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COMMENT: LOCATION? LOCATION? LOCATION?: A NEW SOLUTION TO CONCURRENT VIRTUAL TRADEMARK USE

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INTRODUCTION

The Internet opened up to commercial use in 1991.[1] In the Internet's infancy, it was the exceptional company that advertised or posted information about itself on a website, and consumers were just beginning to understand and incorporate companies' websites into the way they gathered information about products and services.[2] Contrast that with consumers' dependence on the Internet today. Now, it seems like it is the exceptional company that does not have a website to instruct and to guide potential customers. There will almost certainly be brick-and-mortar businesses, as well as traditional economic advertising and transactions, but e-commerce has captured a rising

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[1] *History of Ecommerce*, ECOMMERCE-LAND, http://www.ecommerce-land.com/history_ecommerce.html (last visited Nov. 28, 2010). However, the first Internet service providers enabled the public to access the Internet as early as 1989. *Who Was the First Internet Service Provider*, INTERNET BUSINESS (Aug. 8, 2009, 12:50 PM), http://www.theinternetbusinessman.com/who-was-the-first-Internet-service-provider.
[2] *See History of Ecommerce*, *supra* note 1.

percentage of overall sales.[3] How often do consumers purchase items from e-companies like Amazon.com, receive online services from places like eHarmony.com, or conduct banking with online-only firms like Ally?[4] But the Internet is not just for huge companies like Facebook.com or Amazon.com that have legal departments and understand the benefit (if not necessity) of registering a trademark with the United States Patent and Trademark Office (the "USPTO"). Small business, too, can profit from an online presence. As William E. Kennard, former Chairman of the Federal Communications Commission, stated, "The Internet has been called the great equalizer, because it can reduce economic isolation, and equalize economic opportunity."[5]

Small or startup businesses have every incentive to put their products or services online. The absence of an online presence may frustrate potential consumers who increasingly rely on websites or online reviews to decide if they would like to do business with a company.[6] An absence from the Internet hints to the potential consumer that the business might be mismanaged, unprofessional, or inexperienced given the current ubiquity of commercial websites. Therefore, while there are some stalwart, anti-online holdouts, most businesses wishing to convey a stable and quality product have an online presence that, at the least, gives potential customers information about the business's goods and services. Furthermore, these businesses, in an effort to teach potential customers to recognize their goods or services, will almost invariably and prominently display their mark to put a name or design in customers' minds that identifies the goods or services offered. While every business presumably understands the necessity of having a "brand," some owners will begin using their mark on the Internet without registering it with the USPTO because they are ignorant of the ramifications of failing to register or

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[3] *See* U.S. CENSUS BUREAU NEWS: QUARTERLY RETAIL E-COMMERCE SALES 4TH QUARTER 2010 at 2 (Feb. 17, 2011), http://www.census.gov/retail/mrts/www/data/pdf/10q4.pdf.

[4] ALLY, http://www.ally.com (last visited Nov. 28, 2010). However, some online banks like CompuBank are now defunct. *See Compubank—For Virtual Banking Needs!*, HUBPAGES, http://hubpages.com/hub/wwwCompubankcom (last visited Nov. 28, 2010).

[5] William E. Kennard, Chairman, Fed. Commc'ns. Comm'n., Remarks at the Supercomm 2000 International Dinner: The Great Equalizer (June 5, 2000), *available at* http://www.fcc.gov/Speeches/Kennard/2000/spwek014.html.

[6] Zak Stambor, *Web Leads Stores as Primary Way Online Consumers Research Purchases,* INTERNET RETAILER (Mar. 29, 2010, 12:00 AM), http://www.internetretailer.com/2010/03/29/web-leads-stores-as-primary-way-online-consumers-research-purcha.

because they lack the desire or resources to go through the application process.

Consider small software development startups, using the hypothetical software development company Projob Technologies, LLC ("Projob") as an example. Projob specializes in Internet-only software services for young professionals looking for employment. It does not ship goods, does not limit advertising to a specific geography, and has not registered its trademark with the USPTO. For those entrepreneurs that own small Internet companies like Projob, intellectual property rights are not likely foremost in their minds. Indeed, many web developers and tech startups are likely unfamiliar with trademark law, especially as it applies to the Internet. However, they are not alone. Courts and scholars have wrestled with questions pertaining to Internet applications of trademark laws since the Internet was commercialized. Thus, one pressing question remains: does the Lanham Act, through its various Internet-related updates, accommodate a situation where a common law senior user has exploited the Internet to use his mark in commerce, and if so, have courts been able to craft a remedy when a junior good-faith user registers a substantially similar mark with the USPTO? Are the Lanham Act and the traditional foundations of trademark law still relevant since the great Internet migration began over twenty years ago?

This Comment argues that current trademark law in the United States is, at the least, inadequate and, at the most, inapposite to effectively and uniformly establish the divisions in possession of trademark rights between an Internet common law senior user and an Internet junior user that has registered the mark on the principal register. Part I discusses the Concurrent Use Doctrine as it existed both before and after the enactment of the Lanham Act in 1946 in order to set the legal context for concurrent Internet use problems. Part II explores the problems unique to concurrent trademark use on the Internet. Part III considers the scholarly works that have attempted to confront these issues with concurrent Internet trademark use. Finally, Part IV argues that the old geographic- and consumer-oriented trademark rationales cannot be imported to the Internet context because of online mark holders' world-wide and instantaneous reach. Part IV goes on to suggest that this systemic problem can likely be remedied by enacting one or more reforms to address the reality of trademarks in the twenty-first century. This Comment concludes by applying our suggested remedies to companies like Projob.

I. CONCURRENT USE AND THE TEA ROSE DOCTRINE

Serving as a check on the rights of mark holders, the concurrent use doctrine has developed into a set of rules that define the boundaries of a mark's reach and protect the rights actually earned by the mark holder, at least in a brick-and-mortar application. This Part will explain the evolution of the concurrent use doctrine. Subpart A begins by discussing the concurrent use doctrine's development in the common law since 1917. Subpart B describes the impact of the Lanham Act on regional boundary setting and the good faith junior-user exception. Finally, Subpart C concludes by explaining the narrower zone of goodwill test that the courts currently use to determine the scope of a mark holder's rights.

A. Common Law

The modern concurrent use debate began with the Tea Rose doctrine as created in *Hanover Star Milling Co. v. Metcalf.*[7] Unlike the earlier bright-line "first-to-use" common law rule, the Tea Rose doctrine emphasizes regionality, market penetration, and actual use to delimit rights in the use and protection of a mark.[8] The doctrine balances equities and attempts to provide protection for a mark, but only insofar as the mark holder has "earned" that protection through use.[9] This resistance to drawing a bright-line rule has been fundamental in establishing the nature of a trademark right as one not of property in gross, but as a right appurtenant to actual use.[10]

In *Hanover,* the junior user, Hanover, provided affidavits affirming that it had appropriated and used the mark Tea Rose in connection with its flour sales from 1885 and had conducted "a vigorous and expensive campaign of advertising its Tea Rose flour, covering the whole of the state of Alabama, and parts of Mississippi, Georgia, and Florida."[11] Additionally, the court emphasized that "the Hanover Star Milling Company has come to be known as the Tea Rose mill . . . and 'Tea Rose' in the flour trade *in the territory referred to* means flour of the Hanover company's manufacture."[12]

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[7] 240 U.S. 403 (1916).
[8] *See id.* at 413–16.
[9] *Id.* at 416.
[10] *See, e.g.*, *id.* at 414 ("In short, the trademark is treated as merely a protection for the goodwill, and not the subject of property except in connection with an existing business.").
[11] *Id.* at 410.
[12] *Id.* (emphasis added).

Conversely, the senior user, Allen & Wheeler ("A&W"), which acquired the mark by transfer from a parent corporation in 1904, demonstrated that the Tea Rose mark had been used in connection with its own sales of flour since its appropriation in 1872.[13] Contrary to Hanover's prolific sales and advertising, A&W could only show de minimis sales in remote areas such as Cincinnati, Pittsburgh, and Boston.[14] The court was outwardly suspicious of the evidence submitted by A&W: "[T]here is a remarkable absence of particular statements as to time, place, or circumstances; in short, no showing whatever as to the extent of the use or the markets reached."[15] Finally, the court noted that "there is nothing to show that the . . . flour has been even advertised in Alabama or the adjoining States, and there is clear and undisputed proof that it has not been sold or offered for sale or known or heard of by the trade in Alabama, Mississippi, or Georgia."[16]

The *Hanover* court thus limited the classic "first to use" rule of trademark law. Emphasizing the classic principle that trademark rights flow from actual use, the court reiterated that mere appropriation is insufficient for protection of a mark in commerce.[17] Specifically, "[I]nto whatever markets the use of a trademark has extended, or its meaning has become known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress."[18] In denying A&W's attempted long-arm assertion of its limited regional use, the court stated,

> [I]t is the trade, and not the mark, that is to be protected, a trademark . . . [which] extends to every market where the trader's goods have become known . . . . But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article.[19]

Therefore, Hanover was protected as a good faith junior user in its remote market from the claims of infringement by the senior user, A&W. This equitable remedy and judicial analysis would come to define the court's jurisprudence with regard to common law concurrent use and would be extended in subsequent decisions.

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[13] *Id.* at 409.
[14] *Id.*
[15] *Id.*
[16] *Id.*
[17] *Id.* at 415.
[18] *Id.* at 415–16.
[19] *Id.* at 416.

True to the court's signal in *Hanover*,[20] the first expansion of the doctrine was elucidated in *United Drug Co. v. Theodore Rectanus*.[21] In *Rectanus*, the petitioner Regis created a tablet for dyspepsia and began to sell it with the associated "Rex" mark around 1877.[22] Regis registered the mark under the state laws of Massachusetts and used it extensively in and around Massachusetts.[23] Around 1911, Regis bought a competing company, Rex-All, and began selling its dyspepsia tablets in Rex-All stores all over the country, including in Louisville, Kentucky.[24] Meanwhile, the respondent Rectanus created a blood purifier around 1883 and, innocently and in good faith, also branded it "Rex."[25] Rectanus created a market and sold the purifier in and around Louisville, Kentucky from 1883 to the time of suit, thereby rendering him a good faith junior-user.[26] When Rectanus delivered his tablets to the Rex-All in Louisville, Regis sued, asserting its rights in the exclusive use of the "Rex" mark in association with drugs in and around Kentucky.[27]

The *Rectanus* Court reaffirmed that trademark rights are not held as property per se and denied the petitioner's claim, stating that the claim was "based upon the fundamental error that a trade-mark right is a right in gross or at large, like a statutory copyright or a patent for an invention, to either of which, in truth, it has no analogy."[28] The Court held that use of a trademark in one location, and even registration in that state, does not extend rights into any other location, regardless of intent to enter the market; one state's laws do not have an extraterritorial effect.[29] The court held that Regis, "being the newcomer in that market, must take subject to whatever rights had previously been acquired in good faith by the Rectanus Company and its predecessor. To establish otherwise . . . would be to establish a

[20] "We are not dealing with a case where the junior appropriation of a trademark is occupying territory that would probably be reached by the prior user in the natural expansion of his trade, and need pass no judgment upon such a case." *Id.* at 420. However, one paragraph later the court acknowledged the posture of *Rectanus* and compared it to the instant case: "The [*Hanover*] case is peculiar in its facts; and we have found none precisely like it. The recent case of *Theodore Rectanus Co. v. United Drug Co*. (C. C. A. 6th C.) 226 Fed. 545, 549, 553, is closely analogous." *Id.*

[21] 248 U.S. 90 (1918).

[22] *Id.* at 94.

[23] *Id.*

[24] *Id.*

[25] *Id.*

[26] *Id.*

[27] *Id.*

[28] *Id.* at 97.

[29] *See id.*

right in gross, and to extend it to territory wholly remote from the furthest reach of the trade to which it was annexed."[30]

Following *Rectanus*, a senior user assumed the risk that a junior user could appropriate an identical or confusingly similar mark in a remote area and profit from the mark, because the senior user could only assert its rights in its specific areas of market penetration. This rule exemplified the court's focus on the equitable rights of those who build goodwill in a company, and protected them by distinguishing the nature of a trademark right as one that is geographically limited. Currently, if a mark user brings a common law action under § 43, this rule is still followed.[31] However, following *Rectanus*, the Lanham Act, specifically federal registration of trademarks under § 32, limit the reach of the concurrent use doctrine.[32]

B. The Lanham Act and the Narrowing of the Exception

Currently, the Tea Rose defense is available for good faith junior users; however, the Lanham Act has complicated its application in most situations.[33] The Lanham Act provides that registration on the principal register constitutes prima facie evidence of ownership of a mark and also creates an exclusive nationwide right to use a mark in commerce.[34] Additionally, with the filing of an affidavit five years after registration, a mark becomes incontestable, rendering it immune to any attacks on its distinctiveness.[35] Therefore, the Lanham Act provides a larger scope of rights to a registered holder, including an increased area of protection, than did the previous common law rules.

Codified in 15 U.S.C. § 1115(b)(5), the good faith junior user exception was applied by the First Circuit in *Thrifty Rent-a-Car System, Inc. v. Thrift Cars, Inc.*[36] Section 1115(b)(5) creates a "'limited area' exception to the general premise of incontestability."[37] This provision allows a good faith junior user to use the mark only in the area in which it can show actual use *prior* to the federal registration of the senior mark.[38] Therefore, the junior user's geographic reach is frozen when the senior user registers the mark

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[30] *Id.* at 101.

[31] *See* 15 U.S.C. § 1125 (2006); *see also* J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 26:4 (4th ed. 2000).

[32] *See id.* §§ 1114, 1115(b)(5).

[33] *See id.*

[34] *See id.* § 1115(a).

[35] *See id.* §§ 1065, 1115(b).

[36] 831 F.2d 1177 (1st Cir. 1987).

[37] *Id.* at 1180.

[38] *Id.*

with the USPTO.[39] Federal trademark registration constitutes notice of appropriation and ownership, and the onus is thus transferred to the junior user to check the federal register prior to adoption of a mark.[40]

In *Thrifty*, the plaintiff, Thrifty Rent-a-Car, was a nationally recognized car rental company that entered the market around 1958 and became one of the leading companies in the field.[41] The plaintiff had also registered its mark with the USPTO.[42] The defendant, Thrift, was a much smaller company that operated almost exclusively in the Cape Cod area of Massachusetts and had been using the mark before and after the plaintiff's mark's registration.[43] The court determined that Thrift's use of its mark occurred after Thrifty Rent-a-Car's common law use began but prior to the federal registration of Thrifty Rent-a-Car's mark,[44] and, therefore, the defendant qualified under § 1115(b)(5) as a good faith junior-user.[45]

The remedy the court administered, however, was notable for how it treated the good faith junior user.[46] First, the court engaged in a rigorous geographical assessment of the actual use of both parties. This analysis required not only a defined boundary, but also a defined area of penetration; the court limited Thrift's use of its mark to *only* the area in which Thrift had operated continuously before Thrifty registered the mark: the East Taunton area.[47] The court banned advertising or expansion beyond this geographically distinct area.[48] Comparably, Thrifty was enjoined from entering or marketing in Thrift's geographically delimited market.[49] This remedy defends the nationwide rights given to a federal registrant, while also protecting a good faith junior user's right to use the mark in a conservatively defined geographical area. Even though the Lanham Act provides nationwide rights, they do not extend into a geographic area appropriated by a junior user's prior use.[50] This decision is consistent

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[39] *See* Robert Nupp, Note, *Concurrent Use of Trademarks on the Internet: Reconciling the Concept of Geographically Delimited Trademarks with the Reality of the Internet*, 64 OHIO ST. L.J. 617, 636 (2003) (defining this new type of user as an "Intermediate Junior User").

[40] 15 U.S.C. § 1072 (2006).

[41] *Thrifty*, 831 F.2d at 1179.

[42] *Id.*

[43] *Id.*

[44] *Id.* at 1181.

[45] *Id.*

[46] *Id.* at 1183.

[47] *Id.*

[48] *Id.*

[49] *Id.*

[50] *See id.*

with the traditional trademark law policy that trademark ownership is not in gross.[51]

A senior user's rights against a good faith junior user are further qualified under *Dawn Donut Co. v. Hart's Food Stores, Inc*.[52] Even when a good faith junior user appropriates a confusingly similar mark after the federal registration of the senior user's mark, the court may still deny an injunction for the senior user.[53] The court in *Dawn Donut* reasoned that a lack of actual market penetration and a lack of intent to enter the market prevented the senior user from protecting its mark in the remote territory in which the junior user had used the mark.[54] The court focused on the rooted purpose of trademark law: "[T]he registrant may enjoin only that concurrent use which creates a likelihood of public confusion as to the origin of the products in connection with which the marks are used."[55] However, the protection for a good faith junior user is slight. Should the senior user so intend and subsequently enter the junior user's market, the senior user may obtain an injunction.[56]

Following *Dawn Donut*, a senior user gains a presumption of nationwide priority by registration only insofar as it actually penetrates a market. Trademark ownership and protection is based on use and only extends as far as the geographic scope into which the use has penetrated. This presents particularly acute problems for Internet-based companies, where geographic scope is limitless and boundaries are ethereal. In many situations, an Internet company's actual market penetration and zone of expansion either cannot be determined or can only be determined through seemingly arbitrary analyses. With its emphasis on traditional geographic delimitation, the concurrent use doctrine creates a unique set of problems for Internet companies.

C. Zone of Goodwill

To better understand the unique set of problems caused by the Internet in the concurrent use scenario, it is necessary to provide a brief history of traditional regional geographical delimiting.

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[51] United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97 (1918).
[52] 267 F.2d 358 (2d Cir. 1959).
[53] *Id.* at 369.
[54] *Id.* at 365.
[55] *Id.* at 364.
[56] *Id.* at 365; *see also* Emergency One, Inc. v. Am. Fire Eagle Engine Co., 332 F.3d 264, 269 n.3 (4th Cir. 2003) ("The owner of a registered mark 'has a nationwide *right*, but the injunctive *remedy* does not ripen until the registrant shows a likelihood of entry into the disputed territory . . . .'" (quoting Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc., 43 F.3d 922, 932 (4th Cir. 1995) (internal quotes omitted))).

Traditionally, a seller would market and sell to his customers through a stand-alone brick-and-mortar store. Using this location as an epicenter, a court could determine the extent of the business's "effect," known as the business's zone of goodwill.[57] The overall zone of goodwill consists of two components: the zone of market penetration, or the area in which the goods have actually been purchased, and the zone of reputation, consisting of the area in which the brand is recognized, but in which the business's goods have not been sold.[58] When determining the overall extent of a business's zone of goodwill, courts consider these two parts together, with strength in one aspect being sufficient to compensate for the shortfall of the other.

Courts have historically had little trouble determining the zone of market penetration, with older cases holding that there must be merely some use greater than de minimis use in an area to preempt appropriation by a junior user.[59] A statutory amendment raised the bar of what constitutes "use in commerce" from de minimis use to bona fide use (read: actual sales).[60] Thus, mere use simply to maintain a trademark or artificially expand a zone of goodwill (through de minimis or trivial use in remote areas) is no longer sufficient.[61] Now, the relevant market consists of those areas in which a buyer has purchased the seller's goods.[62] The general test for showing a minimum amount of sales consists of the following factors: (1) volume of sales of the product in the area; (2) growth trends; (3) ratio of persons buying from the potential group of consumers; and (4) amount of advertising.[63]

Further, a seller may establish a zone of goodwill, either in conjunction with the market penetration test or independent of it, by a

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[57] *See* W. Scott Creasman, *Establishing Geographic Rights in Trademarks Based on Internet Use*, 95 TRADEMARK REP. 1016, 1017 (2005).

[58] *Id.*

[59] MCCARTHY, *supra* note 31, at § 26:13.

[60] 15 U.S.C. § 1127 ("The term 'use in commerce' means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce"); MCCARTHY, *supra* note 31, at § 26:13. .

[61] *See* MCCARTHY, *supra* note 31, at § 26:13; *see also* Procter & Gamble Co. v. Johnson & Johnson, Inc., 485 F. Supp. 1185, 1204 (S.D.N.Y. 1979), *aff'd*, 636 F.2d 1203 (2d Cir. 1980) ("[U]sage which is sporadic, nominal, and intended solely for trademark maintenance is insufficient to establish and maintain trademark rights . . . .").

[62] Creasman, *supra* note 57, at 1017–18.

[63] Natural Footwear Ltd. v. Hart, Schnaffer & Marx, 760 F.2d 1383, 1398–99 (3d Cir. 1985) (following Sweetarts v. Sunline, Inc., 380 F.2d 923 (8th Cir. 1967), *remanded to* 299 F. Supp. 572 (E.D. Mo. 1969), *aff'd in part, rev'd in part*, 436 F.2d 705 (8th Cir. 1971)).

showing of a zone of reputation.[64] Though the Tea Rose doctrine precludes a mark from moving beyond the area of actual use, the reputation of a mark may also prevent a junior user from bringing the innocent good faith junior user defense.[65] Good faith is a requirement for assertion of the defense; therefore, if the junior user is aware, or if a sufficient number of customers in the area are aware of the seller, reputation may serve to effectively close off a market for the junior user.[66]

This zone-based test is the culmination of common law development regarding delimitation of trademark rights in a concurrent context. And, when examining the scope and rights attached to a mark, mark holders can now predict with some accuracy whether their use or reputation will be sufficient to create rights in a specific location. At the least, they will be able to anticipate the tests that will be used and how they will be applied. However, while these tests seem to account for the problems of consumer confusion that arise when two mark users conflict in a brick-and-mortar world, this zone-based process has had a more limited utility in the virtual context. The following Part will discuss the current judicial treatment of, and problems with, these issues in a virtual setting.

II. CURRENT JUDICIAL TREATMENT OF COMMON LAW INTERNET ISSUES

While courts have had no trouble applying the good faith junior user exception to a specified *geographic* location, today's courts have yet to establish definitively what constitute the physical boundaries—if any—of Internet mark use.[67] If we continue looking at Projob and its Internet-only mark use, we quickly see how trademark law, developed with a brick-and-mortar business's mark in mind, does not address many questions about how to establish geographic limitations for common law mark users who advertise and only offer online services. The case law on these questions is in its infancy, and there is no consensus or established rule regarding what scope of rights Internet-only use provides a business. This Part considers

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[64] MCCARTHY, *supra* note 31, § 26:16.

[65] *See id.*

[66] *See id.* §§ 26:16–17.

[67] *See, e.g.*, Gucci Am., Inc. v. Hall & Assoc., 135 F. Supp. 2d 409, 421–22 (S.D.N.Y. 2001) ("Unlike a 'brick and mortar outlet' with a specific geographic locale, and unlike the voluntary physical mailing from one geographic location to another . . . the . . . Web is not geographically constrained . . . . Web publishers are without any means to limit access to their sites based on the geographic location of particular Internet users.") (quoting ACLU v. Reno*,* 217 F.3d 162, 175 (3d Cir. 2000)).

recent cases that have confronted issues similar to our example and how courts have addressed (or avoided) the implications of Internet marks being everywhere and nowhere at once. Subpart A discusses businesses that use the Internet in furtherance of selling physical goods or services (the "Realworld Use"). Subpart B then expounds on online-only businesses that use the Internet to provide web-based services and products (the "Virtualworld Use"). The "world" a business falls into matters considerably in determining the geographic scope of common law protection under the Lanham Act.

A. Optimal Pets, Inc. v. Nutri-Vet, LLC[68]—*Applying the Traditional Brick-and-Mortar Geographic Limitations on Trademark Internet Use*

Businesses can conceivably use the Internet in one of two ways: to facilitate traditional, real world sales of products and services or as the sole venue/conduit used to provide virtual products or services.[69] In the *Optimal Pets* case, the court dealt with the former type of trademark use on the Internet. The defendant, Nutri-Vet, registered and began using the mark "Optimal Pets" in 2008 and had generated sales of over $260,000.[70] However, the plaintiff, claiming it had common law rights to the mark, began using the mark in 2004 and had made $35,000 in sales over four years.[71] While the plaintiff was the senior common law user, the defendant's registration gave it the presumption of nationwide constructive use under the Lanham Act.[72] Therefore, the plaintiff had the burden of showing that it had successfully penetrated the junior user's markets and had the right to preclude the defendant from competing in those areas.[73]

The court blatantly acknowledged the lack of precedent and guidance available to determine the effects of Internet use in establishing market penetration.[74] Despite mentioning the problem, the court, nonetheless, relied on the traditional market penetration

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[68] No. EDCV-08-1795 MJG, 2010 WL 2305843 (C.D. Cal. June 7, 2010).

[69] Companies like Amazon.com fit into the first, real world use category, and businesses like eHarmony.com fit into the latter virtual world use category.

[70] *Optimal Pets*, 2010 WL 2305843, at *1.

[71] *Id.*

[72] *Id.* at *2.

[73] *See id.*

[74] *Id.* at *2 n.4 ("The Court notes, but need not now address, that various issues may be presented in the instant case by virtue of the significance of marketing through the Internet. For example, how is a sale through an Internet website considered in the context of establishing market penetration in a geographical area?").

factors found in *Natural Footwear* to dismiss the defendant's motion for summary judgment: "the volume of sales," "the growth trends," "the number of people who purchased the party's goods in relation to the number of potential customers," and "the amount of advertising."[75] Consistent with its statement that it was unsure of the effect of Internet presence, the court avoided the impact of the plaintiff's presence on the Internet and commented that the plaintiff would likely be able to show market penetration in *some* geographic locations, but it was "unlikely [that the plaintiff would] be able to establish its claim to a common law trademark with nationwide scope."[76] Instead, the court focused on the location of consumers who had purchased goods from the plaintiff's brick-and-mortar store, noting that the plaintiff had sold to thirty-four states and maintained regular sales in fourteen stores, mostly in Arizona and Colorado.[77]

While the *Optimal Pets* case required the court only to determine if a reasonable jury could find that the plaintiff had *some* market penetration, the case still illuminates the contemporary problem with establishing what effect the Internet has on establishing geographic market penetration. Courts appear apt to apply the tests and rules developed for brick-and-mortar businesses when handling Internet use cases that correspond to Realworld Use, despite the glaring and unresolved question of what the geographic scope of Internet use is.[78] However, the solution is not so clear when everything happens online.

B. Pure Imagination, Inc. v. Pure Imagination Studios, Inc.[79] *and Internet-Only Service Mark Rights*

The *Pure Imagination* case is fairly on point with the Projob example explained in the Introduction to this Comment. The plaintiff

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[75] *Id.* at *2 (citing Adray v. Adry-Mart, Inc., 76 F.3d 984, 989 (9th Cir. 1995)).

[76] *Id.*

[77] *Id.* at *3.

[78] *See also* Lucent Info. Mgmt. v. Lucent Techs., 186 F.3d 311, 325 (3d Cir. 1999) (J., Ackerman, dissenting) ("In this global economy where goods are often sold over a wide area rather than in a neighborhood store, the majority's rule of use penalizes small companies which take advantage of the national market. It is ironic that the majority sets forth such a high standard of use in this day and age when there is a technological revolution underway in which the Internet permits small trademark users to sell their goods and services to broad geographic areas. The majority's standard of use places a legal straightjacket on those companies and deprives them of all common law trademark rights. In the end, this will exclude a whole class of trademark users from obtaining rights through 'use' rather than registration and will tilt the level playing field which has always been an indispensable ingredient in deciding trademark rights.")

[79] No. 03 C 6070, 2004 WL 2967446 (N.D. Ill. Nov. 15, 2004).

and senior user, Pure Imagination, Inc., operating out of Batavia, Illinois, provided Internet-only graphic design and advertising solutions.[80] The plaintiff attracted clients through online keyword advertising that targeted both Chicago and the world through hundreds of "doorway" websites "designed to achieve a priority spot on search engine result lists."[81] The plaintiff's business model revolved around little, if any, face-to-face contact with clients, and all services and substantially all communications were conducted online.[82] As the court summarized, "Pure Imagination's business . . . [did] not have specific geographic boundaries . . . . [and the] only limitation [was] that the potential customer [had to] first locate Pure Imagination's web site."[83] Similarly, the defendant and junior user, Pure Imaginations Studios, also "relie[d] heavily on the Internet" and limited its advertising to the Internet.[84] Also like the plaintiff, the defendant's client base was not limited to any particular geographic region because its services were solely provided through the Internet.[85]

Pure Imagination's parties fit into the classic junior good-faith user exception to federal registration under the Lanham Act[86] because the plaintiff began using the mark in 1999, the defendant began using its mark in 2001, and the plaintiff registered its mark on the Principal Register in 2002.[87] By registering its mark, the plaintiff established constructive nationwide use of its mark;[88] the remaining issue was the geographic extent of protection a good-faith common law junior user retains when the junior user's use in commerce cannot be geographically limited. Perhaps fortunately, the court was able to avoid setting these geographic limits; but, as it admitted in dicta: "[W]hile the Court recognizes that the operation of an active web site on the Internet *could constitute nationwide trademark use*, the record is not clear either as to which party first used the "pure imagination" mark on the Internet."[89]

These statements suggest that the defendant might have been able to establish nationwide common law rights to the mark, but the court

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[80] *Id.* at *1.
[81] *Id.* at *2.
[82] *Id.*
[83] *Id.*
[84] *Id.* at *3.
[85] *Id.*
[86] *See* 15 U.S.C. § 1115(b)(5) (2006) (creating a limited geographic region for a good-faith junior user who had actual use of a mark before the senior user registered its mark with the USPTO).
[87] *Pure Imagination*, 2004 WL 2967446, at *1–2.
[88] *Id.* at *5.
[89] *Id.* at *11 (emphasis added).

seemed reluctant to commit to a concrete answer. The court conveniently pointed to the lack of evidence showing which party was the first to begin using the mark on the Internet and merely held that the junior user was unable to meet its burden of showing a market and more than de minimis use.[90] While not a definitive statement on the geographic reach of common law trademark use, this case demonstrates, at the least, that there is currently no firm answer for what to do when a common law user uses its mark solely on the Internet—no one is rushing to define where the Internet lives and where it does not. Unfortunately for the defendant, it did not record the start date of its Internet use, thereby allowing the court to sidestep this tricky issue.[91] However, the implications of a nationwide common law right to a mark due to Internet-only use could be the exception that eats the rule—if a mark user can effectively get nationwide protection through Internet use, what purpose would registering with the USPTO serve? This judicial hesitancy suggests that any usable delimitation of the geographic scope of the Internet could have profound ramifications and might, as the authors believe, necessitate fundamental reform of trademark law, at least as it concerns the Internet.[92]

C. *What About Projob?*

Given the unsettled nature of Internet common law use and the seemingly timid treatment courts are giving Internet common law

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[90] *See id.* at *11 n.7 (discussing how the record was unclear as to who established first use on the Internet but suggesting that using the Internet to render services "could conceivably constitute nationwide use," using the personal jurisdiction tests for the Internet as an analogue).

[91] The *Pure Imagination* court is not the only other court to avoid answering the effects of Internet use in determining common law trademark rights. *See, e.g.*, Allard Enters., Inc. v. Adv. Programming Res., Inc., 249 F.3d 564, 575 (6th Cir. 2001) ("We suggest that, due to the paucity of caselaw addressing concurrent trademark rights and internet use, the district court may want to consider cases addressing the role of national advertising by parties with concurrent trademark rights. Courts have held in some cases that, despite a concurrent user with a territory of exclusive use, an almost-national user should be permitted some form of national advertising . . . . In a more straightforward case in which a senior user holds a federal registration subject to limited concurrent rights of a junior user, permitting some form of Internet use seems necessary; otherwise, if two parties have concurrent rights to the same mark in distinct geographical areas, neither party would ever be allowed any use of the internet. The present case, however, is complicated by the fact that Allard has obtained a federal registration and that APR's initial implementation of its web site appears to have occurred prior to Allard's registration. *We therefore leave it to the district court to evaluate the arguments and the unusual facts of this case in the first instance on remand.*") (emphasis added).

[92] *See generally id.*

businesses, it is unclear if Projob's Internet-only services and products would give it nationwide common law protection under § 1115(b)(5). What potential solutions exist to protect innocent common law users—like small software startups—who use the Internet as their lone marketplace and are able to achieve use across the country but fail to register their mark? What remedies, if any, are available to Internet-based companies such as Projob?

III. SOME POSITED SOLUTIONS FOR CONCURRENT USE ON THE INTERNET

In analyzing the problems of concurrent use in a purely virtual environment, earlier authors proposed judicial solutions that follow one of two paths. This Part will elucidate these two distinct arguments and provide a framework for debate. Subpart A explains the current zone-based analysis, which defines a seller's zone of goodwill and its attendant facts and analogizes to personal jurisdiction and infringement based tests.[93] Subpart B then describes the alternative option of Internet-based solutions which some authors argue may be used to avoid consumer confusion and prevent infringement.[94] Although subjected to some judicial analysis and questioning, neither proposal has found universal judicial acceptance.

A. Zones and Analogies

The first solution some authors propose is to analogize to different types of geographic tests to determine the extent and substantive interaction a web-based seller has with a specific area.[95] Since no case has yet determined, nor has an article proposed, that merely existing on the Internet provides nationwide priority/rights or creates a special exception for Internet use, online sellers must still prove their zone of goodwill.[96] The unique problems of the Internet, however, make the standard tests ineffective—namely, a business's zone of goodwill on the Internet lacks a readily definable scope.[97]

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[93] *See, e.g.*, Brian L. Berlandi, *What State Am I In?: Common Law Trademarks on the Internet*, 4 MICH. TELECOMM. & TECH. L. REV. 105 (1998); Thomas F. Cotter, *Owning What Doesn't Exist, Where it Doesn't Exist*, 1995 U. ILL. L. REV. 487, 490 (1995); Creasman, *supra* note 57, at 1016; Benjamin Prevas & Xiaoyong Yue, *Digital Turf Wars: Issues and Solutions Relating to Concurrent Use In A Cyberspace Context*, 9 WAKE FOREST INTELL. PROP. L. J. 177 (2009).

[94] *See, e.g.*, Nupp, *supra* note 39, at 651–66.

[95] *See, e.g.*, Creasman, *supra* note 57, at 1023–29.

[96] *Id.* at 1022.

[97] *See id.* ("The information available through the Internet affects the elements of the traditional tests, particularly in narrowing the common law good faith element

Therefore, the first proposed solution is to analogize to other tests—like the fundamental judicial personal jurisdiction test and the classic trademark infringement test—that may be used to find a natural limitation on an Internet seller's scope of involvement in a geographic area.[98]

First, some authors have looked to the test for personal jurisdiction in federal courts to determine an Internet-based user's zone of goodwill. If a seller's level of Internet activity is sufficient to subject the seller to personal jurisdiction in federal court, it would similarly be sufficient to establish a zone of goodwill.[99] The minimum contacts of *International Shoe*[100] and its progeny establish the benchmarks to establish personal jurisdiction, and for Internet-based activities, the *Zippo* test applies.[101] The *Zippo* test operates on a sliding scale, on which passive websites that do not advertise, sell, or engage in business in a jurisdiction do not have sufficient contacts to warrant personal jurisdiction.[102] Conversely, an active website that performs these activities would likely have sufficient contacts to merit personal jurisdiction.[103] The ultimate analysis is fact based, "examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site."[104] Though there is limited case law on the analysis as it relates to concurrent geographic use, one court has signaled that specific targeting of a state's citizens and substantial sales in that state would be sufficient.[105]

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required of junior users."); THOMAS L. FRIEDMAN, THE LEXUS AND THE OLIVE TREE 149 (Farrar, Straus, & Giroux 1999), *reprinted in* MCCARTHY, *supra* note 31, § 26:17 ("From the minute you decide to do business on the Internet as a retailer or service provider, from the first moment you open your website, you are a global company-whether you are in India, Italy, or Indianapolis. To do business on the Internet is by definition to be global").

[98] *See* Creasman, *supra* note 57, at 1023.

[99] *See id.*

[100] Int'l Shoe Co. v. Washington, 326 U.S. 310, 316 (1945).

[101] *See* Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 1124 (W.D. Pa. 1997).

[102] *Id.* For an example of a passive website, see Wikipedia.org, http://www.wikipedia.org.

[103] *Id.* For an example of an active website, see Amazon.com, http://www.amazon.com.

[104] *Id.*

[105] *See* Hy Cite Corp. v. Badbusinessbureau.com, LLC, 297 F. Supp. 2d 1154, 1161–62 (W.D. Wisc. 2004) (stating that "[A] website's level of interactivity may be one component of a determination whether a defendant has availed itself purposefully of the benefits or privileges of the forum state. For example, a finding that a defendant uses its website to engage in repeated commercial transactions may support the exercise of personal jurisdiction, so long as there is a corresponding

The alternative standard this option suggests is to analogize to a unique marketing channels test teased from the Ninth Circuit's infringement standard for likelihood of confusion.[106] The various jurisdiction-specific tests, which need not be reconciled here, each contain a factor akin to the "similar marketing channels" factor for infringement.[107] The Ninth Circuit developed a three-part test for determining conflicting use within similar marketing channels: (1) has the Internet been used as a substantial marketing and advertising channel, (2) have the parties used the marks in conjunction with Web-based products, and (3) do the parties' marketing channels overlap in any other way?[108] Thus, this test may be used to determine if a party's use of the Internet sufficiently constitutes a marketing channel, and if so, this might serve to establish a zone of goodwill as well. However, while this test might help a business prove that it has a zone of goodwill on the Internet, the test does not delimit the parameters of the zone. Proponents of this analysis do not give a standard to determine how a common law junior user can use part of the Internet, while being enjoined from using the area in which the user has not established a zone of goodwill.

B. Band-Aid on a Bullet Hole

The second option treats the symptoms, as opposed to the source.[109] Unlike the first option, which attempts to sort actual goodwill and zone of goodwill from nonsubstantive regional connections, this "symptoms" option promotes the existence of both confusingly similar marks on the Internet.[110] Although allowing concurrent use of confusingly similar marks, its proponents believe that this solution provides sufficient specified mechanisms for the prevention of customer confusion.[111]

First, proponents argue that if the problem occurs as a result of Internet-specific usage, then an Internet-specific remedy would be effective to fix the issue.[112] One possibility includes posting a large

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finding that the defendant is expressly targeting residents of the forum state and not just making itself accessible to everyone regardless of location.").

[106] *See* Creasman, *supra* note 57, at 1027.

[107] *Id.* at 1028 (for an explanation of the myriad tests among the circuits for likelihood of confusion); *see infra* note 127.

[108] Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135, 1151 (9th Cir. 2002).

[109] *See, e.g.*, Nupp, *supra* note 39, at 651–66; Prevas & Yue, *supra* note 93, at 195–98.

[110] Nupp, *supra* note 39, at 651–52.

[111] *Id.*

[112] *Id.* at 653-54; *see also* Prevas & Yue, *supra* note 93, at 195–98.

disclaimer on the junior user's website, explicitly disclaiming affiliation with the senior user's site.[113] Second, linking to each others' sites, or in the alternative, creating informal ties between parties' sites through metatags and titles, would be effective at eliminating confusion.[114] Alternatively, a neutral third site could serve as a clearinghouse for both sites, with links to both pages; or, due to the inefficiency of search engines, similar metatags and titles may be inserted into each site's parameters, leading consumers to both.[115] Finally, the sites could be required to purchase and sustain a regional or generic top-level domain name, which would help to distinguish the sites, while still allowing concurrent use of the marks.[116] With the modern release of 1000 new generic top-level domain names each year starting in 2011, this seems like a possibility for the avoidance of confusion.[117]

While something can be said for trying to find simple fixes to these Internet problems, the "symptoms" approach seems to be unworkable. Though these options could potentially solve the first glance customer confusion issue, disclaimers would not solve initial interest confusion or recover the profit a site may make from errant clicks and misdirection to its site. Nor do the proponents demonstrate who would regulate this rule or determine the requirements for a legally effective disclaimer. Linking to other sites would likely only further confuse consumers who might assume that there is a relationship between these organizations, thereby making the fix worse than the problem. Further, requiring the use of generic top-level domain names would likely be unfeasible because the starting application price begins at $185,000. It seems unlikely that anyone would choose to exercise this alternative, even if they were financially solvent enough for this to be viable.[118]

IV. A CATEGORICAL ANALYSIS OF THE PROPOSED SOLUTIONS

Contrary to the options listed above, there are alternative remedies available which lie beyond the scope of judicial decision making. There are at least three available options for resolving the

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[113] Nupp, *supra* note 39, at 655.
[114] *See id.* at 655–65.
[115] *Id.*
[116] *Id.* at 665–66.
[117] *See* Casey Johnston, *ICANN Set to Open Top-Level Domain Floodgates*, ARS TECHNICA, http://arstechnica.com/web/news/2010/11/icann-to-open-top-level-domain-floodgates.ars (last visited Nov. 30, 2010).
[118] *Id.*

problem of concurrent use, which are discussed in this Part below. Subpart A will examine the costs and benefits of leaving the regime as-is: allowing the courts to develop a common-law approach to concurrent geographic Internet use. Subpart B will propose an amendment to the Lanham Act to accommodate these types of cases that break down the traditional analysis, carving out an exception similar to the anti-cybersquatting[119] and trademark dilution exceptions.[120] Finally, Subpart C will argue that Congress should revise the Lanham Act substantively, acknowledge that trademarks are in fact property rights in gross, and change the nature of trademark law.

A. *Solution One: "If It Ain't Broke, Don't Fix It"*

The first option for dealing with cases of Internet concurrent use and geographic priority is to leave the doctrine as it stands. In accordance with the solutions listed in Part III above, this option would leave the Lanham Act untouched, and courts would be called upon to fashion geographic parameters and remedies as they arise. These are the solutions posed by the courts in Part II.B and the scholars in Part III[121] that analogize to tests from other legal sources or apply creative remedies in solving the problem of Internet-based concurrent use.

There are some benefits to the continuation of this regime. This type of line drawing is the province of courts generally, and courts are ideally equipped to make these distinctions and resolve the contests as the equities require. Additionally, the courts already apply and understand the zone of goodwill test and the concurrent use doctrine in cases involving brick-and-mortar businesses.[122] Asking them to apply the doctrine to analogous circumstances is not outside the scope of a court's capabilities. Moreover, this is the type of analysis that the courts are currently engaging in *sua sponte*, when they choose to acknowledge the issue.[123] Though tentative now, courts have indicated that in the future both the personal jurisdiction *Zippo* test and the zone of goodwill test might be used to carve out

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[119] 15 U.S.C. § 1125(d) (2006).

[120] *Id.* § 1125(c).

[121] *See* Creasman, *supra* note 57, at 1023–29; *see also* Nupp, *supra* note 39, at 651–66.

[122] *See, e.g.*, United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 100 (1918).

[123] *See, e.g.*, Pure Imagination, Inc. v. Pure Imagination Studios, Inc., No. 03 C 6070, 2004 WL 2967446 (N.D. Ill. Nov. 15, 2004).

territories and resolve concurrent use debates.[124] The fact that courts have begun to organically create solutions to these *sui generis* sets of circumstances gives great weight to the viability and sensibility of this option. Further, the myriad permutations of circumstances make difficult the creation of a bright-line rule or amendment to the Lanham Act. Situations may be envisioned in which purely virtual businesses merge into the real world market and vice versa, thus rendering the rights of a mark holder unpredictable in the face of a bright-line rule. With such varying circumstances, the courts are the ideal fora in which to draw the necessary lines.

While reasonable, these solutions seem a bit myopic; focusing on ad hoc, unpredictable judicial crafting to resolve the issues as they present themselves. The first option, rule by analogy, focuses on the use of the personal jurisdiction test, the zone of goodwill test, and an analogy to infringement.[125] This solution is inefficient because the tests are ill-suited to deal with purely Internet-based companies. Sales and actual market presence are inept barometers for companies that may have limited sales with geographically extensive reach. If a company were to sell one product to a huge company that distributed the product to each of its satellite offices in every state, the selling company would be nationwide in scope and reputation, while only having made one sale. Additionally, the tests that focus on physical geographic line-drawing are ineffective at corralling purely virtual companies.

The proposed Internet-based solutions are equally ineffective.[126] To allow concurrent Internet use of trademarks while attempting to prevent actual consumer confusion is laudable, yet the practical implications of this proposed solution make the proposal inapposite. If two companies were permitted to use confusingly similar marks, they would inevitably end up in litigation which would span many years at a dramatic cost. Moreover, while these companies litigate, their marks are still on the Internet, confusing consumers. Extrapolate this by the frequency of Internet-based companies starting

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[124] *See, e.g.*, Hy Cite Corp. v. Badbusinessbureau.com, LLC, 297 F. Supp. 2d 1154, 1161 (W.D. Wis. 2004) ("The website's level of interactivity may be one component of a determination whether a defendant has availed itself purposefully of the benefits or privileges of the forum state"); *see also Pure Imagination*, 2004 WL 2967446, at *12 ("Courts have declined to find market penetration when a party cannot establish that it has engaged in more than de minimis activity within that market") (citing Natural Footwear Ltd. V. Hart, Schnaffer & Marx, 760 F.2d 1383, 1400 (3d Cir. 1985)).

[125] *See, e.g.*, Creasman, *supra* note 57, at 1023–29.

[126] *See* Nupp, *supra* note 39, at 655–65; *see also* Prevas & Yue, *supra* note 93, at 195–98.

and marks on the Internet spawning every day, and the potential for confusion is exponentially large. Further, allowing the courts to fashion ad hoc unique remedies for every case will not deter a company from using confusingly similar marks. A simple disclaimer posted on a site or linking to another's site do not have the deterrent impact of a flat bar on use and penalty for invasion. These Internet solutions present no predictability, and the randomness of the solutions created ad hoc would be staggering. Thus, this option seems especially ill-suited given the fast-growing nature of the Internet and the increasing sluggishness of litigation.

Panning out from this narrow analysis, trademark law application by the courts is notoriously fickle and laden with multifactor tests. Furthermore, each jurisdiction crafts its own test and factors for many of the discipline's most prevalent problems.[127] More problematic is the inconsistent treatment of similarly situated litigants and inconsistent weighting of factors even when these multi-factor tests are comparable in form.[128] Geographic concurrent use on the Internet is yet another issue in which the courts are being called on to make consistent law. Nevertheless, no uniformity appears likely in the foreseeable future. Courts currently seem unwilling to resolve the issue directly and rightfully so, as the limitless permutations of the Internet render any solution eventually insufficient.[129] Moreover, there is almost no chance that the Supreme Court will address this fairly narrow problem. Therefore, the potential users of these marks and future litigants would be subject to this solution's most patent

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[127] The multi jurisdictional analysis for trademark infringement provides ample support for the contention that courts have difficulty finding unity when crafting these tests. *See, e.g.*, Polaroid Corp. v. Polarad Elects. Corp. 287 F.2d 492, 495 (2d Cir. 1961); Century 21 Real Estate Corp. v. Lendingtree Inc., 425 F.3d 211, 224 (3d Cir. 2005); Sno-Wizard Mfg., Inc. v. Eisemann Prods. Co., 791 F.2d 423, 428 (5th Cir. 1986); Homeowners Group, Inc. v. Home Mktg. Specialists, Inc. 931 F.2d 1100, 1106 (6th Cir. 1991); Smith Fiberglass Prods. Inc. v. Ameron, Inc., 7 F.3d 1327, 1329 (7th Cir. 1993); SquirtCo. v. Seven-Up Co., 628 F.2d 1086, 1091 (8th Cir. 1980); E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1290 (9th Cir. 1992); Coherent, Inc. v. Coherent Techs., Inc., 935 F.2d 1122, 1125 (10th Cir. 1991).

[128] *Compare* E & J Gallo Winery v. Consorzio del Gallo Nero, 782 F. Supp. 457 (N.D. Cal. 1991) (finding that a possibility of confusion is sufficient and considering wine buying public indiscriminate and unsophisticated), *with* Banfi Prods. Corp. v. Kendall-Jackson Winery Ltd., 74 F. Supp. 2d 188 (E.D.N.Y. 1999) (holding that evidence of likelihood of confusion is necessary on an infringement claim, and considering the relevant wine consuming public to be a sophisticated, discriminating group).

[129] *See* Pure Imagination, Inc. v. Pure Imagination Studios, Inc., No. 03 C 6070, 2004 WL 2967446 (N.D. Ill. Nov. 15, 2004).

flaw, unpredictability. The solutions proposed above would rely on courts to fashion both rules and remedies, leaving litigants with minimal guidance on how to argue a claim and what to expect should they attempt to assert their rights. Unlike the authors above and in light of the courts' seeming unwillingness to confront the problem at its source, we believe that the more realistic and utilitarian solution lies within the decision-making power of Congress.

B. Solution Two: Lanham Act Revision

The halfway step to a system-wide overhaul of American trademark law is a moderate and necessary compromise that would address the looming problem of what protections a common law Internet-only business has in its mark. Unlike the proposed solutions above, which emphasize ad hoc, fact-based judicial decision making, this Subpart proposes a uniform amendment to the Lanham Act to specifically address the traditional protection for common law users and update these protections to account for common law Internet users. This Subpart first discusses the proposed addition of § 1125(e) to the Lanham Act. Second, this Subpart argues why a revision is more appropriate and helpful than the ad hoc, case-by-case analysis proposed in Subpart A. Third, this Subpart argues that this type of revision is not unique and has already been used to adapt the Lanham Act to the changing business environment propelled by the Internet. This Subpart concludes by discussing why even this compromise, while potentially effective, is more than likely only a stopgap remedy to an overall systemic problem in trademark law.

1. <u>The Proposed Addition to the Lanham Act</u>

§ 1125

(e) Use in Commerce on the Internet.

(1) For the purposes of establishing the appropriate area of continued use set out in § 1115(b)(5), with regards to use in commerce on the Internet, the party that first uses a mark on the Internet shall have the right to prevent another's mark on the Internet if the other's mark will cause a likelihood of confusion.

(2) A party has established use in commerce on the Internet if its activities would constitute bona fide use in commerce analogous to bona fide use in any non-de minimis physical geography. A court may consider the following factors in determining bona fide use in commerce:

(A) the party's dollar value of sales at the time another party enters online marketing;

(B) relative and potential growth of sales;

(C) the ratio of actual customers to potential customers;

(D) the length of time since significant sales; and

(E) the degree of online advertising.[130]

(3) If a court finds that a party has established its right to use a mark on the Internet pursuant to § 1125(e)(2) and is not registered pursuant to either § 1051 or § 1091 of this title, that party has nine months to file a registration application for its mark with that agency or the mark will be deemed abandoned with respect to use on the Internet.

2. Benefits of Revision over Ad Hoc Analysis

This proposed addition to the Lanham Act attempts to address two major problems with current opinions that have touched on common law Internet use: the current ad hoc method of analyzing cases is disjointed and lacks uniformity, and the proposed statute gives common law users a chance to keep their mark on the Internet. First, as discussed above, courts are still grappling with (or, perhaps more accurately, dodging) the question of the Internet and common law geographic limits.[131] This hesitancy to firmly resolve the problem through judicial analysis suggests that Congress is needed to provide at least a framework to resolve this issue in the future. Not only would a Congressional response provide a uniform system for analyzing common law Internet use in commerce questions, but courts would all have the same reference point to decide cases on the merits. The proposed provision is specific enough to address the problem by

[130] These factors are taken from *Natural Footwear*. Natural Footwear Ltd. v. Hart, Schnaffer & Marx, 760 F.2d 1383, 1398–99 (3d. Cir. 1985) (citing Sweetarts v. Sunline, Inc., 380 F.2d 923, 929 (8th Cir. 1967)).

[131] *See, e.g.*, Pure Imagination, Inc. v. Pure Imagination Studios, Inc., No. 03 C 6070, 2004 WL 2967446 (N.D. Ill. Nov. 15, 2004).

framing the parameters of the question, but flexible enough to give courts the ability to still conduct a case-by-case analysis.

Second, this proposed addition attempts to protect common law users who have invested their time and energy into establishing bona fide use in commerce on the Internet while still requiring them to "conform" to others who have registered with the USPTO. The nine-month grace period is established for those common law users who have spent considerable efforts to establish their presence on the Internet. However, the provision has a harsh consequence for not registering within the period following judicial determination of rights: total loss of the right to use the mark on the Internet. This system seems relatively equitable because it gives the first party that can demonstrate bona fide use on the Internet a priority on the Internet, irrespective of USPTO registration. Due to the ubiquitous nature of the Internet, no one can "split the baby" between two mark users. Borrowing from patent jurisprudence, this provision effectively gives the first person to prove bona fide use in commerce on the Internet a monopoly on the mark as concerns the Internet, assuming any common law user begins the registration process within nine months after judicial notice is taken of the user's rights. Further, this forced registration provision allows the Lanham Act's protections and obligations to be compelled, and prevents the registration requirements from lapsing into desuetude. By forcing the common law user to register, it keeps the Lanham Act valid and useful, and allows the provisions to operate as created. The burden of registering will not be excessive, as it requires only an application and fee if a user can show bona fide use.

3. The Section 1125(e) Common Law Internet Use Revision Is in Good Company

The courts and, more frequently, Congress have created specific rules and legislation to fix both Internet-related and non-Internet-related problems. Therefore, carving out another unique section in the Lanham Act is neither novel nor unprecedented. For example, Congress passed the Anti-Cybersquatting Consumer Protection Act in 1999 to address the problem of businesses or individuals registering domain names in bad faith.[132] Congress also passed the anti-dilution provisions in 2006 which give heightened rights to famous marks and protect them from blurring or tarnishing by similar marks.[133] Furthermore, some courts have had to create

[132] 15 U.S.C. § 1125(d) (2006).
[133] Trademark Dilution Revision Act, 15 U.S.C. § 1125(c) (2006).

common law rules to handle certain Internet problems, such as the idea of "initial interest confusion," which prevents a party who has a confusingly similar web address from profiting from a consumer's accidental visit to its website, even if there was no confusion as to the source once consumers arrived at the other party's website.[134]

In examining the impact of this proposed Lanham Act revision, we realize that this may be a temporary solution to a much larger problem. While making another allowance may be the most realistic solution at this point, it represents another step down the inevitable path toward the recognition of trademarks as something more than mere source identifiers. Therefore, while we recommend that this revision be made at this time, in the future, a more systemic solution will very likely be necessary.

C. Solution Three: Trademarks as Property Rights

In light of the solutions presented above, and with the understanding that a perfect exception cannot be crafted to fit every scenario, this Subpart argues that a more fundamental shift needs to occur to bridge the current gap spanning idealism and reality. This Subpart will first explain the fundamental assumptions of trademark law and the history of defining trademarks as source identifiers. Next, it will challenge the classical assumptions of trademark law and identify weaknesses in the concept of trademark rights appurtenant to use as it relates to today's products and marketing schemes. Third, this Subpart will discuss recent revisions to the Lanham Act and how these changes demonstrate the two competing interpretations of trademark value and how the revisions suggest a trend away from traditional trademark rationales. Finally, this Subpart will recommend a new diversion from the current regime.

The current form and function of trademark law revolves around the recognition of trademarks as source identifiers, or more specifically, as the goodwill of a company.[135] The possibility of recognition of a trademark right as property, akin to a copyright or patent, has been flatly rejected.[136] But as the law has developed and the commercial environment evolved, the fact remains that the

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[134] *See, e.g.*, Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc., 109 F.3d 1394, 1405 (9th Cir. 1997) (applying the initial interest confusion doctrine to the use of a book title); Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 259–60 (2d Cir. 1987) (applying the initial interest confusion doctrine in the context of oil trading services).

[135] Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412 (1916).

[136] United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 101 (1918).

ideology behind these older decisions is not in line with the modern view of trademark value. To reconcile this apparent disconnect, the last available option is to finally, once and for all, recognize what the statutory amendments have been signaling, that trademarks are in fact rights in gross, and should be protected as such. The gravity of this argument is not underestimated, and a systemic rewrite of the Lanham Act would be necessary to accomplish this goal.

If Coca-Cola were to sell its trademark tomorrow, what would be a reasonable asking price? Nothing? Hundreds of millions of dollars? Trademark law is based on the notion that Coca-Cola's mark merely represents the source of the goods, which allows the customer to rely on the goodwill of the company.[137] However, one need only look to other markets and cross-pollination of marks to see that the value of a mark, in today's rampantly materialistic society, has a much more intrinsic value. A prime example is a Justin Bieber book bag. When a consumer buys a backpack with Justin Bieber's likeness and branding features on it, is she buying it because she relies on the quality she has come to expect from the Justin Bieber brand? Likely not. The Justin Bieber mark owner licenses this mark to the highest bidder in an attempt to make a profit. The consumer values the mark as a mark, and not as an identification of source. Unlike certification marks, which are used to signal a quality threshold or compliance with certain standards, marks like Justin Bieber are sold and licensed for their face value. This seems contrary to the classical notions of trademark value.

Additionally, we have seen through the Lanham Act revisions the tacit acceptance of the intrinsic value of trademarks.[138] The Anti-Cybersquatting revision to the Lanham Act respects the goodwill, value, and effort a mark holder has put into developing a mark. It gives the mark holder a remedy against one who registers a domain name which is confusingly similar or a direct reproduction, specifically, when the buyer registers the domain name merely to sell it back to the senior holder.[139] This provision allows the senior mark holder a remedy against the domain registrant, despite a lack of consumer confusion or issues concerning competition. This patently accepts the notion that a trademark has a protectable value as a mark, outside of consumer confusion and source identification, and gives the senior holder a remedy against a cyber-squatter. At the very least, this shows that Congress understands that consumers are not the only party in need of protection.

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[137] *See Hanover*, 240 U.S. at 414.
[138] *See* 15 U.S.C. § 1125(c), (d) (2006).
[139] *See generally id.* § 1125(d).

A fortiori, the Anti-Dilution Act explicitly grants a famous mark holder a right and a remedy to challenge a user who may *likely* dilute by blurring or tarnishing the famous mark.[140] More so than anti-cybersquatting, this remedy recognizes a right to protect the value of a mark, "regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."[141] This protection, free of the normal constraints of demonstrating injury or competition, recognizes the intrinsic value of famous marks and protects them from circumstances that may diminish the value of their goodwill.

As stated in above, allowing for a mark monopoly on the Internet by way of a Lanham Act revision is not an entirely new concept.[142] In fact, it would be the next inevitable step on the path toward re-categorizing trademark value in line with the anti-cybersquatting and anti-dilution revisions.[143] However, this would be another symptomatic solution to this inherently systemic problem. Were Congress to rewrite the Lanham Act—acknowledging de jure what trademarks seem to be in fact—it could be written more succinctly, protecting it from a fate similar to that of hearsay in evidentiary law: a general rule riddled with countless exceptions that seem to swallow the rule itself.[144] Without this fundamental rewrite, the Lanham Act will likely continue to become more complex and could eventually become like copyright law's Digital Millennium Copyright Act, which prevents anyone but specialists from deciphering its code.[145]

Additionally, defining trademarks as property rights in gross would serve the underlying purposes of trademark law more effectively than the current regime. What better way to protect against consumer confusion than by use of a flat bar against anyone other than the registered holder? If potentially infringing companies feared the system, as copyright infringers do, there would be less confusion in the marketplace, and a dramatic reduction in counterfeiting. If marks were deemed to be property rights in gross, the rules would be clearer, the lines distinctly drawn, and consumers and producers alike would be protected.

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[140] *Id.* § 1125(c)(1).

[141] *Id.*

[142] *See* Trademark Dilution Revision Act of 2006 § 2, 15 U.S.C. § 1125(c) (2006).

[143] *See id.*; *see also* 15 U.S.C. § 1125(d) (2006).

[144] FED. R. EVID. 803, 804.

[145] Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998).

Finally, taking the infringing marks off the market would not result in a substantial disadvantage to the buying public or the competition. The current registration rules against functionality[146] and distinctiveness[147] can remain intact to protect against the appropriation of common words and functional marks. Use or intent to use can still be required to maintain rights.[148] This protects competitors against dormant mark holders holding their rights without use, and keeps the use foundation alive in trademark law. Additionally, there are countless words and iterations of the English language. Unlike a copyright or patent, where the removal of products from the market hurts the consumer, removal of certain words or pictures will never serve to hurt consumers, or competitors. Potential merchants have an endless supply of other words and options still available for creation of a mark.

V. APPLICATION OF THE THREE OPTIONS TO PROJOB

In applying the foregoing options to our hypothetical company in this Part, the facts should be recounted: (1) Projob Technologies is a purely virtual company with an online presence only, (2) it sells only online services and no goods of any kind, and (3) it is unregistered with the USPTO. We assume for the sake of the example that it is a senior user and has established some level of common law rights to the use of its mark. Additionally, we presume that a junior user has entered the Internet with a confusingly similar mark and has attempted to register it. This Part will analyze Projob's status under the current regime, and will determine what rights, if any, Projob may rely on. Next, it will briefly analyze Projob within the framework of the limited Lanham Act amendment proposed above. Finally, it will ponder Projob's rights in a systemically revised Lanham Act world.

A. Ad Hoc judicial Analysis

This option would leave Projob in an unpredictable quandary. There is no way to predict how a court will handle this situation, and history has shown that the only thing that Projob could rely on is that the court will likely avoid the issue and decide it on alternative grounds, likely against Projob's interests. Thus, there is no reasonably predictable solution for this scenario.

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[146] 15 U.S.C. § 1052(e)(5) (2006).
[147] *See generally id.* § 1052.
[148] *Id.* § 1051(a), (b).

B. Section 1125(e) Revision to the Lanham Act

Were this amendment ratified, Projob would likely have some rights to assert. Though unregistered, the new amendment would allow Projob to establish its bona fide use on the Internet and, if it can meet the threshold requirements, effectively preclude the junior user from entering its market—i.e., the Internet. However, upon the judicial determination of bona fide use, Projob would have ninety days to register in order to prevent the constructive abandonment of its mark.

C. Systemic Rewrite of the Lanham Act

Though Projob's rights would be difficult to predict precisely in this scenario, a few general observations can be made. Projob's first appropriation would likely give it priority and an effective remedy against confusingly similar marks from any infringer. Provided it could establish use sufficient to gain property rights, it could assert these offensively against this confusingly similar junior user in all markets, not just the Internet. Ideally, this situation would not arise under a new regime because junior users are more effectively deterred from entering a market, understanding that mark holders will protect their property rights fervently and without limit. We predict trademark infringement would begin to resemble copyright infringement, with similar enforcement strategies and remedies.

VI. CONCLUSION

In the foregoing analysis, we hope to have shown that the current trademark regime is at best ill-equipped to handle the technological advances of the Internet, or at worse, ominously positioned to endure a fundamental break. From the forced analogy of geographic concurrent use doctrine to the internal inconsistency in the Lanham Act, trademark law is uniquely poised to recognize its shortcomings, and depart from its currently splintered path. Should Congress choose to depart, it could provide much needed clarity in the field of trademark law and simplify the Lanham Act; this would be of benefit to consumers and businesses alike. However, we understand that it may be too progressive to change the nature of trademark law and rewrite the Lanham Act in its entirety now, and that Congress may prefer to riddle with exceptions a perfectly clear rule rather than fundamentally rewrite the ill-fitting law.

Therefore, the interim proposal stated above proposes the insertion of a new exception into the Lanham Act governing concurrent use on the Internet and the rights that are created. This would provide needed clarity in what will certainly become a burgeoning set of cases in the future. With the overwhelmingly comprehensive influence of the Internet on the buying public, we can expect more online transactions, and more Internet cases. Additionally, Congress could use this exception as a platform for reinforcement of the registration procedures, which would bring more companies into compliance with the Lanham Act provisions, and provide uniformity both in the law, and in practice. Should Congress refuse to amend the law, the courts will likely continue down the splintered path they are on, leading to more fragmentation and an inability of litigants to predict the parameters courts will use to decide their geographic boundaries and rights to use on the Internet.