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## Pushing the Boundaries of the Trademark Dilution by Tarnishment Claim:

### *The Tarnishment Claim in an Ever-Expanding Keyword Search Market*

Note

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## ABSTRACT

Following the Trademark Dilution Revision Act of 2006 (TDRA), which requires showing a likelihood of dilution, courts have not quite figured out what standard to apply to the online marketing context: how can they protect brand equity and the producers of brand equity while also endeavoring to prevent a clog in the online advertising market? Until Congress or the Supreme Court clarifies the implementation of the TDRA, famous trademark holders will likely start bringing successful dilution by tarnishment claims directly against third-party keyword purchasers, in addition to continued suits against those selling the use of the famous trademark holder's trademarked keywords. Presently, the best courts can do is hear cases following a consistent likelihood of dilution analysis, require dependable evidence of a likelihood of dilution, and balance countervailing interests to the best of their abilities, while also respecting the goals Congress had in mind when passing the TDRA.

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I. INTRODUCTION

The economy of the past ten years definitively proved that we are not children of the “Golden Age,” as everyone always told us, but children of the “Google Age.”<sup>1</sup> Despite the barrage of shakeups and breakups across every major industry and a tenuous economy in general, Google managed to expand at a dizzying rate, acquiring fifty-four companies in the first nine months of 2011 alone, including a daily Internet coupon dealer and a major telecommunications company.<sup>2</sup> Google funds its expansion predominantly through the income it derives from advertising: in 2010, ninety-six percent of Google’s \$29,321,000,000 in revenue came from advertising.<sup>3</sup> Google uses an advertising program called AdWords that allows advertisers to pay to place both text-based and display advertisements on Google’s websites.<sup>4</sup> This Note explores how

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<sup>1</sup> The term “Google Age” is widely used in news and media. The term frequently refers to recent technological and online changes from the past, including decreased privacy due to widely available information online. *See, e.g.*, Stephen Juris, *Information Gathering for the Google Age: Some Notes on the Stored Communications Act*, FORBES (Feb. 8 2012), <http://www.forbes.com/sites/insider/2012/02/08/information-gathering-for-the-google-age-some-notes-on-the-stored-communications-act>; Andres Guadamuz, *Information Self-Determination in the Google Age*, TECHNO LLAMA (April 19, 2010), <http://www.technollama.co.uk/information-self-determination-in-the-google-age>.

<sup>2</sup> Meghan Kelly, *Google Quarterly Report Reveals \$151M Zagat Purchase, 54 Other Buys*, REUTERS (Oct. 26, 2011), <http://www.reuters.com/article/2011/10/27/idUS30431275720111027>

<sup>3</sup> GOOGLE INC., 2010 ANNUAL REPORT ON FORM 10-K, 24–25 (Feb. 11, 2011).

<sup>4</sup> *Id.* at 25.

litigation for trademark dilution by tarnishment will present itself in this multi-billion dollar advertising industry.<sup>5</sup>

Up to this point, federal courts have been reluctant to conclude that Google itself is liable for any trademark dilution by tarnishment claims.<sup>6</sup> Additionally, courts have not significantly addressed whether the third-party advertisers, those seeking to use Google's AdWords program, are directly liable for dilution by tarnishment claims. "A trademark is defined in 15 U.S.C. § 1127 as including 'any word, name, symbol, or device or any combination thereof' used by any person 'to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.'"<sup>7</sup> The trademark dilution by tarnishment claim arises when there is a "similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark."<sup>8</sup> If a third-party advertiser purchases the use of a keyword representing the famous trademark by acquiring the rights to keyword searches on websites like Google and Yahoo, the banner advertisement of the third-party advertiser could feasibly cause consumers to make associations as to the true nature of the products or services offered by the famous trademark holder.<sup>9</sup> The potential for the third-party banner

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<sup>5</sup> See *infra* Part II.

<sup>6</sup> See *Rosetta Stone Ltd. v. Google Inc.*, 732 F. Supp. 2d 628, 632 (E.D. Va. 2010) (holding that Google cannot be liable for actions of third-party advertisers); see also *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009) (holding that Google's use of Rescuecom's mark was a "use in commerce" but declining to decide on whether the use is likely to cause consumer confusion or mistake).

<sup>7</sup> *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992).

<sup>8</sup> Trademark Dilution Revision Act (TDRA) of 2006, 15 U.S.C. § 1125 (2006).

<sup>9</sup> For instance, cases such as *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010), *cert. denied*, 131 S. Ct. 647 (2010), raise the issue of trademark

advertisements to influence consumers' perceptions of the famous mark arises because the third-party banner advertisements appear in close proximity to the trademark owner's own website and products.<sup>10</sup> Banner advertisements that cause negative associations in consumers' minds as to the brand or product they seek may harm the reputation of the famous mark in consumers' minds, as well as detract from the positive aspects that give the brand its commercial value.<sup>11</sup>

This Note begins by outlining the background of trademark law, the dilution claim, and the evolution of the dilution by tarnishment claim. The concept of "use in commerce" will then be addressed, followed by a discussion of the best way to define the elusive claim known as trademark dilution by tarnishment. Next, the dilution by tarnishment claim as applied to online search engine advertising will be considered, with a discussion on when liability is appropriate and what the implications are for future cases. The discussion will then shift to when third-party advertiser liability may be found and the reasons why this cause of action is important to recognize, while also discussing the dangers of recognizing this

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dilution via programs like AdWords. Although the Second Circuit denied Tiffany's claim of dilution, the possibility of dilution via programs like AdWords nonetheless remains a possible avenue for future litigation.

<sup>10</sup> See G. Peter Albert Jr. & Rita A. Abbati, *Metatags, Keywords, and Links: Recent Developments Addressing Trademark Threats in Cyberspace*, 40 SAN DIEGO L. REV. 341, 358 (2003).

<sup>11</sup> One court found that post-sale consumer confusion between Plaintiff and the replicas in question could cause damage to Plaintiff's reputation for rarity and beauty if the replicas looked cheap or in disrepair. The idea here is similar in that even though consumers might not actually be confused as to the source of the famous mark with the third-party banner advertisement in close proximity, the mere association of the two could dilute the famous brand name if the third party is purchasing the use of the trademarked keyword in order to proffer products that are of inferior quality. See *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1245 (6th Cir. 1991).

action. Finally, this Note will address the reality of how this claim presents itself in the real world.

Ultimately, this Note concludes that trademark dilution by tarnishment in the online search engine context is a very real threat that could seriously harm famous trademark holders and that despite concerns about free competition, courts should recognize a cause of action allowing the famous mark holders to sue the advertisers directly. Section VI of this Note discusses the specific requirements for showing dilution by tarnishment and points to the possibility that these requirements might allow a finding of dilution by tarnishment in novel banner advertisement lawsuits. To make this argument, this Note makes a policy argument that courts should not shirk away from finding trademark dilution by tarnishment in online contexts. Along those same lines, a holder of famous trademarks that believes its brand is tarnished by an association with a company that purchased the use of its famous trademarks from a search engine should not hesitate to pursue legal relief.

## **II. BACKGROUND ON TRADEMARK LAW AND TRADEMARK DILUTION**

Justice Frankfurter observed that because symbols have a strong psychological effect on purchasers, the owner of a trademark may seek legal redress against other users who seek to appropriate for their own use the “commercial magnetism” the mark owner has created.<sup>12</sup> In order to protect this “commercial magnetism,” Congress enacted the Lanham Act in 1946 as the source of protection and rights for trademark holders.<sup>13</sup> The Lanham Act extends protection to “any word,

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<sup>12</sup> *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942).

<sup>13</sup> See Lanham Act, 15 U.S.C. §§ 1051–1142 (2006).

name, symbol, or device, or any combination thereof” that is used or intended to be used in commerce to identify goods, or in the case of service marks, services.<sup>14</sup> The Senate recognized two goals of the Lanham Act: the protection of consumers and the protection of the individual trademark holder.<sup>15</sup> With regard to the protection of consumers, the Senate Committee on Patents made clear that “consumers want to be assured that a trademarked product will be of consistent quality with every purchase.”<sup>16</sup> Awarding trademark protection accomplishes this goal by giving the right to use the mark exclusively to the trademark owner in order to designate the source for the consumer so that they know they are getting the product they want.<sup>17</sup> Although the consumer-protection justification is often the most emphasized when looking at various aspects of trademark law,<sup>18</sup> the Senate also contemplated that the Act aims to protect the goodwill and reputation of a trademark owner that spends significant time, money, and effort in creating public confidence in the trademark owner’s brand.<sup>19</sup> Awarding trademark protection accomplishes this goal by giving courts the power to issue injunctions to prevent infringing trademark uses.<sup>20</sup>

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<sup>14</sup> *Id.* § 1127.

<sup>15</sup> Marie-Therese P. Goff, *The Defendant’s Unauthorized Sale, in the United States, of the Plaintiff’s Trademarked Goods on Which the UPCS Attached for Anticounterfeiting and Quality Control Purposes Had Been Removed, Constituted Trademark Infringement Under the Lanham Act*, 18 U. BAL. INTELL. PROP. L.J. 79, 86–87 (2009) (citing S. REP. NO. 1333 (1946), reprinted in 1946 U.S. Code Cong. Serv. 1274 (1946)).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*; see also Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020, 2021 (2005).

<sup>18</sup> See Beebe, *supra* note 17, at 2021 (“The consumer, we are led to believe, is the measure of all things in trademark law.”).

<sup>19</sup> Goff, *supra* note 15, at 86–87.

<sup>20</sup> See *id.* at 87.



Over time, trademark usage and technology advanced such that Congress needed to amend the Lanham Act.<sup>21</sup> The online context offered a whole new world of trademark infringement and dilution in areas such as domain name usage.<sup>22</sup> One of these amendments added a federal cause of action for dilution, which Congress first included in the Federal Trademark Dilution Act.<sup>23</sup> The Federal Trademark Dilution Act, however, was subjected to a wide variety of judicial interpretations and serious criticism, including that it did not explicitly include a dilution by tarnishment claim.<sup>24</sup> Congress again updated the Lanham Act in 2006 by implementing the Trademark Dilution Revision Act (TDRA), outlining trademark dilution as a cause of action used to prevent another from using a famous mark owner's mark in commerce.<sup>25</sup> The Act defined dilution as "the legal theory that seeks to protect a trademark owner directly against the diminution of a trademark's 'commercial magnetism' or selling power by [the] unauthorized junior use of the same or substantially similar mark."<sup>26</sup>

In the wake of the TDRA's passage, many heralded the Act as "bringing much needed reforms to federal dilution law."<sup>27</sup> The changes the TDRA made to the Lanham Act

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<sup>21</sup> Steve Helseth, *Ebay's Dilution Disease Gone Viral: Dilution Offers a Breakthrough Vaccine for Tiffany's Ailing Trademark*, 34 *HAMLIN L. REV.* 107, 111–12 (2011).

<sup>22</sup> *Id.* at 112.

<sup>23</sup> Sarah L. Burstein, *Dilution by Tarnishment: The New Cause of Action*, 98 *TRADEMARK REP.* 1189, 1196 (2008).

<sup>24</sup> *See id.* at 1197.

<sup>25</sup> Helseth, *supra* note 21, at 112.

<sup>26</sup> Burstein, *supra* note 23, at 1191 (quoting Elliot B. Staffin, *The Dilution Doctrine: Towards a Reconciliation with the Lanham Act*, 6 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 105, 107 (1995)).

<sup>27</sup> William G. Barber, *The Trademark Dilution Revision Act of 2005: Breathing Life Back into the Federal Dilution Statute*, 16 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 1113, 1113 (2006).

demonstrated Congress's willingness to adapt federal trademark law as new contexts develop and technology changes.<sup>28</sup> The TDRA provides injunctive relief when:

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.<sup>29</sup>

This new language requires that a defendant make commercial use of a mark or trade name, a requirement that did not exist prior to the TDRA's passing.<sup>30</sup> Under the Lanham Act, a "mark" includes "any trademark, service mark, collective mark, or certification mark," and a "trade name" means "any name used by a person to identify his or her business or vocation."<sup>31</sup> Scholars interpret the new language to require that the junior user made a *trademark use* of the mark or trade name in commerce in order to show dilution.<sup>32</sup> In other words, to make an infringing trademark use, the third-party user must indicate the source of his or her own goods or services by using the trademark, or something similar to it, in a

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<sup>28</sup> See Helseth, *supra* note 21, at 112.

<sup>29</sup> TDRA, 15 U.S.C. § 1125(c)(1) (2006).

<sup>30</sup> Britt N. Lovejoy, *Tarnishing the Dilution by Tarnishment Cause of Action: Starbucks Corp. v. Wolfe's Borough Coffee, Inc. and V. Secret Catalogue, Inc. v. Moseley, Compared*, 26 BERKELEY TECH. L.J. 623, 630 (2011).

<sup>31</sup> Lanham Act, 15 U.S.C. § 1127 (2006).

<sup>32</sup> Burstein, *supra* note 23, at 1224.

distasteful way.<sup>33</sup> Later, when looking at uses by third-party advertisers, it will be important to remember these definitions in order to show that the third-party advertisers have actually made an actionable use of the marks.<sup>34</sup> Finally, the TDRA additionally sets out a new standard for a dilution claim as showing a *likelihood* of dilution, rather than *actual* dilution.<sup>35</sup> This means that the trademark owner must establish that the alleged infringing use will *probably* cause dilution, thus significantly reducing the burden of showing actual dilution.<sup>36</sup>

There are two basic forms of trademark dilution recognized under the TDRA: “dilution by blurring” and “dilution by tarnishment.”<sup>37</sup> Trademark “dilution by blurring,” is “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”<sup>38</sup> For the purpose of this Note, however, we are concerned with “dilution by tarnishment,” which is the “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”<sup>39</sup> The TDRA officially recognized trademark dilution by tarnishment as a cause of action for the first time, making it a relatively recent development in trademark law and lending itself to varying interpretations of its real-world application because the court cases have been limited, and the

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<sup>33</sup> *Id.* at 1221.

<sup>34</sup> As noted above, this paper will ultimately argue that third-party advertisers do make use of the marks in a trademark way when they purchase the trademarked keywords from a search engine and then link their own websites to the famous brands via banner advertisements.

<sup>35</sup> Burstein, *supra* note 23, at 1198.

<sup>36</sup> *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382, 388–89 (6th Cir. 2010).

<sup>37</sup> TDRA, 15 U.S.C. § 1125 (2006).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

Supreme Court has not addressed the topic since the TDRA's passage.<sup>40</sup>

The Federal District Court for the District of Utah offers a helpful illustration of dilution by tarnishment.<sup>41</sup> The court granted a preliminary injunction pending resolution on the merits to Chem-Dry, a service offering carpet-cleaning services, against Chem-Who? because Chem-Who? likely tarnished Chem-Dry's trademark.<sup>42</sup> Chem-Dry had over 4,000 franchises worldwide, with 2,600 franchises in the United States alone.<sup>43</sup> Brand research conducted in this case showed that consumers perceived Chem-Dry to be professional, well-respected, and trustworthy.<sup>44</sup> Additionally, the company and its franchisees spent an estimated \$22,000,000 on advertising during 2006.<sup>45</sup> Chem-Who? marketed products and services that were similar to and in competition with Chem-Dry's business, in addition to selling t-shirts at an industry trade show using the Chem-Who? mark with nearly the same style, font, and trade dress, in association with the phrase "Stickin It To The Little Guy."<sup>46</sup> The court found that because the infringing products were similar and in competition with Chem-Dry's, the infringing user was not protected by a parody defense.<sup>47</sup>

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<sup>40</sup> See Patrick Emerson, "I'm Litigatin' It": *Infringement, Dilution, and Parody Under the Lanham Act*, 9 NW. J. TECH. & INTELL. PROP. 477, 482 (2011).

<sup>41</sup> See generally *Harris Research Inc. v. Lydon*, 505 F. Supp. 2d 1161, 1164 (D. Utah 2007).

<sup>42</sup> *Id.*

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.* at 1166.

<sup>47</sup> *Id.*; see also *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 111–12 (2d Cir. 2009) (providing that the parody defense is applicable unless the person uses it as a designation of his or her own goods or

The court concluded that Chem-Dry would likely prevail on the merits of its tarnishment claim against Chem-Who? because Chem-Who?'s products and services fed off of the goodwill of Chem-Dry and pointed out a potentially negative interpretation of Chem-Dry's successful franchise.<sup>48</sup> The court believed that the association arising from the similarity between the Chem-Who? mark and the Chem-Dry mark would likely harm Chem-Dry's reputation, thus fulfilling the requirements of tarnishment under the TDRA.<sup>49</sup>

While the TDRA explicitly defines tarnishment as the "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark,"<sup>50</sup> a recent case from the Second Circuit provides a helpful working model for applying the TDRA's definition.<sup>51</sup> In *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, the Second Circuit reiterated that "[a] trademark may be tarnished when it is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods."<sup>52</sup> While it seems fairly easy to understand these concepts preliminarily, the law is actually quite unsettled, especially in the online context. Search-engine-based advertising offers an interesting new challenge to the application of these principles.

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services). Chem-Who? used the parodied mark to designate its own goods; thus the defense did not apply.

<sup>48</sup> See *Harris Research*, 588 F.3d at 1166.

<sup>49</sup> *Id.*

<sup>50</sup> TDRA, 15 U.S.C. § 1125(c) (2006).

<sup>51</sup> See *Starbucks Corp.*, 588 F.3d at 111–12.

<sup>52</sup> *Id.* at 110 (quoting *Hormel Foods Corp. v. Jim Henson Prods. Inc.*, 73 F.3d 497, 507 (2d Cir. 1996) (internal quotation marks omitted)).

### III. THE ROLE OF BANNER ADVERTISING IN TRADEMARK DILUTION

As mentioned above, AdWords is the program Google uses to link banner advertisements to the keywords it sells to purchasers.<sup>53</sup> When an Internet user types in a purchased keyword, the purchasing company's advertisement appears along with the search results.<sup>54</sup> This raises issues when the purchased keyword is another company's trademark, because the purchasing company's advertisement frequently appears with an accompanying clickable hyperlink that draws consumer traffic away from the legitimate trademark holder's website that appears in the actual search results.<sup>55</sup>

A striking feature of the practice of selling advertisements on search engines is that the trademark owners do not have control over the buying and selling of their trademarks; the purchase occurs exclusively between the search engine and the third-party advertiser that is seeking to link their brand to the trademark holder's brand.<sup>56</sup> In 2009 Google acknowledged that it would limitedly investigate reasonable complaints concerning trademark usage in advertisements, but it did not make any updates to its policy of allowing the use of trademarks as keyword triggers.<sup>57</sup> Further, Google's 2010 Annual Report made no mention that the company planned to police who purchases trademark keyword triggers and implied that Google will take a laissez-faire approach, despite the fact that keyword advertising is Google's

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<sup>53</sup> Albert & Abbati, *supra* note 10, at 358.

<sup>54</sup> *Id.*

<sup>55</sup> *See id.*

<sup>56</sup> GOOGLE INC., *supra* note 3, at 25.

<sup>57</sup> Lauren E. Sims, *When Enough Control Is Not Enough: The Conflicting Standards of Secondary Liability in Rosetta Stone*, 26 BERKELEY TECH. L.J. 655, 670 (2011).

largest source of revenue.<sup>58</sup> Instead, Google encourages trademark owners to contact the individual advertisers directly with issues they have because Google disclaims responsibility for the keywords that are selected.<sup>59</sup>

This system does not foreclose trademark holders from purchasing the advertising space themselves, but it also leaves the advertising space open to any company that wants to link themselves to the famous brand. This practice is troublesome from a trademark dilution perspective, considering Congress did not solely intend that protection would be *totally* limited to ensuring consumer protection and maximum competition.<sup>60</sup> Congress sought to ensure that the trademark holders who established significant goodwill in their famous marks would be protected as well.<sup>61</sup> Congress voiced this intention because a healthy business thrives in large part thanks to the intangible value it derives from its trademarks; allowing just anyone to link his or her products to those of famous trademark holders by purchasing the use of their trademarks potentially jeopardizes the famous trademark's value.<sup>62</sup> Despite our capitalist economy that emphasizes free competition, Congress contemplated the protection of trademark holders in passing the Lanham Act and subsequently reiterated its concern by passing the dilution by tarnishment portion of the TDRA, important contemplations to consider when analyzing novel tarnishment claims.<sup>63</sup>

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<sup>58</sup> GOOGLE INC., *supra* note 3, at 25.

<sup>59</sup> See Katja Weckstrom, *Secondary Liability for Trademark Infringement in the United States*, 49 U. LOUISVILLE L. REV. 555, 562 (2011).

<sup>60</sup> See Goff, *supra* note 15, at 86–87.

<sup>61</sup> *Id.*

<sup>62</sup> Helseth, *supra* note 21, at 108.

<sup>63</sup> See Goff, *supra* note 15, at 86–87; Burstein, *supra* note 23, at 1191 (quoting Staffin, *supra* note 26, at 1070) (“[D]ilution seeks to protect a trademark owner directly against the diminution of a trademark’s

Keyword advertising initiated by the search engines selling the trademarks of others represents what some consider a new form of cyber piracy.<sup>64</sup> Everyone profits from keyword advertising but the trademark holder; Google makes billions, and the third-party advertisers do not pay fees to the trademark holders themselves.<sup>65</sup> What should the legal fallout related to this practice be, since the third-party user capitalizes on the goodwill of trademark holders without compensating them and is able to link goods of any type and quality to the famous trademark holders?<sup>66</sup> Does this practice harm, or potentially tarnish, the famous trademark holder's brand reputation? Additionally, is there any form of redress that may be initiated by the trademark holders against those that seek to capitalize on their brands? Before answering these questions, the determination of who carries the liability must first be addressed.

#### **IV. CASE LAW ADDRESSING WHETHER GOOGLE IS LIABLE AS AN INTERMEDIARY AND WHAT IT TELLS US ABOUT THIRD-PARTY ADVERTISER LIABILITY**

As previously discussed, dilution by tarnishment requires a commercial use of a mark or trade name.<sup>67</sup> Up to this point, federal courts have largely limited their trademark inquiry into the online advertising context to whether or not the intermediaries—i.e., companies like Google—are liable for dilutive infringing trademark use in commerce.<sup>68</sup> The Supreme

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'commercial magnetism' or selling power by [the] unauthorized junior use of the same or substantially similar mark.'").

<sup>64</sup> Albert & Abbati, *supra* note 10, at 358.

<sup>65</sup> *See id.*; *see also supra* note 2 and accompanying text.

<sup>66</sup> Albert & Abbati, *supra* note 10, at 358.

<sup>67</sup> Lovejoy, *supra* note 30, at 630.

<sup>68</sup> *See, e.g.,* Rescucom Corp. v. Google Inc., 562 F.3d 123, 127 (2d Cir. 2009). *But see* Burberry Ltd. v. Designers Imps., Inc., No. 07 Civ. 3997,



Court, however, declined to speak on the issue, presenting the lingering questions as to whether or not the marks are actually used in commerce in these online advertising scenarios and who should face liability.<sup>69</sup>

### A. The Case of *Rescuecom Corp. v. Google Inc.*

In *Rescuecom v. Google*, Rescuecom's competitors used Google's AdWords program to purchase the use of the trademarked term, "Rescuecom," so that when Internet users typed the mark in a search query, the competitor's advertisement and link appeared on the screen above the actual Rescuecom search results.<sup>70</sup> Rescuecom protested Google's practice because it posited that there was a high likelihood of consumer confusion from the competitor's advertisement, believing that Rescuecom was either affiliated with the competitor or that Rescuecom sponsored, endorsed, or approved the link.<sup>71</sup>

The Second Circuit in this case declined to comment on whether Google's use and sale of the mark presented a likelihood of confusion in the traditional trademark-claim sense.<sup>72</sup> The Second Circuit did hold, however, that because Google displays, offers, and sells Rescuecom's mark to its

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2010 WL 199906 (S.D.N.Y. Jan. 19, 2010) (holding a defendant liable for tarnishment because of defendant's commercial use of the trademark, including directing potential consumers to its website by purchasing advertisements with Google, Inc. and Yahoo! Inc.). The *Burberry* case will be discussed in depth later in the Note.

<sup>69</sup> The decisions cited in this Note are all federal circuit courts or federal district courts, and the Supreme Court has even denied certiorari to some cases, e.g., *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2010), *cert. denied*, 131 S. Ct. 647 (2010).

<sup>70</sup> See *Rescuecom*, 562 F.3d at 124.

<sup>71</sup> *Id.*

<sup>72</sup> See *id.* at 131.

advertising customers, Google used the mark in commerce.<sup>73</sup> The court said that this use fits squarely within the definition provided by the Lanham Act, because “Google uses and sells Rescuecom’s mark ‘in the sale . . . of [Google’s advertising] services . . . rendered in commerce.’”<sup>74</sup>

*Rescuecom* left many unanswered questions, however. As already mentioned, the Second Circuit declined to determine whether Google’s use constituted trademark infringement, which involves an inquiry into the likelihood of consumer confusion, a question ultimately turning on consumers’ ability to distinguish the source of advertising.<sup>75</sup> Even if the consumer does not experience a likelihood of confusion, however, Rescuecom additionally made a claim for dilution, another possible ground for liability that the court declined to rule on.<sup>76</sup> The door remains open after *Rescuecom* for the Second Circuit and other courts to find dilution by

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<sup>73</sup> *Id.* at 129.

<sup>74</sup> *Id.* (citing Lanham Act, 15 U.S.C. § 1127 (defining “use in commerce” as “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.”)).

<sup>75</sup> See generally Kristin Kemmitzer, Note, *Beyond Rescuecom v. Google: The Future of Keyword Advertising*, 25 BERKELEY TECH. L.J. 401 (2010) (arguing that courts’ likelihood-of-confusion analysis must turn on whether search-engine users can discern the source of advertisements).

<sup>76</sup> *Rescuecom*, 562 F.3d at 124.

tarnishment in similar cases, assuming the requisite reputational harm to the famous trademark holder's mark is present or likely.

The *Rescuecom* holding has important implications for the third-party advertiser's potential dilution by tarnishment liability. A preliminary question to answer before examining whether third-party liability for trademark dilution by tarnishment is present is whether or not the third party actually made a use in commerce, just as the Second Circuit determined Google was using the *Rescuecom* mark.<sup>77</sup> Third-party advertisers sometimes use the famous trademark search terms they purchase in their advertisements, which seems to be a "use in commerce" analogous to Google's use under *Rescuecom*.<sup>78</sup> Even if advertisers are not explicitly using the famous marks in their advertisements, the Ninth Circuit further interpreted *Rescuecom* to say that just by purchasing the trademarked search keyword, the advertisers are still using the mark in commerce.<sup>79</sup>

### ***B. The Case of Network Automation, Inc. v. Advanced Systems Concepts, Inc.***

*Network Automation, Inc. v. Advanced Systems Concepts, Inc.* sheds further light on the inquiry into whether a third-party advertiser's actions constitute a "use in commerce,"

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<sup>77</sup> *See id.* at 129.

<sup>78</sup> This use is strikingly similar because they are using the trademarked search keyword in order to link search-engine users to their products and services. To put this in the language of the Lanham Act, the third-party users are using the mark in the advertisements selling their goods or services in commerce. *See* Lanham Act, 15 U.S.C. § 1127 (2006).

<sup>79</sup> *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1145 (9th Cir. 2010).

as required for a trademark dilution by tarnishment claim under the TDRA.<sup>80</sup>

Network Automation (“Network”) is a software company that started using the trademarked product “AutoMate” in 1997, and Advanced Systems Concepts (“Systems”) is a software engineering and consulting firm that started using the trademark “ActiveBatch” in 2000.<sup>81</sup> AutoMate and ActiveBatch are both scheduling and management software in direct competition with each other in that Network and Systems both advertise on the Internet.<sup>82</sup> Network purchased the keyword “ActiveBatch” from Google’s AdWords program and from the equivalent program through Microsoft’s Bing search engine.<sup>83</sup> “When a user enters a keyword, Google displays the links generated by its own algorithm in the main part of the page, along with the advertisements in a separate ‘sponsored links’ section next to or above the objective results.”<sup>84</sup> Network’s advertisements, however, did not use the trademark “ActiveBatch” in the advertisements that appeared in the sponsored links section; rather, Network used phrases such as “Batch Job Scheduling” and listed its web address.<sup>85</sup> Thus, *Network* addresses the “use in commerce” issue in the situation where a third-party advertiser purchased a competitor’s trademark for keyword advertising, but did not actually include that trademark in its advertisements themselves. Systems sent two cease-and-desist letters, stating that Network was not “authorized to use these marks in commerce” and that Network infringed its trademarks

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<sup>80</sup> *Id.*

<sup>81</sup> *Id.* at 1142.

<sup>82</sup> *Id.*

<sup>83</sup> *Id.* at 1143.

<sup>84</sup> *Id.* at 1142.

<sup>85</sup> *Id.* at 1143.

because Network deceived consumers into thinking that their products were affiliated with Systems's products.<sup>86</sup>

The Ninth Circuit found that Network did, in fact, use the mark in commerce because Network purchased Systems's keywords in order to advertise its own products for sale on the Internet.<sup>87</sup> The Ninth Circuit explicitly decided to extend the *Rescuecom* decision to the situation at hand and held the third-party advertiser directly responsible for a use in commerce as well, rather than holding that the search engine only used the mark in commerce in its intermediary sale of ActiveBatch.<sup>88</sup> Systems, however, did not pursue a dilution by tarnishment claim in this case, and the Ninth Circuit disagreed with the district court on the presence of traditional trademark infringement because the Ninth Court did not find a likelihood of consumer confusion.<sup>89</sup>

The Supreme Court has not addressed the question of whether purchasing trademarks from a search engine in order to advertise one's own goods is a trademark use in commerce. Until the Supreme Court decides to address this issue, any future cases will be limited by the interpretations and applications of the Lanham Act and TDRA in their particular circuit. *Network* and *Rescuecom* indicate, however, that the party objecting to the purchase of its famous trademark must show a use in commerce occurred within the specific circuit's limitations.<sup>90</sup> *Network* and *Rescuecom* strongly suggest that courts will find a use in commerce present when the third-party

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<sup>86</sup> *Id.*

<sup>87</sup> *Id.* at 1145.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.* at 1154.

<sup>90</sup> The TDRA requires that a third party commence use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark. TDRA, 15 U.S.C. § 1125 (2006).

advertiser purchases and uses the famous trademark holder's mark to advertise its own products.<sup>91</sup> Therefore, for the purposes of this Note, the presumption will be that a third-party advertiser has made a use in commerce of the famous trademark by purchasing the search keyword. Now that the essential use in commerce is established, dilution by tarnishment in the online context will be explored further.

## V. THE CONTINUING STRUGGLE TO DEFINE DILUTION BY TARNISHMENT

Assuming third parties that advertise using famous trademarks belonging to other companies are truly using those marks in commerce, the question becomes whether those third parties meet the other requirements for trademark dilution by tarnishment.<sup>92</sup> Even with a straightforward definition of tarnishment, it can be a difficult task to apply the definition to the facts of a particular case.<sup>93</sup> Unfortunately, the courts have given sparse guidance when called to apply this concept to novel situations; there is little case law addressing this point and law review articles tend to focus on dilution by blurring.<sup>94</sup> Nevertheless, Britt N. Lovejoy offers a valuable analysis of where trademark tarnishment stands after the seminal *Starbucks* case.<sup>95</sup>

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<sup>91</sup> See generally *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009); *Network Automation*, 638 F.3d 1137.

<sup>92</sup> See TDRA, 15 U.S.C. § 1125(a)–(c) (2006).

<sup>93</sup> See Lovejoy, *supra* note 30, at 623 (citing Stacey L. Dogan, *What Is Dilution, Anyway?*, 105 MICH. L. REV. 103, 103 (2006) (addressing the question of what dilution is in general)).

<sup>94</sup> *Id.* at 624.

<sup>95</sup> *Id.* at 623. Additionally in this article, the author makes a comparison between *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009) and *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382 (6th Cir. 2010). This comparison offers a fascinating discussion about the circuit split

### A. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*

While the *Starbucks* case does not directly address whether a third-party advertiser is liable for dilution by tarnishment, the case offers very helpful insight in applying the TDRA tarnishment standard to novel cases.<sup>96</sup> *Starbucks* is a Second Circuit case from 2009 involving the coffee giant Starbucks Corporation, and Black Bear, a small coffee company based in Tuftonboro, New Hampshire.<sup>97</sup> The defendant, Black Bear, sold a blend of dark-roasted beans beginning in 1997, first called “Charbucks Blend” and later called “Mister Charbucks.”<sup>98</sup> Starbucks took issue with the “Charbucks” mark because it argued that the name invoked negatives impressions of Starbucks to consumers, including images of a bitter, over-roasted coffee.<sup>99</sup> The court, in making its analysis, adhered to the following definition of tarnishment: “[a] trademark may be tarnished when it is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant’s goods with the plaintiff’s unrelated goods.”<sup>100</sup>

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that is present between the Second and Sixth Circuits that will be further discussed in Part V.B *infra*. *V Secret* holds that there is a presumption of tarnishment when a senior mark is used in connection with sex-related goods; this is a rebuttable presumption that arises from the semantic similarity between the two marks in this case. While the court took a strong stance in this case, it declined to address the context in which, if ever, other disparaging materials might give rise to trademark dilution by tarnishment.

<sup>96</sup> *See id.* at 624.

<sup>97</sup> *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 102–03 (2d Cir. 2009).

<sup>98</sup> *Id.* at 103.

<sup>99</sup> *Id.* at 110.

<sup>100</sup> *Id.* at 110 (citing *Hormel Foods Corp. v. Jim Henson Prods. Inc.*, 73 F.3d 497, 507 (2d Cir. 1996)).

While Starbucks produced consumer survey evidence that a significant number of people associated Charbucks with Starbucks, and a large number reported a negative view of a coffee with that name, the court did not find this sufficient to constitute tarnishment.<sup>101</sup> Rather, the court said that a consumer association between a negative-sounding junior mark and a famous mark does not *necessarily* mean that the junior use harms the famous mark.<sup>102</sup> Rather, the court asserts that “[t]he more relevant question, for purposes of tarnishment, would have been how a hypothetical coffee named ‘Mister Charbucks’ or ‘Charbucks Blend’ would affect the positive impressions about the coffee sold by Starbucks.”<sup>103</sup> In other words, a plaintiff trying to prove tarnishment would need to present evidence, not just that the junior mark is unsavory, but that the positive impressions of its own senior product have been diminished by the association. Additionally persuasive to the court was the fact that the Charbucks line was of a very high quality.<sup>104</sup> Specifically, the court said that because the Charbucks line is not of an inherently unwholesome, unsavory, or poor product line, but was more similar to the asserted high-quality line of coffees Starbucks offers, Starbucks’s claim for tarnishment was undercut.<sup>105</sup>

While the context-specific facts of the *Starbucks* case did not lead to a finding of dilution by tarnishment, the decision and its reasoning offer valuable insight for future claims. The court in this case required that the junior use must *negatively affect the positive impressions the public has of the famous mark*.<sup>106</sup> This requirement is not explicitly outlined in

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<sup>101</sup> See *Starbucks*, 588 F.3d at 110.

<sup>102</sup> See *id.*

<sup>103</sup> *Id.*

<sup>104</sup> Lovejoy, *supra* note 30, at 635.

<sup>105</sup> See *id.*

<sup>106</sup> *Starbucks*, 588 F.3d at 110.



the TDRA or in the definition of tarnishment to which the *Starbucks* court cited.<sup>107</sup> The court conjectured that even though the public had a negative impression of the word “Charbucks,” that negative impression might actually strengthen the Starbucks mark, thus requiring evidence of harm to the positive impressions of the famous mark among consumers.<sup>108</sup> However helpful this interpretation may be, the court did not cite to any authority in adding this requirement, which makes it difficult to predict whether other circuits will use a similar definition and whether the Supreme Court will eventually uphold such a requirement when, and if, they decide to hear a post-TDRA dilution by tarnishment case.<sup>109</sup>

While the *Starbucks* case offers a concise definition of tarnishment and the court applied that definition in a way that may provide some guidance as to the evidence required for a successful tarnishment claim, *Starbucks* differs markedly from the context of search engine advertising. *Starbucks* dealt with use of a separate junior mark in such a manner that is very similar to the famous senior mark, calling into question whether the junior use tarnishes the senior mark. In the search engine context, however, the mark used in commerce is the famous mark itself, as used by the third party in its purchase of the search keyword, rather than in the advertisement itself. Thus Starbucks only provides so much guidance as to how dilution by tarnishment claims may be resolved in the online advertising context.

## **B. Defining Tarnishment Post-*Starbucks***

The Second Circuit’s reasoning seems to consider Congress’s intentions, principally because the legislative

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<sup>107</sup> *Id.*; see generally TDRA, 15 U.S.C. § 1125 (2006).

<sup>108</sup> *Starbucks*, 588 F.3d at 110.

<sup>109</sup> *See id.*

history suggests that Congress is wary of creating rights in perpetuity for trademarks.<sup>110</sup> *Starbucks* addresses this concern by ensuring junior uses harm perceptions of the famous mark among consumers, rather than actually strengthening the famous mark, in which case the junior use is actually beneficial and should be encouraged.<sup>111</sup> The other reason commentators look to the Second Circuit's opinion is that the only other circuit to speak on the subject of dilution by tarnishment is the Sixth Circuit in the *Moseley II* case, which created a rebuttable presumption of dilution in the context of sex-related products.<sup>112</sup> *Moseley II* is a very context-specific case that commentators worry will serve as a catalyst to an interpretation of the TDRA that is simply too broad.<sup>113</sup> The crux of the tarnishment analysis in the wake of *Starbucks* is whether the plaintiff presented sufficient evidence that the defendant's use would likely harm the positive impressions people have of the plaintiff's mark.<sup>114</sup> While the applicable standard seems clear on its face, the *Starbucks* holding might be troublesome in future situations because it demands that parties claiming tarnishment meet a significant evidentiary burden, begging the question of what *is* enough evidence?<sup>115</sup>

Without further guidance on the evidentiary burden parties must meet, the feeling of ambiguity in this area of the law persists.<sup>116</sup> The Sixth Circuit goes too far in recognizing the dilution by tarnishment claim in creating a presumption of tarnishment with sex-related goods, but this serves as a helpful

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<sup>110</sup> See Lovejoy, *supra* note 30, at 650.

<sup>111</sup> *Starbucks*, 588 F.3d at 110.

<sup>112</sup> *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382, 389 (6th Cir. 2010) *cert. denied*, 131 S. Ct. 1003 (2011).

<sup>113</sup> See Lovejoy, *supra* note 30, at 650.

<sup>114</sup> *Id.* at 651.

<sup>115</sup> See *Starbucks*, 588 F.3d at 110.

<sup>116</sup> See *id.*

boundary line delineating a reading that is too expansive.<sup>117</sup> Additionally, the Second Circuit only said that it did not receive enough evidence to find the defendant's use would likely harm the plaintiff's mark—that in no way means the harm was not present, especially considering that the parties did not know the standard the Second Circuit would use at the start of the case.<sup>118</sup> Congress implemented the claim for a reason: to protect the positive impressions consumers have of famous marks.<sup>119</sup> These points are especially important to remember in the online marketplace, which is incontrovertibly different than a marketplace in the real world.<sup>120</sup>

## VI. DILUTION BY TARNISHMENT AS APPLIED TO SEARCH ENGINE ADVERTISING

The discussion up to this point focused on establishing the background for tarnishment generally in order to better understand tarnishment claims that will be brought in the future. Specifically, it is quite difficult to apply the tarnishment principles to the search engine context contemplated here without a strong basis for where dilution by tarnishment stands today. There is little written, both academically and in case law, concerning whether advertisers purchasing trademarked keywords from search engines take a significant risk of tarnishing the famous mark, because it is a novel form of action and also very case-specific. Moving forward, guidance will come from the various circuits as they hear new cases. At the moment, the Southern District of New York—which is, of

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<sup>117</sup> See Lovejoy, *supra* note 30, at 625.

<sup>118</sup> *Id.* at 650.

<sup>119</sup> Goff, *supra* note 15, at 86–87.

<sup>120</sup> *E.g.*, Albert & Abbati, *supra* note 10, at 358 (“[I]n the traditional advertising context, where advertisers pay magazines or networks to use their name, reputation, and the attractiveness of their content to sell the advertisers’ products.”).

course, within the Second Circuit—offers the best guidance for tarnishment stemming from the purchase of famous trademarks as keyword searches. The case of *Burberry Ltd. v. Designers Imports, Inc.* provides a recent example of a tarnishment claim in the search-engine-advertising context.<sup>121</sup>

### **A. The Case of *Burberry Ltd. v. Designers Imports, Inc.***

Burberry is a very well established designer clothing brand, having used the Burberry mark in commerce since 1856.<sup>122</sup> Burberry's trademarks include the Burberry word mark, the Burberry Check, and the Equestrian Knight Design, which are used on a plethora of clothing and accessories.<sup>123</sup> Designers Imports (Designers) opened as early as 2003 and directly sells apparel and accessories online at [www.designersimports.com](http://www.designersimports.com).<sup>124</sup> Since the company's inception, Designers has sold and displayed products that were not purchased directly from Burberry or one of its authorized dealers, including some counterfeit goods.<sup>125</sup> Burberry sued both Designers and its supplier, with claims against Designers including trademark dilution by tarnishment under the TDRA, 15 U.S.C. § 1125(c), among other charges.<sup>126</sup> Burberry prevailed on summary judgment against the supplier, with the court finding the supplier markets counterfeit goods.<sup>127</sup>

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<sup>121</sup> No. 07 Civ. 3997(PAC), 2010 WL 199906, at \*7–8 (S.D.N.Y. Jan. 19, 2010).

<sup>122</sup> *Id.* at \*1.

<sup>123</sup> *Id.* at \*2.

<sup>124</sup> *Id.*; see also DESIGNERS IMPORTS, [www.designersimports.com](http://www.designersimports.com) (last visited Apr. 9, 2012).

<sup>125</sup> *Burberry*, 2010 WL 199906, at \*3.

<sup>126</sup> *Id.* at \*1.

<sup>127</sup> *Id.* at \*3.

Designers purchased keywords containing the Burberry mark through Google's Pay Per Click program, including the Burberry word mark itself, as well as various combinations, including "Burberry scarf," "Burberry scarves," "Burberry jacket," and "Burberry handbag."<sup>128</sup> Burberry and Designers initially struck a settlement agreement.<sup>129</sup> Courts frequently encourage settlement because it leads to greater satisfaction among litigants, repairs relations between parties, and avoids untoward results in particular cases.<sup>130</sup> Therefore, Burberry and Designers unsurprisingly implemented a settlement agreement, likely hoping to solve their issues without going to court and saving both parties valuable time and money.<sup>131</sup> In an attempt to ensure Designers's compliance with their agreement not to sell counterfeit items, however, Burberry made subsequent purchases from Designers, including fourteen counterfeit items.<sup>132</sup> In response to Designers's failure to adhere to the terms of the settlement agreement, Burberry brought numerous state and federal claims against Designers, including a Lanham Act trademark dilution claim.<sup>133</sup> Burberry alleges that Designers used, sold, and advertised merchandise bearing their three trademarks previously outlined.<sup>134</sup>

The court applied a four-factor test for likelihood of dilution stemming from the Lanham Act and asked: (1) whether the senior mark is famous; and (2) whether use of a mark or trade name in commerce has occurred (3) after the senior mark has become famous (4) in such a way that it is

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<sup>128</sup> *Id.*

<sup>129</sup> *Id.*

<sup>130</sup> Marc S. Galanter, *Reading the Landscape of Disputes: What We Know and Don't Know (and Think We Know) About Our Allegedly Contentious and Litigious Society*, 31 UCLA L. REV. 4, 28 (1983).

<sup>131</sup> *See Burberry*, 2010 WL 199906, at \*3.

<sup>132</sup> *Id.* at \*4.

<sup>133</sup> *Id.* at \*1.

<sup>134</sup> *Id.* (citing 15 U.S.C. § 1125(c)).

likely to cause actual or a likelihood of dilution.<sup>135</sup> The court applied these four factors and found that a use was made in commerce after the Burberry mark had become famous and that Burberry had “established a presumption of actual and likely dilution by showing that Defendant’s [sic] used counterfeit marks that were identical to the Burberry trademarks.”<sup>136</sup> Specifically, the court found that because Designers used Burberry’s marks on inferior products, Designers was liable for dilution by tarnishment. The court additionally found Designers liable for federal trademark infringement.<sup>137</sup>

The court in this case took a very practical view when calculating damages. The court recognized that the award the parties had eventually settled on must be increased because the initial settlement agreement did not deter Designers, and Designers had the continuing ability to reach a very broad consumer base via its Internet advertising.<sup>138</sup> The court also recognized that because Burberry’s trademarks are highly valuable and renowned worldwide, the goal of deterring conduct like that engaged in by Designers required a significant reward.<sup>139</sup> The court looked to Designers’s net sales of \$4,276,581 and net income of \$1,158,295 for Burberry-branded merchandise sold between March 29, 2005 and May 13, 2008.<sup>140</sup> The court also recognized that Burberry-branded merchandise did not make up Designers’s entire business, and

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<sup>135</sup> *Id.* at \*7 (citing *Malletier v. Dooney & Burke, Inc.*, 561 F. Supp. 2d 368, 380–81 (S.D.N.Y. 2008)).

<sup>136</sup> *Id.* (citing *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 452–53 (2d Cir. 2005)).

<sup>137</sup> *Id.* at \*7–8.

<sup>138</sup> *Id.* at \*10.

<sup>139</sup> *Id.*; see also *Louis Vuitton Malletier, S.A. v. LY USA*, No. 06 Civ. 13463, 2008 WL 5637161, at \*2 (S.D.N.Y. Oct. 3, 2008).

<sup>140</sup> *Burberry*, 2010 WL 199906, at \*10.

Designers did sell some genuine Burberry items.<sup>141</sup> In the end, the court awarded Burberry statutory damages in the amount of \$1,500,000, or \$100,000 per mark per type of good sold.<sup>142</sup> The interesting future case for calculating damages, however, will be when there was no sale of counterfeit goods and only a linkage to a website selling shoddy materials.

### **B. The Implications of *Burberry Ltd. v. Designers Imports, Inc.* for future claims.**

The *Burberry* court recognized the power that advertisements connected to famous trademarks on search engines wield.<sup>143</sup> Designers linked itself to Burberry by purchasing the use of the trademarked keywords from Google, allowing Designers to reach a vast Internet consumer base that they could only access by linking themselves to the more prestigious “Burberry scarves,” rather than being limited to more generic terms, such as “scarves” alone.<sup>144</sup> By holding the way they did, the Burberry court recognized the real possibility

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<sup>141</sup> *Id.*

<sup>142</sup> *Id.* at \*11; see also 15 U.S.C. § 1117(c) (giving a guide for statutory damages for use of counterfeit marks as: “In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than \$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.”)

<sup>143</sup> See *Burberry*, 2010 WL 199906, at \*10.

<sup>144</sup> *Id.*

that advertisers who purchase the use of famous trademarks from search engines can tarnish the famous trademark under the right conditions.<sup>145</sup> What exactly were the conditions in this case that allowed the court to find tarnishment liability against Designers?

The crux of Burberry's dilution by tarnishment claim against Designers was that Designers used an identical mark on counterfeit goods.<sup>146</sup> In establishing the use requirement, Burberry referenced not only the sale of Burberry marks in commerce, but also Designers's use in connection with their advertising on Google and Yahoo.<sup>147</sup> There is no explicit description of the form Designers's advertisements took, as the case only references that Designers purchased the keyword usage from the search engines and then provided a link to their website in the advertisement, with no mention of whether the famous trademarks were actually used in the advertisements themselves.<sup>148</sup> The court still found this use, in combination with the actual selling of counterfeit goods bearing the identical trademark, to be enough to establish the dilution by tarnishment claim because it linked Burberry's mark to inferior goods of shoddy quality.<sup>149</sup> The court, however, did *not* make the link to counterfeit goods a necessity for the dilution by tarnishment claims.<sup>150</sup> Considering Designers used the identical trademark by purchasing the keywords, and given the opinions in *Network* and *Rescuecom*, the court likely could have undergone the tarnishment analysis even without accounting for the sale of counterfeit goods bearing the identical mark.<sup>151</sup>

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<sup>145</sup> *Id.* at \*7.

<sup>146</sup> *Id.*

<sup>147</sup> *Id.* at \*3.

<sup>148</sup> *Id.*

<sup>149</sup> *Id.* at \*7.

<sup>150</sup> *Id.*

<sup>151</sup> See generally *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 128–29 (2d Cir. 2009); see also *supra* discussion in Part IV.



After establishing the various forms Designers' use took, the court used several standards previously outlined to establish tarnishment.<sup>152</sup>

The *Burberry* court first cited to the basic definition from the Lanham Act that tarnishment is "association arising from the similarity between a mark, or a trade name and a famous mark that harms the reputation of the famous mark."<sup>153</sup> This court, because it must adhere to the Second Circuit's case law, applied the standard outlined above in the *Starbucks* case that asks whether the use of the trademark is linked to products of shoddy quality, in considering the existence of tarnishment.<sup>154</sup> The *Burberry* court found sufficient evidence to pass these standards because Designers used Burberry's trademarks on inferior products.<sup>155</sup> Despite the court's focus on the placement of Burberry's marks on inferior goods,<sup>156</sup> if the advertisement directed consumers who clicked on the link to goods of "shoddy quality," the use in the keyword purchase could theoretically establish tarnishment as well.

Following the line of reasoning in this case, tarnishment claims may extend beyond the borders previously contemplated by the courts.<sup>157</sup> It might even be possible to enjoin a party that is not dealing in counterfeit goods from using famous trademarks purchased from Internet search

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<sup>152</sup> *Burberry*, 2010 WL 199906, at \*7; see also *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 110 (2d Cir. 2009); *supra* discussion in Part V.

<sup>153</sup> *Burberry*, 2010 WL 199906, at \*7.

<sup>154</sup> *Id.*; see also *Starbucks*, 588 F.3d at 110.

<sup>155</sup> *Burberry*, 2010 WL 199906, at \*7.

<sup>156</sup> *Id.*

<sup>157</sup> See *id.* (focusing on the use attached to counterfeit goods rather than just the purchase of the TMs from the search engine by a company selling goods outside of authorized dealer context).

engines.<sup>158</sup> In the current legal climate, if a famous trademark holder wants to sue or enjoin a party that purchased its famous trademarks from a search engine to prevent the one-sided association and its negative impact on the famous brand, the famous mark holder should prove tarnishment under the *Starbucks* analysis, rather than simply asserting the party does not have a right to use its marks in commerce via traditional trademark infringement claims.<sup>159</sup> In the sections that follow, the types of potential claims that might be brought will be discussed, along with an analysis of why these claims are important, followed by a brief discussion of what remedies are available.

## **VII. FUTURE LEGAL CLAIMS FOR TRADEMARK HOLDERS AGAINST THIRD-PARTY ADVERTISERS AND WHY THEY ARE IMPORTANT TO RECOGNIZE**

The goal of this Note is to provide guidance to courts and counsel who are presented with novel applications of the dilution by tarnishment argument in the search engine-advertising context. The policy behind trademark tarnishment supports its application in a number of keyword advertising contexts, introducing potential future legal claims.

### **A. Policy Behind the Tarnishment Claims Against Advertisers Purchasing Trademarked Keywords from Search Engines**

Trademark infringement and trademark dilution seek different ends.<sup>160</sup> Trademark holders can prove infringement

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<sup>158</sup> See generally *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009); see also *supra* discussion in Part IV.

<sup>159</sup> See *Lovejoy*, *supra* note 30, at 653.

<sup>160</sup> *Emerson*, *supra* note 40, at 4.

under the Lanham Act by showing that the plaintiff (1) owns a valid and protectable mark; (2) the defendant used a reproduction, counterfeit, copy, or imitation of the mark in commerce without the plaintiff's consent; and (3) that the defendant's use is likely to cause confusion.<sup>161</sup> The emphasis on likelihood of confusion in factor three forms the crux of the infringement claim in that it seeks to protect the *consumer* from becoming confused.<sup>162</sup> Most infringement litigation comes about because consumers are the largest and most important stakeholders in public policy concerns, and the law is concerned with keeping clear the source or origin of a product in the eyes of consumers.<sup>163</sup>

Trademark dilution, on the other hand, works principally to protect producers from reputational harms, and does so even when there is no appreciable risk that the consumer would be confused as to the source or origin of the product associated with the trademark.<sup>164</sup> Frank Schechter, the unofficial father of the dilution claim in the United States,<sup>165</sup> adeptly noted that “[t]rademark pirates are growing more subtle and refined. They proceed circumspectly, by suggestion and approximation, rather than by direct and exact duplication of their victims’ wares and marks.”<sup>166</sup> Even though Schechter was writing in 1927, his words are strikingly applicable to the online context. The language “[t]hey proceed . . . by suggestion and approximation . . .” evokes the ability of advertisers, electing to be in close proximity to these marks, to purchase the use of famous trademarks from search engines, without any

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<sup>161</sup> *Id.* at 9.

<sup>162</sup> *Id.* at 5.

<sup>163</sup> *Id.* at 4.

<sup>164</sup> *Id.* at 6; see also 15 U.S.C. § 1125(c) (2006).

<sup>165</sup> See generally Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 813 (1927) (promoting the protection of trademarks even in the absence of consumer confusion).

<sup>166</sup> Emerson, *supra* note 40, at 14 (citing Schechter, *supra* note 165, at 825).

thought for how that approximation might affect the power of the famous mark and consumers' perceptions.<sup>167</sup>

With the implementation of the TDRA in 2006, the blurring and tarnishment claims were solidified as federal claims that could be brought regardless of actual economic injury.<sup>168</sup> Tarnishment, however, extends beyond Schechter's contemplation, and "[r]ather than relying on a preexisting association between the mark and popular consciousness, which could be subject to blurring, tarnishment expands the ambit of dilution to include the creation of alternative, new associations."<sup>169</sup> If the associations are likely to harm the reputation of the mark, then the tarnishment action is justified.<sup>170</sup> While several of the cases brought thus far involve associations with lewd and sexually explicit materials,<sup>171</sup> there is no explicit requirement that only lewd associations yield tarnishment claims.

When looking at the Second Circuit's standard for tarnishment—"a trademark may be tarnished when it is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods"<sup>172</sup>—with the goals of promoting competition and

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<sup>167</sup> *Id.*

<sup>168</sup> *Id.* at 19.

<sup>169</sup> *Id.* at 20.

<sup>170</sup> *Id.*

<sup>171</sup> *Id.* (citing *Pillsbury Co. v. Milky Way Prods.*, No. C78-679A, 1981 WL 1402, at \*1 (N.D. Ga. Dec. 24, 1981)); *see also* *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382 (6th Cir. 2010).

<sup>172</sup> *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 110 (2d Cir. 2009) (citing *Hormel Foods Corp. v. Jim Henson Prods. Inc.*, 73 F.3d 497, 507 (2d Cir. 1996)).

comparison in mind,<sup>173</sup> the question becomes: how much free-riding is allowable?<sup>174</sup> While there is significant resistance to the idea that famous trademark holders have a property right in their marks,<sup>175</sup> the passage of the TDRA evokes the feeling of property rights in a trademark because it explicitly provides for a dilution by tarnishment claim, a claim broadening protection rights available to trademark holders.<sup>176</sup>

As previously touched upon, businesses gather much of their commercial strength from the value of their trademarks.<sup>177</sup> What is more, Congress recognized that one of its goals was to protect the value of the trademark from dilutive practices.<sup>178</sup> The injustice feels very close to the protection of one's property because famous trademark holders expend significant time and effort policing and building up their brands.<sup>179</sup> Additionally, any entity can purchase the use of the famous trademarks from search engines, linking any range of products and companies to these established brands without the brands

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<sup>173</sup> Kurt M. Saunders, *Confusion Is the Key: A Trademark Law Analysis of Keyword Banner Advertising*, 71 FORDHAM L. REV. 543, 572 (2002).

<sup>174</sup> Stacey L. Dogan, *What Is Dilution, Anyway?*, 105 MICH. L. REV. FIRST IMPRESSIONS 103, 106 (2006) (discussing the numerous examples of "free-riding," which promotes, rather than thwarts, the law's informational objectives).

<sup>175</sup> *Id.*

<sup>176</sup> See TDRA, 15 U.S.C. § 1125(c) (2006); see also Martha Kelley, *Is Liability Just a Link Away? Trademark Dilution by Tarnishment Under the Federal Trademark Dilution Act of 1995 and Hyperlinks on the World Wide Web*, 9 J. INTEL. PROP. L. 361, 361 (2002) ("Federal trademark dilution is a new cause of action in intellectual property that provides owners of famous trademarks with additional ammunition against those who use their marks.").

<sup>177</sup> Helseth, *supra* note 21, at 108.

<sup>178</sup> See TDRA, 15 U.S.C. § 1125 (2006).

<sup>179</sup> See Helseth, *supra* note 21, at 138.

themselves having any say in the matter.<sup>180</sup> Allowing anyone to purchase these trademarked keywords causes many potential problems from a dilution standpoint because dilution focuses on the harm done to the value of the mark, irrespective of the similarity of the marks.<sup>181</sup> Thus, even where the third-party products and services are not even remotely related to the famous trademark holders, dilution may still provide a remedy against injurious use.<sup>182</sup> If companies cannot protect themselves from third-party use of their famous trademarks that potentially harms their reputation, it feels as though they are having something unjustly taken from them.

This intangible feeling that a famous mark holder has a right to protect the reputation of its brand, however, is at odds with the economically beneficial principle of comparative advertising.<sup>183</sup> Comparative advertising in its truthful and non-deceptive form provides consumers with information about the products they seek and encourages improvement and innovation.<sup>184</sup> This idea leads one to assume that those who purchase the famous trademarks from search engines in order to link their advertisements are simply offering the consumer more information about additional options.<sup>185</sup> While this may be true in many instances, such information is helpful only

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<sup>180</sup> See GOOGLE INC., *supra* note 3, at 25; see also Matthew S. Compton, Jr., Comment, *Quality Scores a Lawsuit: Google's New Trademark Rules and Advertiser Liability for Trademark Infringement*, 47 HOUS. L. REV. 1357, 1368 (2011) (discussing how Google does not police who purchases trademarked keywords).

<sup>181</sup> See Helseth, *supra* note 21, at 138.

<sup>182</sup> See *id.*

<sup>183</sup> See Saunders, *supra* note 173, at 573.

<sup>184</sup> See *id.* at 576.

<sup>185</sup> See *id.*

until it begins diluting the reputation of the famous mark holder.<sup>186</sup>

What then, is the correct way to address this “occasional anti-free-riding impulse” without killing the benefits of comparison and competition?<sup>187</sup> A balance must be struck so that the famous trademark holders have some idea how they can proceed with their brand-management practices, and advertisers know when their advertising practices might make them liable for dilution by tarnishment.<sup>188</sup> It would be a travesty if a famous mark holder’s reputation was tarnished simply because the courts did not know how to interpret a third party’s use of the purchased famous trademark. Therefore, as can be seen from the thought process of the *Starbucks* court, adherence to a harm-based approach similar to the one Schechter contemplated is the best system for protecting both the consumer and the famous trademark holder.<sup>189</sup> Judges presented with cases of third parties using famous trademarks in their advertising on search engines must require the famous trademark holder to show that the linkage will likely harm the reputation of the famous mark, not just that harm possibly could occur.<sup>190</sup>

This explicit standard begs the question of what the appropriate evidentiary threshold is. The standard “likely to cause dilution” will inevitably present courts with interpretation difficulties, as it did in the *V Secret* case.<sup>191</sup> The

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<sup>186</sup> See *supra* notes 154–159 and accompanying text.

<sup>187</sup> See Dogan, *supra* note 174, at 105.

<sup>188</sup> See Compton, *supra* note 180, at 1381 (discussing the necessity that advertisers carefully consider their keyword purchases so that they maximize their profits while minimizing their liability).

<sup>189</sup> See Dogan, *supra* note 174, at 106.

<sup>190</sup> *Id.* at 106–07.

<sup>191</sup> See *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382, 388 (6th Cir. 2010) (discussing the difficulty the court had in applying the new “likely”

court in *V Secret*, however, helpfully points to expert testimony, surveys, polls, and customer testimony as the sources that will aid in determining the presence of a likelihood of dilution.<sup>192</sup> Moving forward, famous trademark holders should automatically assume that they will need to present strong evidence of likelihood of dilution to prevail, and the courts should remember that the evidence must present more than just a possibility of dilution, but a real likelihood.<sup>193</sup> This standard, however, will become clear as more cases are heard and more famous mark holders are required to show evidence that the advertisers purchasing their famous marks from search engines are likely harming their reputations.

The main takeaway point from this discussion is that courts will hopefully have some idea how to approach these cases in the future, because famous trademark holders do have a right to protect themselves from tarnishing uses of their trademarks, even if the general economic benefit of comparative advertising will often win out. In a post-*Rescuecom* world, there is little doubt that the keyword sale of these trademarks by search engines will continue because of the genuine information sharing value and revenue it brings, but courts must be prepared to address future uses that tarnish the reputation of the famous trademark holders.<sup>194</sup> Several of these potential future uses are discussed below.

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standard, which led it to create the very questionable rebuttable presumption that a mark used to sell sex-related products is likely to tarnish a famous mark when there is clear semantic association between the two).

<sup>192</sup> *Id.*

<sup>193</sup> See Dogan, *supra* note 174, at 106–07.

<sup>194</sup> Theresa A. Paparella, Comment, *Stealing the Value of Another's Trademark: A Need for a Practical Solution for the Keyword-Advertising Debate*, 26 T.M. COOLEY L. REV. 347, 356–58 (2009).



## B. Examples of Potential Future Claims

Google imposes several basic rules in its dealings with trademark keyword purchasers that will guide future uses of famous trademarks purchased by third-party advertisers and their subsequent use in their advertisement text.<sup>195</sup> Google allows for descriptive or generic uses that are not in reference to a trademark owner or the goods or services related to the term.<sup>196</sup> Google also permits use where a seller clearly “sell[s] (or clearly facilitate[s] the sale of) the goods or services corresponding to a trademark term.”<sup>197</sup> Additionally, Google allows use if the advertiser “[sells] components, replacement parts, or compatible products corresponding to a trademark.”<sup>198</sup> Lastly, Google allows use if the advertisements are designed “to provide informative details about the goods or services corresponding to the trademark term . . . [but advertisers] may not sell or facilitate the sale of the goods or services of a competitor of the trademark owner.”<sup>199</sup>

The first hypothetical arises under the second category of advertising using famous trademarks in the actual advertisements that Google allows, where the advertiser clearly sells or facilitates the sale of goods or services linked to the trademarked term.<sup>200</sup> Imagine first a company like Macy’s that sells a genuine product—say Louis Vuitton handbags—that has also purchased the “Louis Vuitton” trademark from the larger search engines. Now imagine Louis Vuitton objects to Macy’s

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<sup>195</sup> See Compton, *supra* note 180, at 1368.

<sup>196</sup> *Id.* (citing *What Is Google's Trademark Policy for Resellers and Informational Sites?*, GOOGLE, <http://support.google.com/adwordspolicy/bin/answer.py?hl=en&answer=145626> (last visited September 26, 2012)).

<sup>197</sup> *Id.*

<sup>198</sup> *Id.*

<sup>199</sup> *Id.*

<sup>200</sup> *Id.*

purchasing their trademarks and claims dilution by tarnishment because it considers Macy's to offer products of "shoddy" quality that harm its reputation, since Macy's sells many items that are not as expensive as Louis Vuitton items.<sup>201</sup> Because this relationship is likely a product of a licensing agreement where Louis Vuitton has given Macy's the right to sell its products, and all Macy's is doing is advertising the products it actually sells, dilution by tarnishment is likely quite difficult to find. To succeed in a dilution by tarnishment claim against Macy's, Louis Vuitton must show that Macy's was truly selling products of shoddy quality that have damaged the reputation and lessened the value of the Louis Vuitton mark.<sup>202</sup> This case really would only arise if the reputation of Macy's significantly worsened and Louis Vuitton could not get out of the licensing agreement.

The case might be different, however, if the seller did not have a licensing agreement established with Louis Vuitton. This case is more closely analogous to the *Burberry* case discussed earlier.<sup>203</sup> Imagine a website called "HauteBaggies" purchased the "Louis Vuitton" keyword from the major search engines and used the term in its advertisements in the form of "Cheap Louis Vuitton Bags!" followed by the web address. HauteBaggies does sell genuine Louis Vuitton bags but gets their bags from another vendor besides Louis Vuitton.<sup>204</sup> This case is made difficult because it presents the twinge of anti-free-riding concerns. First, there is a pretty viable trademark infringement claim, because consumers might be confused as

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<sup>201</sup> See *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 110 (2d Cir. 2009).

<sup>202</sup> See *id.*

<sup>203</sup> See *Burberry Ltd. v. Designers Imps., Inc.*, No. 07 Civ. 3997(PAC), 2010 WL 199906, at \*1-4 (S.D.N.Y. Jan. 19, 2010).

<sup>204</sup> See Compton, *supra* note 180, at 1381 (offering a similar hypothetical involving Mary Kay cosmetics). It is important to remember in this example that HauteBaggies is not selling counterfeit Louis Vuitton bags.

to sponsorship and affiliation, which is why many elect to bring infringement claims along with their dilution claims.<sup>205</sup> As for dilution by tarnishment, the first question is whether the association harms the reputation of the famous mark.<sup>206</sup> We would interpret dilution by using the *Starbucks* guidelines, asking whether the association links Louis Vuitton to products of shoddy quality or portrays the mark in an unwholesome or unsavory context, which results in a public perception that Louis Vuitton lacks prestige.<sup>207</sup> Here, tarnishment is certainly possible, especially if Louis Vuitton could establish that HauteBaggies had a public perception significantly lacking prestige that in turn harmed Louis Vuitton's reputation.<sup>208</sup> Additionally, if HauteBaggies also sold products that were very poorly made, there is an argument that HauteBaggies links Louis Vuitton to products of shoddy quality under the *Starbucks* analysis, even if they also sell genuine Louis Vuitton merchandise.<sup>209</sup> However, the court might run into the possibility that this offers a valuable form of comparative advertising allowed under the Lanham Act,<sup>210</sup> or that there is a nominative fair use.<sup>211</sup> In the end, the court will balance the evidence of tarnishment presented with the comparative advertising necessity that HauteBaggies will make.

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<sup>205</sup> See *id.* at 1376 (citing numerous websites where plaintiffs brought dilution claims along with direct infringement claims).

<sup>206</sup> TDRA, 15 U.S.C. § 1125(c)(2)(C) (2006).

<sup>207</sup> *Starbucks*, 588 F.3d at 110.

<sup>208</sup> See *id.*

<sup>209</sup> See *id.*

<sup>210</sup> 15 U.S.C. § 1125(c)(3)(A)(i) (2006).

<sup>211</sup> See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2010), *cert. denied*, 131 S. Ct. 647 (2010) (“The doctrine of nominative fair use allows ‘[a] defendant [to] use a plaintiff’s trademark to identify the plaintiff’s goods so long as there is no likelihood of confusion about the source of [the] defendant’s product or the mark-holder’s sponsorship or affiliation.’”) (quoting *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 413 (S.D.N.Y. 2006)).

Next, use the same HauteBaggies example, but imagine that they are selling counterfeit Louis Vuitton bags, in addition to genuine Louis Vuittons bags.<sup>212</sup> This hypothetical is analogous to the *Burberry* case, where the court found tarnishment because the marks were being used on inferior goods;<sup>213</sup> the products could be considered shoddy due to their lack of prestige.<sup>214</sup> This presents one of the easier cases for tarnishment because the analysis is pretty straightforward, as seen in *Burberry*, and courts would do well to recognize tarnishment in these cases in the future.<sup>215</sup> This cause of action could additionally be extended to other companies whose goods are sold on Designers's website and who sue Designers for tarnishment.<sup>216</sup> Even absent evidence of counterfeit goods among the other brands Designers sells, these companies could still be tarnished by their association with a company with a bad reputation and lack of prestige.<sup>217</sup> This in turn creates a stronger claim in the dilution by tarnishment action rather than in the typical infringement claim.<sup>218</sup>

The next example of a case that could arise in the future is analogous to the *V Secret* case, but without the presumption of tarnishment.<sup>219</sup> Imagine in this hypothetical case, that Victor's Little Secret purchased keywords from the major

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<sup>212</sup> Compare *Burberry Ltd. v. Designers Imps., Inc.*, No. 07 Civ. 3997(PAC), 2010 WL 199906, at \*4 (S.D.N.Y. Jan. 19, 2010) with the hypothetical above.

<sup>213</sup> *Id.* at \*7.

<sup>214</sup> *See id.*

<sup>215</sup> *Id.* (holding that tarnishment existed because defendant used Burberry's marks on inferior products).

<sup>216</sup> *See id.*

<sup>217</sup> *See id.*

<sup>218</sup> *See id.*

<sup>219</sup> *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382, 389 (6th Cir. 2010) (holding that the store selling sexually explicit goods under the name "Victor's Little Secret" failed to overcome the inference of tarnishment caused by its trademarks).

search engines so that when someone searched for “Victoria’s Secret”, Victor’s Little Secret advertisements appeared in the search bar.<sup>220</sup> There is a very strong tarnishment case here because the advertisement leads consumers to associate Victoria’s Secret with the arguably much more vulgar, demeaning, and offensive mark of Victor’s Little Secret.<sup>221</sup> Notice here, as well, that this advertisement potentially does not even need to use Victoria Secret’s mark in the advertisement itself in order to link the mark to products of shoddy quality.<sup>222</sup> This exhibits the advertisers’ power in being able to link themselves via keywords to famous trademarks, which can be attached to any number of shoddy and disreputable goods.<sup>223</sup> Courts are not generally very sympathetic to sexually explicit linkages, however, so any case involving that situation increases its chances of a successful tarnishment claim for the famous mark holder.<sup>224</sup>

As a final example of a potential claim for dilution by tarnishment by a famous trademark holder whose marks are being used as keywords, imagine the example of HauteBaggies purchasing the Louis Vuitton trademarks but not using them explicitly in their advertisements. HauteBaggies, however, only sells handbags of a much lower quality and simply wants to link itself to the handbag market via purchasing trademark keywords. This case likely represents the most difficult case for courts because undoubtedly, these advertisements link Louis Vuitton to goods that, if not “shoddy,” at least significantly

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<sup>220</sup> See *id.* at 384–85 for the facts of the case.

<sup>221</sup> Saunders, *supra* note 173, at 575–76.

<sup>222</sup> See *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 110–11 (2d Cir. 2009) (discussing how Charbucks does not use the Starbucks trademark directly).

<sup>223</sup> See *generally* *Burberry Ltd. v. Designers Imps., Inc.*, No. 07 Civ. 3997(PAC), 2010 WL 199906, at \*6–7 (S.D.N.Y. Jan. 19, 2010).

<sup>224</sup> See *generally* *V Secret*, 605 F.3d 382.

lack prestige.<sup>225</sup> There is, however, the competing interest in comparative advertising because competition aids consumers in making rational purchasing decisions and encourages innovation.<sup>226</sup> The economic incentive to offer comparative advertising here will likely win unless the famous trademark holder makes a very strong case for likelihood of tarnishment, which would probably only be sufficient through strong evidence from expert testimony, surveys, polls, and customer testimony that their reputation is harmed by the link to shoddy goods.<sup>227</sup> Fortunately for the famous trademark holders, surveys can actually help to prove likelihood of dilution, whereas it was nearly impossible to show actual dilution under the former standard.<sup>228</sup> Finally, remember that the surveys are not looking for consumer *confusion* as the *Rescuecom* case was concerned with, but are looking to see if the famous trademark's *reputation* is damaged because of the link to shoddy goods.<sup>229</sup> Evidence of confusion is not a prerequisite for a finding of dilution by tarnishment.<sup>230</sup>

These are just a few hypothetical ways that the dilution by tarnishment claim might arise, but the form of future cases cannot be predicted. Whatever the scenario, the most important thing is that the courts do not shy away from the possibility of the famous mark being tarnished by the advertisers use, while

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<sup>225</sup> See *Starbucks*, 588 F.3d at 110; see also *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007).

<sup>226</sup> *Saunders*, *supra* note 173, at 576 (quoting 16 C.F.R. § 14.15(c) (2001)).

<sup>227</sup> See *Starbucks*, 588 F.3d at 110.

<sup>228</sup> See Joel H. Steckel, Robert Klein, & Shelley Schussheim, *Dilution Through the Looking Glass: A Marketing Look at the Trademark Dilution Revision Act of 2005*, 96 TRADEMARK REP. 616, 618 (2006).

<sup>229</sup> See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127 (2d Cir. 2009).

<sup>230</sup> See *Saunders*, *supra* note 173, at 550 (“[D]ilution refers to the decreased capacity of a famous mark to identify and distinguish goods or services, regardless of competition between the parties or *likelihood of confusion*.”) (emphasis added).

also balancing competing policy interests. Courts do not want to curb online advertising, because the market is strong and shows no sign of slowing down.<sup>231</sup> The courts, however, must not let the strength of the online advertising market hinder their judicial obligations to enforce the goals of the Lanham Act, which includes protecting the goodwill of trademarks.<sup>232</sup> Until the Supreme Court clarifies the existence of dilution by tarnishment in the online context or Congress further updates the Lanham Act, the courts must not ignore the protection of trademark owners who unwillingly have their famous brands linked to products of shoddy quality that harm their reputation via banner advertisements.

As far as damages are concerned, the courts should avoid monetary damages for the sake of preserving the market for keyword advertising, except to deter the practice of selling counterfeit goods.<sup>233</sup> Courts should instead emphasize the value of settlement as the best way for a mutually beneficial end,<sup>234</sup> in order to avoid monetary damages that might unnecessarily chill the booming online advertising market.

## VIII. CONCLUSION

Under the post-TDRA requirement to show a *likelihood* of dilution, the courts have not quite figured out what standard to apply to the online marketing context: how can they protect brand equity and the producers of brand equity<sup>235</sup> while also endeavoring to prevent a clog in the market for online advertising? Keyword advertising is a staple for search engine

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<sup>231</sup> See *id.* at 545.

<sup>232</sup> See Goff, *supra* note 15, at 86–87.

<sup>233</sup> See *id.*

<sup>234</sup> See Galanter, *supra* note 130.

<sup>235</sup> See Steckel, Klein, & Schusheim, *supra* note 228, at 621.

sites, allowing them to offer their services free of charge;<sup>236</sup> however, if “a trademark is used without permission, the trademark holder can lose control over its message, its affinity with its customers, and its investment,” which harms both that trademark holder and consumers.<sup>237</sup> There will be lawsuits in the future by parties bringing dilution by tarnishment claims in conjunction with trademark infringement claims, but also in their own right because famous trademark holders do not want to lose control of the message they try to convey to consumers. This means the famous trademark holders will likely be able to bring successful dilution by tarnishment claims directly against the third-party keyword purchasers, whether or not they have used the trademark on counterfeit goods, so long as the goods sold are shoddy in comparison. The best the courts can do is follow a consistent prerequisite analysis when applying the standards for “use in commerce” and specific tarnishment standards, require dependable evidence of a likelihood of dilution, and balance countervailing interests to the best of their abilities. Congress purposefully implemented the TDRA, and until Congress or the Supreme Court clarifies the application of the Act, the courts are required to hear cases under the likelihood of dilution analysis and apply the most consistent analysis they can that also respects the goals Congress had in mind when passing the TDRA.

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<sup>236</sup> Saunders, *supra* note 173, at 545.

<sup>237</sup> Paparella, *supra* note 194, at 349.