

REVITALIZING THE DOCTRINE OF TRADEMARK MISUSE

By William E. Ridgway[†]

TABLE OF CONTENTS

I. OVERVIEW OF MISUSE.....	1550
A. MISUSE WITHIN PATENT AND COPYRIGHT LAW	1550
B. MISUSE WITHIN TRADEMARK LAW.....	1553
1. <i>Early Cases and Unclean Hands</i>	1553
2. <i>Modern Decline</i>	1554
II. TRANSLATING MISUSE TO TRADEMARK LAW.....	1557
A. OVERVIEW OF TRADEMARK LAW.....	1557
B. DISTINGUISHING TRADEMARK LAW FROM PATENT AND COPYRIGHT LAW	1558
1. <i>Trademarks Principally Protect Society Rather than Creators</i> ..	1558
2. <i>Differences in Constitutional Basis for Protection</i>	1561
3. <i>Trademark Law's Vague, Fairness-Based Boundaries</i>	1562
III. WHAT CONDUCT SHOULD CONSTITUTE TRADEMARK MISUSE?.....	1564
A. ANTICOMPETITIVE AND PUBLIC POLICY APPROACH.....	1565
B. THE PROPOSED APPROACH.....	1566
1. <i>Incorrect Assertion of Rights</i>	1567
2. <i>Improper Purpose</i>	1571
C. APPLYING THE TEST	1576
1. <i>Presumption of an Improper Purpose</i>	1576
2. <i>No Presumption of Improper Purpose</i>	1581
IV. WHAT IS THE APPROPRIATE REMEDY?.....	1583
A. COURT-BASED EQUITABLE REMEDIES	1583
B. STATUTORY-BASED AFFIRMATIVE CLAIMS	1585
V. CONCLUSION	1588

© 2006 William E. Ridgway

[†] Law clerk to Hon. Vaughn R. Walker, United States District Court for the Northern District of California. J.D., Stanford Law School (2006); B.S., Stanford University (2003). The author thanks Mark Lemley, David Olson, and the editors of the *Berkeley Technology Law Journal* for valuable comments. An earlier version of this Article received the International Trademark Association's 2006 Ladas Memorial Award for best student paper on trademark law.

The internet has diversified the public sphere by eliminating many of the barriers to speaking across associational boundaries. But for some categories of speech—namely, criticism and parody—companies have invoked trademark law to restore those barriers. This occurs when a company responds to critique with cease-and-desist letters alleging trademark infringement. Such letters tend to compel compliance from non-infringing speakers because ready access to a lawyer is a barrier the internet has failed to eliminate. Even though such companies' accusations rely on the color of law, few of these disputes make their way into case reporters. Instead, their fate is an obscure demise in trademark law's shadow—a realm where traditional First Amendment defenses are of little use. One could view this state of affairs as an inevitable consequence of granting a trademark right because trademark holders will make mistakes in enforcing their rights. But in tolerating mistakes trademark law should not immunize abuse. To broker these competing interests, this Article urges revitalizing trademark misuse—a doctrine with early roots but without contemporary recognition.

Trademark law traditionally relied on a clear line between trademark users (sellers of goods and services) and its beneficiaries (consumers). But the internet muddies this distinction by rendering pithy, descriptive words—or in trademark parlance, source identifiers—essential to organizing and disseminating information.¹ Indeed, trademark law bears on most of the internet's core features, such as domain names, hyperlinks, term-based searches, and meta-tags.

As a consequence, companies turn to trademark law to bend the internet toward their interests.² Much of this behavior is not troublesome. A company's interest in preventing confusion about its product generally aligns with trademark law's underlying purpose to minimize consumer search costs. And yet, as this Article highlights, some of the control over marks wrested by companies under trademark law gives reason for concern, especially for conduct that passes under the court's radar. In short, law that worked, and continues to work, for sellers of goods and services spills into places where it does not, and trademark law's limiting doctrines cannot adequately respond.

1. For a similar argument with respect to copyright, see Jessica Litman, *Revising Copyright for the Information Age*, 75 OR. L. REV. 19 (1996) (asserting that copyright law, due to its emphasis on reproduction, affects, and indeed prohibits, most of the activity that takes place on the internet).

2. See, e.g., Dan L. Burk, *Trademark Doctrines for Global Electronic Commerce*, 49 S.C. L. REV. 695, 696 (1998) (discussing a surprising "explosion of Internet-related litigation arising out of trademark disputes").

This Article argues that the doctrine of trademark misuse would provide the needed response to the aforementioned problems, and would do so without unduly impacting the parts of trademark law that function well. Trademark law currently imposes one-way liability, obliging infringers to pay trademark holders for their violations. A doctrine of trademark misuse would revise this regime by permitting liability to run both ways, regulating the behavior of both the potential infringer *and* the trademark holder. Such a regime would better safeguard those who find themselves the target of an abusive trademark holder. Acknowledging that the word “misuse” lacks clear definition—let alone talismanic power—this Article aims to construct a framework for trademark misuse with the intention of clarifying a doctrine often fraught with confusion throughout the law of intellectual property.

This Article proceeds in five parts. Part I briefly describes the history and development of the misuse doctrine by first focusing on its divergent trajectories within patent and copyright law, and then discussing its general failure in the trademark context. Part II identifies the relevant differences between trademark law on the one hand and patent and copyright law on the other. It argues that two core differences—that trademarks protect society rather than creators and that the boundaries of the right depend more upon fairness-based factors—render trademark law more amenable to an equitable doctrine of misuse than patent and copyright law, especially if the doctrine monitors enforcement decisions and curbs overprotection.

Guided by these insights, in Part III the Article maintains that a trademark misuse doctrine should prohibit a trademark holder’s (1) incorrect assertion of rights (2) with an improper purpose, i.e., a purpose unrelated to the adjudication of the claim upon which the assertion of rights is based. Under this test, this Article proposes that factual situations in which a trademark holder’s purpose is unlikely to be related to consumer confusion should raise a presumption of an improper purpose. One situation meriting such a presumption is the case of a trademark holder’s attack on a defendant’s critique or parody, as free speech is the value most conspicuously threatened by trademark law’s newfound relevance in the internet area.

Next, Part III applies this general test to clarify the doctrine’s contours. In particular, conduct raising a presumption of improper purpose under this test includes sending cease-and-desist letters misrepresenting that some activity is infringing to internet users or intermediaries, or using domain name dispute resolution in bad faith to deprive internet users of their domain name, a tactic often called “reverse domain-name hijacking.” Of equal importance, Part III proposes ways to cabin the misuse doctrine in

order to avoid impacting the vast majority of trademark holders who lawfully enforce their rights.

Part IV analyzes potential remedial schemes. After finding misuse's current options generally inadequate, it proposes alternative remedies, including an affirmative cause of action modeled after provisions from the Digital Millennium Copyright Act (DMCA). Finally, Part IV addresses the potential barriers to realizing a doctrine of trademark misuse.

I. OVERVIEW OF MISUSE

A. Misuse Within Patent and Copyright Law

What role the doctrine of misuse should play in contemporary intellectual property is still an open question—a status largely attributable to the doctrine's haphazard development and conflicting rationales, first in patent law³ and later in the area of copyright.⁴ Notwithstanding this confusion, the doctrine's basic structure remains fairly constant. Conduct found to constitute misuse typically falls into one of two categories: (1) improper attempts to extend the scope of the right, and (2) violations of antitrust laws.⁵ Under this affirmative defense, property holders shown to have misused their right lose the power to enforce their right until the misuse is “purged.”⁶ A finding of misuse thus permits an alleged infringer—as well as any third party—to use freely the protected right until the trademark holder discontinues the misuse.

In early decisions, courts consistently rejected a patent misuse defense because it conflicted with their views of property as a natural right.⁷ With

3. See 6 DONALD S. CHISUM, CHISUM ON PATENTS § 19.04[f][3] (2005) [hereinafter CHISUM] (noting that the predictability of misuse is hindered because “courts have failed to adopt a general theory as to the proper limitations on the exploitation of the patent monopoly”); see also *USM Corp. v. SPS Techs., Inc.* 694 F.2d 505, 512 (7th Cir. 1982) (noting that outside of conventional antitrust principles, the “law is not rich in alternative concepts of monopolistic abuse; and it is rather late in the day to try to develop one without in the process subjecting the rights of patent holders to debilitating uncertainty”).

4. See *infra* text accompanying notes 17-26.

5. See CHISUM, *supra* note 3, § 19.04 (“A patent owner may exploit a patent in an improper manner by violating the antitrust laws or extending the patent beyond its lawful scope.”).

6. *Id.*

7. See George Gordon & Robert J. Hoerner, *Overview and Historical Development of the Misuse Doctrine*, in ABA SECTION OF ANTITRUST LAW, INTELLECTUAL PROPERTY MISUSE: LICENSING AND LITIGATION 4 (2000) (citing for example, *Strait v. National Harrow Co.*, 51 F. 819 (C.C.N.D.Y. 1892), in which the court rejected a misuse-like argument and noted that “[e]ven a gambler, or the keeper of the brothel, cannot be deprived

time, however, courts warmed up to the defense as a way to limit the then-unwieldy doctrine of contributory infringement.⁸ But the Supreme Court's seminal pronouncement of an intellectual property misuse doctrine did not happen until the case of *Morton Salt Co. v. G.S. Suppinger Co.*⁹ The plaintiff in that case owned the patent on a machine for depositing salt tablets in food cans and leased such machines to commercial canners on the condition that the lessees only buy salt from their subsidiary.¹⁰ The Court ruled it per se illegal for a patent holder to tie the sale of a patented good to the sale of a nonpatented good, and held that such conduct, until purged, precluded enforcement of the patent.¹¹ To support this drastic result, the Court drew on the sweeping principle that it "may appropriately withhold [its] aid where the plaintiff is using the right asserted contrary to the public interest."¹²

In the two subsequent *Mercoid* decisions,¹³ the Supreme Court extended its new doctrine in a way that effectively eliminated a patent holder's ability to prevent a competitor from making and selling a component that had no use other than as part of a patented invention. In response, Congress intervened to resuscitate the doctrine of contributory infringement and to restrict the scope of patent misuse.¹⁴ This response set off a trend: since *Mercoid*, courts and Congress have continued to pare down the doctrine of misuse within patent law.¹⁵ Academic commentary largely encourages this narrowing as well, as it finds misuse too non-economic for

of his property because he is an obnoxious person or a criminal"); see also Adam Mossoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent 'Privilege' in Historical Context*, 92 CORNELL L. REV. __ (forthcoming 2007), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=892062.

8. Gordon & Hoerner, *supra* note 7, at 6.

9. 314 U.S. 488 (1942). Earlier, the Court applied misuse-like logic in *Carbice Corp. of America v. American Patents Development Corp.*, 283 U.S. 27, 33 (1931) (recognizing that "[c]ontrol over the supply of such unpatented material is beyond the scope of the patentee's monopoly" and refusing to grant relief to a patent holder who engages in such a practice).

10. *Morton Salt*, 314 U.S. at 490-91.

11. *Id.* at 493.

12. *Id.* at 492.

13. *Mercoid Corp. v. Mid-Continent Co.*, 320 U.S. 661, 665 (1944); *Mercoid Corp. v. Minneapolis-Honeywell*, 320 U.S. 680, 684 (1944).

14. See Gordon & Hoerner, *supra* note 7, at 15.

15. See Patent Misuse Reform Act of 1988, Pub. L. No. 100-703 § 201, 102 Stat. 4674 (codified as amended at 35 U.S.C. § 271(d) (2003)); see also *Ill. Tool Works, Inc., v. Indep. Ink, Inc.*, 126 S.Ct. 1281 (2006) (holding that, in antitrust cases, courts should not presume that a patent confers market power upon the patentee).

antitrust and too unpredictable for patent law—a veritable black sheep of two doctrinal families.¹⁶

Yet, misuse's decline within patent law contrasts its revival within copyright, led by the Fourth Circuit in *Lasercomb America, Inc. v. Reynolds*.¹⁷ In that case, the defendant, Reynolds, alleged misuse based on a provision in Lasercomb's standard licensing agreement that barred the licensee from creating a competing product for a period of one-hundred years.¹⁸ While the court recognized that "uncertainty engulfs the 'misuse of copyright' defense," it was ultimately "persuaded . . . that a misuse of copyright defense is inherent in the law of copyright just as a misuse of patent defense is inherent in patent law."¹⁹ Critically, the court stressed the equitable rather than anticompetitive basis for misuse: "[t]he question is not whether the copyright is being used in a manner violative of antitrust law . . . but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright."²⁰ As a result, *Lasercomb* recognized copyright misuse as a functioning doctrine, but only vaguely defined the doctrine's scope.

Other circuits have followed *Lasercomb*'s lead, and in doing so, have proffered unique interpretations of this nascent doctrine. In *Alcatel USA, Inc. v. DGI Technologies, Inc.*, the Fifth Circuit ruled that Alcatel had misused a software copyright by attempting to extend its copyright to cover uncopyrighted expansion cards.²¹ The plaintiff copyright owner tried to distinguish *Lasercomb* by noting that its contractual restriction with the defendant did not "prohibit the independent development of compatible operating system software."²² But the court rejected this argument, noting that any restriction of copying rendered the situation, in effect, identical to *Lasercomb*.²³

The Ninth Circuit adopted an equitable doctrine of copyright misuse in *Practice Management Information Corp. v. American Medical Association*.²⁴ In this case, the defendant's copyright, which covered a guide to a

16. See, e.g., Mark A. Lemley, Comment, *The Economic Irrationality of the Patent Misuse Doctrine*, 78 CALIF. L. REV. 1599 (1990); Note, *Is the Patent Misuse Doctrine Obsolete?*, 110 HARV. L. REV. 1922, 1925 (1997) (summarizing the "[n]umerous authorities [that] contend that the misuse doctrine should be abolished").

17. 911 F.2d 970 (4th Cir. 1990).

18. *Id.* at 972-73.

19. *Id.*

20. *Id.* at 978.

21. 166 F.3d 772 (5th Cir. 1999).

22. *Id.* at 793.

23. *Id.*

24. 121 F.3d 516 (9th Cir. 1997).

coding system for medical professionals to identify medical procedures, was licensed on a non-exclusive, royalty-free basis in exchange for the agreement to use the guide exclusively.²⁵ In holding that the license provision requiring exclusive use constituted copyright misuse, the Ninth Circuit determined that any welfare-enhancing explanations did not overcome the “adverse effects of the licensing agreement,” which resulted in “substantial and unfair advantage over [defendant’s] competitors.”²⁶

In sum, the recent growth of misuse within copyright law contrasts its decline in patent law. This trajectory reflects a shifting perspective on misuse’s proper role: courts realize that antitrust functions adequately without misuse’s assistance, so they instead use the doctrine to remedy other perceived problems within intellectual property. A doctrine of trademark misuse, at least of the kind argued for in this Article, comports with this shifting perspective.

B. Misuse Within Trademark Law

1. *Early Cases and Unclean Hands*

Courts first applied the doctrine of misuse to a trademark dispute in 1883, long before its application to other intellectual property. Despite its vintage, trademark misuse garners little acceptance from courts or commentators today. In an 1883 case, *Manhattan Medicine Co. v. Wood*, the plaintiff sought an injunction against a competitor for imitating its popular medical product, “Atwood’s Vegetable Physical Jaundice Bitters.”²⁷ Despite the defendant’s nearly identical packaging, the Court declined to enforce plaintiff’s right because its products claimed falsely to be “manufactured by Moses Atwood in Georgetown, Massachusetts.”²⁸ According to the Court, because these statements misled the public, a court of equity could not lend its aid to this fraud by enforcing the action.²⁹

The Supreme Court similarly withheld relief from a dishonest trademark owner several decades later in *Clinton E. Worden & Co. v. California Fig Syrup Co.*³⁰ The Ninth Circuit agreed with California Fig Syrup Company that the defendant’s Fig Syrup impermissibly imitated plaintiff’s core product, “Syrup of Figs.”³¹ But the Supreme Court reversed because the product contained few, if any, figs; in fact, both products merely con-

25. *Id.* at 516.

26. *Id.* at 521.

27. 108 U.S. 218 (1883).

28. *Id.* at 222.

29. *Id.*

30. 187 U.S. 516 (1903).

31. *See id.* at 521.

sisted of the “ordinary and well-known laxative called senna.”³² This analysis led the Court to conclude:

[W]hen the owner of a trade mark applies for an injunction to restrain the defendant from injuring his property by making false representations to the public, it is essential that the plaintiff should not in his trade mark, or in his advertisements and business, be himself guilty of any false or misleading representation . . . [I]f the plaintiff makes any material false statement in connection with the property which he seeks to protect, he loses his right to claim the assistance of a court of equity . . .³³

Unfortunately, the Court never followed through on its promise to proscribe “any material false statement[s] in connection with [a mark].”³⁴ Instead of forming the basis for a trademark misuse doctrine of the kind recommended in this Article, this line of cases never extended beyond claims for mislabeling a trademarked product.³⁵

2. *Modern Decline*

In contemporary cases, courts rarely apply trademark misuse to anti-competitive conduct, and even less frequently do they resort to equitable principles.³⁶ One arguable exception is *United States Jaycees v. Cedar Rapids Jaycees*,³⁷ in which the national Jaycees organization sued a local chapter for continuing its use of the “Jaycees” trademark after it had terminated the chapter for admitting women into membership. By the time the case reached the Eighth Circuit, the national Jaycees had already amended its by-laws to allow women as members, but it nonetheless persisted in the lawsuit.³⁸ The court characterized the national Jaycees’s case as essentially declaring: “It is our trademark; we have a right to choose who uses it, even if we do so arbitrarily and vindictively, and the court

32. *Id.* at 520.

33. *Id.* at 528.

34. *Id.*

35. This case law was eventually embodied in the Lanham Act, which provides an exception to incontestability that includes intentionally false and misleading designations of origin. 15 U.S.C. §1115(b) (2000).

36. Brett Frischmann & Dan Moylan, *The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and Its Application to Software*, 15 BERKELEY TECH. L.J. 865, 867 n.5 (2000) (“Trademark misuse today resembles copyright misuse twenty years ago: it has been raised as a defense in trademark infringement cases but is not widely recognized.”).

37. 794 F.2d 379 (8th Cir. 1986).

38. *Id.* at 381.

must lend a hand.”³⁹ While the court acknowledged a trademark holder’s general right to choose who uses its trademark, the court declined to enforce those choices when “the only purpose to be served is punishment of an otherwise productive and conforming member simply because the member was on the prevailing side in a past internal policy dispute.”⁴⁰ But in its discussion, the court never mentioned the term “misuse”; rather, the court relied on its power to grant injunctions in accordance with “principles of equity.”⁴¹ Hence, the *Jaycees* court drew upon the logic of misuse without explicitly invoking the doctrine.

Most assertions of trademark misuse by defendants instead derive from antitrust principles.⁴² In *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*,⁴³ for example, plaintiffs allegedly misused their trademarks through price fixing and tying arrangements.⁴⁴ While the court recognized its powers to deny enforcement, it limited such a defense to antitrust violations in which the mark itself “has been the basic and fundamental vehicle required and used to accomplish the violations.”⁴⁵ The court reached this conclusion by distinguishing between patents and trademarks, emphasizing that the former entail limited monopolies whereas the latter provide mere rights to prevent confusion and thus pose little threat to free competition.⁴⁶

A typical antitrust-based trademark misuse claim involves the so-called “tie in” of a trademark to other goods or services. For instance, in *Queen City Pizza, Inc. v. Domino’s Pizza, Inc.*,⁴⁷ franchisees charged that Domino’s Pizza misused its trademark when it required franchisees to purchase as much as 90 percent of their supplies from Domino’s at supra-competitive prices.⁴⁸ The court denied relief, though, because it defined the relevant aftermarket for antitrust purposes to include all franchises poten-

39. *Id.* at 383.

40. *Id.*

41. *See id.* at 382 (citing 15 U.S.C. § 1116(a)).

42. *See, e.g.,* *Estee Lauder, Inc v. The Fragrance Counter, Inc.*, 189 F.R.D. 269, 272 (S.D.N.Y. 1999) (referring to trademark misuse as “the antitrust misuse defense”).

43. 298 F. Supp. 1309 (S.D.N.Y. 1969).

44. *Id.* at 1311.

45. *Id.* at 1315.

46. *See id.* at 1314. Several courts have followed *Zeiss*. *See, e.g.,* *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 389 (7th Cir. 1976); *Helene Curtis Indus. v. Church & Dwight Co.*, 560 F.2d 1325 (7th Cir. 1977); *Coca-Cola Co. v. Howard Johnson Co.*, 386 F. Supp. 330 (N.D. Ga. 1974).

47. 124 F.3d 430 (3d Cir. 1997).

48. *Id.* at 434.

tially available to the franchisee, for which Domino's Pizza did not maintain market power.⁴⁹

A district court in Georgia, however, distinguished the *Queen City Pizza* decision and protected franchisees against supposed trademark misuse. In *Collins v. International Dairy Queen, Inc.*,⁵⁰ the court scrutinized Dairy Queen's franchise agreements because they obliged Dairy Queen to consider requests to use other suppliers.⁵¹ In view of evidence that Dairy Queen, in fact, never honored such requests, the court rejected Dairy Queen's contention that the franchises could simply compare costs ex ante.⁵² Rather, such conduct was said to lock franchisees into a tying relationship.⁵³

Finally, two recent cases extensively discuss the origin and rationale of trademark misuse before ultimately rejecting any doctrinal expansion. In *Juno Online Services, L.P. v. Juno Lighting, Inc.*,⁵⁴ the court examined the doctrine within the context of a dispute over the domain name "juno.com." Juno Online registered the name to provide free e-mail services.⁵⁵ Then, Juno Lighting, the owner of the Juno mark, attempted to cancel the domain name and registered "juno-lighting.com."⁵⁶ Juno Online brought suit claiming, in part, that Juno Lighting's tactics constituted trademark misuse.⁵⁷ The court examined trademark misuse's history with skepticism and rejected Juno Online's affirmative claim of misuse as lacking precedent.⁵⁸

Similarly, in *Northwestern Corp. v. Gabriel Manufacturing, Co.*,⁵⁹ the court rebuffed a trademark misuse claim, this time asserted by the defendant, Ashland, who was allegedly selling inferior knock-offs of Northwestern's gumball machines. The court dismissed Ashland's argument by

49. *Id.* at 442.

50. 980 F. Supp. 1252 (M.D. Ga. 1997).

51. *Id.* at 1259-60.

52. *Id.*

53. *Id.* For a discussion of the economics of franchise cases, see Benjamin Klein & Lester F. Saft, *The Law and Economics of Franchise Tying Contracts*, 28 J. L. & ECON. 345 (1985).

54. 979 F. Supp. 684 (N.D. Ill. 1997).

55. *Id.* at 685-86.

56. *Id.* at 686.

57. *Id.*

58. *Id.* at 687-91. Other courts similarly conclude that trademark misuse is only an affirmative defense to an infringement claim; it is not an independent cause of action. See, e.g., *Ford Motor Co. v. Obsolete Ford Parts, Inc.*, 318 F. Supp. 2d 516, 521 (E.D. Mich. 2004) ("The court declines to announce or create an independent cause of action for trademark misuse"); *Dunn Computer Corp. v. Loudcloud, Inc.*, 133 F. Supp. 2d 823 (E.D. Va. 2001) (holding that plaintiff's declaratory misuse claim was unripe).

59. 48 U.S.P.Q.2d 1902 (N.D. Ill. 1998).

first remarking that “the defense of trademark misuse is a phantom defense,”⁶⁰ and then characterizing Ashland’s argument as requiring trademark holders to be “model citizens” or else risk “having [their] argument fall upon deaf ears.”⁶¹ To the court, a broad conception of misuse “defie[d] common sense”; nonetheless, the court sanctioned the doctrine’s use if a trademark owner “somehow [does] violence to the public policy which establishes [the] trademark right,” namely, using a trademark to misrepresent a product.⁶²

In sum, the doctrine of misuse is rarely applied in trademark law. For anticompetitive conduct, courts recognize the doctrine but seldom decide cases on this basis because trademarks infrequently generate market power. An equity-based doctrine is even less developed: courts occasionally exercise discretion to withhold injunctive relief, but have declined to recognize misuse as an independent doctrine.

II. TRANSLATING MISUSE TO TRADEMARK LAW

Misuse’s checkered history and confused theoretical underpinning in patent and copyright law should caution against expanding its application, or at least suggest we not blindly transfer the doctrine to the trademark context. This Part examines the relevant differences between trademark law on the one hand and patent and copyright law on the other to help determine the appropriate contours of a trademark misuse doctrine.

A. Overview of Trademark Law

A trademark is a word, name, symbol, or device that is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others.⁶³ Regulating such marks protects against consumer confusion about the source, sponsorship, or approval of goods or services or commercial activities of another. To do so, it makes actionable the use of another’s trademark in ways that lead to a “likelihood of confusion.”⁶⁴ Trademark law also protects owners of highly distinctive or famous marks against dilution or a tarnishing of their image even absent a likelihood of confusion.⁶⁵

60. *Id.* at 1907.

61. *Id.*

62. *Id.* at 1909.

63. See JANE C. GINSBURG ET AL., TRADEMARK AND UNFAIR COMPETITION LAW: CASES AND MATERIALS 45 (3d ed. 2001).

64. *Id.* at 47.

65. *Id.*

Trademarks are intended to save time for consumers, who can rely on distinctive marks as proxies for quality and assess the goods and services they desire without repeatedly undertaking independent research and investigation. Granting limited property rights in a trademark additionally provides producers with economic incentives to create and maintain goodwill toward their marks because it ensures that this goodwill accrues exclusively to the trademark holder's benefit. Accordingly, trademark law primarily reduces consumer decision-making costs, and, as a byproduct, promotes the production of quality goods or services.⁶⁶

B. Distinguishing Trademark Law from Patent and Copyright Law

Trademarks differ from their intellectual property counterparts, patents and copyrights, in several key ways that render trademark law even more amenable to a misuse doctrine than patent and copyright law. These differences relate to the beneficiaries of the protection, the underlying constitutional basis for protection, and the nature of the right's boundaries.

1. Trademarks Principally Protect Society Rather than Creators

Trademark law's underlying policy is critically distinct. Patents and copyrights remedy a public goods problem by providing limited exclusivities in return for the creation of new ideas and expression. Though these exclusivities encourage invention, they also impose societal costs in the form of supracompetitive pricing and potentially delayed subsequent creation.⁶⁷ Hence, these intellectual property systems strive to balance creator incentives with the resulting societal costs.⁶⁸ Trademarks broker a fundamentally distinct balance. On the cost side, trademarks are not unique: they impose exclusionary rights that narrow the public domain. On the benefit side, trademarks serve society more directly than other intellectual property regimes by protecting against consumer confusion.⁶⁹ But contrary

66. See, e.g., *Park-N-Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 197-98 (1985).

67. Cf. Michael Heller & Rebecca Eisenberg, *Can Patents Deter Innovation? The Anticommons in Biomedical Research*, 280 SCI. 698, 698-99 (1998) (stating that in order to encourage innovation with respect to biomedical technology, monopolies are granted despite the possibility of restricted use and increased costs); see also Michael Heller, *The Tragedy of the Anticommons: Property in Transition from Marx to Markets*, 111 HARV. L. REV. 621, 673-75 (1998) (describing cost balancing for the creation of effective rights of exclusion in scarce resources under anticommons property doctrines).

68. ROBERT P. MERGES ET. AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 15 (2003).

69. *Nw. Corp. v. Gabriel Mfg., Co.*, 48 U.S.P.Q.2d 1902, 1908 (N.D. Ill. 1998). In the legislative history of the statute, Congress expressed its intention to protect both the

to patents and copyrights, the property-holders' interests are only secondary because they do not face a public goods problem.⁷⁰

Trademarks therefore impose costs similar to those that other forms of intellectual property impose for the sake of a distinct kind of benefit. This difference in the benefits ledger exacerbates the consequences of overprotection. For patents and copyrights, overprotection results when the marginal societal costs exceed the marginal benefits to the inventor. But at least overprotection yields benefits to the inventor, which tends to mitigate the costs. For trademarks, overprotection is virtually all costs: finding infringement for a non-confusing source does not advance trademark's purpose of protecting against consumer confusion whatsoever.⁷¹ Although overprotection of a trademark may benefit the property holder, this windfall is immaterial to the underlying policy.

This difference in benefits appears to cut the other way with respect to underprotection, as withholding the intellectual property right for trademarks imposes costs on society at large rather than individual inventors or authors. For trademarks, if other societal interests trump the right, consumer confusion may result, whereas for copyrights and patents, the creator potentially loses supracompetitive profits. At first glance, this distinction may seem to counsel against extending misuse to trademarks because the costs spill to society at large. While this is a critical distinction that resurfaces in the Section discussing possible remedial schemes, the outcome may not be so clear-cut, at least from a dynamic perspective. For patents and copyrights, encouraging the creation of public goods requires an *ex ante* reliance that courts will uphold the rights *ex post*. Withholding the right undermines this reliance, as the Court noted in *Harper & Row*:

To propose that fair use be imposed whenever the social value [of dissemination] . . . outweighs any detriment to the artist, would be to propose depriving copyright owners of their right in

consumer and the trademark owner. Senate Report No. 79-1333 at 3 (1946). In protecting the consumer, Congress stated that it enacted this legislation "so [the public] may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get." *Id.* In addition, Congress stated that the trademark owner's expenditure of "energy, time, and money in presenting to the public the product" should be protected from "misappropriation by pirates and cheats." *Id.*

70. For a discussion of the public goods problem in intellectual property, see William E. Ridgway, Note, *Realizing Two-Tiered Innovation Policy Through Drug Regulation*, 58 STAN. L. REV. 1221, 1236-37 (2006).

71. Of course, the existence of consumer confusion is not entirely all-or-nothing, but the point remains that the relevant benefits quickly drop-off, especially when compared to the benefits for patents and copyrights.

the property precisely when they encounter those users who could afford to pay for it.⁷²

From a dynamic perspective, withholding a trademark right may similarly destroy reliance interests of the consumer.⁷³ Yet consumers may not rely with the same level of vigilance: i.e., as opposed to prospective patent and copyright holders, consumers are less likely to understand the intellectual property regime and thereby alter their conduct in light of its inconsistent application.

Some scholars worry that withholding protection injures the trademark holder's reliance interest, eliminating incentives to develop valuable trademarks in the first place.⁷⁴ But this blurs trademark policy with patent and copyright policy. As mentioned previously, distinctive marks do not suffer any kind of public goods problem: their creation is nearly costless and, to a large extent, they are their own reward. Indeed, to reach a doomsday scenario of a world devoid of brands would require significant under-protection.

Finally, patents and copyrights better link enforcement incentives with their underlying policy. That is, patents and copyrights confer private benefits to creators, and these benefits form the basis of the property holders' decision whether to enforce. For these exclusionary rights, the system intends that property holders exploit whatever degree of market power they might gain thereby as an incentive.⁷⁵ Moreover, weaknesses in the courts' institutional competence suggest deferring to property-holders with respect to this decision. By contrast, trademark law disconnects this relationship: private property holders must enforce the rights associated with their marks to promote societal interests. This policy may cut both ways: as much as trademark holders over-enforce to extract private gains, they may also under-enforce in light of particularly high expected litigation costs.⁷⁶ But this disconnect renders judicial oversight of enforcement decisions more essential within the trademark context.⁷⁷

72. *Harper & Row, Publishers, Inc. v. Nat'l Enters.*, 471 U.S. 539, 559 (1985) (internal quotations omitted).

73. Societal reliance only makes it more likely that confusion will result when source-identifiers are similar.

74. *See, e.g.*, WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 270 (2003).

75. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989).

76. Trademark law partially solves the under-enforcement problem by adopting liberal standing requirements. *See* ROBERT D. BLAIR & THOMAS F. COTTER, *INTELLECTUAL PROPERTY: ECONOMIC AND LEGAL DIMENSIONS OF RIGHTS AND REMEDIES* 185 (2005) ("Because the ultimate beneficiaries of trademark rights are not trademark owners, a

2. *Differences in Constitutional Basis for Protection*

When litigants invoke comparisons to copyright and patent law, as enumerated in Section II.B.1 above, courts or commentators almost invariably distinguish trademark by citing patent and copyright law's explicit constitutional origin, in contrast to trademark law's indirect basis in the Commerce Clause.⁷⁸ Two inferences allegedly follow from this distinction: (1) that courts should not translate doctrines like misuse into trademark law,⁷⁹ and (2) that legislatures retain greater control over trademark law's contours.⁸⁰ Under the first inference, courts distinguish trademark law for the wrong reasons. As emphasized above, the policies underlying trademark law are unique within intellectual property law; but among those differences, constitutional origin seems the least relevant. The second inference ignores the fact that equitable principles have always been an important part of American common law, even trademark law.⁸¹

To the contrary, origin may militate in favor of an equitable misuse doctrine that emphasizes First Amendment values. Within First Amend-

somewhat looser application of standing rules may fit the law of trademarks and unfair competition better than it would the law of patents and copyrights.”).

77. This parallels other regimes that use a so-called private attorney general, for which scholars urge heightened judicial scrutiny. See STEVE SHAVELL, FOUNDATIONS OF ECONOMIC ANALYSIS OF LAW, 391 n.26 (2004) (observing that although the “the private incentive to bring suit is fundamentally misaligned with the socially optimal incentive to do so,” many of the forces that drive a wedge between private and social incentives to litigate could operate in either direction).

78. See, e.g., *Nw. Corp. v. Gabriel Mfg., Co.*, 48 U.S.P.Q.2d 1902, 1908 (N.D. Ill. 1998) (“The policy underpinning trademark protection is not a constitutional mandate, such as the one which creates patents.”); Stephen J. Davidson & Nicole A. English, *Applying the Trademark Misuse Doctrine to Domain Name Disputes*, COMPUTER LAWYER, Aug. 1996, available at <http://www.cla.org/trademark%20misuse.pdf>.

79. See, e.g., *Nw. Corp.*, 48 U.S.P.Q.2d at 1908. (“[I]t is inappropriate to predicate trademark misuse upon the same anti-competitive practices which comprise patent misuse.”).

80. See Kathryn Judge, Note, *Rethinking Copyright Misuse*, 57 STAN. L. REV. 901, 912-13 (2004). (“The structure of the constitutional grant of power embodied in the Copyright Clause, by specifying a purpose as well as a means, arguably creates a heightened duty for courts to ensure the statutory scheme is implemented in a way that furthers the constitutionally defined purpose.”).

81. The Lanham Act expressly provides that even infringement claims involving incontestable marks are subject to equitable defenses, 15 U.S.C. § 1115(b)(8), and the Act requires a balancing of equities when determining whether to enjoin an otherwise infringing act. 15 U.S.C. § 1116(a) (Lanham Act provides that court may grant injunctions “according to principles of equity”); see also 1A J. GILSON, TRADEMARK PROTECTION AND PRACTICE 8.12[13][a], at 8-295 to 8-296 (1990 ed.) (“[a] trademark plaintiff with unclean hands is one whose conduct relative to his mark has been so illegal or unconscionable that the court will refuse to hear him”).

ment jurisprudence, one mode of argument, which Eugene Volokh calls the “constitutional tension method,” identifies certain values that the Constitution explicitly protects and then suggests that the Constitution’s free speech guarantee must sometimes yield to these values.⁸² Of course, this method is not determinative; the Constitution contains several “values,” such as democracy, private property, and equality, to which the First Amendment cannot automatically defer without eviscerating free speech. Rather, the constitutional origins of patent and copyright law simply weigh in favor of less exacting First Amendment scrutiny.⁸³

3. *Trademark Law’s Vague, Fairness-Based Boundaries*

Due to its intangible nature, the boundaries of intellectual property vary more than those of real property. For example, claim construction is notoriously inconsistent in patent law; copyright requires the fact-finder to make a difficult subjective decision whether the defendant unlawfully appropriated the plaintiff’s expressive work.⁸⁴ Particular doctrines within intellectual property only exacerbate the problem, such as the doctrine of equivalents and the idea-expression dichotomy. But even these patent and copyright doctrines appreciate the benefit of extensive explication in the case-law and relatively stable, albeit vague, standards. Trademark’s trajectory is somewhat different: while its boundaries are similarly vague,⁸⁵ they continue to expand with only meager limiting principles.⁸⁶

Congress expanded the ambit of trademark protection in 1996 with the passage of the Federal Trademark Dilution Act,⁸⁷ which prohibits the “commercial use in commerce” of a “famous” mark, if that use causes

82. Eugene Volokh, *Freedom of Speech and the Constitutional Tension Method*, 3 U. CHI. L. SCH. ROUNDTABLE 223, 224 (1996).

83. There is some evidence that this method affects First Amendment doctrine within patent and copyright law. In *Zacchini v. Scripps-Howard Broadcasting Co.*, the Supreme Court applied deferential free speech scrutiny because the state was encouraging investment similar to the policies that underlie patent and copyright protection. 433 U.S. 562, 569 (1977); see also *id.* at 577 (noting that Constitution doesn’t “prevent Ohio from making a similar choice here in deciding to protect the entertainer’s incentive”).

84. PAUL GOLDSTEIN, *COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES* 750 (5th ed. 2002).

85. Likelihood of confusion has developed as the cornerstone of the infringement inquiry and is determined by courts through a case-by-case application of a multi-factor balancing test.

86. See, e.g., Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 108 (2005); see also Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 784-86 (2004).

87. Lanham Act, § 43, codified at 15 U.S.C. §§ 1125, 1127.

“the lessening of the capacity” of the mark “to distinguish goods or services.”⁸⁸ Compounding this statutory expansion, recent rejuvenation of the court-created doctrine of “initial interest confusion” permits findings of trademark infringement solely on the basis that a consumer might be “interested,” “attracted,” or “distracted” by a competitor’s product or service.⁸⁹

Some scholars worry that these recent additions unmoor trademark from its original purpose of protecting against consumer confusion.⁹⁰ They characterize this shift as the propertization of trademark since it empowers trademark owners to capture *all* value derived from the mark, notably contrary to Justice Holmes’s directive that “property, a creation of law, does not arise from value.”⁹¹ While this account appears correct, it misconstrues one important respect: the recent additions do not facilitate property-like predictability. Instead, courts tend to couch trademark analysis in terms of fairness and a concern with “free-riding.”⁹²

In response to these changes, several commentators suggest retreating in some form or another.⁹³ Misuse, by contrast, offers a fundamentally different approach: concede that trademark law entails vague, fairness-based

88. Also, in 1999 Congress further amended the Lanham Act to add a new Section 43(d), which provides for statutory damages when a cybersquatter registers another’s trademark as its domain name with the intent to traffic in the domain name.

89. See sources cited *supra* note 86.

90. See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687 (1999); Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731 (2003); Hannibal Travis, *The Battle for Mind-share: The Emerging Consensus that the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 VA. J.L. & TECH. 3 (2005) (contending that trademark rights should be restricted to policing commercial competition, rather than non-commercial internet speech).

91. *Int’l News Serv. v. Assoc. Press*, 248 U.S. 215, 246 (1918) (Holmes, J., concurring). Rochelle Dreyfuss similarly characterizes this instinct as “if value, then right.” Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 297, 405 (1990).

92. See generally Monica Hof Wallace, *Using the Past to Predict the Future: Refocusing the Analysis of a Federal Dilution Claim*, 73 U. CIN. L. REV. 945 (2005) (characterizing the recent changes as rendering trademark “unwieldy and unpredictable”). See also David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117, 118 (2004) (arguing that plaintiff success rate in dilution claims is “due largely to the fact that judges and juries seek to . . . punish free-riding.”). Note that some European countries explicitly created cause of action for “unfair advantage.” *Id.* at 120.

93. See sources cited *supra* note 90; see also Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029 (2006) (finding that dilution has not been as powerful a theory as commentators expected because courts have been unwilling to grant injunctions for dilution).

rights, but impose a countervailing doctrine to render the fairness interests symmetrical.⁹⁴ That is, if trademark protection now considers the fairness to the property-holders, it should also integrate fairness to potential infringers and society in general. This symmetry is pervasive in property law, which imposes all kinds of fairness-based obligations on property owners.⁹⁵ Part III describes a proposal as to how to broker this balance. The conclusion thus far is that trademark law's recent growth suggests a need for misuse as an equitable counterbalance, perhaps even more so than in the areas of patent or copyright law.

III. WHAT CONDUCT SHOULD CONSTITUTE TRADEMARK MISUSE?

As mentioned at the outset, the doctrine of misuse comes in two varieties: an antitrust approach, which hones in on anticompetitive conduct, and a public policy approach, which scrutinizes behavior that is "violative of the public policy embodied in the grant" of the intellectual property right.⁹⁶

For reasons discussed below, if limited to these varieties, misuse is either narrow and redundant with antitrust law or broad to the point that it lacks basic definition. Neither is an acceptable option for trademark misuse. In particular, discarding the antitrust approach should not lead courts into a doctrinal abyss, as it has in copyright law.⁹⁷ Instead, for a public policy approach to function effectively, it must have an identifiable scope and clear underlying justification.

94. This is especially true considering trademark offers little in the way of countervailing interests such as a broad fair use doctrine.

95. Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L.J. 1, 75 (2004); Joseph William Singer, *The Reliance Interest in Property*, 40 STAN. L. REV. 611, 641 n. 108 (1988).

96. *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990). The dichotomy is a bit puzzling; the former approach appears to be lesser-included component of the latter. After all, antitrust policy itself is no doubt a "public policy" embodied in the grant of an intellectual property right.

97. See Frischmann & Moylan, *supra* note 36 (noting that the case law and legal commentary regarding copyright misuse "seem in disarray"). The assortment of theories that may underlie the copyright misuse doctrine is reflected in recent lawsuits concerning this doctrine. See, e.g., Complaint at ¶ 122-34, *Carol Loeb Shloss v. Joyce Estate*, 06-3718 (N.D. Cal 2006), available at <http://cyberlaw.stanford.edu/Complaint%20Endorsed%20Filed%206-12-06.pdf>.

A. Anticompetitive and Public Policy Approach

Under the traditional approach, misuse would target anticompetitive conduct by a trademark holder, even when that action falls short of violating antitrust laws. Critics of the misuse doctrine typically focus their ire on this approach. Antitrust law, after all, encompasses the law's collective wisdom concerning the analysis of anticompetitive conduct. Misuse ignores this wisdom if it permits courts to ignore antitrust law's essential requirement—the presence of market power.⁹⁸

When compared to patents and, to some extent, copyrights, trademarks only rarely generate market power. As the court articulated in *Clorox Co. v. Sterling Winthrop, Inc.*,⁹⁹

A trademark, unlike other intellectual property rights, does not confer a legal monopoly on any good or idea; it confers rights to a name only. Because a trademark “merely enables the owner to bar others from use of the mark, as distinguished from competitive manufacture and sale of identical goods bearing another mark,” “the opportunity for effective antitrust misuse of a trademark . . . is so limited that it poses a far less serious threat to the economic health of the nation [than does patent misuse].”¹⁰⁰

Thus, in accordance with the general trend in misuse jurisprudence, this Article opposes the adoption of an antitrust-based doctrine of trademark misuse.

The alternative, equitable approach avoids redundancy with antitrust law, but in doing so tends to expand to the point of incoherence. In its

98. See HERBERT HOVENKAMP, MARK D. JANIS & MARK LEMLEY, *IP & ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW* 3.4b2(B) (2004) (asserting that it makes sense to test copyright misuse using antitrust principles because “[a]ntitrust has a long history of evaluating such conduct; copyright misuse does not.”). Granted, antitrust law imprecisely characterizes the presence of market power as an either-or binary inquiry, rather than a matter of degree. Cf. JAMES E. HARTLEY, *THE RULE OF REASON* 139 (1999) (discussing the view of the per se and rule of reason analysis as parts of a continuum rather than two distinct inquiries). Thus, misuse could treat conduct by firms with semi-market power and simply use less drastic remedies than antitrust. While theoretically sound, this approach still ignores what antitrust has learned: an oversimplified inquiry already runs the risk of penalizing and deterring behavior that benefits social welfare—a sliding-scale approach only stands to increase uncertainty. Also, without guidance from antitrust law, courts may be prone to resort to their personal instinct under the guise of competition policy.

99. 117 F.3d 50 (2d Cir. 1997).

100. *Id.* at 56 (quoting *Carl Zeiss Stiftung v. V.E.B., Jena*, 298 F. Supp. 1309, 1314 (S.D.N.Y. 1969)). But see Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L. J. 367 (1999).

most general terms, misuse under a public policy approach discerns whether the trademark is being used in a manner violative of the public policy embodied in the grant of the right.¹⁰¹ In other areas of intellectual property law, this standard essentially invites judges to implement their own, often idiosyncratic, appraisal of the intellectual property system. As a result, discussions of equity-based misuse often constitute a jumbled mix of platitudes and reprimands.¹⁰² This encourages critics to attack the doctrine for lacking coherence and predictability, which, they charge, ultimately undermines the value of intellectual property rights.¹⁰³ Within this historical backdrop, trademark law presents the opportunity for misuse to avoid its past pitfalls.

B. The Proposed Approach

An equity-based approach to the doctrine of trademark misuse should provide clear guidance to courts. With that goal in mind, this Section first sets out the proposed test for a doctrine of trademark misuse; it then justifies the test and applies it to various factual situations.

Broadly speaking, the elements of trademark misuse should be a trademark holder's:

- 1) incorrect assertion of rights
- 2) with an improper purpose.

The first element calls on a court to assess the legal basis of a trademark holder's assertion of rights. The second element requires inquiry into the subjective intent of the trademark holder. If trademark holders do not seek the proper adjudication of the claim upon which the assertion of rights is based, their purpose is improper under the second element. Yet ascertaining the purpose of a trademark holder poses obvious evidentiary

101. Note, this does not mean that such violations cannot have an anticompetitive effect as well.

102. See, e.g., *Practice Mgmt. Info. Corp. v. Am. Med. Ass'n.*, 121 F.3d 516, 521 (9th Cir. 1997) (concluding that "[t]he adverse effects of the licensing agreement are apparent" because "[t]he terms under . . . gave [the defendant] a substantial and unfair advantage over its competitors."). Brett Frischmann and Dan Moylan's article constitutes an exception. Frischmann & Moylan, *supra* note 36 (identifying three functions of misuse: a corrective function, a coordination function, and a safeguarding function); see also Dan L. Burk, *Anticircumvention Misuse*, 50 UCLA L. REV. 1095, 1123 (2003) (remarking that an equitable doctrine should be applied to "legal claims that might be technically legitimate, but which would lead to socially perverse outcomes.").

103. See e.g., F. Scott Kieff & Troy A. Paredes, *The Basics Matter: At the Periphery of Intellectual Property*, 73 GEO. WASH. L. REV. 174 (2004).

problems; thus certain factual situations in which a trademark holder's purpose is unlikely to be related to consumer confusion should raise a presumption of an improper purpose. This Article contends that one situation meriting such a presumption is when a trademark holder attempts to enforce rights against a defendant's criticism or parody.¹⁰⁴

1. *Incorrect Assertion of Rights*

One could object at the outset that victims of a trademark holder's incorrect assertion of rights have a ready solution: take the culprit to court. But misbalanced incentives render litigation an inadequate response, at least under the current legal regime. Under normal circumstances, a trademark holder will proceed in a suit so long as the potential damages, D , multiplied by the probability of infringement, P_i , exceed the enforcement costs, C .

Bring suit for infringement if: $D * P_i > C$

Many potential infringers must research the law or hire an attorney in order to assess liability, thereby expending information costs, I . A rational trademark holder would account for these costs when deciding whether to bring suit.

Enforcement decision, accounting for information cost differential:

$$D * P_i > C + I$$

Because trademark holders possess, on average, better information about the scope and validity of their rights, they can sometimes successfully bluff a defendant, despite having a weak lawsuit.¹⁰⁵ More fundamen-

104. See, e.g., *In re Napster*, 191 F. Supp. 2d 1087, 1105 (N.D. Cal. 2002). The court stated:

Additional confusion arises because while courts have repeatedly stated that misuse is different from antitrust, they still rely on antitrust-like inquiries in determining what licensing agreements violate public policy. Of the cases reviewed by the court, all mimic the *per se* rules of antitrust in holding that the relevant licensing agreements constitute copy-right misuse because they are unduly restrictive *on their face*.

Id.

105. This information costs approach derives from the broader insight that the law should place burdens on the least cost avoider. See GUIDO CALABRESI, *THE COSTS OF ACCIDENTS: A LEGAL AND ECONOMIC ANALYSIS* 26, 135-73 (1970) (arguing that efficiency in accident cost reduction is maximized by imposing liability on the party best able to choose between accident and safety costs); see also William Hubbard, Note,

tally, defendants must pay litigation costs without any chance of payoff.¹⁰⁶ Finally, trademark holders may have an interest in establishing a reputation in prosecuting even weak suits through to the end, so even losing a weak lawsuit may be a profitable investment in that reputation.¹⁰⁷

These factors bias trademark holders' enforcement decisions when infringement is possible, but prove more influential on such decisions when the probability of infringement is negligible. The law does not normally concern itself with situations in which the probability of infringement is zero. Why would a trademark holder care if, by definition, there exists no likelihood of confusion? The reason is straightforward: the absence of confusion does not equate to an absence of costs to a trademark holder. This is one reason parody and critique, which impose costs without (usually) creating confusion, are the focus of this Article.

Accordingly, from the trademark holder's perspective, attempting to enforce via a cease-and-desist letter makes sense so long as the damage to the mark wrought by the defendant's critique, D_{Δ} , reduced by the defendant's probability of complying with the letter, P_c , exceeds the cost of sending the letter, C .

Enforcement against critique or parody is rational if: $D_{\Delta} * P_c > C$

Assessing the probability that a defendant will comply with a cease-and-desist letter requires us to examine the situation from the defendant's perspective. For non-infringing use, defendants will nevertheless comply so long as the information costs, i.e., the costs of assessing liability, I , exceed the benefits they gain from using the mark, G .

Communicating Entitlements: Property and the Internet, 22 YALE L. & POL'Y REV. 401 (2004) (connecting this insight to notice in exchange between property holder and potential trespasser/infringer); Lior Strahilevitz, *Information Asymmetries and the Rights to Exclude*, 104 MICH L. REV. 1835 (2006). Henry Hansmann and Reinier Kraakman discuss the efficiency of altering verification rules to reduce aggregate user and non-user costs. See Henry Hansmann & Reinier Kraakman, *Property, Contract, and Verification: The Numerus Clausus Problem and the Divisibility of Rights*, 31 J. LEGAL STUD. 373 (2002). Applying this logic to trademark law suggests placing the burden on trademark holders to accurately represent their rights.

106. Note that Section 35(a) of the Lanham Act provides that a "court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. §1117(a).

107. Patrick Bolton et al., *Predatory Pricing: Strategic Theory and Legal Policy*, 88 GEO. L.J. 2239, 2999-2301 (2000) (noting the reputation effect of predation); see also David M. Kreps & Robert Wilson, *Reputation and Imperfect Information*, 27 J. ECON. THEORY 253 (1982).

Defendant complies if: $I > G$

This basic assessment of incentives reveals two characteristics of a trademark holder's enforcement against a defendant's non-infringing use. First, unlike in a full-scale lawsuit, the marginal cost of enforcement—in essence, one Google search and a cease-and-desist letter—is nearly negligible. Second, for creators of websites that parody or critique a trademark, the benefit from using the mark tends to be more psychic than financial; hence, these creators are understandably unwilling to hire a lawyer to determine the merits of their case. Consequently, a defendant will often comply, and a trademark holder needs only limited success for enforcement to be worthwhile.

In the absence of a trademark misuse doctrine, trademark holders have every incentive to abuse this lawful tool: they can send cease-and-desist letters to anyone who criticizes their product, and exaggerate or even lie about their rights or the potential repercussions.¹⁰⁸ Imposing misuse damages, D_M , to the equation above counteracts this bias by imposing a cost, in addition to the cost of enforcement, that would balance the costs and benefits of enforcement when there is no infringement.

Imposing misuse damages: $D_\Delta * P_C > C + D_M$

For trademark misuse to cancel out the perverse incentives arising from non-infringing conduct, the damages should equal the amount the trademark holder stands to gain from enforcing, less the cost of enforcement, i.e., $D_\Delta * P_C - C$.

In practice, this amount would be inadequate, however. For the same reason defendants often comply with baseless cease-and-desist letters—namely, expensive lawyers—they will also fail to enforce the misuse remedy. To neutralize a trademark holder's incentives, then, the damage must be multiplied by the probability that the defendant enforces her misuse remedy, P_E .

Imposing misuse damages, revised: $D_\Delta * P_C > C + (D_M * P_E)$

Thus, misuse damages neutralize a trademark holder's incentives if:

108. Note, the Lanham Act already provides an exception to incontestability that includes intentionally false and misleading designations of origin. 15 U.S.C. §1115(b).

$$D_M = \frac{D_\Delta P_C - C}{P_E}$$

This focus on the trademark holder is open to critique because both parties share responsibility for information asymmetry regarding the scope of trademark rights. To some extent, then, one could argue that the alleged infringer acquiesced in the trademark holder's assertion of extra-legal rights because otherwise acquiring sufficient information simply costs too much. Punishing the trademark holder for an alleged infringer's rational ignorance may seem unfair, as well as potentially inefficient.¹⁰⁹ But rational ignorance may not seem so troublesome if one accepts that its 'rationality' derives solely from flawed law, which creates unclear property lines in conjunction with asymmetric consequences: drastic damages for infringers and little-to-none for trademark owners. As mentioned in the Introduction, revitalizing misuse would bring symmetry to trademark law by regulating potential defendants *and* trademark holders.

Directing courts to determine whether the trademark holder incorrectly asserted her rights also narrows the inquiry much more than copyright law's mandate that copyright holders not attempt to extend the scope of their right.¹¹⁰ Applying copyright law's standard would, if construed broadly, appear to prohibit most standard licensing arrangements. Misuse should avoid undermining freedom of contract in this way, especially for contractual relations between a trademark holder and its licensees.¹¹¹

Ironically, copyright law's focus on 'scope expansion' also induces courts to focus too narrowly on explicit licensing terms rather than implicit tactics. To courts, the terms of a licensing contract provide the best evidence for the improper acquisition of rights. For example, in *Lasercomb*, the licensor restricted the licensee's ability to develop similar software.¹¹² But in trademark law, most problematic conduct occurs when the

109. The concept of rational ignorance is that any person will spend only a certain amount of time or money to obtain a piece of information. If obtaining that information costs more than the information is worth, they will (or should) rationally choose to remain ignorant of it. See RALPH T. BYRNS & GERALD W. STONE, *ECONOMICS* 433 (4th ed. 1989) (discussing rational ignorance).

110. See *Practice Mgmt. Info. Corp. v. Am. Med. Ass'n.*, 121 F.3d 516, 521 (9th Cir. 1997); *A&M Records, Inc. v. Napster*, 239 F.3d 1004, 1026 (9th Cir. 2001) ("The misuse defense prevents copyright holders from leveraging their limited monopoly to allow them control of areas outside the monopoly.").

111. See Robert P. Merges, *Intellectual Property and the Costs of Commercial Exchange: A Review Essay*, 93 MICH. L. REV. 1570, 1573-74 (1995) (describing how various intellectual property rights facilitate distinct organizational structures).

112. *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 973 (4th Cir. 1990).

“expansion” is only implicit.¹¹³ As such, instructing courts to look for expansion of the trademark right is bound to fail: such evidence is rare. Screening for the incorrect assertion of rights prevents over-claiming, without the distraction of culling evidence of expansion. Courts, moreover, are eminently capable of assessing the legal basis of an infringement allegation.

2. *Improper Purpose*

As Judge Posner asked in *USM Corp. v. SPS Technologies, Inc.*,¹¹⁴ “[i]f misuse cases are not tested by conventional antitrust principles, by what principles shall they be tested?”¹¹⁵ Judge Posner’s skepticism is appropriate: if we cannot identify a policy reason for intervention other than the efficiency reasons already accounted for in antitrust law, misuse wastes our time at best and otherwise deters welfare-enhancing interactions. At a minimum, an equitable misuse doctrine requires us to define what kind of equity we seek. This Article selects free speech as an objective that a trademark misuse doctrine should advance.

Potential policy interests related to a trademark misuse doctrine fall into two general categories: those specific to trademark law and those independent of it. The former category is less controversial; indeed, some courts already partially recognize that certain trademark policies are important enough for misuse’s protection. For example, even the *Northwestern* court, which characterized the defense as a “phantom,” begrudgingly acknowledged that misuse may apply in situations in which the trademark owner “somehow [does] violence to the public policy which establishes [the] trademark right.”¹¹⁶ To the *Northwestern* court, this only occurs when trademark holders misrepresent their product.¹¹⁷ But as a matter of logic, it is hard to see why misuse should stop at misrepresentation when other behaviors probably contravene trademark public policy as well.¹¹⁸

113. From an *ex ante* perspective, infringement of an intellectual property right is inherently probabilistic, so conduct that simply raises the probabilities functionally “expands” scope as well. *See, e.g.*, Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. ECON. PERSPECTIVES 75 (2005) (making the point with respect to patent rights).

114. 694 F.2d 505 (7th Cir. 1982).

115. *Id.* at 512.

116. *Nw. Corp. v. Gabriel Mfg., Co.*, 48 U.S.P.Q.2d 1902, 1908-09 (N.D. Ill. 1998).

117. *Id.* at 1909.

118. For example, a second option is trademark law’s underlying policy: protecting against consumer confusion. *Cf. Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 978-79 (4th Cir. 1990) (concluding that a broad covenant not to develop other software conflicts with the copyright goal of stimulating original expression).

Employing misuse to advance policy objectives that are at best tangential to trademark law invites more controversy, largely due to concern that unmooring misuse from its intellectual property origins will lead to the overexpansion mentioned above, undermining the incentive structure embodied in the grant of the property right. But this Article contends that a trademark misuse doctrine could advance free speech without undermining trademark law's underlying policies.

Using misuse to advance free speech¹¹⁹ may seem redundant, at least at first glance, because the First Amendment already provides a free speech defense in trademark infringement and dilution cases.¹²⁰ The Lanham Act itself also appears to integrate such First Amendment values. By requiring a "likelihood of confusion," for example, traditional infringement law obliquely follows Supreme Court deference to government restrictions on "forms of communication more likely to deceive the public

119. Some commentators similarly recommend using misuse to advance free speech within copyright. See JuNelle Harris, *Beyond Fair Use: Expanding Copyright Misuse to Protect Digital Free Speech*, 13 TEX. INTELL. PROP. L.J. 83 (2004); Judge, *supra* note 80. In general, the overlap of the First Amendment and copyright has been examined extensively. See, e.g., Neil Weinstock Netanel, *Locating Copyright Within the First Amendment Skein*, 54 STAN. L. REV. 1 (2001); Jed Rubenfeld, *The Freedom of Imagination: Copyright's Constitutionality*, 112 YALE L.J. (2002); Alfred C. Yen, *Eldred, the First Amendment, and Aggressive Copyright Claims*, 40 HOUS. L. REV. 673 (2003). An interesting study relevant to free speech and trademark found that American novels use an average of 160 generic names per 10,000 words. Monroe Friedman, *The Changing Language of a Consumer Society: Brand Name Usage in Popular American Novels in the Postwar Era*, 11 J CONSUMER RES. 927, 932-33 (1985).

120. In 1980, the Supreme Court set forth a four-part analysis for commercial speech cases:

[First], we must determine whether the expression is protected by the First Amendment. For commercial speech to come within that provision, it at least must concern lawful activity and not be misleading. [Second], we ask whether the asserted governmental interest is substantial. [Third, if] both inquiries yield positive answers, we must determine whether the regulation directly advances the governmental interest. [And fourth], if the governmental interest could be served as well by a more limited restriction on commercial speech, the excessive restrictions cannot survive.

Cent. Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of N.Y., 447 U.S. 557, 566 (1980); see also Richard B. Biagi, *The Intersection of First Amendment Commercial Speech Analysis and the Federal Trademark Dilution Act: A Jurisprudential Roadmap*, 91 TRADEMARK REP. 867 (2001). If dilution law restricted non-commercial speech, it wouldn't matter that it only restricts certain words, but leaves speakers free to express facts and ideas. As *Cohen v. California* held, "forbid[ding] particular words" also "run[s] a substantial risk of suppressing ideas in the process." 403 U.S. 15, 26 (1971).

than to inform it.”¹²¹ Likewise, the Federal Trademark Dilution Act ostensibly integrates First Amendment policy by exempting “non-commercial use” of a mark from actions for dilution.¹²²

In practice, however, both of these provisions fall short of standard First Amendment protection.¹²³ Most notably, in the dilution context, only Judge Kozinski in *Mattel, Inc. v. MCA Records, Inc.* identified what is obvious in other parts of First Amendment jurisprudence: speech is not made commercial by the fact that someone sells it; it must actually propose a commercial transaction.¹²⁴ The majority of courts, on the other hand, categorize trademark use as unprotected “commercial” speech on the basis of any commercial intent or impact on a trademark holder’s own commercial interests.¹²⁵ For example, in *Planned Parenthood Federation of America, Inc. v. Bucci*,¹²⁶ the court enjoined Bucci, a pro-life activist, from espousing his view on his website *plannedparenthood.com*. As a basis for categorizing Bucci’s speech as commercial, the court mentioned that the site harmed Planned Parenthood commercially and that Bucci solicited funds on his radio show while mentioning the website.¹²⁷ But extending this standard outside of trademark law would lead to absurd results: “commer-

121. *Cent. Hudson*, 447 U.S. at 563.

122. 15 U.S.C. § 1125(c)(4)(B). Congress included the non-commercial use exemption in the FTDA in light of First Amendment concerns that the statute would otherwise prohibit protected forms of expression. *L.L. Bean, Inc., v. Drake Publishers, Inc.*, 811 F.2d 26 (1987) (reversing lower court’s holding that non-commercial use of a trademark in a parody is subject to Maine’s anti-dilution statute). Other doctrines indirectly promote free speech as well. For example, the trademark fair use doctrine for comparative advertising first asks whether the defendant can readily identify the plaintiff’s product without using a trademark, and then whether the defendant used more of the plaintiff’s mark than necessary. *New Kids on the Block v. New Am. Publ’g*, 971 F.2d 302, 308 (9th Cir. 1992).

123. For example, the likelihood of confusion requirement fails to integrate Supreme Court instruction that while inherently misleading advertising may be prohibited outright, the government “may not place an absolute prohibition on certain types of potentially misleading information . . . if the information also may be presented in a way that is not deceptive.” *Peel v. Attorney Registration & Disciplinary Comm’n*, 496 U.S. 91, 100 (1990).

124. 296 F.3d 894, 906 (9th Cir. 2002); *see also* EUGENE VOLOKH, *THE FIRST AMENDMENT: PROBLEMS, CASES AND POLICY ARGUMENTS* 235 (2001); Alex Kozinski & Stuart Banner, *The Anti-History and Pre-History of Commercial Speech*, 71 *TEX. L. REV.* 747 (1993); Alex Kozinski & Stuart Banner, *Who’s Afraid of Commercial Speech?*, 76 *VA. L. REV.* 627 (1990).

125. *See generally* Patrick D. Curran, Comment, *Diluting the Commercial Speech Doctrine: “Noncommercial Use” and the Federal Trademark Dilution Act*, 71 *U. CHI. L. REV.* 1077 (2004).

126. 42 U.S.P.Q.2d 1430 (S.D.N.Y. 1997).

127. *Id.* at 1435-36.

cial” speech would include all speech that is sold, including books, newspapers, and magazines, and the government could ban any speakers with economic intent, such as workers who rally for higher pay.¹²⁸

The fact that courts underutilize First Amendment defenses suggests adopting Judge Kozinski’s more adequate conception, but does not necessarily support incorporating free speech values into a misuse doctrine. Indeed, at first glance, Judge Kozinski’s robust construal obviates the need for misuse to preserve free speech—a conclusion arrived at in most recent trademark law scholarship sympathetic to the freedom of speech.¹²⁹

While this recommendation advances free speech in theory, it falls markedly short of upholding the level of free speech its proponents desire in practice. Driving the wedge between theory and practice are the tactics deployed by trademark holders described in this Article.¹³⁰ That is, certain kinds of coercive conduct undermine free speech independent of formal First Amendment defenses—the paradigmatic example being pre-litigation threats sent to alleged infringers or internet intermediaries based on dubious claims.¹³¹ Misuse restores this constricted free speech space by providing a more aggressive weapon than a First Amendment shield.

Before proceeding, it is worth mentioning that this step from shield to sword does not derive from the text of the First Amendment itself, but from so-called free speech *values*. This latter viewpoint is not as outlandish as one would suspect; indeed, an entire school of thought, and certain swaths of First Amendment jurisprudence,¹³² conceptualize the First Amendment more broadly than its traditional negative role, obliging the government to protect speech actively.¹³³ Under such a conception, a

128. One could argue that trademark law deserves explicit exemption from First Amendment analysis, such as the Court has done for copyright. However, courts instead disingenuously pretend that trademark law actually comports with commercial speech law, and then apply their watered-down version of First Amendment protection.

129. See, e.g., K.J. Green, *Abusive Trademark Litigation and the Incredible Shrinking Doctrine—Trademark Abuse in the Context of Entertainment Media and Cyberspace*, 27 HARV. J.L. PUB. POL’Y 609 (2004); Hannibal Travis, *The Battle for Mindshare: The Emerging Consensus that the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 VA. J.L. & TECH. 3 (2005) (contending that trademark rights should be restricted to policing commercial competition, rather than non-commercial internet speech); see also Lemley, *supra* note 90; Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731 (2003).

130. This Article also argues that misuse as a free speech weapon should apply, albeit more deferentially, to non-coercive licensing transactions.

131. See *infra* Section III.C.

132. An example of such active protection is the public forum doctrine. See VOLOKH, THE FIRST AMENDMENT, *supra* note 124, at 419.

133. See *infra* note 134.

merely libertarian First Amendment that grants property owners free reign within their property right to determine what speech to permit and what speech to restrict fails to realize certain collective values that are necessary for a well-functioning system of free speech.¹³⁴

Indeed, grafting positive speech protection onto trademark law, rather than simply using the First Amendment itself, evades the most powerful critique of this notion of free speech—that the First Amendment’s broad scope renders positive rights too complex to apply in light of the context-specific judgments they require.¹³⁵ Trademark misuse offers a narrow, though vital, section of law to instill such rights. In other words, while we lack the capacity to subsidize dissident and other disfavored or unpopular speech wholesale, misuse can provide affirmative protection in trademark-related disputes.

Scholars who frame this positive protection as a “subsidy” nonetheless misconstrue its effect; the benefits to the “subsidized” individual are extracted from another party, not society in general.¹³⁶ For example, what looks like “speech protection” to the petitioning protester is “compelled speech” to the land owner whose private shopping mall cannot exclude him. Likewise, in preventing trademark owners from privately restricting speech, misuse penalizes trademark holders for the statements they make in their cease-and-desist letters, thereby promoting one form of speech, critique and parody, by restricting another. But the fairness of this transfer

134. CASS SUNSTEIN, *DEMOCRACY AND THE PROBLEM OF FREE SPEECH* 18 (1993). See also LAURENCE H. TRIBE, *AMERICAN CONSTITUTIONAL LAW* 964 (2d ed. 1988). (“[I]t is not enough for the government to refrain from invading certain areas of liberty. The State may, even at some cost to the public, be required to provide at least a minimally adequate opportunity for the exercise of certain freedoms.”). Richard Posner likewise acknowledges such a role for the government and free speech. See Richard A. Posner, *Free Speech in an Economic Perspective*, 20 *SUFFOLK U.L. REV.* 1, 52 (1986).

Until fairly recently it was assumed that the purpose of the first amendment was the negative one of preventing undue interference with private markets in ideas rather than the positive one of promoting the effective functioning of such markets. The “public forum” doctrine, however, requires the government in some cases to make public facilities available for persons wanting to express themselves.

Id. But see Richard A. Epstein, *Cybertrespass*, 70 *U. CHI. L. REV.* 73 (2003). See generally Jack M. Balkin, *Digital Speech and Democratic Culture: A Theory of Freedom of Expression for the Information Society*, 79 *N.Y.U. L. REV.* 1, 7 (2004); Dawn C. Nunziato, *The Death of the Public Forum in Cyberspace*, 20 *BERKELEY TECH. L.J.* 1115 (2005).

135. See, e.g., David G. Post, *What Larry Doesn’t Get: Code, Law, and Liberty in Cyberspace*, 52 *STAN. L. REV.* 1439, 1457 (2002).

136. See Wesley Newcomb Hohfeld, *Some Fundamental Legal Conceptions as Applied in Judicial Reasoning*, 23 *YALE L.J.* 16 (1913).

is contingent on an already-synthetic legal baseline. As argued above, the law already intervenes to grant trademark holders special speech rights—misuse intends to counteract where these rights go too far.

C. Applying the Test

The threshold question under this Article's proposed test is whether a trademark holder has incorrectly asserted her rights. Next, the doctrine of misuse inquires whether the trademark holder asserted rights with an improper purpose, i.e., a purpose collateral to the object of the process upon which the assertion of rights is based. Due to evidentiary concerns, this Article recommends presuming an improper purpose in certain situations, namely, when the defendant critiques or parodies the trademark holder. As such, this next Section demonstrates how one would apply the test in two situations: when an improper purpose is presumed and when it is not.

1. *Presumption of an Improper Purpose*

The cease-and-desist letter is the tool that most often abets the troublesome conduct that falls within this category. But, as is the problem with many tools, it serves both lawful and (potentially) unlawful means.

When enough money is on the line for the alleged infringer, the relevance of trademark law's misbalanced incentives recedes. Lawsuits over commercial products, even questionable ones such as Mattel's suit over the "Barbie Girl" song¹³⁷ or Fox's suit against Al Franken over the title of his book, *Lies and the Lying Liars Who Tell Them: A Fair and Balanced Look at the Right*,¹³⁸ surely waste resources, but usually fail to coerce the alleged infringer. While these lawsuits naturally draw the most attention,¹³⁹ scholarly and otherwise, they are not the focus of this Article.

Instead, this Article is concerned with enforcement of questionable claims when the financial stakes are not so high. For example, when former employees of Radio Shack created the website Radioslack.com to serve as a forum to discuss recent changes in pay structure (from commission to hourly wage), one harsh cease-and-desist letter¹⁴⁰ alleging trade-

137. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002).

138. Complaint at 2, *Fox News Network, LLC v. Penguin Group, Inc.*, Index No. 602514/2003 (N.Y. Sup. Ct. 2003), available at <http://fl1.findlaw.com/news.findlaw.com/hdocs/docs/ip/foxpenguin80703cmp.pdf>.

139. See, e.g., DAVID BOLLIER, *BRAND NAME BULLIES* (2005).

140. See Chilling Effects Clearinghouse, *Radioshack not amused by radioslack.com*, <http://www.chillingeffects.org/protest/notice.cgi?NoticeID=324> (last visited Dec. 17, 2006).

mark infringement—even claiming they have no right to use any “portion[s] of the mark”¹⁴¹—was all it took for the site to disappear.

A recent study by the Brennan Center for Justice of chillingeffects.org—a website that collects and publishes a database of cease-and-desist notices sent to internet users—confirms that the bias outlined above is more than theoretical.¹⁴² Of the letters that were possible to evaluate, more than a fifth stated extremely weak claims or had strong First Amendment defenses, and many had reasonable free speech defenses.¹⁴³ And yet within the first category of weak claims, almost half of the letters successfully caused removal.¹⁴⁴ These results are particularly troubling in view of the sample’s obvious selection bias: individuals or entities aware of the chillingeffects.org website likely know their legal rights better than the average internet user.

State legislatures across the country increasingly recognize the consequences of these tactics and the disturbing implications for free speech rights. To discourage lawsuits brought primarily to chill the valid exercise of free speech rights, several legislatures have responded by enacting so-called anti-SLAPP (“Strategic Lawsuits Against Public Participation”) statutes that grant individuals procedural mechanisms to dismiss these non-meritorious lawsuits at an early stage.¹⁴⁵ Under California’s anti-SLAPP¹⁴⁶ statute, for example, lawsuits that arise from any act in furtherance of a person’s right to petition or to free speech¹⁴⁷ are subject to a spe-

141. *Id.*

142. BRENNAN CENTER FOR JUSTICE, WILL FAIR USE SURVIVE? FREE EXPRESSION IN THE AGE OF COPYRIGHT CONTROL (2005) [hereinafter WILL FAIR USE SURVIVE?]. Despite the title of the report, a sizable portion of the cease-and-desist letters stated claims of trademark infringement, particularly among the weak claims.

143. *Id.* at 36.

144. *Id.*

145. *See, e.g.*, FLA. STAT. § 768.295 (2000); IND. CODE 34-7-7 (2006); N.M. STAT. ANN. §§ 38-2-9.1 to 9.2 (West 2006); OR. REV. STAT. §§ 31.150–31.155 (2005); 27 PA. CONS. STAT. ANN. §§ 7707, 8301–8305 (West 2001); UTAH CODE ANN. §§ 78-58-101 to -105 (West 2006).

146. CAL. CIV. PROC. CODE § 425.16(b)(1) (West 2005); *see also* *Metabolife Int’l, Inc. v. Wornick*, 213 F. Supp. 2d 1220, 1221 (S.D. Cal. 2002) (“The California Legislature passed the statute recognizing ‘the public interest to encourage continued participation in matters of public significance . . . and [finding] that this participation should not be chilled through abuse of the judicial process.’”).

147. *See* CAL. CIV. PROC. CODE § 425.16(e) (defining “act in furtherance of a person’s right of . . . free speech.”).

cial motion to strike unless the plaintiff can demonstrate a probability of prevailing.¹⁴⁸

Trademark holders need not focus on the alleged infringer exclusively to quash criticism; with increasing frequency, they achieve similar results by sending cease-and-desist letters to internet intermediaries.¹⁴⁹ By informing the intermediary that a certain site infringes their trademark, often under the dubious basis that the site merely uses the company name, trademark holders are likewise empowered to suppress criticism, and thus ignore otherwise narrow free speech exceptions.¹⁵⁰

Under the original limitations of contributory liability for trademark infringement, such letters posed little in the way of legal consequence unless the intermediary somehow “intentionally induce[d]” infringement or “continue[d] to supply its product to one whom it knows or had reason to know is engaging in trademark infringement.”¹⁵¹ But such letters require attention and even compliance now that several courts have expanded contributory infringement’s striking range.¹⁵²

Intermediaries face strong incentives to comply with complaints of infringement in their search results or hosted content. These incentives do not stem from information asymmetry, as before, but result from a principal-agent problem. Liability for intermediaries, who act as agents for al-

148. *See* *Batzel v. Smith*, 333 F.3d 1018, 1024 (9th Cir. 2003) (“The plaintiff must demonstrate that the complaint is legally sufficient and supported by a prima facie showing of facts to sustain a favorable judgment if the evidence submitted by plaintiff is credited.”). As with a motion for summary judgment, the evidence the plaintiff submits in support of its claims must be admissible evidence. If the court denies an anti-SLAPP motion to strike, the parties continue with discovery and the anti-SLAPP statute no longer applies. *Id.*

149. *See, e.g.,* Chilling Effects Clearinghouse, *Keyword: Google and the DMCA*, <http://www.chillingeffects.org/dmca512/keyword.cgi-?KeywordID=2> (last visited Jan. 6, 2007).

150. Section 230 of the Communications Decency Act exempts service providers from liability for defamation committed by their users, rendering all such actions not Google’s problem. 47 U.S.C. § 230.

151. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982). The Court outlined the basis for contributory trademark infringement:

If a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.

Id.

152. For a critique of this expansion see Benjamin Aitkin, *Keyword-Linked Advertising, Trademark Infringement, and Google’s Contributory Liability*, 2005 DUKE L. & TECH. REV. 21; Dogan & Lemley, *supra* note 86.

legedly infringing principals, exposes them to all of the downside of infringement although they appreciate little of its upside.¹⁵³ Accordingly, intermediaries tend to comply so long as litigation costs and potential damages exceed the indirect benefit of infringement.¹⁵⁴ And such compliance—i.e., removal of the hosted content or delisting from search results—often functionally eliminates the site from the internet itself, especially for powerful intermediaries such as Google. In other words, cease-and-desist letters based on weak claims stand to succeed with effects similar to those sent to defendants themselves.

One infamous example of the private censorship enabled by these misaligned incentives is when Dow Chemical was able, merely by alleging trademark violations to an internet service provider (ISP), to shut down a website critical of Dow's alleged responsibility for a gas leak at a Union Carbide plant in Bhopal, India, that killed thousands of people.¹⁵⁵ Because the ISP in the case had no private stake in communicating the message, it deferred to the trademark holder's judgment rather than face any litigation costs despite the weakness of Dow Chemical's claim.

A final type of conduct that may fall within this category is the practice of so-called "reverse domain-name hijacking,"¹⁵⁶ in which trademark owners use the Uniform Domain Name Dispute Resolution Policy to strip legitimate holders of their domain names by asserting expansive trade-

153. 17 U.S.C. § 1201(a) (1998). For an excellent article outlining the misaligned incentives of ISPs, see Assaf Hamdani, *Who's Liable for Cyberwrongs?*, 87 CORNELL L. REV. 901, 905-06 (2002) (discussing why intermediaries that do not reap the benefits of the wrong should not be held strictly liable, otherwise they "would assign disproportionate weight to the risk of legal liability and disregard the loss caused to [the direct users] as a result of the newly blocked or removed user information.").

154. Note that intermediaries may also fight infringement in an effort to change the law. This is arguably Google's strategy in *Google Inc. v. American Blind & Wallpaper Factory Inc.*, No. C03-5340-JF(RS), 2006 WL 2318803, (N.D. Cal. Aug. 10, 2006), and *Government Employees Insurance Co. v. Google, Inc.*, 77 U.S.P.Q.2d 1841 (E.D. Va. 2005).

155. See Chilling Effects Clearinghouse, *Dow slap Yes Men and upstream ISP for parody/remix*, <http://www.chillingeffects.org/protest/notice.cgi?NoticeID=500> (last visited Dec. 17, 2006); see also C. Carr, *Dow v. Thing: A Free-Speech Infringement That's Worse Than Censorship*, VILLAGE VOICE, Jan. 17, 2003, at 49; Matthew Mirapaul, *Cyberspace Artists Paint Themselves Into a Corner*, N.Y. TIMES, Dec. 23, 2002, at E2.

156. According to Uniform Domain Name Dispute Resolution Policy Rule 1, the term "Reverse Domain Name Hijacking" means "using [the UDRP] in bad faith to attempt to deprive a registered domain-name holder of a domain name." ICANN, UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY (Oct. 24, 1999), available at <http://www.icann.org/dndr/udrp/uniform-rules.htm>.

mark rights.¹⁵⁷ This strategy often focuses on gripe sites that combine the trademarked company name with a pejorative, e.g., “sucks” or “anti.” After a spate of gripe-site litigation, both through the courts and ICANN’s domain dispute process, the law appeared to settle on the rule that such sites were fair use, as most forcefully articulated in the case over the “ballysucks” website.¹⁵⁸ Nevertheless, companies still attempt, and succeed, in acquiring the domain names for these gripe sites. For example, recently, after a disgruntled customer created a non-commercial consumer criticism site, nextelsucks.org, he received a cease-and-desist letter claiming that his site infringes Nextel’s trademark rights and demanded that he immediately transfer ownership of the domain name.¹⁵⁹

Victims of reverse domain-name hijacking may file an action in court to declare that their registration or use of the domain name is not unlawful under the Anticybersquatting Consumer Protection Act (ACPA).¹⁶⁰ While this provision intends to balance the rights of domain name registrants against the rights of trademark holders,¹⁶¹ it only provides for injunctive relief. At best, domain holders get their name back,¹⁶² and trademark holders have little reason to curb their abusive practices.¹⁶³ Analogous to the ACPA’s approach to cease-and-desist letters, misuse should rebalance the scales in domain name disputes.¹⁶⁴

157. The standard for a finding of reverse domain name hijacking was defined in *Goldline International, Inc. v. Gold Line*: “To prevail on such a claim [of reverse domain name hijacking], Respondent must show that Complainant knew of Respondent’s unassailable right or legitimate interest in the disputed domain name or the clear lack of bad faith registration and use, and nevertheless brought the Complaint in bad faith.” WIPO Domain Name Decision: D2000-1151 (Jan. 2, 2001), available at <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-1151.html>.

158. *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161, 1167 (C.D. Cal. 1998).

159. The cease-and-desist letter is available at <http://www.nextelsucks.org/legal/letter.htm>.

160. See 15 U.S.C. § 1114(2)(D)(v) (2005).

161. See, e.g., *Barcelona.com. v. Excelentisimo Ayuntamiento de Barcelona*, 330 F.3d 617, 624 (4th Cir. 2003).

162. See 15 U.S.C. § 1114(2)(D)(v).

163. Note, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) also allows recovery for abuse of authority and abuse of enforcement procedures. Injured parties may recover any monetary damages resulting from such abusive practices, including attorneys’ fees. Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, § 2, art. 48, para. 1, Dec. 15, 1993, 33 I.L.M. 81, available at http://www.wto.int/english/docs_e/legal_e/27-trips.pdf.

164. The lone article advocating for a doctrine of trademark misuse urges its application in precisely this situation. See Stephen J. Davidson & Nicole A. English, *Applying the Trademark Misuse Doctrine to Domain Name Disputes*, *Computer Lawyer*, Aug.

In sum, courts should presume an improper purpose when trademark holders privately censor critique or parody through pre-litigation threats such as cease-and-desist letters against alleged infringers or internet intermediaries or by reverse domain-name hijacking.

2. *No Presumption of Improper Purpose*

In contrast, courts should not necessarily presume an improper purpose when trademark holders respond to speech that does not constitute parody or critique. This distinction derives from the model of incentives presented in Section III.B.1, above. Recall that the model revealed that misuse is necessary to prevent a trademark holder from enforcing rights for purposes unrelated to consumer confusion. Censoring critique or parody is a paradigmatic example, but not an exclusive one. Other improper purposes include a trademark holder's threat to file suit to force a person to settle or drop a claim in an unrelated matter, to impose a financial hardship on a competitor, or to accumulate precedent of compliance for other cases. This latter purpose likely accounts for the notorious enforcement practices of New York City's *Village Voice*.¹⁶⁵ Each time a defendant complies with a baseless cease-and-desist letter, *Village Voice* cites it as an example for the next letter. When *The Cape Cod Voice*, a regional journal, received a cease-and-desist letter from the *Village Voice*, asserting both trademark infringement and dilution, the letter noted: "We hope to resolve this matter amicably . . . Our previous experience with the *Bloomington Voice*, *Dayton Voice* and *Tacoma Voice* newspapers . . . indicates that we can accomplish this goal."¹⁶⁶ To *Village Voice*, each cease-and-desist reinforces the

1996, available at <http://www.cla.org/trademark%20misuse.pdf>. Moreover, other scholars recommend using damages to deter reverse domain name hijacking. See, e.g., Stacey Knapp, *Balancing the Crucible: The Revolving Conflict Between Fair Use and Corporate Use in the Battle to Control Domain Names*, 1 OKLA J.L. & TECH. 10 (2004).

165. Alexander Zaitchik, *Village Voice Media Inc. is Bullying Tiny Papers all Across the Country*, N.Y. PRESS, Apr. 22, 2003, available at http://www.nypress.com/print.cfm?content_id=8137.

166. This category is the most common one on the chillingeffects.org website. As mentioned previously, companies comply with these letters to a surprising degree. For example, the Muzak company, which creates playlists for stores, successfully forced a website that compiled webpages for independent musicians to change its URL from muzak.smoe.org to www.smoe.org. On the site, the owner explained: "if you're wondering – yes, there is a reason why we changed our series' name. It has to do with a certain concern which supplies elevator music to the masses, and a cease-and-desist letter we received therefrom. Ain't legalities grand?" See Chilling Effects Clearinghouse, *Don't Play that Funky Muzak*, <http://www.chillingeffects.org/acpa/notice.cgi?NoticeID=1437> (last visited Dec. 17, 2006); [smoe.org](http://www.smoe.org), http://www.smoe.org/cgi-bin/mj_wwwusr?func=info&list=hom-announce (last visited Dec. 17, 2006); see also WILL FAIR USE SURVIVE?, *supra* note 142.

next, a shrewd but inappropriate method of broadening the effective scope of its trademark rights. Evidence of this tactic merits a finding of misuse but should not raise a presumption because the relevant facts are more context specific than in the case of a trademark holder's censoring of critique or parody.

Trademark holders also enforce claims unrelated to consumer confusion by contesting domain names, such as in *Juno Online Services L.P. v. Juno Lighting, Inc.*,¹⁶⁷ previously discussed in Part I. In the dispute, Juno Lighting attempted to cancel Juno Online's domain name, www.juno.com, compelling Network Solutions, Inc. to place Juno Online's domain name on "hold" and inflicting sizeable damages, despite the fact that Juno Online rightfully held the name. Juno Lighting's purpose in this dispute would have been improper if, for example, it sought to capitalize on Juno Online's successful website.

Without a presumption of improper purpose, trademark holders have an opportunity to offer innocent explanations for their misuse. For example, *Village Voice* or Juno Lighting could avoid misuse by proffering legitimate, trademark-related reasons for their enforcement. One such explanation occurred after the owner of the Godzilla trademark sent a cease-and-desist letter to the blogging site Davezilla.com. Although the internet community rushed to judgment against this seemingly weak claim for infringement, the trademark holder apparently sent the letter believing that the blog referred to its logo as Godzilla,¹⁶⁸ which rendered the infringement claim much more tenable. In this circumstance, a reasonable explanation for this belief should excuse what would otherwise be a strong candidate for misuse.¹⁶⁹

In distinguishing between this category and the previous one that raises a presumption, misuse tends to favor critical and parodic treatments over other uses of protected material. Some scholars worry that this preference within copyright law's fair use doctrine violates the First Amend-

167. 979 F. Supp. 684 (N.D. Ill. 1997). Other examples include Gap's dispute over gap.com, first registered by "Genesis Access Point"; Hasbro's dispute over clue.com, registered to Clue Computer; or Fry's Electronics, Inc.'s dispute over frys.com, registered by Frenchy Frys.

168. Chilling Effects Clearinghouse, *Godzilla Tries to Stomp Davezilla.com*, <http://www.chillingeffects.org/trademark/notice.cgi?NoticeID=372> (last visited Nov. 22, 2006).

169. The fact that the owner of the Godzilla mark could assert an explanation, however, does not mean it was reasonable.

ment for not maintaining evaluative neutrality.¹⁷⁰ But the proposed misuse doctrine elides this controversy because it favors parody and critique not by assessing the speech's value; rather, a harsh response to critique tends to indicate an improper purpose because such speech imposes costs on trademark holders unrelated to consumer confusion.

The vast majority of trademark holders' conduct will fall outside of misuse's purview. Most commercial licenses and even most enforcement proceedings directly advance trademark law's central purpose of reducing consumer search costs. Moreover, maintaining a restricted scope acknowledges the fact that new doctrines are not costless; they impose direct administrative costs as well as indirect costs on private actors by creating uncertainty and complexity.¹⁷¹ Hence, courts should vigilantly refrain from applying the doctrine of trademark misuse to all trademark holder behavior. The narrow scope of the proposed test is the best way to ensure such restraint.

IV. WHAT IS THE APPROPRIATE REMEDY?

A. Court-Based Equitable Remedies

At first glance, the most glaring barrier to realizing a doctrine of trademark misuse is the lack of statutory support, especially considering the Supreme Court's conclusion in *Park-N-Fly, Inc. v. Dollar Park & Fly, Inc.* that only defenses enumerated by the Lanham Act are permissible for incontestable marks.¹⁷² The prior misuse cases usually rely on Section 1115(b)(7) of the Lanham Act, which provides that use of a mark to violate the antitrust laws is a defense to incontestability. Subsequently, courts have extended this clause to provide a complete defense to an infringement suit.¹⁷³

Instead of the antitrust defense, an equitable misuse doctrine may derive from Section 1115(b)(9), which makes "equitable principles, including laches, estoppel, and acquiescence" an applicable defense to an incon-

170. See Jeb Rubinfeld, *The Freedom of Imagination: Copyright's Constitutionality*, 112 YALE L.J. 1, 17 (2002); see also LARRY ALEXANDER, IS THERE A RIGHT OF FREEDOM OF EXPRESSION? 17 (2005).

171. Not to mention the costs of error. See Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099 (2004).

172. 469 U.S. 189, 202-03 (1985).

173. See *Phi Delta Theta Fraternity v. J.A. Buchroeder & Co.*, 251 F. Supp. 968, 975-80 (W.D. Mo. 1966) (concluding that this provision may provide a complete defense to a trademark infringement action).

testably registered mark.¹⁷⁴ The Act also requires a balancing of equities when determining whether to enjoin an otherwise infringing act.¹⁷⁵ In practice, courts have narrowly applied these defenses, largely due to concerns about confusing the public, as previously discussed.¹⁷⁶

Yet, questionable statutory support has not stopped misuse's spread within other areas of intellectual property. In *Lasercomb*, for example, the court reasoned that a misuse of copyright defense is inherent in the law of copyright just as a misuse of patent defense is inherent in patent law.¹⁷⁷ And for trademark law, courts would have a deeper tradition to draw on: the Supreme Court declined to enforce marks on the basis of equity throughout the late nineteenth and early twentieth centuries.¹⁷⁸ As such, lack of statutory support should not by itself preclude a doctrine of trademark misuse.

Traditionally, after a finding of misuse, courts withhold any remedy for infringement until the misuse is purged by abandoning the abusive practice. Several commentators rightfully criticize this remedial scheme because the severity of the penalty bears no relation to the level of harm¹⁷⁹ or the chance of detection.¹⁸⁰ The consequences of withholding a trademark right would instead relate to the utility of the mark. In other words, Coca-Cola stands to suffer more damages than less-known trademarks for legally irrelevant reasons. While these large companies with valuable trademarks may not win over everyone's sympathy, it surely makes no economic sense to punish them for being successful.

Misuse's remedy of unenforceability also directly undermines trademark law's central goal of preventing consumer confusion. If the law permits all generic brands to mimic the Diet Coke label, the diverted sales injure the public as much as Coca-Cola. Clearly, for an unenforceability

174. 15 U.S.C. § 1115(b)(9).

175. 15 U.S.C. § 1116(a) (providing that courts should grant injunctions "according to principles of equity").

176. See discussion *supra* Section I.B.2.

177. *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 973 (4th Cir. 1990); see also *Morton Salt Co. v. G.S. Suppiger*, 314 U.S. 488 (1942) (using principles of equity to recognize the doctrine of misuse in patent law).

178. See *supra* Section I.B.1.

179. See, e.g., Lemley, *supra* note 16; Edward F. Sherry & David J. Teece, *The Misuse Doctrine: An Economic Reassessment*, in ABA SECTION OF ANTITRUST LAW, INTELLECTUAL PROPERTY MISUSES: LICENSING AND LITIGATION 125 (2000).

180. Cf. A. Mitchell Polinski & Steven Shavell, *The Economic Theory of Public Enforcement of Law*, 38 J. ECON. LIT. 45, 47 (2000); A. Mitchell Polinski & Steven Shavell, *Punitive Damages: An Economic Analysis*, 111 HARV. L. REV. 869-962 (1998).

remedy, trademark misuse must demand a nexus between the alleged misuse and the defendant.¹⁸¹

But in requiring a nexus, misuse is prone to irrelevance: unenforceability does not punish trademark holders for frivolous claims because, presumably, courts will not enforce these anyway, while legitimate claims avoid misuse altogether. To be sure, an unenforceability remedy would deter claims for which the chance of infringement is low, but nonzero. Then, evidence of conduct that requires high scrutiny transforms the chance of infringement to zero, deterring trademark holders and protecting non-infringing users of the mark.

Unenforceability might deter misuse on the margin, but it ultimately reveals the inadequacy of misuse's traditional remedial measures. As discussed in Part III, an equitable doctrine of misuse should focus on zero probability claims, for which unenforceability poses no real consequence. A second option for these claims is to cost-shift: evidence of misuse would not only render the right unenforceable, but would force the trademark holder to pay for the defendant's attorney fees.¹⁸² As compared to unenforceability, this remedy better aligns with the relevant policy concerns—information asymmetry and costs of litigation—while minimizing threats of widespread public confusion. Yet, even cost-shifting depends upon the claim proceeding to court. The misuse discussed in this Article consists mostly of trademark holders attempting to expand rights extra-judicially, without any intention of actually proceeding to court.

B. Statutory-Based Affirmative Claims

An affirmative cause of action stands to deter conduct that would otherwise pass under the court's radar.¹⁸³ Conveniently, Section 512(f) of the Digital Millennium Copyright Act (DMCA) creates a counter-notification

181. Some courts have required this nexus in copyright misuse cases. *See* *Microsoft Corp. v. Jesse's Computers & Repair, Inc.*, 211 F.R.D. 681, 685 (M.D. Fla. 2002); *Microsoft Corp. v. Compusource Distributions, Inc.*, 115 F. Supp. 2d 800, 811 (E.D. Mich. 2000).

182. Section 35(a) of the Lanham Act authorizes an award of fees to the prevailing party only in "exceptional cases." 15 U.S.C. §1117(a); *see also* *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 797 F.2d 70, 77-78 (2d Cir. 1986) (upholding punitive damages for coercive assertion of inapplicable trademark rights, finding the claims amounted to "abuse of judicial processes" and "harm to the public as a whole").

183. Note, a few courts have already ruled against using trademark misuse as an independent cause of action. *See, e.g.*, *Ford Motor Co. v. Obsolete Ford Parts, Inc.*, 318 F. Supp. 2d 516, 521 (E.D. Mich. 2004) ("The court declines to announce or create an independent cause of action for trademark misuse."); *Dunn Computer Corp. v. Loudcloud, Inc.*, 133 F. Supp. 2d 823, 830 (E.D. Va. 2001) (holding that plaintiff's declaratory misuse claim was unripe).

procedure that serves as an ideal model.¹⁸⁴ Some substitutions and additions generate the following sample provision:

Any person who materially misrepresents that material or activity is infringing with an improper purpose shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer. If such misrepresentation was done willfully or knowingly, the court may award treble damages.

This provision would provide much-needed recourse for alleged infringers against overzealous trademark holders, and the threat of treble damages would help deter much of the conduct described in Part III. In short, an affirmative cause of action would best advance the misuse doctrine proposed in this Article.

Going forward, the primary impediment to an affirmative claim is the *Noerr-Pennington* doctrine, which, on the basis of the First Amendment's Petition Clause, immunizes from liability individuals who petition the judiciary by, for example, bringing a lawsuit.¹⁸⁵ Whether prelitigation threats of suit enjoy the same immunity as litigation itself under the *Noerr-Pennington* doctrine is currently unresolved.¹⁸⁶ If immune, no liability will arise from the trademark holder's cease-and-desist letter unless it qualifies as "sham" litigation under the Supreme Court's two-part test from *Professional Real Estate Investors, Inc. v. Columbia Pictures, Inc.*,¹⁸⁷ which requires the lawsuit to be "objectively baseless" and to intend to "interfere directly with the business relationships of a competitor."¹⁸⁸ Although many of the trademark holders' cease-and-desist letters cited above would

184. Section 512(f) reads:

Any person who knowingly materially misrepresents under this section (1) that material or activity is infringing [...] shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing....

17 U.S.C. § 512(f).

185. *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552, 1558 (11th Cir. 1992); see *United Mine Workers v. Pennington*, 381 U.S. 657 (1965); *E. R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961).

186. Compare *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552, 1558-60 (11th Cir. 1992); *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842, 850-51 (1st Cir. 1985); *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1367 (5th Cir. 1983), with *Cardtoons, L.C. v. Major League Baseball Players Ass'n*, 208 F.3d 885 (10th Cir. 2000).

187. 508 U.S. 49 (1993).

188. *Id.* at 60-61 (emphasis in original).

satisfy this standard, such immunity would inhibit a trademark-misuse doctrine, at least one that adopts the affirmative cause of action described above.¹⁸⁹

Most circuit courts have extended the *Noerr-Pennington* doctrine to apply to pre-litigation letters. The Fifth Circuit, for instance, reasons that “it would be absurd to hold that [petitioning immunity] does not protect those acts reasonably and normally attendant upon effective litigation. The litigator should not be protected only when he strikes without warning.”¹⁹⁰ Several commentators, including Herbert Hovenkamp, support this extension¹⁹¹ on the theory that withholding immunity from prelitigation communication would curb practices that “facilitate the resolution of controversies.”¹⁹² By contrast, an en banc court in the Tenth Circuit cabined the *Noerr-Pennington* doctrine, holding that the right to petition the government guaranteed by the First Amendment does not immunize prelitigation communications between private parties because such communications are not addressed to the government.¹⁹³

The abusive behavior of trademark holders described in this Article highlights the imprudence of extending *Noerr-Pennington*'s immunity to prelitigation communication. No doubt, as Hovenkamp emphasizes, cease-and-desist letters have a legitimate role in preventing ongoing infringement. However, their utility is contingent on such communications (1) be-

189. See, e.g., *Thermos Co. v. Igloo Prods. Corp.*, No. 93 C 5826, 1995 WL 745832, *6 (N.D. Ill. Dec. 13, 1995) (holding that “attempts to protect a valid and incontestable trademark” are privileged under the *Noerr-Pennington* doctrine).

190. *Coastal States*, 694 F.2d at 1367; see also *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552 (11th Cir. 1992) (relying upon *Coastal States* in granting immunity to threats of litigation in an antitrust case); see, e.g., *Sosa v. Direct TV, Inc.*, 437 F.3d 923 (9th Cir. 2006); *IGEN Int'l, Inc. v. Roche Diagnostics GMBH*, 335 F.3d 303, 310 (4th Cir. 2003); *Cheminor Drugs, Ltd. v. Ethyl Corp.*, 168 F.3d 119, 128 (3d Cir. 1999); *South Dakota v. Kan. City S. Indus., Inc.*, 880 F.2d 40, 50-51 (8th Cir. 1989).

191. See, e.g., PHILLIP E. AREEDA & HERBERT HOVENKAMP, *ANTITRUST LAW* § 205e (rev. ed. 1997); HERBERT HOVENKAMP, *FEDERAL ANTITRUST POLICY* § 18.3d at 644 (1994) (immunizing prelitigation threats as vital to “[o]ur entire dispute resolution process[, which] is designed to encourage people to resolve their differences if possible before litigating”); see also Aaron R. Gary, *First Amendment Petition Clause Immunity from Tort Suits: In Search of a Consistent Doctrinal Framework*, 33 *IDAHO L. REV.* 67, 95 (1996) (“Innumerable federal and state courts have concluded that the *Noerr-Pennington* doctrine is rooted in the First Amendment right to petition and therefore must be applied to all claims implicating that right, not just to antitrust claims.”). But see Robert A. Zauzmer, Note, *The Misapplication of the Noerr-Pennington Doctrine in Non-Antitrust Right to Petition Cases*, 36 *STAN. L. REV.* 1243, 1251-53 (1984).

192. AREEDA & HOVENKAMP, *supra* note 191, at 237.

193. *Cardtoons, L.C. v. Major League Baseball Players Ass'n*, 208 F.3d 885 (10th Cir. 2000).

ing sent only to parties reasonably engaged in infringement and (2) accurately representing the property holder's rights and the potential ramifications for infringement. Yet the immunity urged by Hovenkamp provides no incentive to follow these conditions; in fact, it enables trademark holders to abuse this lawful tool with impunity.

V. CONCLUSION

The persistent debate over the role of intellectual property on the internet usually gives the impression that only two solutions exist: wholesale strengthening or weakening of intellectual property rights. Or, as Paul Goldstein puts it, people view intellectual property as a glass half full or half empty.¹⁹⁴ But such competing approaches would try to fix far more than the problems they identify. For most of trademark law, the glass is about right; instead the problems cluster at the boundary of trademark law—a place in need of more precise solutions.

At this boundary, trademark law principally regulates potential infringers. This regime functioned well enough in the past because the law's ambit only extended to a clearly identifiable group: sellers of goods and services. But, as mentioned at the outset, the internet, by sweeping most of its users into trademark law's purview, confers to trademark holders power that is all too tempting to misuse. To respond, trademark law requires a revitalized doctrine of misuse to impose liability on trademark holders if they incorrectly assert their rights with a purpose unrelated to consumer confusion, especially if they do so in response to critique or parody. Only by shifting the focus of trademark law to the conduct of the trademark holder may it, in turn, refocus on the public welfare it intends to serve.

194. PAUL GOLDSTEIN, *COPYRIGHT'S HIGHWAY: THE LAW AND LORE OF COPYRIGHT FROM GUTENBERG TO THE CELESTIAL JUKEBOX* 15 (1994).