RESOLVING TRADEMARK DUALITY IN THE TWENTY-FIRST CENTURY: MAKING TRADEMARKS INTERNET-READY

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Quasi-market regulation tool, quasi-investment property; trademark's historical role as both consumer-information signifier and producer-investment asset has led to increasingly confusing treatment under US law. The potentially borderless markets of cyberspace, with their new marketing techniques and new competitive spaces, have only heightened this confusion. Instead of ignoring the dual nature of trademarks, it is time to acknowledge their evolved nature as both traditional reputation-based source designators and non-traditional information assets, and revise the law to reflect the different protection norms required for these two different types of "marks." In short, it is time to recognize that a new type of trademark has developed – an asset-information mark whose uses and rights are distinctly different from the source designator function trademark law has traditionally protected.

I. Introduction

Trademarks[1] may arguably have a longer-lived existence than their other intellectual property relations-patents and copyrights-since "source designators" have been found on pottery created over 4000 years ago.[2] Such long existence, however, does not guarantee that the legal foundations for the protection of trademarks is well theorized. To the contrary, at least in connection with the development of Anglo-American legal traditions, trademarks have suffered from a confusingly dual nature that has only become more pronounced as demands on a mark's information-signifying function has multiplied in the 21st Centurry. This duality developed as a result of the dual basis on which trademarks were originally protected-as market regulators designed to protect against consumer confusion *and* as property rights of their owners who invested time, money, and effort in creating the informational, and sometimes emotional, meanings associated with such marks.

I contend that a new type of trademark has developed as a result of this historic duality - one that exists beyond the source (origin) designating role of trademarks. This "information-asset mark" has a normative function based on rights arising from an investment incentive similar to

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[1] I am using the terms "trademarks" and "marks" interchangeably to include all categories of marks, including service marks. See Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), Art. 15 (defining trademarks as "[a]ny sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings").

[2] *See* FRANK I. SCHECHTER, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS 20 (1925).

that used to prescribe the protection of copyrights and patents, and has proven an uncomfortable fit within the consumer confusion focus of traditional trademark laws. To resolve these conflicts, trademark law must be revised to incorporate new standards that not only reconcile trademark's dual nature, but also provide a rational basis for dealing with the new and diverse demands placed on marks in the 21st Century. Revising trademark law to craft a new "information-asset" mark should help end the problematic legal fictions that have grown up around the use of marks on the internet and encourage the development of new paradigms for examining the role of trademarks in the new digital marketplace of the 21st Century.

The Historical "Confusing Duality" of Trademarks

A. Normative Conflicts and the Digital Marketplace

Trademarks have long suffered from a historical conflict over the rationale for their protection. Reduced to its most fundamental level, this conflict arises from a basic dispute over whose interests should take precedence when the interests of consumers and trademark owners do not coincide. This fundamental issue lies at the heart of most of the debates regarding trademark protection in the competitive spaces of the Internet. The question of the type of right that lies at the center of trademark protection-property right or market regulatory/unfair competition right - is a corollary to the fundamental question of whose interests are paramount in a trademark dispute. If the goal is to protect consumer reliance on the informational value of a mark in making critical market choices, then one set of rights is needed to protect such informational value. By contrast, if the goal is to protect the trademark owner's investment in its mark, then another set of rights is implicated, one that focuses on the protection of the owner's investment in its mark.

The clearest example of these conflicting interests lies in the traditional problem of the ability of a trademark owner to prohibit the unauthorized use of its mark on a noncompetitive good or service. Assume that Long Motors decides to create and market a new sports car under the trademark "Coca-Cola." It does not obtain permission from the holders of the Coca-Cola mark for beverages to use the mark in question. In the inevitable lawsuit, if the goal of protection is the consumer and the informational value of trademarks for that consumer, the use of Coca-Cola as a mark for cars might be allowed so long as the competitive nexus is not sufficient to cause misinformation about the source or quality of the cars. The actual outcome of this dispute would depend on a number of factors that might affect the source confusion arising from the use in question, including associational confusion.[3] But the normative focus would be on the role of the trademark as a conveyor of information about the source of the car and its qualities or characteristics. These qualities could include emotional messages about the lifestyle choices that ownership of such a good represents.[4]

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[3] Likely confusion prohibitions under US law is not limited to source or origin confusion but includes associational confusion as well. *See, e.g.,* 15 U.S.C. § 1125(a)(1)(A) (providing relief against the unauthorized use of mark which is "likely to cause confusion . . . as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods or services . . . by another").

[4] *See* Doris Estelle Long, *Is Fame All There Is? Beating Global Monopolists at Their Own Marketing Game*, 40 Geo. Wash. Int'l L. Rev. 123 (2008) (describing the role of emotional advertising in the development of brand identities and the potential irrational impact such emotional advertising may have on purchaser decision-making).

By contrast, if the goal of protection is the trademark owner's interests in protecting its investment, then Coca-Cola cars may well be held to violate the beverage mark owner's rights, even in the absence of any likely confusion. To the contrary, to the extent that the unauthorized use of the Coca-Cola mark diminishes the investment value of the Coca-Cola mark to its prior user, including harming its uniqueness in the marketplace, such use would be prohibited regardless of whether or not consumer confusion arises. The normative focus is on the investment value of the mark as a business asset. This basis for protection is most often discussed in the relatively newer doctrines informing dilution and well-known mark protection.[5]

As a practical matter, in any given case the normative basis for relief-consumer or investment value protection-might not necessarily be outcome determinative. The strong reputation of the Coca-Cola beverage mark might lead courts to find that consumers could be confused about the association between the two marks despite the lack of a strong competitive nexus. Alternatively, courts might find that the value of the mark was harmed by the car company's unauthorized free riding on Coca-Cola's reputation for quality goods. In the hard-goods world, resolving the normative basis for protection might not necessarily result in greater predictability. But when conflicts between consumers and mark owners move into the digital realm, differing normative bases result in markedly different outcomes. For example, if the car company had used the mark Coca-Cola as a keyword to attract visitors to its web page about its new Coca-Cola marked cars, the normative basis that focuses on consumer protection might have found no such confusion since the keyword provided truthful information about the webpage to which the consumer was being directed.[6] By contrast, if the protection of the mark owner's investment is paramount, then such uses might be considered a commercial use that harms the value of this investment.[7]

This simple dichotomy, however, is not reflective of the present state of trademark protection on the Internet. To the contrary, in order to deal with the evolving nature of use of trademarks in the competitive spaces of the Internet, courts have focused on an ever-changing battery of tests. From early considerations of initial-interest confusion[8] and per se dilution,[9] to concerns over the meaning of "use in commerce"[10] and the development of new doctrines of cybersquatting,[11] courts continue to craft a staggering array of evolving theories of protection that has left commentators and scholars breathless at the multiplicity of reasoning.

The extension of intellectual property rights to new media is often fraught with inconsistent determinations, as courts struggle to apply laws created for one media to another. Such struggles have often been amplified when new technologies are involved. Thus, both copyright and patent

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[5] *See* discussion below at Part II.C.

[6] *See, e.g., Bihari v. Gross*, 119 F. Supp. 2d 309, 323 (S.D.N.Y. 2000) (finding use of a metatag that reproduced plaintiff's mark was permissible because it merely served "as a cataloging system for a search engine" and described the contents of the web page).

[7] *See, e.g., Promatek Indus., Ltd. v. Equitrac Corp*., 300 F.3d 808 (7th Cir. 2002) (enjoining competitor's use of trademark as a metatag).

[8] *See, e.g., Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp*., 174 F.3d 1036, 1063 (9th Cir. 1999).

[9] *See, e.g., Virtual Works, Inc. v. Network Solutions, Inc.*, 106 F. Supp. 2d 845, 847-48 (E.D. Va. 2000).

[10] *See, e.g., 1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 406-07 (2d Cir. 2005).

[11] *See, e.g., Sporty's Farm LLC v. Sportman's Market Inc.*, 202 F.3d 489 (2d Cir. 2000).

regimes were buffeted by the problem of the scope of protection to be granted software under their respective regimes, an issue that remains problematic to this day. Yet the difficulties of crafting a rational basis for the extension of trademark rights into such new competitive spaces of the Internet-as domain names, URLs, and search-engine results-go beyond the struggle to adapt intellectual property laws to new communication technologies. Such struggles manifest a deeper problem for trademark regimes in the 21st Century. That deeper problem is the historical confusing duality in the normative basis for trademark protection and the reluctance or inability of courts and legislatures to deal with such duality in a rational manner.

B. Market Regulation and Consumer Confusion

Back in the "early days," when trademarks were perceived as simple identifiers of the maker or distributor of a particular good or service, trademark protection appeared to form part of a growing legal regime designed to regulate the market. This regime was rooted in increasing efforts to define and regulate competition in the marketplace by establishing the boundaries of fair conduct. Scholars continue to debate whether it was the protection of the consumer or the mark holder (producer) that lay behind the early development of trademark protection. There is no question that courts frequently failed to indicate clearly the basis on which protection was granted. For example, in *Amoskeag Manufacturing Co. v. Spear*, an early state trademark case in the United States, the court described the following reasons for granting protection to plaintiff's trademark:

> When we consider the nature of the wrong that is committed when the right of *property* in a trade mark is invaded . . . . He who affixes to his own goods an imitation of an original trade mark, by which those of another are distinguished and known, seeks, by *deceiving the public*, to divert and appropriate to his own use, the profits to which the superior skill and enterprise of the other had given him a prior and exclusive title. He endeavors by a false representation, to effect a dishonest purpose; he commits a fraud upon the public, and upon the true owner of the trade mark. The *purchaser has imposed upon him an article that he never meant to buy*, and the owner is *robbed of the fruits of the reputation* that he had successfully labored to earn.[12]

While language regarding the dual goals of trademark protection continues to appear, the general standards that evolved for protecting trademarks in its earliest days appears most firmly rooted in evolving unfair competition and market regulation (trade protection) regimes.[13] This does not mean that language regarding the property nature of the right to be protected under trademark law was not also prevalent in early court decisions. To the contrary, as demonstrated by *Amoskeag Manufacturing Co.*, language regarding the property nature of the protected right appeared with increasing frequency in early cases. But despite frequent reference to the property nature of trademarks in these early cases, the method of relief that evolved for protecting trademarks gave precedence to public (consumer) interests. As the Seventh Circuit Court of Appeals recognized in *Stahly, Inc. v. M.H. Jacobs Co.*: "It must be remembered that the trade-mark laws and the law of unfair competition are concerned not alone with the protection of a property right existing in an

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[12] *Amoskeag Mfg. Co. v. Spear*, 2 Sand. 599, 605-06 (N.Y. Sup. Ct. 1849)(emphasis added).

[13] *See, e.g.,* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 830-31 (1927).

individual, but also with the protection of the public from fraud and deceit, and it is obvious that the right of the public to be so protected is a right which transcends the rights of the individual trade-mark owner …"[14]

Under U.S. trademark law, the analytical framework for traditional trademark violations is couched in terms of whether a *likelihood of confusion* exists *among consumers* regarding the two marks at issue.[15] Thus, public-interest concerns in trademark cases have become the critical analytical linchpin in the rights framework. The likely confusion test has become so well entrenched in trademark rights analysis that it has become the international standard for determining the scope of such rights. For example, Article 16 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) unequivocally requires Member Countries to grant trademark protection where the challenged unauthorized use would result in a "*likelihood of confusion*."[16] Likely confusion is not the only basis on which relief must be granted under TRIPS. To the contrary, and in accordance with the dual nature of trademarks as both unfair-competition regulators and manifestations of exclusive property rights, Article 16 of TRIPS also requires the protection of well-known marks in certain situations "provided that the interests of the owner of the registered trademark are likely to be damaged by such use."[17] But the test of likely confusion is so firmly established in international regimes that TRIPS establishes a mandatory presumption of relief in the event of the use of identical marks on identical goods.[18] This interposition of consumer-protection concerns between the trademark owner's intellectual property and his ability to prevent its unauthorized use is distinctly different from the rights framework for the protection of patents and copyrights.

In both patent and copyright regimes, the violation of rights is determined simply by examining whether the defendant's use violated the right in question. Public-interest concerns may appear in individual copyright and patent cases in the form of fair use considerations, or in determinations regarding the availability of injunctive relief, but, in direct contrast to trademarks, such considerations do not form part of the initial analytical framework for determining whether a violation has occurred. The specific interjection of the public interest within the rights framework for patents and copyrights occurs either as a defense in the case of fair use, or at the remedies stage.

The interposition of the public interest in the initial infringement analysis for trademarks

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[14] *Stahly*,183 F.2d 914, 917 (7th Cir. 1950)(citations omitted).

[15] *See generally* 15 U.S.C. §§ 1114(1)(a)-(b), 1125(a)(1)(A) (prohibiting the use of marks "likely to cause confusion" with registered and unregistered marks, respectively). The test for likelihood of confusion varies from circuit to circuit regarding the precise factors to be considered (or more precisely, how such factors are delineated). *See* Doris Estelle Long, *Unfair Competition and The Lanham Act* §§ 2.4-2.5 (1993). Nevertheless, each circuit focuses on the likely confusion of the ordinary consumer arising from the uses in question.

[16] TRIPS, Art. 16(1) (emphasis added).

[17] TRIPS, Art. 16(3); *see also* Council Directive 2008/95, art. 5(2), 2008 O.J. (L 299) 25, 29 (EC) (providing for the protection of marks with "a reputation" where the unauthorized use of such mark "takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark").

[18] TRIPS, Art. 16(1) ("In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.").

underscores the close relationship between trademark rights and market regulation. Unlike patents and copyrights, trademarks are protected in the interest of preventing *competitive harm*. This harm in turn is measured by its *impact on the consumer*. This does not mean that competitor concerns do not play a role in the determination of what symbols qualify for trademark protection. To the contrary, considerations of genericness and functionality for trade dress[19] are premised in part on a competitor's need for access to the terms and shapes in question. But while competitor needs may shape some of the issues surrounding the existence of a viable trademark right, it is consumer needs that determine the ultimate scope such rights will be granted.

C. The Evolving Nature of "Propertized" Trademarks

One of the clearest articulations under U.S. law of the property nature of trademarks was made by the U.S. Supreme Court in 1879 in the *Trade-Mark Cases* where the court stated:

> The right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, to the exclusion of use by all other persons, has been long recognized by the common law and the chancery courts of England and of this country, and by the statutes of some of the States. *It is a property right* for the violation of which damages may be recovered in an action at law, and the continued violation of it will be enjoined by a court of equity, with compensation for past infringement.[20]

The language regarding the nature of trademarks as a "property" based right has been a constant in both national and international debates over the role of trademarks and shows no sign of disappearing. The protection of property rights as a goal arguably places the interests of the trademark holder in protecting his investment in creating a viable brand in the marketplace above considerations of consumer protection. Under a true property rights framework, in the Coca-Cola cars example, there is no question that the junior user will be obligated to cease use of the mark even if no confusion arises or is even likely to arise from such use. In fact, the issue of whether confusion would be likely to arise is irrelevant. Instead, the critical question becomes who has the prior interest in the mark at issue.

Despite the recognition of the "property" value of trademarks, and the need to protect an owner's often substantial investment in its brand, present trademark law has failed to adopt an appropriate standard to accomplish this goal. The creation of trademark doctrines, such as dilution, under which trademark protection is supposed to attach even in the absence of likely consumer confusion, arguably creates an expanded basis for relief beyond the "narrow" consumer protection paradigm of likely confusion. In the United States, for example, the Federal Trademark Dilution Act (FTDA), protects "famous" marks against the unauthorized use of a mark or trade name in commerce "that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, *regardless of the presence or absence of actual or likely confusion, of competition, or of*

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[19] Functionality concerns are raised under the Lanham Act in connection with the protection of "devices" as trademarks, including product configurations, color, and container packaging. Similar to genericness concerns for word and symbol marks, functionality is concerned with avoiding the grant of trademark rights to shapes, packaging and other devices which competitors may need to use.

[20] *Trade-Mark Cases*, 100 U.S. 82, 92 (1879) (emphasis added).

actual economic injury."[21] Yet in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc*., despite statutory language that pre-empts the need for likely confusion, the court, nevertheless, relied on likelihood-of-confusion cases to determine if marks were sufficiently similar to qualify for dilution protection under the FTDA. [22]

Protection against harm to the investment (property) value of a mark is similarly problematic European Union "reputational harm" doctrines. Article5(2) of the Trademark Harmonization Directive permits member states to prohibit the unauthorized use of identical or similar marks on goods and services dissimilar from those registered by the mark owner where such mark "has a *reputation* in the Member State and where use of that sign without due cause *takes unfair advantage* of, or is *detrimental* to, the distinctive character or the repute of the trade mark."[23] Yet despite the recognition of the need to protect the commercial value of a mark from harm, even cases arising under domestic versions of Article 5(2) rely on likelihood of confusion as a factor in determining whether the necessary associational link between the contested marks exists to warrant relief.[24] It is unclear whether the express recognition by the European Court of Justice of an investment function for marks in *Interflora v. Marks & Spenser* [25] will ultimately alter the role of likely confusion in securing relief under Article 5(2), but, at present, seems unlikely.

Even if the hybrid property/consumer confusion standards represented by US dilution and European Union "harm to reputation" laws provide expanded coverage beyond likely confusion standards and, therefore, provide some protection to a mark owner's investment interest, they do *not* resolve the confusing dual nature of trademarks. They simply ignore that such duality exists.

II. The New Information/Property Asset

In attempting to eliminate the present confusing dichotomy regarding the goals and purposes of trademark protection, the critical question becomes whether a trademark owner's investment interests should be protected beyond that necessary to safeguard the traditional source-designating

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[21] 15 U.S.C. § 1125(c)(1) (emphasis added).

[22] *Starbrucks Corp.* 588 F.3d 97, 108 (2d Cir. 2009).

[23] Council Directive 89/104, art. 5(2), 1989 O.J. (L 40) 1 (EC) (emphasis added). This Directive was replaced by Council Directive 2008/95, art. 5(2), 2008 O.J. (L 299) 28 (EC), which did not alter the relevant language of Article 5. *See also* Council Regulation 207/2009, 2009 O.J. (L 78) 1, 5 (EC) (using language similar to Article 5(2) of the Trademark Harmonization Directive).

[24] *See Intel Corp. v. CPM U.K. Ltd*., , Case C-252/07, 2008 E.C.R. I-08823, ¶¶ 42, 58 (expressly including "the existence of the likelihood of confusion on the part of the public" as a factor to be considered in establishing the necessary linking while stressing that protection did not require such likely confusion); *Adidas-Salomon AG v. Fitnessworld Trading Ltd*., Case C-408/01, 2003 E.C.R. I-12537, ¶¶ 29-30 ("The infringements referred to in Article 5(2) of the Directive [involving reputational harm], where they occur, are the consequence of a certain degree of similarity between the mark and the sign, by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them. The existence of such a link must, just like a likelihood of confusion in the context of Article 5(l)(b) of the Directive, be appreciated globally, taking into account all factors relevant to the circumstances of the case." (citation omitted).

[25] *Interflora*, Case C-323/09 (2011).

function of marks. One potential solution is to simply eliminate any trademark protection for uses that do not result in a likelihood of consumer confusion. Reputation-based claims such as dilution would be eliminated. Claims involving implied associations, such as the use of keyword buys, would also largely be excluded. This solution has the beauty of apparent simplicity. It may also be impractical in today's global environment given present international obligations to protect the reputational value of marks beyond instances of consumer confusion.[26]

Traditional trademarks undeniably convey information about the goods and services with which they are associated. As the historical protection of the source-designating function of trademarks demonstrates, their informational significance forms a critical element to their protection. The consumer information that necessarily accompanies trademarks in their source-designating role includes information about the source and quality of the product, as well as lifestyle or emotional information about the brand, and the reputational value of the mark.

Beyond embedded information that assists in consumer purchasing decisions,[27] trademarks in the digital era also possess "informational" values that are unrelated to consumer product information but have value in the new competitive spaces of the Internet, such as search-engine placement, website addresses (domain names), and advertisements, including pop-ups. This informational value may develop from the same types of investments and uses that give rise to the consumer information protected under traditional trademark-rights analysis. But the information content that is valued is not directly related to individual purchaser decision making. To the contrary, similar to copyrighted works, these information-asset marks have value due to their expressive or emotive content.[28] "Brands," the business term often used for this information asset, are not merely purveyors of product information; they have a personality and culture, and often become the public representation of a business's identity and reputation.[29]

As Internet searches and advertising techniques become increasingly important in the digital market of the 21st Century, the use of trademarks for their non-purchaser information value has increased. One of the most hotly contested issues today is the legality of Google's unauthorized use of third-party trademarks in its AdSense program.[30] Keywords are used by third parties to obtain a higher ranking in Internet search results. This higher ranking is achieved by purchasing rights to appear ranked first in a search whenever a keyword appears for which the party has paid for such result. Often, keywords are third-party trademarks, including the marks of a competitor.

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[26] See TRIPS, Art. 16(3) (requiring protection of well-known marks against unauthorized uses on dissimilar goods or services where the interests of the owner of the mark "are likely to be damaged by such uses").

[27] Some of this embedded information may well be appeals to emotions that do not necessarily lead to rational consumer choices. Nevertheless, this "psychological function of symbols" would still be protectable under source-designating principles because of its impact on consumer purchasing decisions.

[28] Copyright protection under U.S. law is limited to the expressive elements of tangible works. *See* 17 U.S.C. § 102(a) (2006) (providing for copyright protection for "original works of authorship fixed in any tangible medium of expression"). Ideas, processes, methods of operations, concepts, or other non-expressive elements are outside the scope of protection. See 17 U.S.C.§ 102(b).

[29] See Doris Estelle Long, *Is Fame All There Is? Beating Global Monopolists at Their Own Marketing Game*, 40 Geo. Wash. Int'l L. Rev. 123, 131 - 35 (2008).

[30] *See generally* Google AdSense, Google.com, http:// www.google.com/adsense.

Thus, for example, a distributor of Coca-Cola products could purchase rights to the keyword "Coke" so that whenever someone uses that term in an Internet search his website will appear first. He could also purchase rights under the keyword "Pepsi" to achieve the same result. Such use does not involve the source-designating function of a mark. But it clearly invokes its informational value. Moreover, such information clearly has commercial value. Google has earned approximately 30% of its total revenues in the first quarter of 2010 on its keyword program alone.[31]

Because keywords do not use marks to represent the source of goods or provide information about them, their use does not fall cleanly within traditional trademark analysis. The ongoing failure of U.S. trademark law to treat effectively the right of a mark owner's ability to control the use of its mark apart from its traditional source-designating function could be resolved by acknowledging the existence of the information-asset mark and creating an appropriate legal regime to protect this mark. Unlike currently recognized marks under the Lanham Act, protection for this information-asset mark would be provided without regard to consumer confusion. Such confusion would be irrelevant to any determination of rights because the information-asset mark is not concerned with traditional trademark uses. It does not carry the consumer purchasing information that traditional trademark rights regulate because it is not a mark in the traditional sense. It is not used in connection with goods or services. Or, more specifically, such uses do not fall within the purview of the rights that are protected for an information-asset mark. To the contrary, the protection of the information-asset mark is based solely on protecting the trademark owner's investment interest in his mark. This investment interest is represented by the informational value of the mark, separate from its source-designating function.

III. Crafting a Legal Framework for the Information-Asset Mark

Since the protection of information-asset marks does not fall within the parameters of traditional consumer-protection doctrines, the scope of their protection would not be delimited by the historical norms of likely confusion, "trademark use in commerce," and associated doctrines. To the contrary, like copyrights, third-party uses of information-asset marks would be encouraged-particularly where such uses assist in creating new competitive spaces in the digital market. To achieve these dual goals of protection and access, however, several difficult questions remain to be answered.

A. Setting the Parameters of the Information Asset

The US Lanham (Federal Trademark) Act has established a fairly low threshold for symbols to qualify for trademark protection.[32] The current test of "distinctiveness" may be sufficient to determine whether commercial symbols have the legal potential to become recognizable source designators for the relevant purchasing public. But such a test for the potentially expanded rights that trademark owners would be granted in an information-asset mark would pose a serious threat

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[31] *See* Google Announces First Quarter 2010 Financial Results, Google.com (Apr. 15, 2010), http://investor.google.com/earnings/2010/Q1_google_ earnings.html (stating that Google reported revenues of $2.04 billion during the first quarter from its Ad Sense program, which represented 30% of total revenues for that period).

[32] To qualify for protection a mark must be "distinctive" and must be "used in Interstate commerce." 15 U.S.C. § 1052.

of monopolization. It would grant to the first adopter a virtual monopoly over their selected mark on any good or service no matter how competitively disconnected they may be. To avoid such monopolistic tendencies, some standard higher than legal distinctiveness must be required, particularly since the ameliorating effect of consumer confusion or some other competitive nexus on such monopolistic tendencies forms no part of the information-asset rights paradigm.

At a minimum, an information-asset mark must achieve some level of renown to justify the expanded protection of the informational value of the mark beyond the limits of competition and consumer confusion. The strength of the mark should be a critical, if not determinative, factor in establishing whether a mark has sufficient informational value beyond its source-designating significance to warrant protection. The scope of protection afforded an asset-information mark should follow the controlled-uses model of copyright and patent law.[33] The revised statute should specify the types of uses that the trademark owner has the power to do or authorize in connection with the information-asset mark. This specification should follow the positive-rights model of copyright law.[34]

B. Resisting the Impulse Toward Monopolization

Protecting information-asset marks as a property investment, however, should not give owners absolute rights over every use of the mark. Since even asset-information marks gain their value from commercial activities, non-commercial uses of such marks, such as in truthful comparative advertising, should be excluded from the scope of rights granted a mark holder. Similarly because the new information-asset mark is being protected for its informational or speech values, additional limitations should be crafted to assure adequate access by third parties to the purely informational aspects of these marks. Such limitations should be modeled on the fair use limitations of copyright, and subject to the same considerations of market efficiency [35] and social benefit.[36]

By crafting a new rights regime for information-asset marks, new potential revenue streams for the holders of such marks may well develop. Just as copyright law has adapted to the benefits and challenges of the digital marketplace, trademarks need to make similar accommodations. Such accommodations should include the development of new digital licensing models similar to those established for performing rights under copyright, such as the Sound Exchange and Creative Commons licensing schemes.[37] Critically, however, these new licensing mechanisms should

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[33] *See* 17 U.S.C. § 106 (listing the acts that copyright owners are authorized to do and permit others to do with their copyrighted works); 35 U.S.C. § 271 (listing the acts that patent owners may prohibit in connection with their patented inventions).

[34] By contrast, patent rights grant negative rights of *prohibition.* See 35 U.S.C § 271(a).

[35] *See, e.g., Am. Geophysical Union v. Texaco Inc*., 60 F.3d 913 (2d Cir. 1994) (examining the impact of market availability on fair-use defenses).

[36] *See, e.g., Sony Corp. of Am. v. Universal City Studios, Inc*., 464 U.S. 417, 454 (1984) (analyzing the societal benefits time shifting provides to determine whether it qualifies as a fair use).

[37] Sound Exchange is a performing rights organization that collects and distributes digital performance rights royalties in the United States. See generally Get Paid When You Get Played, Sound Exchange, http:// soundexchange.com/performer-owner/performer-srco-home. Creative Commons is a nonprofit organization that offers several types of model licenses to permit the uncompensated licensing of copyrighted materials. See generally About the Licenses, Creative Commons, http:// creativecommons.org/licenses/ (last visited Feb. 24, 2011).

include limited compulsory licenses for information-asset marks. While such licenses at first blush appear to burden the flow of information in the digital market, they actually return a balance to that marketplace by treating information-asset marks like other forms of intellectual property, where social uses are balanced against traditional compensation rights through carefully structured compulsory licenses.

One of the difficulties in establishing compulsory licenses, or even expanded fair-use rights, for information-asset marks is the historical prohibition against such licenses. Because of the source-designating function of trademarks, under U.S. law, if a mark is licensed to be used by a third party, the trademark owner must maintain the right to control the quality of the goods or services offered under the mark.[38] Failure to exercise adequate control qualifies as abandonment because the mark loses its source-designating function.[39] Given the critical relationship of quality control to the value of a mark as an information signifier, compulsory licensing of trademarks has long been prohibited. This prohibition is so strong that it is a standard principle of international trademark law. Article 21 of TRIPS, for example, expressly prohibits the compulsory licensing of trademarks.[40] Such prohibitions make sense in the case of source-designating trademarks. Yet, just as the doctrine of likelihood of confusion should play no role in the determination of rights in an information-asset mark, similarly, compulsory-licensing prohibitions should be equally inapplicable. Use of information-asset marks does not implicate the critical consumer-information role of trademarks. Consequently, so long as compulsory uses are restricted to those uses that do not adversely impact the investment value of the information-asset mark, they should not be prohibited. Thus, because the use of trademarks for keyword buys arguably reduces consumer search costs and provides critical informational support for the digital market, such use could be required under a compulsory license. The use of an information-asset mark in this fashion would cause no harm to the trademark owner's investment interest because it does not implicate the protection of the goodwill that lies at the heart of trademark protection for source-designating marks.

"Goodwill" remains an evanescent concept under trademark law. While most concede that goodwill includes the concept of reputation, the precise effect of assigning a trademark without its goodwill is unclear under US law. Some courts maintain that an assignment in gross (without goodwill) results in the abandonment of the mark.[41] Others treat such an assignment as a contractual failure of the assignment of a priority right that does not prevent the assignee from using the mark.[42] Even more problematic, while the present obligation of goodwill transfer does

[38] *See Dawn Donut Co. v. Hart's Food Stores, Inc*., 267 F.2d 358, 366 (2d Cir. 1959).

[39] *See, e.g., Barcamerica Int'l USA Trust v. Tyfield Importers, Inc.,* 289 F.3d 589, 598 (9th Cir. 2002) ("[N]aked licensing, without any control over the quality of goods produced by the licensee . . . is inherently deceptive and constitutes abandonment of any rights to the trademark by the licensor." (quoting *First Interstate Bancorp v. Stenquist*, 16 U.S.P.Q.2d (BNA) 1704, 1706 (N.D. Cal. 1990))).

[40] TRIPS, Art. 21 ("Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs.").

[41] *See Johanna Farms, Inc. v. Citrus Bowl, Inc*., 468 F. Supp. 866, 879 (E.D.N.Y. 1978) (stating that assignment of mark without goodwill results in abandonment).

[42] *See, e.g., Clark & Freeman Corp. v. Heartland Co*., 811 F. Supp. 137 (S.D.N.Y. 1993).

not include the transfer of physical business assets, the failure to use an assigned mark on the same quality goods may result in an abandonment of the mark. Thus, for example, an alteration in the formula for baking powder by substituting phosphate for alum was sufficient to result in trademark forfeiture.[43]

Despite the relationship between reputation and trademarks that goodwill broadly represents, this relationship does not implicate the informational values that attach to the information-asset mark. As the court in *Sugar Busters LLC v. Brennan* recognized under US law: "The purpose of the rule prohibiting the sale or assignment of a trademark in gross is to prevent a consumer from being misled or confused as to the source and nature of the goods or services that he or she acquires."[44] This source-confusion role fits within the normative framework of the source-designating mark. It does not fit so readily within the non-consumer purchasing information protected by the information-asset mark. Consequently, traditional prohibitions against compulsory licenses and assignments in gross should be inapplicable to these marks. Furthermore, in light of the need to prevent potential monopolization of commercial speech that the adoption of an information asset may create, such licenses may need to be liberally applied.

V. Conclusion

Altering the Lanham Act to include recognition of a new information-asset mark will not suit everyone. Trademark owners will gain the recognized right to control certain uses of their trademarks divorced from the limitations of consumer confusion that have proven so challenging in the digital marketplace. At the same time, mark owners will also lose a certain amount of control over the informational aspects of their marks as they are subjected to the necessary limitations of expanded fair use and compulsory licensing. Treating information assets like other forms of intellectual property-where socially beneficial uses are balanced against traditional compensation rights through carefully structured fair use and compulsory-licensing rights-could be the first step toward creating new norms that support the flourishing of new uses of trademarks in the evolving competitive spaces of the digital marketplace. But such new uses can only occur if we end the confusing duality of the present trademark regime and allow trademarks to become full members of the intellectual property "club."

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[43] *See Indep. Baking Powder Co.*, 175 F. at 455.

[44] *Sugar Busters*, 177 F.3d 258, 265 (5th Cir. 1999).