

NOMINATIVE FAIR USE: ESTABLISHING AN ANALYTIC FRAMEWORK FOR A PROPER AFFIRMATIVE DEFENSE WITHOUT ABANDONING LIKELIHOOD OF CONFUSION

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INTRODUCTION

Trademark infringement law serves a dual purpose: to ensure that trademark owners benefit from the goodwill vested in their marks, and to provide an efficient mechanism for consumers to distinguish among competing producers.¹ The Lanham Act² provides protection against infringing uses that are likely to cause confusion among consumers. At the same time, recognizing that there are some valid competitive uses of another entity's trademark, the statute also provides an affirmative defense against an infringement allegation: fair use.³

There are two distinct, but related, doctrines of trademark fair use: "classic" fair use and "nominative" fair use.⁴ Classic fair use is a statutory defense in which the trademarked term is descriptive and is used by the defendant to describe its own products.⁵ Nominative fair use is a judicially-created defense which applies when the defendant uses the trademark to describe the plaintiff's goods or services, such as in the case of comparative advertising.⁶

The United States Supreme Court has addressed the issue of classic fair use in *KP Permanent Make-up v. Lasting Impression*.⁷ However, the Supreme Court has not addressed the

¹ Thane Int'l v. Trek Bicycle Corp., 305 F.3d 894, 900-01 (9th Cir. 2002).

² The Lanham Act authorizes an infringement action for any registered trademark owner against "use in commerce any reproduction, counterfeit, copy, or colorable imitation 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) (2007) (*emphasis added*).

³ The Lanham Act provides a fair use defense for infringement when "the use of the name, term, or device charged to be an infringement is a use . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party. . . ." 15 U.S.C. § 1115(b)(4) (2007).

⁴ 2 McCarthy on Trademarks and Unfair Competition § 11:45 (4th ed. 2007).

⁵ *Id.*

⁶ *Id.*

⁷ *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004) (holding that an affirmative defense of fair use does not relieve the plaintiff of the burden of proving a likelihood of confusion).

issue of nominative fair use as a defense to trademark infringement actions, including a circuit split between the Ninth Circuit and the Third Circuit regarding a test and analytic approach for nominative fair use.⁸ Both circuits employ a three-prong test for nominative fair use, which feature some critical differences.⁹ More important is where each court begins the course of inquiry.

Both the Third Circuit and the Ninth Circuit tests contain three parts, focused on how the plaintiff's mark is used by the defendant and the implications of the use of the mark.¹⁰ The Ninth Circuit's test is more plaintiff oriented, focusing on the necessity of using the mark, how much of the mark is used, and if the use implies endorsement.¹¹ The Third Circuit's approach is more balanced, looking at whether the use is necessary with respect to both the plaintiff and defendant's goods or services, how much of the mark is used, and whether or not the use accurately reflects the nature of the relationship between the parties.¹²

The critical difference between the two court's approaches is where they begin their inquiry into the nominative fair use defense. The Third Circuit adopts an approach more consistent with classic fair use analysis, as upheld by the Supreme Court, in which the court begins with a likelihood of confusion analysis.¹³ If the court finds a likelihood of confusion, the Third Circuit instructs it to proceed with a three-part test for nominative fair use.¹⁴ The Ninth

⁸ Compare *The New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992) (employing a three-part test for nominative fair use in place of a likelihood of confusion analysis) with *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211 (3d Cir. 2005) (using a modified three-part test only after reaching a conclusion that a likelihood of confusion exists).

⁹ The Ninth Circuit test for nominative fair use focuses on the necessity of using the plaintiff's mark, how much of the mark is used, and if the use implies sponsorship or endorsement. *New Kids*, 971 F.2d at 308. The Third Circuit test by contrast, considers if the plaintiff's mark is used to describe both the plaintiff and defendant's goods or services, how much of the mark is used, and if the use of the mark is an accurate reflection of the relationship between the parties. *Century 21*, 425 F.3d at 228.

¹⁰ See discussion *supra* note 9.

¹¹ See *New Kids*, 971 F.2d at 308.

¹² See *Century 21*, 425 F.3d at 228.

¹³ *Id.* at 222.

¹⁴ *Id.*

Circuit eschews the likelihood of confusion analysis altogether when a nominative fair use defense is raised, jumping straight to a three-part test for nominative fair use.¹⁵

This note will argue that the Ninth Circuit is incorrect in abandoning the likelihood of confusion analysis before proceeding to the test for nominative fair use. Likelihood of confusion is the cornerstone of trademark infringement analysis, and serves the dual purpose of trademarks well—balancing the protection afforded producers in the goodwill vested in a mark with the potential for misleading consumers. If there is no confusion, there is no need for an infringement defense. But if there is confusion or potential confusion, the nominative fair use defense provides a mechanism for determining if the use of the mark is fair, even in light of the confusion. This is critical to the continued flow of information in the market, which ultimately benefits consumers.

Many of the concerns surrounding trademarks in contextual advertising and Internet search results can be addressed through nominative fair use. Solidifying a test that can be adopted by all federal courts of appeal and upheld by the Supreme Court is critical to avoid impeding economic growth in an age of electronic commerce. Technology rapidly outpaces the development of the law, and this is quite evident with respect to trademarks.¹⁶ Courts and the legal academy have struggled to adopt new tests to keep pace with the rise of the Internet.¹⁷ The results have been less than spectacular, with courts developing ill-considered doctrines such as

¹⁵ *New Kids*, 971 F.2d at 307.

¹⁶ See Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1603 (2007) (discussing the rise of ‘use theory’ to address trademark uses with new technologies, such as the Internet and search issues); see also Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. DAVIS L. REV. 371 (2006) (addressing issues of trademark use in the Internet contexts and the courts inadequacies of dealing with trademark issues in the electronic age).

¹⁷ See generally James Suh, Note, *Intellectual Property Law and Competitive Internet Advertising Technologies: Why “Legitimate” Pop-up Advertising Practices Should be Protected*, 79 ST. JOHN’S L. REV. 161 (2005) (discussing court’s approaches to trademark law with respect to Internet ‘pop-up’ advertising); Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105 (2005) (discussing the widespread adoption of initial interest confusion for Internet trademark issues); Uli Widmaier, *Use, Liability, and the Structure of Trademark Law*, 33 HOFSTRA L. REV. 603 (2004) (discussing the courts failure to apply use requirements to address trademark infringement issues in the Internet context).

initial interest confusion,¹⁸ and many in the legal academy embracing *use theory*.¹⁹ The development of a vibrant fair use doctrine with a well-defined test will serve to alleviate some of the concerns raised by initial interest confusion and use theories,²⁰ all while working within the well-established doctrines currently guiding trademark infringement.

Part I of this note will examine the split between the Ninth and Third Circuits regarding the proper analytical approach and the tests to be used for trademark infringement cases involving a nominative fair use. Part II will examine each circuit's approach, detailing why the Ninth Circuit approach is deeply flawed, and how the Third Circuit approach contains minor deficiencies that prevent the test from achieving its full potential. Part III will suggest the proper analytical approach, including a modified test for a nominative fair use affirmative defense, which will provide a more robust analytical framework applicable to cases of nominative fair use, including issues surrounding Internet keyword searching and contextual advertising.

I. THE CIRCUIT SPLIT REGARDING NOMINATIVE FAIR USE

Both the Ninth Circuit and the Third Circuit have developed well-articulated tests for nominative fair use as a defense for trademark infringement.²¹ Both courts rely primarily on a three-part test, which focuses on the use of the mark to identify the plaintiff's goods or services, the extent of the mark used, and the implications of any relationships between the plaintiff and

¹⁸ See Stacey L. Dogan & Mark A. Lemley, *Trademark in Transition: Institute for Intellectual Property & Information Law Symposium: Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 781 (2004) (discussing courts increasing application of initial interest confusion to address Internet search related issues).

¹⁹ A complete debate regarding use theory is beyond the focus and scope of this note. However, for a detailed discussion of proponents and opponents of use theory, see Barrett, *supra* note 16; Widmaier *supra* note 17; Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Use*, 92 IOWA L. REV. 1669 (2007); *But see* Dinwoodie, *supra* note 16; Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 IOWA L. REV. 1703 (2007).

²⁰ Dinwoodie, *supra* note 19, at 1608.

²¹ *New Kids*, 971 F.2d at 308-09; *Century 21*, 425 F.3d at 228-31.

defendant's goods or services.²² The Third Circuit's test includes some minor but important variations, such as considering a mark used to describe the goods or services of the plaintiff and the defendant.²³ As discussed in Part II, this distinction may be improved to make the test more robust and better suited to addressing fair use issues in new and expanding contexts. The Third Circuit also moves away from looking at an implication of sponsorship or endorsement, as in the Ninth Circuit test, in favor of requiring an accurate reflection of the relationship between the plaintiff's and defendant's products or services.²⁴ The critical difference, however, is that in approaching a nominative fair use analysis, the Ninth Circuit dispenses entirely with a likelihood of confusion analysis, while the Third Circuit only proceeds to the nominative fair use test when the plaintiff satisfies the burden of establishing a likelihood of confusion.

1. Nominative Fair Use in the Ninth Circuit

The Ninth Circuit test for nominative fair use was developed in *New Kids on the Block v. News America Publishing, Inc.*²⁵ The case involved two newspaper polls, run in the *USA Today* and *The Star* newspapers.²⁶ The polls asked readers to vote on the popularity of the various members of the New Kids and the group itself, by calling a 1-900 phone number.²⁷ The New Kids sued both papers on several trademark and unfair competition grounds.²⁸

The Ninth Circuit first focused on the implications of allowing a trademark such as "The New Kids on the Block," which was also the name of the group, protection against all others' use of the term.²⁹ The valid use of a competitor's trademark for comparative advertising had been

²² *New Kids*, 971 F.2d at 308; *Century 21*, 425 F.3d at 228.

²³ *Century 21*, 425 F.3d at 229.

²⁴ *New Kids*, 971 F.2d at 308; *Century 21*, 425 F.3d at 228.

²⁵ *New Kids*, 971 F.2d at 308.

²⁶ *Id.* at 304.

²⁷ *Id.*

²⁸ *Id.* at 304-05.

²⁹ *Id.* at 308-09.

established in the Ninth Circuit in *Smith v. Chanel*, which held that use of another company's trademark for the sake of comparative advertising was essential to effective competition.³⁰

New Kids also looked to *Volkswagenwerk Aktiengesellschaft v. Church*.³¹ In *Volkswagenwerk*, a mechanic had used the terms "Volkswagen" and "VW" in signage and advertising to indicate he repaired those models of cars.³² The court determined that Volkswagen would be entitled to protection had Church's intent been to mislead customers into thinking he was an authorized service center, but that he clearly indicated that he was an independent mechanic.³³ Because it would be nearly impossible to communicate that he worked on Volkswagen cars without using the terms, there was no infringement.³⁴

The First Circuit had confronted a similar issue with regards to the "Boston Marathon" mark in *WCVB-TV v. Boston Athletic Association*.³⁵ In *WCVB*, the athletic association sued to stop a television station from using the term "Boston Marathon," in reference to their coverage of the venerable foot race.³⁶ The First Circuit found the station's use to be a non-infringing, noting that there was no likely confusion among viewers as to the particular race being covered, and limited ways to reasonably refer to the Boston Marathon.³⁷

Drawing on these cases, the Ninth Circuit indicated that the situation confronted in *New Kids* was best viewed as a "non-trademark use of a mark—a use to which the infringement laws simply do not apply" ³⁸ The use is not a case of classic fair use, because the terms used in the

³⁰ *Smith v. Chanel, Inc.*, 402 F.2d 562, 567 (9th Cir. 1968).

³¹ *New Kids*, 971 F.2d at 307.

³² *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 351 (9th Cir. 1969).

³³ *Id.*

³⁴ *Id.* at 352.

³⁵ *WCVB-TV v. Boston Athletic Ass'n*, 926 F.2d 42 (1st Cir. 1991).

³⁶ *Id.* at 44.

³⁷ *Id.* at 46.

³⁸ *New Kids*, 971 F.2d at 307.

protected mark are not being used to refer to the *defendant's* goods or services.³⁹ In this situation, the court held that the defendant is entitled to a nominative fair use defense, and outlined three requirements for establishing nominative fair use.⁴⁰

First, the court held that the good or service in question must not be readily identifiable without using the trademark.⁴¹ Second, the mark may be used only to the extent reasonably necessary for identification.⁴² And third, the user cannot do anything that would imply or suggest sponsorship or endorsement by the trademark holder.⁴³

The court held that because there was no practical way to refer to the New Kids without using the mark, and that the papers only used the name in a manner that did not imply any sponsorship, the papers' use was non-infringing.⁴⁴

The Ninth Circuit has also applied the nominative fair use doctrine in the Internet context, in *Playboy Enterprises, Inc. v. Welles*.⁴⁵ In *Welles*, a former Playboy Playmate had used various Playboy trademarks on her own website in various forms of self-promotion.⁴⁶ The Ninth Circuit held that because the defendant had raised a nominative fair use defense, that the *New Kids* test should apply in place of the test for a likelihood of confusion.⁴⁷ The Ninth Circuit's eight-factor test for likelihood of confusion was outlined in *AMF, Inc. v. Sleekcraft Boats*.⁴⁸ The court held that because the traditional *Sleekcraft* test for likelihood of confusion focused on the similarity of the marks, using it in instances of nominative fair use—where the marks are indeed

³⁹ *Id.* at 308.

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.* at 309.

⁴⁵ *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002).

⁴⁶ *Id.* at 799.

⁴⁷ *Id.* at 801.

⁴⁸ *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

similar, in fact, often identical—would incorrectly lead to the conclusion that all nominative uses were confusing.⁴⁹

2. Nominative Fair Use in the Third Circuit

In *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, the Third Circuit examined the nominative fair use doctrine in light of the Supreme Court’s ruling in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*⁵⁰ In *KP Permanent*, the Supreme Court had addressed the relationship between confusion analysis and a classic fair use defense.⁵¹ The Court held that the plaintiff must show a likelihood of confusion as part of its *prima facie* case, and that raising a classic fair use defense did not release the plaintiff from the burden of establishing a likelihood of confusion.⁵²

The Supreme Court acknowledged that a fair use defense was likely to incorporate some consideration of the level of confusion on the part of consumers.⁵³ However, they were not willing to shift the burden of negating confusion to the defendant, instead holding that a plaintiff claiming infringement still had to show confusion as part of their primary case, and that the defendant “has no independent burden to negate the likelihood of any confusion in raising the affirmative defense”⁵⁴

Although the Supreme Court had declined to address the issue of nominative fair use raised by the Ninth Circuit in *KP Permanent Make-Up*,⁵⁵ the Third Circuit took it upon itself to

⁴⁹ *Welles*, 279 F.3d at 801.

⁵⁰ *Century 21*, 425 F.3d at 214.

⁵¹ *KP Permanent*, 543 U.S. at 118-19.

⁵² *Id.* at 114.

⁵³ *Id.* at 121.

⁵⁴ *Id.* at 123.

⁵⁵ *Id.* at 15 n 3

provide clarification about the role of a likelihood of confusion analysis when the defendant raised a nominative fair use defense.⁵⁶

The defendant in *Century 21*, Lending Tree, had been accused of infringement from the use of Century 21's, and other realtor's, trademarks in conjunction with a real estate referral program on its website.⁵⁷ The United States District Court for the District of New Jersey found that the use of the marks was likely to cause confusion and were not excluded under the nominative fair use doctrine.⁵⁸

The Third Circuit began by concurring with the Ninth Circuit that nominative fair use cases required a separate legal analysis from classic fair use.⁵⁹ But because classic fair use and nominative fair use were somewhat similar, the Third Circuit disagreed that the test for nominative fair use should replace a likelihood of confusion analysis.⁶⁰ At the heart of the disagreement is the Third Circuit's argument that in the case of a nominative fair use, because the defendant ultimately uses the plaintiff's mark to describe its own goods or services, by way of comparison, that even in a true nominative use, there still exists the potential for confusion.⁶¹ Relying on the Supreme Court's *KP Permanent* decision as well as the text of the Lanham Act, the Third Circuit concluded that the Ninth Circuit's abandonment of confusion analysis in cases of nominative fair use was incorrect.⁶²

The Third Circuit adopted a two-step approach that begins with a modified likelihood of confusion analysis, and is followed by a nominative fair use analysis similar to the Ninth

⁵⁶ *Century 21*, 425 F.3d at 214.

⁵⁷ *Id.* at 215-216.

⁵⁸ *Id.*

⁵⁹ *Id.* at 220.

⁶⁰ *Id.*

⁶¹ *Id.* at 221.

⁶² *Id.*

Circuit's.⁶³ The Third Circuit acknowledged that certain factors employed in a traditional likelihood of confusion analysis, when employed in the context of nominative fair use, would always lead to a finding of confusion.⁶⁴ As a result, the court eliminated the factors which do not apply or would generate a misleading result in cases of nominative fair use.⁶⁵

Specifically, the Third Circuit rejected the use of two factors: the degree of similarity between the marks, and the strength of the owner's mark.⁶⁶ As noted by the Ninth Circuit, in *Welles*, using the degree of similarity test in nominative use cases would always yield a likelihood of confusion.⁶⁷ The Third Circuit acknowledged this, because the marks used were identical.⁶⁸ With respect to the strength of the mark, because the nominative fair use is usually motivated principally by the strength of the plaintiff's mark, this factor is also inappropriate in the analysis for nominative fair use.⁶⁹

The Third Circuit noted that all of the other factors in a traditional likelihood of confusion analysis have a potential role in some nominative fair use cases.⁷⁰ In *Century 21*, they focus on four elements of the confusion analysis:⁷¹

- (1) the price of the goods and the care consumers take when purchasing those goods;
- (2) the length of time the defendant has used the mark without evidence of actual confusion;
- (3) the intent of the defendant; and
- (4) evidence of actual confusion.

⁶³ *Id.* at 222.

⁶⁴ *Id.* at 224.

⁶⁵ *Id.*

⁶⁶ *Id.* at 224-25.

⁶⁷ *Welles*, 279 F.3d at 801.

⁶⁸ *Century 21*, 425 F.3d at 225.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.* at 226.

Upon conclusion of this modified likelihood of confusion analysis, the court turned to the Ninth Circuit's nominative fair use test, and determined that it lacked clarity.⁷² As a result, the Third Circuit formulated its own three-part test for nominative fair use, which the court advocated provides a more precise test for determining nominative fair use:

1. Is the use of plaintiff's mark necessary to describe (1) plaintiff's product or service and (2) defendant's product or service?
2. Is only so much of the plaintiff's mark used as is necessary to describe plaintiff's products or services?
3. Does the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services?⁷³

The Third Circuit differentiated its first prong from the Ninth Circuit's by broadening the focus of the inquiry into the use of the mark to describe the plaintiff's goods or services.⁷⁴ The Third Circuit acknowledged that the focus should be on the necessity of evaluating the need to employ the plaintiff's mark to refer to its goods or services,⁷⁵ but added that there should be an inquiry as to the necessity of use of the plaintiff's mark for describing the goods and services of the *defendant*.⁷⁶ Although the court does not provide a concrete example, one might think back to *Smith v. Chanel*, where an "imitation" fragrance manufacturer manufactured a perfume designed to smell like Chanel No. 5.⁷⁷ In such a case, it would be difficult, and sometimes impossible, to identify one's own product without using the mark of another manufacturer.

The Third Circuit's second prong does not vary significantly from the second prong of the Ninth Circuit test.⁷⁸ Both inquiries focus on the amount of the plaintiff's mark used by the

⁷² *Id.* at 228.

⁷³ *Id.*

⁷⁴ *Id.* at 229.

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Chanel*, 402 F.2d 562.

⁷⁸ *Century 21*, 425 F.3d at 230.

defendant to identify the plaintiff's goods or services, offering as an example a mark which features a distinctive typeface.⁷⁹ If the defendant can use only the text of the mark to identify the plaintiff's goods, but instead uses both the text and the distinctive typeface, the defendant may have exceeded only what is necessary in use of the plaintiff's mark.

The third prong of the Third Circuit test departs again from the Ninth Circuit.⁸⁰ Instead of asking if the use implies a sponsorship or endorsement, the Third Circuit asks if the use reflects the "true and accurate relationship" between the two products or services.⁸¹ The Third Circuit adopted this broader approach to incorporate instances where a prior relationship may exist, such as limited sponsorship or endorsement, but where the defendant's use of the mark implies a deeper relationship than exists in reality.⁸²

II. DEFICIENCIES IN THE CIRCUIT APPROACHES TO NOMINATIVE FAIR USE

The likelihood of confusion is a threshold matter required in an infringement action before proceeding to the evaluation of defenses.⁸³ If there is no likelihood of confusion, there is no infringement, and therefore the evaluation of the nominative fair use defense is unnecessary.⁸⁴ The Ninth Circuit purports to abandon the likelihood of confusion analysis in favor of the nominative fair use test, which would be inconsistent with the statutory requirements for infringement and common law.⁸⁵ The Ninth Circuit test as a replacement test for likelihood of confusion is an insufficient one that is more properly applied as an affirmative defense as it is in the Third Circuit. Formulating a robust nominative fair use defense does not require abandoning

⁷⁹ *Id.*

⁸⁰ *Id.* at 230-31.

⁸¹ *Id.* at 230.

⁸² *Id.* at 231.

⁸³ *KP Permanent*, 543 U.S. at 117-18.

⁸⁴ *Id.* at 119.

⁸⁵ *Welles*, 279 F.3d at 801; *See also* Lanham Act, 15 U.S.C. § 1114(1) (2007).

the traditional multifactor likelihood of confusion tests, and in fact, could address many issues raised by new technologies, such as Internet keyword searching and contextual advertising.

In Part II, this note will examine the deficiencies in both the Ninth Circuit and Third Circuit's approach to nominative fair use analysis. First, we will examine the importance of the likelihood of confusion analysis in trademark law, and the internal confusion within the Ninth Circuit regarding nominative fair use—as either an affirmative defense or as an alternative analytical framework for determining a likelihood of confusion. Next, we will look at the deficiencies of the Ninth Circuit's nominative fair use test, and examine why it is not a proper analytical framework for evaluating confusion, and therefore an inadequate replacement for traditional likelihood of confusion analysis. Finally, it is necessary to examine the similarities between the doctrine of classic fair use and nominative fair use, and why, in the context of the Supreme Court's decision in *KP Permanent*, nominative fair use must be analyzed in the same manner as a classic fair use defense.

1. Confusing the Likelihood of Confusion

The likelihood of confusion analysis is the touchstone in trademark infringement actions, in both common law and the statute.⁸⁶ The requirement for a likelihood of confusion in infringement actions is codified in the Lanham Act, 15 U.S.C. § 1114 (2007) which provides a cause of action against any person who uses a registered trademark in an unauthorized manner when “such use is likely to cause confusion, or to cause mistake, or to deceive.”⁸⁷ This statutory

⁸⁶ 2 McCarthy on Trademarks and Unfair Competition § 23:1 (4th ed. 2007); *See also* 5-5 Gilson on Trademarks § 5.01 (2007).

⁸⁷ Lanham Act, 15 U.S.C. § 1114(1) (2007).

provision places the likelihood of confusion test at the center of any infringement action, which the courts have repeatedly recognized.⁸⁸

The Supreme Court has held that statutory construction begins with the text of the statute,⁸⁹ and the Lanham Act requirement for a likelihood of confusion in trademark infringement actions is undisputed.⁹⁰ Indeed, in cases of classic fair use, the Ninth Circuit has held that a likelihood of confusion analysis is still necessary, and that the classic fair use analysis merely complements it.⁹¹ The Supreme Court agreed in *KP Permanent* that the Lanham Act requires a showing of a likelihood of confusion, and that the Act was silent with regard to the elements of confusion with respect to the “fair use” defense outlined in 15 U.S.C. § 1115(b)(4).⁹² The statute merely provides an affirmative defense when a mark is “used fairly and in good faith only to describe the goods or services” of the plaintiff.⁹³ This begs the question of why the Ninth Circuit departed from the approach of examining likelihood of confusion when faced with a nominative fair use defense.

The Ninth Circuit seems to be internally conflicted regarding the nature of nominative fair use. In *New Kids*, the court characterized the defense as involving a non-trademark use of a mark, where typical infringement analysis would not apply.⁹⁴ The court continued, offering that this type of nominative use does not attempt to capitalize on confusion and therefore “lies outside the strictures of trademark law.”⁹⁵ This approach would be consistent with the abandonment of a likelihood of confusion analysis. If a nominative fair use were not actually a use, there would be no need to continue with the accepted likelihood of confusion infringement

⁸⁸ *Daddy's Junky Music Stores v. Big Daddy's Family Music Ctr.*, 109 F.3d 275, 280 (6th Cir. 1997).

⁸⁹ *Park 'n Fly v. Dollar Park & Fly*, 469 U.S. 189, 194 (1985).

⁹⁰ *Two Pesos v. Taco Cabana*, 505 U.S. 763, 769 (1992).

⁹¹ *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002).

⁹² *KP Permanent*, 543 U.S. at 118; *See also* 15 U.S.C. § 1115(b)(4) (2007).

⁹³ Lanham Act, 15 U.S.C. § 1115(b)(4) (2007).

⁹⁴ *New Kids*, 971 F.2d at 307.

⁹⁵ *Id.*

analysis at all. However, that is not consistent with the continued development of nominative fair use within the Ninth Circuit.

In *Wells*, the Ninth Circuit adopted the nominative fair use test, because it “better evaluates the likelihood of confusion in nominative use cases.”⁹⁶ The court justified the abandonment of the *Sleekcraft* factors on the basis that in the case of nominative fair use, the marks used were identical, and therefore the factors for likelihood of confusion were insufficient.⁹⁷ What this does not address is why, if nominative fair use is not an actionable use, a likelihood of confusion analysis is necessary at all. In fact, the Ninth Circuit does not treat nominative fair use as a non-use, nor is it advocating nominative fair use as an affirmative defense; the Ninth Circuit advocated its nominative fair use test as a replacement for the likelihood of confusion analysis for infringement.⁹⁸ This view is also supported by the dissent in *Century 21*, which takes issue with the Third Circuit majority approach casting nominative fair use as an affirmative defense.⁹⁹

The issue of whether or not the Ninth Circuit nominative fair use test is an adequate replacement for likelihood of confusion over the *Sleekcraft* factors—which is the Ninth Circuit’s embodiment of several factors that contribute to the likelihood of confusion, similar tests have been adopted by all of the Circuits, with minor variations—is critical when evaluating the Ninth Circuit approach to nominative fair use. However, the Ninth Circuit’s nominative fair use test is not an adequate framework for a likelihood of confusion analysis, and the Third Circuit is correct in beginning their analysis with the likelihood of confusion, as required by the statute and Supreme Court precedent.

⁹⁶ *Wells*, 279 F.3d at 801.

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ See generally, *Century 21*, 425 F.3d 211 (2005) (Fisher, J., concurring in part and dissenting in part).

2. Nominative Fair Use As Likelihood of Confusion

Because the Ninth Circuit approach is, in fact, replacing the *Sleekcraft* analysis for likelihood of confusion in nominative fair use instances,¹⁰⁰ it is necessary to evaluate the test outlined in *New Kids* as a replacement test for likelihood of confusion.

In *AMF, Inc. v. Sleekcraft Boats*, the Ninth Circuit outlined eight factors to determine the likelihood of confusion in a trademark infringement action: (1) the strength of the mark; (2) the proximity of the goods; (3) the similarity of the marks; (4) evidence of actual confusion; (5) the marketing channels used; (6) the type of goods and degree of care likely to be exercised by the purchaser; (7) the defendant's intent in selecting the mark; and (8) the likelihood of expansion of the product lines.¹⁰¹

In *Welles*, the Ninth Circuit argued that, because the focus of the *Sleekcraft* analysis was the similarity of the marks, that application of the factors in cases of nominative fair use would always yield a likelihood of confusion.¹⁰² The court neglected, however, to examine why that must be true.¹⁰³ In fact, a close examination of the *Sleekcraft* factors demonstrates the falsehood of this conclusion.

While it is true that the third factor, the similarity of the marks, is rendered moot in instances of nominative fair use, and that the strength of the mark is less relevant, presumably because the motivation for the defendant's use of the mark is out of the mark's strength,¹⁰⁴ the other factors retain relevancy. Some of the remaining factors could become important in certain

¹⁰⁰ *Welles*, 279 F.3d at 801.

¹⁰¹ *Sleekcraft*, 599 F.2d at 348-49.

¹⁰² *Welles*, 279 F.3d at 801.

¹⁰³ *Welles*, 279 F.3d at 801 (focusing on the fact that the marks are identical without taking into consideration the other *Sleekcraft* factors).

¹⁰⁴ *Century 21*, 425 F.3d at 225.

instances of nominative fair use—including Internet comparative advertising. For example, the marketing channel used, the proximity of the goods, evidence of actual confusion, and the type of goods and care exercised by the purchaser may all be relevant to a nominative fair use inquiry. With respect to Internet advertising, such as with search engine results or keyword ad placement, the proximity of the goods could yield valuable information. The marketing channel used is relevant as well, as in cases like *Welles*, where the use of the mark on a website could be afforded more weight than the use of the mark in a print advertisement because of the ability to directly link to the competitor’s website. In many instances of nominative fair use, the likelihood of confusion analysis could be applied to determine that there is not a likelihood of confusion, and therefore, in accordance with the statute, no infringement.¹⁰⁵

There is no evidence that the Ninth Circuit’s nominative fair use test would yield better results as a replacement analysis for likelihood of confusion. The confusion in the Ninth Circuit about the role of the nominative fair use test, as a replacement for likelihood of confusion versus an affirmative defense, is understandable, because as outlined, its test does not really evaluate likelihood of confusion, but instead searches for a justification for the defendant’s use of the plaintiff’s mark.

The *New Kids* test first focused on the utility of the defendant using the plaintiff’s mark to identify the plaintiff’s goods or services.¹⁰⁶ The other factors focused on the economy in utilizing the mark by the defendant to refer to the plaintiff’s goods or services, not on the likelihood of confusion to the consumer, but rather on the need of the defendant to use the mark. It is only the third factor, which examines if the defendant has done anything to suggest

¹⁰⁵ Lanham Act, 15 U.S.C. § 1114 (2007).

¹⁰⁶ *New Kids*, 971 F.2d at 308.

sponsorship or endorsement, which hints at confusion.¹⁰⁷ This is precisely why the nominative fair use test is best applied as an affirmative defense to an infringement action, rather than as a replacement to a likelihood of confusion analysis.

3. *Classic Fair Use vs. Nominative Fair Use*

The similarities between a classic fair use defense and a nominative fair use defense are striking enough to warrant a discussion of why the two defenses should be analyzed in the same manner by the courts. The classic fair use defense is defined in the Lanham Act, 15 U.S.C. § 1115(b)(4), which provides an affirmative defense for the defendant’s use of a mark that is descriptive, and is used “fairly and in good faith” to describe the defendant’s own goods or services.¹⁰⁸ In *KP Permanent*, the Supreme Court affirmed that the statutory defense does not negate the plaintiff’s burden to establish a likelihood of confusion,¹⁰⁹ but that even some element of confusion does not preclude a defense of fair use.¹¹⁰ The court points out that given the requirement of the plaintiff to establish a likelihood of confusion, it would make little or no sense to shift that burden to the defendant, either with respect to likelihood of confusion or any affirmative defense of fair use.¹¹¹ Though there may be some level of consumer confusion with respect to the defendant’s use of a plaintiff’s mark to describe the defendant’s own goods and services, there may still be acceptable justification in the use of the mark, giving rise to a classic fair use defense.¹¹²

¹⁰⁷ *Id.* at 308-09.

¹⁰⁸ Lanham Act, 15 U.S.C. § 1115(b)(4) (2007).

¹⁰⁹ *KP Permanent*, 543 U.S. at 124.

¹¹⁰ *Id.* at 122.

¹¹¹ *Id.* at 120.

¹¹² *Id.* at 123.

Although the court was silent on any issue of nominative fair use, a clear comparison may be drawn between the two defenses. The analytical framework surrounding a classic fair use defense requires a determination that the use was fair: that it was used in good faith.¹¹³ This is analogous to the second and third prongs of the nominative fair use test in both the Ninth and the Third Circuits, which center on the necessity of use of the mark in whole or part and the relationship that is implied by the use of the mark.¹¹⁴

The Third Circuit terms their test for nominative fair use a “fairness test,” setting it firmly within the framework of the classic fair use analysis as established by the statute and upheld by the Supreme Court.¹¹⁵ The Third Circuit also notes that if the test for fairness were to be embedded within the analysis for confusion, the possibility that the issue of consumer confusion would overwhelm the issue of whether or not the use was fair.¹¹⁶ Both the Ninth Circuit’s and Third Circuit’s second and third prongs go directly to the fairness of the defendant’s use of the plaintiff’s mark: both second prongs focus on only using what is essential of the plaintiff’s mark, and both third prongs focus on the relationship between the plaintiff’s and defendant’s products which is expressed or implied by the use of the mark.¹¹⁷

It is only the first prong of the nominative fair use test which can be read to be unique to nominative fair use; classic fair use by the statutory definition applies only when the defendant uses the plaintiff’s mark to describe the defendant’s goods or services, while nominative fair use applies when the defendant uses the mark to describe the plaintiff’s own goods.¹¹⁸ The extremely similar nature of the uses—describing the plaintiff’s, rather than the defendant’s, goods—

¹¹³ Lanham Act, 15 U.S.C. § 1115(b)(4) (2007); *See also KP Permanent*, 543 U.S. at 118 (noting that Congress only employed the term “used fairly” in establishing a fair use affirmative defense and did not include any language relating to a requirement to negate a likelihood of confusion).

¹¹⁴ *New Kids*, 971 F.2d at 308; *Century 21*, 425 F.3d at 228.

¹¹⁵ *Century 21*, 425 F.3d at 222.

¹¹⁶ *Id.* at 223.

¹¹⁷ *New Kids*, 971 F.2d at 308; *Century 21*, 425 F.3d at 228.

¹¹⁸ *New Kids*, 971 F.2d at 308; *Century 21*, 425 F.3d at 228.

strongly implies that the Supreme Court would view the tests in a similar light, and that the proper starting point for inquiry in an infringement case is whether there exists a likelihood of confusion.

The Ninth Circuit placed a great deal of emphasis on the difference between the types of fair use, but in a circular way.¹¹⁹ The Court noted that the key difference is using the mark to describe the plaintiff's goods rather than the defendant's, but justified the importance of this distinction because of the different courses of analysis—which are not grounded in precedent, but rather defined by the Ninth Circuit itself.¹²⁰ This circular reasoning is not a proper justification for the radical departure from traditional infringement analysis. Instead, as is the case with classic fair use, the proper starting point for nominative fair use analysis is likelihood of confusion.

III. FORMULATING A PROPER APPROACH TO NOMINATIVE FAIR USE

The formulation of a robust nominative fair use doctrine is not outside the realm of consideration, even in light of the already codified statutory fair use defenses.¹²¹ The development of a proper nominative fair use doctrine may also help address some of the concerns facing Internet initial interest confusion and Internet keyword searching and contextual advertising. Many scholars are currently advocating “use theory” to address these issues, claiming that fair use approaches abandon the traditional plaintiff's burden to establish trademark use.¹²² Clearly, there is some threshold use requirement for infringement actions.¹²³ The extent of that use requirement is well-beyond the scope of this note. However, the current advocacy for a

¹¹⁹ *New Kids*, 971 F.2d at 308.

¹²⁰ *Franklin Mint*, 292 F.3d at 1150.

¹²¹ Dinwoodie, *supra* note 16, at 1709.

¹²² Barrett, *supra* note 16, at 446.

¹²³ Dinwoodie, *supra* note 16, at 1609-10.

return to enforcement of the use requirement seems misguided, as shifting the focus from likelihood of confusion to use merely replaces one indeterminate analysis with another. If the focus shifts to use, we will merely see more expansive definitions of “use” in commerce developed to encompass the same issues facing the courts today. And if the congressional view regarding “commerce” in other areas may someday be extrapolated to trademark, use in commerce might be a sleeping dog best left to lie.

1. Proper Analysis Begins with Likelihood of Confusion

Likelihood of confusion, a tried and tested doctrine, well established in the Lanham Act and courts, offers a more traditional route to protection of even new media uses. The courts seem flustered by the rise of technology in commerce, adopting new doctrines before the market and consumers have had a chance to adjust.¹²⁴ As consumers become more sophisticated in their use of search tools and exposure to contextual advertising, the likelihood that these types of uses will be confusing, even at a threshold level, diminishes significantly.¹²⁵

The various circuit multifactor likelihood of confusion tests already incorporate factors that allow the courts to minimize or negate likelihood of confusion in Internet contextual advertising, such as the proximity of goods, which could be applicable in search result sorting or sponsored link advertising display;¹²⁶ and the evidence of care exercised by the purchaser, which increases daily as more consumers are exposed to Internet advertising and the juggernaut that

¹²⁴ See Zachary J. Zweihorn, Note, *Searching for Confusion: The Initial Interest Confusion Doctrine and Its Misapplication to Search Engine Sponsored Links*, 91 CORNELL L. REV. 1343 (2006).

¹²⁵ Rothman, *supra* note 17, at 169; See also Kurt M. Saunders, *Confusion is the Key: A Trademark Law Analysis of Keyword Banner Advertising*, 71 FORDHAM L. REV. 543, 567-68 (2002).

¹²⁶ Saunders, *supra* note 126, at 573.

is Google. Nearly all incarnations of confusion analysis allow for evidence of actual confusion.¹²⁷

These factors, the statutory language, and current case law all point to the likelihood of confusion analysis as the threshold for infringement analysis. Therefore, if this threshold is not met, there is no need to assert an affirmative defense, and so any test for fair use, classic or nominative, would be moot.

2. The Shortcoming in the Third Circuit Test

The Third Circuit approach to nominative fair use begins with a proper analytical framework, first evaluating for a likelihood of confusion and then, if a likelihood of confusion exists, proceeding to an evaluation of the nominative fair use affirmative defense.¹²⁸ However, the Third Circuit's test is not without fault. The conjunctive requirement in the first prong, that the defendant use the mark to describe both the plaintiff and the defendant's goods or services, potentially limits the application of the test.¹²⁹ It is not necessary to restrict the test to reference both the defendant's and the plaintiff's goods or services. If the use of the mark is only in reference to the defendant's goods, the appropriate defense may be classic fair use. However, if the defendant's use of the mark is only used to refer to the plaintiff's goods or services, the conjunctive requirement may needlessly foreclose a valid nominative fair use defense from the defendant.

¹²⁷ See generally Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1589 (2006).

¹²⁸ *Century 21*, 425 F.3d at 222-23.

¹²⁹ *Id.* at 241 n.20 (Fisher, J., concurring in part and dissenting in part).

3. *Modifying the Third Circuit Test for Inclusiveness*

The Third Circuit test for nominative fair use can be modified to include a broader spectrum of fair use merely by changing the first factor from a conjunctive requirement to a disjunctive option. In its current form, the first prong of the test requires that the defendant's use of the mark be used to describe both the plaintiff's and the defendant's goods or services.¹³⁰ While many times this may be the case, the conjunctive requirement is limiting, foreclosing the defense when the defendant uses the plaintiff's mark merely to refer to the plaintiff's own goods or service. Such is the case in *New Kids*, where the newspaper's use of the "New Kids on the Block" trademark in the poll did not describe the defendant's goods or services in any way, but clearly described the plaintiff's goods.¹³¹

The second factor from the Third Circuit test, mirroring the Ninth Circuit factor, is an appropriate limitation on the defendant, preventing the exploitation of the plaintiff's mark beyond what is strictly necessary to make it clear just whose goods or services are being referenced.¹³² Since source identification is one of the primary purposes of trademark, if the defendant uses just enough of the plaintiff's mark to effect source identification—but no more—it is an appropriate use, and also speaks to the good faith intent of the defendant not to free ride on the goodwill of the plaintiff's mark, but rather to utilize the plaintiff's mark in an efficient way to reference the plaintiff's goods or provide a basis of comparison for the defendant's goods.

Finally, the Third Circuit's articulation of the third prong of the test is more robust than the Ninth Circuit's. By moving away from the sponsorship or license language of the Ninth Circuit, toward language that evaluates the relationship expressed by the use of the mark, the

¹³⁰ *Id.* at 228.

¹³¹ *New Kids*, 971 F.2d at 308.

¹³² *Century 21*, 425 F.3d at 228.

Third Circuit's test more accurately captures the ideas nominative fair use is meant to protect: that the mark is not being used to confuse, mislead, or intentionally deceive the consumer into choosing the defendant's product over the plaintiff's, but merely that the use of the plaintiff's mark—either to identify the plaintiff's or defendant's goods or services—is based in economy and efficiency of information communication.

These revisions leave us with a three-part test, very similar to the test articulated in *Century 21* by the Third Circuit:

1. Is the use of the plaintiff's mark necessary to describe the plaintiff's goods and services *or* the defendant's goods or service?
2. Is only so much of the plaintiff's mark used as is necessary to describe the plaintiff's goods or services?
3. Does the defendant's use of the mark (conduct or language) reflect the true and accurate relationship between the plaintiff and defendant's goods or services?

This test represents a well-balanced approach to the analysis of a nominative fair use defense. When applied correctly, only upon completion of a likelihood of confusion analysis, it properly balances the needs of the plaintiff to protect the integrity of its mark with the needs of the defendant to employ the plaintiff's mark in comparative advertising. The consumer is protected by the likelihood of confusion analysis, an approach supported by the Supreme Court in *KP Permanent* and fitting considering the close relationship between a classic fair use defense and a nominative fair use defense.

CONCLUSION

The Ninth Circuit was correct in identifying a nominative fair use, which differs from classic fair use in that it applies when the defendant uses the plaintiff's mark to describe the

plaintiff's goods or services, rather than the defendant's.¹³³ However, the Ninth Circuit incorrectly identified their approach as an affirmative defense, while trying to apply it in lieu of the statutory and common law requirements in infringement actions for the plaintiff to establish a likelihood of confusion.¹³⁴

The Third Circuit correctly identified this flaw in the Ninth Circuit's analysis, and began its inquiry with the likelihood of confusion analysis.¹³⁵ In doing so, they only reached the test for nominative fair use when the threshold confusion requirement was met.¹³⁶ Although the conjunctive requirement of the Third Circuit's nominative fair use test is misguided, it is easily improved to provide a more robust test. When the first prong is paired with the second prong examining the extent of the defendant's use, and a third prong which focuses on the relationship expressed by the defendant's use of the plaintiff's mark, the result is a comprehensive nominative fair use test that can be correctly analyzed as an affirmative defense, and which provides protection for traditional media uses as well as for new media uses, including Internet searches and Internet contextual advertising.

¹³³ *New Kids*, 971 F.2d at 307-08.

¹³⁴ *Welles*, 279 F.3d at 801.

¹³⁵ *Century 21*, 425 F.3d at 220-21.

¹³⁶ *Id.*