

Trademark Use and the Problem of Source in Trademark Law

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I. Introduction

“Trademark use” is all the rage. Several scholars recently have argued that a revitalized trademark use doctrine is the antidote to trademark law’s steady expansion.¹ These scholars argue that courts can effectively bound trademark rights by requiring plaintiffs to demonstrate, as an independent, threshold element of infringement, that the defendant has used the plaintiff’s mark *as a trademark*.² Treating trademark use as a threshold element would, in theory, keep courts from having to engage in the highly context dependent likelihood of confusion analysis and make an entire class of cases resolvable at an early stage in the proceedings.³ To borrow an analogy, the trademark use determination is thought to be “above the line.”

¹ See, e.g., Margeth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use”*, 39 U.C. DAVIS L. REV. 371 (2006); Uli Widmaier, *Use, Liability and the Structure of Trademark Law*, 33 HOFSTRA L. REV. 603 (2004); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507 (2005); Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. (forthcoming 2007) (draft available at <http://ssrn.com/abstract=961470>).

² Google articulated this position in its brief to the Second Circuit in *Rescuecom v. Google, Inc.*, claiming that “bootstrapping a finding of use by alleging other elements of a trademark claim, such as likelihood of confusion, puts the cart before the horse. Just as a plaintiff in a negligence case cannot claim that the allegation that she fell and broke her arm shows that the defendant breached the applicable duty of care, Rescuecom cannot claim that the allegation of a likelihood of confusion shows that Google engaged in trademark use.” Brief of Defendant-Appellee 12-13, *Rescuecom Corp. v. Google, Inc.*, No. 06-4881-cv (2d Cir. Feb. 12, 2007) (copy available at <http://claranet.scu.edu/tempfiles/tmp30925/rescuecomappelleebrief.pdf>) (hereinafter “Google Brief”).

³ See Dogan & Lemley, *supra* note 1 at 6 (arguing that “the trademark use doctrine, properly applied, serves as a limited tool for identifying classes of behavior that cannot constitute infringement.”).

The trademark use doctrine is seductive because it seems to offer predictable limits on the scope of trademark rights, and limits of any kind have proven remarkably elusive in modern trademark law. Specifically, the trademark use doctrine appears to offer an objective way out of trademark law's one-way ratchet to broader rights by defining a set of uses that are acceptable without reference to consumer expectations.⁴ For this reason, intellectual property scholars generally, if not universally,⁵ have embraced the doctrine.⁶

⁴ A number of scholars have described this process of expansion. See, e.g., James Gibson, Risk Aversion and Rights Accretion in Intellectual Property Law, *Yale L.J.* (2007); Dogan & Lemley, *supra* note 1 at 35-36 (arguing that, because litigation is costly and uncertain, many people who have the right to make a particular use will not, which “in turn may actually affect consumer perceptions of whether such uses are permissible at all”); Mark P. McKenna, The Normative Foundations of Trademark Law, 82 *NOTRE DAME L. REV.* 1839, 1916 (2007) (arguing that “once courts and Congress began to expand trademark law and committed it to consumer understanding, expansion became self-reinforcing—broader protection begets consumer expectations of greater control, which begets even broader protection”).

⁵ Responding particularly to Dogan & Lemley, Graeme Dinwoodie and Mark Janis rejected the trademark use doctrine both descriptively and prescriptively. Graeme Dinwoodie and Mark Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 *Iowa L. Rev.* (forthcoming 2007) (draft available at <http://ssrn.com/abstract=927996>). I address many of Dinwoodie & Janis's arguments throughout this paper.

⁶ In addition to the academic articles noted above, law professors have authored and/or signed amicus briefs arguing for recognition of a trademark use threshold determination and have testified before Congress to press the argument. See Brief of Amici Curiae Intellectual Property Law Faculty in Support of Affirmance, *Rescuecom Corp. v. Google, Inc.*, No. 06-4881-cv (2d Cir. Feb. 22, 2007) authored by Stacey Dogan and Eric Goldman and signed by 18 law professors (copy available at http://claranet.scu.edu/tempfiles/tmp31118/rescuecom_v_google_law_profs_amicus_brief_as_filed.pdf); Trademark Dilution Revision Act of 2005: Hearing on H.R. 683, Before the Subcommittee on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. 16 (2005) (testimony of Anne Gundelfinger, President of the International Trademark Association); *Id.* at 18, 21 (testimony of Mark A. Lemley).

Unfortunately, these advocates put much more weight on trademark use than that doctrine can bear.⁷ As this paper demonstrates, the Lanham Act does condition liability on use of a mark as an indication of source. Trademark use, however, cannot realistically be thought of as a threshold element because it cannot be determined without resort to consumer understanding. Specifically, under modern trademark law, courts can find that a defendant has made “trademark use” of a plaintiff’s mark only if the evidence suggests consumers are likely to view the defendant’s use as one that indicates the source of the defendant’s products or services.⁸

When courts or commentators draw clear conclusions about whether a particular use qualifies as a trademark use, they are only expressing their judgment that consumers are unlikely to view the use as indicative of source. In some cases such those assumptions might seem reasonable. But because consumer understanding is generally dispositive in trademark law, there can be no categorical judgments here. If a party can present actual evidence that consumers believe a particular use denotes source, an intellectually honest court would have no choice but to deem that use a “trademark use.”

⁷ This has become clear in the cases involving the use of trademarks in keyword advertising – the very cases that have animated most scholars’ advocacy of a trademark use doctrine. Despite increasing focus on “trademark use” the cases are strikingly inconsistent. Compare *Edina Realty v. TheMLSOnline.com*, 2006 WL 737064 (D. Minn. March 20, 2006) (keyword use by advertisers constitutes trademark use in commerce) and *Buying for the Home v. Humble Abode*, 2006 WL 30000459 (D.N.J. October 20, 2006) (same) with *Merck v. Mediplan Health Consulting*, 425 F.Supp.2d 402 (S.D.N.Y. 2006) (keyword use is not trademark use in commerce); *Washingtonpost.com v. Gator*, 2002 WL 31356645 (E.D. Va. 2002) (use of keywords to trigger adware constitutes trademark use in commerce) with *U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F.Supp.2d 723 (E.D.Va. 2003) (use of keywords to trigger adware is not trademark use in commerce) *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F.Supp. 2d 734 (E.D. Mich. 2003) (same) and *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005).

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

Indeed, precisely because trademark use is not separable from consumer understanding, proponents cannot articulate the doctrine without lapsing into claims about likelihood of confusion. In the context of product configuration trade dress, for example, Dogan and Lemley would determine whether a particular use was a “trademark use” solely by asking whether the defendant’s use was likely to cause confusion. “If a party adopts its competitor’s protected, non-functional product configuration in a way that confuses potential customers over source, sponsorship, or affiliation, it is engaged in trademark use of that trade dress.”⁹

Trademark use, then, is not a concept capable of serving the limiting function advocates hope. But neither is a failure to apply the doctrine to blame for seemingly ever-expanding trademark rights. The real problem in modern trademark law is that the scope of trademark rights depends entirely on consumer beliefs about “source.” Yet consumer beliefs, particularly with respect to vague terms like “source,” are highly suggestible and based in part on assumptions about the law. Consequently, modern trademark law is inherently unstable and prone to endless expansion.

To take a seemingly extreme example, imagine consumers came to believe that no one could legally use the NIKE mark in any way without Nike’s permission – perhaps because Nike tells them as much.¹⁰ Operating under such a belief, consumers who

⁹ Dogan & Lemley, *supra* note 1 at 40.

¹⁰ See Privacy/Terms of Use at

<http://www.nike.com/index.jhtml#l=nikehome&re=US&co=US&la=EN> (“All trademarks, service marks and trade names of NIKE used in the website (including but not limited to the NIKE name, the Swoosh Design and the Basketball Player Silhouette ("Jumpman") Design) are trademarks or registered trademarks of NIKE, Inc. They may not be used without NIKE's prior written permission.”) (last visited June 7, 2007). These overbroad statements are extremely common. See, e.g., <http://www.google.com/accounts/TOS?loc=US>) (“9.2 Unless you have agreed otherwise

encountered an article in the New York Times entitled “NIKE RELEASES NEW CROSS-TRAINING LINE” might well expect that the New York Times licensed use of the NIKE mark.¹¹ If the newspaper did not license use of the NIKE mark, these consumers would be confused about Nike’s sponsorship of or affiliation with the New York Times.¹² Consequently, as a matter of trademark law, the paper’s use would infringe Nike’s rights.

These types of uses generally have not been thought to infringe trademark rights, not because of a trademark use doctrine, but only because courts have safely been able to conclude that consumers do not regard uses in newspaper headlines as source indicative. Consumer understanding of these uses may well change, however, as consumers become more aware of commercial relationships like product placement that blur the line between advertising and content. And if consumers do begin to expect that newspapers must license use of trademarks, there will be no principled trademark reason to refuse to expand liability accordingly.¹³

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

¹¹ If the statistics Jim Gibson cites are even mildly representative, such an expectation is hardly farfetched. See Gibson, *supra* note 4 at 924 (citing a 1983 study in which 91.2% of respondents agreed that “[n]o product can bear the name of an entertainer, cartoon character, or some other famous person unless permission is given for its use by the owner of the name or character”).

¹² Of course consumers in this situation may not care whether or not the use was licensed. But since trademark law has no materiality element, it does not matter whether consumers care.

¹³ Courts might well be reluctant to impose liability in such a case, and particularly to issue injunctive relief, but any limitations would have to come from the force of the First Amendment. Trademark law, as it is currently constituted, would simply follow consumer understanding.

The remainder of this paper proceeds as follows. First, because trademark use advocates and critics alike claim for their view better historical footing, in Part II I describe the role of “use” in traditional trademark law. I argue that both sides of this debate lack important historical context and that, when viewed in its proper light, only one aspect of “trademark use” has continuing relevance. In Part III I analyze the role of “trademark use” in the modern Lanham Act and argue that “trademark use” is implicit in the liability standard because only trademark use can cause actionable source confusion. Unfortunately, one can only determine whether a particular use indicates source, and therefore qualifies as a trademark use, by reference to consumer understanding. And, as I argue in Part IV, this is a problem because “source” in modern trademark law is ill-understood by consumers and potentially limitless.

II. The Role of Use in Traditional Trademark Doctrine

Advocates of the trademark use doctrine argue that courts have always required trademark use as a condition of liability and that the trademark use requirement has traditionally provided a bulwark against overly expansive trademark protection.¹⁴ Because of the trademark use doctrine, they suggest, a grocery store can place generic sodas on the shelf next to Coca-Colas, and content creators can reference trademarks for purposes of criticism or parody without incurring liability.¹⁵ A number of recent expansionist trends are a consequence of courts’ failure to hold fast to the trademark use requirement, and a number of widely accepted practices are at risk unless courts reverse

¹⁴ See Dogan & Lemley, *supra* note 1 at 13 (“The recent ‘trademark use’ decisions, therefore, are simply articulating and refining a longstanding principle of trademark law that finds support in both the Lanham Act and relevant case law, one that was until recently so widely accepted that trademark owners never sought to challenge it.”); Barrett, *supra* note 1 at 376-87.

¹⁵ Dogan & Lemley, *supra* note 1 at 5.

course. Critics of the trademark use doctrine, on the other hand, “find no foundation for the theory in current trademark law”¹⁶ and deem historical arguments in favor of the doctrine unavailing. In fact, they suggest, history casts serious doubt on the claim that a trademark use doctrine will promote certainty.¹⁷

This section takes up the historical arguments and evaluates the role of trademark use in traditional trademark law. It suggests that trademark law traditionally has incorporated a trademark use concept in a couple of different ways, but that trademark use in traditional trademark law tells us very little about what role the concept plays in modern trademark law.

A. Use Requirements in Traditional Trademark Law and Theory

It is a matter of black letter law that trademark rights are a function of a party’s use of a mark in connection with particular products or services. One acquires rights in a mark through use of the mark, and priority as between competing users is determined by first use.¹⁸ The nature of a party’s use also plays a significant role in defining the scope of that party’s rights. Traditionally one’s rights extended only to the specific goods with which one used its mark; only uses by direct competitors were deemed infringing.¹⁹ Because trademark law’s use rules were primarily created during the nineteenth century,

¹⁶ Dinwoodie & Janis, *supra* note 5 at 6, 10.

¹⁷ *Id.* at _.

¹⁸ 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:9 (4th ed. 1996). The first use rule has historical pedigree. See *American Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 287 (6th Cir. 1900) (quoting *George v. Smith*, 52 F. 830, 832 (C.C.N.Y. 1892) (“It is the party who uses [a designation] first as a brand for his goods, and builds up a business under it, who is entitled to protection, and not the one who first thought of using it on similar goods, but did not use it. The law deals with acts, not intentions.”)).

¹⁹ See McKenna, *supra* note 4 at _ [62-63]. Trademark rights are no longer so restricted, but a senior party’s use of its mark continues to play an anchoring role, since infringing uses are only those likely to cause confusion as to source.

however, the role of use in trademark law must be understood in the context of the those courts' understanding of normative goals of trademark and unfair competition law.

Traditional trademark law, like all of unfair competition, was targeted narrowly at preventing a party from illegitimately diverting the trade of its competitor. Courts protected producers from diversion by recognizing property rights in the flow of customers seeking the producer by means of the mark,²⁰ and they protected a party's exclusive right to use a trademark only within a particular field of trade and as against direct competitors.²¹ In this context, a party's use defined the nature and scope of its rights, and the nature of the defendant's use was critical to establishing liability.

Notably, traditional trademark law's focus on use is difficult to explain in terms of consumer search costs. First, contrary to the conventional claim, advanced by Dinwoodie and Janis,²² use is neither a necessary nor sufficient prerequisite to consumer understanding. Here I mean to suggest that a party need not have made *any* kind of use of a term for consumers to associate the term with that particular party, but it is particularly clear that affixation – typically necessary to support a use-based application – is not necessary to create such understanding. In fact, as courts have increasingly embraced the search costs theory of trademark they have sometimes relaxed the use rules and recognized a party's rights to a mark even when that party had never itself made any use of the mark.²³ At the same time, actual use of a trademark in a way typically deemed

²⁰ See McKenna, *supra* note 4 at 1884-86.

²¹ *Id.* at 1888-89 (noting that unfair competition required competition).

²² See Dinwoodie & Janis, *supra* note 5 at 18.

²³ In a variety of cases, courts have recognized trademark rights in abbreviations or nicknames used only by the public. See *National Cable Television Assoc., Inc. v. American Cinema Editors, Inc.*, 937 F.2d 1572, 1577-78 (Fed. Cir. 1991) (“Moreover, even without use directly by the claimant of the rights, the courts and the Board generally

sufficient to support an application does not guarantee that consumers will associate a term with its first user because the nature of one's use tells us nothing about consumer exposure to the mark.

It is ironic then that the trademark use doctrine is promoted primarily by some of the most vocal advocates of the modern search costs theory of trademark law.²⁴ Applied woodenly, use rules almost certainly will produce results in some cases that are inconsistent with consumer expectations. That would not have bothered courts applying traditional trademark principles because those courts did not seek to protect consumer understanding for its own sake. But use rules that are insensitive to consumer understanding stand in deep tension with a search costs theory of trademark law.

The following section looks closely at the concept of "trademark use" in two areas of traditional trademark law: the nature of a plaintiff's rights and infringing use by a

have recognized that abbreviations and nicknames of trademarks or names used only by the public give rise to protectable rights in the owners of the trade name or mark which the public modified. Such public use by others inures to the claimant's benefit and, where this occurs, public use can reasonably be deemed use 'by' that party in the sense of a use on its behalf."); *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 188 F.3d 427, 434 (7th Cir. 1998) (quoting *National Cable Television*); *American Stock Exch., Inc. v. American Express Co.*, 207 U.S.P.Q. (BNA) 356, 363 (T.T.A.B. 1980) (attributing to American Express rights in "AMEX"); *Volkswagenwerk AG v. Hoffman*, 489 F.Supp. 678, 681 (D.S.C. 1980) (recognizing VW's rights in "Bug" based on public usage of the nickname without VW's protest); *The Norac Co., Inc. v. Occidental Petroleum Corp.*, 197 U.S.P.Q. (BNA) 306, 315 (T.T.A.B. 1977) (earlier use of "OXY" by public determined priority); *Pieper v. Playboy Enter., Inc.*, 179 U.S.P.Q. (BNA) 318, 320 (T.T.A.B. 1973) ("BUNNY CLUB" protected); *Coca-Cola Co. v. Busch*, 52 U.S.P.Q. (BNA) 377 (E.D. Pa. 1942) (public's use of "COKE" to refer to Coca-Cola's soft drink gave Coca-Cola rights in that term).

²⁴ Dogan and Lemley in particular have pressed the search costs rationale. See Dogan & Lemley, *supra* note 1; Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Trademark Defenses* (forthcoming 2007) (draft available at <http://ssrn.com/abstract=977320>); Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L. REV. 461 (2005); Stacey L. Dogan & Mark A. Lemley, *Trademark and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004).

defendant. As the section demonstrates, the vast majority of “use” precedent from this era relates to the nature of the plaintiff’s rights.²⁵ In itself, this makes reliance on traditional use precedent to support the trademark use doctrine somewhat questionable; as Dinwoodie and Janis note, use need not have the same significance in the infringement context.²⁶ But even if the acquisition precedent does have some probative value, it has largely been misunderstood. While it is true that trademark use traditionally was a prerequisite to *trademark* rights, parties could get relief through unfair competition even without owning exclusive rights. Thus, trademark use advocates who rely on precedent dealing with acquisition of rights dramatically overstate the significance of trademark use in the traditional era.

B. Use and the Nature of Rights

Cases from the traditional era dealing with the issue of use generally were decided at a time when courts divided the universe of distinguishing terms into “technical trademarks,” which were protected in actions for trademark infringement, and “trade names,” which could only be protected in actions for unfair competition. This distinction appeared at some point in the late nineteenth century, around the time Congress began to

²⁵ See Dinwoodie & Janis, *supra* note 5 at 17-18. Barrett concedes that “the case law provides relatively little discussion of when a defendant ‘uses a mark as a trademark’ for purposes of infringement liability.” Barrett, *supra* note 1 at 373. She also later concedes that inconsistency between the language of § 32 and the definition of “use in commerce,” makes it possible that “the literal language of the section 45 ‘use in commerce’ definition is limited to defining the acts necessary to gain ownership and registration of a mark.” *Id.* at 385. Nevertheless she concludes that the trademark use requirement is “well established in statutory language and case law and serves a separate and distinct purpose in shaping trademark rights.” *Id.* at 378.

²⁶ Dinwoodie & Janis, *supra* note 5 at 19.

legislate in the trademark area.²⁷ Only technical trademarks were registrable under early federal statutes, and only owners of registered trademarks could assert federal claims. In this context “trademark use” was the type of use necessary to achieve technical trademark status, and it had both formal and substantive dimensions.

Formally, technical trademarks were affixed to a product itself, or at least the product’s packaging or other closely related materials. Each of the first three federal trademark statutes required some form of application of the mark as a prerequisite to registration,²⁸ and courts considering the validity of a plaintiff’s claimed designation focused on affixation and other aspects of the plaintiff’s manner of use.²⁹ Meeting the formal requirements did not guarantee that a term would be deemed a technical trademark however, because not all terms were *capable* of serving as technical trademarks. Substantively, technical trademarks were arbitrary or fanciful terms applied

²⁷ One can reasonably question whether this is the appropriate reference point for “traditional” trademark principles, since trademark and unfair competition law significantly predate federal legislation and virtually none of the precedent predating the federal statutes imposed such formal requirements. Even focusing on this era as the appropriate reference point for “traditional” trademark principles, however, trademark use advocates overemphasize the significance of a determination that a plaintiff could not claim exclusive rights in a trademark.

²⁸ The Trademark Act of 1870 required a statement of the “mode in which [the mark] has been or is intended to be applied and used.” Act of July 8, 1870, § 77, ch. 230, 16 Stat. 198 (1870). The Supreme Court declared the Act of 1870 unconstitutional in *The Trademark Cases*, 100 U.S. 82 (1879). Later statutes passed in 1881 and 1905 required a party seeking registration to file a statement of the mode in which the mark was applied or affixed to the goods, and the length of time during which the trade-mark has been used. Trademark Act of 1881, 21 Stat. 138; Pub. L. No. 58-84, 33 Stat. 727 (1905), repealed by Lanham Act, Pub. L. No. 79-459, § 46(a), 60 Stat. 427, 444 (1946) (codified as amended in various sections of 15 U.S.C.).

²⁹ See notes ___ below and related text.

to particular products.³⁰ Surnames and descriptive terms, by contrast, could not be protected as technical trademarks. Those terms were designated “trade names” and were protected, if at all, in actions for unfair competition.

The significance of this distinction, and the concept of use generally, derived specifically from nineteenth century courts’ focus on trade diversion. For one thing, only a producer that had made prior use of a mark could make a case that a competitor using the same mark would divert customers who otherwise would have gone to him. Unless a producer made prior use of a mark, customers would not be relying on the mark to find that producer. Moreover, influenced as it was by the natural rights theory of property, traditional trademark law sought to encourage productive labor. Use of a mark served as a proxy for a party’s labor in building its business. Unless a party had made such use, it was not deserving of protection.

In practice, courts in the traditional era treated trademarks and trade names somewhat differently because they were less confident that consumers would attach source significance to trade names than they were trademarks. Trademarks by definition “point[ed] distinctively to the origin or ownership of the article to which it is applied.”³¹ Descriptive terms, by contrast, might simply denote “class, grade, style, or quality of the articles”³² sold by a producer. Surnames also were unlikely to designate a single source because they often were common to several individuals.

³⁰ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1993). See also MCCARTHY, *supra* note 18 at § 4:4 (defining technical trademarks as marks that were “fanciful, arbitrary, distinctive, non-descriptive in any sense and not a personal name”).

³¹ See *Lawrence Mfg. Co. v. Tennessee Mfg. Co.*, 138 U.S. 537, 546 (1891) (stating that a “trade-mark must, either by itself or by association, point distinctively to the origin or ownership of the article to which it is applied”).

³² *Diederich v. W. Schneider Wholesale Wine & Liquor*, 195 F. 35, 37 (E.D. Mo. 1912).

When a claimed term did not clearly denote source, a court could not reliably conclude that consumers who purchased a junior user's products necessarily were seeking the senior user. That was critical because all of unfair competition law was aimed at preventing trade diversion. As the Supreme Court said in *Lawrence Mfg. v. Tennessee Mfg. Co.*,³³

in all cases where rights to the exclusive use of a trade-mark are invaded, it is invariably held that the essence of the wrong consists in the sale of the goods of one manufacturer or vendor as those of another; and that it is only when this false representation is directly or indirectly made that the party who appeals to a court of equity can have relief. This is the doctrine of all the authorities.³⁴

Only when a term clearly indicated the source of a party's goods or services could "he who first adopted it be injured by any appropriation or imitation of it by others, [or] the public be deceived" because only then could a third party "induc[e] the public to purchase the goods and manufactures of one person supposing them to be those of another."³⁵

This focus on deception served an important limiting purpose in traditional trademark law. All of unfair competition law, including trademark law, aimed to prevent diversion of a producer's trade. Courts had to tread lightly here, however, because trade diversion is the essence of competition. Applied too broadly, unfair competition law could undermine the benefits of a market economy by condemning many efforts to compete. Courts guarded against overextension by carefully distinguishing between legitimate forms of competition and illegitimate attempts to divert trade. Deceptiveness was the point of demarcation.

³³ 138 U.S. 537 (1891).

³⁴ *Id.* at 546.

³⁵ *Lawrence Mfg.*, 138 U.S. at 546 (quoting *Canal Co. v. Clark*, 80 U.S. 311, 322 (1871)).

A competitor's use of certain types of marks – “technical trademarks” – could safely be condemned categorically because those uses were unlikely to have a legitimate explanation. By definition these marks did not describe features of the products with which they were used, and any use of those marks by competitors was likely to deceive consumers. Consequently, trademark infringement plaintiffs were not required to prove intent to deceive.

Use of a competitor's trade name, on the other hand, may have had an innocent explanation, such as description of the product's characteristics or its geographic origin. Use of a trade name therefore could not be condemned categorically without risking interference with mere competition. A trade name plaintiff therefore were required to prove that the defendant's use should be restricted because the defendant intended to divert the plaintiff's trade.

This was, however, merely and evidentiary distinction. Whether the American cases were based on trademark infringement or unfair competition, the underlying concern was trade diversion.³⁶ Indeed, many of the doctrinal limitations applied to both types of cases,³⁷ and courts often even made explicit reference to the close conceptual relationship between trademark infringement cases and other cases of unfair

³⁶ See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) (Th[e] essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement.”); JAMES LOVE HOPKINS, *THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION* at § 4 at 12 (1905) (“The principles involved in trademark cases and tradename cases have been substantially identical.”).

³⁷ “The qualified right in the tradename [or a trademark], a right to prevent a defendant from passing off his goods as those of the plaintiff by the use of it – exists only with regard to goods of the kind for which the plaintiff uses it, and to which the connection with his business suggested by the use of the name extends.” HOPKINS, *supra* note 36 at § 5 at 15 (quoting KERLY ON TRADEMARKS 475 (2d. ed. London 1901)).

competition.³⁸ Courts, it was clear, perceived no conceptual distinction between trademark infringement and unfair competition.³⁹

1. The (In)significance of Technical Trademark Status

As the foregoing section explained, courts in the nineteenth century operated had reason to distinguish between technical trademarks and trade names. But modern scholars often greatly overstate the significance of the distinction.

But importantly, and in contrast to the significance modern trademark use proponents would ascribe to a finding of no trademark use, the distinction courts traditionally drew between trademarks and trade names was not necessarily outcome determinative. While use of another's trade name could not be condemned *categorically*, such use could be condemned in particular circumstances with more evidence of illegitimacy. Specifically, a trade name plaintiff (one who, by definition, had not made "trademark use" of the claimed term) could prevail against a competitor's use of the trade name if it could prove that the competitor intended to pass off its products as those of the plaintiff.⁴⁰

³⁸ See, e.g., *Marsh v. Billings*, 61 Mass. 322, 330 (1851).

³⁹ HOPKINS, *supra* note 36 at § 2 at 3 ("It is true, as well, that the development of the law of the technical trademark tended to encourage the buccaneers of commerce to invent new and subtler means of stealing another's trade without trespassing upon his trademark rights. But the law, steadily though slowly, extended its bulwark of protection about the legitimate trader, until at length he was afforded legal redress in some form, not always adequate or complete, against the fraudulent diversion of his trade, in whatever form it might appear."). See Oliver R. Mitchell, *Unfair Competition*, 10 HARV. L. REV. 275, 284 (1896) ("In every unfair competition case the defendant's attempt is to appropriate to himself some part of the good will, or the entire good will, of the plaintiff's business.").

⁴⁰ This distinction was a more formal version of a distinction some English courts made between cases where the plaintiff could prove exclusive title to a mark (in which case equity would act to enjoin others' use of the mark immediately and without evidence of fraud) and those cases in which the plaintiff could not demonstrate title (in which case

In fact, in virtually all of the cases cited by trademark use advocates as examples of a trademark use requirement, the court explicitly recognized that plaintiffs lacking technical trademark rights were free to pursue passing off claims. For example, while Barrett points to *Diederich v. W. Schneider Wholesale Wine & Liquor Co.*⁴¹ as evidence that trademark use required affixation,⁴² it is clear in that case that a finding that the plaintiff had not made trademark use meant only that the plaintiff had to go the extra step of proving passing off. As the court noted, “[w]ords not actually affixed to the goods frequently constitute trade-names, and are protected as such against unfair competition.”⁴³ Indeed, despite the plaintiff’s lack of technical trademark rights in *Diederich*, the court thought it was “quite probable that the complainant state[d], in its bill, a cause of action against defendant for unfair trade.”⁴⁴

Thus even if these cases from the traditional trademark era – which focused primarily on acquisition of rights – offered some insight about what constitutes trademark use, they do not support any kind of *ipso facto* defense against infringement. Trademark use determined whether a party could claim exclusive rights, which gave rise to federal jurisdiction because that party’s claim could be grounded in the Lanham Act. Technical trademark rights also entitled the claimant to a presumption that the defendant’s use of the mark was intended to divert the plaintiff’s trade. But parties with interests in mere

equity would not act until the plaintiff had establish at law that the defendant nevertheless acted to divert his trade). See McKenna supra note 19 at ___.

⁴¹ 195 F. 35 (8th Cir. 1912).

⁴² The court noted in *Diederich* that “[a] trade-mark owes its existence to the fact that it is actually affixed to a vendable commodity.” *Id.* at 37.

⁴³ *Id.*

⁴⁴ *Id.* at 38. The court did not rule on any unfair trade claim, however, because it lacked subject matter jurisdiction over such state law claim, the parties being residents of the same state. *Id.*

trade names were able to get relief on unfair competition claims when they could prove intent to pass off (though trade name plaintiffs were relegated to state court in the absence of diversity jurisdiction).

C. Trademark Use and Infringement

As noted above, the overwhelming majority of cases in the traditional era that dealt with the concept of use focused on acquisition of trademark rights. Moreover, even in the few cases in which courts mentioned the defendant's lack of affixation of the accused mark, the outcomes were driven by the nature of the plaintiff's use of the claimed trademark.

In *Air Brush Mfg. Co. v. Thayer*,⁴⁵ which Barrett cites, the court noted that the defendant could not have infringed the plaintiff's trademark rights because it had not "affixed complainant's registered trademark to goods of substantially the same descriptive properties," as the then governing federal trademark statute required for "trademark use."⁴⁶ But the court had already concluded that the plaintiff had no technical trademark rights in "air brush" because the term was merely descriptive of the plaintiff's products (possibly even generic), and the plaintiff had never used the term to denote origin.⁴⁷

Likewise a small number of early trade dress cases discussed a lack of affixation, but those cases too focused largely on the nature of the plaintiffs' rights.⁴⁸ As these cases

⁴⁵ 84 F. 640 (N.D. Ill. 1897)

⁴⁶ *Id.* at 641.

⁴⁷ *Id.* at 640-41.

⁴⁸ See, e.g., *Davis v. Davis*, 27 F. 490, 492 (D. Mass. 1886) (rejecting plaintiff's claim of rights in the arrangement of the colors in wrappers on bars of soap on the ground that the plaintiff seemed to be claiming "a patent for an idea, under the guise of the registration of a trademark" and stating that "the trade-mark must be something other than, and separate

demonstrate, courts in this era were particularly reluctant to allow producers to use trademark or unfair competition law to protect the shape or design of their products or packaging. The easiest way to distinguish trademarks from the products with which they were used was to conceive of a mark formally as something applied to the goods.

This paucity of case law regarding the nature of a defendant's use presents something of a puzzle. Unlike the current Lanham Act, the early trademark statutes clearly defined infringement in a way that required affixation of some sort. Why, then, would we find so little case law in which the sufficiency of the defendant's affixation was really at issue? I suggest at least two things.

First, use of a mark in a manner not attached to one's goods was unlikely to implicate the narrow purposes of traditional trademark and unfair competition law. Recall that courts in this era were concerned only about preventing dishonest trade diversion.⁴⁹ Because only confusion regarding the actual, historical source of a product implicates this concern about trade diversion, courts did not recognize confusion about any other type of relationship between the plaintiff and defendant. Only when consumers were confused about actual source could a court say with confidence that the defendant

from, the merchandise"); *Harrington v. Libby*, 11 F.Cas. 605, 605-06 (S.D.N.Y. 1877) (rejecting plaintiff's claim to exclusive use of "a tin pail with a bail or handle to it ... used to contain paper collars for sale and sold with the collars" because to "recognize an exclusive right to an unpatented package" would allow "the forms and materials of packages to contain articles of merchandise ... [to] be rapidly taken up and appropriated by dealers, until some one, bolder than the others, might go to the very root of things, and claim for his goods the primitive brown paper and tow string, as a peculiar property"); *Diamond Match Co. v. Saginaw Match Co.*, 142 F. 727, 729 (6th Cir. 1906) (rejecting plaintiff's claim of exclusive right in tipped matches with partly red and partly blue heads on the ground that "the two colors ... serve not only a useful purpose but an essential function," and noting that, even though the plaintiff limited its claim to heads of two particular colors, the general rule was that color could not be monopolized to distinguish a product given the limited number of primary colors).

⁴⁹ See generally, McKenna, *supra* note 4.

was “attract[ing] to himself the patronage that without such deceptive use of such names . . . would have inured to the benefit of [the plaintiff].”⁵⁰ A party that used a mark in a manner unattached to its products was less likely to cause confusion about the actual source of a product.

Second, as discussed above, not nearly as much rode on the trademark use determination as modern proponents suggest. While the early trademark statutes required that a defendant somehow affix the complainant’s mark to its packages or related materials in order to commit *trademark infringement*, other types of uses could well have constituted unfair trade.

In *Air-Brush*, for example, the court concluded that the plaintiff lacked trademark rights in “air brush” and that the defendant could not be liable for trademark infringement under the federal statute because the defendant had not affixed the term to its products.⁵¹ The *Diederich* court similarly held that the plaintiff could not have trademark rights in the term “905” when that term was used merely in a sign upon a building, and a defendant using the term in such a manner therefore could not be deemed to infringe the plaintiff’s trademark rights.⁵² Nevertheless, in both cases the courts made clear that the

⁵⁰ *Coats v. Holbrook*, 7 N.Y. Ch. Ann. 713, 717 (1845).

⁵¹ 84 F. 640, 641 (N.D. Ill. 1897).

⁵² *Diederich*, 195 F. at 38. Interestingly, the dissent in *Diederich* attempted to distinguish the type of use necessary for registration from the type of use necessary to infringe. *Diederich*, 195 F. at 38, 40-41 (Sanborn, J., dissenting) (noting that, while the Acts of 1881 and 1905 required the applicant to file a statement of his trademark and “the mode in which the same is applied and affixed to goods,” the 1905 Act made actionable affixing the mark to “merchandise of substantially the same descriptive properties as those set forth in the registration, or to *labels, signs, prints, packages, wrappers, or receptacles intended to be used upon or in connection with the sale of merchandise . . .*”) (emphasis added).

outcome pertained strictly to trademark infringement allegations, and that the plaintiffs very likely had viable claims of unfair competition on the *same facts*.⁵³

Plaintiffs in this era surely understood that lack of technical trademark rights was not fatal and simply pleaded cases that did not involve affixation as unfair competition cases. Consequently, courts probably did not often have to confront the question of whether the defendant made technically infringing use.

D. Substantive “Trademark Use” and Infringement

While the formal aspects of trademark use, and particularly the affixation requirement, have been overemphasized by some trademark use proponents, the substantive dimension of trademark use did play a role in traditional infringement analysis. As noted above, courts denied descriptive terms technical trademark status because those terms have ordinary, non-trademark meanings in addition to whatever source significance they might have acquired. In light of this potential duality of meaning, courts could not conclude solely on the basis of the defendant’s use of the disputed term that consumers who purchased products from the defendant were deceived and otherwise would have patronized the plaintiff. Moreover, returning to the distinction between legitimate and illegitimate (dishonest) forms of trade diversion that was at the heart of traditional trademark law, it was clear that competitors sometimes had honest reasons to use descriptive terms (as they did geographic terms and surnames).⁵⁴ Just as only uses of trade names in their source designating capacity were worthy of protection,

⁵³ Neither court was able to exercise jurisdiction over the state law unfair competition claims, however, since diversity was lacking in both cases. See, *Air-Brush*, 84 F. at 641; *Diederich*, 195 F. at 38.

⁵⁴ See, e.g., *Avery & Co. v. Meikle & Co.*, 4 Ky.L.Rptr. 759, __ (1883) (noting that the law allows use of terms that are common property for the ideas which those terms commonly express, so long as the use is not misleading).

only uses of those terms in their source designating capacity were could be deemed infringing.

In order to prevail in an unfair trade case, a plaintiff needed to produce evidence of the defendant's intent to pass off its products as those of the plaintiff, and that evidence had to go beyond the defendant's mere use of the contested term.⁵⁵ Moreover, because trade names served legitimate functions, even in cases where courts were concerned that a defendant's use might create confusion they did not bar the defendant from using the trade name altogether. Instead, they crafted precise remedies, often requiring only disclaimers or other visual material that would clearly distinguish the source of the defendant's goods.⁵⁶

⁵⁵ See *Alff v. Radam*, 14 S.W. 164, 164-65 (Tex. 1890) (noting that a party has "no right to appropriate a sign or symbol which, from the nature of the fact that it is used to signify, others may employ with equal truth, and therefore have an equal right to employ, for the same purpose" but allowing for the possibility that a plaintiff might nevertheless prevail in such a case if the defendants intentionally simulated the peculiar device or symbol employed by the plaintiff in order to deceive consumers); *Elgin Nat'l Watch Co. v. Illinois Watch Case Co.*, 179 U.S. 665 (1901) (noting that competitors have good reasons to use terms in their primary sense, but cannot use terms to divert a producer's trade); *Thompson v. Montgomery*, (1889) 41 Ch.D. 35, 50 (holding that, the plaintiff's had no exclusive right to the use of "Stone Ale" alone as against the world, or any right to prevent the defendant from selling his goods as having been made at Stone, but could prevail against a defendant who used the words fraudulently to pass off its goods).

⁵⁶ See *W.R. Speare Co. v. Speare*, 265 F. 876, 880 (D.C. Cir. 1920) (reversing decree of the lower court and directing lower court to enter a decree prohibiting the defendant from using the word 'Speare' as the name, or part of the name, of their business as undertakers, or in advertisements, telephone directories, signs, or statements of any nature, unless accompanied by the words 'neither the successors of, nor connected with, the original W. R. Speare establishment, ' in appropriate juxtaposition therewith, and in conspicuous letters, and from making any statement, oral or otherwise, that they or any one of them is continuing the original business formerly done by W. R. Speare under that name at 940 F street, N.W., and now carried on by the defendants, or that they have any privity or connection by succession, inheritance, or otherwise, with said business, or that said original business is no longer in existence or is not being continued by the plaintiff herein); *Harring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554, 560 (1908) (modifying decree to forbid use of the name 'Hall,' either alone or in combination, in

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

The realities of nineteenth century commerce undoubtedly drove this conception of “source” to a large degree. The traditional framework was built at a time when producers sold a limited range of products in limited geographic areas. The twentieth century ushered in a new model of commerce in which producers sought to serve much wider markets, creating was economic and social pressure to expand the range of uses against which trademark law would respond. Most significantly, mark owners wanted protection of their marks against non-competitive goods and services. That required a relatively fundamental rethinking of unfair competition law, however, which had traditionally focused on uses by those in close competitive proximity. To allow mark owners to act against uses outside their markets, courts needed to revise their understanding of a trademark and of what “source” might mean. Consequently, even well before the Lanham Act was passed in 1946, courts began to expand the notion of source in trademark law.

corporate name, on safes, or in advertisements, unless accompanied by information that the defendant is not the original Hall's Safe & Lock Company or its successor, or, as the case may be, that the article is not the product of the last-named company or its successors).

The following section analyzes the role of trademark use in the Lanham Act and the broad notion of source in modern trademark law.

III. Trademark Use in the Modern Lanham Act

Trademark use proponents and opponents apparently agree that the Lanham Act does not explicitly make “trademark use” an element of infringement.⁵⁷ They differ over the doctrine’s implicit status. Dinwoodie and Janis argue that there is no trademark use requirement in the statute, and that trademark use traditionally has played a role only in acquiring trademark rights. Proponents of the doctrine, on the other hand, argue that the trademark use requirement has always been a foundational principle of trademark law and was never discussed explicitly until recently simply because “the vast majority of cases in the pre-Internet era involved defendants who had clearly used the mark (or something like it) as a visible device in marketing their own products.”⁵⁸

To the extent they advance a textual argument for the trademark use doctrine, proponents generally focus on the infringement provisions’ requirements that a defendant “use” the mark in question “in commerce.”⁵⁹ Under this reading, the infringement

⁵⁷ See Dinwoodie & Janis, *supra* note 5 at 14 (“There is no express statutory language supporting the trademark use theory. Even proponents of the theory concede as much.”). The trademark use requirement arguably is more explicit in the recently enacted Trademark Dilution Revision Act of 2006. See Graeme B. Dinwoodie and Mark D. Janis, *Dilution’s (Still) Uncertain Future*, 105 MICH. L. REV. FIRST IMPRESSIONS 98, 100 (2006) (<http://students.law.umich.edu/mlr/firstimpressions/vol105/dinwoodie.pdf>) (“in rather ambiguous language, the act seeks to impose a requirement that an alleged infringer be using the plaintiff’s famous mark as a mark”). I discuss trademark use and dilution below in section _.

⁵⁸ Dogan & Lemley, *supra* note 1 at 4.

⁵⁹ Use in commerce is a requirement under both § 32 and §43(a), though the provisions articulate the relevant test slightly differently. See 15 U.S.C. § 1114(1)(a) (“any person who shall, without the consent of the registrant ... use in commerce any ...”); 15 U.S.C. § 1125(a) (“any person who, on or in connection with any goods or services, or any container for goods, uses in commerce ...”). The newly adopted Trademark Dilution

provisions impose three distinct requirements: (1) “use” of a trademark, (2) in commerce, that (3) creates a likelihood of confusion. Consequently, for proponents, “use” must be decided as a threshold matter because “while any number of activities may be ‘in commerce’ or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the ‘use’ of a trademark.”⁶⁰

But, for this argument to hold, “use in commerce” must refer to a particular type of use. Even in the keyword advertising cases it is clear that the defendants have “used” the plaintiff’s trademarks in some way in connection with their commercial activities. Google, for example, sold Rescuecom’s trademark as a keyword and generated search results in response to the term.⁶¹ The defendants in these cases don’t deny such use; they simply claim that their use qualitatively is not the kind of use targeted by the Lanham Act.

“Use in commerce” is a defined term in the Lanham Act, though the definition is not entirely helpful here. According to § 1127, “use in commerce” is “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”⁶² More specifically, “a mark shall be deemed to be in use in commerce--

Revision Act of 2006 requires as a condition of liability “use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark.” 15 U.S.C. § 1125(c)(1).

⁶⁰ 1-800 Contacts v. WhenU.Com, Inc., 414 F.3d 400, 412 (2d Cir. 2005); see also Rescuecom Corp. v. Google, Inc., 456 F.Supp.2d 393, 400 (N.D.N.Y. 2006).

⁶¹ By contrast, in another case sometimes cited for the proposition that infringement requires trademark use, Holiday Inns, Inc. v. 800 Reservation, Inc., 86 F.3d 619 (6th Cir. 1996), the trademark use issue had to do with the plaintiff’s rights in 1-800-HOLIDAY, while the issue in terms of infringement was whether the defendant used the plaintiff’s mark at all when it registered a telephone number that corresponded to 1-800-H[zero]LIDAY but never used or promoted the number except as the alphanumeric 1-800-465-4329.

⁶² 15 U.S.C. § 1127.

- (1) on goods when--
 - (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and
 - (B) the goods are sold or transported in commerce, and
- (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.⁶³

I am not persuaded that Congress intended this definition of “use in commerce” to apply with respect to potentially infringing uses by the defendant in addition to defining the use necessary to qualify for rights.⁶⁴ Nevertheless, at least with respect to goods, one could plausibly derive from this definition a requirement that the defendant affix a mark to its goods or related materials in order to infringe.⁶⁵ This interpretation of “use in commerce” with respect to goods would suggest that “trademark use” is to be determined only formally in terms of the physical manner of the defendant’s application.

But this is not the sense of trademark use pressed by most advocates of the doctrine, likely because such a reading of § 1127 is difficult to square with the

⁶³ *Id.*

⁶⁴ When Congress amended § 1127 in 1988, it added the preamble language “use in commerce means the bona fide use of a mark in the ordinary course of trade and not merely to reserve a right in a mark.” Trademark Revision Act of 1988, Pub. L. No. 100-667, § 134, 102 Stat. 3935 (1988); S. REP. NO. 100-515, at 5-6 (1988). It did so at the same time it made other revisions to provide for applications to register marks based good faith intent to use the mark, and to make clear that marks could not be registered on the basis of “token use.” MCCARTHY *supra* note 18 at § 17:21. This is at least circumstantial evidence that Congress understood the use in commerce definition in § 45 to relate to the use necessary to gain ownership rights in marks.

⁶⁵ This reading is not inevitable, even if one believes the definition is intended to apply to uses by the defendant. The definition identifies uses that shall be deemed uses in commerce, but it is not clearly an exhaustive list. While the definition provides examples of actions that a court would have to find satisfied the “use in commerce” requirement, nothing in the text forbids a court from recognizing other uses in commerce.

infringement provisions. As Barrett recognized, reading § 1127 strictly would suggest that use of a mark to advertise goods would not infringe a mark owner's rights since use in commerce with respect to goods does not include use in advertising. Yet §32 defines infringement as "use in commerce" of a trademark "in connection with the sale, offering for sale, distribution or *advertising* of any goods or services."⁶⁶

This reading would suggest widespread error by the many courts that have found use in advertising infringing under § 32,⁶⁷ and even under § 43(a)(1)(A), which does not specifically refer to use in advertising in its definition of infringement.⁶⁸ That use in advertising could be deemed infringing was clear, as Barrett recognizes, even under the 1905 Act, which did explicitly require that the defendant's use be affixed to the goods.⁶⁹

⁶⁶ See 15 U.S.C. § 1114 (emphasis added).

⁶⁷ *Gen. Conference Corp. of Seventh-Day Adventists v. Perez*, 97 F.Supp.2d 1154 (S.D. Fla. 2000) (national religious organization's "Seventh-Day Adventist" and "SDA" marks infringed by defendant's use of the marks in church name, church publications, radio broadcasts and newspaper advertising); *Entertainment and Sports Programming Network, Inc. v. Edinburg Community Hotel, Inc.*, 735 F.Supp. 1334 (S.D. Tex. 1986) (hotel that received subscription television programming from satellite dish antenna without authorization infringed trade name and trademark "HBO" and "Home Box Office" by distributing trademark owner's programming to hotel patrons and by advertising owner's service in hotel); *U.S. Plywood Corp. v. Zeesman Plywood Corp.*, 92 F.Supp. 336 (S.D. Cal. 1950) (defendant's sale and advertising of grooved plywood under the trademark "Venetex" infringed plaintiff's "Weldtex" trademark).

⁶⁸ See, e.g., *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F.Supp. 1259 (S.D.N.Y. 1990) (defendant's use of plaintiff's mark in advertising claiming defendant's foods could be "exchanged" in same manner as plaintiff's program infringed plaintiff's rights under §§ 32 and 43(a)); *Wendy's Int'l, Inc., v. Big Bite, Inc.*, 576 F.Supp. 816 (S.D. Ohio 1983) (finding defendant's imitation of plaintiff's marks in purported parody of fast food restaurant's advertisement infringing under § 43(a)).

⁶⁹ See, e.g., *Mishawaka Rubber & Woolen Mfg. Co. v. Panther-Panco Rubber Co.*, 153 F.2d 662, 666-67 (1st Cir. 1946) (holding that use in advertising met the statutory affixation requirement).

Likewise, if infringing trademark use required affixation of the plaintiff's mark, there could be no action for reverse passing off.⁷⁰ In a reverse passing off case, the defendant sells another's product as though it was the defendant's own – for example, by pouring Coca-Cola into bottles labeled “New Soda” and selling the Coca-Cola as though it was “New Soda.”⁷¹ In these cases the defendant falsely designates the source of the goods it sells without ever using the plaintiff's mark in any formal sense. If there is some formal threshold requirement that the defendant make a certain use of the plaintiff's mark, all reverse passing off plaintiffs will fail that test.

Moreover, this formalistic approach to trademark use is entirely unhelpful with respect to services because the statutory definition of “use in commerce” is fatally ambiguous with respect to services. According to § 1127, a mark is *used* in commerce on services when it is “*used* or displayed in the sale or advertising of services.”⁷²

In recognition of these difficulties with the formalist approach, Dogan and Lemley admit that the “use in commerce” requirement “plays primarily a jurisdictional role in trademark cases” and advocate a “more fluid approach to [the use in commerce] language the infringement context, making the strict definition inapplicable to infringement.”⁷³ Even Google, a primary advocate of the trademark use doctrine, does not press the argument that “trademark uses” must be affixed to products. In its brief in *Rescuecom*, for example, Google concedes that trademark use is possible without “visual

⁷⁰ Courts have long recognized claims of reverse passing off under § 43(a). See, e.g.,

⁷¹ Reverse passing off should be contrasted with forward passing off (generally referred to simply as passing off), in which party B sells its own product as though it emanated from A. If, for example, I brewed my own soda and filled Coca-Cola bottles with it and then sold the drink as Coca-Cola, I would be passing off my soda as Coca-Cola.

⁷² 15 U.S.C. § 1127.

⁷³ Dogan & Lemley, *supra* note 1 at 9-10.

branding” and offers two hypothetical “trademark uses” that involve no affixation.

“When a waitress tells you that the syrupy brown beverage in your glass is Coca-Cola, that’s trademark use. So too would CBS be in hot water if it started using the three-note NBC chime in its promotions.”⁷⁴ These uses would qualify as “trademark uses” despite their lack of affixation, Google concedes, because they denote the source of the relevant product.⁷⁵

Trademark use then, is primarily meant or functionally; trademark use is use that in some way indicates the source or origin of one’s goods or services.⁷⁶ Rather than focusing on the nature of the thing used and the manner of its use, this definition of trademark use focuses on the meaning conveyed by that use. This functional view of the trademark use requirement is on better conceptual ground than the formalist view, but it is difficult to find in the text of the Lanham Act as an explicit element of infringement. Neither § 32 nor § 43(a) mentions “trademark use” or “use as a designation of source” in its definition of infringement. Both provisions require only that the defendant make (1) use of a trademark; (2) in commerce; (3) that is likely to cause confusion.⁷⁷

⁷⁴ Google Brief, *supra* note 2 at 11-12.

⁷⁵ *Rescuecom v. Google*, 456 F.Supp.2d at 400, quoting *Pirone v. MacMillan, Inc.*, 894 F.2d 579, 583 (2d Cir. 1990).

⁷⁶ Trademark use advocates have not sworn off the manner of use altogether, however. For example, while Dogan & Lemley concede that § 1127 needs to be interpreted somewhat more flexibly in terms of infringement, they maintain that the defendant must somehow present the plaintiff’s mark to consumers, and they emphasize that the defendant’s use must be as a mark for its own products or services. See Dogan & Lemley, *supra* note 1 at 10.

⁷⁷ The two sections differ to some extent in the language of likelihood of confusion, § 32 referring simply to uses in commerce that are likely to “cause confusion, mistake or to deceive,” while § 43(a) refers more specifically to use “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities.”

The lack of an explicit trademark use requirement in the infringement provisions, together with the exemptions from liability of particular non-trademark uses in §33(b)(4)⁷⁸ conclusively demonstrates to Dinwoodie and Janis that no general trademark use requirement exists.⁷⁹ By identifying particular non-trademark uses as fair uses, Congress demonstrated that it knew how to exempt non-trademark uses when it wanted to and implicitly rejected a categorical exemption for non-trademark use.⁸⁰ Indeed, reading a general trademark use requirement into the infringement provisions would render the fair use provision superfluous, and as Dinwoodie and Janis note, “ordinary canons of statutory construction counsel against” such a reading.⁸¹

At first glance, this statutory construction seems compelling. It is difficult to tease a trademark use requirement out of the “use in commerce” language of the statute, and the descriptive fair use defense does seem unnecessary if the statute generally imposes liability only when a defendant makes trademark use.

But close examination reveals that the infringement provisions *do* require “trademark use” in order to trigger liability. This requirement derives not from the definition of “use in commerce” but from the fact that liability attaches only for uses that

⁷⁸ See 15 U.S.C. 1115(b)(4) (making a defense to trademark infringement “the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin”).

⁷⁹ Dinwoodie & Janis, *supra* note 5 at 23.

⁸⁰ Dinwoodie & Janis, *supra* note 5 at ___. The recently enacted Trademark Dilution Revision Act has a similar exemption for fair uses, though it too requires that the defendant use the famous mark “other than as a designation of source.” See 15 U.S.C. § 1125(c)(3)(A) (exempting “any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services ...”).

⁸¹ Dinwoodie & Janis, *supra* note 5 at 25-26.

cause a particular type of confusion – *source* confusion. Because the only uses that can cause source confusion are uses that in some way indicate source, the infringement provisions implicitly require trademark use in the substantive sense.⁸²

Nevertheless, the trademark use requirement is very unlikely to serve the type of limiting function proponents desire, because the question of whether a particular use denotes source cannot be determined as a threshold matter without resort to consumer understanding regarding source.

A. Infringement Requires Confusion as to Source

Under the Lanham Act, to infringe a registered trademark, one must “use in commerce any reproduction, counterfeit, copy, or colorable imitation of [the] registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.”⁸³

It is not necessary to stretch the “use in commerce” language to see that this provision requires that a defendant make a source designating use. By the terms of the statute, to be deemed infringing the defendant’s use in commerce must be likely to “cause confusion, or to cause mistake, or to deceive.” And while the statute does not say so explicitly, it is abundantly clear that actionable confusion under this provision is confusion as to *source*. This point needs some further elaboration, however, because source in modern trademark law is an exceedingly broad and somewhat elusive concept.

1. Source in the Modern Lanham Act

⁸² This reading does render §33(b)(4) inescapably superfluous, but as I describe below, superfluity hardly distinguishes the descriptive fair use defense.

⁸³ 15 U.S.C. § 1114(1)(a).

The claim that the Lanham Act makes actionable only confusion as to source may sound strange since a number of courts and commentators have suggested that the current Lanham Act targets confusion more generally.⁸⁴ They reach this conclusion by focusing on the 1962 amendments to § 32 of the statute. Prior to that amendment, uses deemed infringing of a registered trademark were those that were “likely to cause confusion or mistake or to deceive purchasers as to the source of origin of goods.”⁸⁵ Congress in 1962 deleted everything following the reference to purchasers, leaving the current statutory language making actionable uses “likely to cause confusion, or to cause mistake, or to deceive.”⁸⁶

The extent to which Congress meant to expand significantly the scope of infringement by this amendment is the subject of some debate,⁸⁷ but not a particularly important one here. Whether or not Congress intended this change to expand the scope of mark owners’ rights, courts clearly have given the current language broad construction.⁸⁸ The important issue here is the significance of Congress’ decision to delete the language requiring confusion as to “source of origin.”

⁸⁴ Dinwoodie & Janis, *supra* note 5 at 82; *Syntex Labs. v. Norwich Pharmacal Co.*, 437 F.2d 566, 568 (2d Cir. 1971).

⁸⁵ See Lanham Trade-Mark Act of 1946, Pub. L. No. 79-459, § 32, 60 Stat. 427, 437 (1946).

⁸⁶ 15 U.S.C. § 1114(a).

⁸⁷ See Glynn Lunney, *Trademark Monopolies*, 48 EMORY L.J. 367, 470-75 (1999) (analyzing the amendment and arguing that, while Congress meant to expand the scope of actionable confusion beyond actual purchasers to potential purchasers, it did not intend deletion of “as to the source of origin of goods” to be considered a substantive change); Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731, 800-01 (2003).

⁸⁸ See *Kos Pharmaceuticals, Inc. v. Andrx Corp.*, 369 F.3d 700, 711 (3d Cir. 2004); *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 295 (3d Cir. 2001) (citing deletion of the phrase “purchasers as to the source or origin of such goods or services” from the end of the former definition as evidence that the Lanham Act

To understand this amendment, it is important to recall that the traditional purpose of trademark law was to prevent one producer from passing off its products as those of its competitor. Because trade diversion is only a risk when the junior and senior users compete directly, trademark law traditionally was concerned only when consumers were confused about the actual, historical source of a product. Only when confused about the actual source of a product might a consumer purchase a junior user's product believing the product was produced by the senior user. Consumers who are confused by the defendant's use in other respects – perhaps mistakenly assuming a relationship between the plaintiff and defendant – might be impacted by their confusion, but they are unlikely to purchase the defendant's product believing it to have originated with the plaintiff. Consequently, when courts said that actionable confusion was confusion as to a product's "source of origin," they meant to refer to the actual, historical source of a product. "Source" was understood quite literally.

As trademark law developed in the early twentieth century, courts began to question whether the purposes of trademark law should be so limited. In particular they were under pressure to protect mark owners against noncompetitive uses. To do so, courts had to embrace a radically different notion of harm to a mark owner, and at a doctrinal level they had to construe "source" more broadly. Consumers familiar with a company's products were unlikely to believe uses of the same mark for different products emanated from the same actual source. But consumers might well believe the producers of those noncompetitive products were related in some way. By redefining source to include parties related to or affiliated with

condemns confusion beyond the traditional source-of-origin confusion); Syntex Labs., 437 F.2d at 568.

At the same time courts were feeling more pressure to prevent noncompetitive uses they were forced to deal with the another emerging commercial reality. As it turned out, mark owners frequently were not the actual producers of their own products. This posed conceptual problems for a system that condemned uses that deceived consumers about the actual source of products. Why should a court prevent a defendant from using a mark that confused consumers about source if the plaintiff was doing the same thing?

As a consequence of this concern, licensing traditionally was forbidden.⁸⁹ But courts increasingly had difficulty accepting that production of products by a mark owner's affiliates or licensees was illegitimate. In order to distinguish it from infringing uses, courts gradually loosened the restrictions on licensing. They did so primarily by reconceptualizing what it meant to be the "source" of a product. Though it did not actually produce a particular product, courts began to hold, a mark owner could be considered the "source" of that product if it exercised sufficient control over the quality of products sold under its mark. Consequently, "source" in modern trademark law does not necessarily refer to the actual producer of a product, but instead the entity exercising control over the quality of products bearing a particular mark. That entity might be related to the actual producer only by contract.

This new conception of source had obvious implications for the infringement analysis too. If the mark owner was not the actual producer of the products sold under its mark, it could not very well contend that the defendant's use of the same mark suggested to consumers that the mark owner produced the product. But it could claim that consumers would assume that the defendant, like the mark owner's licensees, operated under the mark owner's control. The defendant's use, in other words, might cause

⁸⁹ CITE

confusion about whether the mark owner sponsored or was affiliated with the defendant's use.

In this context it is clear that Congress did not intend to make actionable confusion of any kind when it amended § 32. Instead, the amendment was intended to broaden the scope of infringement to cover confusion not only as to actual physical source but as to the kinds of relationships courts had been recognizing already. Now, as always, the statute targets only source confusion, but "source confusion" can take the form of confusion as to the actual origin of a product or as to the mark owner's sponsorship of or affiliation with that use. All of these relationships are, in modern terms, "source" relationships.⁹⁰

An example may help drive home the point. Say for example that Pepsi started a new advertising campaign claiming to be "preferred over Coke by cyclists and runners." Further assume that consumers seeing this ad were confused over whether Pepsi was in fact preferred over Coke by cyclists and runners. Would Coke have a claim for infringement of its trademark rights? Of course not. It is not trademark infringement despite the apparent confusion because Pepsi's ad does not cause the right type of confusion – confusion as to source.⁹¹

⁹⁰ Section 43(a), amended in 1988, now refers specifically to all of these types of confusion. See 15 U.S.C. § 1125(a)(1)(A) (defining as infringing uses "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person"). Cf. Dinwoodie & Janis, *supra* note 5 at 82 (arguing that the broader interpretation of the 1962 amendments as having obviated the need to show confusion as to source of origin was affirmed legislatively by the 1988 revisions to § 43(a)).

⁹¹ If the claim was unfounded, of course, it might constitute false advertising under § 43(b). 15 U.S.C. § 1125(b). That liability turns on the falsity of the claim, however, and not consumer confusion.

2. Only Source Designating Uses Can Cause Source Confusion

Having established that the infringement provisions of the Lanham Act make actionable only source confusion, the central question becomes clear: What types of uses of a trademark have the capacity to cause confusion about the source of a product or service?

The question almost answers itself; it is difficult to imagine how any use of a mark that does not indicate source could confuse consumers about source. What would cause the confusion, if not a source indication?

If the only types of uses of a mark that could cause confusion about source are uses that themselves denote source, then by definition the infringement provisions apply only to uses that designate source. And just as clearly the defendant's use must indicate the source of something other than the plaintiff's products or services, otherwise the use would only reinforce the mark's primary association and there could be no confusion.⁹² Consequently, use of a mark in a non-source indicative manner, though it may cause confusion of some type, cannot cause the source confusion that is actionable under the Lanham Act.⁹³

McCarthy therefore comes close when he suggests that "a non-trademark use is highly unlikely to cause actionable confusion."⁹⁴ McCarthy only comes close, however, because he understates the point. A non-trademark use – one that does not indicate source, sponsorship or affiliation – is not merely *unlikely* to cause confusion, it is

⁹² For this reason Dogan & Lemley's emphasis on whether a defendant uses the plaintiff's mark to designate the source of *its own* products or services does not aid the inquiry. See Dogan & Lemley, *supra* note 1 at 11-14.

⁹³ See, e.g., *Park 'N Fly, Inc. v. Dollar Park & Fly*, 469 U.S. 189, 197-98 (1985).

⁹⁴ MCCARTHY *supra* note 18 at § 23:11.50

conceptually incapable of causing the type of confusion actionable under the Lanham Act.⁹⁵

In their argument against a general trademark use requirement, Dinwoodie and Janis suggest that a requirement of “trademark use” is incompatible with a number of circumstances “in current trademark law where third party uses otherwise than as a mark are actionable because they cause confusion and disrupt consumer understanding.”⁹⁶ They note specifically that a defendant’s use of a rival’s mark as part of its corporate name would clearly give rise to potential liability.⁹⁷ Likewise, Dinwoodie and Janis note, including a term as part of a narrative sentence that appears on the packaging of goods, or on the goods themselves, is unlikely to be treated by courts or the United States Patent and Trademark Office as “use as a mark.”⁹⁸

These arguments are unavailing, however, because they treat the reference to a “trademark” too formally. As discussed at length above, the sense in which the Lanham Act requires “trademark use” is the substantive sense; “trademark use” is use that denotes the source of the defendant’s products or services. In this sense, of “trademark use” includes uses of a trade name, service mark, or any other formal designation, so long as

⁹⁵ Google similarly mischaracterizes the issue when it claims in its brief in *Rescuecom* that “people are often confused, but only confusion caused by trademark use is actionable.” Google Brief at 6. More accurately, not all confusion is relevant; only confusion about source is actionable. And since only use of a source designator can cause confusion as to source, infringement necessarily entails use that designates source.

⁹⁶ Dinwoodie & Janis, *supra* note 5 at 36

⁹⁷ *Id.*

⁹⁸ *Id.* It is true that this type of use would not likely be treated as a sufficient use to demonstrate use for purposes of registration, but that focuses too much on the technical requirements of registration. This affixation requirement is a proxy for consumer understanding, but consumer understanding controls. If a party could show that this type of use on packaging was in fact viewed by consumers as a source indication, that party could prevail in an infringement suit even without a registration.

that designation indicates source. The technical distinction between trademark and trade name is not important here, just as it generally is not in modern trademark law. Thus, a party's use of "Nike" in its corporate name *would be* trademark use in this substantive sense, even if it would not technically be considered a trademark use.⁹⁹

Also unavailing is Dinwoodie and Janis's contention that trademark use is insufficient to determine liability under the Lanham Act because "the types of use necessary to establish consumer understanding are plausibly different from those uses that might interfere with extant consumer understanding and thus increase search costs."¹⁰⁰ Descriptively, Dinwoodie and Janis are correct that there need be no symmetry between the use requirements in the context of establishing rights and those that would be deemed infringing. But they abstract away from the actual language of the statute when they suggest this conceptual possibility has doctrinal significance. The fact that non-trademark uses unsettle meaning is not evidence that the statute makes all such uses actionable. Quite the opposite, its an indictment of the search cost theory as a grand theory of trademark law.

Finally, Dinwoodie and Janis argue that reading a "use as a mark" requirement strictly as incorporating the notion of the mark as a 'source-identifier' might undermine the multi-billion dollar industry of brand merchandising and product design," and that the

⁹⁹ I would distinguish, here, geographic indications ("GIs"), which Dinwoodie & Janis identify as "non-trademark uses" that nevertheless are subject to regulation. See Dinwoodie & Janis, *supra* note 5 at 39. GIs could be justified on a modified search cost theory – some terms serve as short-hand references to particular characteristics, which may be intimately related to their geographic origin. Allowing parties to use those terms freely then might interfere with consumer search, even if the defendant did not make "trademark use" of the GI. But I think the law relating to GIs is better understood as protectionist legislation justified on independent grounds.

¹⁰⁰ Dinwoodie & Janis, *supra* note 5 at 42.

debate about merchandising “should occur through a candid debate about the social value of validating Veblen goods and not collaterally through a back door interpretation of a newly-discovered doctrine of trademark law.”¹⁰¹

But imposing a requirement of source identification, as the Lanham Act does, will only undermine brand merchandising if in fact the marks or logos being used in those contexts do not indicate to consumers anything about the source of the products on which they are used. And if the marks do not indicate source in those contexts, then the question of merchandising is not merely one about the social value of Veblen goods; it is fundamentally about the legitimacy of modern trademark law and the scope of “source-identification” it seeks to protect.

3. The Descriptive Fair Use Defense

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

According to Section 33(b)(4),¹⁰² it is a defense to a trademark infringement claim that:

¹⁰¹ Dinwoodie & Janis, *Confusion Over Use: Contextualism in Trademark Law* at 83. Dinwoodie and Janis express doubt that the trademark use advocates meant to cast doubt on merchandising though Stacey Dogan and Mark Lemley have explicitly questioned the validity of the merchandising right in at least some contexts. See Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 451 (2005).

¹⁰² 15 U.S.C. § 1115(b)(4). The defenses listed in § 33(b), though by their own terms only applicable to alleged infringement of an incontestable mark, are incorporated in §

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

This provision does independent work in the statute only if it is possible for a defendant to use a particular term in way that simultaneously describes its products or services *and* denotes source. This possibility of dual meaning was recognized regularly by courts in the traditional trademark era. As the Supreme Court noted in *KP Permanent*, “the common law of unfair competition ... tolerated some degree of confusion from a descriptive use of words contained in another person's trademark.”¹⁰³ But this observation offers precious little interpretative guidance with respect to the modern statute because the normative goals of modern trademark law are so different than those courts traditionally pursued and because Congress has since crafted § 33(b)(4).

Trademark law traditionally focused on preventing competitors from diverting each other's trade. Courts in this tradition were operating in a natural rights tradition that called on courts to protect parties' productive labors while at the same time leaving room for others to exercise their like rights to labor productively. They achieved this balance by insisting that only certain types of trade diversions were actionable – *dishonest or deceptive ones*. And those courts focused on a narrow form of deception, condemning

33(a) as legitimate defenses to alleged infringement of any registered trademark. 15 U.S.C. § 1115(a).

¹⁰³ *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 119 (2004), citing *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924) (as to plaintiff's trademark claim, “[t]he use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product”); *Canal Co. v. Clark*, 80 U.S. 311, 327 (1871) (“Purchasers may be mistaken, but they are not deceived by false representations, and equity will not enjoin against telling the truth”).

only attempts to pass off one's products as those of another. Under traditional trademark principles, then, courts had room to recognize that descriptiveness and source signification were not mutually exclusive. Even if a defendant's use of a particular mark designated source and confused consumers, it still would not have been actionable if the defendant's use of the term was honest.

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

It is true, as Dinwoodie and Janis note, that this interpretation is to some extent inconsistent with the Supreme Court's holding in *KP Permanent* that "some possibility of consumer confusion must be compatible with fair use."¹⁰⁴ If the Court meant that some amount of *actionable* confusion is compatible with the statutory fair use defense, it misread the statute.

In reaching its conclusion, the Court said "[t]wo points are evident. Section 1115(b) places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement even when relying on an incontestable registration. And Congress said nothing about likelihood of confusion in setting out the elements of the fair use defense in § 1115(b)(4)."¹⁰⁵ On the latter point – that Congress said nothing about likelihood of confusion in § 33(b)(4) – the Court rejected the plaintiff's contention that

¹⁰⁴ *KP Permanent*, 543 U.S. at 121.

¹⁰⁵ *KP Permanent*, 543 U.S. at 118.

Congress intended the “used fairly” language as a requirement that the defendant’s use not cause confusion.¹⁰⁶

But the Court nowhere explained the significance of the statutory requirement that the claimed fair use be “otherwise than as a mark.” In my view that language clearly limits the availability of the fair use defense to uses that do not indicate source. Yet as demonstrated above, uses that do not indicate source can never infringe because they cannot cause actionable confusion.¹⁰⁷ Consequently, while some amount of confusion may be compatible with fair use, no amount of *actionable* confusion is compatible with the statutory fair use provision.

Given that a finding that the defendant’s use indicates source is a necessary part of the likelihood of confusion determination, it is no surprise that courts have had difficulty determining fair use without considering likelihood of confusion. The Supreme Court itself recognized in *KP Permanent* that likelihood of confusion will play some role in a determination of fair use,¹⁰⁸ and on remand the Ninth Circuit held that the degree of

¹⁰⁶ The Solicitor General argued in *KP Permanent* that the “used fairly” requirement in §33(b)(4) requires “only that the descriptive term describe the [defendant’s] goods accurately.” *Id.* at 123. Though the Court ultimately did not determine what the “used fairly” language means, it gave some implicit support to the Solicitor General’s interpretation by rejecting the plaintiff’s contention that “used fairly” imported an absence of confusion.

¹⁰⁷ See *Id.* at 117 (plaintiff’s success in enforcing rights in incontestable mark is subject to “proof of infringement as defined in section 1114. And that ... requires a showing that the defendant’s actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question.”).

¹⁰⁸ *Id.* at 123 (“It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant’s use is objectively fair. Two Courts of Appeals have found it relevant to consider such scope, and commentators and amici here have urged us to say that the degree of likely consumer confusion bears not only on the fairness of using a term, but even on the further question whether an originally descriptive term has become so identified as a mark that a defendant’s use of it

customer confusion remains a factor in determining fair use.¹⁰⁹ Significantly, as long as courts consider likelihood of confusion in determining fair use, early resolution is extremely unlikely since likelihood of confusion is a fact-intensive determination.¹¹⁰

4. Superfluity of Other Defenses

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

a. Nominative Fair Use

The nominative fair use doctrine, for example, frequently is characterized as a defense to infringement even though courts often include in the nominative fair use test

cannot realistically be called descriptive.”) quoting *Shakespeare Co. v. Silstar Corp.*, 110 F.3d 234 (4th Cir. 1997) (“[T]o the degree that confusion is likely, a use is less likely to be found fair ...”); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055 (7th Cir. 1995).

¹⁰⁹ *KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 609 (9th Cir. 2005). Thus, having found a fact question on likelihood of confusion that precluded summary judgment for the defendant, the court found that summary judgment on the fair use defense also was inappropriate. *Id.* (“Among the relevant factors for consideration by the jury in determining the fairness of the use are the degree of likely confusion, the strength of the trademark, the descriptive nature of the term for the products or services being offered by [the defendant] and the availability of alternative descriptive terms, the extent of the use of the term prior to the registration of the trademark, and any differences among the times and contexts in which [the defendant] has used the term.”)

¹¹⁰ See, e.g., *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252 (9th Cir. 2001) (“trial courts disfavor deciding trademark cases in summary judgments because the ultimate issue is so inherently factual ... the question of likelihood of confusion is routinely submitted for jury determination”); *Anheuser-Busch, Inc. v. L. & L. Wings, Inc.*, 962 F.2d 316, 318 (4th Cir. 1992) (“likelihood of confusion has long been recognized to be a matter of varying human reactions to situations incapable of exact appraisal”); *Warner Bros. Inc. v. American Broadcasting Cos., Inc.*, 720 F.2d 231, 246 (2d Cir. 1983) (“likelihood of confusion is frequently a fairly disputed issue of fact on which reasonable minds may differ”).

some type of confusion factor.¹¹¹ As it was articulated in *New Kids on the Block*,¹¹² the nominative fair use doctrine applies

where the defendant uses a trademark to describe the plaintiff's product, rather than its own, and (1) the product or service in question must be one not readily identifiable without use of the trademark; (2) it uses only so much of the mark or marks as is reasonably necessary to identify the product or service; and (3) it does nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.¹¹³

Nominative fair use might reasonably be considered a defense with independent significance if we place significant emphasis on part (3) of the *New Kids* test, and particularly its focus on a defendant's actions "in conjunction with the mark." Specifically, the defense would not be superfluous if courts interpreted the third factor to mean that, where first two factors are met, the defendant's use is fair even if its use of the mark causes confusion, as long as the defendant does nothing *else* in addition to using the mark. Stated differently, if a defendant meets the first two requirements, confusion caused by defendant's use of the mark itself must be tolerated. On this understanding, nominative fair use is distinguishable from the statutory fair use provision in that it allows for the possibility that a confusing use might nevertheless be considered fair.¹¹⁴

¹¹¹ The nominative fair use defense is not clearly grounded in the Lanham Act, at least with respect to infringement claims, and there is therefore no statutory construction question here. The Trademark Dilution Revision Act does refer to the defense explicitly, though it is somewhat unclear how the defense applies to dilution claims.

¹¹² *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992).

¹¹³ *Id.* at 308. Even this decision is a bit of a puzzle, however. Kozinski writes that "[b]ecause [this type of use] does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition; such use is fair because it does not imply sponsorship or endorsement by the trademark holder." *Id.* at 308. If it were true that such uses did not imply sponsorship or endorsement, then the use should not be considered infringing anyway and there is no need for the defense.

¹¹⁴ This is not to say that nominative fair use would be predictable or clear under these conditions. As Bruce Keller and Rebecca Tushnet noted, a test that includes a judgment

But this is not the way all courts – not even all decisions in the Ninth Circuit – have understood nominative fair use.¹¹⁵ In *Brother Records v. Jardine*,¹¹⁶ for example, the court rejected the defendant’s nominative fair use argument because its “use of the trademark suggested sponsorship or endorsement by the trademark owner.”¹¹⁷ Indeed, the court in *Jardine* characterized the third requirement of the nominative fair use defense as “merely the other side of the likelihood-of-confusion coin” and reiterated that, in the Ninth Circuit, the nominative fair use analysis replaces the likelihood of confusion analysis.¹¹⁸ Remarkably, by invoking the nominative fair use defense, a defendant seems to inherit the burden of persuasion on the confusion issue: “whereas plaintiff carries the burden of persuasion in a trademark infringement claim to show likelihood of confusion, the nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion.”¹¹⁹

regarding whether the defendant has used “only so much of the mark as reasonably necessary to identify the product or service” invites an element of subjectivity. See Bruce P. Keller and Rebecca Tushnet, *Even More Parodic Than the Real Thing: Parody Lawsuits Revisited*, 94 TRADEMARK REP. 979, 1006 (2004) (“Establishing a conceptual floor [for nominative fair use] in the form of ‘no more than necessary’ is too vague and manipulable and does not give sufficient leeway to free speech interests.”).

¹¹⁵ Indeed it is not even clear that the *New Kids* court understood nominative fair use this way. In another part of its decision, the court wrote of nominative use of a mark that “because it does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition; such use is fair because it does not imply sponsorship or endorsement by the trademark holder.” *New Kids*, 971 F.2d at 308.

¹¹⁶ 318 F.3d 900 (9th Cir. 2003).

¹¹⁷ *Id.* at 908.

¹¹⁸ *Id.* at 908 n.5. The court then suggested that

¹¹⁹ *Id.* This is remarkable because, since the nominative fair use analysis replaces the traditional likelihood of confusion analysis, it seems the plaintiff has no responsibility to prove likelihood of confusion if the defendant claims nominative fair use.

Because it regarded nominative fair use as analogous to fair use under § 33(b)(4), the court in *Century 21 Real Estate Corp. v. Lendingtree.com*¹²⁰ believed the principle of *KP Permanent* prevented it from placing on the defendant the burden to prove lack of confusion.¹²¹ Consequently, the Third Circuit rejected the Ninth Circuit's view that nominative fair use supplants the traditional likelihood of confusion analysis. That court then adopted a different three part test for nominative fair use:

(1) use of plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service; (2) the defendant uses only so much of the plaintiff's mark as is necessary to describe plaintiff's product; and (3) the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services.¹²²

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

Substantively, there seems little difference between asking whether "the defendant's conduct or language reflect the true and accurate relationship between the plaintiff and defendant's products or services" and determining whether the defendant's conduct is likely to cause confusion as to sponsorship or affiliation. If a defendant's use

¹²⁰ 425 F.3d 211 (2005).

¹²¹ *Id.* at 222-23. *KP Permanent* was decided purely on statutory grounds and nominative fair use is a common law doctrine, so the holding of that case technically says nothing about the status of nominative fair use.

¹²² *Id.* at 222.

reflects the true and accurate relationship, it cannot cause confusion about the relationship between the parties. Consumers may believe that the plaintiff and defendant are related in some way, but they will not be confused if the parties actually *are* related. Thus, for all its lofty rhetoric about ensuring that some nominative uses can be deemed fair despite potential confusion, the test the Third Circuit articulated falls short of making nominative fair use distinct from the likelihood of confusion analysis.

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

b. Comparative Advertising

Comparative advertising, which may be thought of as a type of nominative use, also is sometimes regarded as a defense. But in most of the comparative advertising cases, courts articulate tests that require the absence of confusion. In the influential case *Smith v. Chanel*,¹²³ the court held that the defendant's advertisement of its imitation perfume was not actionable.¹²⁴ Though the decision extols the virtues of competition and

¹²³ *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968).

¹²⁴ *Id.* at 563. Chanel's claim was based the defendant's advertisement for "The Ta'Ron Line of Perfumes" in a trade journal directed to wholesale purchasers of perfume. The advertisement stated that "the Ta'Ron perfumes 'duplicate 100% Perfect the exact scent of the world's finest and most expensive perfumes and colognes at prices that will zoom sales to volumes you have never before experienced.'" The advertisement "further suggested that a 'Blindfold Test' be used 'on skeptical prospects,' challenging them to detect any difference between a well known fragrance and the Ta'Ron 'duplicate.' One suggested challenge was, 'We dare you to try to detect any difference between Chanel #5

competitors' right to copy unpatented products, the court noted that Chanel's "reputation [was] not directly at stake. [Ta'Ron's] advertisement makes it clear that the product they offer is their own. If it proves to be inferior, they, not [Chanel], will bear the burden of consumer disapproval."¹²⁵ The court couched the comparative advertising "right" expressly in likelihood of confusion terms, holding that "*in the absence of misrepresentation or confusion as to source or sponsorship* a seller in promoting his own goods may use the trademark of another to identify the latter's goods."¹²⁶

So understood, comparative advertising is not a defense to trademark infringement in the true sense but merely an explanation of why confusion may be unlikely. Consumers who understand the comparative nature of the advertisement are unlikely to be confused by the reference to a competitor and believe that competitor was affiliated with the advertiser. Since the issue of consumer confusion is embedded within the test, however, comparative advertising does not excuse otherwise infringing conduct.

(25.00) and Ta'Ron's 2nd Chance (\$7.00)." The advertisement also contained an order form in which "each Ta'Ron fragrance was listed with the name of the well known fragrance which it purportedly duplicated immediately beneath. Below 'Second Chance' appeared '(Chanel #5).' The asterisk referred to a statement at the bottom of the form reading 'Registered Trade Name of Original Fragrance House.'"

¹²⁵ *Id.* at 569.

¹²⁶ *Id.* (emphasis added). See also, MCCARTHY § 25:52 ("It is neither trademark infringement nor unfair competition to truthfully compare competing products in advertising, and in doing so, to identify by trademark, the competitor's goods. However, such comparative advertising will not be permitted if it is likely to confuse buyers as to exactly what they are getting."); *Hypertherm, Inc. v. Precision Products, Inc.*, 832 F.2d 697 (1st Cir. 1987) (holding that an imitator may use in a truthful way an originator's trademark when advertising that the imitator's product is a copy so long as no confusion as to the source is likely to result); *Calvin Klein Cosmetics Corp. v. Lenox Laboratories, Inc.*, 815 F.2d 500, 503 (8th Cir. 1987) (An imitator may use in a truthful way an originator's trademark when advertising that the imitator's product is a copy so long as that use is not likely to create confusion in the consumer's mind as to the source of the product being sold).

At best, the fact that a defendant's infringing use was in a plausibly comparative context might influence the scope of relief afforded to the plaintiff.

B. Trademark Use and the TDRA

The recently enacted Trademark Dilution Revision Act of 2006 arguably makes dilution claims available only against trademark uses by a defendant. Under the amended § 1125(c)(1),

subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, *commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark*, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.¹²⁷

This provision unambiguously requires the defendant to use a mark, but it is less clear about the nature of the required use. On the one hand, the TDRA always refers to a prospective plaintiff's mark as "the famous mark." By defining the dilution claim as one that arises when another person "commences use of a mark or trade name ... that is likely to cause dilution of the famous mark," Congress appears to have juxtaposed the diluting mark against the famous mark and implied that the provision anticipates two marks – the plaintiff's famous mark and some other mark used by the defendant, arguably its own mark.

On a textual level, this is plausible reading of the statutory provision, and perhaps even the best reading. It is not, however, an inevitable one. Even if the statute clearly

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

requires that the defendant use a second mark that might dilute the famous mark, it does not clearly require that the defendant use that other mark as a designation of the source of its own goods or services. Indeed, at a theoretical level, there is no particular reason to restrict tarnishment claims – now explicitly recognized as valid – to source indicative uses. Non-source indicative uses are at least as likely to reflect badly on a famous mark or depict that mark in an unsavory light. If Congress nevertheless believed that dilution claims should be limited to only some harmful uses, it could have made the nature of the required use more explicit by giving the owner of a famous mark a dilution claim when a defendant “uses in commerce *a designation of the source of its own products or services* that that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark.”

Ultimately, however, the question of whether the claim language itself limits dilution claims to trademark uses is of relatively limited significance. Even if § 43(c)(1), the section that creates the dilution claim, is unclear as to whether the defendant must make trademark use, § 43(c)(3)(A) of the statute clearly excludes from liability most (if not all) non-trademark uses.¹²⁸ That section precludes actions against “any fair use, including a nominative or descriptive fair use ... of a famous mark by another person *other than as a designation of source for the person’s own goods or services ...*”¹²⁹

For those who read § 43(c)(1) to contain a trademark use limitation, the exclusion provision does no substantive work since it simply excludes a subset of uses already

¹²⁸ 15 U.S.C. § 1125(c)(3)(A).

¹²⁹ *Id.*

outside the scope of the dilution provision.¹³⁰ For those skeptical of whether the dilution claim provision applies by its terms only to trademark uses, the exclusion provision prevents dilution claims against most, if not all, non-trademark uses.

But this is not to say that true believers in the trademark use doctrine ought to be indifferent about the source of the trademark use requirement in the TDRA. For one thing, the exclusion may not create rule out claims against all non-trademark uses. The exclusion applies only to fair uses of a mark other than as a designation of the source of one's own products or services. Courts could conceivably read "fair use" and "otherwise than as a mark" as separate requirements, thereby continuing to allow dilution claims against non-trademark uses not deemed fair.¹³¹ Indeed, courts have sometimes treated the fair use language of §33(b)(4) as a separate requirement of descriptive fair use.¹³² If

¹³⁰ To find a trademark use limitation in the claim language, one must distinguish between the plaintiff's famous mark and the other mark used by the defendant and infer a requirement that the other mark be used by the defendant as an indication of the source of its goods or services. The exclusion provision, by contrast, applies only when the defendant is using the plaintiff's famous mark – in other words, when there is no second mark. *Id.* (excluding "any fair use, including a nominative or descriptive fair use ... *of a famous mark* by another person ...").

¹³¹ Rather than define fair use for purposes of dilution, the statute notes that fair use includes nominative and descriptive fair use, as well as uses to comment on, criticize or parody the mark owner. 15 U.S.C. § 1125(c)(3)(A). It remains unclear how courts will interpret the exemptions, particularly with respect to the parody defense. In the context of infringement, parody is most frequently evaluated according to the extent to which it causes confusion. See *McCarthy*, §31:153 ("Some parodies will constitute an infringement, some will not. But the cry of "parody!" does not magically fend off otherwise legitimate claims of trademark infringement or dilution. There are confusing parodies and non-confusing parodies. All they have in common is an attempt at humor through the use of someone else's trademark. A non-infringing parody is merely amusing, not confusing."). Confusion obviously is not relevant to a dilution claim, and it remains to be seen whether courts can adequately identify parody without reference to confusion.

¹³² These courts would require that the defendant's use (1) describe the defendant's products or services, (2) be otherwise than as a mark, *and* (3) be fair and in good faith. See, e.g., *EMI Catalogue Partnership v. Hill, Holliday, Connors, Cosmopolos Inc.*, 228 F.3d 56, 64-68 (2d Cir. 2000) (evaluating whether the defendant's use was descriptive

fair use is a separate, additional requirement of the exclusion, then only a subset of non-trademark uses will be excluded under this provision – only those non-trademark uses that qualify as fair uses.¹³³

The source of the trademark use requirement (or the exclusion of fair non-trademark uses) also might determine the burden of proof on trademark use. In particular, the location of the limitation might determine whether the plaintiff in a dilution case must prove that the defendant's use was a trademark use or the defendant must prove that its use was not a trademark use. If the trademark use limitation comes only from the exclusion, courts may be more comfortable treating non-trademark use as a defense and forcing the defendant to prove that its use was not a trademark use.¹³⁴

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

¹³³ Only non-trademark uses that are fair uses would be exempted under §43(c)(3)(A). Uses that might also be considered non-trademark uses are exempted to the extent they qualify as news reporting or non-commercial uses under §43(c)(3)(B) and (C). See 15 U.S.C. §§ 1125(c)(3)(B)-(C).

¹³⁴ Because §43(c)(3)(A) is drafted as an exclusion rather than a defense, in my view a dilution plaintiff should bear the burden of proving trademark use. 15 U.S.C. § 43(c)(3) ("The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection ..."). But the fair use provision of the Copyright Act is drafted as an exclusion from liability as well, and courts often describe fair use as a defense. See *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 590 (1994) ("Since fair use is an affirmative defense, its proponent will have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets."); cf. *SunTrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257 n.3 (11th Cir. 2001) ("I believe that fair use should be considered an affirmative right under the 1976 Act rather than merely an affirmative defense, as it is defined in the Act as a use that is not a violation of copyright. However, fair use is commonly referred to as an affirmative defense, and, as we are bound by Supreme Court precedent, we will apply it as such.").

Whatever its source, the significance of a trademark use limitation on dilution claims depends, as it does in the infringement context, on a straightforward method for determining when a particular use qualifies as a trademark use. As I argue below, no such method exists.

IV. Trademark Use and Consumer Understanding

Thus far this paper seems to vindicate trademark use as a real limitation on the scope of trademark rights. As demonstrated above, when properly understood, both the infringement and dilution provisions of the Lanham Act generally are applicable only against uses by a defendant that indicate source. But if this is a victory, it is a pyrrhic one.

The promise of the trademark use doctrine, according to advocates, is that it provides relatively clear limiting principles and therefore allows courts to resolve a class of cases at an early stage. This promise can be realized, however, only if there are clear, objective rules by which a court can determine whether a particular use is a trademark use. There are not.

The trademark use limitations in both the infringement and dilution provisions are functional ones: A trademark use is a use that designates the source of a party's products or services. A court confronted with a claim of trademark use therefore must determine whether the use at issue designates the source of the defendant's products or services. But perspective matters here, and it is clear that a court faced with a trademark use question must make its determination from the perspective of consumers. Indeed, with

the notable exception of the functionality determination,¹³⁵ *every distinction* a court is required to make between a trademarks and unprotectable terms depends on consumer understanding.

To determine whether a term is a trademark or a generic term, for example, a court must determine “the primary significance of the term to the relevant purchasing public.”¹³⁶ Likewise, to determine whether a descriptive term has acquired secondary meaning and therefore merits trademark protection, a court must determine whether “the primary significance of the term *in the minds of the consuming public* is not the product but the producer.”¹³⁷ To determine whether a term should be considered primarily merely a surname, and therefore disqualified from trademark protection, a court asks whether the relevant purchasing public is likely to regard the term merely as a surname.¹³⁸ Likewise, the question of whether a term should be deemed primarily geographically descriptive turns on likely perception by consumers.¹³⁹

¹³⁵ Functional product features, even ones that have source significance, are not eligible for trademark protection. See 15 U.S.C. §§ 1052(e)(5), 1064(3), 1115(b)(8), 1125(a)(3). A product feature is functional when it is essential to the use or purpose of the article or if it affects the cost or quality of the article. *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 32 (2001). A feature may also be deemed aesthetically functional, and therefore unprotectable, if exclusive use of that feature would put competitors at a significant non-reputation-related disadvantage. *Id.* at 32-33.

¹³⁶ See 15 U.S.C. § 1064(3) (“The *primary significance of the registered mark to the relevant public* rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.”) (emphasis added).

¹³⁷ *Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, _ (1938) (emphasis added). *See also*, *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.11 (1982) (“[S]econdary meaning is acquired when in the minds of the public, the primary significance of a product feature ... is to identify the source of the product rather than the product itself.”) (internal quotations omitted).

¹³⁸ Indeed, it does not even matter whether the party using the name actually has the name as her surname. What matters is consumer perception. See *815 Tonawanda St. Corp. v. Fay’s Drug Co.*, 842 F.2d 643 (2d Cir. 1988) (Plaintiff asserting rights in the

Even the trademark office, which for institutional reasons must view questions of protectability more formally, recognizes that protectability ultimately turns on consumer understanding. For example, The Trademark Manual of Examining Procedure instructs examining attorneys evaluating whether a particular term is a trademark eligible for registration or merely a trade name to focus on “the manner of its use and *the probable impact of the use on customers.*”¹⁴⁰

All of these distinctions are fundamentally trademark use determinations; in all cases, a court must determine whether a contested term performs a source indicating function or some other function. And in all cases, the determination can only be made from the perspective of consumers.¹⁴¹ Thus, in trademark use cases, the issue can be stated more precisely as a question of whether *the relevant purchasing public* is likely to regard the defendant’s use as one that designates the source of the defendant’s goods or services.¹⁴²

personal name FAY was required to prove secondary meaning “even though there was no person named Fay associated with Fay's Leader”). Likewise, even if the mark actually is comprised of surnames, secondary meaning is not required if consumers are not likely to view the mark as such. See *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047 (6th Cir. 1999)(While CARMAX mark was purportedly a combination of the first names Carson and Max, the public would not perceive it to be a combination of personal names when used as a mark to sell used cars).

¹³⁹ *Burke-Parsons-Bowlby Corp v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 596 (6th Cir. 1989) (“Where it is determined that the mark *as perceived by potential purchasers* describes the geographic origin of the goods the mark is primarily geographically descriptive.”) (emphasis added).

¹⁴⁰ See Trademark Manual of Examining Procedure § 1202.01 (emphasis added).

¹⁴¹ For this reason, all of these determinations are regarded as questions of fact, often not easily resolvable on summary judgment. See, e.g., *Zatarains*, 698 F.2d at 793-94 (noting that categorization of a term and existence of secondary meaning are questions of fact); *McCarthy* § 15:29 (secondary meaning is a question of fact).

¹⁴² *McCarthy* therefore offers no more than his opinion of the likely impact on consumers when he concludes that the hypothetical CHARTREUSE software company does not make trademark use of MICROSOFT WINDOWS when it advertises that its “new GREENBEAN program will run flawlessly on MICROSOFT WINDOWS” and that

This is not to say that direct evidence of consumer understanding will always be readily available.¹⁴³ Indeed, in the absence of direct evidence courts have in the past engaged the question of source indication by focusing on circumstantial clues like the nature and prominence of the use, particularly in comparison to other trademarks.¹⁴⁴ But just as in the secondary meaning context, where courts seek to determine whether a descriptive term has taken on source significance, these circumstantial clues are only second-best evidence of consumer understanding.¹⁴⁵ More importantly, these circumstantial clues are highly context-dependent and ill-suited to early resolution.

ELECTRO-HYPE NEWS trade magazine does not use MICROSOFT as a trademark when it features on its cover in bold letters the teaser ad "INSIDE: NEWS ON THE LATEST MICROSOFT PRODUCT!" MCCARTHY, *supra* note _ at _.

¹⁴³ See *Heartland Bank v. Heartland Home Finance, Inc.*, 335 F.3d 810 (8th Cir. 2003) (“in a trademark case, circumstantial evidence may be all that is available to establish secondary meaning”); *Burke-Parsons-Bowlby Corp v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 596 (6th Cir. 1989) (“Direct proof of secondary meaning is difficult to obtain.”).

¹⁴⁴ See *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 796 (5th Cir. 1983) (finding defendant’s use of “fish fry” to be fair use when defendant did not intend to use the term in a trademark sense and had never attempted to register the words as a trademark; believed “fish fry” was a generic name for the type of coating mix they manufactured; and consciously packaged and labeled its products in such a way as to minimize any potential confusion in the minds of consumers); *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 28, 30-31 (2d Cir. 1997) (focusing on defendant’s prominent display of its better-known trademarks and lack of use of contested term on packaging or promotional materials); *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F3d 267, 270 (2d Cir. 1995) (finding defendant’s use of a pine tree shape for its pine-scented air fresheners use “otherwise than as a mark” where air fresheners came in a box prominently bearing the “Glade Plug-Ins” trademark as well as the Johnson’s corporate logo and each unit had “Glade” imprinted across the front of the product itself); *Venetianaire Corp. of Am. V. A&P Import Co.*, 429 F.2d 1079, 1082 (2d Cir. 1970) (focusing on typestyle and prominence of “hygienic” to determine whether defendant’s use was “otherwise than as a mark”).

¹⁴⁵ See *Heartland Bank*, 335 F.3d at 820 (“Various circuits and authorities recognize that *in the absence of direct proof*, the court must draw reasonable inferences from the evidence of money spent in advertising to establish that the mark is from a particular source, of the type of advertising used, of long-term usage of the mark, and of sales volume.”) (emphasis added); *Comm. for Idaho’s High Desert v. Yost*, 92 F.3d 814 (9th Cir. 1996) (calling survey evidence “one of the most persuasive ways to prove secondary

The important point here is that, because trademark use can be determined only from the perspective of consumers, it cannot serve as a threshold requirement separable from the likelihood of confusion inquiry. A determination that the defendant's use indicates the source of its products or services is a necessary part of every likelihood of confusion finding. Moreover, in most of the types of cases trademark use advocates have identified as candidates for application of the doctrine, the determination that the defendant's use of the plaintiff's mark indicates source is essentially dispositive: by reaching its conclusion on trademark use, the court has already considered much of the evidence it will need to evaluate to make a finding on likelihood of confusion. There is little dispute in the search engine cases, for example, that the defendant is using a term that consumers recognize as the plaintiff's trademark.¹⁴⁶ The dispute is about *how* the defendant is using that mark. Consequently, as Dogan and Lemley concede, similarity of the marks is unlikely to be contested.¹⁴⁷ Likewise, if consumers recognize the term used by the defendant as a trademark of the plaintiff and also believe the defendant is using the term to indicate the source of its own goods or services, it is a short step to concluding the goods or services are sufficiently similar that the entities might be related in some

meaning" but not requiring them); *Co-Rect Prods., Inc. v. Marvy! Advertising Photography, Inc.*, 780 F.2d 1324, n.9 ("Consumer surveys are recognized by several circuits as the most direct and persuasive evidence of secondary meaning."). See also, *Berner Intern. Corp. v. Mars Sales Co.*, 987 F.2d 975, 982 (3d Cir. 1993) (noting that, while not required, "direct consumer evidence, e.g., consumer surveys and testimony is preferable to indirect forms of evidence.")

¹⁴⁶ One can imagine more difficult cases in which it is not clear that consumers recognize the term used by the defendant as a trademark of the plaintiff. In such a case, consumers are unlikely to be confused even if the defendant uses the term to indicate the source of its own products or services.

¹⁴⁷ Dogan & Lemley, *supra* note _ at 32 ("By hypothesis, nontrademark uses often involve the identical mark, because the defendant is employing the mark itself either as a signal of consumer preferences or to make reference to the trademark or something it represents.").

way. Indeed, the respective parties' goods and services are very likely to be considered in determining whether the defendant's use indicates source.

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

That trademark use cannot be determined without resort to consumer understanding – and therefore cannot be separated formally from the likelihood of confusion determination – is clear in courts' inability to explain their decisions in trademark use cases without lapsing into discussion of likelihood of confusion. In *Rock and Roll Hall of Fame and Museum, Inc. v. Gentile*,¹⁴⁸ for example, the court noted that, in order to prevail, “it is clear that a plaintiff must show that it has actually used the designation at issue as a trademark, and that the defendant has also used the same or a similar designation as a trademark.”¹⁴⁹ But the court further elaborated on the “trademark use” requirement, explaining that “[i]n other words, the plaintiff must establish a likelihood that the defendant's designation will be confused with the plaintiff's trademark, such that consumers are mistakenly led to believe that the defendant's goods are produced or sponsored by the plaintiff.”¹⁵⁰ In this formulation, a “trademark use” is simply one that is likely to be confused with the plaintiff's trademark.¹⁵¹

¹⁴⁸ *Rock and Roll Hall of Fame and Museum, Inc. v. Gentile Productions*, 134 F.3d 749 (6th Cir. 1998).

¹⁴⁹ *Id.* at 753.

¹⁵⁰ *Id.* at 753-54 (holding that plaintiff had not acquired any trademark rights in a depiction of its museum because it had not created a consistent commercial impression in its use and that defendant's use did not constitute trademark use because defendant's depiction of the museum was not readily recognized as an indication of source).

¹⁵¹ The court aptly demonstrated the difficulty of distinguishing between trademark and non-trademark use in its attempt to distinguish the posters at issue from a hypothetical photograph of a Coca-Cola bottle. *Id.* at 754. In support of its claim, the Museum had argued that the posters of the museum were analogous to a picture of a Coke bottle, in which the subject of the picture served both as an appealing visual image and as a

Similarly, in *Interactive Products Corp. v. A2Z Mobile Office Solutions, Inc.*,¹⁵² the court was confronted with the question of whether a defendant's use of the plaintiff's mark in the URL post-domain path infringed the plaintiff's rights. The court claimed that there was a preliminary question about whether defendants are using the challenged mark in a way that identifies the source of their goods.¹⁵³ "If defendants are only using [the plaintiff's] trademark in a 'non-trademark' way – that is, in a way that does not identify the source of a product – then trademark infringement and false designation of origin laws do not apply."¹⁵⁴ Yet the court described the "ultimate issue in the case" as "whether a consumer is likely to notice [the plaintiff's mark] in the post-domain path and then think that the [product sold on that web page] may be produced by the same company (or a company affiliated with the company) that makes [the plaintiff's product]."¹⁵⁵ The court then resolved the case by determining that the plaintiff had not presented any evidence that the presence of the plaintiff's mark in the post-domain path of the defendant's web page was likely to cause consumer confusion regarding the source of the web page or the source of the product offered for sale on the web page.¹⁵⁶ Clearly,

designation of source. *Id.* at 754-55. The court rejected the analogy, noting that, unlike the Coke bottle, the Museum was never presented in a consistent manner such that consumers might recognize it as more than a picture of an extant building. *Id.* At the same time, however, it recognized that the Coke bottle was a much harder case, and accepted that "a photograph which prominently depicts another person's trademark might very well, wittingly or unwittingly, use its object as a trademark." *Id.* at 754. It left open the question of how a court would determine when a prominent depiction of another's trademark used that object as a trademark.

¹⁵² 326 F.3d 687 (6th Cir. 2003)

¹⁵³ *Id.* at 695.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.* at 697.

¹⁵⁶ *Id.* at 698.

notwithstanding the court's initial framing, this resolution was not at all on a "preliminary question" of trademark use, but on the basic question of likelihood of confusion.

A variety of false endorsement cases depend on framing the question the same way. In *Waits v. Frito-Lay*,¹⁵⁷ for example, Tom Waits objected to Frito-Lay's use of a sound-alike in its Doritos advertisement.¹⁵⁸ Rather than applying some formalistic set of rules to determine what "mark" of Waits' Frito-Lay had used, the court evaluated Waits's claim by asking whether "ordinary consumers would be confused about whether Tom Waits sang on the commercial ... and whether he sponsors or endorses SalsaRio Doritos."¹⁵⁹ It concluded that Frito-Lay was liable because it did something that suggested sponsorship or affiliation. In *ETW v. Jireh*,¹⁶⁰ the court focused on consumer expectations when it refused to consider "any and all images of Tiger Woods" a trademark of Woods, holding that "no reasonable person could believe that merely because these photographs or paintings contain Woods's likeness or image, they all originated with Woods."¹⁶¹

B. Trademark Use in the Search Engine Context

Refocusing the search engine cases on consumer understanding makes clear that courts thus far generally have framed the trademark use question incorrectly.

There are two markets in which a search engine might be thought to make "trademark use" of a party's marks when it sells keywords to advertisers. The first market involves the search engine and the advertisers who purchase the right to have their advertisement triggered in response to certain keywords. In this context the question is

¹⁵⁷ 978 F.2d 1093 (9th Cir. 1992).

¹⁵⁸ *Id.* at _.

¹⁵⁹ *Id.* at 1111.

¹⁶⁰ *ETW Corp. v. Jireh Publ'g., Inc.*, 332 F.3d. 915 (6th Cir. 2003).

¹⁶¹ *Id.* at 922.

whether the advertisers – the relevant purchasing public here – view the terms they purchase as keywords as indications of the source of the search engine’s services. More specifically in the context of Google, the question is whether the parties who purchase the right to have their ads triggered in response to “rescuecom” are likely to believe that Google’s use of “rescuecom” as a keyword suggests that Rescuecom sponsored or is affiliated with Google’s services. Admittedly, it seems unlikely that advertisers would be confused in this way, but the question cannot be resolved without focusing on the understanding of the keyword purchasers.

The second market in which a search engine might be thought to make trademark use of a keyword is in generating search results. Here, contrary to the Second Circuit’s opinion in *1-800 Contacts*, the issue is not whether the search engine makes the mark visible to consumers.¹⁶² A party must of course do something to cause consumers to believe it has designated the source of its products or services. But courts should not be too rigid about identifying *what* the defendant has done to indicate source. Instead, courts should focus on *whether* the defendant has indicated source and simply ask whether consumers understand the use – whatever it is – to indicate source.

Google gets part-way there in its brief in *Rescuecom* when it concedes that visual branding is not necessary for trademark use: “[w]hen a waitress tells you that the syrupy brown beverage in your glass is Coca-Cola, that’s trademark use.”¹⁶³ Yet Google

¹⁶² *1-800 Contacts, Inc. v. WhenU, Inc.*, 414 F.3d 400, 409 (2d Cir. 2005) (“A company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to a individual’s private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services.”)

¹⁶³ Google Brief, *supra* note _ at 11-12.

continues to push an unduly narrow conception of communication by insisting that a party must present the mark to customers.

Imagine a slight variation on Google's example in which a customer asks a waitress to bring her a Coca-Cola. The waitress says nothing and returns with a syrupy brown beverage which, quite reasonably, the customer believes is a Coca-Cola. Clearly the waitress in this example has indicated to the customer that Coca-Cola is the source of the syrupy brown beverage, but she has done this without ever "presenting" the mark to the customer. Indeed, in the words of the Second Circuit, the waitress's utilization of the Coca-Cola trademark is entirely "internal."¹⁶⁴

What this example demonstrates is that a party can indicate source in many ways, sometimes without ever presenting the mark to consumers. Consequently, courts should avoid searching for an identifiable act and instead focus on consumer understanding. Specifically in the context of search engines the question should be whether consumers *understand* the search engine, in generating its search results, to be using the keyword in a way that signifies some type of source relationship between the search engine and the owner of the trademarked keyword.¹⁶⁵

If consumers do not understand Google to be using the Rescuecom mark at all, or not to be using it in a way that designates source, then Google has not made infringing

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¹⁶⁵ The Second Circuit is therefore wrong to focus on whether the trademark is communicated to the public as opposed to utilized internally. See 1-800 Contacts, 414 F.3d at 409 ("company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a [sic] individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services."). The issue is consumer understanding, not communication by the defendant. Communication may be a proxy for consumer understanding in some cases, but it is only a proxy.

trademark use. If, on the other hand, consumers understand Google's use of the term to indicate the source of Google's search services, it has made "trademark use."

Precision is important here. It would not be enough for direct infringement for Rescuecom to prove that Google's use of Rescuecom indicated to consumers that Rescuecom was the source of the products or services sold by the advertisers whose ads are generated by the search. Rather, it must be clear that consumers regard the search results as an indication that Rescuecom is the source of the search services themselves.¹⁶⁶

V. The Problem of Source in Trademark Law

As trademark use advocates rightly fear, focusing on consumer understanding makes every trademark use determination highly context-dependent and therefore ill-suited to early resolution. The consumer focus also means the trademark use determination is likely to be fairly unpredictable from an *ex ante* position. Because of this unpredictability and the cost of testing the legitimacy of one's use, would-be users of a trademark may well choose not to use the mark. Consumers then confront a marketplace lacking a range of legitimate uses, which shapes their expectations and leads to even broader rights.¹⁶⁷

¹⁶⁶ If it is true, as Google claims in its brief to the Second Circuit, that Rescuecom's allegations of confusion are limited to the claim that "at least some consumers . . . are deceived into believing such Sponsored Links are related to Rescuecom, and that consumers 'may become confused, mistaken, misled and/or deceived that Sponsored Links which link to Rescuecom Corporation's competitor's websites may be affiliated with, connected to, or approved by' Rescuecom," then Rescuecom's allegations would be insufficient on this score. Google Brief at 12.

¹⁶⁷ Dogan & Lemley, *supra* note _ at (arguing that unpredictability and expense will lead legitimate users to give in rather than fight, which "may actually affect consumer perceptions of whether such uses are permissible at all). See also, Sara Stadler, *The Incentives Trap*, _ Hastings L.J. _ (2007).

But while the concept of trademark use is not capable of delineating clearly the scope of trademark rights, trademark law's tendency towards ever broader rights cannot be attributed to the lack of a threshold trademark use doctrine. What the trademark use debate ultimately reveals is the fundamental inadequacy of the modern search costs theory of trademark law.

Unlike traditional trademark law, which regarded consumer confusion only as evidence of potential illegitimacy,¹⁶⁸ modern trademark law, deeply influenced by commentators' ubiquitous acceptance of the search costs rationale, treats consumer confusion as a problem in and of itself. Consequently, consumer understanding has taken on increasing significance and now controls virtually every aspect of trademark law. By itself this consumer focus renders trademark law inherently unstable. Consumer perception is highly suggestible, and companies with every incentive to shape consumer expectations are in the position to do just that. Even apart from trademark owners' attempts to create consumer perception, consumers' expectations may change as they become more familiar with new commercial contexts or relationships.¹⁶⁹ And as if that wasn't enough instability, legal doctrine and consumer expectations feed into one another in an endless loop; what consumers know (or think they know) about the law shapes expectations, which then feed back into the law only to influence future expectations.¹⁷⁰

¹⁶⁸ McKenna, *supra* note _ at 1866-71 (noting that courts traditionally tolerated substantial confusion in situations in which the defendant could not be characterized as illegitimately seeking to divert sales from a competitor).

¹⁶⁹ Dogan & Lemley, *Trademarks and Consumer Search Costs on the Internet*; Goldman, *Deregulating Relevancy*.

¹⁷⁰ This is, of course, not a phenomenon unique to trademark law. See, e.g., *Lucas v. S.C. Coastal Council*, 505 U.S. 1003, 1034 (1992) (Kennedy, J., concurring) (noting the circularity in the context of government takings: "[I]f the owner's reasonable expectations are shaped by what courts allow as a proper exercise of governmental authority, property

Dependence on consumer understanding creates particular instability in trademark law, however, because courts are required to instantiate consumer understanding of “source” relationships. This was not a particularly serious problem in traditional trademark law because courts traditionally focused only on trade diversion by competitors. In that environment, courts could define source quite narrowly as the actual, historical source of a product. This allowed courts to differentiate between relevant and irrelevant forms of confusion, and easily rule out potential liability for things like editorial uses. There was little risk that consumers looking for an automobile would be diverted to a newspaper because they saw Ford Motor Company in the title of a newspaper editorial.

By contrast, “source” in modern trademark law is an extraordinarily broad concept capable of encompassing virtually any relationship between entities. In particular, courts are instructed to determine whether a relatively small proportion of consumers¹⁷¹ are likely to believe the trademark owner “sponsored” or was “affiliated

tends to become what courts say it is.”), *United States v. White*, 401 U.S. 745, 786 (1971) (Harlan, J., dissenting) (noting, in the context of the Fourth Amendment’s protection of our reasonable expectations of privacy, that “[o]ur expectations, and the risks we assume, are in large part reflections of laws that translate into rules the customs and values of the past and present.”); Gibson, *supra* note _ at 951 n.262; Stadler, *supra* note _ at __.

¹⁷¹ Courts generally articulate the relevant standard as a question of whether the defendant’s use is likely to cause confusion among “an appreciable number of ordinarily prudent purchasers.” See, e.g., *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, _ (2d Cir. 1979) (an “appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods”); *Int’l Ass’n of Machinists & Aero. Workers v. Winship Green Nursing Ctr.*, 103 F.3d 196, _ (1st Cir. 1996) (“the law has long demanded a showing that the allegedly infringing conduct carries with it a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care”). While there is no absolute quantitative threshold for determining what level of confusion is “appreciable,” courts have generally been persuaded by evidence of 15% confusion. See, e.g., *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266 (7th Cir. 1976) (15 percent level of confusion is neither

with” the defendant’s products or services. Moreover, trademark law condemns confusion about sponsorship or affiliation – neither term is defined more precisely – without attempting to determine whether, or in what circumstances, consumers care about the source relationships at issue.

And the modern marketplace abounds with licensing arrangements unimaginable in the traditional trademark era. American Idol judges Simon Cowell, Paula Abdul and Randy Jackson spend each episode behind prominently-placed Coca-Cola cups.¹⁷² As part of a relationship between General Motors and the producers of the recently released Transformers, four GM models have starring roles in the film: the Chevrolet Camaro, Hummer H2, GMC Topkick pick-up truck, and Pontiac Solstice convertible.¹⁷³ And perhaps most strikingly, the Chicago White Sox agreed this year to begin every home game at 7:11 p.m. because of a promotional arrangement with 7-Eleven.¹⁷⁴

Not surprisingly, in this legal and marketing context courts are finding it increasingly difficult to rule out consumer confusion in virtually any context. When

small nor de minimis); RJR Foods, Inc. v. White Rock Corp., 603 F.2d 1058 (2d Cir. 1979) (15-20 percent level of confusion corroborates likelihood of confusion); Exxon Corp. v. Texas Motor Exch., Inc., 628 F.2d 500 (5th Cir. 1980). In one case, the Second Circuit called evidence of 8.5% confusion “strong evidence.” Grotrian, Helfferich, Schulz, Th. Steinweg Machf. v. Steinway & Sons, 365 F.Supp. 707 (S.D.N.Y. 1973), modified, 523 F.2d 1331 (2d Cir. 1975) (8.5 percent confusion is “strong evidence” of a likelihood of confusion).

¹⁷² For American Idol, this is only the beginning of the product placement. See, <http://money.howstuffworks.com/product-placement6.htm>, noting other product placement strategies on the show, such as having the contestants wait in the Coca-Cola room during elimination episodes.

¹⁷³ See OJ Fagbire, **Transformer Movie Incorporates The Strongest Product Placement In Film History**, <http://www.productplacement.biz/news/product-placement/transformer-movie-incorporates-the-strongest-product-placement-in-film-history-20070717-2268-84.html> (last visited July 30, 2007)

¹⁷⁴ See Richard Sandomir, White Sox Have New Start Time: 7-Eleven, New York Times, October 11, 2006 (available at <http://www.nytimes.com/2006/10/11/sports/baseball/11sox.html?ex=1318219200&en=6154ecc5ae915a15&ei=5090&partner=rssuserland&emc=rss>) (last visited July 17, 2007).

product placement is commonplace, can consumers ever be sure that the presence of a branded product in a creative work is *not* a reflection of a licensing relationship? If the time a baseball game begins indicates 7/11's sponsorship, is it really possible to say that consumers would definitively conclude that the use of the Microsoft mark in the title of an article is not?

The seriousness of these questions ought to give pause to anyone who believes trademark law does – or should – protect only limited rights. The fact is that courts can plausibly determine that consumers are confused about the sponsorship or affiliation of almost any use of another's mark. "Sponsorship" and "affiliation" are broad enough concepts to encompass virtually any imaginable relationship between entities, and almost all of those imaginable relationships exist in the modern marketplace. And because modern trademark law regards confusion itself as the relevant harm, it has no principled way to differentiate between confusion regarding different relationships. To put it more concretely, the search costs theory is theoretically and practically incapable of providing a normative basis for limiting the scope of trademark rights.¹⁷⁵

Finding a way out of this perpetual cycle will require fundamental re-thinking of the purposes of trademark law. Only when we develop a richer theoretical basis for protecting source indicators and a better understanding of the alleged harms suffered by consumers and producers can we develop methods for systematically distinguishing between relevant and irrelevant confusion. This is the challenge for all who seek

¹⁷⁵ Mark owners generally have understood this, and they have been able to achieve their current level of control by arguing *within* trademark doctrine, using the language and logic of the search costs theory. See McKenna, *supra* note _ at 1916 ("Producers are able to frame just about any argument for broader protection in terms of consumer expectations, which they are in position to influence systematically through marketing.").

meaningful limits on trademark rights, and it will require much more sustained analysis than this paper can provide. In the meantime, however, the following sections briefly identify potential methods of limiting the scope of trademark rights.

A. Divorcing The Scope of Rights From Consumer Expectations

One obvious way to limit the scope of trademark rights is to recognize additional doctrines, like functionality, that are outcome determinative without regard to consumer understanding.¹⁷⁶ Some existing defenses could be modified to achieve this goal simply by ceasing to condition the defenses on lack of confusion. Courts, for example, could determine that comparative advertising has social benefit and declare that comparative advertising is not infringement even if it causes some confusion. Likewise, Congress could amend §33(b)(4) to remove the requirement that the use be “otherwise than as a mark” and make all descriptive uses of a mark fair uses, even if consumers might also regard the use as source designating.

Recognizing such doctrines would only be a partial remedy because some of these determinations cannot be completely severed from consumer perception. In the comparative advertising context, for example, courts will still have to determine whether the challenged use is in fact comparative, and they are likely to evaluate that question

¹⁷⁶ Functionality does depend to some extent, of course, on consumer expectations in the marketplace. In assessing mechanical functionality, a court must determine whether a feature is “essential to the use or purpose of an article or affects its cost or quality.” *TrafFix*. One could imagine fairly objective criteria on which to evaluate cost, but whether a feature is essential to the use or purpose of an article depends, at least to some extent, on how consumers expect to use the article. The focus on consumers is perhaps more significant in the context of aesthetic functionality since a feature is deemed aesthetically functional if its “exclusive use would put competitors at a significant non-reputation-related disadvantage.” *TrafFix*. Whether parties need to use certain features to compete effectively in a given market depends to a substantial degree on how one defines the relevant market. Assuming that is done by focusing on the substitutability of different products, consumers ultimately define the relevant markets.

from a consumer perspective. Similarly, even if the statutory fair use provision was amended to allow descriptive uses to be deemed fair even if they also indicated source, courts would still have to determine that the challenged use was a descriptive one. This inquiry too could only be resolved from a consumer perspective. In both cases, however, the consumer perception at issue would not relate to “source,” and courts would not have to determine whether consumers were confused.

B. Redefining Source to Limit Trademark Rights

Another potentially more controversial way to limit the scope of trademark rights would be to redefine source more narrowly so that consumer confusion would have to relate to a more specifically defined set of possible relationships. This solution is based on the intuition that not all types of confusion are created equal – some confusion affects consumers’ purchasing decisions, and some does not. Assuming we could define consumer confusion that does not affect purchasing decisions as irrelevant, courts could differentiate between relevant and irrelevant confusion on a case by case basis by requiring the plaintiff to prove that the defendant’s use is likely to cause confusion that will materially affect consumer purchasing decisions. Imposing such a materiality requirement would in some cases eliminate liability altogether. In other cases, forcing courts to focus on materiality should have an affect on the nature of the remedies they afford mark owners. If it appears, for example, that consumers’ purchasing decisions are affected by confusion about actual source, but not by confusion regarding a potential licensing relationship, then courts could adequately prevent material confusion without enjoining the defendant’s use altogether – perhaps simply by requiring clear labeling of the actual source.

If we could identify relationships that generally matter and those that generally do not, then this differentiation could be done more categorically by defining the relevant “source” confusion as confusion about a more specifically defined type of relationship. Courts could, for example, reject the idea that source must mean the same thing in the infringement context as it does in the context of determining rights and require infringement plaintiffs to prove consumer confusion about actual source.

Recall that source, as currently defined, encompasses not only the actual, historical source of a product or service but also any entity that sponsored or was affiliated with the actual producer. This definition was driven by two independent, though related, concerns. First, courts sought to extend trademark rights against noncompetitive products and services, which they could not do when plaintiffs were required to prove confusion regarding actual source. Second, courts were confronted with the reality of outsourcing and licensed production. This commercial reality created something of a dilemma: if courts continued to define source as the actual, historical source of a product, they would have to find that outsourcing mark owners had abandoned their marks.

Both of these situations put pressure on courts to redefine source, and courts clearly felt the need to redefine it in the same way with respect to establishing rights as they did in terms of finding infringement. But it could be otherwise. Courts could accept that, for purposes of establishing trademark rights, exercising quality control over other parties is sufficient to vest a mark owner with rights. At the same time, courts could insist that, in order to find infringement, consumers be confused about the actual source

of a product or service; they could demand evidence that consumers believe that the plaintiff actually produced the product.

In this system, even if IBM actually outsources production of its computers, it would develop rights in the IBM mark for computers as long as it exercised quality control over the actual producer. When it sued another computer manufacturer, however, it would have to show that consumers actually believed that IBM manufactured the computer.¹⁷⁷

There are two possible down-sides to limiting trademark rights in this way. First, this model depends to a large extent on the assumption that consumers do not understand the business arrangements of most trademark owners. In the IBM example above, it assumes that consumers are not aware of who is the actual producer of IBM computers. But in some cases consumers may be sufficiently aware of a mark owner's business arrangements so that the dichotomy of treatment of source would not work. Take a well-known franchising situation, for example. If consumers understand that virtually all McDonald's restaurants are individually owned and that McDonald's Corporation is not the actual source of the food served there, they are not likely to believe that McDonald's Corporation is the actual source behind an unauthorized McDonald's restaurant. But if this belief about the source of the food at the unauthorized restaurant would not differentiate the unauthorized restaurant from the authorized ones, consumers may well still expect to be able to order a Big Mac at any McDonald's restaurant.

Second, this approach may, in some cases, run contrary to consumer expectations and increase search costs. In some cases, consumers do care about more than the actual

¹⁷⁷ Because source is conscientiously defined differently here, we would not be concerned that consumers wrongly attributed production of the genuine IBM computers to IBM.

source of a product or service, and other types of relationships might affect those consumers' purchasing decisions. For those who regard search costs as a significant consideration in trademark law, this should be regarded as a serious concern. It could be mitigated, however, by combining this narrower definition of source with a type of materiality test. Under such an approach, confusion about anything other than actual source would be presumptively irrelevant, unless the plaintiff could show that consumers were confused about a matter material to their potential purchasing decisions.

VI. Conclusion

Trademark law is in desperate need of a reliable limiting principle. Unfortunately, trademark use is not capable of filling that role. Although the Lanham Act does condition liability on a defendant making a source indicating use of the plaintiff's mark, source indication, like virtually everything else in trademark law, cannot be determined without resort to consumer understanding. In fact, this hegemony of consumer understanding, and not courts' failure to apply a robust trademark use doctrine, all but guarantees perpetual expansion of trademark rights, particularly when the relevant consumer understanding relates to "source." Only by reconceptualizing consumer confusion as an intermediate, potential harm, rather than as a harm in itself, can we hope to find the limiting principles trademark law so badly needs.