:34.

⁶¹ *Dennison Mfg. Co. v. Thomas Mfg. Co.*, 94 F. 651, 659 (C.C.D. Del. 1899) (“The infringement of trade-marks is the violation by one person of an exclusive right of another person to the use of a word, mark or symbol. Unfair competition in trade, as distinguished from infringement of trade-marks, does not involve the violation of any exclusive right to the use of a word, mark or symbol. The word may be purely generic or descriptive, and the mark or symbol indicative only of style, size, shape, or quality, and as such open to public use, . . . yet there may be unfair competition in trade by an improper use of such word, mark or symbol.”); ALTMAN & POLLACK, *supra* note 53, § 2:1 (“In America, an action for trademark infringement was originally the legal remedy for the protection of ‘technical trademarks’ and an action for ‘unfair competition’ was the analogous remedy for the protection of ‘trade names’ and ‘common-law trademarks,’ i.e., marks used but not registered with the United States Patent Office. Both concepts have since been enlarged.”); see also Barrett, *supra* note 57, at 909.

⁶² See 1 MCCARTHY, *supra* note 39, § 5:4.

⁶³ See *id.* § 5:3.

⁶⁴ Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1129 (2006)). For a first-hand account of the creation of the Lanham Act, see Rogers, *supra* note 34, at 177-84.

⁶⁵ 1 MCCARTHY, *supra* note 39, § 2:7 (quoting S. REP. NO. 1333, 79th Cong. 2d Sess. (1946)).

⁶⁶ 15 U.S.C. § 1127.

Protection under the Lanham Act serves two purposes: the prevention of consumer confusion and allowing trademark owners to develop goodwill for their products.⁶⁷

To have a successful trademark infringement claim under the Lanham Act, two elements are necessary: (1) the plaintiff must be the owner or original user of the mark, and (2) the infringing use of the mark must create the likelihood of customer confusion.⁶⁸ The analysis for deciding what causes “likelihood of confusion” differs between the circuits, but shares common factors.⁶⁹ One widely used set of factors are the *Sleekcraft* factors, named after *AMF Inc. v. Sleekcraft Boats*.⁷⁰ These factors include:

- (1) strength of the mark;
- (2) proximity of the goods;
- (3) similarity of the marks;
- (4) evidence of actual confusion;
- (5) marketing channels used;
- (6) type of goods and the degree of care likely to be exercised by the purchaser;
- (7) defendant’s intent in selecting the mark; and
- (8) likelihood of expansion of the product lines.⁷¹

While the likelihood of confusion analysis was, and remains, the essential focus of trademark law, some cases helped sprout different doctrines that go beyond the simple likelihood of confusion analysis. One such doctrine is initial interest confusion.

2. Initial Interest Confusion: The Original Form

One of the most widely criticized legal doctrines currently applied to the internet is initial interest confusion, but its development began long before the internet was developed. In 1975, a dispute between two piano makers forced a court to determine whether merely creating an interest in a competitor’s product, before an actual sale took place, constitutes trademark infringement.⁷² The case involved Steinway & Sons, probably the most recognizable name in piano making,⁷³ and a competitor selling pianos under the mark “Grotrian-Steinweg.”⁷⁴ Grotrian sued Steinway after Steinway moved to block the

⁶⁷ *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 n.14 (1982); *see also* 1 MCCARTHY, *supra* note 39, § 5:4; Rogers, *supra* note 34, at 181.

⁶⁸ 15 U.S.C. § 1114(1)(a); *see also* Barrett, *supra* note 57, at 894.

⁶⁹ *See, e.g.*, *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979); *Polaroid Corp. v. Polarad Elecs. Corp.* 287 F.2d 492, 495 (2d Cir. 1961); *In re E.I. duPont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973).

⁷⁰ *Sleekcraft*, 599 F.2d at 348-49.

⁷¹ *Id.*

⁷² *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf v. Steinway & Sons*, 523 F.2d 1331, 1334 (2d Cir. 1975).

⁷³ Randy Newman says of his Steinway & Sons piano, “I have owned and played a Steinway all my life. It’s the best Beethoven piano. The best Chopin piano. And the best Ray Charles piano. I like it, too.” Steinway Artists’ Quotes, STEINWAY & SONS, <http://www.steinway.com/steinway/quotes.shtml> (last visited Feb. 18, 2010).

⁷⁴ *Steinway & Sons*, 523 F.2d at 1334.

registration of the “Grotrian-Steinweg” trademark in the United States, which if successful would have prevented Grotrian from selling pianos under that name.⁷⁵ Grotrian sought declaratory judgment that its mark did not infringe on the Steinway trademark.⁷⁶ Steinway countersued for infringement and unfair competition claims under the Lanham Act.⁷⁷ The district court applied the traditional likelihood of confusion standard and after determining that the Grotrian-Steinweg name was confusingly similar to the Steinway name, found for Steinway on its infringement claim.⁷⁸ The Second Circuit affirmed this holding, and in the most important part of their opinion, stated that:

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

The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway or that Grotrian had some connection with Steinway and Sons. The harm to Steinway, rather, is the likelihood that a consumer, hearing the “Grotrian-Steinweg” name and thinking it had some connection with “Steinway,” would consider it on that basis. The “Grotrian-Steinweg” name therefore would attract potential customers based on the reputation built up by Steinway in this country for many years.⁷⁹

This opinion paved the way for courts to find trademark infringement when there was no actual confusion at the time of purchase. According to *Steinway & Sons*, infringement just requires initial confusion at some point before a consumer makes the final purchase decision.

The Second Circuit strengthened this doctrine twelve years later with its opinion in *Mobil Oil Corp. v. Pegasus Petroleum Corp.*⁸⁰ Mobil Oil sued Pegasus Petroleum, an oil trading company, for infringement based on Pegasus’s use of a red flying horse trademark.⁸¹ The court applied a multi-factor analysis to determine the likelihood of confusion.⁸² Regarding the eighth *Sleekcraft* factor, the “sophistication of purchasers,” the court stated:

⁷⁵ *Id.* at 1334-35.

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Id.* at 1336.

⁷⁹ *Id.* at 1342.

⁸⁰ 818 F.2d 254 (2d Cir. 1987).

⁸¹ *Id.* at 255-56.

⁸² *Id.* at 256. This analysis followed the *Sleekcraft* analysis, *see supra* text accompanying note 71, and as applied to the facts at hand considered:

(1) the strength of the plaintiff’s mark[;] (2) the degree of similarity between the two marks; (3) the competitive proximity of the products or services; (4) the existence of actual confusion; (5) the likelihood that the plaintiff will “bridge the gap” between the two markets; (6) the defendant’s good faith in adopting its mark; (7) the quality of the defendant’s product; and (8) the sophistication of the purchasers.

[E]ven though defendant's business is transacted in large quantities only with sophisticated oil traders, there is still and nevertheless a likelihood of confusion. . . . [T]he district court's concerns focused upon the probability that potential purchasers would be misled into an initial interest in Pegasus Petroleum. Such initial confusion works a sufficient trademark injury.⁸³

Following these case, criticism heated up over the initial interest confusion doctrine when the Ninth Circuit expanded it to trademark infringement on the internet in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*⁸⁴

3. Initial Interest Confusion as Applied to the Internet

West Coast Entertainment Corp., a national video rental chain, registered a website for its business in February 1996 under the domain name "moviebuff.com."⁸⁵ This name was chosen because "Movie Buff" is part of West Coast's service mark, "The Movie Buff's Movie Store."⁸⁶ Later that year, Brookfield Communications sought to register the same domain name.⁸⁷ Finding that West Coast had already registered that domain name, Brookfield instead registered "moviebuffonline.com."⁸⁸ Shortly after, in 1997, Brookfield registered the trademark "MovieBuff" with the Patent and Trademark Office.⁸⁹

When West Coast announced that "moviebuff.com" would launch in late 1998, Brookfield filed a suit alleging that West Coast's domain name, and their use of "MovieBuff" in the metatags of their website, infringed on Brookfield's trademark.⁹⁰ West Coast responded that it was properly using its own "The Movie Buff's Movie Store" trademark.⁹¹ The district court denied Brookfield's request for a preliminary injunction.⁹²

On appeal, the Ninth Circuit found that West Coast's "The Movie Buff's Movie Store" trademark and "moviebuff.com" were too dissimilar to "tack" the use of the first trademark onto the latter domain name.⁹³ This meant that West Coast could not use "moviebuff.com" under the theory that it was a logical outgrowth of their trademark, "The Movie Buff's Movie Store."

Id.

⁸³ *Id.* at 260 (quotation marks omitted).

⁸⁴ 174 F.3d 1036 (9th Cir. 1999).

⁸⁵ *Id.* at 1042.

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.* at 1042-43.

⁹¹ *Id.* at 1043.

⁹² *Id.*

⁹³ *Id.* at 1048-49 ("We agree that tacking should be allowed if two marks are so similar that consumers generally would regard them as essentially the same.").

Consumers would not see “moviebuff.com” and assume that it was related to “The Movie Buff’s Movie Store.”

The court then, after examining the eight *Sleekcraft* factors, reasoned that Brookfield had strongly established that a likelihood of confusion existed between its trademark and West Coast’s domain name, and thus “a likelihood of success on its claim that West Coast’s use of ‘moviebuff.com’ violates the Lanham Act.”⁹⁴ The court focused its analysis on whether consumers would confuse West Coast’s website for Brookfield’s website.⁹⁵ The Ninth Circuit found that West Coast’s use of Brookfield’s trademark in its domain name was confusing because the wording of the competing trademarks is essentially the same,⁹⁶ and the two companies are competitors.⁹⁷

The court then turned its attention to West Coast’s use of “MovieBuff” in the underlying metadata of “moviebuff.com.” Here the court made a widely criticized⁹⁸ conclusion that this use would lead to “initial interest confusion”:

Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using “moviebuff.com” or “MovieBuff” to divert people looking for “MovieBuff” to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark.⁹⁹

The court describes the use of a trademark in a competitor’s metatags as “much like posting a sign with another’s trademark in front of one’s store.”¹⁰⁰ It further analogizes the initial interest confusion created by the use of one company’s trademarks in another company’s metatags to a situation where a

⁹⁴ *Id.* at 1061.

⁹⁵ *Id.* at 1053-61 (“The Supreme Court has described ‘the basic objectives of trademark law’ as follows: ‘trademark law, by preventing others from copying a source-identifying mark, ‘reduce[s] the customer’s costs of shopping and making purchasing decisions,’ for it quickly and easily assures a potential customer that this item – the item with this mark – is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product.’” (quoting *Qualitex Co. v. Jacobsen Prods. Co.*, 514 U.S. 159, 163-64 (1995) (citations omitted))).

⁹⁶ *Id.* at 1055.

⁹⁷ *Id.* at 1056-57.

⁹⁸ *E.g.*, *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) (“True, when the search engine list generated by the search for the trademark ensconced in a metatag comes up, an internet user might *choose* to visit westcoastvideo.com, the defendant’s website in *Brookfield*, instead of the plaintiff’s moviebuff.com website, but such choices do not constitute trademark infringement off the internet, and I cannot understand why they should on the internet.”).

⁹⁹ *Brookfield*, 174 F.3d at 1062.

¹⁰⁰ *Id.* at 1064.

competitor posts a highway sign which lures a consumer off the highway one exit early to the competitor's store.¹⁰¹

The clear problem with this analogy is that in the situation described by the court, the initial interest confusion creates costs for the consumer, while on the internet, the costs associated with this type of confusion are de minimis. The consumer on the internet can simply click "back" and does not waste any time looking at an undesired webpage. If the ultimate goal of trademark law is to protect against consumer confusion, then the use of this doctrine in the internet realm loses much of its justification.

A later case brought up similar issues, but had a different result.¹⁰² Terri Welles, 1981 Playboy Playmate of the Year, set up a website that allowed users to access photos of her for a fee.¹⁰³ To promote the website, Welles included the words "Playboy" and "Playmate" in the metatags of her webpage.¹⁰⁴ In addition, Welles used "Playmate of the Year 1981" on the masthead of the website and in banner ads scattered across the website, and "PMOY '81" in the wallpaper watermark.¹⁰⁵

Playboy sued Welles alleging trademark infringement, dilution, and unfair competition.¹⁰⁶ The Ninth Circuit found for Welles on all claims, except for her use of the watermark, "PMOY."¹⁰⁷ The court reasoned that Welles's use of the Playboy trademarks was nominative use.¹⁰⁸ In determining what constitutes nominative use, the Ninth Circuit used a three-part test:

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

¹⁰¹ *Id.* ("Suppose West Coast's competitor . . . puts up a billboard on a highway reading – 'West Coast Video: 2 miles ahead at Exit 7' – where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it.").

¹⁰² *Playboy Enters., Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002) (holding that use of the Playboy trademark in metatags was nominative use, but suggested that if Welles had used the trademark more, the outcome could have been different).

¹⁰³ *Id.* at 799.

¹⁰⁴ *Id.* at 800.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* at 807.

¹⁰⁸ *Id.* at 800. Nominative use is an affirmative defense in trademark infringement cases that allows for an individual to use another's trademark for comparative or referential purposes. *Id.* at 800 n.7 (quoting *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992)). It is a form of trademark fair use. *See id.* at 801 (contrasting nominative use to the "classic fair use case" (quoting *New Kids*, 971 F.2d at 308)).

conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.”¹⁰⁹

The court found that Welles could not identify her website without referencing her role as a former “Playmate of the Year.”¹¹⁰ Of particular importance to the court was the idea that:

Forcing Welles and others to use absurd turns of phrase in their metatags, such as those necessary to identify Welles, would be particularly damaging in the internet search context. Searchers would have a much more difficult time locating relevant websites if they could do so only by correctly guessing the long phrases necessary to substitute for trademarks.¹¹¹

In finding for Welles, the court made note that if Welles had used Playboy’s trademarks more pervasively throughout her website, this would have been a harder question.¹¹² The Ninth Circuit thus recognized the difficult policy considerations involved in finding trademark infringement in metatags. Those affected by infringing use are not just the owners of the mark, but also the general public using internet search engines to find information.

More recently, another court also found difficulty with the question of trademark infringement in metatags, and came to a surprising result when it considered the appropriate remedy.¹¹³ North American Medical Corporation (“North American”) and Adagen Medical International Corporation (“Adagen”) were business partners.¹¹⁴ North American manufactures traction devices used to treat spinal injuries.¹¹⁵ Adagen markets and distributes these products for North American.¹¹⁶ A third company, Axiom Worldwide, Inc. (“Axiom”) also makes traction devices, including the DRX 9000, and is a direct competitor of North American.¹¹⁷

In their suit, North American and Adagen alleged that Axiom infringed on North American’s trademarks for “Accu-Spina” and “IDD Therapy.”¹¹⁸ Axiom had used these marks in the metatags of its website, hoping to influence search engine results for these terms.¹¹⁹ The district court issued a preliminary injunction in favor of North American and Adagen, holding that Axiom’s

¹⁰⁹ *Id.* at 801 (quoting *New Kids*, 971 F. 2d at 308).

¹¹⁰ *Id.* at 803-04.

¹¹¹ *Id.*

¹¹² *Id.* at 804.

¹¹³ *N. Am. Med. Corp. v. Axion Worldwide Inc.*, 522 F.3d 1211, 1226-28 (11th Cir. 2008).

¹¹⁴ *Id.* at 1216.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

¹¹⁹ *Id.*

infringing use of the trademarks in its metatags created a likelihood of confusion.¹²⁰

On appeal, Axiom argued that courts should not rely on precedents from infringement cases when considering metatags, because the use of one company's trademark in another company's metatags is less akin to a situation of trademark infringement, and more akin to placing a generic product next to a brand-name product on a store shelf.¹²¹ The Eleventh Circuit, after affirmatively resolving the question of whether Axiom's use of these trademarks in its metatags constituted "use in commerce" under the Lanham Act, agreed, and decided that awarding a preliminary injunction was improper.¹²²

The Eleventh Circuit held that while North American and Adagen prevailed on one aspect of the preliminary injunction test – whether there was a substantial likelihood of success on the merits¹²³ – they failed to prove that they would suffer irreparable harm in the absence of a preliminary injunction.¹²⁴ The court found a presumption of irreparable harm to be improper without more proof, even though other courts had used the same presumption in cases involving trademark infringement.¹²⁵ To support its holding, the Court invoked the recent Supreme Court decision in *eBay Inc. v. MercExchange, LLC*,¹²⁶ which held that a court should not automatically award an injunction after finding infringement.¹²⁷ Although the court did not discuss the issue in depth, the decision raises significant questions about the purposes of trademark protection and their relationship to remedies.

C. *The Purposes of Trademark Protection*

Despite what some commentators state,¹²⁸ there is a general consensus that the primary purpose of trademark protection is to supply consumers with accurate information regarding the source of the good.¹²⁹ The result of this is that trademarks help reduce consumer search costs.¹³⁰ Consumers can seek out specific information when searching for goods, and then use easily identifiable and distinguishable trademarks to help minimize the time and resources

¹²⁰ *Id.* at 1217.

¹²¹ *Id.* at 1221.

¹²² *Id.* at 1229.

¹²³ *Id.* at 1226.

¹²⁴ *Id.* at 1228.

¹²⁵ *Id.*

¹²⁶ 547 U.S. 388 (2006).

¹²⁷ *Id.* at 394.

¹²⁸ *E.g.*, Bone, *supra* note 22, at 549 ("It is customary to refer to trademark law as protecting a seller's goodwill in its mark.").

¹²⁹ *E.g.*, *id.* at 555.

¹³⁰ *Id.*

necessary to find the desired product.¹³¹ Another aspect of the information transmission idea behind trademarks is the incentive for producers to increase product quality.¹³² If trademark law protects the mark's owner from infringement by a competitor, the owner will invest more to increase his product's quality, because consumers will seek out the higher quality product.¹³³ Without trademark protection, a competitor could simply use another's mark to sell an inferior product, siphoning away some of the actual trademark owner's customers.¹³⁴ This scenario demonstrates a final policy served by trademark protection – the prevention of consumer deception stemming from the use of a confusingly similar mark, and resulting in the purchase of products that they do not desire.¹³⁵

The secondary goal of trademark protection, which some have misconstrued as its sole purpose, is the protection of the trademark owner's goodwill through the creation and use of her trademark.¹³⁶ This aspect is where trademarks differ from other types of intellectual property, such as patents and copyrights. For patents and copyrights, the protected intellectual property is the thing of value. By contrast, the value of trademarks comes from their ability to signal to the market the quality of the good.¹³⁷ Thus, this goal of protecting a trademark owner's goodwill does not necessarily find a solid theoretical grounding in the information transmission model discussed in the previous paragraph, but nevertheless has been espoused by commentators and courts for many years.¹³⁸ Those who argue for vigorously upholding a trademark holder's goodwill often state that not doing so would encourage free-riding, but free-riding may be a good thing.¹³⁹

¹³¹ *See id.*

¹³² *Id.*

¹³³ *Id.* at 556.

¹³⁴ *Id.*

¹³⁵ *Id.*

¹³⁶ *See id.* at 549 (“It is customary to refer to trademark law as protecting a seller's goodwill in its mark. . . . There is, however, a serious problem with this proposition. Characterizing trademark law in terms of goodwill protection ultimately conflicts with the well-recognized consumer oriented goals of trademark law.”); Dogan & Lemley, *supra* note 1, at 786.

¹³⁷ *See* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 268-70 (1987).

¹³⁸ *See* Bone, *supra* note 22, at 549-50 (“In fact, the information transmission model has no need for the idea of goodwill at all. It is concerned solely with the quality of market information, whether or not that information has crystallized into something called goodwill. Given this, it seems strange that judges implementing an information transmission model would even mention goodwill protection as a goal.”).

¹³⁹ Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149, 167 (1992) (asserting that free-riding is important because “[a] culture could not exist if all free riding were prohibited within it”).

The Supreme Court captured these two goals of trademark law in *Qualitex Co. v. Jacobsen Products Co.*:¹⁴⁰

In principle, trademark law, by preventing others from copying a source-identifying mark, “reduce[s] the customer’s costs of shopping and making purchasing decisions,” for it quickly and easily assures a potential customer that *this* item – the item with this mark – is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product.¹⁴¹

Some scholars argue that there is a third, distinct goal of trademark protection: promoting “fair competition.”¹⁴² This third goal will often tip a dispute in favor of a vibrant public market and against the individual trademark holder.¹⁴³ This third policy justification, however, may not do much additional work beyond that already done by the primary purpose – preventing customer confusion.

D. *Trademark Law and the Internet – The Debate*

1. Initial Interest Confusion and the Courts

The only place the initial interest confusion doctrine seems to have found favor is with the courts.¹⁴⁴ Scholars warn that widely adopting the doctrine of initial interest confusion may benefit trademark owners, but can result in significant harm to consumers.¹⁴⁵ Applied in the internet realm, initial interest confusion can increase consumer search costs by making it more difficult for a consumer to find a desired website.¹⁴⁶ Additionally, a consumer searching for a specific mark, for example Band-Aid, will most likely not be confused by seeing additional results for competitors’ adhesive bandages.¹⁴⁷ The consumer may even desire to buy a less expensive option.¹⁴⁸ Johnson & Johnson would also not be harmed any more in this situation than they are by Band-Aid brand adhesive bandages being on the same shelf as competitors’ brands in a supermarket.

¹⁴⁰ 514 U.S. 159 (1995).

¹⁴¹ *Id.* at 163-64 (alternation in original) (quoting 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:01 (3d ed. 1994)).

¹⁴² Rothman, *supra* note 1, at 127.

¹⁴³ *Id.*

¹⁴⁴ *E.g.*, Brookfield Commc’ns., Inc. v. W. Coast Entm’t Corp., 174 F.3d 1036, 1062 (9th Cir. 1999).

¹⁴⁵ Lastowka, *Google*, *supra* note 1, at 1390-91.

¹⁴⁶ *Id.* at 1391.

¹⁴⁷ *See id.* at 1392.

¹⁴⁸ *See id.* at 1391.

Some commentators believe that initial interest confusion helps protect consumers from a “bait-and-switch” technique by competitors.¹⁴⁹ This is a legitimate concern, but it should not be overstated. A fear of bait-and-switch techniques that allow trademark owners to gain greater exclusive rights over their trademarks could harm the public interest.¹⁵⁰ Too much expansion of initial interest confusion as a rationale for greater protections could lead to a situation in which trademark owners control their mark and all of the information associated with it even in noncommercial contexts.¹⁵¹

The problems with initial interest confusion are clear, and without a change in approach, the usefulness of the internet as a near-endless source of information and consumer choice could be stifled. The best alternative to initial interest confusion sharply divides scholars.

2. Trademark “Use”

A group of scholars highly critical of the broadening of the initial interest confusion doctrine and generally worried about the expansion of trademark rights on the internet have proposed a more narrow version of trademark protection that has become known as trademark “use.”¹⁵² The main contention of this theory is that an alleged trademark infringer must “use” the trademark holder’s mark in a way normally associated with selling, such as on the product labels or in advertising.¹⁵³ The alleged infringer must use the mark to sell its own goods.¹⁵⁴ Proponents of trademark use derive the idea from the text of the Lanham Act, which requires that an infringer “use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services.”¹⁵⁵ Professors Dogan and Lemley argue that a reasonable reading of the text, in light of other sections of the Act, requires that “use in commerce” refer use of the trademark as a brand.¹⁵⁶ Recent scholarship from Professor Barrett supports the idea that this interpretation of trademark use has

¹⁴⁹ *Id.* at 1392.

¹⁵⁰ *Id.* (“But while consumers may see some benefits from limited applications of the bait-and-switch theory of initial interest confusion, . . . there are reasons to be concerned that this expansion of trademark law may have the negative consequence of restricting the permissible scope of free expression.”).

¹⁵¹ *Id.* at 1391.

¹⁵² *E.g.*, Barrett, *supra* note 57, at 894; Dogan & Lemley, *Search Costs*, *supra* note 1, at 805-11.

¹⁵³ Dogan & Lemley, *Grounding*, *supra* note 29, at 1676.

¹⁵⁴ *Id.*

¹⁵⁵ Lanham Act, 15 U.S.C. § 1114(1)(a) (2006).

¹⁵⁶ Dogan & Lemley, *Grounding*, *supra* note 29, at 1676.

a long-standing tradition and should properly be part of the Lanham Act requirements.¹⁵⁷

Trademark use has found its critics, however. Professor Lastowka argues against trademark use because, although it may have some desirable characteristics (such as working as a gatekeeper for claims against Google), the doctrine could give too much power to companies like Google and take away it from trademark owners and consumers.¹⁵⁸ Other commentators are sharper in their criticism of trademark use. Professors Dinwoodie and Janis argue that the Lanham Act text does not support the idea of trademark use.¹⁵⁹ Dinwoodie and Janis also criticize trademark use as over-shielding defendants in certain situations, while leaving them open to liability in others.¹⁶⁰

In addition to the critiques from scholars, the trademark use doctrine also faces a major stumbling block in the courts. More often than not, courts reject the application of the trademark use doctrine in trademark cases, in favor of more traditional (even if ill-conceived) precedents.¹⁶¹ Although proponents claim that trademark use is well-established in the case law,¹⁶² others question how widely courts have adopted the theory.¹⁶³

3. Alternative Positions

One scholar characterizes the choice between initial interest confusion and trademark use as one between Scylla and Charybdis.¹⁶⁴ From a theoretical perspective, this is a false choice. One need not choose between the two

¹⁵⁷ Margreth Barrett, *Internet Trademark Suits and the Demise of "Trademark Use,"* 39 U.C. DAVIS L. REV. 371, 379-87 (2006).

¹⁵⁸ Lastowka, *Google*, *supra* note 1, at 1396-97.

¹⁵⁹ Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1609-16 (2007).

¹⁶⁰ Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 IOWA L. REV. 1703, 1704-05 (2007).

¹⁶¹ Lastowka, *Google*, *supra* note 1, at 1386-89. Courts generally adopt the traditional initial interest confusion doctrine over trademark use. See Dogan & Lemley, *Search Costs*, *supra* note 1, at 1780-81.

¹⁶² Dogan & Lemley, *Grounding*, *supra* note 29, at 1682 n.48.

¹⁶³ Lastowka, *Google*, *supra* note 1, at 1390.

¹⁶⁴ One doctrine claims that the sale of search terms amounts to the appropriation of trademark goodwill under a theory of "initial interest confusion." *Id.* 1391-94. The other doctrine claims that search engine sales of terms for the trademark value are not "use" and therefore are outside the power of trademark law to police. *Id.* at 1394-98. "Neither of these recent doctrines is consistent with trademark law's historic logic. Nor is either very helpful in ensuring the public utility of online indices." *Id.* 1391-92. Scylla and Charybdis were two sea monsters of Greek mythology. See HOMER, *THE ODYSSEY* 216-24 (R.L. Eickhoff ed. & trans., Tom Doherty Assocs. 2001) (c. 8th century B.C.E.). Each monster stood on either side of the Strait of Messina. *Id.* Passing through the strait was impossible because each monster stood such that if a ship was out of reach of one monster it was within the reach of the other. *Id.* Fortunately for us, there may be other ways through the strait.

because neither may be necessary. A widely cited student note by now-Professor Lastowka advocates a middle-ground in the debate that is grounded in earlier trademark law.¹⁶⁵ He advocates returning to traditional trademark law for disputes involving trademarks used in deceptive description metatags, while relying on market-driven innovations to regulate keyword metatags.¹⁶⁶ Professors Dogan and Lemley also support a return to using the traditional likelihood of confusion analysis in conjunction with their support for the trademark use theory.¹⁶⁷

A more recent article disagreeing with the application of initial interest confusion argues for a more precise framework of pre-sale confusion that would prevent successful trademark infringement claims from resting solely on initial interest confusion.¹⁶⁸ Professor Rothman argues that courts should only consider the “reasonably prudent potential purchaser” when evaluating pre-sale confusion, as a sophisticated consumer would less likely remain confused about a product’s source.¹⁶⁹ Professor Rothman’s second recommendation is similar to the recommendation expressed later in this Note¹⁷⁰ – that de minimis pre-sale confusion should not be actionable.¹⁷¹ Unless consumers have wasted some time and resources as a result of the pre-sale confusion, the trademark owner should not be able to recover.¹⁷²

These alternatives to initial interest confusion and trademark use have some clear advantages. First, the alternatives would realign trademark law as applied to the internet with traditional trademark law in the brick-and-mortar world, ensuring a more uniform body of law.¹⁷³ Second, they would properly align internet trademark law with the underlying purposes of trademark protection – reducing search costs for consumers.¹⁷⁴ Third, they would allow for more rigorous commerce and more vibrant creativity of internet businesses and users.¹⁷⁵ These are just some of the positive results that could flow from applying these alternative solutions to the problem of trademark disputes on the internet.

However, one major problem with these alternative positions is that jettisoning initial interest confusion would likely require a majority of circuits

¹⁶⁵ Lastowka, *Search Engines*, *supra* note 8, at 838.

¹⁶⁶ *Id.*

¹⁶⁷ Dogan & Lemley, *Search Costs*, *supra* note 1, at 819-25 (arguing that initial interest confusion can serve as an aid to the likelihood of confusion analysis but “should not provide a distinct cause of action”).

¹⁶⁸ Rothman, *supra* note 1, at 179-80.

¹⁶⁹ *Id.* at 181.

¹⁷⁰ *See infra* Part III.

¹⁷¹ Rothman, *supra* note 1, at 181-83.

¹⁷² *Id.* at 182.

¹⁷³ *See id.* at 186.

¹⁷⁴ *See id.* at 189-90.

¹⁷⁵ *See id.* at 189.

to reverse prior holdings¹⁷⁶ or for the Supreme Court to take up the issue and dismantle initial interest confusion as a viable legal theory. Professor Rothman advocates just this – for courts to reverse the doctrine en banc.¹⁷⁷ However, this is an unlikely, and not necessarily desirable, change. I believe that courts can effectively achieve the goals of Professor Rothman’s alternative theory by changing the focus of the debate. Instead of trying to reverse prior holding as to what constitutes trademark infringement, courts can affect the same goal through a reevaluation of the remedies offered.

II. PROPERTY RULES AND LIABILITY RULES

The traditional remedy for trademark infringement is a permanent injunction.¹⁷⁸ An injunction may also come with damages for loss of profits.¹⁷⁹ Although awarding an injunction may be the most common remedy, it may not be the best remedy in certain internet trademark cases because of the negative consequences on the search-cost-reducing functions of the internet. Awarding injunctions may give the trademark owner what amounts to monopoly rights over search terms. If trademark owners had such an effective control over the ability of consumers to search online for goods, competition would be severely constricted. One solution to the problems associated with awarding injunctions in internet trademark cases is to award damages for trademark infringement instead. Changing this approach requires reexamining the doctrinal basis for trademark remedies. A starting point for this analysis begins with understanding the system of entitlements that undergird the available remedies.

Guido Calabresi and A. Douglas Melamed’s seminal 1972 *Harvard Law Review* article, *Property Rules, Liability Rules, and Inalienability: One View of*

¹⁷⁶ *E.g.*, *PACCAR Inc. v. TeleScan Techs. L.L.C.*, 319 F.3d 243, 253-54 (6th Cir. 2003) (applying *Brookfield*’s initial interest confusion analysis to metatags); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002) (citing *Brookfield* to justify the holding “[t]hat consumers who are misled to Equitrac’s website are only briefly confused is of little or no consequence”); *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 293-94 (3d Cir. 2001) (finding initial interest confusion from metatags “probative of” trademark infringement). In addition to these circuit court decisions, there are a large number of district court opinions relying on the *Brookfield* decision. For a comprehensive list of these cases see Rothman, *supra* note 1, at 118 n.36. See also Eric Goldman, *Google Confirms that Keyword Metatags Don’t Matter*, TECH. & MARKETING L. BLOG, http://blog.ericgoldman.org/archives/2009/09/google_confirms.htm (Sept. 22, 2009, 10:02 PST) (commenting on the apparent intractability of initial interest confusion and stating: “And judges, deciding between the weight of a dozen years of anti-keyword metatag legal precedence and not-from-the-horse’s-mouth assessments of keyword metatag efficacy, not surprisingly continue to stick with the outdated legal precedent”).

¹⁷⁷ Rothman, *supra* note 1, at 179.

¹⁷⁸ 15 U.S.C. § 1116(a) (2006); Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 216 (1998) (“Injunctions are the most important remedy in trademark cases.”).

¹⁷⁹ 15 U.S.C. § 1117.

the Cathedral, helped refigure the way the legal community thinks about property and the ways courts protect property rights.¹⁸⁰ These changes occurred because Calabresi and Melamed attempted to combine the worlds of property and torts under a unified theory of entitlements.¹⁸¹

Property rules require that an individual seeking to take an entitlement buy it in a voluntary transaction.¹⁸² The owner of the entitlement can veto any offer to buy the entitlement, and the state will step in to uphold this veto.¹⁸³ If you want to take my widget, I have to agree to let you pay me for it. Protection under a property rule thus involves the use of ex ante injunctions that prevents future violations.¹⁸⁴

Liability rules allows for an entitlement to be transferred or destroyed involuntarily, so long as the individual holding the entitlement is reimbursed the objectively determined value of the entitlement.¹⁸⁵ If you destroy my widget, you have to pay me the cost to replace it. Under this system, the state intervenes, forces the payment, and also determines the value of the entitlement.¹⁸⁶ Protection under liability rules thus, essentially, requires that the violating party pay ex post damages to the individual with the entitlement.¹⁸⁷

Traditionally, courts use property rules to deal with cases involving personal, real, and intellectual property – those areas that offer rights in gross.¹⁸⁸ Liability rules usually apply to tort cases.¹⁸⁹ Determining which type of entitlement is appropriate under more complex circumstances has been the focus of a large body of literature.¹⁹⁰ The traditional idea, which most scholars

¹⁸⁰ Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089 (1972). For a discussion about this article's importance within the legal community, see, for example, WARD FARNSWORTH, *THE LEGAL ANALYST: A TOOLKIT FOR THINKING ABOUT THE LAW* 188 (2007); James E. Krier & Stewart J. Schwab, *Property Rules and Liability Rules: The Cathedral in Another Light*, 70 N.Y.U. L. REV. 440, 440 (1995).

¹⁸¹ Calabresi & Melamed, *supra* note 180, at 1089; see also Shyamkrishna Balganes, *Demystifying the Right to Exclude: Of Property, Inviolability, and Automatic Injunctions*, 31 HARV. J.L. & PUB. POL'Y 593, 607-08 (2008).

¹⁸² Calabresi & Melamed, *supra* note 180, at 1092.

¹⁸³ *Id.*

¹⁸⁴ Balganes, *supra* note 181, at 608.

¹⁸⁵ Calabresi & Melamed, *supra* note 180, at 1092.

¹⁸⁶ *Id.*

¹⁸⁷ Balganes, *supra* note 181, at 608.

¹⁸⁸ Lemley & Volokh, *supra* note 178, at 216.

¹⁸⁹ Calabresi & Melamed, *supra* note 180, at 1108-09.

¹⁹⁰ For a small sampling of this literature, see Ian Ayres & J.M. Balkin, *Legal Entitlements as Auctions: Property Rules, Liability Rules, and Beyond*, 106 YALE L.J. 703, 706-07 (1996) (arguing that, beyond the initial determination that property rules are more efficient when bargaining is possible, "efficiency sometimes might be further enhanced by allowing additional rounds of 'bidding'"); Ian Ayres & Eric Talley, *Solomonic Bargaining:*

still endorse, is that property rules are appropriate in situations with low transactions costs,¹⁹¹ while liability rules are more appropriate for situations with high transaction costs.¹⁹²

A simple example is useful to understand how these two sets of rules are applied. First, an example of property rules applied in a situation with low transaction costs: neighbor *A* decides that, in lieu of a septic system, he will run a hose and release all his sewage on his neighbor *B*'s yard. A court will likely find this to be a nuisance and enjoin *A* from carrying out this plan because he can most easily avoid the costs of this nuisance.¹⁹³ The purpose behind awarding an injunction in this case is the idea that the parties can easily negotiate the best way to move forward.¹⁹⁴ If stopping the flow of sewage onto her lawn is worth more to *B* than to *A*, *A* will build a septic system.¹⁹⁵ If continuing to use *B*'s yard as a sewer is worth more to *A* than the value *B* places in not having her yard filled with sewage, *A* and *B* can negotiate a price at which *A* can continue using *B*'s lawn as a sewer.¹⁹⁶ Even if the court incorrectly assigned the entitlement to *A* instead of *B*, or vice versa, the parties would most likely still reach the efficient result through bargaining.¹⁹⁷

Second, an example of liability rules applied in a situation with high transaction costs¹⁹⁸: transaction costs may be high when there are a large number of parties and getting accurate valuations while avoiding free-rider

Dividing a Legal Entitlement to Facilitate Coasean Trade, 104 YALE L.J. 1027, 1032-33 (1995) (arguing, against the common wisdom, that liability rules can sometimes catalyze consensual trade); Louis Kaplow & Steven Shavell, *Property Rules Versus Liability Rules: An Economic Analysis*, 109 HARV. L. REV. 713, 717-18 (1996) (adducing factors that "justify the use of liability rules to regulate harmful externalities but that favor property rules to protect possessory interests" and determining the effect of transaction costs on whether to use a property or liability rule); Mark A. Lemley & Philip J. Weiser, *Should Property or Liability Rules Govern Information?*, 85 TEX. L. REV. 783, 784 (2007) (arguing that property rules should not apply to intellectual property whose scope is undefined, because the injunction cannot be well tailored to the scope of the property right at issue); Daphna Lewinsohn-Zamir, *The Choice Between Property Rules and Liability Rules Revisited: Critical Observations from Behavioral Studies*, 80 TEX. L. REV. 219, 221-23 (2001) (arguing in favor of property rules for entitlements, based on conclusions from behavior theory finding that bargaining more often fails under liability rules fails but succeeds under property rules).

¹⁹¹ Calabresi & Melamed, *supra* note 180, at 1107.

¹⁹² *Id.* at 1110.

¹⁹³ *Id.* at 1118.

¹⁹⁴ *Id.*

¹⁹⁵ *Id.*

¹⁹⁶ *Id.*

¹⁹⁷ *Id.* See generally Ronald A. Coase, *The Problem of Social Cost*, 3 J. LAW & ECON. 1 (1960) (analyzing the effect of transaction costs on the appropriate distribution of rights).

¹⁹⁸ Calabresi & Melamed, *supra* note 180, at 1110.

problems would be impossible, impracticable, or prohibitively expensive.¹⁹⁹ In other situations, such as automobile accidents, negotiation before the fact is impossible.²⁰⁰

A classic case in which a court sidestepped awarding an injunction and instead relied on liability rules for a remedy is *Boomer v. Atlantic Cement Co.*²⁰¹ *Boomer* involved a large cement plant located near a residential neighborhood.²⁰² The plant spewed smoke, caused vibrations, and sprinkled dirt on the nearby houses.²⁰³ The plaintiffs, property owners in the neighborhood, sued the cement company seeking an injunction.²⁰⁴ Finding that a nuisance existed and that the plaintiffs had been substantially harmed, the court was forced to balance the harms involved in order to determine an appropriate remedy.²⁰⁵ Awarding an injunction would have meant effectively shutting down the plant, which was a major employer in the area.²⁰⁶ Relocating the plant was also not a viable option.²⁰⁷ In crafting its solution, the New York Court of Appeals applied a liability rule because the transactions costs of bringing together the homeowners and those affected by a shutdown of the plant would have been too onerous.²⁰⁸ The court awarded the plaintiffs permanent damages, intended to compensate them for all future harm stemming from the defendant's activities.²⁰⁹

The court in *Boomer* had no choice but to apply a liability rule to determine a solution. The actions of the plant created significant externalities, which would have made bargaining difficult.²¹⁰ If the court had awarded the plaintiffs an injunction, they could have forced the plant to shutdown unless

¹⁹⁹ *Id.* at 1119.

²⁰⁰ *Id.* at 1108-09.

²⁰¹ 257 N.E.2d 870, 872-74 (N.Y. 1970) (awarding a conditional injunction dependent on the defendant paying permanent damages to the plaintiffs). Although the rehash of the case shows the use of liability rules, it is impossible to say whether the court understood the distinction in this way because Calabresi and Melamed had not yet published their article.

²⁰² *Id.* at 871.

²⁰³ *Id.*

²⁰⁴ *Id.*

²⁰⁵ *Id.* at 871-72 (“The threshold question raised by the division of view on this appeal is whether the court should resolve the litigation between the parties now before it as equitably as seems possible; or whether, seeking promotion of the general public welfare, it should channel private litigation into broad public objectives. . . . It is a rare exercise of judicial power to use a decision in private litigation as a purposeful mechanism to achieve direct public objectives greatly beyond the rights and interests before the court.”).

²⁰⁶ *Id.* at 871 n.*; 871-73.

²⁰⁷ *Id.* at 871 n.*.

²⁰⁸ *See id.* at 874; IAN AYRES, *OPTIONAL LAW: THE STRUCTURE OF LEGAL ENTITLEMENTS* 20 (2005); THOMAS MICELI, *THE ECONOMIC APPROACH TO LAW* 160, 180-81 (2004).

²⁰⁹ *Boomer*, 257 N.E.2d at 873.

²¹⁰ *See id.*; MICELI, *supra* note 208, at 160.

the parties reached an agreement.²¹¹ The number of parties affected and the subjective value of each plaintiff's harm would have made bargaining in this situation nearly impossible.²¹² All of the injured parties would have had to agree on a price, and as the number of parties increased, so would the likelihood of holdouts asking for more.²¹³

Additionally, monopoly power threatens negotiations in these situations even if the number of parties is small.²¹⁴ The plant stood to lose tens of millions of dollars by shutting down; whereas the plaintiffs would have only received a few hundred thousand dollars in damages should the plant continue to operate.²¹⁵ Had the court awarded an injunction, the parties would have been forced to bargain across this huge range of potential amounts.²¹⁶ The plant would want to pay as small an amount as possible, while the homeowners would want to receive as large an amount as possible.²¹⁷ Each side would invest vast resources to secure as much of the surplus for itself.²¹⁸ The parties would waste significant resources bargaining, preventing them from reaching an efficient result.²¹⁹

III. APPLYING LIABILITY RULES AND CHANGING THE FOCUS OF THE DEBATE

At first glance, there seem to be few similarities between a case involving a polluting factory and someone using a trademark. Upon closer inspection, one discovers an important similarity: both produce externalities. While the externalities created by the polluting factory are clear, and mostly negative – those living in the area are harmed by the private actions of the factory – the externalities created by trademarks are generally positive, but harder to detect.²²⁰ Trademarks reduce search costs, stimulate the maintenance of

²¹¹ *Boomer*, 257 N.E.2d at 873.

²¹² *Id.*

²¹³ *Id.*

²¹⁴ MICELI, *supra* note 208, at 160-61.

²¹⁵ *Id.* at 161.

²¹⁶ *Id.*

²¹⁷ *Id.*

²¹⁸ *Id.* This is a form of “rent-seeking.” See generally Anne O. Krueger, *The Political Economy of the Rent-Seeking Society*, 64 AM. ECON. REV. 291 (1974).

²¹⁹ MICELI, *supra* note 208, at 161.

²²⁰ David W. Barnes, *Trademark Externalities*, 10 YALE J.L. & TECH. 1, 9 (2007). Professor Barnes explains that “[e]xternal benefits in patent and copyright are analogous to external benefits in trademark.” *Id.* at 25. He continues:

Patent externalities include benefits derived by competitors who make money from making, using, or selling an invention after the patent has expired, people who benefit from the more vibrant economy innovation supports, industries in unrelated fields who benefit from the ideas revealed with the innovation and others who learn from the disclosure, and consumers whose benefit from new products exceeds the prices they pay. Copyright externalities include benefits derived by those who exploit a copyrighted work once it has entered the public domain, creators who exploit

quality standards, and facilitate economies of scale.²²¹ If the goals of trademark protection are to decrease search costs, encourage the creation of goodwill, and encourage competition,²²² then the remedies available for trademark infringement should ideally preserve those positive external benefits.

Injunctions result in a reduction in the positive external benefits of trademark activity, and thus do not serve these goals for some types of trademark use. While some argue that injunctions also create positive benefits, this position encounters a few problems.²²³ One claim is that the trademark owner could gain additional revenue by licensing its mark to a competitor.²²⁴ However, there is little reason to think that a trademark owner would license the mark for anything less than an amount large enough to significantly increase the competitor's costs or deter them from competing in a particular way.²²⁵ Another claim is that enjoining the defendant would allow the trademark owner to earn more revenue through the exclusive use of the trademark.²²⁶ This may be true, but as long as the use of the mark by others does not create customer confusion, trademark law offers no rationale to justify granting the owner an exclusive right.²²⁷

Additionally, allowing the non-confusing use of another's trademark creates some benefits.²²⁸ These benefits include: reduced consumer search costs, increased competition, and a heightened incentive for producers to maintain product quality.²²⁹ These benefits to consumers outweigh any marginal increase in search costs resulting from having to click "back" on the browser after navigating to an undesirable site.²³⁰

unprotected elements of a work such as ideas, designers of products that allow consumers to enjoy copyrighted works like DVD players and iPods, consumers who benefit from the works they consume by being educated and socialized (to the extent this benefit is not captured in the price they pay), and those who engage in "fair use" of the work during its period of protection.

Id. at 25-26.

²²¹ *Id.* at 25 (citing Manavinder S. Bains, *The Search Engine Economy's Achilles Heel? Addressing Online Parallel Imports Resulting from Keyword and Metatag Misuse*, 2006 STAN. TECH. L. REV. 6, ¶ 98).

²²² See *supra* text accompanying note 67.

²²³ Barnes, *supra* note 220, at 35 (analyzing whether enjoining uncompensated use that gives rise to initial interest confusion gives rise to broader societal benefits, and concluding that it does not).

²²⁴ *Id.*

²²⁵ *Id.*

²²⁶ *Id.*

²²⁷ *Id.*

²²⁸ *Id.*

²²⁹ *Id.* at 35-36.

²³⁰ *Id.* at 36.

The above considerations suggest that, in many instances of trademark infringement, a liability rule would be more appropriate than a property rule.²³¹ The trademark owner with a property entitlement may refuse to bargain or charge a large amount for a competitor to license the trademark. These actions would raise the competitor's costs, are anticompetitive, and are antithetical to the goals of search-cost reduction and fair competition that are central to trademark law. When bargaining would be impossible or inefficient, liability rules are appropriate.

There are, of course, problems with liability rules as well. A main practical problem for the application of a liability rule is a court's inability to determine the value of the damages accurately. While this difficulty should not be minimized, it is not a strong reason in favor of relying on property rules instead of liability rules in these cases. Courts may not always calculate damages precisely in every situation, but they have experience in this realm – they calculate damages in a wide variety of cases – and should be able to calculate damages for trademark cases without much difficulty. Furthermore, this same critique applies equally to other areas where damages are awarded, and damages remain appropriate in those situations.

A second problem is an increase in litigation costs associated with each side having to prove a value of damages. Overall, however, litigation costs would likely decrease if courts applied liability rules in these cases. The lure of an injunction is a powerful reason for plaintiffs to engage in trademark litigation, and certainly a strong reason to threaten litigation to coerce competitors' behavior. The potential benefits of litigation would thus decrease as the value of the available remedy decreased.²³²

The recent application of the holding in *eBay v. MercExchange* to a metatag case is a sign that automatically enjoining defendants found liable for some types of trademark infringement may be on the decline.²³³ The *eBay* case involved a patent troll, MercExchange, which owned, but did not use, a patent for a business method designed to facilitate internet marketplaces.²³⁴ The district court found patent infringement on the part of Half.com (a wholly-owned subsidiary of eBay) and awarded damages, but failed to enjoin the defendant.²³⁵ The Court of Appeals reversed, stating that permanent injunctions would be awarded “absent exceptional circumstances.”²³⁶ The

²³¹ See *supra* text accompanying notes 182-88.

²³² See *supra* text accompanying notes 180-82 (suggesting that damages may be a more appropriate remedy than injunction under certain circumstances and analyzing the framework based on the distinction between property and liability rules); *infra* text accompanying note 289-294 (calculating expected value of litigation based on the potential remedies).

²³³ *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1228 (11th Cir. 2008).

²³⁴ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 390 (2006).

²³⁵ *Id.* at 390-91.

²³⁶ *Id.* at 391.

Supreme Court applied the traditional four-factor test to determine whether to grant an injunction, stating that a plaintiff must prove:

- (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.²³⁷

The Court then reversed the Court of Appeals's decision, arguing that "the creation of a right is distinct from the provision of remedies for violations of that right."²³⁸

Vigorously applying the *eBay* criteria in internet trademark disputes would often result in the court not awarding an injunction. As the holding in *North American Medical* demonstrates, a court will not simply assume that the plaintiff has suffered irreparable injury.²³⁹ Additionally, the public interest would weigh heavily against awarding an injunction in many cases, because the goals of trademark protection in the realm of metatag litigation include reducing search costs and encouraging competition. An injunction that shuts down or pushes a competitor's website far down a list of search results, or even more generally limits the use of search engines, would significantly harm the public interest. This is not to say that permanent injunctions would never be appropriate in internet trademark infringement cases, but for many instances in which courts have relied on initial interest confusion to find infringement, use of liability rules would be superior. Use of liability rules in these cases would achieve the goals of trademark protection and remove the potentially harmful effects of injunctions.

A. *Applying Liability Rules to Other Instances of Trademark Infringement on the Internet*

Thus far, this Note has focused on cases involving trademark infringement in metatags, but the foregoing analysis is applicable in a variety of other cases involving trademark infringement on the internet. While metatag cases are some of the most commonly litigated, they are declining in frequency since Google has come to dominate the search engine industry.²⁴⁰ Other areas of disputes involving trademarks on the internet include search engine result pages and pop-up ads.²⁴¹

²³⁷ *Id.*

²³⁸ *Id.* at 392.

²³⁹ *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1228 (11th Cir. 2008).

²⁴⁰ Some commentators are puzzled by the continuing litigation over metatags. Lastowka, *Google*, *supra* note 1, at 1376 n.251 (citing Eric Goldman, *Outdated Metatags Don't Infringe*, TECH. & MARKETING L. BLOG, http://blog.ericgoldman.org/archives/2006/09/outdated_metata.htm (Sept. 25, 2006, 18:37 PST)).

²⁴¹ Another area of dispute involves linking to webpages. A recent story shows how trademark owners can use trademark law to threaten others who link to their trademarks,

*Playboy Enterprises, Inc. v. Netscape Communications Corp.*²⁴² is likely the most widely cited and discussed trademark case involving search engine results. Playboy sued Netscape for trademark infringement and dilution.²⁴³ The case involved “keying,” the practice in which search engines link users with advertisers depending on the search terms used.²⁴⁴ Two of the keywords in Netscape’s database were “playboy” and “playmate.”²⁴⁵ A user who searched for one of these terms would see a selection of banner ads on the search results page.²⁴⁶ Adult websites paid Netscape a fee for their ads to appear when a user searched for these terms, however most of these banner ads had nothing to do with Playboy.²⁴⁷ The district court granted Netscape summary judgment dismissing the action.²⁴⁸

On appeal, Playboy asserted a theory of initial interest confusion.²⁴⁹ The Ninth Circuit, however, after discussing *Brookfield*, refrained from broadly applying that precedent in favor of the traditional likelihood of confusion analysis.²⁵⁰ It found that Netscape’s actions could potentially cause a likelihood of confusion and overturned the district court’s grant of summary

even if the other user is in no way a competitor. Wendy Davis, *Linked Out: A Case that Threatens the Right of Websites to Link Freely*, SLATE, Feb. 12, 2009, <http://www.slate.com/id/2210636>. The law firm Jones Day filed suit against a website, Blockshopper, which collected information on people purchasing new homes. *Id.* Blockshopper linked to Jones Day’s website after two partners at the firm purchased houses. *Id.* Jones Day sued, claiming that the linking may mislead people into believing that Jones Day was affiliated with Blockshopper. *Id.* After the judge denied their motion to dismiss, Blockshopper settled with Jones Day and removed the links. *Id.*

²⁴² 354 F.3d 1020 (9th Cir. 2004).

²⁴³ *Id.* at 1022. Dilution is another species of trademark law protected under the Federal Trademark Dilution Act of 1995 (“FTDA”), 15 U.S.C. § 1125(c) (2006). A more recent act, the Trademark Dilution Revision Act, changed the FTDA and overturned *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), to allow for liability under the theory of dilution if the defendant’s actions are likely to dilute the owner’s mark. Trademark Dilution Revision Act, 15 U.S.C. § 1125(c)(1). *Moseley* had held that the defendant’s action must actually dilute the mark. *Moseley*, 537 U.S. at 433.

²⁴⁴ *Netscape*, 354 F.3d at 1022-23.

²⁴⁵ *Id.* at 1023.

²⁴⁶ *Id.*

²⁴⁷ *Id.*

²⁴⁸ *Id.*

²⁴⁹ *Id.* at 1025 (“[Playboy] asserts that, by keying adult-oriented advertisements to [its] trademarks, defendants actively create initial interest confusion . . . [b]ecause banner advertisements appear immediately after users type in PEI’s marks, . . . users are likely to be confused regarding the sponsorship of unlabeled banner advertisements.”).

²⁵⁰ *Id.* at 1026.

judgment.²⁵¹ The court was not swayed by arguments that Playboy would monopolize these search terms or harm free speech.²⁵²

Judge Berzon wrote a concurrence questioning the *Brookfield* decision.²⁵³ She argued that merely providing a search engine user with options does not mislead or confuse, and such activity should not be trademark infringement even under the theory of initial interest confusion.²⁵⁴ Furthermore, Judge Berzon criticized *Brookfield*'s analogy comparing defendant's website to a highway sign providing false directions, stating that "[e]ven the main analogy given in *Brookfield* belies its conclusion."²⁵⁵ Notwithstanding Judge Berzon's strong concurrence, the *Brookfield* rationale still dominates courts' decisions in this area.²⁵⁶ Accordingly, the argument in favor of the application of liability rules in metatag disputes also applies in these search engine result cases.

Conflicts about keyword advertising are seen by some commentators as the next major battleground concerning trademark rights and the internet.²⁵⁷ This is an area that directly implicates the 800-pound gorilla of the internet, Google. Unlike many other search engines, Google has never relied on keyword metatags for its search results²⁵⁸ and therefore, is rarely implicated in trademark disputes involving metatags. Google does, however, use other metadata, including descriptive metatags, for some of its programs.²⁵⁹ One such program is AdWords, Google's keyword advertising program.²⁶⁰

²⁵¹ *Id.* at 1029.

²⁵² Lastowka, *Google*, *supra* note 1, at 1380 ("Unlike the district court, the Ninth Circuit did not seem concerned about a risk that Playboy would monopolize search terms or impinge on the First Amendment rights of search engine companies or users.").

²⁵³ *Netscape*, 354 F.3d at 1034 (Berzon, J., concurring). She wrote:

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

Id. at 1035.

²⁵⁴ *Id.*

²⁵⁵ *Id.*

²⁵⁶ *See supra* note 176 (documenting the adoption of *Brookfield* by numerous circuits).

²⁵⁷ *See* Jonathan J. Darrow & Gerald R. Ferrara, *The Search Engine Advertising Market: Lucrative Space or Trademark Liability*, 17 TEX. INTELL. PROP. L.J. 223, 263 (2009).

²⁵⁸ 1 MCCARTHY, *supra* note 39, § 25:69 ("Search engines in the early days of the Internet relied heavily on metatags to find Web sites. However, modern search engines make little if any use of metatags Google's rankings at that time did not rely on metatags").

²⁵⁹ *See* Darrow & Ferrera, *supra* note 257, at 228-29.

²⁶⁰ *See id.*

Basically, Google allows individuals and companies to bid on specific terms.²⁶¹ If a consumer searches for one or more of these terms, Google will display an ad sponsored by whoever has purchased the most relevant terms.²⁶² Since 2004, Google has allowed the purchase of other companies' trademarks as search terms.²⁶³

Keyword advertising, such as Google's AdWords, can lower search costs because it is a more active type of advertising; consumers get relevant information when they are actively seeking it. Keyword advertising can also expand consumer choice for similar reasons. The problem with the use of trademarks to generate these sponsored ads is that they may create some customer confusion.

Trademark law is far from settled as applied to the protection of trademarks used in this sort of keyword advertising. Some courts show an inclination toward applying the metatag/initial interest confusion analogy to disputes in this area,²⁶⁴ and some commentators explicitly support this idea.²⁶⁵ Other commentators disagree with applying initial interest confusion to keyword

²⁶¹ *See id.*

²⁶² *See id.*

²⁶³ Google, Inc., Registration (Form S-1), at 10 (Apr. 29, 2004), available at <http://www.sec.gov/Archives/edgar/data/1288776/000119312504073639/ds1.htm> (“[W]e have revised our trademark policy in the U.S. and Canada. Under our new policy, we no longer disable ads due to selection by our advertisers of trademarks as keyword triggers for the ads.”); *see also What Is Google's AdWords and AdSense Trademark Policy?*, GOOGLE ADWORDS HELP, <http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6118> (last visited Feb. 26, 2010) (listing those countries in which Google does not sell ads linked to trademarked keywords and those, like the United States and Canada, in which it sells ads linked to trademarked keywords).

²⁶⁴ *See, e.g., Gov't Emps. Ins. Co. v. Google, Inc. (GEICO II)*, No. 1:04CV507, 2005 WL 1903128, at *4-7 (E.D. Va. Aug. 8, 2005) (accepting *arguendo* plaintiff's contention that the applicable standard should be initial interest confusion, but finding that GEICO had still failed to satisfy its burden of proof); *Gov't Emps. Ins. Co. v. Google, Inc. (GEICO I)*, 330 F. Supp. 2d 700, 704 (E.D. Va. 2004) (finding that Google's keyword sales constituted “use in commerce”); Patrick Ryan Barry, Comment, *The Lanham Act's Applicability to the Internet and Keyword Advertising: Likelihood of Confusion v. Initial Interest Confusion*, 47 DUQ. L. REV. 355, 360-69 (2009) (providing a circuit survey and analysis and concluding that some circuits have applied the initial interest confusion doctrine to keyword advertising cases and others seemed more inclined to do so based on their rulings in other disputes).

²⁶⁵ Gregory R. Shoemaker, Comment, *Don't Blame Google: Allowing Trademark Infringement Actions Against Competitors Who Purchase Sponsored Links on Internet Search Engines Under the Initial Interest Confusion Doctrine*, 58 CATH. U. L. REV. 535, 563-65 (2009) (arguing that courts should apply the initial interest confusion doctrine in situations involving a competitor's purchase of a search term because it is an appropriate extension of the actual confusion doctrine, especially when there is intent to deceive consumers).

advertising cases for the same reasons that they disagree with the doctrine's application in other internet trademark disputes.²⁶⁶

One important distinction between cases involving metatags and cases involving keyword advertising is that in the metatag cases, the trademarks could influence the actual results of a search.²⁶⁷ In the keyword advertising setting, however, the use of the trademarks in the advertising program (such as Google's AdWords) only affects the advertising that appears alongside the search results.²⁶⁸ These ads are not actually part of the search.²⁶⁹ Although there is a practical distinction between the two situations, it is unclear how courts may view these distinctions.²⁷⁰ There are also other factors that may make the distinction less clear. For example, depending on the setup of the program, the ad triggered by the search could appear as if it is part of the search.²⁷¹ Because the analysis and analogies courts may potentially use to resolve these cases are the same as those in the metatag cases, and because the issues concerning consumers are similar to those in the metatag cases, the remedy proposed in this Note is also applicable to keyword advertising cases.²⁷²

Another area of trademark conflict on the internet involves pop-up ads or keyword ad triggering.²⁷³ Two important Second Circuit decisions stand out in

²⁶⁶ Barry, *supra* note 264, 369-72 (2009) (arguing that the initial interest confusion doctrine should not be applied to keyword advertising disputes because it is against the intent of the Lanham Act and would harm the interests of consumers).

²⁶⁷ Darrow & Ferrara, *supra* note 257, at 257-58 (demonstrating that there is a significant practical distinction between the two types of cases).

²⁶⁸ *Id.* at 258.

²⁶⁹ *Id.*

²⁷⁰ The Ninth Circuit posed this direct question in *Picture It Sold, Inc. v. iSOLDIT, LLC*, 199 F. App'x 631, 634 (9th Cir. 2006) ("[I]t would then be necessary for the district court to resolve the somewhat difficult question of whether this activity is sufficiently analogous to metatag use so as to be prohibited by *Brookfield* under its rather broad discussion of initial interest confusion, or whether the activity might fall within the possible exception to *Brookfield* that this court suggested in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*" (citation omitted)).

²⁷¹ Google's search results return ads on the right hand side of the page, which are clearly not part of the search, but also returns sponsored links in a shaded box right above the search results. Some internet users may not see any distinction between the sponsored link and the links shown as part of the search results.

²⁷² See Barry, *supra* note 264, at 360-69 (providing a circuit survey and analysis and concluding that some circuits have applied the initial interest confusion doctrine to keyword advertising cases and others seemed more inclined to do so based on their rulings in other disputes).

²⁷³ The term may be similar to, but is different from keyword advertising. The cases here involve an ad being triggered by and popping up as a result of a search term. The ads do not appear on the same page as the search results; they open in a separate window.

this area. In *1-800 Contacts, Inc. v. WhenU.Com, Inc.*,²⁷⁴ the defendant's software used the plaintiff's trademark to generate pop-up ads.²⁷⁵ When users visited 1-800's website, competitors' ads would pop up on the user's screen.²⁷⁶ The district court awarded 1-800 a preliminary injunction, but the Second Circuit reversed, finding that "WhenU does not 'use' 1-800's trademarks within the meaning of the Lanham Act."²⁷⁷ Of key importance was the fact that the pop-up ads never showed 1-800's trademark and the ads were always in new windows, making customer confusion unlikely.²⁷⁸ This decision may be the high water mark of the trademark use doctrine.²⁷⁹

The *1-800* decision was thought to be a triumph for the trademark use doctrine, but a recent decision by the Second Circuit calls this view into question.²⁸⁰ *Rescuecom Corp. v. Google Inc.* involved Google's sale of Rescuecom's trademark to Rescuecom's competitors through its AdWords and Keyword Suggestion Tool program.²⁸¹ Rescuecom sued Google for trademark infringement because Google's Keyword Suggestion Tool program recommended that competitors purchase Rescuecom's trademark.²⁸² The Keyword Suggestion Tool offers individuals and businesses recommended search terms based on the subject matter of their website, some of which are trademarked terms.²⁸³ The lower court granted Google's motion to dismiss, but the Second Circuit reversed.²⁸⁴ Although somewhat similar on its face to *1-800*, the Second Circuit distinguished the case from *1-800*, stating:

First, in contrast to *1-800*, where we emphasized that the defendant made no use whatsoever of the plaintiff's trademark, here what Google is recommending and selling to its advertisers is Rescuecom's trademark.

²⁷⁴ 414 F.3d 400 (2d Cir. 2005).

²⁷⁵ *Id.* at 412.

²⁷⁶ *Id.* at 402.

²⁷⁷ *Id.* at 403.

²⁷⁸ *Id.* at 410.

²⁷⁹ See Lastowka, *Google, supra* note 1, at 1384-90 (summarizing the decisions supporting the trademark use doctrine and those rejecting it, and concluding that only district courts in the Second Circuit followed *1-800*).

²⁸⁰ *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127 (2d Cir. 2009) (holding that the lower court's dismissal of the claim was improper because the defendant's actions constituted "use in commerce" that was likely to cause confusion within the meaning of the Lanham Act).

²⁸¹ *Id.* at 126-27.

²⁸² *Id.*

²⁸³ *Id.* at 126 ("Google's objective in its AdWords and Keyword Suggestion Tool programs is to sell keywords to advertisers. Rescuecom alleges that Google makes 97% of its revenue from selling advertisements through its AdWords program. Google therefore has an economic incentive to increase the number of advertisements and links that appear for every term entered into its search engine.").

²⁸⁴ *Id.* at 130-31.

Second, in contrast with the facts of *1-800* where the defendant did not “use or display,” much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells Rescuecom’s mark to Google’s advertising customers when selling its advertising services. In addition, Google encourages the purchase of Rescuecom’s mark through its Keyword Suggestion Tool.²⁸⁵

The Second Circuit narrowed its interpretation of *1-800* to a set of facts that have become increasingly unlikely to reappear as Google continues to dominate the search engine market.²⁸⁶ The decision also raised a number of questions about the meaning of trademark use and how other courts might approach similar cases.²⁸⁷ There is nothing in the *Rescuecom* decision to imply that the trial court should adopt a wholesale, broad interpretation of initial interest confusion on remand, but the opinion exemplifies the degree to which the law is unsettled.²⁸⁸

While applying trademark “use” would lead to fewer controversies and less protection for trademark owners than courts currently offer, most courts are unwilling to adopt the doctrine. A reformed remedy could help trademark law edge closer to the results sought by those supporting the trademark “use” doctrine.

B. A Possible Remedy

Courts should apply a liability rule analysis instead of a property rule analysis, at the remedy stage. This proposal would not require changing the commonly-used analysis for determining liability, initial interest confusion. However, initial interest confusion would become a threshold question of liability, not the complete and easy victory for the plaintiff it is now. A finding of initial interest confusion and nothing more would entitle the plaintiff to nominal damages only. To earn greater damages, the plaintiff must meet additional burdens at trial. The court would weigh a variety of factors to measure the harm caused by the trademark infringement. Courts would consider the: (1) visibility of the mark; (2) sophistication of the consumer; (3)

²⁸⁵ *Id.* at 129.

²⁸⁶ Eric Goldman, *Second Circuit Says Google’s Keyword Ad Sales May Be Use in Commerce*, TECH. & MARKETING L. BLOG, http://blog.ericgoldman.org/archives/2009/04/second_circuit.htm (Apr. 3, 2009, 11:51 PST) (providing an early critique of the case and stating that the decision “this will put an end to the cottage industry of law review articles debating what the phrase means in the keyword context”).

²⁸⁷ *Id.*

²⁸⁸ *See Rescuecom*, 562 F.3d at 130-31 (“We have no idea whether Rescuecom can prove that Google’s use of Rescuecom’s trademark in its Adwords program causes likelihood of confusion or mistake. . . . What Rescuecom alleges is that by the manner of Google’s display of sponsored links . . . Google creates a likelihood of consumer confusion as to trademarks. . . . Whether Google’s actual practice is in fact benign or confusing is not for us to judge at this time.”).

evidence of actual confusion; (4) relationship of the parties; (5) defendant's intent in using the mark; and (6) the public interest. This additional inquiry would focus on the harm caused and would rely on the traditional justifications for trademark law.²⁸⁹ This test is essentially a refiguring of the likelihood of confusion analysis applied to internet markets.

The first three factors constitute an abbreviated inquiry of the likelihood of confusion analysis that is more suitable to the various disputes that are problematic for traditional trademark analysis – metatags, pop-up ads, linking, and other related concerns with search engines. The other traditional factors of proximity of the goods, similarity of the marks, and marketing channels used are largely irrelevant for these disputes. The visibility of the mark examines the consumer's interaction with the mark. The less the consumer sees the mark in question, the less likely he or she will be confused. For example, in a quintessential case of initial interest confusion, a consumer may click on the defendant's website, but after not seeing the mark sought, would rectify the problem in an instant by clicking the "back" button on the browser without any harm to the consumer or the trademark owner.

The second factor, sophistication of the consumer, looks at how likely it is that the particular consumer may be confused. For example, the consumer searching for high-end computing components is likely to be much more knowledgeable about that market than the average Amazon.com user searching for books online. The third factor, evidence of actual confusion, speaks for itself. A finding of actual confusion will weigh heavily in favor of the plaintiff. All these factors focus heavily on the confusion and search costs rationales of trademark protection.

The fourth and fifth factors, relationship of the parties and defendant's intent, relate to fair competition. Although free riding on a competitor's goodwill is not inherently harmful, some view it as unfair.²⁹⁰ The fourth factor assumes that use of a mark by a competitor is more damaging to the goodwill of the owner and likely more confusing than use by a non-competitor. The fifth factor looks at the intent, and assumes that a willful intent to deceive is similarly more likely to damage the goodwill of the plaintiff and confuse consumers. The final factor, the public interest, analyzes considerations such as the interest the public has in promoting an open and free market along with the useful technologies to navigate that market. A fair weighing of these factors would be in line with the underlying rationales of trademark protection.

If plaintiff can meet this additional burden, possible damages include recovering the defendant's profits, the plaintiff's losses (including lost profits), and reasonable attorneys' fees. If the plaintiff can prove willful deception on

²⁸⁹ See *supra* text accompanying notes 128-44.

²⁹⁰ See Bone, *supra* note 22, at 616-21 (questioning the moral argument against free-riding and arguing that the economic rationale is convincing in only select circumstances); Gordon, *supra* note 139, at 167 ("A culture could not exist if all free riding were prohibited within it.").

the part of the defendant, the plaintiff could be entitled to treble damages as well as reasonable attorneys' fees.²⁹¹ These greater damages would likely offer as full a remedy as needed without using a permanent injunction.

Application of this new remedy would likely lead to several outcomes. First, the number of internet trademark suits filed would decrease. Applying a liability rule would lower the stakes of trademark infringement claims, and therefore the attractiveness of litigating these claims would also decrease. Plaintiffs that do file claims would more likely settle, because although the likelihood of some victory is possible, the actual value of the win is likely to be considerably less. Defendants, who believe they may lose at trial because their use of the mark causes customer confusion, would be inclined to settle. A rational actor will not file a lawsuit if the expected value of that suit is negative.²⁹²

Under a broadly applied regime of initial interest confusion, the probability of success is great, as are the potential proceeds. Courts routinely award injunctions and compensatory damages to plaintiffs. Often, the permanent injunction is the ultimate goal of the litigation because it helps stifle competitors.

When the remedy is changed to one that more stringently measures the harm of the infringement, the expected value of the suit drops dramatically.²⁹³ With this new remedial regime, a plaintiff able to prove initial interest confusion but nothing more would be entitled to nominal damages. This award would vindicate the plaintiff's trademark rights in the eyes of the law, but would not

²⁹¹ The Lanham Act already contemplates granting these forms of damages under appropriate circumstances. 15 U.S.C. § 1117(a)-(b) (2006) ("[T]he plaintiff shall be entitled . . . to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in case of any violation . . . that consists of intentionally using a mark or designation"). Punitive damages are not available under the Lanham Act. *See id.*

²⁹² This includes non-monetary benefits from the lawsuit as well. For example, a person engaging in a libel suit may choose to file even if the pure monetary advantages of the suit are negative. This person may have his or her reputation or pride to uphold. This may have a large, subjective value to the plaintiff, so even if the dollar calculation is negative, the person may still file suit because the expected value is positive. Suffice to say, the expected value calculation includes more than just the pure dollars expended on the case, since the measure is value, not just dollars.

²⁹³ A simplified example of an expected value calculation bears this out. Expected value is the probability of winning the lawsuit multiplied by the likely proceeds of winning, minus the cost of litigating the suit. In algebraic terms, $EV = p(w) - c$, where p is the probability of success, w is the likely proceeds from winning, and c represents the costs of litigating the suit. When the remedy is changed to one that more stringently measures the harm of the infringement, the expected value of the suit drops dramatically. This would change the algebra to $EV = p1(\$1) + p2(w) - c$, where $\$1$ represents nominal damages, and w represents the likelihood of winning additional damages.

have the detrimental effect on internet commerce that a broad-based injunction would. The probability of winning nominal damages would be the same as under the current regime.²⁹⁴

Another result would be an increase (or at least no significant decrease) in consumer choice on the internet. Permanent injunctions may partially shut down websites or interfere with search engine functioning. Less litigation would help lower the cost of doing business on the internet because websites could function with greater freedom and less potential liability (at least in terms of attenuated theories of trademark infringement). Only those practices which confuse consumers and harm them by increasing their search costs would face expensive liability – likely great enough to discourage such infringing practices.

This proposal is not without problems, including the potential for courts to expand the remedy back to the current regime, in which simple initial interest confusion can result in a large award for the plaintiff. However, some courts have resisted adopting initial interest confusion broadly,²⁹⁵ and some judges in circuits that apply the doctrine broadly have expressed misgivings about expanding the doctrine further.²⁹⁶ These existing questions about initial interest confusion may help courts from sliding down the slippery slope to a greater expansion of initial interest confusion. Additionally, changing the focus to the remedy allows courts to effectively curtail expansion of the doctrine without a wholesale rejection of prior precedent.

Another concern of this change in remedy would be that courts may not rigorously adhere to the framework. If judges do not regulate the application of the remedy properly and they allow plaintiffs' attorneys to run wild, these attorneys may be able to create all sorts of damages calculations. The application of liability rules could actually end up being more costly for defendants than if the property rules regime remained in place.

Finally, the change in remedy may also run into problems with the text of and case law interpreting the Lanham Act. The Lanham Act allows for injunctive relief,²⁹⁷ and courts have seemed to prefer it to awarding damages in

²⁹⁴ It is reasonable to think that courts would more readily award nominal damages in close cases than they would in cases with much higher stakes. The cost of erring on the side of overprotecting trademark rights is not as high under the new remedy.

²⁹⁵ See Dogan & Lemley, *Grounding*, *supra* note 29, at 1682 n.48.

²⁹⁶ *E.g.*, *Playboy Enters., Inc. v. Netscape Commc'ns. Corp.*, 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) ("There is a big difference between hijacking a customer by another website by making the customer think he or she is visiting the trademark holder's website (even if only briefly), which is what may be happening in this case when the banner advertisements are not labeled, and just distracting a potential customer with another *choice*, when it is clear that it is a choice. . . . Accordingly, I simply cannot understand the broad principle set forth in *Brookfield*. Even the main analogy given in *Brookfield* belies its conclusion.").

²⁹⁷ 15 U.S.C. §§ 1114, 1116, 1117 (2006).

many situations. Changing the available remedies may require amending the Act.

CONCLUSION

At the time the major codification of trademark law took place in the 1940s, no one concerned with trademark protection could have imagined where commerce would be sixty years in the future.²⁹⁸ Today, commerce conducted on the internet is so widespread that people can buy almost any item (even illegal ones) without much trouble. Shopping on the internet, however, is a different exercise from shopping in the brick-and-mortar world. Unfortunately, the development of trademark law on the internet has not always taken these differences into account.

Currently, a doctrine that has gone far beyond its original applications has come to threaten the foundations of trademark protection on the internet. The broad application of initial interest confusion along with the awarding of injunctions is an easy way for trademark owners to threaten and harm competitors. There are many solutions to this problem, but each presents some significant practical problems. A possible way to avoid these problems is to look beyond the elements of liability and turn to an emphasis on remedies. Changing the remedy for certain situations of trademark infringement can help realign trademark law with its underlying purposes. This change also has some other positive benefits. The change in remedy will help deter frivolous and weak suits brought to threaten and harm competitors. It will likely decrease the total amount of litigation on these issues, resulting in reduction of the federal court burden. Most importantly, this change can also serve the important public interest of promoting vibrant and competitive online markets. Weighing against these important and worthwhile goals are the interests of trademark owners in receiving rights in gross and wielding monopoly power. The choice is clear: the public interest and the competitive market should win. Without any harm to consumers or any real harm to competitors, there should be no foul.

²⁹⁸ The Lanham Act went into effect on July 5, 1947. Lanham Act of July 5, 1946, § 46(a), 60 Stat. 427, 444 (1946) (codified in introductory material to 15 U.S.C. § 1051) (“This Act shall be in force and take effect one year from its enactment.”).