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Online Word of Mouth and its Implications for Trademark Law

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Trademark Law and Theory
A Handbook of Contemporary Research

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RESEARCH HANDBOOKS IN INTELLECTUAL PROPERTY

Edward Elgar
Cheltenham, UK • Northampton, MA, USA
I. Introduction
It is already well-understood that the Internet is a major new medium for human communication.\(^1\) It is less well understood how this new medium should affect trademark law. Trademark law is wrestling with cybersquatting/domainers,\(^2\) the sale of keyword-triggered ads and other high-profile Internet trademark disputes, but I believe that “online word of mouth” poses the most important challenge to Internet trademark law.

“Word of mouth” describes the process of transmitting information from person to person. In commercial contexts, word of mouth involves consumers sharing their opinions about marketplace offerings with each other, often through everyday conversations.

Offline, consumer word of mouth plays a major role in the marketplace by disciplining some brands and rewarding others, but a person’s views typically reach only a limited number of people. In contrast, the Internet helps create new word of mouth content (otherwise foreclosed by higher offline communication costs) and disseminate word of mouth to new and previously unreachable audiences.

The broad reach of online word of mouth gives consumers tremendous


power to influence brand perceptions, and this has put doctrinal pressure on trademark law. Trademark law distinguishes between commercial and non-commercial activity, but online word of mouth often does not neatly fit into either category. As a result, courts are applying trademark law to online word of mouth inconsistently, and the developing jurisprudence puts online word of mouth at legal risk.

Trademark law’s inhibition of online word of mouth has adverse implications. Most importantly, trademark owners may be able to suppress or excise negative word of mouth, allowing trademark owners to escape accountability for their choices. Counterproductively, then, trademark law could hinder consumers’ ability to make informed decisions that are critical to the operation of marketplace mechanisms.

This chapter proceeds in three parts. Section II discusses online word of mouth and its implications for consumer formation of brand perceptions. Section III considers the implications of online word of mouth for trademark law. The Conclusion reiterates why it is important for trademark law to foster, not squelch, online word of mouth.

II. The rise of online word of mouth, and the decline of trademark owner control over consumer brand perceptions

Offline, trademark owners have a fair amount of control over consumer perceptions of their brands. Online word of mouth undermines that control.

A. Offline factors that shape brand perceptions

Consumer brand perceptions are created by multiple sources, and no trademark owner can completely control how consumers perceive its brand. Nevertheless, trademark owners have significant control over some of the offline influences:

Product experiences Consumers’ past experiences with a trademark owner’s products affect consumer expectations about future interactions with the product. Generally, trademark owners can affect consumer perceptions through the quality of their goods/services.

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5 This is a key basis of the “goodwill” doctrine. See 1 J. Thomas McCarthy,
Trademark owner’s advertising  A trademark owner can advertise via many media, ranging from broadcast/print advertising to marketing collateral to event sponsorships. By specifying the ads’ content and placement, trademark owners generally control the brand perceptions created by these ads.

Third party advertising  Third party advertising can affect consumer perceptions of a trademark owner’s brand in a couple of ways. First, a competitor’s ad may affect the trademark owner’s brand by expressly referencing/denigrating the trademark owner’s brand or through implicit associations/comparisons. Second, third party advertising can affect consumer demand for the entire product class; those effects can be positive, such as when a manufacturer’s ad stimulates demand for the product, or negative, such as the anti-tobacco public service advertising.

Third party advertising is generally beyond the trademark owner’s control. However, it is subject to some significant limitations, including false advertising laws and a major advertiser’s threat to withhold future advertising as retaliation for running demand-reducing third party ads. Further, because advertising is costly, typically advertising is undertaken only by profit-maximizing commercial players, not by consumers or other non-profit actors. (Public service ads like the anti-tobacco ads are a conspicuous anomaly.)

Retail interactions  Consumer brand perceptions are influenced by interactions in the retail context. Retailers, not upstream trademark owners, typically control these interactions (except when the trademark owner sells direct-to-consumer), but trademark owners nevertheless can influence the retail experience.

- Pricing. Price can signal quality to consumers, and pricing can deter-
mine post-purchase satisfaction and perceptions of brand exclusivity. Retailers set prices paid by consumers, but trademark owners can exercise indirect control over these prices through wholesale pricing and by restricting sales to discount retailers.

- **Placement.** Retailers choose where to place products within stores, and these decisions can lead consumers to make various inferences and associations that can affect brand perceptions. While retailers make the final in-store placement decisions, trademark owners can influence placement decisions through a variety of incentives and restrictions.

- **Advertising.** Retailers generally may advertise the products they sell under the trademark exhaustion/first sale doctrine. Trademark owners can get oversight of some retailer choices through co-op advertising programs.

- **Salesperson–Consumer Interactions.** Retail salespeople’s statements and conduct can affect consumer brand perceptions. Trademark owners can conform the behavior of retail salespeople to some degree through financial incentives and salesperson training (if permitted by the retailer), and trademark owners can control some retail messaging through product packaging or by providing retailers with marketing collateral.

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11 Trademark owners also can exercise some limited control over prices directly through vertical price restrictions to the extent such restrictions are permissible.

12 See Goldman, Brand Spillovers, supra note 7.

13 See id.


15 See MCCARTHY, supra note 5, §25:43.

16 With co-op advertising programs, trademark owners subsidize retailer advertising or make other resources available to retailers (such as licenses to copyrighted material). See Co-op Advertising, ENTREPRENEUR.COM, http://www.entrepreneur.com/encyclopedia/printthis/82096.html.

17 See, e.g., Brent Goff et al., The Influence of Salesperson Selling Behaviors on Customer Satisfaction with Products, 73 J. RETAILING 171 (1997).
Editorial content  Editorial content about goods and services, such as product reviews, plays a crucial role in shaping consumer brand perceptions. For example, good product reviews can boost sales, while bad reviews can sink them.18

By definition, trademark owners are not supposed to be able to control editorial content. Editorial content is expected to be free from outside influences, and many publishers voluntarily adopt policies limiting advertisers’ ability to influence editorial decisions.19 Nevertheless, trademark owners can influence editorial content written about them:

• Marketers routinely “pay-to-play”20 despite legal doctrines (like anti-payola laws) designed to restrict their ability to do so.
• Even when trademark owners do not directly pay-to-play, they can stimulate and steer media coverage through public relations campaigns. In extreme cases, media outlets will republish brand owner-supplied content (such as video news releases) verbatim as “editorial” content.21
• Despite publisher/broadcaster policies separating “church and state,” trademark owners can influence editorial decisions by threatening to withhold advertising.22

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19 See C. EDWIN BAKER, ADVERTISING AND A DEMOCRATIC PRESS (1994).
22 See BAKER, supra note 19; Blake Fleetwood, The Broken Wall; Newspaper Coverage of its Advertisers, WASH. MONTHLY, Sept. 1999.
Therefore, while much editorial content remains truly independent of trademark owner influence, sometimes trademark owners can control or at least guide editorial content.

Further, offline editorial content is expensive to produce and publish, which limits the number of speakers who can afford to speak about the trademark owner.23 This economic barrier to entry systematically blocks a lot of brand-influencing content from being produced in the first place.

Consumer word of mouth Consumer word of mouth is another important factor in shaping consumer brand perceptions.24 For some industries, such as media products (i.e., books/movies/music)25 and restaurants,26 word of mouth can make or break businesses.

People routinely discuss brands with each other as part of their normal interactions; according to one study, “people discuss about a dozen brands each day.”27 Due to their sociability or expertise, some consumers (sometimes called “brand advocates”)28 are more influential than other consumers. But

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25 Word of mouth repeatedly has been shown to affect consumers’ purchases of books, movies and music. See Judith Chevalier & Dina Mayzlin, The Effect of Word of Mouth on Sales: Online Book Reviews, J. MARKETING RES., Aug. 2006; Charles C. Moul, Measuring Word of Mouth’s Impact on Theatrical Movie Admissions, Mar. 2006, http://www.artsci.wustl.edu/~moul/pdf_drafts/wordofmouth.pdf; Yong Liu, Word of Mouth for Movies: Its Dynamics and Impact on Box Office Revenue, J. MARKETING, July 2006, at 74 (indicating that high quantity of word of mouth, regardless of whether it is positive or negative, increases movie box office receipts).
27 Louise Story, What We Talk About When We Talk About Brands, N.Y. TIMES, Nov. 24, 2006.
even the most influential brand advocates typically directly influence only the few dozen people in their social network,²⁹ often in time-consuming seriatim conversations with one or a few people at a time.

Like editorial content, trademark owners cannot directly control word of mouth very well.³⁰ Indeed, this implicit independence—that word of mouth reflects peers’ bona fide opinions, not a marketer’s economically motivated views—gives extra credibility to word of mouth, which in turn makes it highly influential to other consumers.³¹ Marketers can try to take advantage of word of mouth’s extra credibility through techniques such as “buzz marketing,” but these efforts often do not succeed.³²

**Conclusion**  This discussion can be summarized by Table 15.1

<table>
<thead>
<tr>
<th>Brand perception influences</th>
<th>Effect on brand perceptions</th>
<th>Trademark owner control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product experiences</td>
<td>Significant</td>
<td>High</td>
</tr>
<tr>
<td>Trademark owner’s advertising</td>
<td>Potentially significant</td>
<td>High</td>
</tr>
<tr>
<td>Third party advertising</td>
<td>Often indirect</td>
<td>Low</td>
</tr>
<tr>
<td>Retail interactions</td>
<td>Significant</td>
<td>Low in theory, non-trivial in practice</td>
</tr>
<tr>
<td>Editorial publication</td>
<td>Significant</td>
<td>Low</td>
</tr>
<tr>
<td>Consumer word of mouth</td>
<td>Significant in aggregate, but each person’s influence may be low</td>
<td>Low</td>
</tr>
</tbody>
</table>

²⁹ See Gladwell, supra note 28, at 179 (estimating that a social network rarely exceeds 150 people). Solomon, supra. note 24 at 382 (an average disgruntled consumer will share his/her negative opinions with nine people, only 13% of disgruntled consumers will tell over 30 people).
³¹ See, e.g., Bob Tedeschi, Help for the Merchant in Navigating a Sea of Shopper Opinions, N.Y. Times, Sept. 4, 2006; Story, supra note 27.
B. The Internet and online word of mouth

1. Amplification of word of mouth  Online word of mouth differs from offline word of mouth in several important ways. First, the Internet reduces consumers’ costs to share their views. For example, a consumer can easily disseminate an email or blog post to the consumer’s entire social network,\(^{33}\) which makes it easier (in terms of time and money) to share the consumer’s views with more people. The ease of online communication also may encourage consumers to produce and share their brand perceptions more freely than would have taken place offline, especially when such a communication would be inhibited by geographic separation or social norms.

Second, through Internet dissemination, a consumer’s opinions can reach people outside the consumer’s social network. Members of a consumer’s social network can easily forward the message to their social network, quickly expanding the reach of a single communication.\(^{34}\) If the consumer publishes opinions to the web (via a blog or other online tool), the consumer can build a readership that includes people who would not have been in the consumer’s social network in physical space. Further, offline word of mouth is typically ephemeral, but content published to the web can remain available indefinitely, thus potentially influencing generations of future consumers.\(^{35}\)

Third, new online intermediaries have emerged to systematically capture and republish consumer opinions, such as merchant ratings in eBay’s feedback forum\(^{36}\) and product reviews at Amazon.com, Epinions or Yelp. Intermediaries may spur the creation of new incremental brand commentary by soliciting consumer opinions (in some cases paying for those opinions),\(^{37}\) and intermediaries can provide useful metadata (such as identity/geography authentication or ranking credentials) that helps readers assess the credibility of those opinions. Intermediaries can also make online word of mouth easier

\(^{33}\) See Yahoo.com, Influential Consumers, supra note 28 (brand advocates are much more likely to use IM, Podcasts and email to disseminate their views than non-advocates).

\(^{34}\) See Cass Sunstein, Republic.com (2001) (using the unflattering term “cyber-cascades” to describe the phenomenon).


to use and compare by “summarizing” multiple consumers’ opinions into a collective wisdom, such as a star rating.

2. Search engines and the competition for attention Search engines also enhance the impact of online word of mouth. Typically, a search results page has several “zones” of ads and content. For example, Google presents paid advertising at the top and along the right side of a search results page and presents “organic” search results along the left side. Both editorial\(^{38}\) and ad\(^{39}\) zones are sorted by proprietary algorithms. Search engines typically only present ten organic results and up to ten ads per page. Typically, consumers examine only the first page of search results.\(^{40}\) Thus, even if a keyword search yields thousands or even millions of responsive results, consumers likely will consider no more than the top twenty.\(^{41}\) With so much consumer attention and cash at stake,\(^{42}\) competition for these top spots can be intense.

The competition-for-placement is exacerbated by players who traditionally do not compete with the trademark owner for attention in the offline world. For example, offline advertising by members of a trademark owner’s distribution channel (such as retailers and marketing affiliates) typically complements the trademark owner’s efforts. However, in search engines, trademark owners may compete against their distribution channel members for the top twenty spots. Trademark owners also compete with other commercial actors

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\(^{39}\) For example, Google uses an “Ad Rank” that considers the advertiser’s willingness to pay and a proprietary “quality score” that considers a variety of relevancy factors. See *How Are Ads Ranked?*, Google.com, http://adwords.google.com/support/bin/answer.py?answer=6111&query=ad%20rank&topic=&type=f.


who are not normally directly competitive for offline advertising, such as vendors of complementary goods; vendors catering to common consumer interests; vendors of used goods; and publishers producing content about the trademark owner.

More importantly for our purposes, trademark owners face competition for search engine placement from consumers, grippers, critics and other speakers who publish their views about the trademark owner but lack any profit motive for doing so. These views, along with word of mouth distillations from intermediaries like product review sites, can make their way into the top ten organic search results (or, in some cases, may appear in the search ads). Some searchers exposed to these search results will investigate further, in which case this word of mouth content may shape the consumer’s brand perceptions. Indeed, searcher perceptions may be influenced merely by seeing word of mouth content displayed in the search results itself, even if searchers do not click on the link to investigate it further.

Thus, in contrast to trademark owners’ relatively high level of control over brand perceptions in the offline world, the Internet and online word of mouth substantially degrade trademark owners’ control over consumers’ brand perceptions. Indeed, a single consumer, through favorable search engine placement, might influence thousands or even millions of potential consumers, and because online word of mouth can survive indefinitely, the Internet “remembers” a trademark owner’s historical choices and practices.

As a result, online word of mouth creates unprecedented accountability on trademark owners for their decisions. Unfortunately, these effects are not uniformly beneficial; online word of mouth can be inaccurate or unfair. Consumers will need to develop mechanisms to distinguish trustworthy from untrustworthy information. But even as consumers (and intermediaries) develop these mechanisms, many consumers will use online word of mouth to sharpen their marketplace decisions. In turn, the entire marketplace benefits as online word of mouth improves trademark owner accountability.

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43 See Goldman, Brand Spillovers, supra note 7; see also Promatek Indus., Ltd. v Equitrac Corp., 300 F.3d 808 (7th Cir. 2002).

44 See Maughan v Google Tech., Inc., 143 Cal. App. 4th 1242 (Cal. App. Ct. 2006) (an accountant complained that the text of Google’s search result was harming his business); Posting of Chris Bennett to 97th Floor Blog, 29 Fortune 100’s Are Letting Google Tarnish Their Reputation, Mar. 29, 2007, http://www.97thfloor.com/blog/29-fortune-100s-are-letting-google-tarnish-their-reputation/ (showing that many prominent companies’ trademarks will prominently display negative search results when searched); cf. Online Banner Advertising Raises Brand Awareness By 6% On Average, DYNAMIC LOGIC: BEHIND THE CLICK®, June 2000, http://www.dynamiclogic.com/na/research/btc/beyond_the_click_0600.html (claiming that banner ads raise brand awareness by 6% even if consumers do not click on the ads to investigate further).
III. Trademark consequences of online word of mouth

This section explores the trademark law implications of online word of mouth. To focus the discussion, this section only considers trademark infringement, not trademark dilution, the Anti-Cybersquatting Consumer Protection Act or other trademark laws.

To establish a *prima facie* case of trademark infringement under the Lanham Act, a trademark owner must establish (1) ownership of a valid trademark, (2) priority of use, (3) the defendant used the trademark in commerce in connection with the sale of goods or services, and (4) a likelihood that the use will cause consumer confusion about the product’s source. After the trademark owner establishes a *prima facie* case, the defendant can assert affirmative defenses, including fair use. The Internet does not change the ownership or priority analyses, but it raises important new issues about the other two elements of a trademark infringement claim.

A. Use in commerce

1. Defined

   The Lanham Act’s trademark infringement provisions reference “use in commerce” three separate times: §32(a) (infringement of registered marks); §43(a) (infringement of unregistered marks) and §45 (definitions). §45 defines “use in commerce” as:

   the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—
   (1) on goods when—
   (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and
   (B) the goods are sold or transported in commerce, and
   (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.45

   This definition has plenty of ambiguity, especially the somewhat tautological definition of services (“use in commerce” means “used . . . in the sale or advertising of services”). However, it requires that the use take place in the “ordinary course of trade,” and it implies that the use should be visible to consumers either on the product packaging or in marketing collateral.

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From a purely textualist perspective, this definition should govern all references to “use in commerce” in the statute. After all, §45’s preamble says that the definitions apply “[i]n the construction of this chapter [Chapter 22, which governs trademarks], unless the contrary is plainly apparent from the context. . . .” Where the statute uses the phrase “use in commerce,” the §45 definition should apply by its terms.

Prof. McCarthy rejects the textualist approach, calling it a “robotic statutory reading divorced from the history and meaning” of trademark law. He views the §45 definition as a “quaint” “anachronism” that, when applied to the §32(a) and §43(a) “use in commerce” references, leads to an “awkward and inept” result. Instead, Prof. McCarthy believes the plaintiff’s prima facie infringement case does not contain a separate “use in commerce” element.

Profs. Dinwoodie and Janis agree with Prof. McCarthy about the lack of a “use in commerce” element and the merit to rejecting the textualist approach, arguing that such an approach would make language in §33(b)(4) (the trademark fair use provision) superfluous and, as a result, would be inconsistent with the Supreme Court’s interpretation of that language in the recent Supreme Court KP Permanent ruling.

Similarly rejecting a textualist approach, some courts have ignored the §45 “use in commerce” definition entirely, instead construing the §32 and §43 references to “use in commerce” to be coextensive with Congress’ power under the Commerce Clause. This expansive argument proceeds as follows:

- Congress needs Constitutional authorization to enact the Lanham Act.
- The Intellectual Property Clause does not provide that authorization; it only authorizes Congress to enact patent and copyright protection.
- Instead, Congress enacts the Lanham Act under the Commerce Clause.
- Congress’ references to “use in commerce” are designed to keep the statute within its Commerce Clause authority.

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46 McCarthy, supra note 5, §23:11.50.
47 Id.
48 Id.
52 U.S. Const. art. I, §8, cl. 3.
53 Id., §8, cl. 8.
54 See Trade-Mark Cases, 100 U.S. 82 (1879).
• As a result, the courts interpret the “use in commerce” language as extending the statute to the maximum extent of Congress’ authority under the Commerce Clause.

In support of this argument, some courts have cited the §45 definition of “commerce,” defined as “all commerce which may lawfully be regulated by Congress.” This expansive reading relies on an odd method of statutory construction. To reach this result, the courts read the “use in commerce” language in §32 and §43 as “use in commerce” where only the word commerce is defined in §45 even though §45 also contains a definition of the entire phrase “use in commerce.” If Congress had intended for §32 and §43 to use only the §45 definition of “commerce” instead of the “use in commerce” definition from the same section, it certainly did not make this intent very clear.

As this discussion illustrates, there is no ideal reading of the statute; any reading of the statute exposes drafting anomalies or creates statutory conflicts. Accordingly, it is not surprising that courts cannot agree on the definition, and their efforts are likely to be irresolute. It is likely that definitive resolution will come only from the Supreme Court or Congressional action.

Even if courts read the “use in commerce” definition expansively, the statute requires that the trademark be used “in connection with a sale of goods or services.” At minimum, this language contemplates that some set of non-commercial activity would be outside the reach of trademark infringement. However, some courts have taken an expansive view of this phrase as well. For example, in *PETA v Doughney*, Doughney created a parody website entitled “People Eating Tasty Animals” at peta.org. Doughney did not derive revenues from the website, but the court found a connection to the sale of goods/services because (1) the peta.org website “prevented users from obtaining or using PETA’s goods or services,” and (2) the website had uncompensated, editorially selected links to thirty third-party commercial websites.

Thus, by combining two expansive statutory interpretations, the Lanham Act can reach unambiguously non-commercial activity—such as the *Doughney* case, involving a parody website that was not making money, advertising third parties, or interfering with the trademark owner’s ability to make money.

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55 See, e.g., Bosley Med. Inst., Inc. v Kremer, 403 F.3d 672 (9th Cir. 2005).
58 People for the Ethical Treatment of Animals v Doughney, 263 F.3d 359 (4th Cir. 2001).
2. “Use in commerce” gone awry The result of a double-expansive interpretation of trademark “use in commerce” creates significant legal risks for online word of mouth for at least two reasons. First, in some cases, consumers may legitimately generate revenues from online word of mouth. Individual consumers self-publishing their content can easily sign up to advertising programs, such as Google’s AdSense program,59 that pay them to display third party ads on their websites. These ad programs can help consumers defray their web hosting costs and, in some cases, provide some modest compensation for their time. In this respect, consumer-publishers are just like newspaper reporters who are paid a salary or royalty for writing a story about a trademark owner. Yet, unlike these journalists, under an expansive/double-expansive reading of the “use in commerce” requirement, consumers who disseminate their brand-related opinions via an ad-supported website could satisfy the trademark use in commerce standard.60

Second, courts have found a trademark use in commerce even when a consumer engaged in no commercial activity at all. This was illustrated by Doughney (discussed above) and emphasized by Planned Parenthood v Bucci.61 In that case, an anti-abortion griper operated a website at plannedparenthood.com. On the site, he called visitors’ attention to an anti-abortion book by a third party author. This “plug” was uncompensated, but it nevertheless satisfied the court’s double-expansive interpretation of use in commerce. In other words, the single word of mouth reference to a commercial product pushed Bucci’s entire gripe site into the Lanham Act’s ambit. The Bucci case may represent the zenith (nadir?) of use in commerce overreaching. Two recent online griper appellate decisions—Bosley62 and Lamparello63—have diverged from Bucci and Doughney and excused online griping. Yet, amidst the good news for gripers, there remain troubling signs about the applicability of the use in commerce doctrine to online word of mouth.

In Bosley, Kremer (a dissatisfied customer of the plaintiff) set up a gripe site at bosleymedical.com. Kremer did not try to generate revenues, and the

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59 https://www.google.com/adsense/. Another example is the Amazon Affiliates program. See http://affiliate-program.amazon.com/gp/associates/join.

60 The fact that these editorial references should not create a likelihood of consumer confusion will be addressed in Section III(B).


62 Bosley Med. Inst., Inc. v Kremer, 403 F.3d 672 (9th Cir. 2005).

site’s only outlinks were to Kremer’s lawyers and to a sister site operated by Kremer, which in turn had links to a newsgroup that displayed ads for the plaintiff’s competitors. On these facts, the court could have simply concluded that this was a non-commercial gripe site which was categorically outside the Lanham Act’s express terms. Instead, the court evaluated the nature of the outlinks and, only after the court was satisfied that Kremer had made the “right” type of links, determined that there was no use in commerce.

In Lamparello, Lamparello set up a gripe site at fallwell.com to critique Rev. Jerry Falwell’s attitude towards gays. The parties stipulated that “Lamparello has never sold goods or services on his website.”64 However, at one point, Lamparello had an apparently uncompensated outbound link to an Amazon.com web page where visitors could purchase a book recommended by Lamparello. On these facts, Lamparello easily should have qualified as a non-commercial actor. Yet, the court pointed on the use in commerce issue, calling it a “difficult question,”65 and instead found for the griper on likelihood of confusion grounds. In other words, the defendant’s recommendation of a commercial product through a single outbound link, even if uncompensated and for a limited period of time, made the use in commerce question a difficult one.

3. A normative view of “use in commerce” Although the Bosley and Lamparello cases ultimately reached the right outcome on trademark infringement, those cases (and others)66 have turned the use in commerce element into a bizarre link-counting witchhunt where a “wrong” link may flip on Lanham Act coverage like a light switch. Not only does this discourage websites from providing links that are beneficial to users, but it is significantly overinclusive, leading to substantial risk of bona fide non-commercial activity being deemed a use in commerce.67

Instead, a use in commerce should occur only when the defendant uses the plaintiff’s trademark to designate the source of the defendant’s goods or services.68 This source-designation requirement is explicit in the definition of

64 Id. at 311.
65 Id. at 314.
67 Cf. Nissan Motor Co. v Nissan Computer Corp., 378 F.3d 1002 (9th Cir. 2004) (outlinks to critical commentary are not “commercial,” and restrictions against such outlinks violated the First Amendment).
a “trademark,” defined in §45 as a word (or other symbol) used “to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods.”\(^{69}\) This definition constitutes a predicate requirement for protectable rights, but it also is a constituent requirement of an infringement. Section 45’s definition of “use in commerce” references the definition of “trademark,” thus implicitly requiring that the defendant cannot infringe unless the defendant makes a source-designating use of the third party trademark.

Admittedly, the source-designation requirement for a “use in commerce” creates some problems even as it solves others. First, as Dinwoodie and Janis have noted, this statutory interpretation would make some language in the descriptive fair use provisions of §33(b)(4) superfluous (specifically, the exclusion for when the defendant is using the trademark “otherwise than as a mark”).\(^{70}\) However, other statutory interpretations create other conflicts as well. Until Congress fixes its drafting mistakes, something has to give.

Second, Dinwoodie and Janis have also noted that a source-designation requirement creates the risk that defendants could confuse consumers but categorically avoid trademark liability.\(^{71}\)

Third, consumers routinely do not understand the “source” of goods or services they are buying—even when no one is trying to cloud the issue—because trademarks rarely designate a specific manufacturing plant or the work of specific personnel, and trademark owners make source determinations difficult through trademark licensing, co-branding, merchandising and brand ownership by low-profile conglomerates. Further, it is not clear how much consumers even care about a product’s “source” when making marketplace choices. So predicating the trademark use in commerce doctrine on source designation may be, at best, somewhat anachronistic.

Nevertheless, descriptively, the source-designation approach is consistent with the statute, and normatively, the approach provides an efficient way to analyze some socially beneficial behavior involving trademarks that has been vexing courts. Specifically, to the extent that the Lanham Act requires a defendant to designate the source of its products using the plaintiff’s trademark, some types of activities do not qualify as uses in commerce:

a. **No goods/services** If a defendant does not offer any of its own goods or services in the marketplace, its actions should be outside the use in commerce standard by definition. Many consumers disseminating online word of mouth


\(^{71}\) See Dinwoodie & Janis, *supra* note 49.
should qualify under this standard, including gripers such as Bucci, Doughney, Kremer and Lamparello. In these cases, the consumers are espousing their opinions, not offering goods or services.\textsuperscript{72} As a result, any trademark references contained in their online word of mouth cannot designate source of the consumer’s (non-existent) goods/services.\textsuperscript{73}

b. Referential uses Even when a word of mouth disseminator is offering its own goods and services, it is not making a trademark use in commerce when it uses the third party trademark for its referential meaning of describing/identifying the trademark owner’s goods or services.\textsuperscript{74}

An offline example illustrates this point. Newspapers offer their goods in the marketplace. In editorial stories they publish (and sell), such as product reviews, newspapers use third party trademarks for their referential value. These trademark references do not designate the newspaper’s source and thus do not qualify as a use in commerce of those trademarks they editorially reference—even if the trademark is prominently displayed in a first page headline, which might prompt some new incremental customers to buy single copies of the newspaper to learn more about the trademark owner; and even if the newspaper places ads adjacent to the story.

As this example illustrates, a publication’s commerciality does not dictate the trademark law characterization of trademark references made in the publication. So long as references to third party trademarks are not designed to designate the publication’s goods or services, they do not qualify as a use in commerce.

This is true in the online context as well. Even if online word of mouth is published as part of a commercial endeavor (such as an ad-supported website),

\textsuperscript{72} Admittedly, some judges might circularly characterize the dissemination of word of mouth as a service of disseminating word of mouth. See SMJ Group, Inc. v 417 Lafayette Rest. LLC, 439 F. Supp. 2d 281 (S.D.N.Y. 2006). However, in effect this tautology eliminates the element. Compare The Freecycle Network, Inc. v Oey 505 F.3d 898 (9th Cir. 2007) (disparaging a trademark owner did not constitute a trademark use in commerce).

\textsuperscript{73} In contrast, word-of-mouth marketing can constitute a trademark use in commerce when it is part of a trademark owner’s marketing campaign to sell its goods and services. See Allard Enters., Inc. v Advanced Programming Res., Inc., 146 F.3d 350, 359 (6th Cir. 1998).

\textsuperscript{74} See Universal Commc’n Sys., Inc. v Lycos, Inc., 478 F.3d 413, 425 (1st Cir. 2007) (“Lycos is not using the ‘UCSY’ trade name ‘on’ a product (or business) at all, but is simply referring to the existing company that has adopted that trade name.”). The exception is when the defendant’s reference to a third party trademark is part of the defendant’s source designation of its own products/services, in which case the reference may qualify as a nominative use. See infra Section III(C).
referential trademark uses should still be excused.75 Thus, there is no reason
to engage in link-counting exercises; even a for-profit website with hundreds
of compensated links does not make a use in commerce when it uses third
party trademarks referentially.

c. Imperceptible uses Online, web publishers can reference trademarks in
a manner that consumers cannot perceive. For example, web publishers can
include trademarks in their “keyword metatags,” which are index terms read-
able by a search engine’s robots but generally not visible to web visitors.76

Judicial scrutiny of these “imperceptible uses” typically has been unfavor-
able. For example, courts often have treated inclusion of third party trade-
marks in the keyword metatags as a per se infringement77—in many cases
ignoring the use in commerce requirement entirely.

However, if consumers do not “perceive” the trademark’s inclusion in the
keyword metatags, then the metatags do not act as a source designator and the
metatag usage should be irrelevant to the trademark analysis. Further, to the
extent that search engines ignore keyword metatags—the case with Google’s
and Microsoft’s search engines, among others78—the keyword metatags do
not have any functional consequence at all, and therefore they are incapable of
acting as source designators. As a result, the inclusion of a third party trade-
mark as a keyword metatag, without more, should not constitute a use in
commerce.79

75 See Universal Commc’n Sys., Inc. v Lycos, Inc., 478 F.3d 413, 424 (1st Cir.
2007). See generally Posting of Eric Goldman to Technology & Marketing Law Blog,
Commercial Referential Trademark Uses (Rescuecom v Google Amicus Brief
cial_refere.htm.
76 See Goldman, Deregulating Relevancy, supra note 38, at 529–30.

Description metatags are another metatag type that has created some confusion in the
courts. In some cases, search engines may display description metatags verbatim as
part of search results, see id., in which case the description metatags act like ad copy.
In other cases, search engines ignore description metatags, see id., in which case they
are imperceptible like keyword metatags.
77 See, e.g., Tdata Inc. v Aircraft Technical Publishers, 411 F. Supp. 2d 901
(S.D. Ohio 2006).
78 See Posting of Danny Sullivan to Search Engine Land, Meta Keywords Tag
101: How to “Legally” Hide Words On Your Pages For Search Engines, Sept. 5, 2007,
79 See Site Pro-1 v Better Metal, 2007 WL 1385730 (E.D.N.Y. 2007); Posting
of Eric Goldman to Technology & Marketing Law Blog, Outdated Metatags Don’t
Infringe—Pop Warner v NH Youth Football & Spirit Conference, Sept. 25, 2006,
4. Procedure considerations

Even if a court improperly characterizes the defendant’s behavior as a use in commerce, the defendant’s use often will not create a likelihood of consumer confusion or may qualify for the trademark fair use defense. Assuming these defendants will prevail in any case, does it matter what doctrinal factor is used to resolve the case?

With respect to trademark infringement and online word of mouth, the answer is yes. First, there is the matter of judicial economy. Trademark law lacks many bright-line rules, but a clear rule delimiting its boundaries would save some wasted resources. For example, the multi-factor likelihood of consumer confusion test is a poor substitute for screening out non-trademark uses because consumer confusion is typically a fact question that is not easily resolved on summary judgment. Thus, litigating consumer confusion in these cases increases defendants’ costs, requires more adjudicative resources, and reduces predictability. Also, as discussed below, some courts have misused judicial heuristics (such as the initial interest confusion doctrine) to eviscerate the consumer confusion requirement, making the use in commerce doctrine a better safeguard against overexpansive cases.

Second, plaintiffs have the burden to establish the prima facie elements of a trademark infringement, but defendants have the burden to establish any defenses such as trademark fair use. This burden-shifting further puts defendants at risk of losing meritorious defenses. Further, as discussed below, some defenses (such as the nominative use doctrine) are not universally recognized, so these defenses may not be doctrinally robust enough to provide adequate coverage for non-use circumstances.

Therefore, other trademark doctrines are not an adequate substitute for rigorous scrutiny of the trademark use in commerce requirement. If the defendant is not making a trademark use, courts should resolve the case on that basis.

5. Source designation and intermediaries

So far, this subsection has considered trademark references by consumers themselves. The use in commerce doctrine is also important to the liability of online intermediaries that disseminate online word of mouth, including product review sites and search engines.

a. Product review websites

Product review websites, such as Epinions or Yelp, allow their users to opine on marketplace offerings. Typically, a product review site builds a catalog (“taxonomy”) of products and services and allows consumers to post opinions (the site may also contain product reviews

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80 See Dogan & Lemley, supra note 68, at 1695–6.
from other sources). To build this taxonomy, product review sites necessarily must reference third party trademarks, which can result in these trademarks appearing in the site’s URLs, page titles, metatags and site text. Consumer-supplied product reviews can create revenue for the websites by helping the website get good placement in the search engines, which can increase advertising revenue and, if (as Amazon does) the site sells products as a retailer, by improving conversion-to-sale.81

A product review website’s trademark uses might be excused by trademark exhaustion or nominative use doctrines. Either way, like other referential uses, taxonomical references should not constitute trademark uses in commerce because they do not attempt to designate the source of the product review sites’ services (irrespective of the product review site’s commerciality).82 This narrow construction of trademark use in commerce allows product review sites to build and organize useful databases of online word of mouth.

b. Search engines Search engines often sell and display advertising in response to users’ search keywords. Courts have irreconcilably split about whether selling or buying ads triggered by trademarked keywords constitutes a trademark use in commerce,83 which is not surprising given the statutory ambiguity discussed above.

Descriptively, keyword triggering should not constitute a use in commerce because neither search engines nor advertisers use keywords as source designators of their goods/services. Instead, keywords are the functional equivalent of product review websites’ taxonomical structures. Like other types of referential uses, keywords act as the lingua franca for interested consumers to match with relevant content. Also, because consumers do not “see” the triggering, it lacks the perceivability to designate source.84

Normatively, keyword triggering creates a new and important way for consumers to obtain helpful content not controlled by the trademark owner.

81 See Chevalier & Mayzlin, supra note 25.
82 See Universal Commc’n Sys., Inc. v Lycos, Inc., 478 F.3d 413, 424 (1st Cir. 2007) (“Lycos might profit by encouraging others to talk about UCS under the UCSY name, but neither that speech nor Lycos’s providing a forum for that speech is the type of use that is subject to trademark liability.”).
Like other examples of online word of mouth, this material can increase competitive pressures on trademark owners, hold them accountable for their choices, and allow marketplace mechanisms to work.

Although selling keywords should not be a use in commerce, search engines might be contributorily liable if advertisers commit trademark infringement. Advertisers do not make a use in commerce solely by purchasing keywords (due to the lack of perceivability), but an advertiser’s overall activities (keyword purchase + ad display + product sales) collectively could infringe. Even so, search engines generally should not be contributorily liable because they only provide ad space and thus do not control the instrumentalities advertisers use to infringe. In the rare situations where search engines may have sufficient control over such instrumentalities, they should get the benefit of the printer/publisher remedy exclusion, which limits remedies to a prospective injunction (no damages).

B. Likelihood of consumer confusion
Assessing consumer confusion about product source is an inherently inexact process. Factfinders try to create a hypothetical person (“the reasonable consumer”) and speculate how that person would perceive the litigants’ marketing. Then, factfinders may find infringement when a small minority of hypothetical consumers are likely to be confused, and even if (1) no consumer is actually confused, and (2) many consumers completely understand the relationship between the litigants. Collectively, these factors increase the risk that factfinders will erroneously find a likelihood of consumer confusion.

Online, likelihood of confusion determinations are even more likely to skew towards finding infringement. First, consumers vary their search methodologies depending on their search objectives, and different consumers seeking to accomplish the same objective may choose different

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85 See Dogan & Lemley, supra note 68.
86 See Lockheed Martin Corp. v Network Solutions, Inc., 194 F.3d 980 (9th Cir. 1999).
88 See McCarthy, supra note 5, §23:2.
89 See Andrei Broder, A Taxonomy of Web Search, http://www.acm.org/sigs/sigir/forum/F2002/broder.pdf#search=%22navigational%20informational%20search %22 (describing navigational, informational and transactional search objectives); Louis Rosenfeld & Peter Morville, Information Architecture for the World Wide Web §6.2 (1st ed. 1998) (describing search methodologies such as known-item searching, existence searching, exploratory searching and comprehensive searching/research).
search methodologies. Search methodology heterogeneity makes it difficult to establish a reasonable consumer baseline.

Second, factfinders try to infer an online consumer’s search objectives with minimal data from the searcher. Offline, many consumer searches take place within a context, such as a retail environment, that adds crucial data about the searcher’s possible intent. Online, in general-purpose search engines such as Google, searchers manifest their objectives through a single decontextualized search term—which does not provide enough data to support reliable inferences about those objectives.

In response to the dearth of reliable data about consumer intent, courts sometimes bypass the traditional multi-factor likelihood of consumer confusion test and instead use the “initial interest confusion” (“IIC”) doctrine as a heuristic. In 1999, the Ninth Circuit defined IIC as “the use of another’s trademark in a manner reasonably calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion,” but courts cannot agree on a single definition of IIC, making the doctrine unusually plastic.

In some cases, IIC has subtly changed the basic thrust of the court’s consumer confusion inquiry. Instead of examining consumer confusion about product source, courts applying IIC may focus on consumer confusion about content source. Content source confusion occurs when consumers experience confusion about why they are seeing the content presented to them, even though this content does not cause consumers to make any errors in their marketplace choices. Content source confusion cannot be cured by subsequent clarification (as the Promatek court said, the defendant “cannot unring the bell”), so disclaimers or subsequent corrective information may not adequately dispel the confusion.

Content source confusion is problematic for numerous reasons, including the fact that consumers are routinely confused about why they see any particular

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90 See Yahoo.com, Long & Winding, supra note 24 (a consumer’s search methodology reflects his/her values and personalities).
91 See Goldman, Deregulating Relevancy, supra note 38, at 527–8.
92 Brookfield Commc’ns, Inc. v West Coast Entm’t Corp., 174 F.3d 1036, 1062 (9th Cir. 1999) (quotations and citations omitted).
93 At various times, courts have characterized IIC as (1) a subset of sponsorship confusion, (2) diversion of consumer attention, (3) deceptive diversion, or (4) competitive diversion. See Goldman, Deregulating Relevancy, supra note 38, at 563.
94 See, e.g., Brookfield Commc’ns, Inc. v West Coast Entm’t Corp., 174 F.3d 1036 (9th Cir. 1999); Playboy Enters., Inc. v Netscape Commc’ns Corp., 354 F.3d 1020 (9th Cir. 2004); Promatek Indus. v Equitrac Corp., 300 F.3d 808 (7th Cir. 2002).
95 Promatek, 300 F.3d, at 808.
content and because there is little social science support for the proposition that content source confusion harms trademark owners.

Further, the content source confusion doctrine can adversely affect online word of mouth. Because online word of mouth competes with trademark owners’ content for consumer attention, consumers may not immediately understand the source of online word of mouth, even if subsequent consumer investigation clears this up. As a result, some courts have, in fact, found that online word of mouth (or analogous content) creates IIC.97

For reasons I have explained elsewhere,98 courts should ditch any heuristics, such as IIC, for evaluating consumer confusion and instead continue to apply the venerable multi-factor likelihood of consumer confusion test. Thus, courts evaluating consumer confusion should carefully consider the totality of the circumstances, including consumer expectations and all of a defendant’s behavior (not just single actions, such as a keyword purchase).

C. Fair use defenses

Descriptive fair use occurs when the defendant describes its product using a descriptive trademark for its dictionary meaning.99 For example, the trademarked phrase “sealed with a kiss” for lip gloss does not prevent other companies from informing their consumers that they can “seal it with a kiss” when that phrase describes exactly what consumers should do.100

Nominative use occurs when the defendant designates its product source using a third party trademark for its referential meaning. According to the Ninth Circuit, nominative use occurs when:

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98 See Goldman, Deregulating Relevancy, supra note 38, at 575–95.

99 It is a defense to infringement to use “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.” 15 U.S.C. §1115(b)(4).

100 See Cosmetically Sealed Indus., Inc. v Chesebrough-Pond’s USA Co., 125 F.3d 28 (2d Cir. 1997).
The defendant cannot readily identify its offering without referencing the trademark;
• The reference uses only as much of the trademark as is reasonably necessary to identify the offering; and
• The reference does not suggest the trademark owner’s sponsorship or endorsement.101

Nominative use cases often involve media products where the media content relates to third party trademarks. For example, a book entitled “The Unofficial Guide to Maximizing Sales on the eBay Website” should qualify as nominative use.

However, the nominative use doctrine is not universally accepted. Although it is recognized in the Ninth Circuit,102 the Sixth Circuit declined to adopt the doctrine in 2003.103 As a result, defendants cannot universally rely on its availability, especially given the unsettled nature of Internet jurisdiction.

Because both trademark fair use doctrines are narrow in scope, some legitimate activities, such as parody or comparative advertising, may fall outside their boundaries. Further, defendants must carry the burden of fair use as an affirmative defense. As a result, fair use is often unhelpful for trademark defendants.

Online word of mouth activities can directly implicate trademark fair use (especially nominative use) because consumers must refer to trademarks to opine about them. Typically, these references should not constitute a “use in commerce” because they do not designate the source of the consumer’s offerings. When courts mischaracterize online word of mouth as a trademark use in commerce, they put a lot of doctrinal pressure on the narrow nominative use doctrine, and this increases the risks of erroneous outcomes. The use in commerce doctrine is better suited to do this heavy lifting.

In limited cases, online word of mouth does constitute a trademark use in commerce. For example, a recent case104 involved Acomplia Report,105 an ad-supported online publication of news and commentary about Sanofi-Aventis’

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101 See New Kids on the Block v News Am. Publ’g, Inc., 971 F.2d 302 (9th Cir. 1992).
102 See, e.g., id.; Playboy Enters., Inc. v Welles, 279 F.3d 796 (9th Cir. 2002).
103 See PACCAR Inc. v TeleScan Techs. L.L.C., 319 F.3d 243 (6th Cir. 2003).
anti-obesity drug (rimonabant) marketed as Acomplia. The Acomplia Report actively promotes its business using a source designator that includes a third party trademark, so it may be using the trademark “Acomplia” in commerce. Nevertheless, the publication title should qualify as a nominative use. The publication title accurately explains its editorial focus to consumers, in ways that alternative titles without the brand name would not do. Further, the Acomplia Report generates and disseminates online word of mouth about the drug that acts as a valuable marketplace resource, and the publication title increases the chances that consumers can find this word of mouth information. As this example illustrates, trademark fair use doctrines have an important role to play in preserving online word of mouth, but only as a narrow complement to a rigorous application of the use in commerce doctrine.

IV. Conclusion

In theory, trademark law helps consumers make good choices in the marketplace. In practice, misapplication of trademark law can hinder consumer decision-making, and this chapter illustrates those risks. Online word of mouth can play an essential marketplace-disciplining/rewarding function for brands (rewarding the good; punishing the bad), but trademark law can interfere with that mechanism, acting as a tool to curb the production and dissemination of online word of mouth.

With these tools, trademark owners can selectively excise content from the Internet—favorable word of mouth can stay, but unfavorable word of mouth must go. The resulting content purge can produce “lopsided” brand perceptions of trademark owners where consumers do not learn about negative aspects of brands. This allows trademark owners to mitigate marketplace

108 See Dogan & Lemley, supra note 68, at 1700–01; Bob Sullivan, Companies’ Online Reputation Scrubbed Clean, MSNBC, Sept. 11, 2007. In fact, negative word of mouth has a disproportionately higher impact on consumer perceptions, Solomon, supra note 24, at 381–2, making it even more compelling for trademark owners to suppress.
109 There are countless examples of trademark owners’ efforts to use trademark law to suppress unwanted criticism, as the numerous lawsuits and UDRP actions over [trademarkowner]sucks.com attest. A more poignant example may be BidZirk v Smith, where a trademark owner sued a disgruntled customer for blogging about his negative experiences with the company. BidZirk, L.L.C. v Smith, 2006 WL 3242333 (D.S.C. 2006) aff’d, 2007 WL 664302 (4th cir. 2007) dismissed 2007 WL 3119445 (D.S.C. 2007). Fortunately, the district and appellate courts in the BidZirk case have realized the importance of Smith’s blog post, but these risks will continue to arise frequently.
recourse for their poor choices. Taken to an extreme, the depletion of negative
online word of mouth reduces the utility of the Internet as a credible informa-
tion resource, forcing consumers to seek other information sources that may
have higher search costs.

This result could turn trademark law on its head—instead of reducing
consumer search costs, trademark law could increase those costs. Fortunately,
courts sensitive to the value of online word of mouth can find ways to avoid
this undesirable outcome.