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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

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15 Online word of mouth and its implications for trademark law

*Eric Goldman**

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

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¹ “The Internet is ‘a unique and wholly new medium of worldwide human communication.’” *Reno v Am. Civil Liberties Union*, 521 U.S. 844, 850 (1997) (quoting *Am. Civil Liberties Union v Reno*, 929 F. Supp. 824, 844 (E.D. Pa. 1996)).

² Domainers “make their living buying and selling domain names and turning their Web traffic into cash.” Paul Sloan, *Masters of their Domains*, BUSINESS 2.0, Dec. 1, 2005, http://money.cnn.com/magazines/business2/business2_archive/2005/12/01/8364591/index.htm.

power to influence brand perceptions,³ 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.⁴ 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.⁵ Generally, trademark owners can affect consumer perceptions through the quality of their goods/services.

³ See GLEN URBAN, *DON'T JUST RELATE—ADVOCATE: A BLUEPRINT FOR PROFIT IN THE ERA OF CUSTOMER POWER* (2005); cf. GLENN REYNOLDS, *AN ARMY OF DAVIDS: HOW MARKETS AND TECHNOLOGY EMPOWER ORDINARY PEOPLE TO BEAT BIG MEDIA, BIG GOVERNMENT, AND OTHER GOLIATHS* (2006).

⁴ Cf. Ellen P. Goodman, *Peer Promotions and False Advertising Law*, 58 S.C. L. REV. 682 (2007) (discussing how false advertising doctrines do not neatly apply to consumer-generated promotions).

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.⁶ 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),⁷ but trademark owners nevertheless can influence the retail experience.

- *Pricing.* Price can signal quality to consumers,⁸ and pricing can deter-

MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §2:18 (4th ed. 2003) (explaining that "goodwill" means, among other things, "the lure to return," "buyer momentum" and the "expectancy of continued patronage").

⁶ See Eric Goldman, *My First Three Months in an Internet Start-Up*, E-COMMERCE L. REP., Sept. 2000 (broadcasters refused to run an Epinions television ad that criticized Chrysler for fear of damaging the broadcasters' relationships with Chrysler, a major advertiser).

⁷ See generally Eric Goldman, *Brand Spillovers* (forthcoming), available at <http://web.si.umich.edu/tprc/papers/2007/774/brandspilloversv19.pdf> [hereinafter Goldman, *Brand Spillovers*].

⁸ See, e.g., David J. Curry & Peter C. Riesz, *Prices and Price/Quality Relationships: A Longitudinal Analysis*, J. MARKETING, Jan. 1998, at 36; Paul Milgrom & John Roberts, *Price and Advertising Signals of Product Quality*, 94 J. POL. ECON. 796 (1986).

mine post-purchase satisfaction⁹ and perceptions of brand exclusivity.¹⁰ 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.¹¹

- *Placement.* Retailers choose where to place products within stores,¹² and these decisions can lead consumers to make various inferences and associations that can affect brand perceptions.¹³ While retailers make the final in-store placement decisions, trademark owners can influence placement decisions through a variety of incentives and restrictions.¹⁴
- *Advertising.* Retailers generally may advertise the products they sell under the trademark exhaustion/first sale doctrine.¹⁵ Trademark owners can get oversight of some retailer choices through co-op advertising programs.¹⁶
- *Salesperson–Consumer Interactions.* Retail salespeople’s statements and conduct can affect consumer brand perceptions.¹⁷ 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.

⁹ See, e.g., Glenn B. Voss et al., *The Roles of Price, Performance, and Expectations in Determining Satisfaction in Service Exchanges*, J. MARKETING, Oct. 1998, at 46.

¹⁰ This principle animated states’ Fair Trade Acts before the Consumer Goods Pricing Act of 1975 largely mooted them. See Note, *Fair Trade Laws and Discount Selling*, 64 HARV. L. REV. 1327 (1951); Consumer Goods Pricing Act of 1975, Pub. L. No. 94-145, 89 Stat. 801.

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.*

¹⁴ See generally Marianne M. Jennings et al., *The Economics, Ethics and Legalties of Slotting Fees and Other Allowances in Retail Markets*, 21 J.L. & COM. 1 (2001).

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

¹⁸ See Neil Terry et al., *The Determinants of Domestic Box Office Performance in the Motion Picture Industry*, 43 SW. ECON. REV. 137 (2005) (recapping the literature). *But see* Alan T. Sorensen & Scott J. Rasmussen, *Is any Publicity Good Publicity? A Note on the Impact of Book Reviews*, Apr. 2004, <http://www.stanford.edu/~asorensen/papers/bookreviews.pdf> (showing that even negative New York Times book reviews increase sales).

¹⁹ See C. EDWIN BAKER, *ADVERTISING AND A DEMOCRATIC PRESS* (1994).

²⁰ See Press Release, Manning Selvage & Lee, *Almost 50% of Senior Marketing Executives Said they have Paid for an Editorial or Broadcast Placement* (June 13, 2006), http://www.msldr.com/buzz/press_releases/pdf/Ethicspressrelease_062606.pdf. For example, although payola is illegal, it still appears to occur in the radio industry. See Chuck Phillips, *Logs Link Payments with Radio Airplay*, L.A. TIMES, May 29, 2001, at A1; Erin McClam, *Sony Agrees to \$10M “Payola” Settlement*, ASSOCIATED PRESS, July 25, 2005; Jeff Leeds, *2nd Music Settlement by Spitzer*, N.Y. TIMES, Nov. 23, 2005, at C1.

²¹ See Diane Farsetta & Daniel Price, *Fake TV News: Widespread and Undisclosed*, CENTER FOR MEDIA AND DEMOCRACY, Apr. 8, 2006, <http://www.prwatch.org/fakenews/execsummary>; David Barstow & Robin Stein, *The MESSAGE MACHINE: How the Government Makes News; Under Bush, a New Age of Prepackaged TV News*, N.Y. TIMES, Mar. 13, 2005, at A1 (discussing U.S. government-produced and -distributed video news releases). See generally BAKER, *supra* note 19, at 104–07 (criticizing television stations for accepting content produced by marketers).

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

²³ See Larry Ribstein, *From Bricks to Pajamas: The Law and Economics of Amateur Journalism*, 48 WM. & MARY L. REV. 185 (2006).

²⁴ See Michael R. Solomon, *Consumer Behavior: Buying, having and being* 379 (6th ed, 2004) (estimated that word of mouth influences 2/3 of consumer-good sales). Yahoo.com, *Long & Winding Road: The Route to the Cash Register* (Apr. 2006), http://us.i1.yimg.com/us.yimg.com/i/adv/lwr_06/long_and_winding_road.pdf (“Word of mouth remains the most important factor in purchase decision making (particularly in building awareness of specific brands or products).”) [hereinafter Yahoo.com, *Long & Winding*]; *The Rising Roar of Word-of-Mouth*, EMARKETER, June 29, 2007, http://www.emarketer.com/Article.aspx?id=1005072&src=article1_newsltr.

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).

²⁶ See Amy Hoak, *Bill of Fare Game*, MARKETWATCH, May 4, 2007, <http://www.marketwatch.com/news/story/more-diners-dish-online-eateries/story.aspx?guid=%7B0D5DBF3E-17E6-4C21-B242-5AB03BD57E99%7D&dist=hplatest>.

²⁷ Louise Story, *What We Talk About When We Talk About Brands*, N.Y. TIMES, Nov. 24, 2006.

²⁸ See Press Release, Yahoo.com, *Yahoo! and comScore Networks Reveals Influential Consumers Can Be Reached Through Search, Social Media and Communication Tools* (Dec. 13, 2006), <http://yhoo.client.shareholder.com/press/ReleaseDetail.cfm?ReleaseID=222291> [hereinafter Yahoo.com, *Influential Consumers*]; see also MALCOLM GLADWELL, *THE TIPPING POINT* (2000) (discussing “mavens” who play a vital role in helping other consumers make marketplace decisions).

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 15.1 Relationship between trademark owner control and brand perception

Brand perception influences	Effect on brand perceptions	Trademark owner control
Product experiences	Significant	High
Trademark owner’s advertising	Potentially significant	High
Third party advertising	Often indirect	Low
Retail interactions	Significant	Shared between retailers and trademark owners
Editorial publication	Significant	Low in theory, non-trivial in practice
Consumer word of mouth	Significant in aggregate, but each person’s influence may be low	Low

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).

³⁰ See PlayMakers, LLC v ESPN, Inc., 297 F. Supp. 2d 1277, 1283–4 (W.D. Wash. 2003) (word of mouth is not trademark owner-controlled “marketing”).

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.

³² See Gerry Khermouch, *Buzz Marketing*, BUS. WK., July 30, 2001, at 54.

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 forum³⁶ 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 "cybercascades" to describe the phenomenon).

³⁵ See Posting of Carlo Longino to Techdirt, *Online Criticism Isn't Just Easy, It Sticks Around Too*, Aug. 6, 2007, <http://www.techdirt.com/articles/20070803/123409.shtml>.

³⁶ See Chrysanthos Dellarocas, *The Digitization of Word of Mouth: Promise and Challenges of Online Feedback Mechanisms*, 49 MGMT. SCI. 1407 (2003) (discussing eBay's feedback forum as a case study).

³⁷ For example, Epinions pays a nominal amount of cash to reviewers. See *Earnings on Epinions.com*, Epinions.com, http://www.epinions.com/help/faq/show_~faq_earnings.

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 editorial³⁸ and ad³⁹ 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

³⁸ See Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 534–7 (2005) [hereinafter Goldman, *Deregulating Relevancy*].

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>.

⁴⁰ See, e.g., Leslie Marable, *False Oracles: Consumer Reaction to Learning the Truth About How Search Engines Work*, CONSUMER REPORTS WEBWATCH, June 30, 2003, at 21, <http://www.consumerwebwatch.org/pdfs/false-oracles.pdf> (in ethnographic study, 88% of search results links were made from the first page of search results).

⁴¹ Even within the first page, placement matters. The first editorial search result may get ten times the number of clicks as the tenth search result. See Nico Brooks, *The Atlas Rank Report: How Search Engine Rank Impacts Traffic*, ATLAS INSTITUTE DIGITAL MARKETING INSIGHTS (June 2004), <http://app.atlasonepoint.com/pdf/AtlasRankReport.pdf>.

⁴² See JOHN BATTELLE, *THE SEARCH* 153–7 (2005) (describing the adverse business consequences suffered by Neil Moncrief, operator of 2bigfeet.com, after being kicked out of Google’s search index right before the holiday shopping season); Michael Totty & Mylene Mangalindan, *Web Sites Try Everything To Climb Google Rankings*, WALL ST. J., Feb. 26, 2003, at A1 (discussing how a retailer’s sales dropped 80% after its Google ranking was reduced).

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.⁴³ 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.⁴⁴

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.

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.

⁴⁵ 15 U.S.C. §1127.

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.⁴⁶ 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.⁴⁷ Instead, Prof. McCarthy believes the plaintiff’s *prima facie* infringement case does not contain a separate “use in commerce” element.⁴⁸ 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,⁴⁹ 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.⁵⁰

Similarly rejecting a textualist approach, some courts have ignored the §45 “use in commerce” definition entirely,⁵¹ instead construing the §32 and §43 references to “use in commerce” to be coextensive with Congress’ power under the Commerce Clause.⁵² This expansive argument proceeds as follows:

- Congress needs Constitutional authorization to enact the Lanham Act.
- The Intellectual Property Clause⁵³ does not provide that authorization; it only authorizes Congress to enact patent and copyright protection.⁵⁴
- 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.

⁴⁶ MCCARTHY, *supra* note 5, §23:11.50.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ See Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007).

⁵⁰ *K.P. Permanent Make-Up, Inc. v Lasting Impression, Inc.*, 543 U.S. 111 (2004).

⁵¹ See, e.g., *Bosley Med. Inst., Inc. v Kremer*, 403 F.3d 672 (9th Cir. 2005); *Planned Parenthood Fed’n of Am., Inc. v Bucci*, 1997 WL 133313 (S.D.N.Y. 1997); *SMJ Group, Inc. v 417 Lafayette Rest. LLC*, 439 F. Supp. 2d 281 (S.D.N.Y. 2006).

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 courts⁵⁵ have cited the §45 definition of “commerce,” defined as “all commerce which may lawfully be regulated by Congress.”⁵⁶ 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;⁵⁷ 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*,⁵⁸ 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.

⁵⁵ See, e.g., *Bosley Med. Inst., Inc. v Kremer*, 403 F.3d 672 (9th Cir. 2005).

⁵⁶ 15 U.S.C. §1127.

⁵⁷ See Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 IOWA L. REV. 1703, 1713 (2007) (“no one can settle on what ‘trademark use’ means”).

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 over-reaching. Two recent online griper appellate decisions—*Bosley*⁶² and *Lamparello*⁶³—have diverged from *Bucci* and *Doughney* and excused online griping. Yet, amidst the good news for grippers, 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

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).

⁶¹ *Planned Parenthood Fed’n of Am. v Bucci*, 42 U.S.P.Q. 2d (BNA) 1430 (S.D.N.Y. 1997), *aff’d*, 1998 U.S. App. LEXIS 22179 (2d Cir.), *cert. denied*, 525 U.S. 834 (1998).

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

⁶³ *Lamparello v Falwell*, 420 F.3d 309 (4th Cir. 2005), *cert. denied*, 547 U.S. 1069 (2006).

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 punted 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.

⁶⁶ *See, e.g.,* Utah Lighthouse Ministry, Inc. v Discovery Computing, Inc., 2007 U.S. Dist. LEXIS 21978 (D. Utah 2007) (another griper case where the court engaged in link-counting).

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).

⁶⁸ *See* Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1681 (2007).

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

⁶⁹ 15 U.S.C. §1127.

⁷⁰ 15 U.S.C. §1115(b)(4).

⁷¹ See Dinwoodie & Janis, *supra* note 49.

should qualify under this standard, including grippers such as Bucci, Doughney, Kremer and Lamparello. In these cases, the consumers are espousing their opinions, not offering goods or services.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.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.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),

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).

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).

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 readable by a search engine’s robots but generally not visible to web visitors.⁷⁶

Judicial scrutiny of these “imperceptible uses” typically has been unfavorable. For example, courts often have treated inclusion of third party trademarks 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 trademark 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 Outtakes)*, June 28, 2007, http://blog.ericgoldman.org/archives/2007/06/commercial_refe.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, <http://searchengineland.com/070905-194221.php>.

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, http://blog.ericgoldman.org/archives/2006/09/outdated_metata.htm.

4. *Procedural 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.⁸⁰ 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

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.").

⁸³ See Eric Goldman, *Keyword Law*, <http://www.ericgoldman.org/Resources/keywordlaw.pdf>.

⁸⁴ See *1-800 Contacts, Inc. v WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005); *Merck & Co. v Mediplan Health Consulting*, 2006 WL 800756 (S.D.N.Y. 2006); *Rescuecom Corp. v Google, Inc.*, 2006 WL 2811711 (N.D.N.Y. 2006). A trademark reference in ad copy could constitute a use in commerce, *Hamzik v Zale Corp./Delaware*, 2007 WL 1174863 (N.D.N.Y. 2007), but each specific ad must be independently evaluated.

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.⁸⁵ 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.⁸⁶ 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,⁸⁷ 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,⁸⁸ 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,⁸⁹ and different consumers seeking to accomplish the same objective may choose different

⁸⁵ See Dogan & Lemley, *supra* note 68.

⁸⁶ See *Lockheed Martin Corp. v Network Solutions, Inc.*, 194 F.3d 980 (9th Cir. 1999).

⁸⁷ See 15 U.S.C. §1114(2)(B).

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.⁹⁰ 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.⁹¹ 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,”⁹² but courts cannot agree on a single definition of IIC,⁹³ 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*.⁹⁴ 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”),⁹⁵ 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

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.

content⁹⁶ 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:

⁹⁶ For example, consumers do not understand how print publishers make their editorial judgments. See Posting of Eric Goldman to Technology & Marketing Law Blog, *Bracha Responds re. Search Engine Regulation*, Aug. 11, 2007, http://blog.eric-goldman.org/archives/2007/08/bracha_responds.htm. Similarly, consumers have no idea how search engines work. See Marable, *supra* note 40.

⁹⁷ See, e.g., *J.K. Harris & Co. v Kassel*, 2002 WL 1303124 (N.D. Cal. 2002), *rev'd* 253 F. Supp. 2d 1120 (N.D. Cal. 2003) (disgruntled customer site); *PACCAR Inc. v TeleScan Techs., L.L.C.*, 319 F.3d 243 (6th Cir. 2003) (information about accessories and dealers); *Key3Media Events, Inc. v Convention Connection, Inc.*, 2002 U.S. Dist. LEXIS 4043 (D. Nev. 2002) (travel information tailored to conference attendees); see also *SMJ Group, Inc. v 417 Lafayette Rest. L.L.C.*, 439 F. Supp. 2d 281 (S.D.N.Y. 2006) (physical-space distribution of gripe leaflet).

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'

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).

¹⁰⁴ *Med. Week News, Inc. v Sanofi-Aventis Group* (N.D. Cal. complaint filed June 27, 2005), available at http://www.eff.org/legal/cases/medweek_v_sanofi/acomplia_initial_complaint.pdf. The case ultimately settled. See *News Website Can Keep Domain Name After Trademark Fight*, EFF.org, Nov. 9, 2005, http://www.eff.org/news/archives/2005_11.php#004143.

¹⁰⁵ <http://www.acompliareport.com/>.

anti-obesity drug (rimonabant) marketed as Acomplia.¹⁰⁶ 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),¹⁰⁷ 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.¹⁰⁸ The resulting content purge can produce “lopsided” brand perceptions of trademark owners where consumers do not learn about negative aspects of brands.¹⁰⁹ This allows trademark owners to mitigate marketplace

¹⁰⁶ <http://en.sanofi-aventis.com/events/event1/en/about.asp>.

¹⁰⁷ See URBAN, *supra* note 3; Shmuel I. Becher & Tal Zarsky, *E-Contract Doctrine 2.0: Standard Form Contracting in the Age of Online User Participation*, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=984765.

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 information 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.