

# BALLY TOTAL FITNESS HOLDING CORP. V. FABER

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## I. INTRODUCTION

Historically, when a consumer was dissatisfied with a company's products or services, that consumer only had access to a few types of media to publicize her complaints about the company. At best, only a small number of consumers became aware of these complaints. Large corporations had little reason to defend themselves because their public denials would only draw more attention to the consumer's complaints. The growth of the Internet, however, has made it much easier for dissatisfied consumers to criticize companies and have their complaints heard by a large audience. As a result, companies must now rethink how to deal with Internet-based criticisms. Such was the case in *Bally Total Fitness Holding Corp. v. Faber*<sup>1</sup> where Bally, the owner of a large chain of fitness centers, elected to sue a consumer who had developed a website to criticize its business practices.

The First Amendment and fair use doctrines in trademark law allow consumers and websites like Faber's to use a company's trademarks to describe its products and services free from the cloud of trademark infringement and dilution. Two factors—technology's new media and the law's free speech protections—are of great importance in understanding the relevance of *Bally*, where the court upheld Faber's right to use Bally's trademarks in the process of criticizing Bally's services.<sup>2</sup> Although the technology gives greater reach to a consumer's complaints by providing a medium with a potentially global audience, the free speech and fair use rights affirmed by this case are not new and in many ways the analysis is no different than one that applies to the offline world.

In discussing the impact of *Bally* on consumers' and companies' trademark rights, this Note will discuss the relevant background law, the facts and holdings of the case and, finally, arguments in favor of the court's ruling.

1. 29 F. Supp. 2d 1161 (C.D. Cal. 1998).

2. See *id.* at 1164.

## II. BACKGROUND LAW

Traditional trademark law and trademark dilution govern most of the court's reasoning in *Bally*. Their nature, purposes and defenses are discussed in this section.

### A. Trademark Infringement

Some important rationales and limitations surround traditional trademark law. Generally, three interests are furthered by trademark protection: protecting consumers from being deceived and misled, curbing the unjust enrichment of poachers who infringe on the marks of others, and protecting the investment made by the mark owner in developing the mark and the subsequent goodwill of consumers toward it.<sup>3</sup> Because "[t]he 'property' in a trademark is the right to prevent confusion,"<sup>4</sup> trademarks are a limited property interest.<sup>5</sup> Businesses can assert some control over the use of those words, symbols and objects that denote their products and services, but that control is not absolute.

The above rationales are reflected in the Lanham Act,<sup>6</sup> which prohibits the "use in commerce of any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with . . . such use as is likely to cause confusion . . . mistake, or to deceive."<sup>7</sup> A "trademark" is defined in section 43 of the Lanham Act as "any word, name, symbol, or device, or any combination thereof [used by a person] to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."<sup>8</sup> Courts have interpreted the definition of trademarks to include colors, smells and sounds.<sup>9</sup> Although the text of the statute only

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3. See generally Michael G. Frey, Comment, *Is It Fair To Confuse? An Examination Of Trademark Protection, the Fair Use Defense, and the First Amendment*, 65 U. CIN. L. REV. 1255, 1260 (1997) (collecting sources).

Consumer transaction costs also play an important role in buttressing the need for trademark protection—consumers have an interest in easily finding the same quality products again and again based on their trademark. See 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:5 (4th ed. 1998).

4. 1 MCCARTHY, *supra* note 3, § 1:8 n.1.

5. See *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir. 1980) ("A trademark owner has a property right only insofar as is necessary to prevent consumer confusion as to who produced the goods and to facilitate differentiation of the trademark owner's goods.").

6. 15 U.S.C. §§ 1051-1128 (1994).

7. 15 U.S.C. § 1114(1)(a) (1994).

8. 15 U.S.C. § 1127 (1994).

9. See, e.g., *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 166 (1995).

covers federally registered trademarks, in practice “common law, unregistered trademarks, service marks and trade names” have been included inside the Lanham Act’s sphere.<sup>10</sup>

Although the Lanham Act sets out a broad scope of protections for trademark holders, it also establishes some important defenses, which have been augmented by judicially created defenses.

The Ninth Circuit has recognized a defendant’s right to make “nominative fair use” of a company’s marks to describe and market that company’s products and services where the products and services are “not readily identifiable without use of the trademark.”<sup>11</sup> In *New Kids on the Block v. News America Publishing, Inc.*,<sup>12</sup> two news organizations created reader opinion polls about the pop band New Kids on the Block.<sup>13</sup> The New Kids sued, alleging, among other things, trademark infringement. The Ninth Circuit held that the defendant could raise the nominative fair use defense to protect against a trademark infringement claim if: (1) the product at issue could not be identified without the use of the mark;<sup>14</sup> (2) the defendant only used what is “reasonably necessary” of the mark to identify the product;<sup>15</sup> and (3) the use did not suggest sponsorship or endorsement by the trademark owner.<sup>16</sup> The court reasoned that “[m]uch useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark.”<sup>17</sup> This defense carves out an important exception for individuals and companies using a company’s marks to describe that company’s products and services. Provided that such use is *de minimis*, not confusing as to the

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10. DORIS LONG, UNFAIR COMPETITION AND THE LANHAM ACT at 7 n.27 (1993), quoted in Katherine E. Gasperek, Comment, *Applying The Fair Use Defense In Traditional Trademark Infringement And Dilution Cases To Internet Meta Tagging Or Linking Cases*, 7 GEO. MASON L. REV. 787, 796 (1999)

11. See *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

12. 971 F.2d 302 (9th Cir. 1992).

13. See *id.* at 304.

14. See *id.* at 308.

15. See *id.* at 308.

16. See *id.* As an example, a defendant making nominative fair use of the mark “Coca-Cola” might use the text of the mark in an ad to convey that the beverage would be for sale at his or her function, but not the stylized logo associated with the mark. With no other way to describe the Coca-Cola Company’s product, the defendant would only be using what was reasonably necessary to denote the product.

17. *Id.* at 307. The court also noted that it is “often virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference or any other such purpose without using the mark.” *Id.* at 306.

sponsorship, and provided that the mark represents the only realistic way to describe the company's products and services, the use is protected under this defense.

In addition to the nominative fair use defense, defendants in trademark infringement suits can employ the statutory defense provisions included in the Lanham Act. The Lanham Act includes a fair use defense for individuals whose good faith use of a trademark is for descriptive purposes only.<sup>18</sup> The defendant must not be using the plaintiff's mark as a trademark, and the use must be to describe the goods or services of the defendant or their geographic origins.<sup>19</sup> Non-trademark use of a mark occurs when someone uses a company's mark to describe their own products and services but does not actually use the mark as their own trademark.<sup>20</sup>

### B. Trademark Dilution

Federal trademark dilution provisions provide owners of "famous trademarks"<sup>21</sup> additional protections not covered by traditional trademark law. The Federal Trademark Dilution Act ("FTDA") defines "dilution" as "the lessening of the capacity of a famous mark to identify and distinguish goods or services."<sup>22</sup> Section 1125(c) provides only injunctive relief to victims of dilution, unless the plaintiff can prove that the diluter "willfully intended to trade on the owner's reputation or to cause dilution of the famous marks,"<sup>23</sup> at which point damages become available.

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18. See 15 U.S.C. § 1115(b)(4) (1994).

19. See *id.*

20. See *id.*

21. The Act includes eight nonexclusive factors for determining if a mark is famous:

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1) (Supp. IV 1998).

22. *Id.* § 1127.

23. See *id.* § 1125(c)(2).

The FTDA's provisions differ from traditional trademark law in some significant regards. Unlike traditional trademark infringement law, the prevention of consumer confusion does not animate the FTDA.<sup>24</sup> Therefore, plaintiffs in dilution actions need not prove consumer confusion.<sup>25</sup> While "commercial use in commerce"<sup>26</sup> of the mark is an essential element to a dilution claim, the FTDA does not require competition of products and services between the plaintiff and defendant as is required by traditional trademark law.<sup>27</sup> Taken together, these differences strengthen the protections afforded to owners of famous trademarks.

Although the FTDA does not specify what behavior should be deemed "dilution," courts have relied on two categories of dilution found in state dilution laws: blurring and tarnishment.<sup>28</sup> In order to sustain a cause of action under a blurring rationale, a plaintiff must show that the defendant used his famous trademark in a way that caused a loss of selling power via an instinctive mental association on the part of consumers.<sup>29</sup>

Tarnishment typically occurs when a plaintiff's mark is placed in an "unwholesome or degrading context."<sup>30</sup> An example of this in the Internet context can be found in *Hasbro, Inc. v. Internet Entertainment Group Ltd.*,<sup>31</sup> where a defendant registered Hasbro's mark "Candyland" and used it as the domain name for a pornographic site, (www.candyland.com).<sup>32</sup> While tarnishment suits often involve the tarnishment of a mark through an association with pornography or prurient sexual activity, they are not

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24. The FTDA does not require "the presence or absence of . . . likelihood of confusion." *Id.* § 1127.

25. *See id.*

26. 15 U.S.C. § 1127 defines "used in commerce" as "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." *Id.*

27. Traditional trademark law allows multiple companies to use the same mark if their products and services do not compete with each other so long as consumer confusion is not created. *See* 15 U.S.C. § 1052(d) (1994). Thus, the FTDA's provisions extend the exclusive rights given to a famous mark holder by allowing them to exclude others from using their mark as a trademark even if such a use is in a completely unrelated field.

28. *See* Gasparek, *supra* note 10, at 803. For an excellent discussion of how older state dilution statutes compare to the FTDA, *see* *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 453-59 (4th Cir. 1999).

29. In *Ringling Bros.*, the U.S. Court of Appeals for the Fourth Circuit defined blurring under the FTDA "as requiring for proof of 'dilution' (1) a sufficient similarity between the junior and senior marks to evoke an 'instinctive mental association' of the two by a relevant universe of consumers which (2) is the effective cause of (3) an actual lessening of the senior mark's selling power, expressed as 'its capacity to identify and distinguish goods or services.'" *Ringling Bros.*, 170 F.3d at 458.

30. 1 MCCARTHY, *supra* note 3, § 24:104.

31. 40 U.S.P.Q.2D (BNA) 1479 (W.D. Wash. 1996).

32. *Id.* at 1480.

limited to this.<sup>33</sup> Other examples include companies mocking their adversary's marks<sup>34</sup> and a parody of canned meat in a film.<sup>35</sup>

Although blurring and tarnishment rationales typically dominate trademark dilution suits, a new category has been created to address domain name disputes: cybersquatting.<sup>36</sup> Cybersquatting occurs when a defendant registers a domain name using a mark holder's trademark, usually with the intent of selling the domain to its rightful owner.<sup>37</sup> *Panavision International, L.P. v. Toeppen*<sup>38</sup> is one of the first cases to define this new category of dilution. In *Panavision*, Dennis Toeppen, the defendant in the case, registered a domain name, *<panavision.com>*, incorporating the plaintiff's mark.<sup>39</sup> After finding that the plaintiff's mark was famous,<sup>40</sup> the court found that Toeppen's use of the mark was commercial in nature.<sup>41</sup> While the court found that merely registering a domain was not commercial use under the FTDA, it did find that Toeppen's registration of Panavision's mark was commercial because Toeppen had made it his business to register marks as domain names and sell them back to their rightful holders.<sup>42</sup> The defendant's actions did not fit neatly into the blurring or tar-

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33. See *Eastman Kodak Co. v. Rakow*, 739 F. Supp. 116 (W.D.N.Y. 1989); *Pillsbury Co. v. Milky Way Prods., Inc.*, 215 USPQ 124 (N.D. Ga. 1981); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 467 F. Supp. 366 (S.D.N.Y.), *aff'd*, 604 F.2d 200 (2d Cir. 1979).

34. See *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994) (holding that the famous John Deere mark was not tarnished because the risk of impairing the identification of Deere's products was minimal when the normally proud and majestic John Deere deer was depicted as weak and cowardly).

35. See *Hormel Foods Corp. v. Jim Henson Prod. Inc.* 73 F.3d 497, 506 (2d Cir. 1996) (holding that Hormel's "Spam" mark was not tarnished when parodied by a puppet character in the form of a likeable wild boar).

36. Professor McCarthy agrees that the blurring/tarnishment dichotomy should be expanded to include cybersquatting. See 1 MCCARTHY, *supra* note 3, § 24:69.1 (listing cybersquatting as a third tarnishment category); *Id.* § 25:77 (discussing cybersquatting in general).

37. See *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, Nos. 98-7452(L), 98-7538(XAP), 2000 U.S. App. LEXIS 1246 (2d Cir. Feb. 2, 2000) ("Cybersquatting involves the registration as domain names of well-known trademarks by non-trademark holders who then try to sell the names back to the trademark owners.").

38. 945 F. Supp. 1296 (C.D. Cal. 1996).

39. See *id.* at 1300.

40. The court ran through the nonexclusive list of eight statutory factors to determine that Panavision's mark, "Panavision," was famous. See *id.* at 1302.

41. See *id.* at 1303.

42. See *id.*

nishment categories; the court noted, however, that blurring and tarnishment do not represent the full breadth of actions covered by the FTDA.<sup>43</sup>

Although the dilution provisions strengthen the exclusive rights enjoyed by holders of famous marks, the FTDA contains some important exceptions. The following uses are not actionable under federal dilution law: 1) fair use in comparative advertising and promotional efforts that identify the mark holder's products using the holder's trademarks;<sup>44</sup> 2) noncommercial use;<sup>45</sup> and 3) "all forms of news reporting and news commentary."<sup>46</sup>

### III. CASE SUMMARY: BALLY TOTAL FITNESS V. FABER

#### A. Factual Summary

Andrew S. Faber operates a Web page called "Bally Sucks," a protest site devoted to consumer complaints and criticism about Bally Total Fitness Holding Corporation's fitness centers.<sup>47</sup> Bally operates fitness centers or health clubs throughout the United States and Canada.<sup>48</sup> When a viewer visits Faber's site, Bally's distinctive trademark<sup>49</sup> appears with the word "Sucks" emblazoned upon it;<sup>50</sup> below this, the site reads "Bally Total Fitness Complaints! Un-authorized."<sup>51</sup> Among other things, the site features instructions on how to cancel an account with Bally's fitness centers, edi-

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43. *See id.* The importance of this rising category of dilution may be diminished with the enactment of the Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, § 1000(a)(9), 113 Stat. 1501, 1536 (Consolidated Appropriations Act, 2000, enacting S. 1948, 106th Cong., §§ 3001-3010 (1999)) (to be codified at 15 U.S.C. § 1125(d)) (1999). The law was passed "to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as 'cybersquatting.'" S. REP. NO. 106-140, at 4. In addition, the newly-formed Internet Corporation for Assigned Names & Numbers ("ICANN") has established the ICANN-mediated Uniform Domain Name Dispute Resolution Policy as an attempt to avoid lengthy court battles. *See* Luke A. Walker, Note, *ICANN's Uniform Domain Name Dispute Resolution Policy*, 15 BERKELEY TECH. L.J. 289 (2000).

44. *See* 15 U.S.C. § 1125 (c)(4) (1994).

45. *See id.* For examples of noncommercial uses, *see infra* note 93.

46. 15 U.S.C. § 1125 (c)(4).

47. *See* Bally Total Fitness Holding Corp. v. Faber, 29 F. Supp. 2d 1161, 1161 (C.D. Cal. 1998).

48. *See id.* at 1164.

49. The court described Bally's trademark as "Bally's stylized 'B' mark or distinctive script." *See id.* at 1166.

50. *See id.* at 1164.

51. *See id.* at 1161.

torial criticism about the company, and a "Complaint Guestbook" where former and current Bally customers can air their protests against the fitness chain.<sup>52</sup>

## B. The District Court Decision

Bally sued Faber to compel him to stop using its mark, asserting that Faber's actions constituted trademark infringement, trademark dilution and unfair competition.<sup>53</sup> The United States District Court for the Central District of California granted Faber's motion for summary judgment on all three counts.<sup>54</sup>

The court rejected Bally's trademark infringement claim. While the court found that Bally's federally registered trademarks were valid and protectable,<sup>55</sup> it also found that there was no consumer confusion created through Faber's use of the company's marks.<sup>56</sup> The court found that the eight-factor balancing test typically employed by courts to determine likelihood of confusion did not apply in *Bally*.<sup>57</sup> This is because, although Bally and Faber both advertised on the Internet, their products were not related.<sup>58</sup> Instead, the court found that there was no consumer confusion created by Faber's site due to the prominent disclaimers and the critical subject matter of the page.<sup>59</sup> The court held that no reasonable consumer

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52. *See Bally*, 29 F. Supp. 2d at 1161, 1166.

53. *See id.* at 1162.

54. *See id.* at 1166, 1168.

55. The court noted that Bally had federally registered service and trademarks for "Bally," "Bally's Total Fitness," and "Bally Total Fitness," as well as the "distinctive styles" of the marks. *See id.* at 1163. It also noted the more than half-billion dollars Bally had spent in promoting its marks and the fact that no other health club related business employed the marks. *See id.*

56. *See id.*

57. *See id.* In the case of competitors marketing related goods, courts typically use an eight-factor test to determine the likelihood of confusion. The factors include: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *See id.* at 1163.

58. *See id.* at 1163.

59. The court noted that

Faber's site states that it is "unauthorized" and contains the words "Bally sucks." No reasonable consumer comparing Bally's official Web site with Faber's site would assume Faber's site "to come from the same source, or thought to be affiliated with connected with, or sponsored by the trademark owner." Therefore, Bally's claim for trademark infringement fails as a matter of law.

*Id.* at 1163-64.

would be confused about the source or sponsorship of Faber's site; therefore, Bally failed as a matter of law to establish the second element of a trademark infringement claim—that a likelihood of consumer confusion existed.<sup>60</sup>

Additionally, the court rejected Bally's trademark dilution claim because it found that Faber's use of Bally's trademark was noncommercial.<sup>61</sup> In order to sustain such a dilution claim, the court said that Bally must show that Faber's use of its famous mark was commercial in nature and diluted Bally's mark by lessening the capacity of the mark to identify and distinguish goods or services.<sup>62</sup> Bally argued that Faber's use was commercial because the "Bally Sucks" site was listed on a separate page that promoted Faber's web design services. The court rejected this argument and found that Faber did not use Bally's mark to identify goods in commerce nor to sell his own services.<sup>63</sup> In interpreting the FTDA's noncommercial use exception, the court cited legislative history in support of the finding that parodies and consumer product reviews—like Faber's website—were exempt from the FTDA's reach.<sup>64</sup>

After finding that Faber's use of Bally's mark was not commercial in nature, the court went on to find that, even if it was commercial use, Bally could not show that Faber's use tarnished its mark.<sup>65</sup> Bally argued that Faber had tarnished its mark by associating it with pornography,<sup>66</sup> but the court identified two problems with Bally's argument.<sup>67</sup> First, the fitness chain did not use consumer commentary cases to support its theory.<sup>68</sup> Instead, Bally cited cases enjoining plaintiffs from using a trademark holder's mark to make satirical commentary on issues unrelated to the

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60. *See id.*

61. *See id.* at 1167.

62. *See id.* at 1166. The court described the finding of commercial use as "essential" to a dilution claim. *See id.*

63. *See id.* at 1167. ("Faber merely listed the 'Bally sucks' site as one of several web sites that he has designed so that those who are interested in his services may view his work. This is akin to an on-line resume.")

64. *See id.* at 1166. The legislative history suggests that Congress never intended for the FTDA to trump free speech; Senator Orrin Hatch stated at the FTDA's inception that the statute would "not prohibit or threaten noncommercial expression, such as parody, satire, editorial and other forms of expression that are not a part of a commercial transaction." 141 CONG. REC. S19, 306-10 (daily ed. Dec. 29, 1995).

65. *See Bally*, 29 F. Supp. 2d at 1167.

66. *See id.* at 1166.

67. *See id.*

68. *See id.*

holder's product.<sup>69</sup> The court noted that the dilution statute did not trump Faber's constitutional rights: "Here, however, Faber is using Bally's mark in the context of a consumer commentary to say that Bally engages in business practices which Faber finds distasteful or unsatisfactory. This is speech protected by the First Amendment."<sup>70</sup>

Second, Bally's tarnishment theory was too broad in the court's eyes.<sup>71</sup> Bally asserted that Faber tarnished its mark because Faber's Web design services site contained links to both his "Bally Sucks" page and a pornography site called "Images of Men."<sup>72</sup> The close proximity of its mark to a link to a pornographic site, Bally argued, created the tarnishment.<sup>73</sup> The court rejected this argument, warning that it would unduly expand the definition of dilution on the Internet.<sup>74</sup> The court added that a "reasonably prudent Internet user" would not assume that a Web page that makes no reference to a company's trademark was somehow sponsored by that company.<sup>75</sup> Although a link to the "Bally Sucks" page and a link to the "Images of Men" page were listed next to each other inside the <compupix.com> domain, a "reasonably prudent Internet user" would not assume Bally's sponsorship—especially given that there was no confusion as to whether or not the "Bally Sucks" page was unofficial.<sup>76</sup>

Although there was no domain name dispute at the heart of the case, the *Bally* court did refer to the issue in passing.<sup>77</sup> It noted that although Faber did not make use of Bally's name as part of a domain name like <www.ballysucks.com>, doing so would not necessarily be a violation as a matter of law.<sup>78</sup> Unlike the cybersquatter cases like *Panavision*,<sup>79</sup> the court

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69. See *id.* at 1166. Bally cited *Mutual of Omaha Ins. Co. v. Novak*, 648 F. Supp. 905 (D. Neb. 1986), *aff'd* 836 F.2d 397 (8th Cir. 1987) and *Coca-Cola v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972); neither case discusses consumer commentary of the mark holder's products.

70. *Bally*, 29 F. Supp. 2d at 1167.

71. See *id.* at 1168.

72. See *id.*

73. See *id.*

74. "The essence of the Internet is that sites are connected to facilitate access to information. Including linked sites as grounds for finding commercial use or dilution would extend the statute far beyond its intended purpose of protecting trademark owners from uses that have the effect of 'lessening . . . the capacity of a famous mark to identify and distinguish goods or services.'" *Id.* at 1168 (internal citations omitted).

75. See *id.*

76. See *id.*

77. See *id.* at 1165.

78. See *id.*

79. *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296 (C.D. Cal. 1996).

noted that “no reasonably prudent Internet user would believe that ‘Bally-sucks.com’ is the official Bally site or is sponsored by Bally.”<sup>80</sup>

#### IV. ANALYSIS

*Bally* involved applying traditional trademark and First Amendment law to new media: the Internet and the World Wide Web. Anyone can publish on the Web, inexpensively or without cost, and reach a large audience using search engine technology. Such ease of publishing raises the stakes for companies, like Bally Total Fitness, that have expended vast resources building trademarked brands. With no control over how search engines list their Web site—and no ability to enjoin sites like Faber’s—Bally must endure having its web page placed in close proximity to the “Bally Sucks” site when a consumer searches for online information about its health clubs. This is a positive result for several reasons.

The first relates to the very basis of trademark law: consumer confusion.<sup>81</sup> Faber’s site did not confuse consumers.<sup>82</sup> Due to Faber’s disclaimers and the obvious fact that the page was a protest site, it seems that the average Web surfer would not assume it to be sponsored by Bally. With no likelihood of confusion, providing trademark protection would needlessly extend Bally’s exclusive rights.

Another reason why the result in this case is positive is that informed consumers create and maintain an economic incentive for Bally to provide quality services. The fitness chain has an interest in keeping consumer opinion positive. It can further the goodwill associated with its mark by providing good customer service; good service means positive feedback from consumers through word of mouth. But if Bally were given the ability to silence consumer criticism on the Web, the company’s incentive to provide good services would be lessened. By tracking Bally’s alleged indiscretions and poor business practices, Faber’s site serves as a watchdog and pushes Bally—and its competitors—to provide better services.

In addition to providing Bally with an economic incentive for better customer service, putting more information in the hands of consumers is a positive result from a policy perspective. If the reach of trademark infringement and dilution were stretched to include Faber’s criticism of Bally’s business, consumers would be less informed. A would-be customer searching online for information about health clubs in general or Bally’s fitness centers would be less likely to encounter the “Bally Sucks”

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80. *Bally*, 29 F. Supp. 2d at 1165 n.2.

81. See *supra* text accompanying notes 3-5.

82. See *Bally*, 29 F. Supp. 2d at 1163-64.

site if Faber were not allowed to use Bally's mark.<sup>83</sup> By keeping a trademark owner's rights in check, the *Bally* decision allows Faber to add to a consumer's informed opinion.<sup>84</sup>

Even if the court had not determined that consumer confusion was absent in Faber's use of Bally's mark, Faber might have been able to turn to the nominative fair use defense to protect himself against Bally's infringement claim.<sup>85</sup> To employ this defense, he would have had to meet the three requirements outlined by the Ninth Circuit in *New Kids on the Block v. News America Publishing, Inc.*<sup>86</sup> As Faber's site did not suggest or imply an endorsement by Bally, and as the company can only be identified by using the word "Bally," the first and last prongs of the defense would have been satisfied. The second prong, however, would have caused Faber some difficulties. It requires that the defendant use only what is "reasonably necessary" of the mark to identify the product or company. In Faber's case, his use of Bally's stylized logo might have disqualified him from using the defense because using the word "Bally" would have been enough to identify the company.

In addition to the trademark infringement analysis, the court in *Bally* also came to the right conclusion on the issue of trademark dilution. The court found unpersuasive Bally's argument that Faber's site was commercial because he used it as an example of his web design services. As the court correctly stated, such a use was "akin to an online resume" and not "commercial use in commerce" as required by the FTDA.<sup>87</sup> Bally's tarnishment arguments were likewise unconvincing.<sup>88</sup> The notion that two links on a page—links to the "Bally Sucks" and "Images of Men" pages, neither of which were sponsored by Bally—somehow created an implied endorsement and subsequent tarnishment of Bally's marks is misleading at best. Such a finding of tarnishment would create dilution liability across

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83. For instance, typing "Bally Total Fitness" in Yahoo!, one of the most popular search engines on the Internet, returns links not only to the official Bally site, but also to Faber's site and another consumer complaint site. See *Yahoo Search Results* (visited Feb. 16, 2000) (<http://search.yahoo.com/bin/search?p=bally+total+fitness>).

84. The court noted that "the average Internet user may want to receive all the information available on Bally . . . the user may also want to be apprised of the opinions of others about Bally." *Bally*, 29 F. Supp. 2d at 1165.

85. See *New Kids on the Block v. News. Am. Pub., Inc.*, 971 F.2d 303, 306 (9th Cir. 1992).

86. See *supra* notes 11-15 and accompanying text.

87. *Bally*, 29 F. Supp. 2d at 1167.

88. See *id.* at 1168.

the Web.<sup>89</sup> Linking is central to the way the Web operates. If two links next to each other (for example, one to the Coca-Cola site and one to a pornography site on a user's personal "favorite links" page) were construed as tarnishment, dilution's reach would be stretched too far.

The *Bally* decision also represents a victory for free speech advocates in their battle against trademark restrictions on the Internet. When traditional trademark law is properly applied, it does not run afoul of the First Amendment.<sup>90</sup> This is because the Lanham Act's purpose is to prevent consumer confusion.<sup>91</sup> State actors may constitutionally proscribe misleading or deceptive speech; therefore, if a trademark is used in a way that confuses consumers, then that speech is generally unprotected by the First Amendment.<sup>92</sup> But when trademark laws are used to proscribe uses of trademarks in noncommercial speech, free speech implications rise in importance. Professor Lemley notes that nontrademark use of trademarks in parodies, editorial commentary, political advertisements and artistic expressions have all been enjoined in various contexts,<sup>93</sup> a result he dislikes because "[t]rademark theory offers no justification for this sort of suppres-

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89. The liability issues for search engines alone should discourage such a ruling. Yahoo! and portals like it, with their directory style approach to categorization, would especially be left open to attack.

90. "The strongest constitutional justification for trademark laws is that, properly construed, they prevent only speech that is likely to cause consumer confusion, and that false or misleading speech can be restricted." Mark Lemley & Eugene Volokh, "Freedom of Speech and Injunctions in Intellectual Property Cases," 48 DUKE L.J. 147, 221 (1998)

91. See text accompanying notes 3-5.

92. See Lemley & Volokh, *supra* note 90, at 221; see also *Virginia Pharmacy Board v. Virginia Citizens Consumer Council, Inc.* 425 U.S. 748 (1976) (holding that false and misleading speech could be deemed a category of unprotected speech); *Gertz v. Robert Welch, Inc.* 418 U.S. 323, 340 (1974) ("[T]here is no constitutional value in false statements of fact.").

93. Trademark laws have been used to preclude artists from painting in the same style as another, to prevent an author from using the term "Godzilla" in the title of his book about Godzilla, to prevent a comic book from featuring a character known as Hell's Angel, to prevent a satirical political advertisement from using the "Michelob" trademark to help make its point, to prevent a tractor manufacturer from making fun of its competitor's logo in an advertisement, to prevent a movie about a Minnesota beauty pageant from using the title "Dairy Queens," to prevent a political satire of the O.J. Simpson case called "The Cat NOT in the Hat!" to prevent individuals from setting up web pages critical of a company or product, and to prevent a theme bar from calling itself "The Velvet Elvis."

Mark Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1711-12 (1999) (internal citations omitted).

sion of speech. It is an unintended consequence of the tendency to give unfettered property rights to trademark owners."<sup>94</sup>

Dilution statutes present greater constitutional concerns than traditional trademark law. Professors Lemley and Volokh note that "the argument that false or misleading speech is unprotected—the one most commonly used to defend trademark laws against the First Amendment—offers no support for dilution statutes like the Federal Trademark Dilution Act of 1995."<sup>95</sup> Dilution's blurring rationale punishes speech that creates confusion via mental association. Because misleading speech can be regulated without offending the Constitution, blurring is less constitutionally problematic than tarnishment.<sup>96</sup> One commentator has called the tarnishment rationale "an open-ended invitation to restrict any use that undermines the commercial value or appeal of the trademark."<sup>97</sup> This open-ended nature threatens to encroach upon uses of marks that may otherwise be constitutionally protected.<sup>98</sup>

But the "tendency to give unfettered property rights to trademark owners"<sup>99</sup> did not continue in *Bally*, where the court said that applying Bally's trademark infringement arguments "would extend trademark protection to eclipse First Amendment rights."<sup>100</sup> Because Faber's use of Bally's mark was nonconfusing and noncommercial, it deserves the full breadth of First Amendment protection. Accordingly, the court refused to extend the FTDA's reach into territory covered by the First Amendment: "The Constitution does not, however, permit the range of the anti-dilution to encompass the unauthorized use of a trademark in a noncommercial setting such as an editorial or artistic context."<sup>101</sup>

The right to free speech is fundamental, and for good reasons, trademarks should be included in society's lexicon.<sup>102</sup> The court in *Bally* ech-

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94. *Id.* at 1713.

95. Lemley & Volokh, *supra* note 90, at 222 n.325.

96. See Robert Denicola, *Trademarks As Speech*, 1982 WIS. L. REV. 158, 200.

97. *Id.*

98. See *id.*

99. Lemley, *supra* note 93.

100. *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161, 1166 (C.D. Cal. 1998). The court also said that other courts "have rejected this approach by holding that trademark rights may be limited by First Amendment concerns." *Id.*

101. *Id.* at 1167.

102. "Rules restricting the use of well-known trademarks may therefore restrict the communication of ideas. . . . If the defendant's speech is particularly unflattering, it is also possible to argue that the trademark has been tarnished by the defendant's use. The constitutional implications of extending the misappropriation or tarnishment rationales to such cases, however, may often be intolerable. Since a trademark may frequently be the

oed this sentiment, saying that “[a]n individual who wishes to engage in consumer commentary must have the full range of marks that the trademark owner has to identify the trademark owner as the object of the criticism.”<sup>103</sup>

The only restrictions on Faber’s criticism of Bally stem from defamation law. With a high standard of “actual malice” in defamation of business cases, Faber’s “breathing space”<sup>104</sup> under First Amendment law is expansive. An example of the leeway afforded by the law to consumer criticism can be found in *Bose Corp. v. Consumers Union*<sup>105</sup> where the Bose Corporation successfully proved the falsity of the defendant’s statements about the company’s products.<sup>106</sup> Bose also showed that the defendant knew the falsity of the statements before they were published.<sup>107</sup> Nonetheless, the Supreme Court ruled the “additional proof” of actual malice was lacking.<sup>108</sup> Therefore, even if Bally could prove in a defamation action that Faber knowingly published something false about the fitness chain, the company would still fall short if it failed to prove actual malice on Faber’s part.

Another way the court upheld the public’s right to use the “full range of marks”<sup>109</sup> was by its ruling on Faber’s use of Bally’s marks in his site’s metatags. Metatags are keywords buried in the hidden code of a website that describe the contents of the page.<sup>110</sup> Some search engines employ metatags to index the contents of the pages they scan into their data-

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most effective means of focusing attention on the trademark owner or its product, the recognition of exclusive rights encompassing such use would permit the stifling of unwelcome discussion.” *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31 (1st Cir. 1987).

103. *Bally*, 29 F. Supp. 2d at 1166.

104. “Our profound national commitment to the free exchange of ideas, as enshrined in the First Amendment, demands that the law of libel carve out an area of ‘breathing space’ so that protected speech is not discouraged.” *Harte-Hanks Communications, Inc. v. Connaughton*, 491 U.S. 657, 686 (1989) (internal citations omitted).

105. 466 U.S. 485 (1984).

106. *See id.* at 497.

107. *See id.*

108. *See id.* at 511. The Court let stand a district court ruling that labeled the Bose Corporation a “public figure” for purpose of the First Amendment. *See id.* at 493, n.8. Once so classified, public figures must prove clear and convincing evidence of actual malice in order to sustain a defamation action. *See id.* at 490. *See also* *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 342 (1974); *St. Amant v. Thompson*, 390 U.S. 727, 731 (1968); *New York Times Co. v. Sullivan*, 376 U.S. 254, 280 (1964).

109. *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161, 1166 (C.D. Cal. 1998).

110. *See Playboy Enters. v. Welles*, 7 F. Supp. 2d 1098, 1101 (S.D. Cal. 1998)

bases.<sup>111</sup> Thus, when a user visits a search engine and types “Bally Total Fitness,” one reason why the user sees a link to the “Bally Sucks” page is that Faber includes the phrase “Bally Total Fitness” in his metatags.<sup>112</sup> Bally sought to enjoin Faber from using its mark in his site’s metatags but the court ruled against the company saying that “[p]rohibiting Faber from using Bally’s name in the machine readable code would effectively isolate him from all but the most savvy of Internet users.”<sup>113</sup> The court’s language deviates from the reality of how metatags are used on the World Wide Web; not all search engines employ metatags and even fewer use the Web designer-chosen keywords to boost the relevance of their searches.<sup>114</sup> Still, the court’s ruling is substantively on the mark. The fair, noncommercial use of trademarks in metatags should not be enjoined by traditional trademark infringement or dilution rationales.

## V. CONCLUSION

*Bally Total Fitness v. Faber* was correctly decided. The court was presented with a new medium and was required to apply trademark and First Amendment law to it. Although Bally sought to enlarge its property interest beyond the bounds of the limited exclusive rights granted to it under trademark law, the court affirmed the First Amendment right of consumers to criticize companies using their own marks in this new medium.

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111. Danny Sullivan, *Search Engine Features for Web Designers* (visited Dec. 20, 1999) (<http://www.searchenginewatch.com/webmasters/features.html>).

112. Faber’s site uses the following keywords in its meta-tags:  
bally total fitness complaints bally fitness ballys complaints baly total fitness balley ballys total fitness health holiday health club holiday spa club clubs gym gyms workout workouts weights aerobics weight lifting memberships membership weight loss trim fit lean muscle, define, energy, cardiovascular, supplements, nutritionals, vitamins, lose weight, reduce body fat, muscle strength, btrim, bfit, bft.

See Andrew Faber, *Bally Total Fitness Sucks* (visited Dec. 20, 1999) (<http://www.compupix.com/ballysucks/>).

113. *Bally*, 29 F. Supp. 2d at 1165. The court also said that consumers “will be unable to locate sites containing outside commentary unless those sites include Bally’s marks in the machine readable code upon which search engines rely.” *Id.*

114. This means that Faber’s use of Bally’s mark in his meta-tags may not improve the chances of a user finding his site on the Web. See Sullivan, *supra* note 111 (noting that only Go.com and Inktomi use meta-tags to boost the rankings of a page). Inktomi, however, performs the search functions for many other search engines. For a list, see Inktomi Corp., *Search Engine Partners* (visited Feb. 14, 2000) (<http://www.inktomi.com/products/portal/search/partners.html>). See also generally Shannon N. King, Note, *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 15 BERKELEY TECH. L.J. 313, 313-14 (2000).