Balancing Trademarks and Copyrights: A Better Way to Approach Initial Interest Confusion and Contributory Liability in the Internet Context

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I. INTRODUCTION

Initial interest confusion and contributory liability are both well-established doctrines of trademark law. However, with the growing use and influence of the Internet, courts have struggled to apply laws written for ordinary "brick-and-mortar" store commerce to commerce in cyberspace. Imagine the "Average Joe," sitting at his computer, ready to search the Internet for a specific product. Joe brings up a popular Internet search engine and types in the brand name of the product for which he is searching. After initiating the search, Joe scrolls though the results to find his product. Now imagine that after he has initiated his search, several advertisements and pop-up ads appear on his screen. Joe is confused as to which one of these advertisements is the one he wants to use. But is this "Average Joe" actually confused as to the source of the goods advertised by the sellers? Would he be confused as to why the ads are appearing or who is sponsoring the ads? Or is this "Average Joe" merely diverted and not actually confused? These questions result in a split among the circuit courts of appeals that creates significant problems for trademark holders. Courts disagree as to whether this "Average Joe" has actually been the victim of initial interest confusion and whether the

Internet search engine should be liable for contributory trademark infringement.[1]

The Supreme Court has yet to address these issues. This comment suggests that one can find guidance in these difficult areas of trademark law by examining how courts have considered the goals of copyright and trademark law when making decisions. Copyrights and trademarks are two distinct areas of the law meant to protect intellectual property under different theories of infringement. Yet copyright and trademark laws share one significant goal in common: finding a balance among the interests of consumers, competitors and intellectual property holders. While trademark and copyright laws protect consumers, competitors, and intellectual property holders, often these parties have competing interests. As a result, courts have recognized the importance of striking a balance among these parties.[2] Courts can use this similarity to fill in the gaps in trademark law and answer the difficult questions presented by initial interest confusion and contributory liability in the Internet context.

This comment discusses the difficulties courts have faced when dealing with initial interest confusion in the Internet context. The Second Circuit has concluded that trademark uses hidden from the Internet user in coding are not violations of trademark laws.[3] The Ninth Circuit has not specifically inquired into this issue, but nonetheless has created opposing precedent.[4] This situation has resulted in different outcomes in the district courts over identical factual situations.[5]

The purpose of this comment is to resolve the conflict and introduce a new, stricter standard for initial interest confusion and contributory liability. The new standard reflects how courts have balanced the interests of consumers, competitors, and intellectual property holders in three important cases involving contributory copyright liability in the Internet context.[6] The *Sony*, *Napster*, and *MGM Studios* cases developed a standard for contributory copyright liability by

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1 *See, e.g.*, 1-800 Contacts, Inc., v. WhenU.com, Inc., 414 F.3d 400 (2d Cir. 2005); Playboy Enters., Inc., v. Netscape Commc'ns Corp., 354 F.3d 1020 (9th Cir. 2004).

2 *See, e.g.*, Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163–64 (1995); Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984).

3 1-800 Contacts, Inc., 414 F.3d at 400.

4 Playboy Enters., Inc., v. Netscape Commc'ns Corp., 354 F.3d at 1020.

5 *Compare* Rhino Sports, Inc. v. Sport Court, Inc., 2007 U.S. Dist. LEXIS 32970 (D. Ariz. May 3, 2007); Google, Inc. v. Am. Blind & Wallpaper Factory, Inc., 2007 U.S. Dist. LEXIS 32450 (D. Cal. Apr. 18, 2007); Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700 (E.D. Va. 2004) ("GEICO I"), *with* Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393 (D.N.Y. 2006).

6 *See* MGM Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005); Sony Corp. of Am. v. Universal City Studios, Inc, 464 U.S 417 (1984); A&M Records v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001).

balancing the effects of judicial opinions on the various parties involved.[7] These cases present a strong argument for the way courts should apply intellectual property liability in the trademark context.

The proposed standard for initial interest confusion in the Internet context is the "ordinary prudent Internet consumer." This standard would only find consumers "confused" if a consumer's search for a specific trademark resulted in advertisements which actually displayed an infringing trademark to the consumer or user. This standard would work to benefit the parties affected and balance the interests of consumers, competitors, and intellectual property holders.

The change to the standard for initial interest confusion in the Internet context would certainly have an effect on the application of contributory trademark liability. The Supreme Court has established two tests for contributory trademark liability: (1) a knowledge test and (2) an inducement test.[8] The new "ordinary prudent Internet consumer" standard would affect the application of both tests. However, the effects would still work to balance the interests of intellectual property holders, consumers, and Internet search engines.

This comment examines the circuit split created by the "Average Joe" scenario and presents a more streamlined standard for initial interest confusion and contributory liability in the Internet context based on the common copyright and trademark goal of balancing interests. Part II presents an overview of trademark law. This section describes the goals of trademark law as well as the development of initial interest confusion from ordinary store commerce into the Internet context. This section also introduces contributory liability in trademark cases. Part III examines the circumstances of the circuit split and provides examples of the effects on district courts. Part IV presents an overview of copyright law. This section discusses the goal of copyright law. It also examines how courts have used this goal to develop a test for contributory copyright liability. Part V discusses the common balancing goal of trademark and copyright law and proposes a standard for initial interest confusion in light of this goal. Finally, the comment considers the effects of this new standard for initial interest confusion in the Internet context on the application of contributory trademark liability.

II. TRADEMARKS

Part II of this comment presents a brief overview of trademark laws involving initial interest confusion and contributory liability. This section

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[7] *See* cases cited, *supra* note 6.
[8] Inwood Labs., Inc. v. Ives Labs. Inc., 456 U.S. 844, 853–54 (1982).

first examines the major goal of trademark law—that of balancing the interests of consumers, competitors, and intellectual property holders. Next, the section introduces the Lanham Act and initial interest confusion. The comment also discusses the transition of initial interest confusion from ordinary store commerce into the Internet context. Finally, this section will introduce the doctrine of contributory trademark liability.

A. Goals of Trademark Law

Trademark laws benefit consumers, competitors and intellectual property holders.[9] However, the interests of these groups do not always coincide.[10] As a result, one of the major goals of trademark law is to balance these interests to make decisions that maximize the benefits to all.[11]

Trademark law recognizes that consumers need protection from deception and confusion created by confusingly similar marks.[12] Such protection allows consumers to make informed choices about the products which consumers are buying.[13] A trademark "quickly and easily assures" the consumer that the particular trademark item "is made by the same producer as other similarly-marked items that he or she liked (or disliked) in the past."[14] Accordingly, courts are concerned with protecting consumers from deceit while allowing consumers to easily recognize specific products.

Consumers and competitors also benefit from restrictions on the exclusivity of the trademark holder's rights. The law allows competitors to use other trademarks in ways which create only minimal confusion.[15] By permitting competing companies to use trademarks in ways that encourage free competition, consumers may benefit from a variety of choice and fair prices in the market.[16] Competitors are free to "[use]

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9 *See* 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION §§ 1:1, 1:2 (4th ed. 2006).

10 *Id.*

11 1 MCCARTHY, *supra* note 9, at § 1:2.

12 Oscar C. Cisneros, *Berkeley Technology Law Journal Annual Review of Law and Technology: I. Intellectual Property: C. Trademark: 1. Defenses: a) Fair Use: Bally Total Fitness Holding Corp. v. Faber*, 15 BERKELEY TECH. L.J. 229, 230 (2000).

13 *See* Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 164 (1995).

14 *Id.*

15 *See* Lanham Act, 15 U.S.C. §§ 1115(b)(4), 1125(c)(4) (2006).

16 *See* Stephanie M. Greene, *Sorting out "Fair Use" and "Likelihood of Confusion" in Trademark Law*, 43 AM. BUS. L.J. 43, 43–45, (2006); *see also* 47 U.S.C. § 230 ("It is the policy of the United States . . . to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services."); 1 MCCARTHY, *supra* note 9, at § 1:1 ("[T]he pressures of competitive rivalry tend to keep

another's mark, not as an indicator of the source of the product, which would mislead, but only to describe the person's product, which would inform."[17] In fact, "[b]oth the [Federal Trade Commission] and the [Food and Drug Administration] encourage product comparisons. The FTC believes that consumers gain from comparative advertising, and to make the comparison vivid, the Commission 'encourages the naming of, or reference to competitors.'"[18] Such uses enhance competition by increasing consumer education about alternative products.[19] Allowing free "[c]ompetition normally drives down prices and leads to greater consumer satisfaction."[20] As a result, courts have needed to balance trademark protection in light of public policy favoring free competition.[21]

While the interests of consumers and competitors are important, these must also balance with the interests of intellectual property holders. Trademark law grants the intellectual property holder the exclusive right to use his trademark to indicate the source of his goods.[22] Companies today make great investments to establish goodwill and the quality of their products.[23] Courts recognized this great investment of time and capital and have accordingly protected the trademark holder from the unjust enrichment of infringers.[24] The law rewards producers of desirable products by protecting the trademark holder's goodwill while discouraging "those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale."[25] Therefore, courts must consider the trademark holder's strong interest in protecting the investments made in goodwill and superior products.

Consumers, competitors and trademark holders are able to benefit from strong trademark laws. Consumers benefit from access to trademarks that provide clarity as to the source of goods. Consumers and

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prices down at the lowest level at which a seller can enjoy a reasonable profit and still remain viable.").

[17] David W. Barnes and Teresa A. Laky, *Classic Fair Use of Trademarks: Confusion About Defenses*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 833, 840 (2004).

[18] August Storck K.G. v. Nabisco, Inc., 59 F.3d 616, 618 (7th Cir. 1995) (quoting 16 C.F.R. § 14.15(b)).

[19] Barnes, *supra* note 17, at 840.

[20] *Id*. at 849. *See also* 1 MCCARTHY, *supra* note 9, at § 1:1.

[21] Smith v. Chanel, Inc., 402 F.2d 562, 566 (9th Cir. 1968).

[22] Lanham Act, 15 U.S.C. § 1127 (2006).

[23] Jonathan L. Schwartz, *Making the Consumer Watchdog's Bark as Strong as Its Gripe: Complaint Sites and the Changing Dynamic of the Fair Use Defense*, 16 ALB. L.J. SCI. & TECH. 59, 86 (2006).

[24] *E.g.*, Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 855 n.14 (1982); Nitro Leisure Prods., L.L.C. v. Acushnet Co., 341 F.3d 1356, 1361 (Fed. Cir. 2003). *See also* 1 MCCARTHY, *supra* note 9, at § 2:30.

[25] Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 164 (1995).

competitors benefit from access to trademarks, which results in free competition and fair prices. Trademark holders benefit from the law's protection of the investments in goodwill and restrictions on the competition. In order to provide the maximum benefit to all parties, courts must balance the interests of consumers, competitors, and trademark holders.

B. Initial Interest Confusion

Courts have recognized initial interest confusion as a cause of action for trademark holders under the Lanham Act.[26] Trademarks are defined in the Lanham Act as "any word, name, symbol, or device . . . [used] in commerce . . . to identify and distinguish . . . [a product] from those manufactured or sold by others."[27] The Lanham Act prohibits the use of "any reproduction . . . of a registered mark" where "such use is likely to cause confusion, or to cause mistake, or to deceive."[28] The Lanham Act further protects against "confusion resulting when a consumer seeks a particular trademark holder's product and instead is lured to those of a competitor by its use of the same or a similar mark."[29] The result is actual consumer confusion. In certain situations, some fact or occurrence dispels the consumer's confusion before any purchase is made. Courts refer to this "brand" of confusion as initial interest confusion.[30]

The Lanham Act also permits competitors to make certain fair uses of trademarks.[31] According to the Federal Circuit, "the Lanham does not prevent the truthful use of trademarks, even if such use results in the enrichment of others."[32] Three types of fair uses are classic, comparative and nominative. Classic fair use allows a competitor to use another's trademark to describe the competitor's own products. For example, "the registered owner of the mark SUPERSWEET, used in connection with . . . DVDs, might complain if Hershey's used the words 'supersweet' to

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[26] *See* Australian Gold, Inc. v. Hatfield, 436 F.3d 1228 (10th Cir. 2006); Checkpoint Sys., Inc. v. Check Point Software Tech., Inc., 269 F.3d 270 (3d Cir. 2001); Elvis Presley Enters. v. Capece, 141 F.3d 188 (5th Cir. 1998); Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc., 109 F.3d 1394 (9th Cir. 1997); Dorr-Oliver, Inc. v. Fluid Quip, Inc., 94 F.3d 376 (7th Cir. 1996); Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254 (2d Cir. 1987).

[27] 15 U.S.C. § 1127 (2006).

[28] 15 U.S.C. § 1114(1)(a).

[29] Deborah F. Buckman, Annotation, *Initial Interest Confusion Under the Lanham Trademark Act*, 183 A.L.R. Fed. 553 (2006).

[30] *See* cases cited, *supra* note 26.

[31] Nitro Leisure Prods., L.L.C. v. Acushnet Co., 341 F.3d 1356, 1362 (Fed. Cir. 2003).

[32] *Id*.

describe one of its candy bars."[33] The Lanham Act protects Hershey's from infringement because Hershey's was "using the term [not] as a source-indicating mark but only to describe its goods, which it is entitled to do."[34] Comparative uses allow competitors to use other trademarks to name or describe the trademark holder's own products.[35] For example, "[a] competing perfume manufacturer might use the 'Chanel No. 5' mark to describe the scent of its own perfume."[36] Nominative fair uses allow competitors to use other trademarks to describe their own goods and services.[37] A garage, unrelated to a car manufacturer, may have a sign which reads "Volkswagen Repair Shop" to describe its services.[38] The Supreme Court has held that "fair use can occur along with some degree of confusion."[39] In other words, consumer confusion does not necessarily negate fair use. However, the Court also indicated that allowing fair uses with some degree of confusion does not "foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair."[40] The law protects competitors who use other's trademarks "fairly," even if there is some risk of confusion.

Initial interest confusion, while different from actual confusion, can still cause significant damage to trademark holders as well as to consumers. Generally, confusion results when a competitor uses the same or similar mark as the trademark holder to lure the consumer away from the product of the trademark holder toward the competitor's product.[41] Courts have noted that even if the consumer is aware of the fact that the competitor's product is not what the consumer initially sought, this may not eliminate or negate the fact that the competitor has infringed.[42] Accordingly, courts have acknowledged the initial interest confusion doctrine under the Lanham Act.[43] Under the doctrine of initial interest confusion, the consumer will later realize that the competitor's product was not the original product sought.[44] However, the consumer

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33 CRAIG ALLEN NARD, DAVID W. BARNES & MICHAEL J. MADISON, THE LAW OF INTELLECTUAL PROPERTY 263 (2006).

34 *Id.*

35 *See* Barnes, *supra* note 17, at 867.

36 *Id.*

37 *Id.*

38 *Id.*

39 KP Permanent Make-up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 123 (2004).

40 *See id.*

41 BigStar Entm't, Inc. v. Next Big Star, Inc. 105 F. Supp. 2d 185, 207 (S.D.N.Y. 2000).

42 Interstellar Starship Servs. v. Epix, Inc., 184 F.3d 1107, 1110 (9th Cir. 1999); Forum Corp. of N. Am. v. Forum, Ltd., 903 F.2d 434, 442 n.2 (7th Cir. 1990).

43 *See, e.g.*, *Interstellar*, 184 F.3d at 1110; *Forum*, 903 F.2d at 442 n.2.

44 *See* cases cited, *supra* note 42.

may subsequently choose to purchase the product anyway or stay with the competitor.[45] The competitor has thus diverted potential customers from the true trademark holder by infringing the trademark.[46] The Seventh Circuit has referred to this method of tricking consumers into choosing or settling for a different product as "bait and switch."[47] Initial interest confusion focuses entirely on confusion *before* the sale, and may be present even if the consumer made no actual purchase.[48] Although initial interest confusion is different from actual confusion, the law recognizes the damage that such deceitful tactics may cause to trademark holders and consumers.

1. Brick-and-Mortar Store Commerce

The doctrine of initial interest confusion originated in the context of ordinary transactions, often called "brick-and-mortar store commerce."[49] In *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, a piano manufacturer who happened to be the former partner of the manufacturer of the famous Steinway pianos was selling pianos under the name Grotrian-Steinway.[50] The Second Circuit held that the defendant used the hyphenated name to attract potential customers who would associate the name Grotrian-Steinway with the reputation of the pianos produced by Steinway.[51] The court held that the plaintiff need not demonstrate that there was actual confusion at the time of the purchase to establish infringement.[52] The Second Circuit found that a likelihood of *initial* confusion, which would be damaging to the goodwill of the true Steinway manufacturer, was in fact a violation of the Lanham Act.[53]

Soon after *Grotrian*, courts began to apply the initial interest confusion doctrine to other situations, but the principles expressed in *Grotrian* remained unchanged. In *Elvis Presley Enterprises v. Capece*,

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45 *See* cases cited, *supra* note 42.

46 Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1239 (10th Cir. 2006).

47 Dorr-Oliver, Inc. v. Fluid-Quip, Inc. 94 F.3d 376, 382 (7th Cir. 1996).

48 *Interstellar*, 184 F.3d at 1110; *see also* Checkpoint Sys., Inc. v. Check Point Software Tech., Inc., 269 F.3d 270, 295–96 (3d Cir. 2001) ("Confining actionable confusion under the Lanham Act to confusion present at the time of purchase would undervalue the importance of a company's goodwill with its customers," and, "the initial interest confusion does not ultimately result in a purchasing decision, this factor counsels against finding the likelihood of confusion under the Lanham Act.").

49 BigStar Entm't, Inc. v. Next Big Star, Inc., 105 F. Supp. 2d 185, 207 (S.D.N.Y. 2000) (discussing Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons, 523 F.2d 1331 (2d Cir. 1975)).

50 *Grotrian*, 523 F.2d at 1334.

51 *Id.* at 1334.

52 *Id.* at 1342.

53 *Id.* at 1334.

testifying witnesses stated that a bar's apparent association with Elvis Presley Enterprises ("EPE") and the appearance that the bar might be selling Elvis Merchandise, drew the witnesses into the bar.[54] Once inside, the appearance of the bar dispelled the consumers' confusion; there was clearly no association with EPE.[55] The Fifth Circuit explained that the confusion "ha[d] succeeded because some patrons might stay, despite realizing that the bar has no relationship with EPE."[56] The court reiterated the findings of the Second Circuit in *Grotrian*, that the confusion created by the competitor's use of the trademark can give the competitor's product credibility "during the early stages of a transaction and can possibly bar the [trademark holder] from consideration by the consumer once the confusion is dissipated."[57] As the Second Circuit explained in *Grotrian,* the Fifth Circuit held that the use of the trademark to create confusion was damaging to the trademark holder even if the confusion ended before a purchase, and was therefore a violation of the Lanham Act.[58]

2. Bringing a Cause of Action for Initial Interest Confusion

For all trademark infringement claims, the law limits the application of the initial interest confusion doctrine. First, the plaintiff must be able to show a valid trademark that is entitled to protection under the Lanham Act.[59] Second, the plaintiff must establish that the defendant used the trademark in commerce.[60] Finally, the plaintiff must be able to prove that the defendant's use of the plaintiff's trademark created a likelihood of confusion.[61] The plaintiff must establish all three of these elements to bring a successful cause of action for initial interest confusion.[62]

Plaintiffs must satisfy the requirements of the Lanham Act to establish a valid trademark.[63] A certificate of registration is prima facie

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[54] Elvis Presley Enters. v. Capece*,* 141 F.3d 188, 204 (5th Cir. 1998).
[55] *Id.*
[56] *Id.* The Fifth Circuit also noted that here, "initial-interest confusion is even more significant because the Defendants' bar sometimes charges a cover charge for entry, which allows the Defendants to benefit from initial-interest confusion before it can be dissipated by entry into the bar." *Id.*
[57] *Id.*; *Grotrian*, 523 F.2d at 1342.
[58] *Elvis*, 141 F.3d at 204.
[59] Checkpoint Sys., Inc. v. Check Point Software Tech., Inc., 269 F.3d 270, 279 (3d Cir. 2001).
[60] *See id.*
[61] *Id.* However, the defendant may claim the affirmative defense that *this* particular use was in fact a "fair use" under the Lanham Act.
[62] *See Checkpoint*, 269 F.3d at 279.
[63] Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 162 (1995).

evidence of a valid trademark.[64] Without a valid registration, the plaintiff must satisfy three requirements to establish a valid trademark.[65] First, the trademark must be "any word, name, symbol, or device, or any combination thereof," which is quite a non-restrictive requirement.[66] Second, the holder must use the trademark in commerce.[67] Courts have also interpreted this to mean that the trademark holder must be the senior user.[68] The "senior user" is the first to use the mark, with the right to stop the junior user from using "confusingly similar marks in the same industry and market or within the senior user's natural zone of expansion."[69] Finally, the trademark must identify and distinguish the source of the goods, a requirement that is the most restrictive of the three.[70] If the plaintiff has a registered trademark or can successfully establish the elements of a valid trademark under the Lanham Act, the plaintiff must still show use in commerce as well as a likelihood of confusion.

A plaintiff must then demonstrate that the defendant used the trademark "'in connection with' sale of goods and services."[71] In *The Trademarks Cases*, the Supreme Court held that any power to regulate trademarks must fall under Congress' power to regulate commerce.[72] This placed the burden on the plaintiff to show use in commerce in order to warrant application of the Lanham Act: "federal jurisdiction over trademarks generally extends only" to uses in commerce.[73] Therefore, non-commercial uses of trademarks did not trigger claims under the Lanham Act.[74]

Finally, a plaintiff must establish a likelihood of confusion. Courts use an "ordinarily prudent consumer" standard when determining whether or not there is a likelihood of confusion.[75] This standard, though similar in theory to its counterpart in tort litigation (the "reasonably

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64 Lanham Act, 15 U.S.C. § 1057(b) (2006).

65 *Qualitex*, 514 U.S. at 166.

66 15 U.S.C. § 1127; *Qualitex*, 514 U.S. at 162.

67 *Qualitex*, 514 U.S. at 166.

68 *E.g.*, Lucent Info. Mgmt. v. Lucent Techs., Inc., 186 F.3d 311, 316 (3d Cir. 1999); Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036 (9th Cir. 1999).

69 *Brookfield*, 174 F.3d at 1047 (9th Cir. 1999).

70 *See Qualitex*, 514 U.S. at 166.

71 Bosley Med. Inst., Inc. v. Kramer, 403 F.3d 672, 676 (9th Cir. 2005) (quoting Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 903 (9th Cir. 2002), *cert. denied*, No. 02-633, 2003 U.S. LEXIS 920 (U.S. Jan. 27, 2003).

72 1 MCCARTHY, *supra* note 9, at § 6:2.

73 *Id.*

74 *Schwartz*, *supra* note 22, at 94–95.

75 Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOKLYN L. REV. 827, 830 (2004).

prudent person"), is quite different in trademark litigation.[76] While the tort standard represents more of a hypothetical, idealized person,[77] the trademark incarnation is more of a proxy for the reactions of real consumers.[78] Yet at least one author has described the "ordinarily prudent consumer" as "very often less than prudent, exhibiting instead unthinking and irrational responses to branding messages."[79]

Courts use a variety of factors to determine whether or not the "ordinarily prudent consumer" would be confused.[80] Each circuit utilizes its own set of factors to determine likelihood of confusion.[81] Many of the factors are consistent among the circuits while some factors are unique to certain circuits.[82] Compare, for example, the eight-factor *Sleekcraft* test used by the Ninth Circuit:

> (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) types of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; [and] (8) likelihood of expansion of the product lines[83]

with the eight-factor *Polaroid* test used by the Second Circuit:

> (1) the strength of the plaintiff's mark; (2) the degree of similarity between the plaintiff's and defendant's marks; (3) the proximity of the products or services; (4) the likelihood that plaintiff will bridge the gap between its products or services and those marketed by the defendant; (5) evidence of actual confusion; (6) defendant's good faith in adopting the mark; (7) the quality of defendant's products or services; and (8) the sophistication of the buyers. [84]

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[76] *Id.* at 834.

[77] PROSSER AND KEATON ON THE LAW OF TORTS, § 32 (W. Page Keaton et al. eds., 5th ed. 1984).

[78] Austin, *supra* note 75, at 834.

[79] *Id.* at 832.

[80] *Id.*

[81] *See, e.g.*, Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1239 (10th Cir. 2006); Elvis Presley Enters. v. Capece, 141 F.3d 188, 194 (5th Cir. 1998); Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 256 (2d Cir. 1987); *see also* 3 MCCARTHY, *supra* note 9, at § 23:19 n.2 ("Each circuit has created its own list of factors and the litigator is well-advised not to rely upon a list from a 'foreign' circuit.").

[82] 3 MCCARTHY, *supra* note 9, at § 23:19. For a comparison of confusion factors from every circuit, see NARD, *supra* note 33, at 166.

[83] Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc., 109 F.3d 1394, 1404–05 (9 Cir. 1997) (citing AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979).

[84] Austin, *supra* note 75, at 872. *See* Polaroid Corp. v. Polarad Elects. Corp., 287 F.2d 492, 495 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961).

While the lists from the Ninth and the Second Circuits differ, they are non-exclusive; courts may take into consideration all relevant factors.[85] Circuit courts apply similar factors to cases involving goods and services competing in the same or overlapping markets (competitive) and goods and services in different markets (non-competitive).[86] Each factor's weight is a fact-specific inquiry determined on a case-by-case basis.[87] Accordingly, courts may not require a majority of the factors to weigh in one direction or another to determine a likelihood of confusion.[88]

McCarthy suggests that plaintiffs may use at least three types of evidence to prove a likelihood of confusion: surveys, evidence of actual confusion, or "argument[s] based on a clear inference arising from a comparison of the conflicting marks and the context of their use."[89] Evidence suggests that at least half of the time, plaintiffs and defendants use surveys to establish whether or not there was a likelihood of confusion.[90] However, courts are free to decide whether surveys should receive more or less weight.[91] According to one scholar, the majority of cases are decided not on survey evidence but on "judicial speculations and assumptions about what consumers believe."[92] However, at least in theory, each circuit considers its list of factors to determine whether the "ordinary prudent consumer" is confused under the facts of each case. However, the actual factors vary from circuit to circuit and the number of factors which the plaintiff must establish in his favor remains unspecified.

The Lanham Act protects the holders of valid trademark holders from initial interest confusion. This protection exists even if the competitor's situation later dispels the confusion, because courts have found that even without a purchase, the competitor's actions may have caused significant damage to the trademark holder. To maintain a successful claim of initial interest confusion, a plaintiff must establish a

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85 *Elvis*, 141 F.3d at 194 (citations omitted).

86 3 MCCARTHY, *supra* note 9, at § 23:19. Non-competitive goods and services exist in distinct markets whereas competitive goods and services exist in overlapping markets. *See AMF, Inc.*, 599 F.2d at 348.

87 Checkpoint Sys., Inc. v. Check Point Software Tech., Inc., 269 F.3d 270, 280 (3d Cir. 2001).

88 Austin, *supra* note 75, at 832.

89 3 MCCARTHY, *supra* note 9, at § 23:2.50.

90 Austin, *supra* note 75, at 834.

91 *Id.*

92 *Id. See also* Xuan-Thao N. Nguyen, *The New Wild West: Measuring and Proving Fame and Dilution Under the Federal Trademark Dilution Act*, 63 ALB. L. REV. 201, 237 n.270 (1999) (discussing how the level of survey evidence required for confusion varies dramatically from court to court).

valid trademark used in commerce by the defendant which caused initial consumer confusion. Finally, plaintiffs must establish confusion by satisfying an unspecified number of factors, which may differ from circuit to circuit.

C. Trademarks and Contributory Liability

Under the doctrine of contributory liability, liability for trademark infringement can extend to parties other than the direct infringer.[93] Although the Lanham Act makes no mention of contributory liability, the Supreme Court confirmed this theory of liability in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc*.[94] In that case, the Court explained that liability for infringement in trademark cases could "extend beyond those who actually mislabel goods with the mark of another."[95] According to the Supreme Court, participants in the "chain of distribution" may be liable for the infringing activities of others.[96]

In certain situations, contributory liability makes it easier for the copyright or trademark holder to obtain relief after infringement.[97] Contributory liability can implicate a deep pocket defendant or simply reduce the amount of litigation necessary to protect the holder of the intellectual property. Framed differently, contributory liability saves money.[98] Finding contributory liability in some cases, especially those involving the Internet, makes it easier to curtail widespread infringement.[99] If courts are unwilling to protect the trademark holders by not allowing contributory liability in certain cases, "the value of trademarks to the consumer [and the trademark holder] is reduced."[100]

In *Inwood*, the Supreme Court introduced two legal tests for contributory trademark liability: a knowledge test and an inducement test.[101] Both tests require an underlying infringement and a material contribution to that infringement. [102] Under the knowledge test, a party which "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement . . . is

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[93] 4 MCCARTHY, *supra* note 9, at § 25:17.
[94] Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 854 (1982).
[95] *Id.* at 853.
[96] *Id.* at 853–54.
[97] Brian D. Kaiser, Note, *Contributory Trademark Infringement by Internet Service Providers: An Argument for Limitation*, 7 J. TECH. L. & POL'Y 4 (2002).
[98] *Id*.
[99] MGM Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005).
[100] Kaiser, *supra* note 97, at 4.
[101] *See* Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 854 (1982); Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S 417, 439 (1984).
[102] *See* cases cited, *supra* note 101.

contributorially responsible for any harm done as a result of the deceit."[103] Many courts have interpreted this to mean that "the ordinary business person cannot claim innocence if the facts are such that any reasonable person in such a position should have known that it was actively participating in an operation which constituted . . . trademark infringement."[104] Under the inducement rule, if one party intentionally "induces another to infringe a trademark . . ." that party may be "contributorially responsible for any harm done as a result of the deceit." Therefore, under the two tests set forth in *Inwood Labs*, contributory liability for trademark infringement requires an underlying direct infringement, a material contribution to that infringement, and *either* knowledge of that underlying infringement *or* intent to induce that infringement.[105]

Parties that contribute to trademark infringement may be liable under the theory of contributory liability. Contributory liability is an important doctrine because it enables trademark holders to curtail widespread infringement and reduces the amount of litigation and money necessary to protect the interests of both trademark holders and consumers. Though the Lanham Act does not explicitly mention of contributory liability, the Supreme Court recognized this doctrine in *Inwood*, creating the knowledge test and the inducement test.

III. THE CIRCUIT SPLIT

Part III of this comment introduces three key cases that deal with initial interest confusion and contributory liability in the Internet context. This section discusses the fundamental split between the Second and Ninth Circuits regarding an approach to new uses of trademarks in keywords and metatags. This section also reviews how district courts responded to this division.

A. Introduction

There is a clear divide between the circuit courts of appeals concerning the application of the initial interest confusion doctrine. Congress passed the Lanham Act long before any computer use was widespread. As a result, courts increasingly struggle to apply current trademark laws meant for ordinary commercial transactions to a new electronic medium—the Internet.[106] Courts face new vocabulary, new

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[103] *Inwood*, 456 U.S. at 854.

[104] 4 MCCARTHY, *supra* note 9, at § 25:19.

[105] *See Inwood*, 456 U.S. at 854.

[106] Chad J. Doellenger, *Trademarks, Metatags, and Initial Interest Confusion: A Look to the Past to Reconceptualize the Future*, 41 IDEA 173 (2001). According to Mr.

types of competition, and new applications of old laws. As stated before, initial interest confusion requires use in commerce of a valid trademark which creates initial confusion. The circuits split on the way to treat technological advances which prevent consumers from observing how competitors are using other trademarks. The Second Circuit has held that use of trademarks in metatags and keywords is not "use in commerce" under the Lanham Act.[107] The Ninth Circuit's Internet cases dealing with initial interest confusion suggest that such uses are, in fact, "use in commerce."[108] This division leaves district courts struggling to justify disparate decisions for cases that share similar facts.

B. The Second Circuit

In the *1-800 Contacts* case, the Second Circuit focused on the "use" issue and made no confusion inquiry after 1-800 Contacts sued WhenU for infringing on 1-800 Contact's trademarks in violation of the Lanham Act.[109] The defendant, WhenU, employed software to monitor computer user activities to trigger pop-up ads on the computer user's desktop when the user accessed the 1-800 Contacts' website.[110] WhenU's software selected pop-up ads at random based on categorical associations with the websites the computer user visited.[111] For instance, the Second Circuit provided the example that a visit to www.1-800Contacts.com might trigger the category of 'eye care.'[112] WhenU's software would then send the computer user a pop-up advertisement from one of the sponsors listed under "eye care."[113] The Second Circuit held that causing "separate, branded pop-up ads to appear on a [computer] user's computer screen either above, below, or along the bottom edge of the 1-800 Contacts website window" was not considered a "use" under the Lanham Act.[114]

The Second Circuit indicated five significant reasons why it did not find use. First, the court explained that WhenU never actually displayed the trademarks programmed into WhenU's software to the computer user.[115] Second, the court found that the "mark" used by WhenU was

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Doellenger, "a new medium is not sufficient justification to disregard the current body of intellectual property jurisprudence." *Id.* at 179.

107 1-800 Contacts, Inc., v. WhenU.com, Inc., 414 F.3d 400, 412 (2d Cir. 2005).

108 Playboy Enters., Inc., v. Netscape Commc'ns Corp., 354 F.3d 1020, 1027 (9th Cir. 2004).

109 *1-800 Contacts*, 414 F.3d at 402.

110 *Id.*

111 *Id.* at 412.

112 *Id.* at 410.

113 *Id.*

114 *Id.* at 403.

115 *Id.* at 408.

different than 1-800 Contacts' trademark because WhenU transformed 1-800 Contacts' mark into "a word combination that functions more or less like a public key to 1-800 Contacts' website."[116] In other words, WhenU was simply using 1-800 Contacts' website designation as a location on the Internet rather than a trademark.[117] Third, the court held that there was no sale,[118] since WhenU did not sell keyword trademarks to advertisers.[119] Fourth, the pop-up ads did not display 1-800 Contacts' trademarks.[120] Finally, WhenU did "not link trademarks to any particular competitor's ads, and a customer cannot pay to have its pop-up ad appear on any specific website or in connection with any particular trademark."[121] For these five reasons, the Second Circuit never considered issues beyond the "use in commerce" requirement.

C. The Ninth Circuit

In the Ninth Circuit's first application of the initial interest confusion doctrine in the Internet context, the court concluded that using trademarks in metatags did in fact create initial confusion, and that such confusion was "exactly what the trademark laws are designed to prevent."[122] In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, Brookfield created software that allowed users to search for movie information.[123] West Coast subsequently began operating the site "moviebuff.com" with a searchable database of movie information.[124] The court explained that consumers searching the Internet looking for Brookfield's "Moviebuff" software would find both Brookfield's and West Coast's websites listed on an Internet search engine's results page.[125] Consumers who then chose West Coast's listing would find another movie database "similar enough to 'Moviebuff' such that a sizable number of consumers who were originally looking for Brookfield's product will simply decide to utilize West Coast's offerings instead."[126] The Ninth Circuit reviewed the case using the *Sleekcraft* factors and explained that, "[a]lthough there is no source confusion in the

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116 *Id.* at 408–09.
117 *Id.* at 408.
118 *Id.* at 408–09.
119 *Id.*
120 *Id.* at 411.
121 *Id.* at 411–12.
122 Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1062, 1066 (9th Cir. 1999).
123 *Id.* at 1041.
124 *Id.* at 1042.
125 *Id.* at 1062. Presumably any Internet search engine would have sufficed, because the court does not mention any one in particular.
126 *Id.*

sense that consumers know they are patronizing West Coast rather than Brookfield [because of the different Internet domain names], there is nevertheless initial interest confusion."[127] The Ninth Circuit indicated that West Coast's use of the name "Moviebuff" on its website and metatags was "like posting a sign with another's trademark in front of one's store."[128]

Later, in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, the Ninth Circuit found initial interest confusion, but never specifically addressed the "use in commerce" inquiry.[129] The Ninth Circuit found "clear evidence" of Netscape's "use in commerce" of Playboy's trademark with no significant inquiry.[130] Both the majority and concurring opinions assumed "use in commerce" and focused on the likelihood of confusion analysis.[131] The court reviewed the *Sleekcraft* factors and concluded that the uncontradicted survey evidence was strong enough to create a genuine issue of material fact as to actual confusion, enabling the court to reverse the lower court's grant of summary judgment for Netscape.[132]

In *Playboy*, Netscape used a practice known as "keying."[133] When "keying," advertisers are able to directly link their advertisements to specific search terms entered by the consumer.[134] According to the court, Netscape used "various lists of terms to which they key advertisers'

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[127] *Id.*

[128] *Id.* at 1064. The Ninth Circuit explained that:

> Search engines look for keywords in places such as domain names, actual text on the web page, and metatags. Metatags are HTML code intended to describe the contents of the web site. There are different types of metatags, but those of principal concern to us are the "description" and "keyword" metatags. The description metatags are intended to describe the web site; the keyword metatags, at least in theory, contain keywords relating to the contents of the web site. The more often a term appears in the metatags and in the text of the web page, the more likely it is that the web page will be "hit" in a search for that keyword and the higher on the list of "hits" the web page will appear.

Id. at 1045.

[129] Playboy Enters., Inc., v. Netscape Commc'ns Corp., 354 F.3d 1020, 1032 (9th Cir. 2004).

[130] *Id.* at 1032. The Ninth Circuit's discussion of "use in commerce" was limited to its inquiry into Playboy's dilution claims. The court explained that use must fall into one of three categories: commercial, political, or "some other more closely protected speech." Because the defendants did not argue that their speech was political, the court concluded that the trademarks were, in fact, used in commerce. To the Ninth Circuit, there was "clear evidence of the commercial nature of [the] enterprise." *Id.*

[131] *See id*. at 1024, 1034–35.

[132] *Id.*

[133] *Id*. at 1023.

[134] *Id.* at 1022–23.

banner ads."[135] Playboy sued Netscape over a list of terms relating to "sex and adult-oriented entertainment," including the words "playboy" and "playmate," which Playboy had trademarked.[136] The court explained that Netscape "*require[s]* adult-oriented companies to link their ads to this set of words. Thus, when a user types in 'playboy,' 'playmate,' or one of the other listed terms, those companies' banner ads appear on the search results page."[137] The categorical associations used by Netscape were different than those used by WhenU. Despite this, the consumer experience was the same in both *1-800 Contacts* and *Playboy*; advertisements for competitors appeared on the user's screen when the user entered the plaintiff's trademark into an Internet search engine.

D. The Google Fallout

As a result of the Ninth Circuit's failure to discuss "use in commerce" in the *Playboy* decision along with the Second Circuit's holding in *1-800 Contacts*, district courts have divided on the issue of initial interest confusion and contributory liability in the Internet context.[138] Specifically, companies suing over Google's AdWords program obtain different ruling from almost identical factual situations.[139] The following discussion presents examples of the division among district courts pertaining to Google's AdWords program.

Relying on both the *Playboy* decision and the district court's decision in the *1-800 Contacts* case, the District of Virginia has held that Google's use of trademarks in computer coding was, in fact, "use in commerce."[140] The court rejected Google's argument that Google used the trademarks only in computer coding so the marks were not "used" in

[135] *Id.* at 1023.
[136] *Id.*
[137] *Id.*
[138] *See* Rhino Sports, Inc. v. Sport Court, Inc., 2007 U.S. Dist. LEXIS 32970 (D. Ariz. May 3, 2007) (finding use in commerce and a likelihood of confusion); Google Inc. v. Am. Blind & Wallpaper Factory, Inc., 2007 U.S. Dist. LEXIS 32450 (D. Cal. Apr. 18, 2007) (finding use in commerce); J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC, No. 06-0597, 2007 U.S. Dist. LEXIS 288 (D. Pa. Jan. 4, 2007) (finding use in commerce but no likelihood of confusion); 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 273 (D.N.J. 2006) (finding use in commerce); Buying for the Home, LLC v. Humble Abode, LLC, 459 F. Supp. 2d 310 (D.N.J. 2006) (finding use in commerce); Edina Realty, Inc. v. TheMLSonline.com, No. 04-4371, 2006 U.S. Dist. LEXIS 13775 (D. Minn. Mar. 20, 2006) (finding use in commerce); GEICO I, 330 F.Supp. 2d 700 (D. Va. 2004) (finding use in commerce). *But see* Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393 (D.N.Y. 2006) (finding no use in commerce); Merck & Co. v. Mediplan Health Consulting, 425 F. Supp. 2d 402, 415 (D.N.Y. 2006) (finding no use in commerce).
[139] *See* cases cited, *supra* note 137.
[140] GEICO I, 330 F. Supp. 2d 700 (D. Va. 2004).

the Lanham sense.[141] Under Google's advertising scheme, when a user typed in the name GEICO, a list of competitors appeared under "sponsored links."[142] Google was essentially "allowing advertisers to bid on the trademarks and pay defendants to be linked to the trademarks."[143] The district court found sufficient evidence to "survive defendant's [m]otion on the narrow issue of whether advertisements that appear when a user searches on GEICO's trademarks and do reference those marks in their headings or text violate the Lanham Act."[144] The court emphasized that the ruling applied "only to the specific facts of this case, which include the unique business model employed by [GEICO] and the specific design of defendant's advertising program and search results pages."[145]

In *Rhino Sports, Inc. v. Sport Court, Inc.*, the District Court for the District of Arizona stated that "while other courts have ruled that keyword use of a trademark does not constitute 'use' in commerce under the Lanham Act, the Ninth Circuit has not squarely addressed this issue."[146] The court had previously enjoined the defendant from using the plaintiff's trademark in Google's AdWords program.[147] The court refused to modify the injunction, rejecting the defendant's argument that "a defendant is not engaged in the requisite 'use' of a trademark or other mark unless the defendant uses the mark to identify the source of its own goods or services."[148] The court explained that, "unless the Ninth Circuit expressly analyzes and holds that keyword use of a trademark does not constitute 'use in commerce,' then, regardless of whether or not such use is a 'use in commerce' under the Lanham Act, there has been no change in the Ninth Circuit on this matter."[149]

In *Google Inc. v. American Blind and Wallpaper Factory, Inc.*, the District Court for the Northern District of California held that "the sale of trademarked terms in the AdWords program is a use in commerce for the

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141 *Id*. at 704–05. In *1-800 Contacts v. WhenU.com, Inc.*, 309 F. Supp. 2d 467 (S.D.N.Y. 2002), the court found that "WhenU was making 'trademark use' of the plaintiff's trademark in two ways—by using plaintiff's mark in the advertising of competitor's websites, and by including plaintiff's mark in the directory of terms that triggers pop-up advertisements." *GEICO I*, 330 F. Supp. 2d at 703. The Second Circuit had not yet rendered its decision in *1-800 Contacts v. WhenU.com*, Inc., 414 F.3d 400 (2d Cir. 2005).

142 *Id*.

143 *Id*. at 704.

144 GEICO II, 2005 U.S. Dist. LEXIS 18642, at *4 (D. Va. Aug. 8, 2005).

145 *Id*. at *27.

146 Rhino Sports, Inc. v. Sport Court, Inc., 2007 U.S. Dist. LEXIS 32970, at *25 (D. Ariz. May 3, 2007).

147 *Id*. at *5.

148 *Id*. at *27.

149 *Id*. at *26.

purposes of the Lanham Act."[150] The court explained that "[w]hile the Second Circuit's decision in *1-800 Contacts* and the subsequent district court decisions may cause the Ninth Circuit to consider this issue explicitly, the lengthy discussions of likelihood of confusion in *Brookfield* and *Playboy* would have been unnecessary in the absence of actionable trademark use."[151] The court concluded that "*Playboy* makes an implicit finding of trademark use in commerce in the manner at issue here."[152]

The District Court for the Northern District of New York followed the holding in *1-800 Contacts* that Google's use of trademarks in coding for Google's AdWords program was not, in fact, a "use in commerce."[153] The court found that the "[d]efendant's internal use of plaintiff's trademark to trigger sponsored links is not a use of a trademark within the meaning of the Lanham Act, either, because there is no allegation that defendant places plaintiff's trademark on any goods, containers, displays, or advertisements, or that its internal use is visible to the public."[154] Therefore the court dismissed the plaintiff's claims of trademark infringement against Google.[155]

The division between the holdings of the Second and the Ninth Circuits complicates various district courts in their treatment of identical situations. The Second Circuit's clear decision on "use in commerce" and the Ninth Circuit's avoidance of the issue result in opposing district courts positions regarding identical factual situations. Thus, the predictability of outcome for trademark cases which involve initial interest confusion and contributory liability in the Internet context remains extremely uncertain.

IV. COPYRIGHT

Part IV of this comment presents a brief overview of copyright law in the area of contributory liability, both in the ordinary and Internet commerce contexts. This section first discusses the goals of copyright protection and the Copyright Act of 1976. Next, it introduces contributory copyright infringement. Finally, the section reviews three significant cases involving contributory infringement—one in the ordinary commerce context and two in the Internet context, to then

150 Google Inc. v. Am. Blind & Wallpaper Factory, Inc., 2007 U.S. Dist. LEXIS 32450, at *21 (D. Cal. Apr. 18, 2007).
151 *Id.*
152 *Id.* at *18.
153 Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393, 403 (D.N.Y. 2006).
154 *Id.*
155 *Id.* at 404.

discuss how each of the three cases harnessed the goal of balancing competing interests.

A. Goals of Copyright Law and the Copyright Act of 1976

The general constitutional goal of copyright laws is to "promote the Progress of Science and the useful Arts."[156] The U.S. Constitution gives Congress the power to promote this goal "by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[157] In other words, Congress grants to artists and inventors a limited monopoly over their expression and in return the public is able to benefit from access to the works and ideas contained within them. Copyright law requires courts to balance the interests of artists and the public in order to promote "science and the useful arts."[158] This goal was firmly established by the Supreme Court in *Sony Corp. of America v. Universal City Studios, Inc*.[159] In the *Sony* case, the Supreme Court explained that "[t]he immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good."[160] Thus, the ultimate goal of copyright law is to balance the interests of the public with the interests of authors.

Congress passed the Copyright Act of 1976 in order to balance these interests.[161] Copyright law protects "original works of authorship fixed in any tangible medium of expression, now known or later developed."[162] The Copyright Act protects neither ideas nor facts; only the expression of those ideas falls under the scope of the legislation.[163] Under section 106, the Copyright Act grants an author an exclusive list of rights, including the right to make copies, to perform, and to create derivative works.[164] The Copyright Act protects these enumerated rights against infringement.[165] Plaintiffs establish copyright infringement by

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[156] U.S. CONST. art. I, § 8, cl. 8.; *see also* Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc., 126 S. Ct. 2921, 2922 (2006); Campbell v. Acuff-Rose Music, 510 U.S. 569, 579 (1994).

[157] U.S. CONST. art. I, § 8, cl. 8.

[158] Lydia Pallas Loren, *Digitization, Commodification, Criminalization: The Evolution of Criminal Copyright Infringement and the Importance of the Willfulness Requirement*, 77 WASH. U. L.Q. 835, 899 n.4 (1999).

[159] Sony Corp. of Am. v. Universal City Studios, Inc, 464 U.S. 417, 432 (1984).

[160] *Id.*

[161] Copyright Act, 17 U.S.C. §§ 101, 1332 (2006).

[162] *Id.* at § 102(a).

[163] *Id.* at § 102(b); Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 350–51 (1991) ("In no event may copyright extend to . . . facts themselves.").

[164] 17 U.S.C. § 106.

[165] *Id.* at § 501.

demonstrating a valid registration and the defendant's violation of any one of the enumerated, exclusive rights of the Copyright Act.[166] Following the Copyright Act's grant of rights, the statute provides several exceptions to the artist's exclusive rights, including fair use.[167] This combination of granting exclusive rights to artists then subsequently excepting them in favor of free public access is an example of how Congress balanced the interests of artists and the public.

B. Contributory Copyright Liability, Generally

Although the Copyright Act does not explicitly mention contributory liability, infringers risk litigation from a theory of direct or contributory infringement.[168] The Supreme Court has held that although the express language of the Copyright Act does not establish liability for contributory infringement, this silence does not "preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity."[169] Accordingly, "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer."[170]

C. Balance and Contributory Liability in the Copyright Context

As technology continually evolves, courts addressing copyright issues have encountered difficulties similar to those courts applying trademark law to new developments. Courts must still balance the interests of consumers, competitors, and intellectual property holders when applying standards for infringement and contributory liability to new mediums. These difficulties and the importance of balancing interests are exemplified in three very important copyright cases: *Sony*, *Napster*, and *MGM Studios*.

1. *Sony Corp. of America v. Universal City Studios, Inc.*

The Supreme Court's reasoning in *Sony* is an excellent example of how courts interpret copyright laws, specifically contributory liability, while balancing the interests of consumers and copyright holders. This case dealt with Sony's "new" Betamax video tape recorders, or VTRs,

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[166] *Id.*
[167] 17 U.S.C. § 107.
[168] Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971).
[169] Sony Corp. of Am. v. Universal City Studios, Inc, 464 U.S 417, 435 (1984).
[170] *Gershwin*, 443 F.2d at 1162; Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996).

and the consumer's ability to use Betamax VTRs to record programs to view them at a later time.[171] The Court labeled this "problem" as "time-shifting."[172] Time-shifting allows the consumer to "see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch."[173] The Court focused its discussion on the consumer's use of the VTR, holding that Sony had "no direct involvement with any infringing activity."[174] The Court concluded that the substantial time-shifting benefits to consumers outweighed the concerns of the copyright holders, and denied the plaintiffs an injunction against the Sony VTRs.[175]

Initially, the Court appeared willing to hold Sony liable for contributory infringement if the plaintiffs were able to show that Sony sold the VTRs with constructive knowledge that consumers "may use" the VTRs to infringe upon copyrighted materials.[176] However, considering the interests of consumers, Sony itself, and many television producers, the Supreme Court held that the mere capability for infringing use did not make the sale of VTRs that of contributory infringement.[177] The Court reasoned that if a product was "widely used for legitimate, unobjectionable purposes," or merely capable of substantial non-infringing uses, the chain of liability was broken.[178] According to the majority, there was "considerable testimony" given at trial about the potential for both infringing and non-infringing uses.[179] Despite this, the Supreme Court rejected the plaintiff's request for an injunction based on an argument that infringing uses outweighed non-infringing uses.[180] The Supreme Court quoted the district court, which explained that, "[w]hatever the future percentage of legal versus illegal home-use recording might be, an injunction which seeks to deprive the public of the very tool or article of commerce capable of some noninfringing use

[171] *Sony*, 464 U.S. at 420.
[172] *Id.* at 423.
[173] *Id.* The Supreme Court also noted that after the program had been viewed at a later time, it would be erased; however, the Court also recognized that a "substantial number of interviewees had accumulated libraries of tapes." *Id.*
[174] *Id.* at 447.
[175] *Id.* at 456.
[176] *Id.* at 439.
[177] *See id.* at 442.
[178] *Id.*
[179] *Id.* at 424.
[180] *Id.* at 444 (quoting Universal City Studios, Inc. v. Sony Corp. of Am., 480 F. Supp. 429, 468 (D. Cal. 1979) ("Universal")).

would be an *extremely harsh remedy*, as well as one unprecedented in copyright law."[181]

The Supreme Court also discussed the rights of intellectual property holders while explaining its decision. The Court referred to the specific context of an action for contributory liability against the seller of the copying equipment, indicating that "the copyright holder may not prevail unless the relief that he seeks affects only his programs, or unless he speaks for virtually all copyright holders with an interest in the outcome."[182] This scenario was not present in the instant case, where the Court acknowledged that many producers of television programs would not oppose time-shifting since it increased the size of the audience.[183] The Court held that time-shifting was a non-commercial, private use, but that copies made for commercial or profit-making purposes would be unfair and in violation of the Copyright Act.[184] The Court described commercial uses as presumptively unfair exploitations of the "monopoly privilege that belongs to the owner of the copyright" while explaining that "noncommercial uses [however] are a different matter."[185] Returning to its balancing task, the Court noted that "prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit."[186]

The Supreme Court's opinion in *Sony* demonstrates the importance of balancing the interests of consumers, competitors, and intellectual property holders in the context of contributory liability. In that case, the Court found that the interests of consumers and some television producers outweighed the interests of the plaintiffs.[187] VTRs afforded consumers the ability to "time-shift," which the Court considered as a benefit to both consumers and producers.[188] Consequently, the Court held time-shifting as a substantial non-infringing use that severed the chain of liability.[189] The Court did not ignore the plaintiff's claims of infringement; it acknowledged this issue by indicating that non-commercial uses are presumptively unfair in violation of the copyright statue.[190] After balancing the interests of all sides, the Supreme Court

[181] *Id.* (quoting *Universal*, 480 F. Supp. at 468) (emphasis added).
[182] *Id.* at 446.
[183] *Id.*
[184] *Id.* at 449.
[185] *Id.* at 451.
[186] *Id.* at 450–51.
[187] *See id.* at 456.
[188] *Id.* at 430.
[189] *See id.* at 456.
[190] *Id.* at 449.

denied the plaintiff's request for an injunction against Sony's sale of the VTRs.[191]

2. *A&M Records v. Napster, Inc.*

A&M Records v. Napster, Inc. is another example of how courts balance the interests of consumers and intellectual property holders in the context of contributory infringement. Decided after *Sony*, the Ninth Circuit in this case found Napster liable for contributory infringement.[192] Napster offered users free software that facilitated "peer-to-peer" file sharing.[193] Among other things, the software allowed users to: "(1) make MP3 music files stored on individual computer hard drives available for copying by other Napster users; (2) search for MP3 music files stored on other users' computers; and (3) transfer exact copies of the contents of other users' MP3 files from one computer to another via the Internet."[194] The court found that Napster, by its conduct, knowingly encouraged and assisted in the infringement of A&M's copyrights and was therefore liable for contributory infringement.[195]

According to the Ninth Circuit, ordinarily the defendant must make a material contribution and "know or have reason to know" of the direct infringement to be held liable for contributory infringement.[196] Napster's material contribution was simple—providing the "site and facilities" for the direct infringers.[197] However, according to the Ninth Circuit, in the Internet context, courts should construe the knowledge requirement much more narrowly.[198] The opinion indicated that a court may not impute the knowledge required to find contributory liability "merely because peer-to-peer file sharing technology may be used to infringe plaintiffs' copyrights."[199] The Ninth Circuit explained that Napster was required to prove that it did not have *actual knowledge* of the infringement.[200] According to the court, "the copyright holder must 'provide the necessary documentation [to Napster] to show there is likely infringement.'"[201] However, once Napster learned that users were able to

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191 *Id.* at 456.
192 A&M Records v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001).
193 *Id*. at 1011. MP3s are digital audio recordings. *Id.*
194 *Id.*
195 *Id.* at 1020.
196 *Id*. at 1020, 1022.
197 *Id.* at 1022.
198 *Id.* at 1020.
199 *Id.* at 1020–21.
200 *Id*. at 1021.
201 *Id*. (quoting Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs., 907 F. Supp. 1361, 1371 (N.D. Cal. 1995)).

access specific infringing materials, Napster had a duty to purge the infringing materials from the system.[202] Failure to do so, according to the court, was evidence that Napster actually knew of the infringement and contributed to the direct infringement.[203] In other words, the Ninth Circuit requires that the system operator, in this case Napster, possess specific information pertaining to copyright infringement and not mere knowledge of the potential for the software to facilitate infringement.[204] The court concluded that Napster did, in fact, have sufficient knowledge of the infringing activities to be liable for contributory infringement.[205]

In its decision, the Ninth Circuit balanced the right of consumers to use file sharing technology with the rights of intellectual property holders. The court refused to enjoin all peer-to-peer file sharing "simply because a computer network allows for infringing use."[206] Such a decision, according to the court, would "violate *Sony* and potentially restrict activity unrelated to infringing use."[207] The Ninth Circuit then remanded the case back to the district court to determine the details of the injunction against Napster.[208] Napster was later enjoined "from engaging in, or facilitating others in, copying, downloading, uploading, transmitting, or distributing copyrighted sound recordings," in accordance with the district court's order.[209] This order did not prevent Napster from allowing consumers to use its software for non-infringing uses.[210]

In *Napster*, the Ninth Circuit found Napster liable for infringement while at the same time balancing the interests of consumers and intellectual property holders. The Ninth Circuit required more than constructive knowledge of the software's potential for infringing uses.[211] The plaintiffs were able to demonstrate that Napster had made a material contribution to the infringing activities of its users and that the company had sufficient knowledge of the infringement.[212] As a result, the court enjoined Napster from facilitating the distribution of copyrighted materials.[213] However, after balancing the interests of consumers and

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[202] *Id.*
[203] *Id.*
[204] *Id.*
[205] *Id.*
[206] *Id.*
[207] *Id.*
[208] *Id.*
[209] A&M Records, Inc. v. Napster, Inc., 2001 U.S. Dist. LEXIS 2186, at *3 (N.D. Cal. Mar. 5, 2001) ("A&M").
[210] *See id.*
[211] *Napster*, 239 F.3d at 1020–21.
[212] *Id.*
[213] *A&M*, 2001 U.S. Dist. LEXIS 2186, at *3.

intellectual property holders, the court also held that the law should not restrict all peer-to-peer file sharing.[214] Thus, the court concluded that, although it was necessary to protect the intellectual property holders, it was also important for consumers to be able to use the file sharing technology.[215]

3. *MGM Studios, Inc. v. Grokster, Ltd.*

MGM Studios, Inc. v. Grokster, Ltd. is the third example of a court balancing the interests of consumers and intellectual property holders in the context of contributory copyright infringement.[216] In *MGM Studios*, the Supreme Court added another element to the contributory liability equation—intent to induce.[217] The *MGM Studios* case involved peer-to-peer file sharing that was similar to the Napster software. [218] The defendants, Grokster and Streamcast, distributed free software that enabled users to download copyrighted and non-copyrighted materials directly from other users.[219] In reversing the Ninth's Circuit's grant of summary judgment to the defendants, the Supreme Court explained that a party which promotes its product and encourages copyright infringement, "as shown by clear expression or other affirmative steps taken to foster infringement," will be liable for contributory infringement.[220]

The Court denied the defendants summary judgment because the plaintiffs had successfully alleged a material contribution, knowledge of the infringement, and intent to induce the users to infringe.[221] The Court tied all of these factors together to create an "inducement rule."[222] After balancing the potential effects of the rule, the Court noted that its "inducement rule" would do "nothing to compromise legitimate commerce or discourage innovation."[223] Under the "inducement rule," the Court required a showing of "purposeful, culpable expression and conduct," which it found in the instant case.[224] The defendants had developed promotional materials that touted their products as the best

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214 *Napster*, 239 F.3d at 1020–21.
215 *See id.*
216 MGM Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005).
217 *See id.* at 913.
218 *Id.* at 919–20.
219 *Id.*
220 *Id.* at 919.
221 *Id.* at 936–37. According to the Court, holding a defendant liable for contributory liability required evidence of "actual infringement by recipients of the device, the software in this case." *Id.* at 940.
222 *Id.* at 936–37.
223 *Id.* at 937.
224 *Id.* at 937, 941.

alternative to Napster.[225] There was also evidence that Streamcast had planned to promote illegal uses of its product.[226] The Court found no evidence that the defendants had made even the slightest effort to "filter copyrighted material from users' downloads or otherwise impede the sharing of copyrighted files."[227] That behavior convinced the Court of the defendants' intent to induce consumers to infringe, and was a sufficient basis to deny the defendant summary judgment.[228]

The defendants argued that, in light of *Sony*, the software's ability to sustain non-infringing uses severed the chain of liability.[229] Yet the Court was unwilling to apply the *Sony* rule because of the egregious conduct by the defendants.[230] To the Court, "a showing that infringement was encouraged overcomes the law's reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use."[231] In other words, evidence of intent to induce infringement by a third party may be so powerful that it is able to overcome the rule developed in *Sony*.

The Supreme Court did not decide *MGM Studios* without balancing the effects of its holding. The plaintiffs argued that finding in favor of the defendants would upset the "balance between the respective values of supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement."[232] Citing to *Sony*, the majority acknowledged that the "more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the trade-off."[233] The Court concluded that finding in favor of the plaintiffs and reversing summary judgment for the defendants was in the best interests of both consumers as well as intellectual property holders.

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[225] *Id.* at 925. The Court mentioned some proposed advertisements. One read: "Napster Inc. has announced that it will soon begin charging you a fee. That's if the courts don't order it shut down first. What will you do to get around it?" Another proposed advertisement touted Streamcast's software as the "#1 alternative to Napster" and asked "[w]hen the lights went off at Napster . . . where did the users go?" *Id.* (citations omitted).

[226] *Id.*

[227] *Id.* at 926–27.

[228] *Id.* at 941.

[229] *Id.* at 933.

[230] *See id.* at 939–41.

[231] *Id.* at 936.

[232] *Id.* at 928.

[233] *Id.*

In *MGM Studios*, the Supreme Court utilized the "inducement rule" and denied the defendant summary judgment.[234] The plaintiffs were able to show a material contribution, knowledge of the infringement, and a total lack of any action on the defendants' part to curb infringing downloads.[235] The defendants were not able to succeed using *Sony*'s substantial non-infringing uses defense because of the their clear intent to induce users to download infringing materials.[236] Therefore, the Court denied the defendants' motion for summary judgment and remanded the case to consider the plaintiffs' motion for summary judgment.[237]

The three aforementioned copyright cases each demonstrate how courts balance the interests of competing parties when applying the doctrine of contributory liability in the copyright context. In *Sony*, the consumer's interest in maintaining the ability to time-shift outweighed the imposition of contributory infringement liability on the producers of the infringing equipment.[238] To satisfy the balance, the Supreme Court applied the rule that the manufacturers of equipment used to infringe could escape liability if the products were capable of substantial non-infringing uses.[239] In *Napster*, the Ninth Circuit found that parties who provide a material contribution may be liable for the infringement if there was actual knowledge of infringing activities by third parties using the products.[240] Finally, in *MGM Studios*, the Supreme Court held that a showing of intent to encourage infringing activities is sufficient to rebut *Sony*'s substantial non-infringing uses defense.[241] In sum, both the Supreme Court and the Ninth Circuit utilized "contributory liability" to satisfy the balance between the interests of consumers and intellectual property holders.

V. BALANCING CONTRIBUTORY LIABILITY AND INITIAL INTEREST CONFUSION

Part V of this comment discusses initial interest confusion and contributory trademark liability in the Internet context. First, this section describes the balancing goal of copyright law analogous to trademark law. Next, the section discusses how courts should treat initial interest confusion in the Internet context with respect to balancing the interests of consumers and intellectual property holders. Finally, this section

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234 *Id.* at 941.
235 *Id.* at 937–41.
236 *Id.* at 941.
237 *Id.*
238 Sony Corp. of Am. v. Universal City Studios, Inc, 464 U.S. 417, 456 (1984).
239 *Id.*
240 A&M Records v. Napster, Inc., 239 F.3d 1004, 1021 (9th Cir. 2001).
241 *MGM Studios*, 545 U.S. at 936–37.

examines the effect of a new standard for initial interest confusion on the application of contributory liability in the Internet context.

A. The Analogous Balance

Admittedly, the laws of trademark and copyright protection are significantly different.[242] Trademark laws are founded on principles that seek to avoid deception and unfair competition,[243] while copyright laws derive from the wording of the U.S. Constitution.[244] Despite this difference, the underlying goals of both trademark and copyright laws share many similarities. In these areas of intellectual property law, courts have recognized the importance of balancing consumer interests with the interests of the intellectual property holders.[245] As the three copyright cases discussed prior have shown, *Sony*, *Napster*, and *MGM Studios*, judges are concerned with balancing competing interests, generally reasoning to promote this balance.

B. Initial Interest Confusion in Light of this Balance

The underlying goal of trademark law is to balance the interests of consumers and intellectual property holders. The circuit split created by the Second and Ninth Circuits complicates the balancing task for district courts. As a result, this comment suggests a new approach that incorporates a broader understanding of "use in commerce" into a narrower concept of "confusion" in the Internet context.

1. "Use in Commerce"

The "use in commerce" inquiry is very important in trademark cases. Without establishing "use," plaintiffs are unable to invoke protection under the Lanham Act.[246] Given rapid changes in technology and coding on the Internet, one can easily observe that the Second Circuit's decision was too narrow. By restricting the "use in commerce" requirement, the Second Circuit ignored the fact that technology is ever-changing and that more likely than not, in the near future there will be new, more subtle ways in which defendants will be attempt to use and abuse trademarks on the Internet. The Second Circuit failed to balance the effects of its decision between consumers and intellectual property

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[242] *Sony*, 464 U.S. at 439 (discussing how the kinship between patents and copyrights does not exist between copyrights and trademarks).

[243] 1 MCCARTHY, *supra* note 9, at § 1:1.

[244] U.S. CONST. art. I, § 8, cl. 8.

[245] *See, e.g.*, Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159 (1995); *Sony*, 464 U.S. at 456.

[246] 1 MCCARTHY, *supra* note 9, at § 6:2.

holders. This discrepancy favors a strong argument that, in the Internet context, "use" of trademarks in Google's AdWords program is, in fact, "use in commerce," regardless of how deeply the defendants buried the trademark in coding, or whether or not the consumer was able to see the plaintiff's trademarks on the computer screen.

2. Likelihood of Confusion

Once the plaintiff has been able to invoke the protection of the Lanham Act, the plaintiff must still establish a likelihood of confusion—"the most difficult of the Lanham Act requirements to prove."[247] The Ninth Circuit recognized that many of the *Sleekcraft* factors did not apply in the Internet context.[248] In reality, many of the factors are not applicable to the Internet context and do not answer whether or not the ordinary prudent consumer would be confused.[249]

At one time, courts considered the sophistication of the average Internet user to be very low. According to the District Court for the District of New Jersey, in 1998 "many Internet users [were] not sophisticated enough to distinguish between the subtle difference in the domain names of the parties."[250] At that time, the Internet was relatively new to many computer users, and only available to a limited number of consumers. Today, a decade after the initial statement was made, the outmoded standard mandates an updated review of consumer interests as well as the interests of intellectual property holders. After all, the widespread use of computers and the Internet is what prompted the prior development in the law through cases such as *1-800 Contacts*, *Playboy*, *Napster*, and *MGM Studios*.

The question then becomes, who *is* the new "ordinary prudent Internet consumer"? The Second Circuit described average consumers as "the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyze, but are governed by appearances and general impressions."[251] That average consumer has already been placed into the Internet context, and according to the District Court for the District of New Jersey, he is not too reasonable.[252] In *GEICO* and

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[247] Lauren Troxclair, Note, *Search Engines and Internet Advertisers: Just One Click Away from Trademark Infringement?,* 62 WASH. & LEE L. REV. 1365, 1398 (2005).

[248] *See* Interstellar Starship Servs. v. Epix, Inc., 304 F.3d 936, 941–42 (9th Cir. 2002).

[249] *See* Playboy Enters., Inc., v. Netscape Commc'ns Corp., 354 F.3d 1020, 1027 (9th Cir. 2004); Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1062, 1058 (9th Cir. 1999).

[250] Jews for Jesus v. Brodsky, 993 F. Supp. 282, 303 (D.N.J. 1998).

[251] Florence Mfg. Co. v. J. C. Dowd & Co., 178 F. 73, 75 (2d Cir. 1910).

[252] *See, e.g.*, Lucent Techs., Inc. v. Lucentsucks.com, 95 F. Supp. 2d 528, 535 (D. Va. 2000); *Jews,* 993 F. Supp. at 303.

Playboy, the court's "confusion" analysis relied on the interpretation of consumer surveys produced by both sides.[253] But in *GEICO*, the plaintiffs were able to sustain a cause of action for confusion only for those advertisements that displayed the plaintiffs' trademarks to consumers.[254] Thus, according to the *GEICO* court, the ordinary prudent Internet consumer was only "confused" in the Lanham sense when the consumer entered the plaintiff's trademark into an Internet search engine and the competing advertisements on the results page actually displayed the plaintiff's trademarks.

A new standard would arm courts with an improved ability to answer many of the questions presented by the "Average Joe" scenario. In such circumstances, the defendant would have clearly "used the good will associated with the Plaintiffs' trademarks in such a way that [the ordinary prudent Internet consumer] might be lured to the [products] from Plaintiffs' competitors" to violate the Lanham Act.[255] This is essentially the "bait and switch" tactic that the Seventh Circuit discussed in *Dorr-Oliver*.[256] Presenting advertisements which utilize the trademarks of a competitor "effectively [allows] the competitor to get its foot in the door by confusing consumers" as to the source of the advertisements.[257] The consumer searches for the trademark, and an advertisement appears. The consumer clicks on the advertisement and finds himself on a competing website. Google itself recognized the unauthorized use of trademarks in advertisements as a problem and it created a complaint system for trademark holders in response.[258] A more rigid standard for

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[253] *Playboy*, 354 F.3d at 1027.

[254] *GEICO II*, 2005 U.S. Dist LEXIS 18642, at *4.

[255] Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1239 (10th Cir. 2006).

[256] Dorr-Oliver, Inc. v. Fluid Quip, Inc. 94 F.3d 376, 382 (7th Cir. 1996).

[257] *Id.*

[258] Google, Inc., AdWords Trademark Complaint Procedure, http://www.google.com/tm_complaint_adwords.html#1 (last visited Dec. 28, 2007). Google's website discusses its willingness "to perform a limited investigation of reasonable complaints," and explains its procedures as follows:

> When we receive a complaint from a trademark owner, we only investigate the use of the trademark in ad text. If the advertiser is using the trademark in ad text, we will require the advertiser to remove the trademark and prevent them from using it in ad text in the future. Please note that we will not disable keywords in response to a trademark complaint. In addition, please note that any such investigation will only affect ads served on or by Google . . . The following procedure applies only to the use of terms that may be trademarks in advertisements, which are clearly marked as sponsored links on our results pages. We do not take action on objections to the use of trademarks in sites that appear in our search results, i.e., the left-side of a results page. For any such objections, please contact the site owner directly.

Id.

initial interest confusion in the Internet context clarifies many of the questions presented by the "Average Joe" scenario.

3. The New "Ordinary Prudent Internet Consumer" and Balance

Restricting the confusion analysis to the "ordinary prudent Internet consumer" would satisfy the balance of interests between consumers, competitors, and intellectual property holders. Although arguably annoying, pop-ups and other advertisements can benefit the consumer.[259] First, search engine advertisements inform consumers about other companies on the Internet that offer the same or similar products. Second, advertisements expose the consumer to multiple sources of similar products. Third, the consumer is quickly able to compare prices on products in various physical locations. Finally, consumers can easily "click" back to the original website or product they were originally searching for: "[t]he risk of losing customers who are initially confused is lessened on the Internet as compared, for example, to when a billboard employs initial interest confusion to entice a customer down the wrong road because a customer can retrace his steps almost instantaneously online."[260] It is important to recognize that advertisements, when not confusing, do offer some benefit to consumers; thus, courts consider this when balancing the effects of precedential decisions.

The "ordinary prudent Internet consumer" standard would also enhance competition by creating a clear standard which does not saddle competitors with unfair liability. In general, "competitors have an affirmative right to use others' trademarks to capture public attention and attempt to divert it to their own products."[261] As explained in the *GEICO* case, if the defendants had properly labeled their advertisements with the defendants' trademarks, it would likely not result in consumer confusion.[262] In such a situation, the defendant could argue that the use of the plaintiff's trademark was a fair use.[263] However, if defendants have used the plaintiff's trademarks in their advertisements in such a way as to

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[259] Google, Inc., Are pop-up ads allowed on Google?, http://www.google.com/corporate/nopopupads.html (last visited Oct. 2, 2007) ("[Google] does not allow pop-up ads of any kind on [Google's] site [because Google] find[s] them annoying.").

[260] GEICO II, 2005 U.S. Dist LEXIS 18642, at *15 (D. Va. Aug. 8, 2005).

[261] Symposium, *Trademark in Transition: Institute for Intellectual Property & Information Law Symposium: Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 796 (2004). *See* Smith v. Chanel, Inc., 402 F.2d 562 (9th Cir. 1968).

[262] GEICO II, 2005 U.S. Dist LEXIS 18642, at *26–28 (D. Va. Aug. 8, 2005).

[263] *See supra* text accompanying notes 16–21, 31–40.

create confusion, the "ordinary prudent Internet consumer" standard would hold defendants liable for initial interest confusion.

Additionally, adopting a high standard for initial interest confusion may also benefit the trademark holder. First, free search engines are not available only to the consumer. Trademark holders may also take advantage of search engines as an opportunity to find out who the competition is and what the competition is doing. Second, the fact that consumers are able to shop competitively does not damage the trademark holder's goodwill. There must be some type of association between the trademark holder and the competing product before a court will recognize any damage to the goodwill of the trademark holder.[264] Problems arise only "when the goodwill and reputation of a plaintiff's trademark is linked to products which are of shoddy quality or which conjure associations that clash with the associations generated by the owner's lawful use of the mark . . . ."[265] If there is no likelihood of confusion, there can be no tarnishment. Third, there is cognizable danger when courts are allowed to create norms that "prohibit search engines from 'using' trademarks in any way that might bring financial benefit to the trademark holder's competitor" because then the courts will have disserved the information objectives of the Lanham Act by turning trademarks into vehicles for suppressing information."[266] Finally, a specific inquiry for initial interest confusion would eliminate the need for expensive survey data that is uncertain at best. Presumably, if the standards and the laws are clear and simple, there will be less litigation.[267] The outcome of initial interest confusion litigation in the Internet context would become more predictable and the parties "would be more willing to settle."[268] Accordingly, this new standard would prove beneficial to trademark holders.

The underlying goal of trademark law is to balance the interests of consumers, competitors, and intellectual property holders. This balance translates into every aspect of the application of trademark law including the "use in commerce" and "initial interest confusion" inquiries. A court should not minimize the "use in commerce" inquiry; neither should a court restrict applications of law due to technological loopholes. The District Court for the District of Virginia's holding that Internet

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[264] L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26 (1st Cir. 1987), *cert. denied and appeal dismissed*, 483 U.S. 1013 (1987).

[265] *Id.* at 31.

[266] Symposium*, supra* note 261, at 784.

[267] Timothy R. Holbrook, *The More Things Change, the More They Stay the Same: Implications of* Pfaff v. Wells Electronics, Inc. *and the Quest for Predictability in the On-Sale Bar*, 15 BERKELEY TECH. L.J. 933, 992 n.52 (2000).

[268] *Id.*

advertisements would not create confusion unless the defendants actually used the trademark in the competing advertisement is a clear standard for the "new" ordinary prudent Internet consumer. Such a standard for the "ordinary prudent Internet consumer" answers many of the questions discussed in the "Average Joe" scenario to satisfy the balance between the interests of the consumer, competitors, and trademark holders.

C. Contributory Liability in Light of this Balance

As explained in this comment, courts favor balancing interests in both copyright and trademark cases. The new "ordinary prudent Internet consumer" standard for initial interest confusion is the result of this balancing task. However, the consequences of implementing a new confusion standard do not end with direct infringers. The new standard would also affect claims of contributory liability. One should consider the effects on contributory liability in light of the similarities and differences between trademark and copyright laws as well as the balance between the interests of Internet search engines and intellectual property holders.

1. Contributory Trademark Liability versus Contributory Copyright Liability in the Internet Context

The standards of contributory liability for trademark and copyright law share significant similarities and differences. In *Inwood Labs*, the Supreme Court outlined two tests for contributory liability: (1) one who "intentionally induces another to infringe a trademark," and (2) "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement," can be held liable for contributory infringement.[269] The elements involved (knowledge, intent, and a material contribution) are identical between the trademark and the copyright standards. However, in the Internet context, there are very important differences. First, the test applied in *Napster* was much stricter than the *Inwood Labs* test because the Ninth Circuit required *actual* knowledge rather than constructive knowledge: "knows or has reason to know."[270] Second, if trademark holders were unable to prove knowledge and a material contribution, *Inwood Labs* introduced a second test by asking whether the defendants intentionally induce the infringement.[271] While the copyright test for contributory liability required knowledge, plaintiffs only need to show intent to rebut a *Sony* "substantial non-

[269] Inwood Labs. Inc. v. Ives Labs. Inc., 456 U.S. 844, 854 (1982).
[270] *See id.*; A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1021 (9th Cir. 2001).
[271] *Inwood*, 456 U.S. at 854.

infringing uses" defense. Thus, while the elements of contributory liability are similar, the application of those elements differs between copyrights and trademarks.

There is another important variation between the application of contributory infringement for copyrights and for trademarks. In *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, the Seventh Circuit explained that, in *Sony*, "[t]he Supreme Court tells us that secondary liability for trademark infringement should . . . be more narrowly drawn than secondary liability for copyright infringement."[272] In *Sony*, the Supreme Court recognized that the test set forth in *Inwood Labs* for trademarks was much stricter than that for copyrights because that test requires that the defendants *either* "intentionally induced" the infringers to infringe *or* "supply its products to identified individuals known by it to be engaging in continuing infringement . . . ."[273] Neither of these elements were present in *Sony*.[274] In addition, neither the Seventh Circuit case nor *Sony* actually involved the Internet. Therefore, a logical conclusion draws the standard for contributory trademark liability in the Internet context more narrowly than the standard for contributory copyright liability in the Internet context.

2. Contributory Trademark Liability for Initial Interest Confusion in the Internet Context

The new "ordinary prudent Internet consumer" standard for confusion would also affect the application of contributory liability for initial interest confusion in the Internet context. If initial interest confusion in the Internet context requires that the infringing advertisement display the plaintiff's trademark, the application of the knowledge and intent tests must change. There are two important effects as a result. First, the changes to the requisite knowledge and intent requirements would satisfy the Seventh Circuit's interpretation of *Hard Rock*—the test for contributory trademark liability in the Internet context would be more narrowly drawn that the test for copyright infringement.[275] Second, the variation would operate to narrow the field of contributory infringers yet still balance the interests of Internet search engines, consumers, and intellectual property holders.

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[272] Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1150 (7th Cir. 1992).

[273] *Inwood*, 456 U.S. at 854.

[274] Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 439 n.19 (1984).

[275] *See Hard Rock*, 955 F.2d at 1150.

a) The Knowledge Test

If the "new ordinary prudent Internet consumer" is confused only when the defendant actually displays the mark in the competing advertisement, the degree of knowledge required to establish contributory liability under the knowledge test changes in response. A plaintiff would now have to establish that the reasonable Internet search engine had reason to know that "it was actively participating in an operation which constituted . . . trademark infringement," or that the advertisements the Internet service provider supported were infringing.[276] Therefore, the plaintiff would need to show that the Internet search engine knew or had reason to know that the advertisements actually displayed the plaintiff's trademarks. This is a much narrower requirement than the copyright standard currently endorsed by the Supreme Court in *Sony* and *MGM Studios*.[277] In those cases, the Court only required knowledge of specific instances of infringement, not specific knowledge of the content that was infringed.[278] In contrast, requiring specific knowledge of the content of the advertisements is no different from the law's treatment of ordinary brick-and-mortar commerce.[279] A sign that uses another's trademark to confuse consumers does not incur different legal consequences apart from a computer advertisement intending the same result.[280] Courts adopting this standard would not need to carve exceptions or twist rigid legal standards to conform to ever-changing computing and advertising technologies. Thus, while the basic Internet standard would remain unchanged, the knowledge test would draw more narrowly in the trademark context than in the copyright context.

Under a new standard, plaintiffs would face the challenge of establishing that an Internet search engine "knew or had reason to know" that the direct infringer's advertisements used the plaintiff's trademarks.[281] However, in Google's case, it may even be possible for plaintiffs to establish *actual* knowledge of specific instances of direct infringement akin to the Ninth Circuit's requirement in *Napster*.[282] For example, a plaintiff would have to demonstrate that Google had

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[276] 4 MCCARTHY, *supra* note 9, at § 25:19.

[277] *See, e.g.*, *Sony*, 464 U.S. at 442.

[278] *See Sony*, 464 U.S. at 442; MGM Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 919 (2005).

[279] BigStar Entm't, Inc. v. Next Big Star, Inc. 105 F. Supp. 2d 185, 207 (S.D.N.Y. 2000).

[280] *See* Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1062, 1064 (9th Cir. 1999).

[281] Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 854 (1982).

[282] A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1021 (9th Cir. 2001).

knowledge of a direct infringer using the plaintiff's trademark on the advertisements that Google facilitated. A court may find that Google had reason to know of the contents of the advertisements, because parties are generally responsible for trademark infringement on their own websites.[283] Furthermore, under Google's advertising program, Google reviews the contents of advertisements "using a combination of human and automated processes."[284] Google also helps clients determine the content of the advertisements that Google supports.[285] Under such circumstances, Google could be liable for *actual* knowledge of infringing content in advertisements. However, determining liability through the knowledge inquiry would remain a very fact-sensitive inquiry.

b) The Inducement Test

The "new ordinary prudent Internet consumer" standard would also affect the level of intent required to establish contributory liability under the inducement test. Plaintiffs would be required to show that the Internet search engine encouraged the unauthorized use of trademarks in competing advertisements. The imposition of such a requirement would surely satisfy the *MGM Studios* standard for intent, since plaintiffs would essentially be demonstrating "clear expression or other affirmative steps . . . to foster infringement."[286] Yet nothing in the Google AdWords cases demonstrates egregious behavior comparable to that by the defendants in *MGM Studios*. Merely encouraging someone to advertise with Google would not be enough evidence to establish that Google encouraged its sponsors to use another's trademarks without consent. However, courts could consider the "content assistance" which Google provides to its advertising clients,[287] to be "purposeful, culpable expression and

[283] Deborah F. Buckman, Annotation, *Lanham Act Trademark Infringement Actions in the Internet and Website Context*, 197 A.L.R. FED. 17 (2006). Google may try to argue, as it did in *Parker v. Google*, *Inc*., 422 F. Supp. 2d 492, 503 n.8 (E.D. Pa. 2006), to no avail that Google was protected by the Communications Decency Act ("CDA"), 47 U.S.C. § 230. The CDA provides federal immunity for claims against computer service providers for information originating with a third party. Many courts have held that the CDA does not immunize Internet Service Providers from trademark infringement claims; they fall into an exception in the Act for laws pertaining to intellectual property. *Id*.

[284] Google, Inc., Google AdSense for content, https://www.google.com/adsense/afc-online-overview (last visited Dec. 27, 2007) ("The review process takes into account a variety of factors, including the quality of the ad and whether it's suitable for all audiences.").

[285] *See* Buckman, *supra* note 283.

[286] MGM Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 919 (2005).

[287] Google, Inc., Google AdSense for content, *supra* note 284.

conduct."[288] Again, determining intent to induce infringement would remain a very fact-sensitive inquiry.

c) Balancing the Interests of Internet Search Engines and Intellectual Property Holders

Requiring a heightened, but specific requirement of knowledge and intent would properly balance the interests of Internet search engines, consumers, and intellectual property holders. Internet search engines would still be able to profit from advertising sales without fear of liability because they would have a clear guideline to follow: do not support advertisers who use competitor's trademarks as their own. Internet search engines would not necessarily bear a burden of changing any current advertising scheme or coding techniques; rather, they need only alter the content of the advertisements that the search engines support. Consumers would still be able to enter a trademark as a search term and benefit from the list of multiple sources and prices of similar goods. The standard would work to lessen consumers' confusion while still promoting variety, knowledge, and choice. Although intellectual property holders may be discouraged because of the specificity required to establish contributory liability, establishing the requisite knowledge for contributory liability may not be impossible. Intellectual property holders would still be capable of curbing wide-spread infringement by suing Internet search engines. However, the need for lawsuits would decline if Internet search engines worked with advertisers to reduce the instances of infringement, as Google has done.[289] By utilizing the new "ordinary prudent Internet consumer" standard, courts would be able to balance the interests of Internet search engines and intellectual property holders.

The new "ordinary prudent Internet consumer" standard for initial interest confusion would generate two important effects on the application of contributory trademark liability. First, both the knowledge and intent legal tests would be more narrowly drawn and stricter in application than contributory copyright liability, as required by the Seventh Circuit's interpretation of a Supreme Court decision. Second, these changes to the direct application of the elements of contributory trademark liability would effectively balance the interests of Internet search engines, consumers, and intellectual property holders. Thus, the consequence of a new standard for initial interest confusion in the Internet context respects the differences between copyright and

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[288] *MGM Studios*, 545 U.S. at 937.
[289] *See supra* note 258.

trademark law and promotes the importance of balancing the interests of all parties affected by these decisions.

VI. CONCLUSION

The Supreme Court has yet to address the problems presented by the "Average Joe" scenario. However, this comment suggests that by looking to the common goal of trademark and copyright law and addressing the way courts have applied the law to further this goal, many questions raised by the "Average Joe" scenario may answer themselves. Though copyright protection under the Copyright Act and trademark protection under the Lanham Act are not equivalent, both share a primary goal of balancing interests. When applying these laws, courts must balance the interests of the consumers, competitors, and intellectual property holders. The new "ordinary prudent Internet consumer" standard would alter the application of both initial interest confusion and contributory liability doctrine, yet the result would still balance the interests of the parties affected by the decision. Whatever future fate the Supreme Court or Congress dictates for initial interest confusion and contributory liability in the Internet context, the result should balance the interests of consumers, competitors, contributors and intellectual property holders.