

## *Contracting Trademark Fame?*

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### ABSTRACT

Contracts abound in today's highly digitized society. Did you snap a pic and upload it to Instagram? You entered into a contract. Did you check your friends' statuses on Facebook? Yep, you also entered into a contract. Did you know you entered into a contract or even if you were aware of this fact, did you know the terms to which you agreed? Probably not. But despite this, we are all obligated by these contracts, so long as we are somehow made aware that we *could* read the terms at some point if we had the inclination to do so. Online companies are rationally taking advantage of this, and are inserting clauses into the online agreements we enter into with them that places them in better legal positions. These clauses range from waiver of legal rights, choice of law and forum selection for disputes, and restrictions on intellectual property rights. Even though we are likely not aware of these clauses until well after we have agreed to them, courts typically uphold their binding nature based on an objective theory of contract law. Although scholars and commentators have raised numerous concerns related to the application of this theory to online contracting, I am concerned with an avenue that has not yet been explored: the possible extension of this theory to trademark law.

The reason this concern exists lies in the doctrine of trademark fame. Fame is the gold standard in trademark law, which enables a trademark holder to control almost anything that anyone else does with the famous mark. However, fame is extremely hard to prove and requires strong evidence of consumer recognition and commercial strength. Due to this, some trademark holders and courts are turning to newer forms of evidence, such as website agreements, user numbers and application downloads to potentially bolster claims of fame. Given the large number of users or app downloads of some of these websites (for example, Facebook has over 1 billion worldwide users), if the objective theory were adopted (even subconsciously) in the trademark realm, it would seem to be an easy argument that "Face," and "Book" are separately famous trademarks. As such, some trademark holders would be given virtually limitless control over all terms incorporating these generic or merely descriptive words. I question whether the incorporation of this contract law theory into trademark law would be a normatively positive development and conclude that it should not be. However, given that the utilization of user and download numbers are a tempting shortcut for difficult decisions regarding trademark fame, I offer some suggestions to resolve the problems of using the objective theory in trademark law, including adopting an interactive theory of consumer recognition.

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## INTRODUCTION

In today's society, we are clicking, tapping, swiping and browsing on the Internet almost every minute of the day.<sup>2</sup> We chuckle at a stranger's funny cat video upload, buy or rent the books we need to study with for the semester, virtually check-in with our friends, and browse reviews on where we should spend our next spring break. Throughout all of this activity, we are entering into contracts with the online company providing us with the chuckle or sending us our

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<sup>2</sup> See Statista, Average Daily Media Use in the U.S. 2014, <http://www.statista.com/statistics/270781/average-daily-media-use-in-the-us/> (last visited July 24, 2015) (finding that the average American spends 163 minutes per day on a tablet, 159 minutes per day online on a desktop computer, and 134 minutes per day on a smartphone (nonvoice)).

books.<sup>3</sup> But a meager 0.65 percent of us are actually reading the terms of these agreements we have entered into.<sup>4</sup> Despite this fact, courts routinely uphold these contracts as enforceable,<sup>5</sup> even though we have agreed to waive legal rights,<sup>6</sup> taken on onerous obligations,<sup>7</sup> or agreed to acknowledge questionable intellectual property rights.<sup>8</sup> The theory on which courts base their decisions is the staple of every first year law students' contract law curriculum: the objective theory of contract law, or the "duty to read."<sup>9</sup>

Although numerous scholars and commentators have criticized the extension of the objective theory of contracts to online contracting,<sup>10</sup> I am concerned with a further extension of this theory to intellectual property law. In particular, some recent developments in online

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<sup>3</sup> See YouTube, Terms of Service, Community Guidelines (dated June 9, 2010), <https://www.youtube.com/t/terms> (last visited July 24, 2015) ("By using or visiting the YouTube website or any YouTube products, software, data feeds, and services provided to you on, from, or through the YouTube website (collectively the "Service") you signify your agreement to (1) these terms and conditions (the "Terms of Service")..."); Conditions of Use, AMAZON.COM, (June 22, 2015), <http://www.amazon.com/gp/help/customer/display.html?nodeId=508088> (last visited July 24, 2015) ("By using Amazon Services, you agree to these conditions. Please read them carefully.") [hereinafter Amazon TOU].

<sup>4</sup> Yannis Bakos, Florencia Marotta-Wurgler & David R. Trossen, *Does Anyone Read the Fine Print? Consumer Attention to Standard-Form Contracts*, 43 J. LEGAL STUD. 1, 22 (2014)(tracking online behavior of 48,154 monthly visitors to 90 different online software companies and finding that approximately 6 out of every 1,000 visitors reads a fraction of the online agreement for the website).

<sup>5</sup> See Cheryl B. Preston & Eli W. McCann, *Unwrapping Shrinkwraps, Clickwraps, and Browsewraps: How the Law Went Wrong from Horse Traders to the Law of the Horse*, 26 BYU J. PUB. L. 1, 30 (2011)("[C]ourts willing to invalidate any clickwrap are rare."); Nathan J. Davis, *Presumed Assent: The Judicial Acceptance of Clickwrap*, 22 BERKELEY TECH. L.J. 577, 579 (2007)("the courts have unanimously found that clicking is a valid way to manifest assent since the first clickwrap agreement was litigated in 1998.").

<sup>6</sup> Amazon TOU, *supra* note 2 (waiver of dispute resolution through trial by jury; requiring all disputes to be resolved through binding arbitration).

<sup>7</sup> Yahoo! Terms of Service, Yahoo! (March 16, 2012), <https://policies.yahoo.com/us/en/yahoo/terms/utos/index.htm> ("You agree to indemnify and hold Yahoo and its subsidiaries, affiliates, officers, agents, employees, partners and licensors harmless from any claim or demand, including reasonable attorneys' fees, made by any third party due to or arising out of Content you submit, post, transmit, modify or otherwise make available through the Yahoo Services, your use of the Yahoo Services, your connection to the Yahoo Services, your violation of the TOS, or your violation of any rights of another.).

<sup>8</sup> See, e.g., Amazon TOS, *supra* note 2 (users agreeing to not use Amazon's trademarks or trade dress that disparages or discredits Amazon, even though the use of trademarks in this manner may be protected under federal law).

<sup>9</sup> NANCY S. KIM, WRAP CONTRACTS 7 (2014) ("The courts apply an objective standard to the contract dealings, meaning that they will assume that the parties were reasonable people and believed and acted the way reasonable people believe and act."). See generally Charles L. Knapp, *Is there a Duty to Read?, in REVISITING THE CONTRACTS SCHOLARSHIP OF STEWART MACAULAY: ON THE EMPIRICAL AND THE LYRICAL* 315 (Jean Braucher et al. eds., 2013).

<sup>10</sup> See Nancy S. Kim, *Situational Duress and the Aberrance of Electronic Contracts*, 89 CHI-KENT L. REV. 265, 275 (2014)("The development of an aberrant doctrine contributed to further aberrance in both the form and the content of electronic agreements."); Knapp, *supra* note 8, at 330 ("To speak of this arrangement [online agreements that contain unilateral modification clauses] in terms of traditional [duty to read] principles strains that principle to the breaking point."); Preston & McCann, *supra* note 4, at 30 ("unknowing 'consent' should not be acceptance of a TOS either."). See generally James Gibson, *Vertical Boilerplate*, 70 WASH. & LEE L. REV. 161 (2013)(attacking the use of boilerplate agreements and the objective theory of contracts based on market failure).

contracting and in trademark litigation lead to the potential of extending the objective theory of contract law to trademark law. For example, some online companies are inserting trademark acknowledgment clauses in their online agreements, and others are utilizing their user numbers and application downloads, all in order to potentially prove the strength or fame of their trademarks.<sup>11</sup> “Strong” or “famous” trademark status enhances the ability of the trademark holder to broadly control all third party uses of its trademark, including in reviews, criticism, parody, and even in online searching.<sup>12</sup> In short, fame has become the gold standard in trademark law to which many large multinational brands aspire<sup>13</sup> and the temptation to extend contract legal theory to this area is very real. If courts applied the objective theory of contracting to these online agreements and utilized the sheer numbers of users or app downloads as evidence for strength or famousness, the burden on companies to prove strength or fame of a mark becomes a slam dunk for some large companies.<sup>14</sup>

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<sup>11</sup> See, e.g., User Agreement, LinkedIn, (Oct. 23, 2014), <https://www.linkedin.com/legal/user-agreement> (last visited July 24, 2015) (“LinkedIn reserves all of its intellectual property rights in the Services. For example, LinkedIn, SlideShare, LinkedIn (stylized), the SlideShare and “in” logos and other LinkedIn trademarks, service marks, graphics, and logos used in connection with LinkedIn are trademarks or registered trademarks of LinkedIn.”) [hereinafter LinkedIn TOU]; Statement of Rights and Responsibilities, Facebook, (Nov. 15, 2013), (on file with author) (“You will not use our copyrights or trademarks (including Facebook, the Facebook and F Logos, FB, Face, Poke, Book ... marks, except as expressly permitted by our Brand Usage Guidelines or with our prior written permission.”) [hereinafter Facebook 2013 TOU].

<sup>12</sup> See *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) (“What is intended by references to ‘strong’ and ‘weak’ marks is the effect of such marks upon the mind of the consuming public. A mark that is strong because of its fame or uniqueness, is more likely to be remembered and more likely to be associated in the public mind with a greater breadth of products and services than is a mark that is weak because relatively unknown or very like similar marks or very like the name of the product.”). See also Timothy Denny Greene & Jeff Wilkerson, *Understanding Trademark Strength*, 16 STAN. TECH. L. REV. 535, 544 (2013) (“the stronger a mark, the wider its scope of protection and thus the more third-party uses it can block from the stream of commerce.”); Leah Chan Grinvald, *A Tale of Two Theories of Well-Known Marks*, 13 VAND. J. ENT. TECH. L. 1, 16 (2010) (“if a trademark has acquired an increased level of consumer recognition, the breadth of the owner’s rights expands.”).

<sup>13</sup> See, e.g., Benny Evangelista, *Monster Fiercely Protects Its Name: Cable Products Company Sues Those Who Use M-Word*, S.F. CHRON., Nov. 8, 2004, <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2004/11/08/BUG1J9N3C61.DTL> (describing Monster Cable’s attempts at policing its trademark in order to strengthen its legal rights).

<sup>14</sup> To be clear, I am not arguing against the use by these entities of monthly active users to prove fame. In fact, the number of monthly active users is a good proxy for consumer recognition – but only for those trademarks that are actually used on the website. See *infra* Part IV. For example, Facebook has included in prior online agreements a number of different trademarks that it does not use on its website, such as “Face” and “Book.” See Facebook 2013 TOU, *supra* note 10. It has also argued in opposition proceedings at the U.S. Patent and Trademark Office that it has famous trademarks not only for those marks it uses on the website, such as Facebook, but also for other marks it does not individually use on the website, such as “Face” or “Fbook.” See Notice of Opposition, Facebook v. Facewerk, TTAB, Dec. 21, 2012, available at <http://ttabvue.uspto.gov/ttabvue/v?pno=91208601&pty=OPP&eno=1> (claiming fame for “Face”); Notice of Opposition, Facebook v. Teachbook, TTAB, Mar. 15, 2010, available at <http://ttabvue.uspto.gov/ttabvue/v?pno=91194136&pty=OPP&eno=1> (claiming fame for “Fbook”). The “Facewerk” opposition was merited, but not because “Face” was a famous trademark. The applicant for “facewerk” was attempting to register a stylized version of “facewerk” using the same font and colors as “facebook.” Compare Serial No. 85588351, Application for “facewerk” with Registered Trademark No. 4396483, registration for “facebook.”

While there might be an efficiency argument to be made about this type of evidence, the potential importation of the objective theory of online contracting into trademark law deserves more attention for at least two reasons. The first reason is a theoretical disconnect between contract law and trademark law. The objective theory of online contracting is premised on an efficiency and notice rationale: online contracts are an efficient mechanism with which to conduct business.<sup>15</sup> If reasonable notice is given, the user has a duty to read under traditional contract law doctrine, and will be presumed to have assented to the contract if they continue with use of the website (even if they have never laid eyes on the online agreement).<sup>16</sup> On the other hand, the goal of trademark law (either for trademark infringement or dilution cases) is to recreate the reality of consumer perception.<sup>17</sup> Courts purport to assess the actual reality of strength or fame, albeit through various proxies such as evidence of marketing and sales efforts.<sup>18</sup> Presuming consumer recognition of trademarks through an implied assent to online agreements would substitute consumer reality with a completely fictitious one. This disconnect between the two theories cautions against importing the objective theory of contract law into trademark law.

The second reason that importing contract's objective theory into trademark law would be detrimental to trademark doctrine is that it would significantly lower the burden of proof some trademark holders would have in proving the strength or fame of their trademarks. While this would not be problematic for truly famous marks, entities such as Amazon.com, Facebook, and LinkedIn are including (or have included) in their online agreements the requirement to recognize descriptive or generic terms, such as "A to Z," "Book," or "in".<sup>19</sup> If these descriptive (or potentially generic) terms were given "strong" or "famous" trademark status, the ability by some large multinational corporations to monopolize the English language would be limitless. For example, if "Book" was given a famous trademark status, Facebook would be able to monopolize (and indeed they are attempting to do so) the online use of the term "Book," even if the use is in a descriptive or generic fashion.<sup>20</sup>

Both of these concerns have implications that reach far beyond trademark law. My concern with importing theories from one field to another is a broad-based one, as it is often

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<sup>15</sup> KIM, *supra* note 8, at 26.

<sup>16</sup> See *Register.com, Inc. v. Verio, Inc.*, 356 F.3d 393, 402 (2d Cir. 2004) (holding that Verio's continued use of Register's website put Verio on notice of Register's online agreement and therefore entered into an enforceable contract, even though Verio argued it had never read the terms).

<sup>17</sup> See Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1645 (2006) ("The [multifactor likelihood of confusion] test itself is essentially a substitute for empirical work. Ideally, a court would determine the likelihood of consumer confusion by taking testimony from every consumer who has been or will be exposed to the plaintiff's and defendant's marks.");

<sup>18</sup> J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§11:83; 15:30 (4<sup>th</sup> ed.) (citing factors). See also Graeme W. Austin, *Trademarks and the Unburdened Imagination*, 69 BROOK. L. REV. 827, 831–32 (2003–2004) ("One of the unusual things about trademark infringement cases is that liability most often depends on the state of mind of none of the parties to the litigation. As a result, trademark law must always apprehend the consumer worldview at a distance.")

<sup>19</sup> LinkedIn TOU, *supra* note 10; Facebook 2013 TOU, *supra* note 10; Amazon TOU, *supra* note 2 (follow link under "Trademarks").

<sup>20</sup> See *Facebook, Inc. v. Teachbook.com, LLC*, 819 F.Supp.2d 764, 776-777 (N.D.Ill. Sept. 26, 2011) (reciting Teachbook's argument).

tempting to import legal theories from one legal field into another. What appears to work in one field may seem like a panacea in another field. I argue that we should strive to prevent this from happening at an unconscious level, and instead, more fully examine and debate whether importation is fully justified. This discussion should focus on a number of factors, including the theoretical “connect” between fields. Further, my concern of monopolizing regular words has broad consequences for not just freedom of speech, but also international business competition. If large entities are able to propertize generic and descriptive words, other businesses, including competitors of those large entities, will be less competitive.<sup>21</sup> In fact, the anti-competitive nature of granting trademark protection to generic and descriptive marks has been the traditional justification for not granting protection at all to generic marks, and requiring proof of secondary meaning for descriptive ones.<sup>22</sup> Lowering the hefty burden for proof of strength or fame would eviscerate this foundational principle of trademark and unfair competition law.<sup>23</sup> Finally, lowering the burden of proof for fame would allow some large multinational entities to bypass the international registration system, which assists in fostering international trade and competition.<sup>24</sup>

The remainder of this article will proceed in four parts. In the first Part, I will provide a brief background of the objective theory of contract law and its application to online agreements. In addition I will discuss how online agreements and trademarks intersect through the use by a number of large multinational entities of trademark acknowledgment clauses in their online agreements with their users. I then turn in Part II to trademark law and chart out the various benefits to having a strong or famous trademark, as well as the evidentiary problems in proving such. After laying this foundation, I will examine the normative question of whether we should allow the importation of the objective theory from contract law into trademark law. As outlined above, I will make a case against such importation, based on two normative grounds. The first is that a disconnect between the two theories would dislodge the current approach in attempting to find consumer recognition in trademark law. Applying the objective theory to consumer recognition of trademarks would divorce such recognition from reality, as the objective theory presumes recognition of contract terms, and is not based in actual reality. The second is that this importation would undermine the traditional anti-competitive goals of requiring a heavy of burden of proof on those trademark holders seeking strong or famous trademark status. By lowering the standards for proving strength or fame, large entities would be able to monopolize

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<sup>21</sup> Lisa Ramsey, *Descriptive Trademarks and the First Amendment*, 70 TENN. L. REV. 1095, 1098-9 (2003) (“A single business should not have a monopoly on the use of common words that consumers use to refer generally to a product. A business with an exclusive right to use a generic term as a mark has an unfair advantage if competitors cannot use the same term to communicate regarding their own products.”)(footnotes omitted); MCCARTHY, *supra* note 17, at §24:104 (“If every trademark could invoke the antidilution remedy and stop uses of all similar marks in every market and every line of trade, this would upset the traditional balance of fair versus free competition that is inherent in trademark law.”)

<sup>22</sup> See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 10 (2d Cir. 1976) (“any claim to an exclusive right [to a generic mark] must be denied since this in effect would confer a monopoly not only of the mark but of the product by rendering a competitor unable effectively to name what it was endeavoring to sell.”). See also Ramsey, *supra* note 20, at 1098-9.

<sup>23</sup> *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 904-05 (9th Cir. 2002) (“A dilution injunction, by contrast to a trademark injunction, will generally sweep across broad vistas of the economy.”).

<sup>24</sup> See Grinvald, *supra* note 10, at 11.

large swathes of the English language, to the detriment of businesses, large and small, and the average consumer. Finally, I propose some solutions to this issue in Part IV, including making an argument for an adoption of an “interactive” theory of trademarks to prove strength or fame of a trademark.