

Updating the Lanham Act for the internet age

The development of the Internet has exacerbated the conflicts and uncertainty in US trademark law – to the point where it now seems necessary to amend the Federal Trademark Act

The rise of the Internet has facilitated an increasingly interconnected world, allowing for the widespread dissemination of information and giving unprecedented access to the ideas and experiences of people across the globe – as when a student in New York can follow in real time the dispatches of a demonstrator in Tehran. In the years since the introduction of Netscape Navigator, a host of third-party intermediaries have arisen to facilitate, catalogue and archive this explosion of information on the Internet, including the likes of Blogger and its parent company Google, Twitter and the Internet Archive.

As others have documented, the cross-border exchange of knowledge, goods and services made possible by the Internet has exposed some of the limitations of national laws crafted during a time when most communication and commerce was local in nature (see many of the essays in *Borders in Cyberspace*, Brian Kahin and Charles Nesson eds (1997)). This is especially true with respect to IP rights, which have come under increasing pressure from online activities. In 1998 the US Congress attempted to address some of these issues by passing the Digital Millennium Copyright Act (DMCA) (17 USC § 1201 *et seq.*). Coming at the start of the so-called 'dot com bubble', the DMCA included provisions intended to encourage the growth of new ventures by granting internet service providers a safe harbour from copyright liability for hosting third-party content (17 USC § 512) (Congress had previously provided internet service providers with a similar safe haven for non-IP claims in Section 230 of the Communications Decency Act). The following year, Congress attempted to address some of the challenges posed by the Internet to the trademark laws, passing the Anti-cybersquatting Consumer Protection Act (15 USC § 1125(d)).

However, several challenges remain and are currently being tackled on an *ad hoc* basis by the courts as each new conflict arises. The time has come for Congress to deal with these issues by updating the Lanham Act to balance the interests of trademark holders with the public benefits of encouraging a robust discourse and the dissemination of information online.

Addressing ambiguities

US trademark law initially grew out of state unfair competition laws, remaining a primarily common law doctrine until the passage of a federal trademark statute in 1905. (An earlier federal trademark statute was struck down by the US Supreme Court in 1897. *The Trademark Cases*, 100 US 82, 96, 25 LEd 550 (1879)). As befitting a country that saw fit to enshrine local control over local affairs in its founding document (Article X of the US Constitution), trademark law in the United States has remained a highly localized affair. The various states retain their own statutory and common law actions for trademark infringement (although the courts have largely interpreted state laws to track federal trademark law, even in the face of differences in the statutory language) and each of the federal circuits has been allowed to develop its own case law to govern trademark disputes arising within its borders. Only occasionally, if the distance between the circuits grows too wide, will the US Supreme Court step in to settle the matter definitively, as it did in cases such as *Traffix Devices Inc v Marketing Displays Inc* (523 US.23 (2001)) and *K-P Permanent Make-Up Inc v Lasting Impressions Inc* (543 US 111(2004)).

This system has always left room for large national companies to be subjected to conflicting legal dictates resulting from differing statutory interpretations among the circuits. The expansion of the Internet has served both to multiply and magnify these conflicts, as more actors engage in activities online that cross state (and national) borders. With the expansion of the doctrine of personal jurisdiction to allow states to assert control over the actions of an out-of-state company or individual based on the maintenance of an interactive website, an increasing number of entities are subject to the jurisdiction of multiple courts (*Zippo Mfg Co v Zippo Dot Com Inc*, 952 F Supp 1119 (WD Pa 1997)).

In recent years a number of circuit splits have opened up in the trademark laws. The expansion of the Internet has helped to create and intensify such splits of authority with regards to three trademark doctrines in particular:

- fair use;
- the meaning of 'use in commerce'; and
- the famous marks doctrine.

Fair use

Unlike the Copyright Act, which contains a statutory codification of fair use doctrines initially developed at common law by the courts, the trademark infringement provisions of the Lanham Act currently lack any comprehensive discussion of fair use principles. Instead,



A case involving the Academy of Motion Picture Arts & Sciences was one of the first to show that the Internet is particularly susceptible to difficulties in determining what constitutes use in commerce

the Lanham Act contains a single provision, in Section 33(b)(4), which makes the use of a term descriptively an affirmative defence to a claim for trademark infringement (15 USC § 1115(b)(4)). In contrast, the Federal Trademark Dilution Act, implemented in 1995 to provide protection from dilution for famous marks, identifies several 'fair use' defences:

- truthful comparative advertising;
- non-commercial use of a mark; and
- news reporting and commentary.

In the absence of a clear statutory definition of 'fair use', the courts have developed several different doctrines that provide fair use-like defences to a defendant in a trademark infringement case. Professor William McGeeveran (see William McGeeveran, "Four Free Speech Goals for Trademark Law", 18 Fordham Intell Prop Media & Ent LJ 1205, 1215-1216 (2008)) has categorized these various doctrinal strains into four main categories:

- the 'trademark use' theory (discussed separately below);
- nominative fair use;
- descriptive or 'classic' fair use under Section 33(b)(4); and
- First Amendment-inspired defences.

In practice, however, these doctrines often overlap and there is significant disagreement among the courts as to how or whether a doctrine should be applied in a given case. In particular, the nominative fair use and First Amendment defences are the subject of circuit splits.

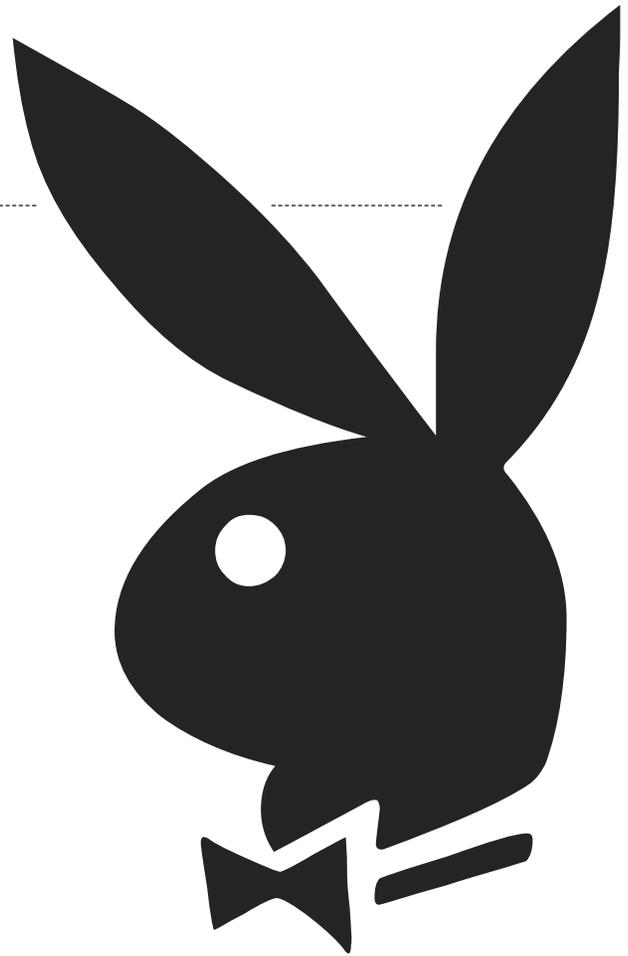
One of the oft-cited trademark fair use doctrines is the so-called 'nominative fair use' defence, which insulates from liability certain uses of trademarks to refer to the rights holder's product or to engage in comparative advertising. The doctrine was first enunciated by the Ninth Circuit in *New Kids on the Block v News Am Publ'g Inc*, 971 F2d 302 (9th Cir 1992). As articulated by the Ninth Circuit, the nominative fair use test contains three prongs:

- the product or service at issue must be one that is not readily identifiable without use of the trademark;
- the user must use only so much of the trademark as is reasonably necessary to identify the product; and
- the user must not do anything that would suggest sponsorship or endorsement by the trademark owner.

The nominative fair use doctrine has not been uniformly adopted by the remaining circuit courts. The Sixth Circuit has expressly declined to adopt a nominative fair use defence. (*PACCAR Inc v Telescan Techs LLC*, 391 F3d 243, 256 (6th Cir 2003) (overruled in part on other grounds)). The Fifth Circuit has adopted the doctrine, but has rejected the first prong of the Ninth Circuit's *New Kids on the Block* test (*Pebble Beach Co v Tour 18 I Ltd*, 155 F3d 526, 546 n 13 (5th Cir 1998) (overruled in part on other grounds)). Even those courts that have largely adopted the Ninth Circuit's test differ as to how the doctrine is applied. The Ninth Circuit considers the nominative fair use analysis to be a threshold question, declining to consider the likelihood of confusion factors once nominative fair use is found (*Cairns v Franklin Mint Co*, 292 F3d 1139, 1150 (9th Cir 2002)). In contrast, the Third Circuit, which has adopted a slightly modified version of the test, has held that nominative fair use is an affirmative defence which should be considered only once the plaintiff has met its burden to establish a likelihood of confusion (*Century 21 Real Estate Corp v Lendingtree Inc*, 425 F3d 211, 231-32 (3d Cir 2005)).

There is similar confusion among the circuits as to how First Amendment concerns should be addressed in a trademark infringement case. The tension between the Lanham Act's protection

Some courts, including the Ninth Circuit in the *Playboy Case*, have found that hidden use of trademarks is actionable under the Lanham Act



against consumer confusion and the public's interest in free expression was clearly articulated by the Second Circuit in *Rogers v Grimaldi*, 875 F2d 994, 999 (2nd Cir 1989). The Second Circuit found that "the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression", noting that the interest in free expression would generally outweigh concerns about trademark infringement so long as the use of a mark bore some artistic relevance to the work at issue. Applying this analysis, the Second Circuit allowed the use of Ginger Rogers's name in the title of the movie *Ginger and Fred*, despite the fact that Rogers was not the subject of the film. In contrast, the Ninth Circuit upheld an injunction against publication of the book *The Cat NOT in the Hat* despite the defendant's assertion of a First Amendment fair use defence, finding the use of a trademark as part of a parody to be protected only if the parody directly comments on the trademarked work (*Dr Seuss Enterprises LP v Penguin Books USA Inc*, 109 F3d 1394, 1403 (9th Cir 1997)).

The end result of the uncertainty generated by this lack of harmonization among the circuits is increased transactional costs and uncertainty for works that make use of third-party trademarks – what McGeeveran calls the "Clearance Culture". In the internet context, conflicting prescriptions on what is allowable become possible. Thus, the legality of a particular trademark use could depend upon the jurisdiction in which the trademark owner is located or can exercise personal jurisdiction over the author, potentially necessitating an in-depth review of the precedents of multiple circuits prior to posting any content.

Use in commerce

Another trademark doctrine that currently suffers from a lack of clarity is the concept of 'use in commerce'. In fact, the meaning of 'use in commerce' in the context of the Internet is perhaps the most hotly debated, and frequently litigated, question in US trademark law right now.

The Internet is particularly susceptible to difficulties in determining what constitutes a use in commerce since there is often a disconnection between the use of a trademark and the offer of a good or service. This tension first came to the fore in the late 1990s, as trademark owners began to encounter entities that had built a business model around the registration and subsequent sale of domain names incorporating others' trademarks. The aggrieved rights holders were faced with a challenge, since domain names did not fit comfortably within traditional trademark doctrines: domain names themselves were generally regarded as neither goods nor services and the registration of a domain name, standing alone, was not viewed by some courts as a use in commerce (*Academy of Motion Picture Arts & Sciences v Network Solutions Inc*, 989 F Supp 1216, 1279 (CD Cal 1997)).

The question of whether the registration of a domain name constituted a use in commerce was definitively resolved by passage of the Anti-cybersquatting Consumer Protection Act in 1999. However, this did not resolve all questions about what it means to use a mark in commerce on the Internet. Courts were soon confronted with infringement claims based on trademark uses that are less visible to consumers, with conflicting results.

One such hidden use was the reproduction of a competitor's trademarks in the metatags of a website. The Ninth Circuit was the first appellate court to encounter this issue. The court held that use of a trademark in a website's metatags constituted trademark infringement, by implication determining that it constituted use in commerce (*Brookfield Comms Inc v West Coast Entm't Corp*, 174 F3d

1036 (9th Cir 1999)). Other courts have found similar hidden uses of trademarks to be actionable under the Lanham Act. For example, the Ninth Circuit found the use of a trademark to trigger banner advertisements to be actionable – again without addressing the use in commerce question (*Playboy Enterprises Inc v Netscape Comm's Corp*, 354 F3d 1020 (9th Cir 2004)). A court in the Eighth Circuit reached a similar conclusion, but this time explicitly found that purchase of a keyword to trigger a sponsored link advertisement constituted use in commerce (*Edina Realty Inc v TheMLSONline.com*, Civil 04-4371, 2006 WL 737064 (D Minn, March 20 2006)). Two district courts in the Third Circuit reached similar results (*800-JR Cigar Inc v GoTo.com Inc*, 437 F Supp2d 273 (DNJ 2006); *Buying for the Home LLC v Humble Abode LLC*, 459 F Supp2d 310 (DNJ 2006)). Finally, in one of the best publicized cases on this issue, the District Court for the Eastern District of Virginia found that Google's sale of the plaintiff's trademark as a keyword constituted use in commerce, but ultimately determined that such use did not create a likelihood of confusion (*Government Employees Ins Co v Google Inc*, 2005 WL 1903128, 77 USPQ2d 1841 (ED Va, August 8 2005)).

However, courts in other circuits have held that such hidden uses do not constitute use in commerce. In a case with facts similar to *Playboy Enterprises*, the Second Circuit found that an internet marketing company's display of competitor advertisements whenever a user typed the plaintiff's domain name did not constitute use of the trademark. The Second Circuit reasoned that "[the defendant's] pop-up ads do not display the 1-800 trademark" and that the use of the plaintiff's domain name to trigger an advertisement did not constitute the use of the plaintiff's trademark, even where the domain name consisted of the plaintiff's trademark followed by '.com' (*1-800 Contacts Inc v WhenU.com Inc*, 414 F3d 400 (2d Cir 2005)). This reasoning has been followed by other courts in the Second Circuit, as well as the Eastern District of Michigan, to dismiss trademark infringement claims based on the purchase of a competitor's trademark as a keyword (*Site Pro-1 Inc v Better Metal LLC*, 506 F Supp2d 123, 127-28 (EDNY 2007);

Adding further to the confusion, the Second Circuit recently held that Google's sale of keywords could constitute use in commerce, distinguishing the 1-800 Case



FragranceNet.com Inc v FragranceX.com Inc, 493 FSupp2d 545, 555 (EDNY 2007); *Merck & Co Inc v Mediplan Health Consulting Inc*, 425 FSupp2d 402, 413 (SDNY 2006); *Wells Fargo & Co v WhenU.com Inc*, 293 FSupp2d 734 (EDMich 2003). Similarly, the Sixth Circuit has held that the inclusion of a trademark in a URL does not constitute trademark use and, thus, cannot give rise to a claim for trademark infringement (*Interactive Prods Corp v azz Mobile Office Solutions Inc*, 326 F3d 687, 695 (6th Cir 2003)). Adding further to the confusion, the Second Circuit recently held that Google's sale of keywords *could* constitute use in commerce, distinguishing the 1-800 Case (*Rescuecom Corp v Google Inc*, 562 F3d 123 (2d Cir 2009)).

The result of these inconsistent rulings has been a significant amount of litigation. At the time of writing, eight cases were pending against Google regarding its practice of selling trademarks as keywords. Several other cases have been brought but were resolved through settlements. The pending cases are located in six different circuits – the Second, Third, Fourth, Fifth, Ninth and Eleventh Circuits. This proliferation of litigation represents a significant waste of resources and gives rise to the possibility that Google may receive conflicting decisions regarding its keyword policies. The interests of internet companies and trademark holders alike would thus be served by having Congress step in to clarify the use in commerce doctrine in the internet context.

Adopting statutory safe harbours and takedown mechanisms

In addition to resolving the current ambiguities in the trademark laws described above, Congress should act to create a statutory safe harbour for internet service providers from trademark infringement claims. Currently, the law contains two important safe harbours for internet service providers:

- Section 230 of the Communications Decency Act (which does not apply to IP claims); and
- Section 512(c)(1) of the DMCA.

The Lanham Act does not have a similar safe-harbour provision.

Instead of a safe harbour for internet service providers, the Lanham Act includes a so-called 'innocent infringer' defence, codified in Section 32(2) (15 USC §1114). Last amended in 1988, Section 32(2) contains two provisions limiting trademark infringement liability for third-party intermediaries. The first provision, Section 32(2)(A), provides insulation against monetary damages for those "engaged solely in the business of printing the mark or violating matter for others". While this section is clearly intended to protect from monetary liability those companies that use a mark in

commerce only at the direction of a third party, an argument that internet service providers are engaged in "printing the mark" for others would be a strained reading of the statutory language at best.

The next provision, Section 32(2)(B), limits a trademark owner's relief against a publisher or distributor to an injunction against future issues of the work or transmissions of the communication. This section was specifically amended by Congress in 1988 to add the phrase "electronic communications" to the list of materials covered. However, the usefulness of this provision for internet service providers is severely limited by the requirement that reproduction of the mark be part of "paid advertising matter". Thus, the owners of a website such as NYTimes.com could safely take refuge under this section if an infringing mark appeared in an advertisement on its site. But other internet service providers, such as Twitter, Google or the Internet Archive, would likely be excluded from the protections of Section 32(2)(B). (In one closely watched case, the Southern District of New York recently found that eBay exercised sufficient control over the listings on its website as to be ineligible for the "innocent infringer" defence under Section 32(2)(B) (*Tiffany (NJ) Inc v eBay Inc*, 576 F Supp2d 463 (SDNY 2008)).)

Further, the applicability of Section 32(2)(B) to standard internet indexing and caching activities is unclear, since the provision limits injunctive relief to "future issues" and "future communications". Would a future viewing of the infringing content through Google's cache feature or the Internet Archive's database constitute a "future" communication of the material? Or, instead, would future access to a copy of the website through these methods be considered part of the original publication and, thus, immune to injunction?

To date, there has been relatively little litigation against third-party internet service providers for trademark infringement. (For this purpose, I do not consider Google to be a third-party internet service provider with respect to its AdWords system, as Google is an active participant in the transactions that are alleged to constitute infringement.) The first shots have been fired across the bow, however, with two recent cases naming internet service providers as defendants.

The first of these cases, brought by the manager of the St Louis Cardinals baseball team, asserted claims against Twitter based upon a third party's use of the account name TonyLaRussa. While the case was ultimately discontinued by the plaintiff, it is notable that Twitter was the sole defendant named in the case (*Tony LaRussa v Twitter Inc*, 3:09-cv-02503-EMC (ND Ca)). The second case was brought by a Texas real estate relocation company against a competitor for alleged use of the plaintiff's trademarks in advertisements on Craigslist. Craigslist was also named as a

Famous marks doctrine

The 20th century saw a dramatic increase in the flow of people and information across national boundaries, with advances in transportation and communication making it ever easier and cheaper to bridge vast distances. As broadband access to the Internet becomes even more common, the average person will increasingly be exposed to information and products from around the world. The resulting international interconnectivity poses challenges for US trademark law and lends support for the adoption of a federal famous marks doctrine.

The Lanham Act protects only those trademark rights arising from use in commerce that is subject to regulation by Congress (15 USC § 1127). The territoriality doctrine thus incorporated into the Lanham Act has traditionally been viewed by the federal courts as barring protection for trademarks where the associated goods or services are offered exclusively on foreign soil. (In contrast, a pair of cases from the 1920s issued by New York state courts extended trademark protection under state law to foreign marks that could be considered famous in the United States.)

In recent years, US courts have been asked to recognize trademark rights arising from activities conducted outside of the United States with increasing frequency. In 2003 the Fourth Circuit adopted an interpretation of 'use in commerce' that extended protection to the CASINO DE MONTE CARLO trademark based upon the plaintiff providing casino services to US citizens that travelled to Monaco (*Int'l Bancorp LLC v Société des Bains de Mer et du Cercle des Etrangers à Monaco*, 329 F3d 359 (4th Cir 2003)). The following year, the Ninth Circuit adopted the famous marks doctrine to protect a foreign trademark owner against infringement in the United States, so long as the trademark owner could demonstrate that "a substantial percentage of consumers in the relevant [US] market is familiar with the foreign mark" (*Grupo Gigante SA de CV v Dallo & Co*, 391 F3d 1088 (9th Cir 2004)) (emphasis in original).

Two district courts in the Second Circuit found the rationale for adoption of the famous marks doctrine to be compelling, with one of the courts noting that "[r]ecognition of the famous marks doctrine is particularly desirable in a world where international travel is commonplace and where the Internet and other media facilitate the rapid creation of business goodwill that transcends borders" (*De Beers LV Trademark Ltd v DeBeers Diamond Syndicate Inc*, 04 Civ 4099 (DLC), 2005 WL 1164073, 8 (SDNY, May 18 2005); *Empresa Cubana del Tabaco v Culbro Corp*, 99 Civ 8399 (RWS), 2004 WL 602295 (SDNY, March 26 2004)). However, the Second Circuit subsequently rejected the famous marks doctrine, finding no textual support for it in the Lanham Act and thus creating a split among the circuits (*ITC Ltd v Punchgini Inc*, 482 F3d 135 (2d Cir 2007)).

For this reason, the famous marks doctrine is another area that would greatly benefit from the increased clarity that Congressional action would provide. Adoption of the doctrine would acknowledge the increasingly international nature of commerce in the age of the Internet, while also furthering the goal of trademark law of alleviating consumer confusion.

Congress should act to create a statutory safe harbour for internet service providers from trademark infringement claims

Twitter has come under attack from the manager of the St Louis Cardinals baseball team, based on the third-party use of the account name Tony La Russa



defendant and on May 29 2009 the state district court in Nueces County, Texas, entered a temporary restraining order against Craigslist and the other defendants. The case was subsequently removed to federal court and remained pending at the time of writing (*Heston v AAA Apartment Locating*, 2:09CV00151 (SD Tx)).

Like many service providers in the Web 2.0 space, neither Twitter nor Craigslist currently charge for their services. Thus, the limitation on liability contained in Section 32(2)(B) is arguably inapplicable to their activities, as the infringing matter was not contained in "paid advertising matter". Without changes to the Lanham Act, we can expect to see more such cases brought against internet service providers in the future.

Adding a safe harbour to the Lanham Act similar to that established by the DMCA would not only benefit internet service providers by creating some measure of certainty regarding trademark infringement claims, but would also be beneficial for rights holders. There is currently no uniformity among internet service providers in how they respond to claims of trademark infringement. In the absence of a statutory safe harbour, many internet service providers, such as Google's Blogger service, will not disable access to infringing material unless the trademark owner first obtains a court order. In fact, Blogger's terms of service, which prohibit pornography and "hateful content", omit any mention at all of trademark infringement (<http://www.blogger.com/content.g>). A notice and takedown scheme similar to the DMCA, balanced with the availability of a counter-notification if the author believes that its material is protected by fair use, would thus provide rights holders with a more effective way to respond to online trademark infringement.

Final words

Changing technology poses a number of challenges for US trademark law. The expanding popularity of the Internet increases the societal costs that result from inconsistently applied trademark doctrines, threatening the vibrancy of online speech should circuit conflicts result in plaintiff forum shopping for the most restrictive policies. By updating the Lanham Act to address these challenges, Congress could mitigate many of these costs and encourage the continued development of new and improved internet services. **WTR**

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