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METATAGS AND SPONSORED LINKS: SOLVING A TRADEMARK DISPUTE WITH AN ANTITRUST INQUIRY

*“Intellectual property rights do not confer a privilege to violate the antitrust laws.”*¹

INTRODUCTION

The Internet has drastically altered traditional notions of commercial business, and the recent dawning of e-commerce has led to record profits.² While companies maximize profits through online sales,³ the most jaw-dropping profits reside in the pockets of search engines.⁴ As recently as December 31, 2007, the most popular search engine boasted earnings of more than \$16 billion.⁵ Not surprisingly, the rise of previously unheard-of profits has spawned heated litigation.⁶ In particular, the appropriate application of trademark laws to e-commerce has created a veritable battle royale among the circuit courts.⁷ These trademark disputes typically concern the proper use of search engines, which are online tools that enable Internet users to quickly find a specific product.⁸

1. *In re Indep. Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1325 (Fed. Cir. 2000).

2. See Deborah F. Buckman, Annotation, *Lanham Act Trademark Infringement Actions in Internet and Website Context*, 197 A.L.R. FED. 17, 31 (2004) (stating that the Internet has revolutionized commercial business); see also J. Patrick Norris, *The Sale of Internet Keywords: Trademark Infringement Actionable Under the Lanham Act?*, 2 CHARLESTON L. REV. 889, 889–90 (2008). Norris explains,

[T]he Internet has effected innumerable changes in our everyday lives. None of these changes, however, are as glaring as the dramatic shift that has taken place in the way we conduct business. Internet commerce (or “e-commerce”) allows merchants and consumers greater access to the marketplace than ever before. Transaction costs are lower. Communication is easier.

3. See Nicholas D. Birck, *Unlocking the Future with Digital Infrastructure and Wireless Technology: How Municipal Wireless Networks Equal Good Urban Planning*, 58 SYRACUSE L. REV. 613, 629–30 (2008) (explaining the extremely profitable nature of the Internet).

4. U.S. Sec. & Exch. Comm’n Form 10-K, http://www.sec.gov/Archives/edgar/data/1288776/000119312508032690/d10k.htm#tx96453_3 (2007) [hereinafter Google Form].

5. *Id.*; see also Chris Colyer, Comment, *Searching for a Solution: The Lanham Act’s “Use in Commerce” Requirement in Search Engine Keyword Advertising Cases*, 56 U. KAN. L. REV. 679, 679 (stating that sponsored links represent “more than 40% of all Internet advertising”).

6. See *infra* notes 63–97 and accompanying text.

7. See *id.*

8. See *id.*; Greg Lastowka, *Google’s Law*, 73 BROOK. L. REV. 1327, 1327 (2008) (explaining that “Google has become . . . the index of choice for online information”).

To use a search engine, the Internet user simply types a word or phrase into the engine.⁹ The engine will then comb through millions of websites in search of potentially relevant information related to the Internet user's word or phrase.¹⁰ The engine usually identifies relevant information by searching through text on websites, domain names, or metatags;¹¹ as explained below, metatags are words that a website owner uses in order to identify the contents of his website.¹² Although the search engine will often produce results that span many pages in length,¹³ Internet users generally click on links that appear on either the first or second page.¹⁴ Consequently, companies aggressively compete to ensure that links to their websites appear at the top of the result pages.¹⁵ For example, a company may place its rival's trademark in metatags, in the hopes that a link to its website will appear on a search engine's result pages every time an Internet user searches for the rival's website.¹⁶ In response to this tactic, some search engines no longer search through metatags.¹⁷ Yet savvy competitors possess another alternative: purchasing a rival's trademark as a sponsored link.¹⁸ Sponsored links are sold by search engines, and they guarantee that every search for a purchased keyword will cause the purchaser's website to appear at the top of the result pages, usually in a distinctly identified sponsored link list.¹⁹ Thus, by purchasing a rival's trademark as a sponsored link, a competitor ensures that its

9. See Norris, *supra* note 2, at 898.

10. See *id.* at 898–99 (explaining how search engines use an algorithm to comb through websites).

11. See *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999).

12. See *infra* notes 48–49 and accompanying text.

13. See, e.g., *Search King, Inc. v. Google Tech., Inc.*, 2003 WL 21464568, at *1–2 (W.D. Okla. May 27, 2003) (explaining how a suit against Google Technology was filed after Search King started to appear many pages after the first result page).

14. Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 535 (2005) (“Searchers do not generally look at search results beyond the first page or two, which is a result consistent with bounded rationality.”).

15. See Norris, *supra* note 2, at 899; see also Goldman, *supra* note 14, at 535–36 (describing this reality as an “arms race” between search engines and website owners).

16. See Lastowka, *supra* note 8, at 1372 (explaining that metatags are used by Web page authors to identify the terms that are most relevant to the Web page).

17. See Goldman, *supra* note 14, at 536 (explaining that search engines constantly update their algorithms in order to prevent web page designers from successfully exploiting an algorithm's form).

18. See Lastowka, *supra* note 8, at 1371–72; Norris, *supra* note 2, at 899 (“[A] merchant might place a bid on a mark owned by a competitor with an established reputation in that market in order to obtain priority placement for his website link in search results.”).

19. Norris, *supra* note 2, at 898–99; see also Lastowka, *supra* note 8, at 1343 (explaining that sponsored links usually appear in a separate, clearly marked category of results on the first result page).

own website will be displayed at the top of the results even when an Internet user searches for its rival. This practice leads to the question of whether a competitor's use of its rival's trademark in metatags and sponsored links violates trademark laws, as codified in the Lanham Act.²⁰

The majority of federal circuit courts that have addressed this issue (occasionally referred to in this Comment as the "majority") have held that the use of a rival's trademark in metatags and sponsored links violates the Lanham Act.²¹ To remedy these violations, the majority frequently grants injunctions.²² This Comment argues that the majority's reasoning is flawed because it focuses on the trademark's value as an instrument that restricts competition, while it fails to inquire whether the restriction is *excessively* restrictive, in contravention of antitrust laws and principles.²³ The failure of the majority to pursue an antitrust inquiry ignores the reality that trademark and antitrust laws are intrinsically linked: while trademark laws restrain trade to promote competition, antitrust laws prohibit overly restrictive restraints on trade that harm competition.²⁴ This Comment explores an inquiry into both trademark and antitrust laws, and it concludes that the majority has promulgated an inaccurate interpretation of trademark law that threatens to undermine competition on the Internet.²⁵

Part II begins by briefly defining the relevant technological terms used throughout this Comment.²⁶ Part II then explores the statutes and opinions governing trademark law, and it concludes by outlining the traditional interpretations of antitrust laws.²⁷ Part III highlights

20. See, e.g., 15 U.S.C. § 1127; *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1041 (9th Cir. 1999); *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 395-96 (N.D.N.Y. 2006); *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 410 (S.D.N.Y. 2006).

21. See *N. Am. Med. Co. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1218-19 (11th Cir. 2008); *Austl. Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239-42 (10th Cir. 2006); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1023-24 (9th Cir. 2004); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812-13 (7th Cir. 2002); *Hysitron Inc. v. MTS Sys. Co.*, No. 07-01533, 2008 U.S. Dist. LEXIS 58378, at *7-8 (D. Minn. Aug. 1, 2008); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703-04 (D. Va. 2004).

22. See *Boston Duck Tours v. Super Duck Tours*, 531 F.3d 1, 8 (1st Cir. 2008); *N. Am. Med. Co. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1216 (11th Cir. 2008); *Austl. Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1242 (10th Cir. 2006); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1023 (9th Cir. 2004); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 814 (7th Cir. 2002); *Hysitron Inc. v. MTS Sys. Co.*, No. 07-01533, 2008 U.S. Dist. LEXIS 58378, at *7-8 (D. Minn. Aug. 1, 2008).

23. See *infra* notes 213-280 and accompanying text.

24. *Id.*

25. *Id.*

26. See *infra* notes 34-53 and accompanying text.

27. See *infra* notes 54-118 and accompanying text.

the flawed reasoning of the majority of circuits,²⁸ and it suggests that the majority's injunctive remedy resembles an anticompetitive exclusive dealing contract.²⁹ Part IV discusses the impact of the majority's approach upon the functionality of the Internet, the current scope and applicability of trademark law, and the appropriate boundaries of antitrust laws.³⁰

II. BACKGROUND

To correctly determine the appropriate application of trademark and antitrust laws to the Internet, an elementary understanding of technological definitions is crucial. Therefore, Section A begins with a brief description of technological terms related to e-commerce.³¹ Following these definitions, Section B outlines the relevant elements of trademark law, as well as the manner in which trademark law has been applied to search engine activity.³² Finally, Section C discusses the antitrust laws that should have influenced the majority's interpretation of trademark regulations.³³

A. *Technological Definitions Related to E-Commerce*

"The Internet is a global network of interconnected computers which allows individuals and organizations . . . to share information . . ."³⁴ The fastest growing part of the Internet is the Web, which is comprised of countless Web pages from around the world.³⁵ Web pages, also known as websites,³⁶ "contain information such as text, pictures, sounds, audio and video recordings, and links to other web pages."³⁷ In order to access websites, individuals must use an Internet browser, such as Microsoft's Internet Explorer, Netscape's Navigator, and Mozilla's Firefox.³⁸

To locate a particular website, Internet users can either seek the assistance of a search engine or attempt to accurately guess the do-

28. See *infra* notes 119–212 and accompanying text.

29. See *infra* notes 213–280 and accompanying text.

30. See *infra* notes 281–311 and accompanying text.

31. See *infra* notes 34–53 and accompanying text.

32. See *infra* notes 54–95 and accompanying text.

33. See *infra* notes 96–118 and accompanying text.

34. *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1044 (9th Cir. 1999).

35. *Id.* at 1044. For more information about each of these browsers, see <http://www.microsoft.com/windows/Internet-explorer/default.aspx>; <http://browser.netscape.com>; <http://www.mozilla.com/en-us/firefox/personal.html>.

36. See *Brookfield Commc'ns, Inc.*, 174 F.3d at 1043 (using interchangeably the terms "website" and "Web page").

37. *Id.* at 1044.

38. *Id.*

main name of the website.³⁹ A domain name, similar to a home telephone number, is a unique address that takes an Internet user directly to the website.⁴⁰ However, because guessing the exact domain name of a website may be difficult, search engines have become indispensable online tools.⁴¹

The most frequently used search engine is Google,⁴² and other popular search engines include Yahoo!, Altavista, MSN, and Lycos.⁴³ To use a search engine, Internet users type a keyword into the engine.⁴⁴ The engine then engages in two different search methods to compile one complete list of relevant search results.⁴⁵ First, the engine employs an algorithm to determine which websites are the most relevant.⁴⁶ Algorithms are complex, constantly updated, and never released to the public.⁴⁷ In the past, algorithms frequently searched through metatags,⁴⁸ which are words that the website owner uses to describe the contents of a website.⁴⁹ However, as website owners began manipulating metatags in order to appear at the top of the result pages, the algorithms have become more sophisticated and less reliant upon metatags.⁵⁰ Second, the search engine compiles a list of search results by placing all sponsored links at the top of the first result page.⁵¹ Sponsored links are sold by the company that runs the search engine, and they guarantee that a link to the purchaser's website will

39. Buckman, *supra* note 2, at 32–33.

40. *Brookfield Commc'ns, Inc.*, 174 F.3d at 1044.

41. See Buckman, *supra* note 2, at 32–33.

42. See Lastowka, *supra* note 8, at 1327 (citing *Who's Afraid of Google?*, *ECONOMIST*, Aug. 30, 2007).

43. *Brookfield Commc'ns, Inc.*, 174 F.3d at 1045; see also Mathew Sag, *Copyright and Copy-Reliant Technology*, 103 Nw. U. L. REV. (forthcoming 2009) (stating that Google, Yahoo, and MSN are the three most popular search engines today).

44. *Brookfield Commc'ns, Inc.*, 174 F.3d at 1045.

45. Norris, *supra* note 2, at 898–99.

46. *Id.*

47. Goldman, *supra* note 14, at 534–36 (explaining that search engines update algorithms in order to prevent web page designers from exploiting an algorithm's form).

48. Historically, algorithms search for the keyword in domain names, metatags, and text on websites. See *Brookfield Commc'ns, Inc.*, 174 F.3d at 1045. The more often the keyword appears in the domain name, metatags, and text, the more likely it is that a link to the website will appear at the top of the result pages. *Id.*

49. Two types of metatags exist: description metatags and keyword metatags. Description metatags describe the website, and keyword metatags contain words “that relate to the content of the web site.” *Brookfield Commc'ns, Inc.*, 174 F.3d at 1045.

50. Consequently, changing metatags to match the qualities of an algorithm is frequently unsuccessful, or, at best, only temporarily successful. See Lastowka, *supra* note 8, at 1371–72 (explaining that in the past, competitors placed their rival's trademark in their metatags; now, however, the sophistication of algorithms has rendered the use of metatags less prevalent).

51. See *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 408 & n.4 (S.D.N.Y. 2006).

appear on the first result page every time an Internet user types the purchased keyword into the engine.⁵² Usually, sponsored links are visually separated from the list of non-sponsored, “organic” links.⁵³

The foregoing definitions demonstrate the truly unique qualities of e-commerce, which vary in great degree from conventional, non-virtual commerce. However, prior to discussing the proper application of trademark and antitrust laws to this unique forum, the remainder of this Part will briefly outline the well-settled, traditional interpretations of trademark and antitrust laws.

B. Traditional Trademark Law Applied to Offline Activity

The proper use of trademarks is governed by the Lanham Act, which aims to preserve the clarity of trademarks, protect consumers against confusion, reduce consumer search costs, and encourage trademark owners to make investments in quality and reputation.⁵⁴ To accomplish its purposes, the Act prohibits the “use in commerce . . . of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion.”⁵⁵ Because parties rarely dispute whether search engines are engaged in interstate commerce, this Comment will focus on the use and confusion elements of the Lanham Act.⁵⁶

The traditional, offline definitions of “use” and “confusion” are well-settled. The Lanham Act explains that trademarks are “used” in connection with goods when the trademark “is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto.”⁵⁷ Courts interpret “confu-

52. See *Southern Grouts & Mortars, Inc. v. 3M Co.*, 575 F.3d 1235, 1240 (11th Cir. 2009).

53. Lastowka, *supra* note 8, at 1343 (describing that Google might award its sponsored links a spot on the left side of the page, above its organic links).

54. Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 N.Y.U. L. REV. 60, 64–66 (2008); see *infra* notes 63–95 and accompanying text.

55. 15 U.S.C. § 1114(1)(a) (2006). For a discussion about the Lanham Act’s goals, see Hung P. Chang, *Return to Confusion: Call for Abandonment of the Initial Interest Confusion Doctrine*, 12 INTEL. PROP. L. BULL. 131, 133 (2008); see also *infra* notes 187–212 and accompanying text (discussing how the majority adheres to a holding that is inconsistent with the purpose of trademark law).

56. When this issue is disputed, courts have found that the use is “in commerce.” See, e.g., *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1032 (9th Cir. 2004). For a discussion of the issues typically disputed in the search engine context, see *infra* notes 63–95 and accompanying text. Furthermore, it is noted that a violation of the Lanham Act consists of six elements, as seen in *1-800 Contacts*; however, the elements not expressly mentioned by this Comment are ignored simply because they are rarely disputed. See *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 407 (2d Cir. 2005).

57. 15 U.S.C. § 1127 (2006).

sion” as a “likelihood of confusion.”⁵⁸ For the purpose of trademark infringement, a likelihood of confusion requires that “an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question.”⁵⁹ Therefore, a likelihood of confusion refers to a likelihood of confusion at the time of purchase. In order to distinguish this type of confusion from other types of confusion, this Comment will occasionally refer to the definition of “likelihood of confusion” as “likelihood of actual confusion.”

Although traditional definitions of “use” and “confusion” are well developed,⁶⁰ the recent growth of the Internet has created controversy where none previously existed.⁶¹ In particular, the appropriate interpretation of online “use” and online “confusion” remain unsettled.⁶²

C. *The Majority Holds That the Use of Trademarks in Metatags and Sponsored Links Violates the Lanham Act*

The Internet has become a new and important mechanism for commerce.⁶³ While competitors “stake out their places in cyberspace,” rivals turn to litigation in order to gain online advantages.⁶⁴ The rise in litigation related to online activity has led to inconsistent decisions among the circuit courts.⁶⁵ Specifically, turmoil surrounds the issue of whether a competitor violates trademark laws when it uses a rival’s trademark in metatags and sponsored links.⁶⁶ The following discussion surveys the conflicting resolutions of this issue.

58. *Id.*; see, e.g., *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978). This Comment will refer to the textual definition of confusion as “actual confusion.” In order to be actually confused, the consumer must be confused as to the source of the good in question at the time of purchase.

59. *Mushroom Makers, Inc.*, 580 F.2d at 47; see also John Kimpflen, *Trademarks and Tradenames*, 74 AM. JUR. 2D *Trademarks and Tradenames* § 86 (2008) (stating that a likelihood of confusion exists “when a large number of purchasers likely will be confused as to the source of the goods in question”).

60. See *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 29–30 & nn.3–4 (defining “use” under the Lanham Act).

61. See *infra* notes 63–95 and accompanying text.

62. *Id.*

63. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1044 (9th Cir. 1999).

64. See *id.* (describing how companies have reacted to the rise of e-commerce); see also Colyer, *supra* note 5, at 680 (outlining the “substantial amount of litigation” surrounding the use of sponsored links).

65. See *infra* notes 63–95 and accompanying text.

66. *Id.*

1. *The Majority Rule*

Every circuit that has considered the issue now holds that the use of a competitor's trademark in metatags and sponsored links violates the Lanham Act.⁶⁷ In reaching this conclusion, the majority of circuit courts do not treat the "use" issue as a threshold inquiry; instead, the majority focuses on consumer confusion.⁶⁸

Traditionally, the "confusion" requirement of the Lanham Act is defined in terms of a consumer's confusion as to the source of the good.⁶⁹ However, the majority does not employ this definition when applying the Lanham Act to e-commerce.⁷⁰ Instead, the majority finds the requisite "confusion" when "initial interest confusion" results from the trademark's use.⁷¹ Thus, these courts diverge from the traditional definition of confusion in favor of a broader definition that includes initial interest confusion.

Initial interest confusion occurs on the Internet when consumers believe that they are clicking on a link to the trademark owner's website, but upon clicking on that link, they are routed to the website of a rival

67. *See, e.g.*, *N. Am. Med. Co. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1212 (11th Cir. 2008); *Austl. Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1241 (10th Cir. 2006); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1021 (9th Cir. 2004); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 813 (7th Cir. 2002); *Hysitron Inc. v. MTS Sys. Co.*, No. 07-01533 ADM/AJB, 2008 U.S. Dist. LEXIS 58378, at *7-8 (D. Minn. Aug. 1, 2008); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 705 (D. Va. 2004); *see also Merck & Co.*, 425 F. Supp. 2d at 415 (stating that "in the search engine context, defendants do not 'place' the . . . marks on any goods or containers or displays or associated documents, nor do they use them in any way to indicate source or sponsorship").

68. *See, e.g.*, *Boston Duck Tours v. Super Duck Tours*, 531 F.3d 1, 25-26 (1st Cir. 2008); *N. Am. Med. Co. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1220 (11th Cir. 2008); *Austl. Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1238 (10th Cir. 2006); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1025 (9th Cir. 2004); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002); *Hysitron Inc. v. MTS Sys. Co.*, No. 07-01533 ADM/AJB, 2008 U.S. Dist. LEXIS 58378, at *8-9 (D. Minn. Aug. 1, 2008); *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 411; *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 704 (D. Va. 2004). The Second Circuit did not expressly adhere to this reasoning. *See Rescuemom Corp. v. Google Inc.*, 562 F.3d 123, 128-30 (2d Cir. 2009) (distinguishing *1-800 Contacts* without actually explaining why the distinguished facts should lead the court to such a different outcome). Therefore, while both the Second Circuit and the majority of circuits hold that the conduct at issue satisfies the "use" element, it remains possible that instead of following the majority of circuits, the Second Circuit may follow the Third Circuit in holding that the "use" does not violate the Lanham Act because the "use" does not lead to consumer confusion. *See infra* notes 90-95 and accompanying text.

69. *See supra* notes 58-59 and accompanying text.

70. *See, e.g.*, *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1061-65 (9th Cir. 1999).

71. *See, e.g., id.* at 1064 (arguing that an initial interest confusion amounts to a prima facie showing of confusion because the use of the trademark allowed the competitor to appropriate the good will of its rival's trademark).

company.⁷² Although the consumers immediately realize their mistake, they were initially confused when they clicked on the rival's link.⁷³ The majority condemns initial interest confusion because some consumers may realize their mistake, yet remain on the rival's website because the rival's product is equally, if not more, satisfying.⁷⁴ Thus, under the majority's rationale, the rival has violated the Lanham Act by using its rival's trademark in a manner that appropriates the goodwill of the trademark owner.⁷⁵ After holding that the use of trademarks in metatags and sponsored links creates initial interest confusion, the majority terminates its trademark inquiry. In doing so, these circuits neglect to engage in a full-fledged inquiry into the statutory definition of either "use" or "confusion."⁷⁶

2. *The Second Circuit, Prior to Rescuecom Corp. v. Google Inc.*⁷⁷

Before 2009, the Second Circuit held that the use of a competitor's trademark in metatags and sponsored links did not violate trademark law because these uses did not satisfy the statutory definition of "use."⁷⁸ As defined by the Lanham Act, a trademark is "used" in connection with a good only when the trademark "is placed in any

72. *Id.*

73. *Id.*

74. *Id.*

75. See *Brookfield Commc'ns*, 174 F.3d at 1062.

76. See, e.g., *Boston Duck Tours v. Super Duck Tours*, 531 F.3d 1, 30–31 (1st Cir. 2008); *N. Am. Med. Co. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1223–24 (11th Cir. 2008); *Austl. Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1240 (10th Cir. 2006); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1033–34 (9th Cir. 2004); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 813 (7th Cir. 2002); *Hysitron Inc. v. MTS Sys. Co.*, No. 07-01533 ADM/AJB, 2008 U.S. Dist. LEXIS 58378, at *7–9 (D. Minn. Aug. 1, 2008); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703–06 (D. Va. 2004).

77. 562 F.3d 123 (2d Cir. 2009) (holding that Google "uses" trademarks when it advertises and sells a company's trademark to that company's rivals), *rev'g* 456 F. Supp. 2d 393 (N.D.N.Y. 2006).

78. See *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 403 (2d Cir. 2005). Although the Second Circuit did not expressly overrule *1-800 Contacts* in *Rescuecom*, the *Rescuecom* court effectively overruled *1-800 Contacts* by interpreting it in a manner that implicitly re-writes its reasoning, and by drawing inferences from *1-800 Contacts* that were never meant to have been drawn. See *Rescuecom*, 562 F.3d at 128–29. Given that *Rescuecom* intentionally distorted the meaning of *1-800 Contacts* to avoid deviating from *stare decisis*, this Section does not adopt *Rescuecom*'s interpretation of *1-800 Contacts*; instead, this Section interprets *1-800 Contacts* in a manner that is consistent with that of all other courts in the Second Circuit prior to *Rescuecom*. See *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 399–400 (N.D.N.Y. 2006), *rev'd*, 562 F.3d 123 (2d Cir. 2009); *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 403 (2d Cir. 2005); *Merck & Co. v. Medioplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 414 (S.D.N.Y. 2006); *Tiffany Inc. v. Ebay, Inc.*, 576 F. Supp. 2d 463, 493–95 (S.D.N.Y. 2008); *Site Pro-1, Inc. v. Better Metal, LLC*, 506 F. Supp. 2d 123, 125 (E.D.N.Y. 2007); *Hamzik v. Zale Corp*, No. 3:06-cv-1300, 2007 U.S. Dist. LEXIS 28981, at *4–7 (N.D.N.Y. Apr. 19, 2007); *Fragrancenet.com, Inc. v. Fragrancex.com, Inc.*, 493 F. Supp. 2d 545, 552–53 (E.D.N.Y. 2007).

manner on the good or their containers, or the displays associated therewith.”⁷⁹ The Second Circuit explained that using trademarks in metatags and sponsored links did not constitute “use” because the trademark was never placed on a good.⁸⁰ In fact, the trademark was never actually seen by the Internet user.⁸¹ The Second Circuit analogized this “internal utilization of a trademark . . . to a[n] individual’s private thoughts about a trademark.”⁸² Additionally, it analogized these trademark uses to product placement: just as a rival can strategically place its product next to a popular trademarked product, the use of trademarks in metatags and sponsored links simply allows a rival to place its link next to its rival’s link.⁸³

3. *The Second Circuit, After Rescuecom*

The Second Circuit is the only circuit to have held that the use of metatags and sponsored links do not constitute “use.” However, the Second Circuit retreated from this position in its 2009 decision of *Rescuecom Corp. v. Google, Inc.* In *Rescuecom*, the Second Circuit joined the majority in holding that the use of trademarks in sponsored links and metatags constitutes “use,” as defined by the Lanham Act.⁸⁴

Despite the holding in *Rescuecom*, the Second Circuit never addressed the issue of consumer confusion because it treated the “use” inquiry as a threshold barrier to liability.⁸⁵ In reaching this conclusion, the Second Circuit repeatedly rejects the suggestion that mere initial interest confusion,⁸⁶ absent actual “use,” is sufficient to create a prima facie claim under the Lanham Act.⁸⁷ Thus, liability within the Second Circuit stems from a competitor’s misconduct, not from a con-

79. 15 U.S.C. § 1127 (2006).

80. See, e.g., *Merck & Co.*, 425 F. Supp. 2d at 415 (“[I]n the search engine context, defendants do not ‘place’ the . . . marks on any goods or containers or displays or associated documents, nor do they use them in any way to indicate source or sponsorship.”); *1-800 Contacts, Inc.*, 414 F.3d at 408–09 (explaining that the trademark was not used because the defendant did not “display” the trademark).

81. See, e.g., *1-800 Contacts, Inc.*, 414 F.3d at 409 (explaining that trademarks are not “used,” as defined by the Lanham Act, when the use of a trademark “does not create a possibility of visual confusion”).

82. *1-800 Contacts, Inc.*, 414 F.3d at 409.

83. See *id.* at 411; *Merck & Co.*, 425 F. Supp. 2d at 414.

84. See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 128–130 (2d Cir. 2009). Although it is noted that this Comment would quarrel with the reasoning of *Rescuecom*, including its interpretation of *1-800 Contacts, Inc.*, 414 F.3d at 412 (“[W]hile any number of activities may . . . create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the ‘use’ of a trademark.”).

85. *1-800 Contacts, Inc.*, 414 F.3d at 412 (“[W]hile any number of activities may . . . create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the ‘use’ of a trademark.”).

86. For an explanation of initial interest confusion, see *infra* notes 67–76.

87. See, e.g., *Fragrancenet.com, Inc.*, 493 F. Supp. 2d at 551 (explicitly rejecting the initial interest confusion inquiry used by the majority of circuits).

sumer's confusion.⁸⁸ This approach to liability is appropriate because holding otherwise would allow consumer confusion to condemn conduct that is not statutorily prohibited.⁸⁹

4. *The Third Circuit*

The Third Circuit has adopted reasoning that resembles a compromise between the conflicting holdings of the Second Circuit, prior to *Rescuecom*, and the majority of circuits. The Third Circuit holds that the use of trademarks in metatags and sponsored links constitutes actionable "use" because the conduct at issue is a "commercial transaction" that trades on the value of the trademark and ties the trademarked keyword to the promotion of the non-trademarked product.⁹⁰ The Third Circuit, however, finds that the use does not violate the Lanham Act because it does not lead to consumer confusion.⁹¹ The Third Circuit reasons that the links on the result pages "always appear as independent and distinct links," regardless of whether they are generated through sponsored links or metatags.⁹² Due to the separate and distinct nature of the links, consumers have no opportunity to become confused as to the source of the good.⁹³ Furthermore, although a rival might have placed a competitor's trademark in metatags or sponsored links, the rival has not placed the trademark anywhere that is discernable to Internet users.⁹⁴

As evident from the conflicting opinions among circuit courts, whether the Lanham Act prohibits the use of a rival's trademark in metatags and sponsored links is highly disputed.⁹⁵ However, notably absent from every opinion is an analysis of antitrust law.

88. See *1-800 Contacts, Inc.*, 414 F.3d at 410 (explaining that even if a competitor appropriates the goodwill of its rival by using its rival's trademarks, that appropriation does not violate the Lanham Act if the competitor does not actually "use" the trademark).

89. See *Fragrancenet.com, Inc.*, 493 F. Supp. 2d at 545; *Rescuecom Corp.*, 456 F. Supp. 2d at 398-403; *Merck & Co.*, 425 F. Supp. 2d at 411-416; *1-800 Contacts*, 414 F.3d at 407-410; see also *Playboy Enters., Inc. v. Netscape Comm'ns Corp.*, 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) ("I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him.").

90. See, e.g., *J.G. Wentworth v. Settlement Funding*, No. 06-0597, 2007 WL 30115, at *4-5 (E.D. Pa. Jan. 4, 2007); *Syncsort Inc. v. Innovative Routines Int'l, Inc.*, 2008 U.S. Dist. LEXIS 35364, at *41-46 (D.N.J. Apr. 30, 2008).

91. See, e.g., *id.* at *4, *6-8.

92. *Id.* at *7.

93. *Id.* at *8.

94. *Id.* at *7.

95. See *supra* notes 63-94 and accompanying text.

D. An Outline of the Relevant Statute and Cases of Antitrust Law

Antitrust and trademark laws are inherently interrelated because trademark laws permit certain restraints on trade while antitrust laws prohibit unreasonably restrictive restraints on trade.⁹⁶ To maintain the integrity of both areas of law, it is well-settled that trademark owners cannot use trademark laws to circumvent antitrust regulations.⁹⁷ Unfortunately, the boundary between legal and illegal restraints on trade is not self-evident.

Antitrust laws are codified in multiple statutes, but this Comment will focus on the anticompetitive conduct prohibited by the Sherman Act.⁹⁸ Section 1 of the Sherman Act prohibits concerted action between two or more entities: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal."⁹⁹ The precise meaning of this statute cannot be gleaned from its plain language because all contracts restrain trade to some extent, and therefore, if read literally, the Sherman Act would condemn all contracts.¹⁰⁰ Consequently, courts have interpreted the Act to prohibit only those restraints that are "unreasonable."¹⁰¹ Yet even this definition is unsatisfactory, as the meaning of "unreasonable restraints" is ambiguous at best.¹⁰² As a result, courts have developed multiple tests that attempt to identify the barriers of impermissibly anticompetitive conduct.¹⁰³ For example, courts apply a per se test when defendants engage in price fixing or market division.¹⁰⁴ Price

96. See *In re Indep. Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1325 (Fed. Cir. 2000) (describing the interrelation of antitrust and trademark laws by stating the following: "Intellectual property rights do not confer a privilege to violate the antitrust laws. . . . But it is also correct that the antitrust laws do not negate the patentee's right to exclude others from patent property").

97. *Id.*

98. See 15 U.S.C. §§ 1–2 (2006).

99. 15 U.S.C. § 1. Section 2 of the Sherman Act focuses on anticompetitive conduct engaged in by monopolies, but this Comment only focuses on § 1 of the Sherman Act. For an explanation of the prohibited conduct, see 15 U.S.C. § 2.

100. See *United States v. Visa U.S.A. Inc.*, 344 F.3d 229, 237–38 (2d Cir. 2003). Likewise, as evident from the circuit split on the interpretation of the Lanham Act, the plain meaning of the Lanham Act is not clear and unambiguous. For an argument illustrating the alleged plain meaning of the Lanham Act, see Norris, *supra* note 2 at 893–894, 907.

101. *Visa*, 344 F.3d at 237–38.

102. Because "unreasonable" restraints are not obvious, courts apply the rule of reason to determine whether a restraint is unreasonable. See, e.g., *id.* at 237–39. For a description of the rule of reason, see *infra* notes 112–118.

103. For a discussion about the rule of reason's evolution, see generally Alan J. Meese, *Farewell to the Quick Look: Redefining the Scope and Content of the Rule of Reason*, 68 ANTITRUST L.J. 461 (2000).

104. WILLIAM C. HOLMES, ANTITRUST LAW HANDBOOK § 2:10 (2007).

fixing and market division warrant *per se* condemnation because no justification can excuse behavior that directly harms consumers.¹⁰⁵

However, most anticompetitive conduct, including exclusionary conduct, escapes *per se* condemnation.¹⁰⁶ Exclusionary conduct occurs when two or more entities agree to exclude a third party from accessing consumers or a necessary input of supplies.¹⁰⁷ This conduct may cause the excluded outsider to exit the market or to sell its goods at a higher price. Consumer welfare can be harmed by the excluded outsider's exit from the market because the exit could decrease overall output and variety within the market.¹⁰⁸ Likewise, consumer welfare may suffer when the excluded outsider is forced to raise its prices because the outsider will pass on these costs to consumers, thus forcing the consumer to pay a higher price for the same good.¹⁰⁹ If a court finds that the exclusionary conduct ultimately harmed consumer welfare, antitrust laws will enjoin the exclusionary conduct.¹¹⁰ In order to determine whether the exclusionary conduct actually harms consumer welfare in violation of § 1 of the Sherman Act, the courts must apply the "rule of reason."¹¹¹

105. Although defendants might actually be capable of justifying conduct that qualifies for *per se* condemnation, "[t]he rationale for *per se* rules in part is to avoid a burdensome inquiry into actual market conditions in situations where the likelihood of anticompetitive conduct is so great as to render unjustified the costs of determining whether the particular case at bar involves anticompetitive conduct." *FTC v. Super. Ct. Trial Lawyers Ass'n*, 493 U.S. 411, 432 n.15 (1990) (quoting *Jefferson Parish Hospital District No. 2 v. Hyde*, 466 U.S. 2, 15–16 n.25 (1984)). However, the *per se* test is not appropriate in this context because the use of trademarks in metatags and sponsored links does not involve price fixing or market division.

106. *See, e.g., Visa*, 344 F.3d at 237–38 (applying the rule of reason, not the *per se* rule, to determine if the alleged conduct was impermissibly exclusionary).

107. *See* A. Douglas Melamed, *Exclusive Dealing Agreements and Other Exclusionary Conduct—Are There Unifying Principles?*, 73 *ANTITRUST L.J.* 375, 375 n.1, 403 (2006) (explaining that exclusive dealing contracts can harm a rival by preventing that rival from accessing consumers or the requisite inputs of supply).

108. *But see* PENELOPE A. PREVOLOS, *CORPORATE LAW AND PRACTICE COURSE HANDBOOK SERIES: UNFAIR PRACTICES AND PREDATORY PRICING* 219 (2009) (stating that "[i]f rivals remain in the market and exit is not reasonably imminent, courts should be 'especially demanding' as to the showing of harm to competition").

109. *See* Jonathan M. Jacobson, *Exclusive Dealing, "Foreclosure," and Consumer Harm*, 70 *ANTITRUST L.J.* 311, 328 (2002) (stating that exclusive dealing contracts are inappropriate if they tend to allow a firm to "increase prices, restrict output, reduce quality, slow innovation, or otherwise harm consumers").

110. *See* Thomas G. Krattenmaker & Steven C. Salop, *Anticompetitive Exclusion: Raising Rivals' Costs to Achieve Power Over Price*, 96 *YALE L.J.* 209, 249–50 (1986); *see also* Melamed, *supra* note 107, at 375, 377–78 (explaining that not all exclusive conduct is illegal because exclusive conduct often creates efficiencies that benefit consumer welfare).

111. *See, e.g., Visa*, 344 F.3d at 237–38.

The rule of reason is a burden-shifting test.¹¹² First, the plaintiff must demonstrate that the defendants' conduct has anticompetitive effects.¹¹³ To satisfy this burden, the plaintiff must define the relevant market, establish the colluders' degree of market share, and prove the amount of market foreclosure and other anticompetitive effects caused by the exclusion.¹¹⁴ If this burden is met, the plaintiff has alleged a prima facie claim of anticompetitive conduct, and the burden is shifted to the defendants.¹¹⁵ The defendants must rebut the plaintiff's prima facie case by offering procompetitive justifications for their conduct.¹¹⁶ Such justifications can include "enhanced efficiencies, protection of product or service goodwill, and inducing dealer loyalty."¹¹⁷ If the defendants can meet this burden, the plaintiff must prove "either that the challenged restraint is not reasonably necessary to achieve the defendants' procompetitive justification, or that those objectives may be achieved in a manner less restrictive of free competition."¹¹⁸

Apparent from the brief outlines of antitrust and trademark laws, these two bodies of law are in tension with one another: while trademark laws justify restraints on trade, antitrust laws prohibit excessive restraints on trade. This Comment argues that although courts can rely upon traditional interpretations of these laws to offline activity, courts should refrain from blindly applying these laws to online activity in a manner that ignores the unique qualities of e-commerce.

III. ANALYSIS

The Internet has drastically changed the commercial business norms of consumers and competitors.¹¹⁹ While consumers may now access an abundance of information in a matter of seconds,¹²⁰ producers

112. See *id.* at 238 (describing how the burden shifts between the plaintiff and the defendant when the court employs the rule of reason).

113. *Id.*

114. See HOLMES, *supra* note 104, § 2:19, at 354–55.

115. See *Visa*, 344 F.3d at 238.

116. *Id.*

117. HOLMES, *supra* note 104, § 2:10.

118. *Visa*, 344 F.3d at 238; see *Toys "R" Us, Inc. v. FTC*, 221 F.3d 928, 936–38 (7th Cir. 2000) (applying the rule of reason).

119. See Buckman, *supra* note 2, at 31 ("Commerce has gone way beyond the old-fashioned corner store. We are in the midst of a technological revolution of the marketplace, exemplified by the use of the Internet.").

120. See *id.* at 32 (portraying the Internet as an "information superhighway"); William H. Hollander & Adam F. Jarboe, *Internet Searches and Trademark Infringement*, 55 *FED. LAW.*, July 2008, at 12, 12 ("At a touch of a few keystrokes, an abundant and invaluable amount of information can be accessed from one's computer or cell phone.").

have gained access to unprecedented amounts of potential online sales.¹²¹ But the same enormity of information that renders the Internet useful also renders the Internet impenetrable without the aid of search engines.¹²² Given the pervasive use of search engines, competitors that appear at the top of search engine's result pages reap great rewards, while competitors that fail to appear on the result pages are competitively handicapped.¹²³ At the heart of many e-commerce lawsuits is whether, or to what degree, a competitor can use its rival's trademark to ensure that a link to its website appears at the top of the result pages.¹²⁴

Companies have a substantial incentive to appear at the top of the result pages because consumers tend to click only on links that are located on the first or second page.¹²⁵ This incentive has rendered the practice of placing a rival's trademark in metatags and sponsored links quite common.¹²⁶ In fact, both Google and Yahoo! frequently inform potential purchasers of sponsored links that the most effective keywords to purchase are often trademarked product names.¹²⁷ To illustrate, if an Internet user wishes to search for a dark, Pepsi-like soda, that user will most likely search with the keyword "Pepsi," as opposed to a keyword devoid of trademarks, such as "brown carbonated soda beverage."¹²⁸ Even if the consumer did use the latter, more awkward description, the search engine's algorithm is unlikely to determine that the consumer desires a Pepsi-like product.¹²⁹ Consequently, Pepsi's rivals have a strong economic incentive to purchase the keyword "Pepsi," rather than a keyword devoid of trademarks. Ultimately, the question before the courts is whether a competitor may alter its chances of appearing at the top of the result pages by using its rival's trademark in metatags and sponsored links. The majority of circuit courts that have addressed this issue hold that these

121. See Lastowka, *supra* note 8, at 1328 (stating that "fortunes are won and lost" based on result pages).

122. See *id.* at 1332 ("The Internet has been a means of storing and sharing large amounts of data . . . [but] reams of information devoid of an organizing indexical scheme can be useless for all practical purposes.").

123. See Norris, *supra* note 2, at 899; Goldman, *supra* note 14, at 535-36.

124. See *supra* notes 63-95 and accompanying text.

125. Goldman, *supra* note 14, at 535.

126. See Douglas McGhee, *Looking Beyond "Use" in Predicting Advertiser Liability for Using Competitors' Marks in Online Advertising*, 20 INTELL. PROP. & TECH. L.J., Apr. 2008, at 9, 9 (explaining why the most effective search terms are trademarked words).

127. See *id.*

128. See *id.* (offering an analogous example of consumer search terms).

129. See Goldman, *supra* note 14, at 521-22 (providing an example of how chosen keywords frequently do not yield accurate and relevant results).

online uses of trademarks violate trademark law, but this Part argues to the contrary.

Section A demonstrates that the majority has expanded the Lanham Act beyond its plain language and purpose.¹³⁰ In addition, this Section explores how the majority improperly applies traditional trademark law to the untraditional arena of e-commerce.¹³¹ Section B argues that the injunction frequently granted by the majority undermines antitrust laws because the majority has interpreted the Lanham Act as an instrument that can supersede antitrust regulations.¹³²

A. *Trademark Law: The Majority Inappropriately Interprets The Lanham Act*

The majority of circuit courts to reach the issue hold that the use of trademarks in metatags and sponsored links violates the Lanham Act.¹³³ The majority reasons that this conduct constitutes “use” under the Lanham Act because the use is likely to cause initial interest confusion.¹³⁴ Three flaws undermine the majority’s line of reasoning.¹³⁵ First, the majority assumes actual “use” whenever initial interest confusion exists.¹³⁶ This assumption is improper because the “use” element is independent and separate from the confusion element.¹³⁷ Second, this conduct does not lead to a likelihood of actual consumer confusion, and by allowing initial interest confusion to satisfy the requirement of confusion, the majority has improperly expanded the scope of the Lanham Act.¹³⁸ Moreover, initial interest confusion amounts to nothing more than diversion, and in congruence with traditional trademark laws, courts should refrain from enjoining on-

130. See *infra* notes 133–212 and accompanying text.

131. See *id.*

132. See *infra* notes 213–280 and accompanying text.

133. See *supra* notes 67–76 and accompanying text. Absent the consent of the trademark owner, the Lanham Act prohibits the “use in commerce . . . of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion.” 15 U.S.C. § 1114(1)(a) (2006).

134. See *supra* note 67–76 and accompanying text. Compare *Hysitron Inc. v. M.T.S. Sys. Co.*, No. 07-01533 ADM/AJB, 2008 U.S. Dist. LEXIS 58378, at *7–8 (D. Minn. Aug. 1, 2008) (adopting the view that using a trademark to generate advertising constitutes “use” under the Lanham Act), with *Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C-05-5340 JF (RS), 2007 U.S. Dist. LEXIS 32450, at *21 (N.D. Cal. Apr. 18, 2007) (effectively equating the “use” element with the “confusion” element).

135. See *infra* notes 143–212 and accompanying text.

136. See *infra* notes 140–158 and accompanying text.

137. See *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 412 (2d Cir. 2005); *infra* notes 141–158 and accompanying text.

138. See *infra* notes 159–186 and accompanying text.

line diversion.¹³⁹ Third, the holdings of the majority directly contradict the purpose of trademark law, which aims to restrain trade for the benefit of competition.¹⁴⁰ The flawed reasoning of the majority has led to an inaccurate application of trademark laws to e-commerce.

1. *The Use of Trademarks in Metatags and Sponsored Links Does Not Constitute "Use" Under the Lanham Act*

The majority holds that a competitor has "used" its rival's trademark when it places the trademark in metatags and sponsored links. This conclusion is objectionable because the majority has failed to treat the "use" and "confusion" requirements as separate and distinct elements.

The plain meaning of the Act supports the contention that "use" and "confusion" are independent elements, both of which must be satisfied before finding a violation of the Lanham Act.¹⁴¹ This Act expressly prohibits the "*use in commerce . . . of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion.*"¹⁴² The plain meaning of this statute is so evident that no court has ever suggested that the Lanham Act is comprised of two elements instead of three.

Despite the obvious existence of three separate elements in the statutory text, the majority employs reasoning that effectively eliminates the inquiry into "use." Specifically, the majority reasons that the use of trademarks in metatags and sponsored links constitutes "use" under the Lanham Act because it causes initial interest confusion.¹⁴³ This approach allows the majority to condemn conduct after a finding of confusion and causation, even if the trademark was never actually "used." Only the Second Circuit has directly criticized the majority's reasoning as a method that "puts the cart before the horse."¹⁴⁴ The Second Circuit explained,

139. *See id.*

140. *See infra* notes 187–212 and accompanying text.

141. *But see* Colyer, *supra* note 5, at 696–708 (explaining the opposing thesis and conclusion, which ultimately blurs the line between the "use" and "confusion" elements).

142. 15 U.S.C. § 1114(1)(a) (2006) (emphasis added).

143. *See supra* note 67 and accompanying text.

144. If the use is not actionable, any confusion derived therefrom is immaterial. *See 1-800 Contacts*, 414 F.3d at 409; *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 403 (N.D.N.Y. 2006), *rev'd*, 562 F.3d 123 (2d Cir. 2009); *Merck & Co. v. Mediplan Health Consulting Inc.*, 425 F. Supp. 2d 402, 415 (S.D.N.Y. 2006). *But see* *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 128–130 (2d Cir. 2009) (marginalizing the meaning of *1-800 Contacts* in an attempt to avoid directly overruling established precedent).

“[U]se,” “in commerce,” and “likelihood of confusion” [are] three distinct elements of a trademark infringement claim, . . . [and] while any number of activities may be “in commerce” or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the “use of a trademark.”¹⁴⁵

In failing to approach each element of the Lanham Act as a separate element that requires its own individual analysis, the majority collapses the three elements and three inquiries¹⁴⁶ into two elements and two inquiries.¹⁴⁷ This holding expands the scope of the Lanham Act because it allows for the condemnation of conduct that does not actually involve the “use” of a trademark.¹⁴⁸ More troubling, given that the Lanham Act explicitly requires a finding of “use,” the majority’s effort to collapse the Lanham Act into two elements resembles judicial lawmaking.

Even district courts that are bound to follow the precedent of the majority demonstrate an understanding that “use” and “confusion” are separate and independent elements, each of which requires its own legal analysis.¹⁴⁹ Unfortunately, these district courts are compelled to follow the holdings of the circuit courts, and given that the circuit courts’ finding of “use” is improper, any holding based solely on stare decisis is unpersuasive.¹⁵⁰ However, because that the district court opinions postdate the majority’s opinions, perhaps the district

145. *1-800 Contacts*, 414 F.3d at 412.

146. These three elements are: (1) use, as defined by the Lanham Act; (2) confusion resulting from such use; and (3) use of a trademark in commerce. *Id.*

147. The two elements are (1) the use *caused* the consumer to be *confused*, and (2) in commerce. *See, e.g., Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C-05-5340 JF (RS), 2007 U.S. Dist LEXIS 32450, at *21 (N.D. Cal. Apr. 18, 2007).

148. *See Fragrancenet.com, Inc. v. Fragrancex.com, Inc.*, 493 F. Supp. 2d 545, 552 (E.D.N.Y. 2007) (“[I]nternal uses of trademarks in cyberspace are not converted into Lanham Act ‘uses’ merely because of the advancements in the effectiveness and scope of advertising that has come with the development of the Internet.”).

149. *See, e.g., Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JF (RS), 2007 U.S. Dist LEXIS 32450, at *18 n.11, *21 (N.D. Cal. Apr. 18, 2007); *Edina Realty, Inc. v. Themlsonline.com*, No. 04-4371JRTFLN, 2006 WL 737064, at *3-4 (D. Minn. Mar. 20, 2006); *Gov’t Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 702-04 (E.D. Va. 2004).

150. *See supra* notes 67-94 and accompanying text. Stare decisis is a Latin term that means “[t]o stand by things decided, and not to disturb settled points.” BLACK’S LAW DICTIONARY 1443 (8th ed. 2004). While the principle of stare decisis is not a command to which courts must strictly adhere, “the careful observer will discern that any detours from the straight path of stare decisis in our past have occurred for articulable reasons, and only when the Court has felt obliged ‘to bring its opinions into agreement with experience and with facts newly ascertained.’” *District of Columbia v. Heller*, 128 S. Ct. 2783, 2824 (2008) (Stevens, J., dissenting) (quoting *Burnet v. Coronado Oil & Gas Co.*, 285 U.S. 393, 412 (1932) (Brandeis, J. dissenting)). Stare decisis is favored by courts because it “permits society to presume that bedrock principles are founded in the law rather than in the proclivities of individuals, and thereby contributes to the integrity of our constitutional system of government, both in appearance and in fact.” *Id.*

courts' treatment of "use" and "confusion" as two separate elements will encourage the majority to reevaluate its method of analysis and adopt a more persuading analytical approach.¹⁵¹

If the majority had inquired into the exact meaning of "use," as required by the Lanham Act, they would have concluded that the conduct at issue did not constitute actionable "use." The Lanham Act expressly defines "use in commerce" as a trademark "*placed* in any manner on the goods."¹⁵² In the search engine context, the trademark is never placed on any good.¹⁵³ To belabor this point, the trademark is neither placed on the good owned by the trademark owner, nor is it placed on the good owned by its rival.¹⁵⁴ In fact, the trademark that resides in metatags and sponsored links is entirely invisible to the Internet user.¹⁵⁵ As such, the use of the trademark is never communicated to the public.¹⁵⁶ This analysis is faithful to the definition of "use," as defined by the Lanham Act itself, and it leads to the obvious conclusion that trademarks are not "used" when contained in metatags or sponsored links.¹⁵⁷ Absent an amendment to the Act's definition of "use," courts should refrain from altering its clear and unambiguous textual meaning. Regrettably, the majority's failure to heed this logical approach leads to an inappropriate application of the Lanham Act to online activity.¹⁵⁸

151. See, e.g., *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 412 (2d Cir. 2005); *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 403 (N.D.N.Y. 2006); *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415 (S.D.N.Y. 2006).

152. 15 U.S.C. § 1127 (2006) (emphasis added).

153. See *Merck & Co.*, 425 F. Supp. 2d at 415 (explaining that in the metatags and sponsored links context, trademarks are not placed on any good, nor are they used in a manner that "indicate[s] source or sponsorship").

154. *Id.*

155. See *1-800 Contacts, Inc.*, 414 F.3d at 412 (holding that an internal or invisible use of a trademark does not constitute use); *Merck & Co.*, 425 F. Supp. 2d at 415.

156. See *Fragrancenet.com, Inc. v. Fragrancex.com, Inc.*, 493 F. Supp. 2d 545, 550 (E.D.N.Y. 2007).

157. See 15 U.S.C. § 1127 (2006).

158. This reasoning is expressed by many courts in the Second Circuit. See *1-800 Contacts, Inc.*, 414 F.3d at 400; *Tiffany Inc. v. Ebay*, 576 F. Supp. 2d 463, 499–501 (S.D.N.Y. July 14, 2008); *Hamzik v. Zale Corp.*, No. 3:06-CV-1300, 2007 U.S. Dist. LEXIS 28981, at *6–8 (N.D.N.Y. Apr. 19, 2007); *Site Pro-1, Inc.*, 506 F. Supp. 2d at 123, 125–28 (E.D.N.Y. 2007); *Fragrancenet.com, Inc.*, 493 F. Supp. 2d at 550; *Merck & Co.*, 425 F. Supp. 2d at 415; *Rescuecom Corp.*, 456 F. Supp. 2d at 393, 400 (N.D.N.Y. 2006), *rev'd*, 562 F.3d 123 (2d Cir. 2009). Although the Second Circuit is the only circuit to have held that the use of trademarks in metatags and sponsored links does not constitute "use" under the Lanham Act, the unpopularity of its conclusion does not render its decision less persuasive. The Second Circuit is often a leader in intellectual property disputes, not merely a follower of the majority. See, e.g., Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOK. L. REV. 827, 896 (2004) (citing a Second Circuit case as a leading case for the correct application of initial interest confusion); Jessica Amber Drew, Recent Development, *Death of Dawn Donut: The Demise of Concurrent Trademarks*, 2007 U. ILL. J.L. TECH.

2. *The Use of Trademarks in Metatags and Sponsored Links Is Not Likely to Cause Consumer Confusion*

The use of trademarks in metatags and sponsored links does not create a “likelihood of confusion.” The majority of courts have reached a contrary conclusion by failing to require proof of consumer confusion as to the source of the good in question, by allowing a mere diversion to satisfy the strict requirements of “confusion,” and by considering the interests of only some Internet users while ignoring the interests of the others. These flaws render the majority’s holdings unpersuasive.

a. The Majority Has Lowered the Standard of “Confusion” to “Initial Interest Confusion”

No court has ever found that the use of trademarks in metatags and sponsored links causes a likelihood of *actual* confusion as to the source of the good.¹⁵⁹ Despite this obvious obstacle, the majority holds that these uses violate the Lanham Act.¹⁶⁰ The majority reasons that although Internet users are not likely to be *actually* confused when purchasing an online good, the use of trademarks in metatags and sponsored links causes “initial interest confusion.”¹⁶¹ Initial interest confusion occurs when Internet users type a trademark into a search engine with the intention of visiting the website of the trademark owner, but the search engine provides a link to both the trademark owner’s website and its rival’s website.¹⁶² By inadvertently clicking on the link that belongs to a rival of the trademark owner, the Internet users are diverted to the rival’s website.¹⁶³ Although the Internet users quickly discover their error, the needs of some Internet users will be perfectly satisfied by the rival’s website.¹⁶⁴ This, under the majority’s reasoning, is tantamount to the rival appropriating the

& POL’Y 145, 146 (2007) (citing a Second Circuit case as the leading case regarding concurrent trademarks).

159. See McGhee, *supra* note 126, at 11 (“[I]t is difficult to see how the standards for ‘actual confusion’ could be satisfied when the use of the trademark is invisible to the potential purchaser.”).

160. See *Hysitron, Inc. v. M.T.S. Sys. Corp.*, No. 07-01533 ADM/AJB, 2008 U.S. Dist. LEXIS 58378, at *6–8 (D. Minn. Aug. 1, 2008) (articulating the majority and minority holdings).

161. See, e.g., *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1061–65 (9th Cir. 1999).

162. See *id.* at 1062.

163. See *id.*

164. See *id.* (stating that consumers originally looking for the trademark owner’s website may be perfectly happy to remain on its competitor’s website).

goodwill associated with the trademark owner.¹⁶⁵ As a result, the majority holds that initial interest confusion satisfies the Lanham Act's "confusion" requirement.¹⁶⁶

It is initially noted that the reasoning of the majority presumptively assumes that Internet users click on a rival's website under the mistaken belief that the link will take them to the trademark owner's website.¹⁶⁷ This is an extreme assumption because each link is visually separated from the others, and only one link will advertise the trademarked words.¹⁶⁸ In this modern, technologically savvy era, to assume that Internet users cannot decipher which link belongs to the trademark owner is tantamount to assuming that Internet users are dim-witted and impulsive.¹⁶⁹

More importantly, the reasoning of the majority lacks merit because the Lanham Act requires confusion as to "the source of the goods in question."¹⁷⁰ Unlike actual confusion, "initial interest confusion" is temporary, and it ends before the consumer actually purchases a good.¹⁷¹ Accordingly, initial interest confusion cannot satisfy the statutory definition of "confusion" because initial interest confusion never creates a likelihood that consumers will become *actually* confused as to the source of the good in question.¹⁷² Judge Marsha S.

165. See *id.* (explaining that the competitor's use of the trademark to divert its rival's customers allows the competitor to "improperly benefit[] from the goodwill" of its rival).

166. See, e.g., *id.*

167. See, e.g., *J.G. Wentworth S.S.C. Ltd. v. Settlement Funding L.L.C.*, No. 06-0597, 2007 WL 30115, at *7-8 (E.D. Pa. Jan 4, 2007).

168. See *id.*

169. See *Hollander & Jarboe*, *supra* note 120, at 13 (suggesting that while "users are becoming more adept at Internet advertisement tactics," the likelihood of consumer confusion will diminish).

170. See *Merck & Co. v. Medioplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 411 (S.D.N.Y. 2006) (stating that a "[l]ikelihood of confusion requires that 'an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question'" (internal citation omitted); 15 U.S.C. § 1114(1); *Brookfield Commc'ns, Inc.*, 174 F.3d at 1053 (requiring a confusion as to the "source or sponsorship"); *Buckman*, *supra* note 2, at 31 (stating that the purpose of trademark law is to prevent the use of trademarks in a manner that "confuses the public about the actual source of the goods and services"); *Chang*, *supra* note 55, at 136 (explaining that the confusion requirement in the Lanham Act refers to confusion existing at the "offering for sale"); Jean F. Rydstrom, Annotation, *Right of Owner of Trademark for Apparel or Toiletries to Protection Under Lanham Act (15 USCS § 1114(1)) Against Infringement by Another's Use of Similar Mark for Different Items of Apparel or Toiletries*, 38 A.L.R. FED. 374, 380 (1978) (implying that a purpose of trademark law is to protect the consumer from purchasing goods while confused about the source of those goods).

171. See *Brookfield Commc'ns, Inc.*, 174 F.3d at 1062-65 (explaining the judicially created initial interest confusion doctrine).

172. See, e.g., *Chang*, *supra* note 55, at 138 (discussing *Playboy v. Netscape* and concluding that initial interest confusion cannot cause an Internet user to become confused as to the source of the good).

Berzon voiced this concern when she predicted that an application of the initial interest confusion doctrine will lead to findings of trademark infringement even “when a consumer is never confused as to the source or affiliation.”¹⁷³ Therefore, in holding that mere initial interest confusion satisfies the more stringent requirement of a likelihood of actual confusion, the majority has inappropriately expanded the scope of the Lanham Act.¹⁷⁴

b. Initial Interest Confusion Amounts to Lawful Online Diversion

Initial interest confusion cannot satisfy the “confusion” requirement because the Lanham Act does not condemn conduct that causes consumer diversion.¹⁷⁵ Diversion is lawful, and it occurs when a consumer seeks out a trademarked product, but due to some action of a competitor, the consumer’s attention is diverted to the competing product.¹⁷⁶ For example, a competitor can lawfully divert consumers by placing its product or advertisement next to that of its rival.¹⁷⁷ Analogously, initial interest confusion amounts to online diversion because placing a trademark in metatags and sponsored links simply allows a competitor to place a link to its website next to the trademark owner’s link.¹⁷⁸

Congress has repeatedly concluded that “offline” diversion is legal because it does not confuse consumers as to the source of a prod-

173. *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1034 (9th Cir. 2004) (Berzon, J., concurring), *discussed in Chang, supra* note 55, at 138.

174. *See Stacey L. Dogan & Mark A. Lemley, Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 781 (2004) (stating that the initial interest confusion doctrine has expanded the kinds of trademark usage now subject to infringement claims, adding that “although the initial interest confusion doctrine at first only involved competitors who were clearly attempting to confuse consumers into reaching the wrong sites, over time the doctrine has been invoked to prevent noncompetitive uses as well as uses that appeared more likely to enlighten than to confuse”).

175. *See Chang, supra* note 55, at 139 (explaining that the initial interest doctrine prohibits conduct that merely diverts consumers).

176. *See, e.g., Brookfield Commc'ns, Inc.*, 174 F.3d at 1062.

177. *See, e.g., 1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 410–11 (2d Cir. 2005); *Site Pro-1, Inc. v. Better Metal*, 506 F. Supp. 2d 123, 126–27 (E.D.N.Y. 2007); *Fragrancenet.com, Inc. v. Fragrancex.com, Inc.*, 493 F. Supp. 2d 545, 550–52 (E.D.N.Y. 2007); *Hamzik v. Zale Corp.*, No. 3:06-CV-130, 2007 U.S. Dist. LEXIS 28981, at *6–8 (N.D.N.Y. Apr. 19, 2007); *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415 (S.D.N.Y. 2006); *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 401–03 (N.D.N.Y. 2006); *see also Tiffany Inc. v. Ebay, Inc.*, 576 F. Supp. 2d 463, 498–500 (S.D.N.Y. 2008) (explaining the contours of diversion); *Chang, supra* note 55, at 139 (claiming that a prohibition on diversion will prohibit many previously legal acts of diversion, such as comparative advertising).

178. *See Chang, supra* note 55, at 133–35. *See generally* Thomas R. Lee, Glenn L. Christensen & Eric D. DeRosia, *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, 57 EMORY L.J. 575, 596, 646–47 (2008) (explaining diversion).

uct.¹⁷⁹ In fact, Congress declined an opportunity in 1988 to amend the language of the Lanham Act to prohibit diversion, presumably because it refused to lower the “confusion” standard to a mere “diversion” standard.¹⁸⁰ Thus, contrary to legislative intent, the majority has presumptuously declared that online diversion violates trademark laws.¹⁸¹ In doing so, the majority has inappropriately expanded the scope of the Lanham Act by replacing the strict requirement of consumer confusion with the less stringent requirement of initial interest confusion.¹⁸²

c. The Majority Has Failed to Consider the Interests and Objectives of Many Internet Users

The majority’s reasoning also fails because it only considers the interests of one specific type of Internet users: those who type trademarks into search engines with the sole intention of traveling to the trademark owner’s website. However, the majority has completely ignored the interests of another group of Internet users: those who type trademarks into search engines in order to gain all relevant information related to that trademark.¹⁸³ In particular, these ignored consumers seek information about the trademarked product and all rival products.¹⁸⁴ Therefore, when the majority grants an injunction to serve the interest of one subset of consumers, it fails to vindicate the interests of another subset of consumers.¹⁸⁵ In reaching a holding that

179. Chang, *supra* note 55, at 140. Chang explains how the prevention of diversion will not reduce consumer confusion. Internet users are sophisticated enough to understand that search engines frequently produce competing links that may lead to consumer diversion, but will not lead to a confusion as to the source of goods. *See id.*

180. Rather than equate “confusion” with “diversion,” Congress understood that the prohibition of a mere diversion would render many consumer-friendly business practices illegal. *See id.* at 134, 144; *see also* Trademark Law Revision Act of 1988, Pub. L. 100-667, tit. 1, § 127, 102 Stat. 3935, 3943-44 (1988).

181. *See* Chang, *supra* note 55, at 139 (stating that the statute *only* prohibits uses that “are likely to cause confusion, to cause mistake, or to deceive”); *cf.* 15 U.S.C. 1114(1)(a) (2006).

182. *See* Lastowka, *supra* note 8, at 1371; *see also* Buckman, *supra* note 2, at 33-34 (“[T]he essential question is whether there is a likelihood of confusion between the parties’ goods or services. It is therefore irrelevant whether consumers are confused as to the origin of particular websites, unless that confusion goes to the origin of the respective products.”).

183. *See* Chang, *supra* note 55, at 140 (explaining that courts cannot assume that a consumer types in a keyword with the intention of traveling to the trademark owner’s website; instead, courts must realize that some consumers type trademarks into search engines with the intention of looking for comparable products or substitutes); Lee et al., *supra* note 178, at 575-76 (suggesting that courts have failed to accurately analyze and depict the actual Internet user, and claiming that courts tend to engage in a “vacuous war of words, uninformed by any careful theoretical modeling of consumer psychology or empirical study of consumer behavior”).

184. *See* Chang, *supra* note 55, at 140.

185. *See generally* Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 N.Y.U. L. REV. 60, 60 (2008); *see also supra* note 89 (listing cases that fail to consider the interest of

completely ignores an entire class of consumers, the majority engages in rash logic and faulty reasoning. Additionally, the majority's holdings expand the scope of the Lanham Act because they rest on the flawed assumption that the initial interest confusion of one subset of consumers satisfies the statutory definition of "confusion."¹⁸⁶

3. *The Majority's Reasoning Is Inconsistent with the Purpose of Trademark Laws*

The purpose of the Lanham Act is to protect and enhance competition in the marketplace by preserving the clarity of trademarks.¹⁸⁷ This sentiment is clearly expressed in the Senate Report, which states that the Lanham Act is intended "to protect the public from deceit [and] to foster fair competition."¹⁸⁸ In the interest of competition, trademark laws serve the dual purpose of protecting both the merchants who own trademarks and the consumers who rely upon trademarks when purchasing goods or services.¹⁸⁹ However, the dual purposes of trademark law are not equal.¹⁹⁰ Instead, trademark laws focus on the consumer: "[T]he interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer."¹⁹¹ This Section argues that the majority of circuit courts adhere to a view that is in direct conflict with the stated purpose of the Lanham Act.¹⁹²

The pro-competitive purpose of the Lanham Act is reflected in Richard Posner and William Landes's search costs theory.¹⁹³ The search costs theory explains that a trademark's value derives from its

ignored Internet users who search with trademarks in order to find information about the trademarked product and similar non-trademarked products). See generally Grynberg, *supra* (discussing the different types of Internet users); Lee et al., *supra* note 178, at 596, 646–47 (explaining diversion).

186. See *supra* note 182 and accompanying text.

187. See Chang, *supra* note 55, at 133; Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1227 (2007) ("Like antitrust laws, false advertising laws, and other consumer protection statutes, trademark law both draws from and reinforces the notion that competitive markets, under ordinary circumstances, will ensure efficient resource allocation and bring consumers the highest quality products at the lowest prices.").

188. Chang, *supra* note 55, at 133 (quoting S. REP. NO. 1333, at 3–4 (1946)).

189. See Rydstrom, *supra* note 170, at 380 (explaining that trademarks serve the dual purpose of protecting both the consumer and the merchant).

190. See Grynberg, *supra* note 185, at 117 ("[T]here is no room in the consumer-conflict story for any protection of goodwill except as a function of protecting consumers.").

191. *Id.* (quoting ADAM SMITH, *THE WEALTH OF THE NATIONS: BOOKS IV–V*, at 245 (Andrew Skinner ed., Penguin Books 1999) (1776)).

192. See *infra* notes 193–212 and accompanying text.

193. See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265, 268–70 (1987).

ability to reduce consumer search costs by quickly conveying relevant information to the consumer, thus promoting overall efficiency in the economy.¹⁹⁴ In other words, trademark laws are enforced in order to help consumers locate products with greater ease and less expense.¹⁹⁵ However, the holdings and injunctive remedies favored by the majority actually prevent consumers from quickly and easily using search engines to reach all relevant information.¹⁹⁶ In fact, prohibiting the use of trademarks in metatags and sponsored links effectively ensures that links to the websites of competitors will not appear on result pages, which ultimately reduces the amount of information available to Internet users. Thus, the majority's injunctive remedies threaten to undermine the search costs theory because they increase consumer search costs by rendering search engines less efficient.¹⁹⁷ Accordingly, the majority's approach should be abandoned because it tends to suppress competition, in direct violation of the Lanham Act's stated purpose.¹⁹⁸

In applying the search costs theory to cases involving metatags and sponsored links, courts must balance two opposing factors. On one hand, if a court grants an injunction, consumers might benefit from the ability to quickly find the trademark owner's website.¹⁹⁹ On the other hand, if the injunction is granted, the court has effectively reduced the total amount of information available to online consumers.²⁰⁰ Some may argue that, on balance, the cost of reduced information to consumers is outweighed by the benefit of clear and unambiguous use of trademarks.²⁰¹ However, that argument ignores that the information this injunction eliminates from search results is essential in competitive markets, including information about a rival's

194. See Dogan & Lemley, *supra* note 187, at 1232 (stating that the use of trademarks in metatags and sponsored links gives consumers "valuable information, and so permitting the use is consistent with the goal of lowering consumer search costs").

195. *Id.* at 1223.

196. See *supra* notes 232–236 and accompanying text.

197. See Lastowka, *supra* note 8, at 1391.

198. In addition to suppressing information, the majority's holdings are likely to entrench the market dominance of trademark owners and reduce the likelihood of market entry. See Dogan & Lemley, *supra* note 187, at 1224.

199. See Goldman, *supra* note 14, at 552 (explaining that trademarks can lower search costs "by reducing confusion and sharpening the communicative effects of words").

200. See Dogan & Lemley, *supra* note 187, at 1251 (concluding that granting an injunction can have the "unintended consequence of increasing rather than reducing consumer search costs").

201. When determining liability, courts must balance the conflicting interest of the litigating parties; courts do this through the use of the rule of reason. See *infra* notes 243–250 and accompanying text. Because consumers have an interest in increased information, defendants must offer a procompetitive justification for their acts, sufficient to outweigh the harm caused by a decrease in information. See *id.*

decision to decrease prices, increase quality, or enter the market.²⁰² Given trademark law's purpose of promoting "competitive markets by improving the quality of information in those markets,"²⁰³ courts should rule in favor of denying the injunction.

Critics may argue that although the injunction prohibits the use of trademarks in metatags and sponsored links, the information is still on the Internet and subject to consumer discovery. As a result, these critics will assert that consumers benefit from the injunction. This argument is not persuasive because it ignores the reality that a large quantity of information is useless if consumers cannot process it in a reasonable amount of time.²⁰⁴ Unfortunately, search engines are currently the only tool that allows an Internet user to quickly find relevant information.²⁰⁵ Additionally, trademarks are often the most relevant and frequently used keywords.²⁰⁶ Thus, the fact that the information is still available somewhere on the Internet is immaterial because that information will not be found by the consumer.²⁰⁷ It is this reality that the majority has ignored.

When competitors use trademark laws as an instrument to stifle competition, consumers are cut off from valuable information.²⁰⁸ The lack of information "increases the possibility of conflicts between seller and consumer interests."²⁰⁹ However, the Lanham Act is meant to benefit consumers, not to assist one competitor in the domination of its rival.²¹⁰ Therefore, when conflicts arise between consumers and sellers, trademark law should ensure that consumers prevail and that competition is preserved.²¹¹ The majority of circuit courts failed to heed this principle when they adopted an approach that restricts information in a manner that handicaps the Lanham Act's ability to promote competition.²¹² As a result, the majority's holdings digress from

202. See Dogan & Lemley, *supra* note 187, at 1232 (stating that "[a]bsent some legitimate reason to prevent [the use of trademarks], trademark law accepts the core premise that unfettered competition will generate the best results for consumers").

203. *Id.* at 1227.

204. See Lastowka, *supra* note 8, at 1332 ("[T]he Internet has been a means of storing and sharing large amounts of data . . . [but] reams of information devoid of an organizing indexical scheme can be useless for all practical purposes.").

205. See *id.* at 1327 ("Google has become . . . the index of choice for online information.").

206. See McGhee, *supra* note 126, at 9.

207. See Lastowka, *supra* note 8, at 1332.

208. See *supra* notes 193–212 and accompanying text.

209. See Grynberg, *supra* note 185, at 65–66.

210. See *id.* at 117 ("[T]here is no room . . . for any protection of goodwill except as a function of protecting consumers.").

211. See Chang, *supra* note 55, at 133; Dogan & Lemley, *supra* note 187, at 1227.

212. See Chang, *supra* note 55, at 137–42.

the objectives of trademark law and expands the scope of the Lanham Act far beyond its intended purpose.

B. Antitrust Laws: The Majority Advocates Holdings and Remedies that Undermine Antitrust Laws and Principles

Internet technology outpaces legislation at a staggering speed. Thus, courts are routinely confronted with issues of first impression with little or no guidance from legislators or other courts.²¹³ The application of trademark laws to search engine activity is one such example.²¹⁴ This Part argues that courts must apply trademark laws to the Internet with caution because a strict application threatens the objectives of antitrust laws.²¹⁵

All trademarks restrain trade.²¹⁶ The restraint is justified by a correlating benefit—namely, the trademark’s ability to quickly and concisely relay relevant information to the consumer.²¹⁷ Thus, trademarks benefit competition by enhancing the efficiencies of markets. As Posner and Landes analogize, allowing a competitor to inappropriately use its rival’s trademark is like “allowing a second rancher to graze his cattle on a pasture the optimal use of which required that only one herd be allowed to graze.”²¹⁸ But over-enforcement of trademark laws can result in conduct that is too restrictive and, in effect, anticompetitive.²¹⁹ The danger of over-enforcement is an inefficient market, and to extend Landes and Posner’s analogy, over-enforcing trademark laws is like allowing only one cow to graze on a pasture the optimal use of which requires that the entire herd be allowed to graze.

The greatest threat to competition arises from judicial rulings that sanction over-enforcement of trademarks.²²⁰ These holdings entrench market dominance and allow trademark owners to promote anticompetitive objectives under the pretext of trademark enforcement.²²¹

213. See Adam R. Bialek & Scott M. Smedresman, *Internet Risk Management: A Guide to Limiting Risk Through Web Site Terms and Proactive Enforcement*, 20 INTELL. PROP. & TECH. L.J., Nov. 2008, at 1, 10; Paul L. Bonewitz, Note, *Beyond Confusion: Reexamining Trademark Law’s Goals in the World of Online Advertising*, 81 ST. JOHN’S L. REV. 899, 920 (2007).

214. See Bonewitz, *supra* note 213, at 920.

215. See *infra* notes 216–280 and accompanying text.

216. See Burton Ong, *Protecting Well-Known Trade Marks: Perspectives from Singapore*, 95 TRADEMARK REP. 1221, 1237–1239 (2005) (discussing the restraints of trademark law in China and Singapore on trade).

217. Landes & Posner, *supra* note 193, at 269.

218. *Id.*

219. See Dogan & Lemley, *supra* note 187, at 1227.

220. See ROBERT H. BORK, *THE ANTITRUST PARADOX* 159 (1978).

221. See Dogan & Lemley, *supra* note 187, at 1224.

This Section demonstrates that the majority's injunctive remedy blindly applies traditional trademark law in a manner that systematically undermines competition and ignores the role of antitrust regulations.

1. *Exclusionary Conduct May Harm Consumer Welfare*

Courts have understood the Sherman Act to prohibit only those restraints on trade that are "unreasonable."²²² Unreasonable restraints manifest themselves in many varieties, one of which stems from anticompetitive exclusionary conduct.²²³ Anticompetitive exclusionary conduct can occur in two distinct manners.²²⁴ First, colluding entities can agree to exclude an outsider from gaining access to consumers, and second, colluding entities can exclude an outsider from gaining access to a necessary input of supply.²²⁵

Exclusionary behavior is only anticompetitive if it harms consumer welfare.²²⁶ Most exclusionary behavior is not anticompetitive because the behavior either enhances or ignores consumer welfare.²²⁷ For example, a candy manufacturing company may keep its costs down by promising to purchase all its peanuts from one peanut supplier. This type of contract, although exclusionary, enhances consumer welfare because consumers benefit from the decreased prices associated with the cost savings of the exclusive dealing contract. However, exclusive dealing contracts also have the potential to harm consumer welfare.²²⁸ For example, if an exclusive dealing contract prevents an excluded outsider from gaining access to consumers or an affordable source of supplies, that outsider may be forced to pay higher prices for the desired access to consumers or goods.²²⁹ This could result in either of the following consequences: (1) the outsider will pass the higher costs to the consumer by charging higher prices for the same goods, or (2)

222. *United States v. Visa U.S.A. Inc.*, 344 F.3d 229, 237–38 (2d Cir. 2003); *see also Arizona v. Maricopa County Med. Soc'y*, 457 U.S. 332, 342–43 (1982).

223. *See HOLMES, supra* note 104, § 2:19.

224. Monopolists can also engage in prohibited exclusionary conduct by excluding smaller competitors from supply sources or consumers. *See id.* This type of conduct is prohibited by both the Sherman Act and the Clayton Act. *See* 15 U.S.C. § 1 (2006) ("Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony . . ."); 15 U.S.C. § 18 (2006) (comprising the relevant portion of the Clayton Act). This Comment, however, will only focus on collective agreements to exclude that are prohibited by § 1 of the Sherman Act.

225. *See Melamed, supra* note 107, at 375 n.1, 403.

226. *See Krattenmaker & Salop, supra* note 110, at 249–50.

227. *See HOLMES, supra* note 104, § 2:10, at 184.

228. *See id.* at 185.

229. *See Krattenmaker & Salop, supra* note 110, at 229.

the outsider will leave the market because it is unable to compete efficiently.²³⁰ If either result occurs, consumer welfare diminishes because both may result in an increase in prices, a decrease in outputs, or a decrease in the quality of outputs.²³¹

In the context of metatags and sponsored links, consumer welfare is harmed by the majority's injunctive remedy because it prevents consumers from gaining access to information that is essential to a well-functioning, competitive market.²³² Absent an injunction, search engines will sell trademarks as sponsored links to any willing buyer, and companies will place their rival's trademarks in metatags. These practices enable Internet users to type a trademarked phrase into a search engine and obtain information about the trademarked product, as well as a rival's competing product.²³³ This information enhances consumer welfare because it ensures that sellers offer products at competitive prices.²³⁴ For example, if a trademark owner raises its price above the competitive level, consumers will purchase the rival's product at a lower cost; once enough consumers refuse to purchase the trademarked product, the trademark owner will lower its inflated price.²³⁵ Thus, absent an injunction, search engines provide crucial competitive information that enhances competition and consumer welfare. Conversely, granting the injunction prevents a consumer from accessing relevant competitive information, and therefore, the injunction handicaps the Internet's ability to remain a competitive forum.²³⁶ Specifically, the consumer is denied information about product substitutes, price decreases, and improvements in the quality of goods.²³⁷ The deprivation of this essential competitive information di-

230. See Andrew I. Gavil, *Exclusionary Distribution Strategies by Dominant Firms: Striking a Better Balance*, 72 ANTITRUST L.J. 3, 38–39 (2004) (explaining the dual harms that can result from anticompetitive exclusionary conduct); see also *Omega Envtl., Inc. v. Gilbarco, Inc.*, 127 F.3d 1157, 1162 (9th Cir. 1997) (stating that one of the major harms of exclusive dealing contracts is that they “‘foreclose’ existing competitors or new entrants from competition in the . . . relevant market”).

231. See Jacobson, *supra* note 109, at 328 (stating that exclusive dealing contracts are inappropriate if they tend to allow a firm to “increase prices, restrict output, reduce quality, slow innovation, or otherwise harm consumers”).

232. See Chang, *supra* note 55, at 142 (claiming that the preclusion of trademark use may hinder the free flow of information on the Internet, which is certainly not a goal of the Lanham Act).

233. See Niva Elkin-Koren, *Let the Crawlers Crawl: On Virtual Gatekeepers and the Right to Exclude Indexing*, 26 U. DAYTON L. REV. 179, 180–82 (2001).

234. See *infra* notes 289–301 and accompanying text.

235. See *id.*

236. See *id.*; Grynberg, *supra* note 185, at 65 (warning that over-enforcement of trademark laws can “cut off consumers from valuable information”).

237. See Philip J. Weiser, *The Next Frontier for Network Neutrality*, 60 ADMIN. L. REV. 273, 290–91 (2008) (discussing the importance of informed consumers in competitive markets).

minishes consumer welfare, and therefore, it is appropriate to inquire whether antitrust regulations prohibit the injunction.

2. *The Court-Ordered Injunction Resembles an Exclusive Dealing Contract*

The majority of circuit courts will enjoin a competitor from using its rival's trademark in metatags and sponsored links.²³⁸ The injunction does not benefit the search engine, which, absent an injunction, gains enormous profits from selling trademarked words as keywords.²³⁹ Thus, the only benefit derived from the injunction is retained by the trademark owner in the form of less information available to consumers, which results in less competition from rivals.²⁴⁰ Courts should consider whether this injunction, which precludes the non-trademark owners from purchasing the most effective sponsored links, excessively restrains trade in a manner that violates antitrust laws. Two issues must be resolved in order to respond to this query. First, does the injunction, if granted, resemble an exclusive dealing contract? If so, would the injunction amount to a violation of antitrust laws?

a. *The Injunction Resembles an Exclusive Dealing Contract*

The injunction undeniably resembles an exclusive dealing contract. In the pursuit of profits, search engines will sell as many keywords as possible. However, the injunction prohibits search engines from selling its product to all willing buyers because it limits search engines to one customer: the trademark owner.²⁴¹ Therefore, the injunction effectively forces search engines to enter into an exclusive dealing contract with the trademark owner. A contrary holding clings to form over substance.²⁴² The only remaining issue becomes whether this exclusive dealing contract is prohibited by antitrust laws.

238. See *supra* notes 63–95 and accompanying text.

239. See Google Form, *supra* note 4 (recording the record profits earned by the most popular search engine); see also McGhee, *supra* note 126, at 9 (explaining why the most effective keywords are often trademarked terms); Colyer, *supra* note 5, at 679 (stating that sponsored linking “represents more than 40% of all Internet advertising”).

240. See Dogan & Lemley, *supra* note 187, at 1251 (concluding that granting an “injunction can have the unintended consequence of increasing rather than reducing consumer search costs”).

241. See, e.g., *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1066 (9th Cir. 1999) (granting an injunction that forces search engines to sell trademarked keywords only to the trademark owner).

242. This is not an exclusive deal that was voluntarily engaged in by both parties in order to obtain unfair competitive advantages. Instead, the deal was mandated by courts. Therefore, although the exclusive dealing does not take the form of most anticompetitive exclusive dealings, in effect, the majority of courts have issued injunctions that resemble exclusive dealing contracts.

b. The Majority's Use of Injunctions May Violate Antitrust Laws

Most exclusive dealing contracts are lawful.²⁴³ To determine if an exclusive dealing contract violates § 1 of the Sherman Act, a court must apply the rule of reason.²⁴⁴ This test first requires the plaintiff to prove that the defendants' conduct caused harmful, anticompetitive effects.²⁴⁵ To satisfy this burden, the plaintiff must define the relevant market, establish the degree of market share accounted for by the contract, and prove that the contract causes anticompetitive effects.²⁴⁶ Once the plaintiff meets this burden, the plaintiff has alleged a prima facie claim of anticompetitive conduct and the burden of proof shifts to the defendants.²⁴⁷ To rebut a prima facie claim, the defendants must offer procompetitive justifications for its conduct.²⁴⁸ Such justifications can include "enhanced efficiencies, protection of product or service goodwill, and inducing dealer loyalty."²⁴⁹ If the defendants meet this burden, the plaintiff must prove either that the restraint is not reasonably necessary to achieve the defendants' procompetitive justifications, or that those objectives may be achieved in a less restrictive manner.²⁵⁰ Although statistical data about the market in the context of metatags and sponsored links is unknown, this Section suggests that if courts applied the rule of reason in this context, they may find that an injunctive remedy is overly restrictive of competition, and in effect, anticompetitive.²⁵¹

243. See Jacobson, *supra* note 109, at 312 ("[T]he typical exclusive dealing arrangement is entirely lawful . . . [because] exclusive dealing can serve important business purposes, and is often a preferred means for waging legitimate competition."); see also Elec. Comm'n's Corp. v. Toshiba Am. Consumer Prods., Inc., 129 F.3d 240, 245 (2d Cir. 1997) (stating that exclusive distributorship arrangements are presumptively legal).

244. The U.S. Supreme Court effectively requires lower courts to apply the rule of reason in order to determine if the conduct is per se unlawful. See *Nw. Wholesale Stationers, Inc. v. Pac. Stationery & Printing Co.*, 472 U.S. 284, 288–89, 293–95 (1985). In the lower courts, however, most judges apply only the rule of reason. See, e.g., *United States v. Visa U.S.A., Inc.*, 344 F.3d 229, 237–38 (2d Cir. 2003). Thus, while the state of the applicable test seems to be in flux, the pervasive trend in lower courts is the application of the rule of reason. See *id.* This result is consistent with the approach used in all collusive conduct challenged under § 1 of the Sherman Act. See HOLMES, *supra* note 104, § 2:19, at 356; see, e.g., *Calif. Dental Ass'n v. FTC*, 526 U.S. 756, 769–781 (1999).

245. See, e.g., *Visa*, 344 F.3d at 238.

246. See HOLMES, *supra* note 104, § 2:19, at 354–56; see, e.g., *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 45 (1984).

247. See, e.g., *Visa*, 344 F.3d at 238.

248. See, e.g., *id.*

249. HOLMES, *supra* note 104, § 2:10, at 173.

250. See *Visa*, 344 F.3d at 238; *Toys "R" Us, Inc. v. FTC*, 221 F.3d 928, 936–38 (7th Cir. 2000) (applying the rule of reason).

251. See *infra* notes 252–280 and accompanying text.

i. The relevant market is the market for sponsored links

Defining the relevant market “provides the context against which to measure the competitive effect of an agreement.”²⁵² The relevant market is defined as all products “reasonably interchangeable by consumers for the same purposes.”²⁵³ In the search engine context, Internet users comprise the consumer market.²⁵⁴ Competitors must have access to this market in order to compete successfully against online rivals.²⁵⁵ Additionally, the product market in this context consists of sponsored links sold by search engines. This market represents a source of supply that online competitors find indispensable: information.²⁵⁶ If a competitor cannot purchase sponsored links to relay information to consumers, that competitor’s ability to compete is severely hindered. This market definition comprises the complete relevant market because no substitute for sponsored links exists.²⁵⁷

ii. The excluders possess substantial market power

After defining the relevant market, courts must determine the amount of market power possessed by the parties to the exclusive dealing contract.²⁵⁸ In order to gauge market power, courts analyze the amount of the market foreclosed to the excluded outsider.²⁵⁹ If the market foreclosure is substantial enough, the court may conclude that the exclusive dealing contract is anticompetitive.²⁶⁰ In the search engine context, trademarked keywords represent the most efficient part of the sponsored link market because online consumers typically

252. *Geneva Pharm. Tech. Corp. v. Barr Labs. Inc.*, 386 F.3d 485, 496 (2d Cir. 2004).

253. *United States v. E.I. Du Pont de Nemours & Co.*, 351 U.S. 377, 395 (1956).

254. This market definition assumes the competing companies actually compete online. If no online competition is occurring, the injunction would be immaterial. Critics may argue that the relevant market is all consumers, not just Internet users. Yet, even if the entire market of consumers was considered the relevant market, a substantial part of the market would still be foreclosed because many offline purchasers use the Internet to research products, even if they decide to buy the researched product in person. *See generally* Lastowka, *supra* note 8.

255. Companies that offer online sales record astonishing profits as more and more consumers engage in e-commerce. *See* Birck, *supra* note 3, at 629–30. In order to compete with online rivals, competitors must have unabated access to online consumers.

256. To compete online, competitors must be able to inform consumers of their products. By placing trademarks in metatags and purchasing trademarks as sponsored links, competitors are attaining a necessary input of supply from search engines: information. Without this supply, online competitors cannot adequately compete.

257. No substitute exists for the information provided through the Internet because the Internet is unique; no other product can offer all the services and conveniences of the Internet. Accordingly, no substitute exists for Internet consumers.

258. *See* HOLMES, *supra* note 104, § 2:19, at 355.

259. *See id.*

260. *See id.* § 2:19, at 356.

type trademarked words as keywords,²⁶¹ and furthermore, online consumers usually use search engines as their exclusive means of gaining information.²⁶² Accordingly, although this type of injunction does not foreclose the non-trademark owner's access to non-trademarked keywords, even the foreclosure of the most efficient part of the market may give rise to antitrust liability.²⁶³

The foreclosure of the most efficient part of the sponsored link market is excessive because the excluded outsiders cannot afford to incur the costs of exclusion.²⁶⁴ Although the excluded outsider could buy a different, non-trademarked keyword, those keywords frequently yield unprofitable results.²⁶⁵ In addition, and for obvious reasons, the excluded consumer cannot incur the cost of creating and marketing a new Internet with new search engines.²⁶⁶ Therefore, these injunctions foreclose access to a market that the outsider cannot feasibly substitute. Also problematic, the injunctions discourage new sellers from entering the market, given that the new sellers may be effectively prohibited from efficiently advertising on the Internet.²⁶⁷

Given the excessive amount of market foreclosure, it seems likely that search engines and trademark owners possess great market power.²⁶⁸ The resulting harm is extraordinary not only because the excluded competitors are unable to bear the cost of the exclusion, but also because potential competitors are likely to be dissuaded from entering a market that is completely controlled by the trademark owner.²⁶⁹ Therefore, the strength of the argument against these injunctions is quite substantial.

iii. Trademark owners lack adequate procompetitive justifications

But the inquiry is not yet complete. An exclusive dealing contract between parties with excessive power in the relevant market is still

261. See McGhee, *supra* note 126, at 9.

262. See Lastowka, *supra* note 8, at 1327–28 (explaining, in particular, Google's popularity).

263. See *United States v. Microsoft Corp.*, 253 F.3d 34, 69–71 (D.C. Cir. 2001); see also ANDREW I. GAVIL ET AL., *ANTITRUST LAW IN PERSPECTIVE: CASES, CONCEPTS AND PROBLEMS IN COMPETITION POLICY* 841 (2d ed., 2008) (explaining that anticompetitive conduct can occur when the most efficient part of the market is cut off from rivals).

264. See *Krattenmaker & Salop*, *supra* note 110, at 250–51.

265. *HOLMES*, *supra* note 104, § 2:19, at 354–56.

266. *Cf. United States v. Terminal R.R. Ass'n of St. Louis*, 224 U.S. 383, 395–96, 410 (1912) (stating that excluded competitors could not incur the cost of building a new railroad, and consequently, that foreclosure was unacceptable).

267. *Cf. United States v. Visa U.S.A., Inc.*, 344 F.3d 229, 240–41 (2d Cir. 2003) (stating that the defendants' exclusionary conduct inappropriately prevented rivals from entering the relevant market); GAVIL ET AL., *supra* note 230, at 39–42.

268. See *supra* notes 258–267 and accompanying text.

269. See *id.*

lawful if the trademark owners can proffer a procompetitive justification for the contract.²⁷⁰ A valid justification must adduce some benefit to consumer welfare in the form of decreased price, increased output, or an increase in the quality of output.²⁷¹ In this case, however, no such justification exists.

Consumer welfare does not benefit from these injunctions because they allow the trademark owner to control the most efficient part of the market in which most consumers operate. This, in turn, allows the trademark owner to raise prices, decrease outputs, or decrease the quality of outputs because the consumer is cut off from any competitive information that would otherwise prevent the trademark owner from inflating its price.²⁷² As a result, consumer welfare is harmed.²⁷³

Although not framing their analysis around antitrust laws, the majority of circuit courts disagree, arguing that consumers benefit from the procompetitive justification of quickly finding and purchasing the goods of the trademark owner.²⁷⁴ But the majority has entirely ignored the class of consumers who use search engines to find substitutes for similar products.²⁷⁵ In granting the injunctions, the majority has not only preferred one class of consumers over another,²⁷⁶ but it has also reduced the overall availability of competitive information that benefits all consumers.²⁷⁷

Trademark owners may proffer another justification for the injunction: the injunction allows the trademark owner to experience an increase in sales.²⁷⁸ However, this increase in sales directly correlates with the decrease in competition from non-trademark rivals, and any justification that rests on a pure desire to lessen competition is not an adequate justification.²⁷⁹ Holding in the alternative amounts to "nothing less than a frontal assault on the basic policy of the Sherman Act."²⁸⁰

270. See *supra* notes 248–249 and accompanying text.

271. Cf. Jacobson, *supra* note 109, at 344 (explaining that the defendants in *Visa* failed to offer an adequate justification because they could not demonstrate how consumers benefited from the exclusive dealing contract).

272. See *id.* at 328 (noting that firms with a large enough market share can unduly raise prices, decrease outputs, or engage in other acts that harm consumer welfare).

273. See *id.*; *supra* notes 222–237 and accompanying text.

274. See *supra* notes 213–221 and accompanying text.

275. See Grynberg, *supra* note 185, at 60 (stating that some courts have given "short shrift to the interests of nonconfused consumers who may have a stake in the defendant's conduct").

276. See *id.*

277. See *supra* notes 183–186, 213–221 and accompanying text.

278. Cf. *Nat'l Soc'y of Prof'l Eng'rs v. United States*, 435 U.S. 679, 693 (1978).

279. See *id.* at 695.

280. *Id.*

Given that trademark owners cannot offer a procompetitive justification that aids consumer welfare, these injunctions are inappropriate because, in effect, they over-enforce trademark law while crippling competition. Such conduct harms consumer welfare because it subjects uninformed consumers to the mercy of self-serving trademark owners. Moreover, in reaching a holding that undermines antitrust laws, the majority has inappropriately expanded the Lanham Act into an instrument that devalues antitrust objectives. Given the nascent development of online competition, courts should strive to remedy this holding before it destroys the integrity and efficiency of e-commerce.

IV. IMPACT

While the use of trademarks in metatags and sponsored links continues to spawn intense debate, the majority of circuit courts that have heard these debates have imposed grave consequences upon all online consumers. One such consequence includes the overall reduction of online information, and consequently, an overall reduction in the functionality and efficiency of the Internet.²⁸¹ If the holdings of these courts are not reversed, the lack of online information threatens to subject consumers to the will of sellers who dominate the market.²⁸² In addition to limiting the efficiency of e-commerce, the majority's holdings also limit the Internet's ability to generate social benefits.²⁸³ In order to prevent the demise of these new societal advantages, these courts must abandon their holdings. Furthermore, as the law stands today, e-commerce precedent threatens to undermine online antitrust regulations.²⁸⁴

This Part articulates the impact of the majority's and minority's holdings.²⁸⁵ Section A demonstrates the necessity of information in a competitive market and the dangers that correlate with a reduced and controlled supply of information.²⁸⁶ Section B explores the demise of social benefits that are likely to accompany the majority's holdings.²⁸⁷ Finally, Section C discusses the appropriate role of trademark law and the consequence that the majority's holding imposes upon antitrust law.²⁸⁸

281. See *infra* notes 289–301 and accompanying text.

282. See *id.*

283. See *infra* notes 302–311 and accompanying text.

284. See *infra* notes 310–311 and accompanying text.

285. See *infra* notes 289–311 and accompanying text.

286. See *infra* notes 289–301 and accompanying text.

287. See *infra* notes 302–309 and accompanying text.

288. See *infra* notes 310–311 and accompanying text.

A. *The Majority's Rule Threatens to Undermine the
Functionality of the Internet*

Information is vital to a well-functioning, competitive market because information creates well-informed consumers.²⁸⁹ Informed consumers, in turn, force companies to offer goods at the lowest price because an informed consumer will simply purchase a competing good if a rival fails to offer a satisfactory product at a satisfactory price.²⁹⁰ Thus, informed consumers promote competition within markets.²⁹¹ Without information, however, consumers remain unaware of competing products, decreased prices, or increased quality.²⁹² This lack of information hampers the consumer's ability to purchase the most satisfactory product.²⁹³ Moreover, when consumers remain unaware of competing goods, sellers who dominate the market have no incentive to lower prices or increase the quality of their goods.²⁹⁴ Consequently, while an abundance of information promotes competitive markets, a lack of information entrenches market dominance and stagnates consumer satisfaction.

Anyone connected to the Internet can post content on a website and make it available to others.²⁹⁵ But the ease of posting content on the Internet has created an information overflow that requires some sort of mechanism that can select and sort relevant information from the large bulks of available data.²⁹⁶ To date, search engines are the only devices that serve this function.²⁹⁷ Because of the Internet's information overflow and the resultant necessity of search engines, if information on the Web does not appear on a search engine's result pages, that information is effectively nonexistent.²⁹⁸ Consequently, control over a search engine's result pages effectively gives the controller "a power to filter information."²⁹⁹ This power is substantial, and if placed in the hands of those with conflicting interests, it can be greatly abused.

289. See Weiser, *supra* note 237, at 290–91 (demonstrating the importance of informed consumers on the Internet).

290. *See id.*

291. *See id.*

292. *See id.*

293. *See id.*

294. *See id.*

295. See Elkin-Koren, *supra* note 233, at 180.

296. *See id.*

297. *See id.*

298. *Id.* at 180–81

299. *Id.* at 181.

Moreover, by enjoining competitors from using trademarked words in metatags or from purchasing sponsored links, the majority of courts have effectively allowed trademark owners to control online information.³⁰⁰ To illustrate, when a trademark owner demands and receives an injunction, its competitors are prohibited from using the most efficient means of informing consumers. Thus, the trademark owner is free to offer its product at any price and then provide a controlled amount of information that will induce consumers into purchasing its product. Critics of this argument may argue that the trademark owner has not actually removed the information from the Internet, and consequently, the injunction does not grant trademarks owners control over information. But as stated above, this argument ignores the reality that online information that is not retrievable through search engines is virtually nonexistent.³⁰¹

Therefore, the majority's use of injunctive remedies enables trademark owners to eradicate competitive threats from their rivals. Without competitors, trademark owners can bask in the glow of increased sales at higher prices. This result is inappropriate, particularly from an antitrust perspective, because it subjects uninformed online consumers to the will of trademark owners.

B. *The Demise of the Internet's Functionality May Destroy Social Advantages*

The rise and popularity of the Internet has created unexpected social benefits. These benefits include a search engine's ability to provide instructive statistical data, as well as the search engine's ability to facilitate medical advancements.³⁰²

Since the search engine's creation, Internet users have come to trust the search engine's ability to provide an abundance of relevant information.³⁰³ Especially among younger generations, individuals often feel more comfortable turning to the Internet for information, as opposed to offline resources, such as the yellow or white pages.³⁰⁴ The wide-spread use and familiarity with search engines have rendered them a source of valuable information. For instance, the *New York Times* frequently cites the most searched terms on Google as evidence

300. See generally *supra* note 67 (listing cases consistent with the majority's interpretation).

301. See Lastowka, *supra* note 8, at 1332; see also *supra* notes 272–277 and accompanying text (explaining that Internet users do not benefit from the injunction).

302. See *infra* notes 303–309 and accompanying text.

303. See Lastowka, *supra* note 8, at 1337 (“Google has become, for the majority of Americans, the index of choice for online information.”).

304. See Mary-Rose Papandrea, *Student Speech Rights in the Digital Age*, 60 FLA. L. REV. 1027, 1032–37 (2008) (describing the role that digital technology plays in an adolescent's life).

of an event's popularity or importance.³⁰⁵ This data is useful because it provides social scientists with an opportunity to compare and contrast the interests of differing cultures or countries.³⁰⁶ Therefore, the abundance of relevant information that renders search engines useful also creates indirect benefits in the form of analytical data.

Surprisingly, a study of the most searched terms on search engines has led to advancements in the medical field. For example, a recent study revealed that that flu-related search terms increase in popularity during the flu season.³⁰⁷ After relaying this information to the Centers for Disease Control (CDC), the CDC is now able to identify flu epidemics two weeks earlier than traditionally possible.³⁰⁸ Consequently, Google search terms aid the medical community by serving as an early warning system that enables the CDC to act with more speed.³⁰⁹ Therefore, the abundance of relevant information on the Internet renders search engines useful as both analytical and medical tools.

If, however, the Internet user's ability to find information continues to decrease, as it does pursuant to the injunctive remedy that is favored by the majority, the functionality of the Internet will also decrease. Internet users will undoubtedly perceive the Internet's decrease in efficiency and functionality, and this perception will reduce the Internet user's trust in search engines. Consequently, Internet users may turn to other offline sources in order to gain relevant information. This decrease in a search engine's utility places the above-illustrated social advantages in peril because the most searched terms will no longer represent an Internet user's thoughts and concerns; instead, the search terms will only represent the information that an Internet user believes the search engine can find. Moreover, given that these social advantages have risen with the burgeoning growth of the Internet, one can only imagine the number of unknown future social advantages that will never be realized if the majority continues to restrict online information.

305. See, e.g., Ellen Bravo, Letter to the Editor, *For Paid Sick Days*, N.Y. TIMES, Nov. 14, 2008, at A32; Jascha Hoffman, *PubMed*, N.Y. TIMES, Sep. 30, 2008, at F2.; Daniel Sorid, *Writing the Web's Future in Numerous Languages*, N.Y. TIMES, Dec. 31, 2008, at B1; Pete Thamel, *Tebow Returning to Florida for Final Year*, N.Y. TIMES, Jan. 12, 2009, at D7.

306. Cf. Katherine V.W. Stone, *Flexibilization, Globalization, and Privatization: Three Challenges to Labour Rights in Our Time*, 44 OSGOODE HALL L.J. 77, 90 (2006) (explaining how the Internet can be used as an instrument to keep different cultures alive and distinct).

307. See *Google Searches Track Flu Spread*, BBC NEWS, Nov. 12, 2008, <http://news.bbc.co.uk/2/hi/technology/7724503.stm>.

308. See *id.*

309. See *id.*

C. *The Majority's Holding Threatens to Compromise Antitrust Laws*

The majority has over-enforced trademark law in a manner that encroaches upon antitrust regulations. Specifically, the majority's holdings diminish the influence of antitrust laws within e-commerce because the injunctive remedy is so restrictive that it undermines competition.³¹⁰ If the majority continues to adhere to a legal theory that conflicts with antitrust laws, the role of antitrust within e-commerce will become increasingly marginalized. This marginalization is unacceptable because "[i]ntellectual property rights do not confer a privilege to violate the antitrust laws."³¹¹

Unfortunately, the true impact of the majority's holdings remains unknown. It seems most likely that the most beneficial and productive uses of the Internet have yet to be discovered. The majority's approach, therefore, threatens the potential growth and efficiency of the Internet.

V. CONCLUSION

*"Misuse of courts and governmental agencies is a particularly effective means of delaying or stifling competition."*³¹²

The enforcement of trademark law necessarily restrains trade, and therefore, courts should inquire whether the enforcement of trademark law will excessively restrain trade in a manner that conflicts with antitrust laws.³¹³ This Comment illustrates that such an inquiry leads to the conclusion that the majority of circuits have inappropriately interpreted the Lanham Act.³¹⁴

An analysis into the plain meaning and purpose of Lanham Act indicates that a competitor can legally use its rival's trademark in metatags and sponsored links.³¹⁵ Not only do these uses fail to constitute "use," as defined by the Lanham Act, but they are also unlikely to cause consumer confusion as to the source of the good in question.³¹⁶ In addition, the holdings of the majority fails to comport with the purpose of the Lanham Act, which aims to promote competition by improving the quality of information relayed to consumers.³¹⁷

310. See *supra* notes 213–280 and accompanying text.

311. *In re Indep. Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1325 (Fed. Cir. 2000).

312. BORK, *supra* note 220, at 159.

313. See *supra* notes 213–280 and accompanying text.

314. See *supra* notes 213–280 and accompanying text.

315. See *supra* notes 133–182 and accompanying text.

316. See *supra* notes 141–182 and accompanying text.

317. See Dogan & Lemley, *supra* note 187, at 1227.

These arguments, however, are heatedly contested, and critics find themselves unable to agree about the appropriate scope of trademark law. This Comment suggests that an inquiry into antitrust law highlights what trademark law fails to perceive: the holdings of the majority are inappropriate because they necessarily lead to injunctive remedies that excessively restrict trade.³¹⁸

The dangers of over-enforcing trademark law cannot be disregarded in a day and age where technology outpaces regulation.³¹⁹ Courts should embrace a heightened awareness to this danger within the Internet context because handicapping e-commerce in its nascent stage harms consumers and sellers alike. Above all else, courts must approach Internet disputes with conservative applications of law because the most effective way to entrench market dominance is to gain the authority of the courts.³²⁰

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318. See *supra* notes 213–280 and accompanying text.

319. See Bialek, *supra* note 213, at 10; Bonewitz, *supra* note 213, at 920.

320. See BORK, *supra* note 220, at 159.

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