



# False Advertising, Dilution & ‘Cyberpiracy’

We have seen how the Lanham Act reaches beyond registered marks to also protect unregistered marks and trade dress. But it also provides other legal rights. We will deal with three in this chapter—the § 1125(a) prohibition of false advertising and false or misleading statements of fact, the § 1125(c) “anti dilution” provisions that offer special protection to famous marks, and the § 1125(d) prohibition of “cyberpiracy” or “cyber-squatting” that gives trademark owners, under certain circumstances, the right to prevent “bad faith” registering of domain names.

## 1.) False Advertising: False or Misleading Statements of Fact

Section 1125(a) not only prohibits false or misleading designations of origin—the provision that allows Federal enforcement of unregistered marks and trade dress—it also prohibits false or misleading statements of *fact*. The cause of action for false advertising is in 1125(a)(1)(B).

### 1125(a) Civil action

**(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—**

**(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or**

**(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities,**

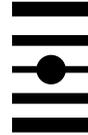
**shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act. . . .**

Read the language of the statute closely. Do we need such a broad regulation of commercial speech in the Federal trademark statute? What goals does it serve?

Unlike the § 1114 trademark infringement provisions, which can only be invoked by the owner of the mark, § 1125(a)’s standing criteria are very broad: “shall be liable in a civil action by any person who *believes* that he or she is or is likely to be damaged by such act.” In practice, courts have narrowed this standing considerably, requiring the presence of an actual economic or commercial interest. In *Lexmark Int’l, Inc. v. Static Control Components, Inc.* (2014), the Supreme Court confirmed that, consistent with the Lanham Act’s stated goal of “protect[ing] persons engaged in [commerce within the control of Congress] against unfair competition,” in order to bring a § 1125(a) false advertising claim, “a plaintiff must allege an injury to a commercial interest in reputation or sales. A consumer who is hoodwinked into purchasing a disappointing product may well have an injury-in-fact cognizable under Article III, but he cannot invoke the

protection of the Lanham Act.” (This chapter focuses only on the cause of action for false advertising in § 1125. Note that consumers can bring complaints for false advertising under other schemes, including through the Federal Trade Commission or state laws.)

***Pizza Hut, Inc. v. Papa John's Intern., Inc.***  
227 F.3d 489 (5th Cir. 2000)



E. GRADY JOLLY, Circuit Judge:

This appeal presents a false advertising claim under section 43(a) of the Lanham Act, resulting in a jury verdict for the plaintiff, Pizza Hut. At the center of this appeal is Papa John's four word slogan “Better Ingredients. Better Pizza.” . . .

**I  
A**

Pizza Hut is a wholly owned subsidiary of Tricon Global Restaurants. With over 7000 restaurants (both company and franchisee-owned), Pizza Hut is the largest pizza chain in the United States. In 1984, John Schnatter founded Papa John's Pizza in the back of his father's tavern. Papa John's has grown to over 2050 locations, making it the third largest pizza chain in the United States.

In May 1995, Papa John's adopted a new slogan: “Better Ingredients. Better Pizza.” In 1996, Papa John's filed for a federal trademark registration for this slogan with the United States Patent & Trademark Office (“PTO”). Its application for registration was ultimately granted by the PTO. Since 1995, Papa John's has invested over \$300 million building customer goodwill in its trademark “Better Ingredients. Better Pizza.” The slogan has appeared on millions of signs, shirts, menus, pizza boxes, napkins and other items, and has regularly appeared as the “tag line” at the end of Papa John's radio and television ads, or with the company logo in printed advertising.



On May 1, 1997, Pizza Hut launched its “Totally New Pizza” campaign. This campaign was the culmination of “Operation Lightning Bolt,” a nine-month, \$50 million project in which Pizza Hut declared “war” on poor quality pizza. From the deck of a World War II aircraft carrier, Pizza Hut's president, David Novak, declared “war” on “skimpy, low quality pizza.” National ads aired during this campaign touted the “better taste” of Pizza Hut's pizza, and “dared” anyone to find a “better pizza.”

In early May 1997, Papa John's launched its first national ad campaign. The campaign was directed towards Pizza Hut, and its “Totally New Pizza” campaign. In a pair of TV ads featuring Pizza Hut's co-founder Frank Carney, Carney touted the superiority of Papa John's pizza over Pizza Hut's pizza. Although Carney had left the pizza business in the 1980's, he returned as a franchisee of Papa John's because he liked the taste of Papa John's pizza better than any other pizza on the market. The ad campaign was remarkably successful. During May 1997, Papa John's sales increased 11.7 percent over May 1996 sales, while Pizza Hut's sales were down 8 percent.

On the heels of the success of the Carney ads, in February 1998, Papa John's launched a second series of ads touting the results of a taste test in which consumers were asked to compare Papa John's and Pizza Hut's pizzas. In the ads, Papa John's boasted that it “won big time” in taste tests. The ads were a response to Pizza Hut's “dare” to find a “better

pizza.” The taste test showed that consumers preferred Papa John’s traditional crust pizzas over Pizza Hut’s comparable pizzas by a 16-point margin (58% to 42%). Additionally, consumers preferred Papa John’s thin crust pizzas by a fourteen-point margin (57% to 43%).

Following the taste test ads, Papa John’s ran a series of ads comparing specific ingredients used in its pizzas with those used by its “competitors.” During the course of these ads, Papa John’s touted the superiority of its sauce and its dough. During the sauce campaign, Papa John’s asserted that its sauce was made from “fresh, vine-ripened tomatoes,” which were canned through a process called “fresh pack,” while its competitors—including Pizza Hut—make their sauce from remanufactured tomato paste. During the dough campaign, Papa John’s stated that it used “clear filtered water” to make its pizza dough, while the “biggest chain” uses “whatever comes out of the tap.” Additionally, Papa John’s asserted that it gives its yeast “several days to work its magic,” while “some folks” use “frozen dough or dough made the same day.” At or near the close of each of these ads, Papa John’s punctuated its ingredient comparisons with the slogan “Better Ingredients. Better Pizza.”

Pizza Hut does not appear to contest the truthfulness of the underlying factual assertions made by Papa John’s in the course of these ads. Pizza Hut argues, however, that its own independent taste tests and other “scientific evidence” establishes that filtered water makes no difference in pizza dough, that there is no “taste” difference between Papa John’s “fresh-pack” sauce and Pizza Hut’s “remanufactured” sauce, and that fresh dough is not superior to frozen dough. In response to Pizza Hut’s “scientific evidence,” Papa John’s asserts that “each of these ‘claims’ involves a matter of common sense choice (fresh versus frozen, canned vegetables and fruit versus remanufactured paste, and filtered versus unfiltered water) about which individual consumers can and do form preferences every day without ‘scientific’ or ‘expert’ assistance.”

In November 1997, Pizza Hut filed a complaint regarding Papa John’s “Better Ingredients. Better Pizza.” advertising campaign with the National Advertising Division of the Better Business Bureau, an industry self-regulatory body. This complaint, however, did not produce satisfactory results for Pizza Hut.

## B

... The district court, without objection, submitted the liability issue to the jury through special interrogatories. The special issues submitted to the jury related to (1) the slogan and (2) over Papa John’s objection, certain classes of groups of advertisements referred to as “sauce claims,” “dough claims,” “taste test claims,” and “ingredients claims.”

On November 17, 1999, the jury returned its responses to the special issues finding that Papa John’s slogan, and its “sauce claims” and “dough claims” were false or misleading and deceptive or likely to deceive consumers.<sup>2</sup> . . .

On January 3, 2000, the trial court, based upon the jury’s verdict and the evidence presented by the parties in support of injunctive relief and on the issue of damages, entered a Final Judgment and issued a Memorandum Opinion and Order. The court concluded that the “Better Ingredients. Better Pizza.” slogan was “consistent with the legal definition of non-actionable puffery” from its introduction in 1995 until May 1997. However, the slogan “became tainted . . . in light of the entirety of Papa John’s post-May 1997 advertising.” Based on this conclusion, the magistrate judge permanently enjoined Papa

---

<sup>2</sup> . . . Although the jury was specifically asked whether the advertisements were likely to deceive consumers, the interrogatories failed to ask whether the deception created by these advertisements was material to the consumers to which the ads were directed—that is, whether consumers actually relied on the misrepresentations in making purchasing decisions.

John's from "using any slogan in the future that constitutes a recognizable variation of the phrase 'Better Ingredients. Better Pizza.' or which uses the adjective 'Better' to modify the terms 'ingredients' and/or 'pizza'." Additionally, the court enjoined Papa John's from identifying Frank Carney as a co-founder of Pizza Hut, "unless such advertising includes a voice-over, printed statement or a superimposed message which states that Frank Carney has not been affiliated with Pizza Hut since 1980," and enjoined the dissemination of any advertising that was produced or disseminated prior to the date of this judgment and that explicitly or implicitly states or suggested that "Papa John's component is superior to the same component of Pizza Hut's pizzas." Finally, the court enjoined Papa John's from "explicitly or implicitly claim[ing] that a component of Papa John's pizza is superior to the same component of Pizza Hut's unless the superiority claim is supported by either (1) scientifically demonstrated attributes of superiority or (2) taste test surveys." Additionally, the injunction required that if the claim is supported by taste test surveys, the advertising shall include a printed statement, voice-over or "super," whichever is appropriate, stating the localities where the tests were conducted, the inclusive dates on which the surveys were performed, and the specific pizza products that were tested. . . .

## II

We review the district court's denial of a motion for judgment as a matter of law *de novo* applying the same standards as the district court. . . . Thus, for purposes of this appeal, we will review the evidence, in the most favorable light to Pizza Hut, to determine if, as a matter of law, it is sufficient to support a claim of false advertising under section 43(a) of the Lanham Act.

## III

### A

Section 43(a) of the Lanham Act, codified at 15 U.S.C. § 1125, provides in relevant part:

Any person who . . . in commercial advertising or promotion, misrepresents the nature, characteristics, quality, or geographic origin of his or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B). We have interpreted this section of the Lanham Act as providing "protection against a 'myriad of deceptive commercial practices,' including false advertising or promotion."

A *prima facie* case of false advertising under section 43(a) requires the plaintiff to establish:

- (1) A false or misleading statement of fact about a product;
- (2) Such statement either deceived, or had the capacity to deceive a substantial segment of potential consumers;
- (3) The deception is material, in that it is likely to influence the consumer's purchasing decision;
- (4) The product is in interstate commerce; and
- (5) The plaintiff has been or is likely to be injured as a result of the statement at issue.

The failure to prove the existence of any element of the *prima facie* case is fatal to the plaintiff's claim.

**B**

The law governing false advertising claims under section 43(a) of the Lanham Act is well settled. In order to obtain monetary damages or equitable relief in the form of an injunction, “a plaintiff must demonstrate that the commercial advertisement or promotion is either literally false, or that [if the advertisement is not literally false,] it is likely to mislead and confuse consumers.” If the statement is shown to be misleading, the plaintiff must also introduce evidence of the statement’s impact on consumers, referred to as materiality.

**(1)****(a)**

Essential to any claim under section 43(a) of the Lanham Act is a determination of whether the challenged statement is one of fact—actionable under section 43(a)—or one of general opinion—not actionable under section 43(a). Bald assertions of superiority or general statements of opinion cannot form the basis of Lanham Act liability. Rather the statements at issue must be a “specific and measurable claim, capable of being proved false or of being reasonably interpreted as a statement of objective fact.” As noted by our court in *Presidio*: “[A] statement of fact is one that (1) admits of being adjudged true or false in a way that (2) admits of empirical verification.”

**(b)**

One form of non-actionable statements of general opinion under section 43(a) of the Lanham Act has been referred to as “puffery.” Puffery has been discussed at some length by other circuits. The Third Circuit has described “puffing” as “advertising that is not deceptive for no one would rely on its exaggerated claims.” Similarly, the Ninth Circuit has defined “puffing” as “exaggerated advertising, blustering and boasting upon which no reasonable buyer would rely and is not actionable under 43(a).”

These definitions of puffery are consistent with the definitions provided by the leading commentaries in trademark law. A leading authority on unfair competition has defined “puffery” as an “exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely,” or “a general claim of superiority over a comparative product that is so vague, it would be understood as a mere expression of opinion.” McCarthy on Trademark and Unfair Competition. Similarly, Prosser and Keeton on Torts defines “puffing” as “a seller’s privilege to lie his head off, so long as he says nothing specific, on the theory that no reasonable man would believe him, or that no reasonable man would be influenced by such talk.”

Drawing guidance from the writings of our sister circuits and the leading commentators, we think that non-actionable “puffery” comes in at least two possible forms: (1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.

**(2)****(a)**

With respect to materiality, when the statements of fact at issue are shown to be literally false, the plaintiff need not introduce evidence on the issue of the impact the statements had on consumers. In such a circumstance, the court will assume that the statements actually misled consumers. On the other hand, if the statements at issue are either ambiguous or true but misleading, the plaintiff must present evidence of actual deception. The plaintiff may not rely on the judge or the jury to determine, “based solely upon his or her own intuitive reaction, whether the advertisement is deceptive.” Instead, proof of actual deception requires proof that “consumers were actually deceived by the

defendant's ambiguous or true-but-misleading statements." [Such proof often includes testimony from consumers, surveys, and consumer reaction tests.] . . .

#### IV

We turn now to consider the case before us. Reduced to its essence, the question is whether the evidence, viewed in the most favorable light to Pizza Hut, established that Papa John's slogan "Better Ingredients. Better Pizza." is misleading and violative of section 43(a) of the Lanham Act. In making this determination, we will first consider the slogan "Better Ingredients. Better Pizza." standing alone to determine if it is a statement of fact capable of deceiving a substantial segment of the consuming public to which it was directed. Second, we will determine whether the evidence supports the district court's conclusion that after May 1997, the slogan was tainted, and therefore actionable, as a result of its use in a series of ads comparing specific ingredients used by Papa John's with the ingredients used by its "competitors."

#### A

The jury concluded that the slogan itself was a "false or misleading" statement of fact, and the district court enjoined its further use. Papa John's argues, however, that this statement "quite simply is not a statement of fact, [but] rather, a statement of belief or opinion, and an argumentative one at that." Papa John's asserts that because "a statement of fact is either true or false, it is susceptible to being proved or disproved. A statement of opinion or belief, on the other hand, conveys the speaker's state of mind, and even though it may be used to attempt to persuade the listener, it is a subjective communication that may be accepted or rejected, but not proven true or false." Papa John's contends that its slogan "Better Ingredients. Better Pizza." falls into the latter category, and because the phrases "better ingredients" and "better pizza" are not subject to quantifiable measures, the slogan is non-actionable puffery.

We will therefore consider whether the slogan standing alone constitutes a statement of fact under the Lanham Act. Bisecting the slogan "Better Ingredients. Better Pizza.," it is clear that the assertion by Papa John's that it makes a "Better Pizza." is a general statement of opinion regarding the superiority of its product over all others. This simple statement, "Better Pizza.," epitomizes the exaggerated advertising, blustering, and boasting by a manufacturer upon which no consumer would reasonably rely. *See, e.g., In re Boston Beer Co.* (Fed.Cir. 1999) (stating that the phrase "The Best Beer in America" was "trade puffery" and that such a general claim of superiority "should be freely available to all competitors in any given field to refer to their products or services"). Consequently, it appears indisputable that Papa John's assertion "Better Pizza." is non-actionable puffery.<sup>8</sup>

Moving next to consider separately the phrase "Better Ingredients.," the same conclusion holds true. Like "Better Pizza.," it is typical puffery. The word "better," when used in this context is unquantifiable. What makes one food ingredient "better" than another comparable ingredient, without further description, is wholly a matter of individual taste or preference not subject to scientific quantification. Indeed, it is difficult to think of any product, or any component of any product, to which the term "better," without more, is quantifiable. As our court stated in *Presidio*:

The law recognizes that a vendor is allowed some latitude in claiming

<sup>8</sup> It should be noted that Pizza Hut uses the slogan "The Best Pizza Under One Roof." Similarly, other nationwide pizza chains employ slogans touting their pizza as the "best": (1) Domino's Pizza uses the slogan "Nobody Delivers Better.;" (2) Danato's uses the slogan "Best Pizza on the Block.;" (3) Mr. Gatti's uses the slogan "Best Pizza in Town: Honest!;" and (4) Pizza Inn uses the slogans "Best Pizza Ever." and "The Best Tasting Pizza."

merits of his wares by way of an opinion rather than an absolute guarantee, so long as he hews to the line of rectitude in matters of fact. Opinions are not only the lifestyle of democracy, they are the brag in advertising that has made for the wide dissemination of products that otherwise would never have reached the households of our citizens. If we were to accept the thesis set forth by the appellees, [that all statements by advertisers were statements of fact actionable under the Lanham Act,] the advertising industry would have to be liquidated in short order.

Thus, it is equally clear that Papa John's assertion that it uses "Better Ingredients." is one of opinion not actionable under the Lanham Act.

Finally, turning to the combination of the two non-actionable phrases as the slogan "Better Ingredients. Better Pizza.," we fail to see how the mere joining of these two statements of opinion could create an actionable statement of fact. Each half of the slogan amounts to little more than an exaggerated opinion of superiority that no consumer would be justified in relying upon. It has not been explained convincingly to us how the combination of the two phrases, without more, changes the essential nature of each phrase so as to make it actionable. We assume that "Better Ingredients." modifies "Better Pizza." and consequently gives some expanded meaning to the phrase "Better Pizza," i.e., our pizza is better because our ingredients are better. Nevertheless, the phrase fails to give "Better Pizza." any more quantifiable meaning. Stated differently, the adjective that continues to describe "pizza" is "better," a term that remains unquantifiable, especially when applied to the sense of taste. Consequently, the slogan as a whole is a statement of non-actionable opinion. Thus, there is no legally sufficient basis to support the jury's finding that the slogan standing alone is a "false or misleading" statement of fact.

## B

We next will consider whether the use of the slogan "Better Ingredients. Better Pizza." in connection with a series of comparative ads found by the jury to be misleading—specifically, ads comparing Papa John's sauce and dough with the sauce and dough of its competitors—"tainted" the statement of opinion and made it misleading under section 43(a) of the Lanham Act. Before reaching the ultimate question of whether the slogan is actionable under the Lanham Act, we will first examine the sufficiency of the evidence supporting the jury's conclusion that the comparison ads were misleading. . . .

### (2)

We are obligated to accept the findings of the jury unless the facts point so overwhelmingly in favor of one party that no reasonable person could arrive at a different conclusion. In examining the record evidence, we must view it the way that is most favorable to upholding the verdict. Viewed in this light, it is clear that there is sufficient evidence to support the jury's conclusion that the sauce and dough ads were misleading statements of fact actionable under the Lanham Act.

Turning first to the sauce ads, the evidence establishes that despite the differences in the methods used to produce their competing sauces: (1) the primary ingredient in both Pizza Hut and Papa John's sauce is vine-ripened tomatoes; (2) at the point that the competing sauces are placed on the pizza, just prior to putting the pies into the oven for cooking, the consistency and water content of the sauces are essentially identical; and (3) as noted by the district court, at no time "prior to the close of the liability phase of trial was any credible evidence presented [by Papa John's] to demonstrate the existence of demonstrable differences" in the competing sauces. Consequently, the district court was correct in concluding that: "Without any scientific support or properly conducted taste

preference test, by the written and/or oral negative connotations conveyed that pizza made from tomato paste concentrate is inferior to the 'fresh pack' method used by Papa John's, its sauce advertisements conveyed an impression which is misleading. . . ." Turning our focus to the dough ads, while the evidence clearly established that Papa John's and Pizza Hut employ different methods in making their pizza dough, again, the evidence established that there is no quantifiable difference between pizza dough produced through the "cold or slow-fermentation method" (used by Papa John's), or the "frozen dough method" (used by Pizza Hut). Further, although there is some evidence indicating that the texture of the dough used by Papa John's and Pizza Hut is slightly different, this difference is not related to the manufacturing process used to produce the dough. Instead, it is due to a difference in the wheat used to make the dough. Finally, with respect to the differences in the pizza dough resulting from the use of filtered water as opposed to tap water, the evidence was sufficient for the jury to conclude that there is no quantifiable difference between dough produced with tap water, as opposed to dough produced with filtered water.

We should note again that Pizza Hut does not contest the truthfulness of the underlying factual assertions made by Papa John's in the course of the sauce and dough ads. Pizza Hut concedes that it uses "remanufactured" tomato sauce to make its pizza sauce, while Papa John's uses "fresh-pack." Further, in regard to the dough, Pizza Hut concedes the truth of the assertion that it uses tap water in making its pizza dough, which is often frozen, while Papa John's uses filtered water to make its dough, which is fresh—never frozen. Consequently, because Pizza Hut does not contest the factual basis of Papa John's factual assertions, such assertions cannot be found to be factually false, but only impliedly false or misleading.

Thus, we conclude by saying that although the ads were true about the ingredients Papa John's used, it is clear that there was sufficient evidence in the record to support the jury's conclusion that Papa John's sauce and dough ads were misleading—but not false—in their suggestion that Papa John's ingredients were superior.

(3)

Thus, having concluded that the record supports a finding that the sauce and dough ads are misleading statements of fact, we must now determine whether the district court was correct in concluding that the use of the slogan "Better Ingredients. Better Pizza." in conjunction with these misleading ads gave quantifiable meaning to the slogan making a general statement of opinion misleading within the meaning of the Lanham Act.

In support of the district court's conclusion that the slogan was transformed, Pizza Hut argues that "in construing any advertising statement, the statement must be considered in the overall context in which it appears." Building on the foundation of this basic legal principle, Pizza Hut argues that "[t]he context in which Papa John's slogan must be viewed is the 2½ year campaign during which its advertising served as 'chapters' to demonstrate the truth of the 'Better Ingredients. Better Pizza.' book." Pizza Hut argues, that because Papa John's gave consumers specific facts supporting its assertion that its sauce and dough are "better"—specific facts that the evidence, when viewed in the light most favorable to the verdict, are irrelevant in making a better pizza—Papa John's statement of opinion that it made a "Better Pizza" became misleading. In essence, Pizza Hut argues, that by using the slogan "Better Ingredients. Better Pizza." in combination with the ads comparing Papa John's sauce and dough with the sauce and dough of its competitors, Papa John's gave quantifiable meaning to the word "Better" rendering it actionable under section 43(a) of the Lanham Act.

We agree that the message communicated by the slogan "Better Ingredients. Better Pizza." is expanded and given additional meaning when it is used as the tag line in the

misleading sauce and dough ads. The slogan, when used in combination with the comparison ads, gives consumers two fact-specific reasons why Papa John's ingredients are "better." Consequently, a reasonable consumer would understand the slogan, *when considered in the context of the comparison ads*, as conveying the following message: Papa John's uses "better ingredients," which produces a "better pizza" because Papa John's uses "fresh-pack" tomatoes, fresh dough, and filtered water. In short, Papa John's has given definition to the word "better." Thus, when the slogan is used in this context, it is no longer mere opinion, but rather takes on the characteristics of a statement of fact. When used in the context of the sauce and dough ads, the slogan is misleading for the same reasons we have earlier discussed in connection with the sauce and dough ads.

(4)

Concluding that when the slogan was used as the tag line in the sauce and dough ads it became misleading, we must now determine whether reasonable consumers would have a tendency to rely on this misleading statement of fact in making their purchasing decisions. We conclude that Pizza Hut has failed to adduce evidence establishing that the misleading statement of fact conveyed by the ads and the slogan was material to the consumers to which the slogan was directed. Consequently, because such evidence of materiality is necessary to establish liability under the Lanham Act, the district court erred in denying Papa John's motion for judgment as a matter of law.

As previously discussed, none of the underlying facts supporting Papa John's claims of ingredient superiority made in connection with the slogan were literally false. Consequently, in order to satisfy its prima facie case, Pizza Hut was required to submit evidence establishing that the impliedly false or misleading statements were material to, that is, they had a tendency to influence the purchasing decisions of, the consumers to which they were directed.<sup>12</sup> We conclude that the evidence proffered by Pizza Hut fails to make an adequate showing.

In its appellate brief and during the course of oral argument, Pizza Hut directs our attention to three items of evidence in the record that it asserts establishes materiality to consumers. First, Pizza Hut points to the results of a survey conducted by an "independent expert" (Dr. Dupont) regarding the use of the slogan "Better Ingredients. Better Pizza." as written on Papa John's pizza box (the box survey). The results of the box survey, however, were excluded by the district court.<sup>14</sup> Consequently, these survey results provide no basis for the jury's finding.

Second, Pizza Hut points to two additional surveys conducted by Dr. Dupont that attempted to measure consumer perception of Papa John's "taste test" ads. This survey evidence, however, fails to address Pizza Hut's claim of materiality with respect to the slogan. Moreover, the jury rejected Pizza Hut's claims of deception with regard to Papa John's "taste test" ads—the very ads at issue in these surveys.

Finally, Pizza Hut attempts to rely on Papa John's own tracking studies and on the alleged subjective intent of Papa John's executives "to create a perception that Papa John's in fact uses better ingredients" to demonstrate materiality. Although Papa John's 1998 Awareness, Usage & Attitude Tracking Study showed that 48% of the respondents believe that "Papa John's has better ingredients than other national pizza chains," the study failed

---

<sup>12</sup> Since Pizza Hut sought only equitable relief and no monetary damages, it was required to offer evidence sufficient to establish that the claims made by Papa John's had the "tendency to deceive consumers," rather than evidence indicating that the claims made by Papa John's *actually deceived consumers*.

<sup>14</sup> Pizza Hut has not sought review on appeal of the district court's ruling that the results of the box survey were inadmissible.

to indicate whether the conclusions resulted from the advertisements at issue, or from personal eating experiences, or from a combination of both. Consequently, the results of this study are not reliable or probative to test whether the slogan was material. Further, Pizza Hut provides no precedent, and we are aware of none, that stands for the proposition that the subjective intent of the defendant's corporate executives to convey a particular message is evidence of the fact that consumers in fact relied on the message to make their purchases. Thus, this evidence does not address the ultimate issue of materiality.

In short, Pizza Hut has failed to offer probative evidence on whether the misleading facts conveyed by Papa John's through its slogan were material to consumers: that is to say, there is no evidence demonstrating that the slogan had the tendency to deceive consumers so as to affect their purchasing decisions. Thus, the district court erred in denying Papa John's motion for judgment as a matter of law.

## V

In sum, we hold that the slogan "Better Ingredients. Better Pizza." standing alone is not an objectifiable statement of fact upon which consumers would be justified in relying. Thus, it does not constitute a false or misleading statement of fact actionable under section 43(a) of the Lanham Act.

Additionally, while the slogan, when appearing in the context of some of the post-May 1997 comparative advertising—specifically, the sauce and dough campaigns—was given objectifiable meaning and thus became misleading and actionable, Pizza Hut has failed to adduce sufficient evidence establishing that the misleading facts conveyed by the slogan were material to the consumers to which it was directed. Thus, Pizza Hut failed to produce evidence of a Lanham Act violation, and the district court erred in denying Papa John's motion for judgment as a matter of law.

Therefore, the judgment of the district court denying Papa John's motion for judgment as a matter of law is REVERSED; the final judgment of the district court is VACATED; and the case is REMANDED for entry of judgment for Papa John's.

### Questions:

- 1.) A timely question: What is a fact? Also, what is puffery and why is it non-actionable?
- 2.) On what elements of the false advertising claim does Pizza Hut prevail? On what does Papa John's prevail? Were you surprised by the outcome of the case? If you were Pizza Hut's lawyer, with the benefit of hindsight, what would you do differently?
- 3.) Why is the evidentiary standard different for statements that are *literally false* and those that are ambiguous or true, but *misleading*?

## 2.) Dilution

Section 1125(c) of the Lanham Act gives a special right to "famous" marks, one that reaches considerably further than conventional trademark infringement.

### 1125(c) Dilution by blurring; dilution by tarnishment

#### (1) Injunctive relief

**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.

**(2) Definitions**

**(A)** For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

- (i)** The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii)** The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii)** The extent of actual recognition of the mark.
- (iv)** Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

**(B)** For purposes of paragraph (1), "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. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i)** The degree of similarity between the mark or trade name and the famous mark.
- (ii)** The degree of inherent or acquired distinctiveness of the famous mark.
- (iii)** The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv)** The degree of recognition of the famous mark.
- (v)** Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi)** Any actual association between the mark or trade name and the famous mark.

**(C)** For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

**(3) Exclusions**

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

**(A)** Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

- (i)** advertising or promotion that permits consumers to

compare goods or services; or  
 (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark. . . .

Note that, once a mark has shown itself to be famous, it does not have to clear many of the hurdles that the owner of a conventional mark does in a classic § 1114 infringement suit. Dilution by blurring or tarnishment can be found “regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.” This language was inserted by the Trademark Dilution Revision Act (TDRA) of 2006 to undo the Supreme Court’s decision in *Moseley, DBA Victor’s Little Secret v. V Secret Catalogue, Inc.* (2003), which had required more proof on harm for a dilution claim. Why would Congress want to do this?

But while the TDRA lowered the standards required to prove blurring or tarnishment, it raised the standards required to prove that the mark was “famous.” The result was to leave an extremely strong right, with a low standard to prove injury, but to confine the possession of that right to a few megabrands. Is there a good normative or economic reason to choose that legal design? A political science explanation based on lobbying power? Both?

### a.) The Requirement that the Mark be Famous

#### *Coach Services, Inc. v. Triumph Learning LLC* 668 F.3d 1356 (Fed. Cir. 2012)



O’MALLEY, Circuit Judge.

Coach Services, Inc. (“CSI”) appeals from the final decision of the Trademark Trial and Appeal Board (“the Board”) dismissing its opposition to Triumph Learning, LLC’s (“Triumph”) use-based applications to register the mark COACH for educational materials used to prepare students for standardized tests. The Board found that: (1) there was no likelihood of confusion between the parties’ COACH marks; (2) CSI failed to prove likelihood of dilution. . . .



The Board found that CSI could not succeed on its dilution claims because it failed to show that its COACH mark was famous for dilution purposes. For the reasons explained below, we agree. Because we find that CSI failed to prove fame for dilution, we need not address the other statutory factors courts can consider to determine whether a mark is likely to cause dilution by blurring.

#### 1. Fame for Dilution

A threshold question in a federal dilution claim is whether the mark at issue is “famous.” Under the TDRA, a mark is famous if it “is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” 15 U.S.C. § 1125(c)(2)(A). By using the “general consuming public” as the benchmark, the TDRA eliminated the possibility of “niche fame,” which

some courts had recognized under the previous version of the statute. The TDRA lists four non-exclusive factors for courts to consider when determining whether a mark is famous:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(2)(A). Whether a mark is famous under the TDRA is a factual question reviewed for substantial evidence.

Fame for likelihood of confusion and fame for dilution are distinct concepts, and dilution fame requires a more stringent showing. While fame for dilution “is an either/or proposition”—it either exists or does not—fame for likelihood of confusion is a matter of degree along a continuum. *Palm Bay*. Accordingly, a mark can acquire “sufficient public recognition and renown to be famous for purposes of likelihood of confusion without meeting the more stringent requirement for dilution fame.” *7-Eleven*.

It is well-established that dilution fame is difficult to prove. *Everest Capital, Ltd. v. Everest Funds Mgmt. LLC* (8th Cir. 2005) (“The judicial consensus is that ‘famous’ is a rigorous standard.”); see also 4 McCarthy, § 24:104 at 24–286, 24–293 (noting that fame for dilution is “a difficult and demanding requirement” and that, although “all ‘trademarks’ are ‘distinctive’—very few are ‘famous’”). This is particularly true where, as here, the mark is a common English word that has different meanings in different contexts. Importantly, the owner of the allegedly famous mark must show that its mark became famous “prior to the filing date of the trademark application or registration against which it intends to file an opposition or cancellation proceeding.” *Toro*.

As noted, fame for dilution requires widespread recognition by the general public. 15 U.S.C. § 1125(c)(2)(A). To establish the requisite level of fame, the “mark’s owner must demonstrate that the common or proper noun uses of the term and third-party uses of the mark are now eclipsed by the owner’s use of the mark.” *Toro*. An opposer must show that, when the general public encounters the mark “in almost any context, it associates the term, at least initially, with the mark’s owner.” In other words, a famous mark is one that has become a “household name.” With this framework in mind, we turn to CSI’s evidence of fame.

## 2. CSI Failed to Introduce Sufficient Evidence of Fame for Dilution

The Board found that CSI’s evidence of fame was insufficient to support a dilution claim. On appeal, CSI argues that the same evidence establishing fame for likelihood of confusion also establishes fame for dilution purposes. Specifically, CSI argues that the Board disregarded: (1) sales and advertising figures for years 2000–2008; (2) its sixteen federal trademark registrations; (3) unsolicited media attention; (4) joint marketing efforts; (5) two Second Circuit decisions finding the Coach hangtag, which features the COACH mark, to be famous; and (6) CSI’s internal brand awareness survey showing awareness among 18–24 year old consumers. We address each category of evidence in turn. For the reasons set forth below, we find substantial evidence supporting the Board’s decision that CSI failed to show the requisite level of fame for dilution.

Turning first to CSI’s evidence of sales and advertising expenditures, CSI argues that the Board erred when it ignored the annual reports that were attached to a Notice of

Reliance. As previously discussed, however, the Board correctly held that these reports were unauthenticated and thus inadmissible. The only sales and advertising figures in the record via Ms. Sadler's testimony were for one year—2008—which, notably, is after Triumph filed its use-based applications in December 2004. We agree with the Board that this limited evidence of sales and advertising is insufficient to show fame. Even if the Board had considered the annual reports, moreover, such evidence, standing alone, would be insufficient. See *Toro* (“Merely providing evidence that a mark is a top-selling brand is insufficient to show this general fame without evidence of how many persons are purchasers.”).

With respect to CSI's registrations, the Board found that the mere existence of federally registered trademarks is insufficient to show that the mark is famous for purposes of dilution because ownership of a registration is not proof of fame. On appeal, CSI argues that the Board erred in this determination because one of the statutory factors a court can consider in the fame analysis is whether the mark is registered on the principal register. See 15 U.S.C. § 1125(c)(2)(A)(iv). As Triumph points out, however, “[o]ne cannot logically infer fame from the fact that a mark is one of the millions on the Federal Register.” 4 McCarthy, § 24:106 at 24–310. While ownership of a trademark registration is relevant to the fame inquiry, and—to the extent the Board decision implies otherwise—the Board erred on this point, proof of registration is not conclusive evidence of fame.

With respect to media attention, the Board found that CSI's evidence fell short of showing “widespread recognition of opposer's mark [by] the general population.” Specifically, the Board found that: “the vast majority of unsolicited media recognition for opposer's COACH mark comprises a reference to one of opposer's products as one of many different fashion buys or trends, and the news articles noting opposer's renown are too few to support a finding that opposer's mark has been transformed into a household name.” On appeal, CSI argues that the Board ignored hundreds of unsolicited articles mentioning the COACH mark over the years. CSI points to several examples, including the following:

- “In fact, Coach's growth . . . has been phenomenal. When Sara Lee acquired the firm in 1985, its volume was about \$18 million. In Sara Lee's latest fiscal year, which ended last June 30, Coach's sales exceeded \$500 million. The name also resonates with consumers. The brand ranked eighth among the top 10 in accessories firms in the latest Fairchild 100 consumer survey of fashion labels, in 1995.” (*Women's Wear Daily*, May 5, 1997).
- “Coach, one of the top makers of status handbags in the United States . . .” (*The New York Times*, Jan. 27, 1999).
- “Coach's creative director has helped transform the 60-year old company into a must-have American icon.” (*Women's Wear Daily*, June 2001).
- “Will Coach Become Too Popular? . . . Coach, the maker and retailer of stylish handbags, just had a blowout season. . . . Clearly Coach has recorded some of the best growth numbers of any retailer or accessories maker in recent years.” (*Business Week*, Jan. 24, 2007).

Looking at the media attention in the record, there is certainly evidence that CSI's COACH mark has achieved a substantial degree of recognition. That said, many of the articles submitted are dated after Triumph filed its registration applications and thus do not show that CSI's mark was famous prior to the filing date. See *Toro* (“an owner of an allegedly famous mark must establish that its mark had become famous prior to the filing date of the trademark application” which it opposes). And, there is substantial evidence supporting the Board's determination that many of the references are limited to mentioning one of CSI's COACH products among other brands. Accordingly, even though there is

some evidence of media attention, substantial evidence supports the Board's conclusion that the media evidence submitted fails to show widespread recognition.

With respect to joint marketing efforts, CSI argued that other popular brands, including LEXUS and CANON, have used the COACH mark in connection with their products. The Board found that CSI "failed to provide any testimony regarding the success of the joint marketing efforts and the effect of those efforts in promoting opposer's mark." Board Decision, 96 U.S.P.Q.2d at 1611, n.37. We agree. Without evidence as to the success of these efforts or the terms of any contracts involved, they have little value here.

Next, the Board found that CSI's 2008 brand awareness study was "of dubious probative value" because it did not offer a witness with first-hand knowledge of the study to explain how it was conducted. The Board further noted that, although the study showed a high level of brand awareness among women ages 13–24, it provided no evidence of brand awareness among women generally, or among men. See *Top Tobacco* (noting that the TDRA eliminated the possibility of "niche fame" as a basis for finding a mark famous). And, the survey was conducted in 2007, several years after Triumph filed its applications. Given these circumstances, we find no error in the Board's decision to give this survey limited weight.

CSI also argues that the Board failed to adequately consider two Second Circuit decisions finding that the hangtag attached to its various handbags, which features the COACH mark, is distinctive. See *Coach Leatherware Co., Inc. v. AnnTaylor, Inc.* (2d Cir. 1991) (finding that Coach's lozenge-shaped leather tags embossed with the name "Coach Leatherware," which are attached to Coach's handbags by beaded brass chains, "have become distinctive and valuable through Coach's promotional efforts and by virtue of its upscale reputation"); see also *Coach, Inc. v. We Care Trading Co., Inc.* (2d Cir. 2002) (affirming the jury's dilution verdict on grounds that "the jury's determination that the hang tag was famous and distinctive was not unreasonable" and "the substantial similarity of the two marks here coupled with the use of Coach's very distinctive hang tag shape amply justified the jury's verdict"). Although the Board did not specifically address these cases, we agree with Triumph that they are unrelated and irrelevant, particularly because: (1) the 1991 case did not involve a dilution claim; and (2) both cases focus on the hangtag feature on CSI's handbags, not on the alleged fame of the COACH mark generally.

Based on the foregoing, we agree with the Board that CSI failed to provide sufficient evidence of fame for dilution purposes. Absent a showing of fame, CSI's dilution claim fails, and we need not address the remaining statutory factors for dilution by blurring.

Before moving on, we pause to emphasize the fact-specific nature of our holding today. While the burden to show fame in the dilution context is high—and higher than that for likelihood of confusion purposes—it is not insurmountable. We do not hold that CSI could never establish the requisite level of fame for dilution purposes. We hold only that, on the record presented to it, the Board had substantial support for its conclusion that CSI's evidentiary showing was just too weak to do so here.

### Questions:

- 1.) Why protect famous marks from dilution or tarnishment in the first place? Why should we not have Rolex beer or Prada hemorrhoid cream, so long as no consumer thinks that this is the "long awaited entry" (to quote *Lois*) of those companies into this new market? (A potential confusion against which § 1114 and § 1125(a) already guard.) Does this represent an expansion of trademark's ambit? On what theory?
- 2.) Why does the court set such a seemingly high bar in this case for proof that a mark

is famous? Does the particular controversy in this case—a luggage maker trying to stop a company using “Coach” for educational products—explain the heightened proof the court requires? Look at the passage where the court says “This is particularly true where, as here, the mark is a common English word that has different meanings in different contexts.” Does this mean there is no general standard for “fame” but rather one that is relative? Or is the court simply delineating the amount of fame needed in such a situation, so that the average person hearing “Coach” would think “handbag” rather than “K” or “basketball” or any other relevant connotation?

3.) What other marks should count as famous? How about Viagra, Visa, “Just Do It,” Newport cigarettes or the University of Texas’s longhorn logo? [Of this group, the longhorn was the only one found *not* to be famous. Do you agree?]

## b.) The Requirement of “Commercial Speech”; Dilution by Tarnishment

### *Smith v. Wal-Mart Stores, Inc.*

*537 F. Supp. 2d 1302 (N.D. Ga. 2008)*



TIMOTHY C. BATTEN, Sr., District Judge.

This action arises from the contention of Defendant Wal-Mart Stores, Inc. that its registered trademarks “WALMART”; “WAL-MART”; and “WAL★MART”; its registered word mark “ALWAYS LOW PRICES. ALWAYS”; and its “well-known smiley face mark” were infringed by Plaintiff Charles Smith’s anti-Wal-Mart merchandise. Smith petitions the Court to declare his activities legal so that he may resume them without fear of incurring liability for damages; Wal-Mart counterclaims for an award of ownership of Smith’s Wal-Mart-related domain names, an injunction precluding Smith from making commercial use of any designation beginning with the prefix “WAL,” and an award of nominal damages. . . .

### I. Background

Wal-Mart Stores, Inc., which had approximately \$283 billion in gross domestic revenue in fiscal year 2008, sells retail goods and services through a large chain of nearly 6500 physical stores and its Internet site, [www.wal-mart.com](http://www.wal-mart.com). The company also owns and operates additional domain names, including [www.walmartstores.com](http://www.walmartstores.com) and [www.walmartfacts.com](http://www.walmartfacts.com), that link to the [www.wal-mart.com](http://www.wal-mart.com) website.

The company owns and has continuously used the well-known WAL-MART trademark and service mark in the United States for retail department store services since 1962 and has longstanding registered trademark rights in the marks. WAL-MART and WALMART are used alone or in conjunction with Wal-Mart’s blue five-pointed star. Wal-Mart also owns a trademark registration in the word mark “ALWAYS LOW PRICES. ALWAYS.” . . .

Smith is an avid and vocal critic of Wal-Mart. He believes that Wal-Mart has a destructive effect on communities, treats workers badly, and has a damaging influence on the United States as a whole—an influence so detrimental to the United States and its communities that Smith likens it to that of the Nazi regime. With the goals of stimulating

discussions about Wal-Mart and getting others of like mind to join him in expressing strongly negative views about Wal-Mart, Smith created various designs and slogans that incorporated the word “Walocaust,” a word Smith invented by combining the first three letters of Wal-Mart’s name with the last six letters of the word “holocaust.”

Smith created four basic Walocaust designs. One design depicted a blue stylized bird modeled to resemble a Nazi eagle grasping a yellow smiley face in the same manner that a Nazi eagle is typically depicted grasping a swastika. Above the bird image, the word “WAL★OCAUST” was printed in a blue font comparable to that



commonly used by Wal-Mart. Two designs were text only: one design read, “I ♥ WAL★OCAUST They have FAMILY VALUES and their ALCOHOL, TOBACCO and FIREARMS are 20% OFF”; and another design read, “WAL★OCAUST Come for the LOW prices[,] stay for the KNIFE fights.” The fourth was a graphical design that depicted the word WAL★OCAUST on a Wal-Mart-like storefront that also included the Nazi eagle image, a poster advertising family values and discounted alcohol, tobacco and firearms, and other images commenting negatively on Wal-Mart.

Smith does not claim any exclusive right to his Wal-Mart-related creations; in fact, he says that he would like to see the general public use the terms freely. He hoped that the word “Walocaust” would become such a commonly used term to describe Wal-Mart that it might eventually appear in the dictionary.

In late July 2005, to help draw attention to his Walocaust concept and his views about Wal-Mart in general, Smith arranged for some of his designs to be printed on t-shirts and other items like mugs, underwear, camisoles, teddy bears, bumper stickers and bibs that could be purchased through [www.CafePress.com](http://www.CafePress.com). He also placed text on his CafePress account home page that included harsh statements about Wal-Mart, such as “Walocaust: The World is Our Labor Camp. Walmart Sucks” and “Say hello to the Walocaust, say hello to low prices, say hello to child labor, say hello to unpaid overtime, say hello to 60 hour work weeks, say hello to low pay, say hello to poverty[.] Say hello to the Walocaust, say goodbye to health insurance, say goodbye to weekends, say goodbye to vacation, say goodbye to retirement, say goodbye to living indoors[.] The Walocaust: coming soon to your occupation. A real web site is coming soon. Contact: [Walocaust@yahoo.com](mailto:Walocaust@yahoo.com)[.]”

Although CafePress offered the option to open a “basic shop” at no charge, which would have allowed Smith to sell his items at cost, Smith instead chose to pay \$6.95 per month for a “premium account,” which offered several automated functions that allowed him to set up a website without knowing HTML code. This enabled Smith to display on his CafePress website his products, his other designs, and content more fully expressing his views about Wal-Mart. It also enabled him to have his [www.walocaust.com](http://www.walocaust.com) domain name bring viewers to the home page of his CafePress account. In hopes that profit from his CafePress site would cover the costs of his premium fees and domain name, Smith retained CafePress’s default “medium” mark-up setting, which set his items’ sale price at approximately thirty percent above cost.

On December 28, 2005, and again on February 1, 2006, Wal-Mart wrote to Smith and to CafePress, asserting that Smith’s Walocaust CafePress webpage was violating Wal-Mart’s trademark rights, and demanding that they cease selling all products imprinted with his various anti-Wal-Mart designs. Wal-Mart also objected to Smith’s registration and use of the domain name [www.walocaust.com](http://www.walocaust.com), demanding that Smith cease using the domain name and transfer ownership of it to Wal-Mart.

In response, CafePress removed all of Smith's Wal-Mart-related merchandise from his online store so that only non-Wal-Mart-related merchandise remained available at [www.cafepress.com/walocaust](http://www.cafepress.com/walocaust).

On March 6, 2006, Smith filed this action, seeking a declaratory judgment of his right to sell his Walocaust merchandise and demanding costs and attorneys' fees.

After learning that some courts of appeals had approved disclaimers as a technique for minimizing possible trademark confusion, Smith added one to the top of his Walocaust webpage, stating that the site is unaffiliated with Wal-Mart and containing, the URL for Wal-Mart's official website to help redirect any visitors who may have intended to visit [www.wal-mart.com](http://www.wal-mart.com) but instead accessed the Walocaust site by mistake. He also updated the site to denounce Wal-Mart's role in forcing this litigation and filing counterclaims, and he posted a link to an entity called "Public Citizen" through which visitors have donated \$1040.01 in support of his legal activities.

On or about March 8, 2006, after filing his declaratory judgment complaint, Smith also registered the domain names [www.wal-qaeda.com](http://www.wal-qaeda.com) and [www.walqaeda.com](http://www.walqaeda.com). "Wal-Qaeda" was another portmanteau word Smith coined, this time combining the name "Wal-Mart" with "Al-Qaeda." Smith intended the word "Wal-Qaeda" as a comment on what he considered to be Wal-Mart's terrorist-like attack on his free speech through threats of litigation.

On a new site that was accessible via both [www.wal-qaeda.com](http://www.wal-qaeda.com) and [www.walqaeda.com](http://www.walqaeda.com), Smith displayed various graphics incorporating his new word. He also posted other anti-Wal-Mart slogans such as "FREEDOM-HATER-MART STOP Stomping on our free speech!" and "Freedom-Haters ALWAYS," intended to call to mind Wal-Mart's trademark "ALWAYS LOW PRICES. ALWAYS."

Once he became certain that CafePress was open to carrying his new Wal-Qaeda concepts, he created a new Wal-Qaeda CafePress webpage where he again offered various items commenting on Wal-Mart. . . . The site offered two text-only designs that depicted the word "WAL-QAEDA" in a blue block letter font similar to Wal-Mart's: one with the legend "SUPPORT OUR TROOPS[.] BOYCOTT WAL-QADA" and another reading, "WAL-QADA[.] Freedom Haters ALWAYS." The site also offered products imprinted with five other graphical concepts. One of those concepts was a revision of the Walocaust storefront design, altered to replace "WAL★OCAUST" with "WAL-QAEDA[.] THE DIME STORE FROM HELL"; to replace the Nazi eagle with "FREEDOM HATERS ALWAYS" and "2 days without a k[n]ife fight"; and to make other small changes. Another concept depicted an American flag in the shape of a United States map with the word "DECEASED" stamped over it. Above the flag was printed "WAL-QAEDA[.] THE DIME STORE FROM HELL," and under the flag appeared the phrase "CAUSE OF DEATH: A Dime Store." In the third concept, the slogan "ATTENTION WAL★QAEDA[.] THESE COLORS DON'T RUN" was imprinted over a modified American flag, and in the last two concepts, Hillary Clinton was named the "WAL-QAEDA Employee of the Year 1986–1992," and Chairman Mao Zedong was awarded the "WAL-QAEDA Human Resource Achievement Award."

Although he hoped to help finance this lawsuit with the proceeds, Smith did not actively market his designs. He did, however, post his new Wal-Qaeda home page, his Wal-Qaeda CafePress account and a link to the Wal-Qaeda home page from his Walocaust website at a time when he knew that reporters were working on stories about this litigation. As a result, news about his new Wal-Qaeda designs was reported in the press and on blogs, and almost all of the sales of Smith's Wal-Qaeda items occurred within a month of the first publicity that followed upon the press and bloggers discovering those designs. The revenues from Smith's CafePress Walocaust and Wal-Qaeda account sales have been less than his

costs for the domain names and CafePress account fees.

On April 28, 2006, Wal-Mart filed its answer and counterclaim, asserting various federal trademark claims and related state law claims against Smith for both the Walocaust and the Wal-Qaeda products. Wal-Mart contends that Smith has engaged in (1) trademark infringement in violation of 15 U.S.C. § 1114(1) and common law; (2) unfair competition in violation of 15 U.S.C. § 1125(a); (3) trademark dilution by tarnishment in violation of 15 U.S.C. § 1125(c); and (4) cybersquatting in violation of 15 U.S.C. § 1125(d).

## II. Analysis

Wal-Mart contends that Smith is a merchant who misappropriated its trademarks and business reputation in pursuit of illegal profit and who disingenuously seeks to cloak those activities under the First Amendment. Smith alleges that Wal-Mart is attempting to misuse trademark laws to censor his criticism of the company. According to Smith, at stake in this case is a person's right to publicly criticize the world's largest retailer—or any other business. . . .

### C. Trademark Infringement, Unfair Competition, Cybersquatting and Deceptive Trade Practices Claims

To prove that Smith committed trademark infringement or cybersquatting, or subjected Wal-Mart to unfair competition or deceptive trade practices, Wal-Mart must also show that Smith's use of its trademarks is likely to cause an appreciable number of potential buyers to be confused about the source, affiliation or sponsorship of Smith's products. See 15 U.S.C. § 1125(d)(1)(A) (subjecting to a cybersquatting claim only domain names that are "identical or confusingly similar" to a senior mark).

In making this inquiry, courts consider a variety of factors, including the strength of the allegedly infringed mark, whether the designs that incorporate the registered mark are similar, whether the products sold by the parties are similar, whether the retail outlets and purchasers are similar, whether the parties use the same advertising media, whether the defendant intended to usurp the registered trademark, and whether any consumers were actually confused. The Court must balance the factors according to its own judgment based on the facts in the case before it. . . .

Because Smith's arguments with regard to the *Safeway* factors depend heavily on whether his designs are successful parodies, the Court must first consider whether the contested designs are in fact parodies of Wal-Mart's registered marks. See *Dr. Seuss Enters. v. Penguin Books USA, Inc.* (9th Cir. 1997) (noting that the claim that a secondary use is a parody is not a separate defense to a charge of trademark infringement but is instead is considered within the likelihood of confusion analysis). For the purposes of trademark analysis, "a parody is defined as a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner." *Louis Vuitton Malletier v. Haute Diggity Dog, LLC* (4th Cir. 2007). To be considered successful, the alleged parody must both call to mind and differentiate itself from the original, and it must "communicate some articulable element of satire, ridicule, joking or amusement."

When applying these criteria to the facts of the case, it is clear that Smith's concepts are parodies of the registered Wal-Mart marks. Smith successfully calls Wal-Mart to mind by using either "WAL" or "MART" as part of the concept; by mimicking its fonts and storefront design; by mentioning Bentonville, the location of Wal-Mart's headquarters; or by including various other icons typically associated with Wal-Mart. As Wal-Mart fervently contends, it is obvious that Smith's concepts use Wal-Mart imagery

to evoke the company in the mind of his viewers.

It is equally obvious that Smith's concepts are not the "idealized image" of the registered Wal-Mart marks. "Walocaust," "Wal-Qaeda" and "Freedom-Hater-Mart" are not "Wal-Mart." The imagery on Smith's t-shirts includes portraits of Mao Zedong, a United States map with the word "DECEASED" stamped over it, and the slogan "FREEDOM HATERS ALWAYS."

Finally, the juxtaposition of the similar and dissimilar—the satirical representation and the idealized image of Wal-Mart—conveys a scathing parody. In the "smiley eagle" Walocaust concept, the reference to the Holocaust and the image of the Nazi eagle clutching a smiley face at once portrays and contradicts the benign image that Wal-Mart portrays to the community. In the "SUPPORT OUR TROOPS" Wal-Qaeda concept, Smith transforms all-American "Wal-Mart" into the terrorist group "Wal-Qaeda" and satirically urges the viewer to support Wal-Qaeda's troops, apparently commenting both on what Smith considers to be Wal-Mart's ruthless business tactics and its detrimental impact on the United States. Other concepts juxtapose Wal-Mart's reputation for low prices with a reference to poor store security and the company's family values imagery with the fact that it offers for sale inexpensive alcohol, tobacco and firearms—products known better for destroying families.

The Court thus concludes that Smith's concepts adequately evoke Wal-Mart while maintaining their differentiation, and they convey Smith's satirical commentary; thus, they are successful parodies. See *Louis Vuitton*.

The finding that Smith's concepts are parodies does not preclude the likelihood of confusion analysis, however; it merely influences the way the likelihood of confusion factors are applied. "[A]n effective parody will actually diminish the likelihood of confusion, while an ineffective parody does not." Because even a parody may constitute trademark infringement if that parody is confusing, the Court will next consider the likelihood of confusion factors. . . .

Evaluating the overall balance of the seven likelihood of confusion factors, the Court finds that Wal-Mart has failed to demonstrate a likelihood that its trademarks "WALMART," "WAL-MART," and "WAL★MART" and its word mark "ALWAYS LOW PRICES. ALWAYS." would be confused with Smith's "WALOCAUST," "WAL-QAEDA," "FREEDOM HATER MART," or "BENTON★VILLEBULLIES ALWAYS" concepts. In so finding, the Court concludes that factors three (similarity of the marks), five (similarity of sales methods) and six (similarity of advertising methods), weigh in Smith's favor, with particular emphasis on how different the appearance and usage of the marks were and how vastly the parties' advertising methods differed. The Court concludes that factors one (actual confusion), two (strength of the mark), four (similarity of product) and seven (Smith's intent) favor neither party.

In sum, the Court is convinced that no fair-minded jury could find that a reasonable consumer is likely to be confused by the challenged marks. As a result, the Court GRANTS summary judgment to Smith on Wal-Mart's claims of trademark infringement, unfair business competition, cybersquatting and deceptive trade practices.

#### **D. Trademark Dilution by Tarnishment**

Wal-Mart contends that Smith's Walocaust and Wal-Qaeda concepts, by associating Wal-Mart with "the perpetrators of such atrocities as the Holocaust and the attacks of September 11, 2001, unquestionably tarnish the Wal-Mart marks." Dilution by tarnishment recognizes an injury when a "trademark is . . . portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product." *Deere & Co. v.*

---

*MTD Prods., Inc.* (2d Cir. 1994).

“However, tarnishment caused merely by an editorial or artistic parody which satirizes [the complainant’s] product or its image is not actionable under an anti-dilution statute because of the free speech protections of the First Amendment.” *Mattel, Inc. v. Walking Mountain Prods.* (9th Cir. 2003). “Parody is a form of noncommercial expression if it does more than propose a commercial transaction.” *Bolger v. Youngs Drug Prods. Corp.* (1983).

A claim of dilution applies only to purely commercial speech. *Mattel*. See also *Bolger* (finding that materials do not become “commercial speech” simply because the author had economic motivation to create them). “The question whether an economic motive existed is more than a question whether there was an economic incentive for the speaker to make the speech; the *Bolger* test also requires that the speaker acted substantially out of economic motivation.” *Procter & Gamble Co. v. Amway Corp.* (5th Cir. 2001) “Thus, for example, speech that is principally based on religious or political convictions, but which may also benefit the speaker economically, would fall short of the requirement that the speech was economically motivated” and therefore would be considered noncommercial.

At least one court of appeals has specifically addressed whether a social advocate selling t-shirts that carried the group’s social message was engaging in noncommercial speech, despite the fact that the group sold the t-shirts to the public for profit. See *Ayres v. City of Chicago* (7th Cir. 1997). In *Ayres*, the court distinguished limitations on “the sale of goods that are not themselves forms of protected speech,” noting that precedent allows more restriction on sales of nonexpressive goods than it does on goods that are forms of protected speech. The court likened t-shirts carrying messages of social advocacy to “the sandwich boards that union pickets sometimes wear.” As such, the t-shirts were “a medium of expression prima facie protected by the free-speech clause of the First Amendment, and they do not lose their protection by being sold rather than given away.”

The Court is convinced that a reasonable juror could only find that Smith primarily intended to express himself with his Walocaust and Wal-Qaeda concepts and that commercial success was a secondary motive at most. Smith has strongly adverse opinions about Wal-Mart; he believes that it has a destructive effect on communities, treats workers badly and has a damaging influence on the United States as a whole. He invented the term “Walocaust” to encapsulate his feelings about Wal-Mart, and he created his Walocaust designs with the intent of calling attention to his beliefs and his cause. He never expected to have any exclusive rights to the word. He created the term “Wal-Qaeda” and designs incorporating it with similar expressive intent. The Court has found those designs to be successful parodies.

Thus, Smith’s parodic work is considered noncommercial speech and therefore not subject to Wal-Mart’s trademark dilution claims, despite the fact that Smith sold the designs to the public on t-shirts and other novelty merchandise. Consequently, Smith’s motion for summary judgment on Wal-Mart’s trademark dilution claims is hereby GRANTED.

### III. Conclusion

Smith’s motion for summary judgment is hereby GRANTED, and Wal-Mart’s motion for summary judgment is DENIED. The Court hereby issues a declaratory judgment that Smith’s activities have not violated any of Wal-Mart’s trademark rights. Smith may maintain his domain names and websites. He may also resume offering for sale via his Walocaust and

Wal-Qaeda CafePress webstores his parodic WALOCAUST, WAL-QAEDA, FREEDOM HATER MART, and BENTON★VILLEBULLIES ALWAYS concepts printed on novelty merchandise; on any webpage or other channel offering such merchandise for sale, Smith must continue to include prominent disclaimers of affiliation with Wal-Mart.

### Questions:

- 1.) Commercial/Noncommercial Use v. Use in Commerce: We have said repeatedly that the “commercial/non commercial” line is one way that courts and legislatures seek to trim the ambit of intellectual property rights, to fine tune them so that they are neither under nor over inclusive. So far, we have looked at two definitions of “use in commerce”—one in the context of the use required to *obtain* a mark and one in the context of the use required to *infringe* a mark. How is the definition of commercial speech here in the context of dilution different? Why is it different? [Hint: what would be the ambit of the ‘non commercial’ defense to dilution if we took a broad definition of commercial, such as “anything Congress can regulate under the commerce clause?”]
- 2.) Smith was selling, for profit, T shirts that used portions of Walmart’s logos. Why is this not commercial? List the reasons the court gives, starting with those you think most important.
- 3.) The court draws a distinction between “speech goods”, those that carry a message though they are distributed for profit, and those that offer no such message. Is this distinction of relevance in the *PETA* case? Should it have been?

### c.) Dilution by Blurring

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

736 F.3d 198 (2d Cir. 2013)



[This is the culmination of a long-running attempt by Starbucks to enjoin Wolfe’s Borough Coffee, doing business as Black Bear Micro Roastery, from using “Mister Charbucks,” “Mr. Charbucks,” and “Charbucks Blend.” The litigation was extended in part by the intervening passage of the TDRA.]

LOHIER, Circuit Judge:

. . . [T]he District Court concluded that Starbucks failed to prove that the Charbucks Marks are likely to dilute Starbucks’ famous “Starbucks” marks (the “Starbucks Marks”) and denied Starbucks’ request for an injunction. . . . For the following reasons, we conclude that the District Court did not err in its factual findings, and, balancing the statutory factors *de novo*, we agree with the District Court that Starbucks failed to prove a likelihood of dilution. We therefore affirm. . . .



[At the bench trial] Starbucks introduced the testimony of Warren J. Mitofsky, a scientist in the field of consumer research and polling. Mitofsky explained the results of a telephone survey he had conducted of six hundred participants, designed to be representative of the United States population. The survey found that when asked, “What

is the first thing that comes to your mind when you hear the name ‘Charbucks,’ spelled C-H-A-R-B-U-C-K-S?,” 30.5 percent of participants answered “Starbucks,” while 9 percent answered “coffee.”<sup>5</sup> When the participants were asked, “Can you name any company or store that you think might offer a product called ‘Charbucks’?,” 3.1 percent responded “Starbucks,” and another 1.3 percent responded “coffee house.”<sup>6</sup> Mitofsky concluded that “[t]he number one association of the name ‘Charbucks’ in the minds of consumers is with the brand ‘Starbucks.’” . . .

In *Starbucks IV* [the Second Circuit’s previous decision in this case] [w]e held that “the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks,” because the context of the Charbucks Marks (on Black Bear’s packaging, on its website, and in the phrases “Charbucks Blend” and “Mister Charbucks”) differentiated them from the famous marks. We concluded, however, that “the District Court erred to the extent it required ‘substantial’ similarity between the marks,” and we suggested that the District Court had overemphasized the similarity factor. In particular, we stated that the inclusion of “the degree of similarity” as only one of six factors in the revised statute indicates that even a low degree of similarity would not categorically bar a dilution-by-blurring claim.

Turning to the fifth and sixth factors—intent to associate and actual association—we held that the District Court had erred by requiring “bad faith” to find that the intent to associate factor favored Starbucks. Noting the survey results, which demonstrated some degree of association between “Charbucks” and “Starbucks,” we also held that the District Court erred by relying on evidence supporting the absence of “actual confusion” to conclude that the actual association factor did not weigh in Starbucks’ favor “to any significant degree.” The absence of actual or likely confusion, we reasoned, does not bear directly on whether dilution is likely. . . .

## DISCUSSION

### C. Factual Findings: The Statutory Factors

On appeal, Starbucks challenges two of the District Court’s findings: (1) that there is only a minimal degree of similarity between the Starbucks Marks and the Charbucks Marks; and (2) that Starbucks demonstrated only a weak association between the marks. The District Court did not clearly err with regard to either finding.

#### 1. Degree of Similarity

In *Starbucks IV* we held that “[w]ith respect to the first factor—the degree of similarity between the marks—the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks.” We highlighted the difference between the Starbucks Marks and Charbucks Marks when the latter are placed in the context of Black Bear’s packaging and the word “Charbucks” is incorporated into the phrases “Charbucks Blend” and “Mister Charbucks.” . . .

#### 2. Actual Association

Starbucks next contends that the District Court’s finding that actual association “weighs no more than minimally” in Starbucks’ favor was error for two reasons. First, Starbucks argues, Black Bear’s admitted intent to create an association—the fifth

---

<sup>5</sup> Other common responses included “barbeque” or “charcoal” (7.9 percent); “restaurant” or “grill” (7.5 percent); “meat,” “steak,” or “hamburger” (4.6 percent); and “money” (3.9 percent).

<sup>6</sup> More popular responses to this second question included: “grocery store” (18.3 percent); “discount store” (16.9 percent); “restaurant” (7.0 percent); “department store” (4.8 percent); and “hardware store” or “home improvement store” (3.7 percent).

statutory factor—raises a “presumption of association,” or at least is strong evidence of actual association—the sixth statutory factor. Second, it argues that the District Court improperly discounted the Mitofsky survey evidence, which, in Starbucks’ view, proves a high degree of actual association. We reject both arguments.

**a. Intent to Create an Association**

As an initial matter, an intent to create an association is a separate factor under the TDRA and does not constitute *per se* evidence that the actual association factor weighs in favor of the owner of the famous mark. In support of its argument to the contrary, Starbucks quotes McCarthy’s treatise, which states, “If the junior [user] intended to create an association, the law may assume that it succeeded.” Starbucks similarly relies on *Federal Express Corp. v. Federal Espresso, Inc.* (2d Cir. 2000), a dilution case in which we stated that the trier of fact “may well find that the marks are of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior, especially in light of the testimony of [Federal Espresso’s founder] that she chose the name Federal Espresso, in part, precisely because it would call to mind Federal Express.”

Both *Federal Espresso* and McCarthy’s treatise acknowledge the importance of the intent factor in determining likelihood of dilution. This makes sense, as district courts must evaluate whether a junior mark is “likely to cause” “association arising from the similarity” between the marks “that impairs the distinctiveness of the famous mark,” 15 U.S.C. §§ 1125(c)(1), (c)(2)(B), and the intent to associate may bear directly on the likelihood that the junior mark will cause such an association.

That said, “we interpret statutes to give effect, if possible, to every clause and word and to avoid statutory interpretations that render provisions superfluous.” Adopting Starbucks’ presumption argument would effectively merge the intent to associate and the actual association factors, by making the former determinative of the latter, rather than treating them as distinct but related considerations. We therefore conclude that the District Court did not clearly err in finding that Clark’s [Black Bear’s founder] testimony concerning the origin of the Charbucks Marks was not an “admission” of actual association and that his intentions were not definitive proof of an actual association between the marks.

**b. Mitofsky Survey**

Nor did the District Court err when it discounted the Mitofsky survey evidence because the survey measured only how respondents reacted to the isolated word “Charbucks,” rather than to the Charbucks Marks in context, and because the share of respondents who indicated an association between the marks was “relatively small.” We arrive at this conclusion for two reasons.

First, it coheres with our decision in *Starbucks IV*, in which we discerned no clear error in the District Court’s consideration of context—including the addition of “Mister” or “Blend” to “Charbucks” and Black Bear’s packaging—in assessing the marks’ similarity, as consumers are likely to experience the product only in the context of those full phrases and Black Bear’s packaging or website. In our analysis of Starbucks’ infringement claim, we similarly determined that the District Court did not clearly err when it found (1) that the survey failed to demonstrate significant actual confusion, “[p]articularly in light of the fact that the survey was administered by telephone and did not present the term ‘Charbucks’ in the context in which Black Bear used it,” and (2) that the survey should have examined the effects of “a hypothetical coffee named either ‘Mister Charbucks’ or ‘Charbucks Blend’” on the respondents’ impressions of Starbucks coffee as a measure of dilution by tarnishment.

Second, our conclusion also comports with our prior precedents and other cases unrelated to Starbucks. In *Playtex Products, Inc. v. Georgia-Pacific Corp.* (2d Cir.2004),

a case interpreting the pre-revision FTDA, we held that the results of a consumer survey showing an association between the marks “Moist-Ones” and “Wet Ones” were inadmissible as evidence of actual dilution because the defendant’s product was “presented and packaged” as “*Quilted Northern Moist-Ones*.” District courts within our Circuit have applied the same reasoning in evaluating surveys in the infringement context. See, e.g., *WE Media, Inc. v. Gen. Elec. Co.* (S.D.N.Y.2002) (“Germane survey evidence should make some effort to compare the impressions the marks have on potential customers under marketplace conditions.”). . . . As in *Playtex*, the District Court was within its rights to conclude that the Mitofsky survey had limited probative value because the defendant’s marks were not presented to survey respondents as they are actually “presented and packaged” in commerce.

Citing our decision in *Nabisco*, Starbucks nevertheless argues that consumers are likely to hear and view the term “Charbucks” outside the context of Black Bear’s packaging and without the full phrases “Mister Charbucks” and “Charbucks Blend.” But Starbucks presented no record evidence that “Charbucks” is ever read or heard in isolation, and in the absence of such evidence, we are not persuaded by the argument. To the contrary, as we noted in *Starbucks IV*, “it is unlikely that ‘Charbucks’ will appear to consumers outside the context of its normal use,” and “it was not clearly erroneous for the District Court to find that the ‘Mister’ prefix or ‘Blend’ suffix lessened the similarity between the [marks].”

Starbucks also challenges the District Court’s finding that the association between “Charbucks” and Starbucks was “relatively small.” It contends that the Mitofsky survey in fact provided evidence of substantial actual association. We disagree.

It is true that in response to Mitofsky’s question most probative of actual association—“What is the FIRST THING that comes to your mind when you hear the name ‘Charbucks,’ spelled C-H-A-R-B-U-C-K-S?”—30.5 percent of respondents said “Starbucks,” and 9 percent said “coffee.” Both of these responses suggest an association between “Charbucks” and the Starbucks Marks. In *Jada Toys*, for example, the Ninth Circuit held that a survey demonstrated actual association because it showed that 28 percent of respondents thought Jada’s product was made by Mattel when asked who they thought produced the item. Here, however, the equivalent question in Mitofsky’s survey was: “Can you name any company or store that you think might offer a product called ‘Charbucks’?” In response to that question concerning source on the Mitofsky survey, however, only 3.1 percent of respondents answered “Starbucks” and 1.3 percent answered “coffee house.” These percentages are far below that for the equivalent question in *Jada Toys* and fail to demonstrate anything more than minimal actual association.<sup>15</sup>

Ultimately, on this factor, we consider only whether the District Court clearly erred when it found that the Mitofsky survey tilts the “actual association” factor “no more than minimally in [Starbucks’] favor.” Had the Mitofsky survey presented the Charbucks Marks as they appear in commerce, we might well conclude that the District Court erred. But the word “Charbucks” was presented outside of its marketplace context, and Starbucks, which bears the burden of proof, failed to show that this flaw did not materially impact the survey results. We therefore conclude that the record supports the District Court’s decision to discount the survey and consider the actual association factor as weighing only minimally in Starbucks’ favor.

---

<sup>15</sup> Although some other respondents gave answers consistent with an association with Starbucks—18.3 percent answered “grocery store,” 16.9 percent answered “discount store,” 7 percent answered “restaurant,” and 4.8 percent answered “department store”—these responses are also consistent with other views of what “Charbucks” could be, including meat or a charcoal grilling product, as 38.5 percent of respondents suggested.

### D. *Balancing*

We next balance the factors enumerated in § 1125(c)(2)(B), along with any other factors that bear on a likelihood of dilution, *de novo*. In balancing these factors, we are again mindful that the test is not an inflexible one, and that the ultimate question is whether the Charbucks Marks are likely to cause an association arising from their similarity to the Starbucks Marks, which impairs the Starbucks Marks' tendency to identify the source of Starbucks products in a unique way.

We have already affirmed the District Court's finding of minimal similarity between the Charbucks Marks and the Starbucks Marks. That finding weighs heavily in Black Bear's favor. Certainly, a plaintiff may show a likelihood of dilution notwithstanding only minimal similarity. But here, minimal similarity strongly suggests a relatively low likelihood of an association diluting the senior mark. The statute itself emphasizes the similarity of marks. *See* § 1125(c)(2)(B) (defining "dilution by blurring" as "association arising from the *similarity* between a mark or a trade name and a famous mark that impairs the distinctiveness of the famous mark" (emphasis added)). Indeed, in *Starbucks IV*, we stated that "'similarity' is an integral element in the definition of 'blurring'" under the TDRA and suggested that, without *any* similarity, there could be no dilution by blurring.

The next three factors—the degrees of distinctiveness, exclusive use, and recognition—are features of the senior mark itself that do not depend on the use of the junior mark. "[T]he *degree* of distinctiveness of the senior mark has a considerable bearing on the question whether a junior use will have a diluting effect. . . . [T]he more distinctiveness the mark possesses, the greater the interest to be protected." There is no question that "Starbucks"—an arbitrary mark as applied to coffee—is highly distinctive. Moreover, because, as the District Court found, the Starbucks Marks are in substantially exclusive use, "the mark's distinctiveness is more likely to be impaired by the junior use." Lastly, as 79 percent of Mitofsky survey respondents were familiar with Starbucks, it is undisputed that Starbucks constitutes a widely recognized mark, and that this factor favors Starbucks.

Although the three factors of distinctiveness, recognition, and exclusivity favor Starbucks and bear to some degree on our assessment of the likelihood of dilution by blurring, the more important factors in the context of this case are the similarity of the marks and actual association. We agree with the District Court that the distinctiveness, recognition, and exclusive use of the Starbucks Marks do not overcome the weak evidence of actual association between the Charbucks and Starbucks marks. To the contrary, viewed in light of Starbucks' fame, both globally and among the Mitofsky survey participants more particularly, the fact that more survey participants did not think of "Starbucks" upon hearing "Charbucks" reinforces the District Court's finding that the marks are only minimally similar, and therefore unlikely to prompt an association that impairs the Starbucks Marks. Likewise, although the distinctiveness and exclusive use of the Starbucks Marks help Starbucks prove *susceptibility* to dilution by association arising from similarity between the Charbucks and Starbucks marks, they do not demonstrate that such an association is likely to arise, as Starbucks needed to show to obtain an injunction. Accordingly, these factors weigh only weakly in Starbucks' favor.

In this case, we attribute a moderate amount of significance to the fifth factor, intent to create an association. Clark's testimony indicated that Black Bear was capitalizing on an historic connection between the word "Charbucks" and "Starbucks," which arose out of the so-called "coffee-wars" in Boston, Massachusetts, and that he "meant to evoke an image of dark-roasted coffee of the type offered by Starbucks." "[W]here, as here, the allegedly diluting mark was created with an intent to associate with the famous mark," we

agree with the District Court that this factor favors a finding of a likelihood of dilution.

The final, disputed factor, actual association, is highly relevant to likelihood of association. In the analogous context of determining the “likelihood of confusion” for trademark infringement claims, we have noted that “[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion,” even though a showing of actual confusion is not necessary to prevail on such a claim. The same principle obtains with respect to proof of actual association in dilution claims. And as noted, the Mitofsky survey demonstrated weak actual association, at best.

Weighing the factors above *de novo*, we agree with the District Court that Starbucks did not demonstrate a likelihood of dilution by blurring. Ultimately what tips the balance in this case is that Starbucks bore the burden of showing that it was entitled to injunctive relief on this record. Because Starbucks’ principal evidence of association, the Mitofsky survey, was fundamentally flawed, and because there was minimal similarity between the marks at issue, we agree with the District Court that Starbucks failed to show that Black Bear’s use of its Charbucks Marks in commerce is likely to dilute the Starbucks Marks.

### CONCLUSION

We have considered all of Starbucks’ contentions on this appeal and have concluded that they are without merit. For the foregoing reasons, we AFFIRM the judgment of the District Court.

#### Questions:

- 1.) Really? “Charbucks” on coffee doesn’t dilute the “Starbucks” mark? What would Starbucks need to show to bring a successful dilution claim against “Charbucks”?
- 2.) Do you agree with the court’s interpretation of the six statutory factors for “dilution by blurring”? What factors are the most relevant for determining whether a challenged mark “impairs the distinctiveness” of a famous mark?

#### PROBLEM 9-1

### DILUTION OF (BY) ALCOHOL?

[The facts of this, real, situation have been modified for the purposes of the Problem. The words attributed to the Duke spokesperson are changed from the original for the purposes of the discussion.]

John Wayne, the legendary actor, was also known by the nickname The Duke. (His original name was Marion Robert Morrison.) Apparently “Duke” was his childhood dog’s name, and local firefighters used it as a nickname for the boy. John Wayne Enterprises—owned by his heirs—has sought to register “Duke” for a variety of goods and services over the years: including restaurants, celebrity licensing services and gaming machines. Now they want to register it for alcoholic beverages, and in particular, bourbon. Duke University—the venerable educational institution—strongly objects to the registration of “Duke” for alcohol, alleging that it will dilute their famous “Duke” mark: “Consistent with Duke’s policies, we do not permit use of confusingly similar marks associated with unapproved goods or services, of uncertain quality and/or unregulated by Duke University. We also seek to prevent our mark from

being “tarnished” or “blurred” by its association with goods and services at odds with our educational mission. As a university, we are deeply aware of the dangers of alcohol, particularly in the context of a college environment. Consequently we will firmly oppose registration of this mark. In addition, if Wayne Enterprises persists in attempting to put the Duke name on alcoholic beverages—of exactly the kind that might appeal to college students—we will bring a Federal anti-dilution action.”

**What sections of the Lanham Act will Duke rely on in attempting to block registration? Will they succeed? If Wayne Enterprises attempts to market the bourbon, will Duke succeed in an anti-dilution action? Is the mark famous? Is there a likelihood of dilution? By blurring or by tarnishment?**



Image from the producers of Duke bourbon at <http://www.dukespirits.com/>

### 3.) “Cybersquatting” and “Cyberpiracy”

#### 1125(d) Cyberpiracy prevention

**(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—**

**(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and**

**(ii) registers, traffics in, or uses a domain name that—**

**(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;**

**(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or**

**(III) is a trademark, word, or name protected by reason of section 706 of title 18 or section 220506 of title 36.**

**(B)(i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—**

**(I) the trademark or other intellectual property rights of the person, if any, in the domain name;**

**(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;**

**(III) the person’s prior use, if any, of the domain name in**

connection with the bona fide offering of any goods or services;  
(IV) the person’s bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person’s intent to divert consumers from the mark owner’s online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person’s offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person’s prior conduct indicating a pattern of such conduct;

(VII) the person’s provision of material and misleading false contact information when applying for the registration of the domain name, the person’s intentional failure to maintain accurate contact information, or the person’s prior conduct indicating a pattern of such conduct;

(VIII) the person’s registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person’s domain name registration is or is not distinctive and famous within the meaning of subsection (c).

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant’s authorized licensee.

(E) As used in this paragraph, the term “traffics in” refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

## Notes

Section 1125(d), the so-called cyberpiracy or cybersquatting provision, is part of a continuing attempt by the courts and Congress to delineate the relationship between trademark law on the one hand and internet domain names on the other. What is the

internet's Domain Name System?

The Domain Name System (DNS) is a hierarchical distributed naming system for computers, services, or any resource connected to the Internet or a private network. It associates various [types of] information with domain names assigned to each of the participating entities. Most prominently, it translates easily memorized domain names to the numerical IP addresses needed for the purpose of locating computer services and devices worldwide. The Domain Name System is an essential component of the functionality of the Internet. An often-used analogy to explain the Domain Name System is that it serves as the phone book for the Internet by translating human-friendly computer hostnames into IP addresses. For example, the domain name `www.example.com` translates to the addresses `93.184.216.119` (IPv4) and `2606:2800:220:6d:26bf:1447:1097:aa7` (IPv6). Unlike a phone book, the DNS can be quickly updated, allowing a service's location on the network to change without affecting the end users, who continue to use the same host name. Users take advantage of this when they use meaningful Uniform Resource Locators (URLs), and e-mail addresses without having to know how the computer actually locates the services.<sup>1</sup>

Domain names are organized in subdomains of this DNS system. You are probably familiar with the suffixes indicating the top level domain names (TLD) such as `.com`, `.org`, `.edu` and so on. You may also know the country code top level domain names such as `.uk` and `.fr`. What happens when this domain name system meets trademark law? This is another of the central themes in this book—technological happenstance produces conflicts with a set of legal premises, conflicts that the law has to work out.

At the beginning of the trademark section we discussed the fact that trademark law does not convey ownership of a word. Bass for ale does not infringe Bass for electronics or circuit boards, nor is it infringed by bass fishing companies or those who want to teach you to play a bass guitar like Jaco Pastorius. (Not that anyone could.) The word bass is not “rivalrous” and trademark law does not seek to make it rivalrous, unless 1.) its use would cause a likelihood of confusion or 2.) in the case of famous marks, there would be blurring or tarnishment. But there is only one `bass.com`—the most desirable top level domain name. Who is to own it and what does trademark law say about that? (It is owned by Anheuser-Busch, as it turns out.) True, there are other top level domains and their suffixes offer some ability to segregate different types of activities just as non digital reality allows many uses of the word to coexist. For example, `.org` was originally reserved for non-profits, though it is now unrestricted. (`Bass.org` is devoted to a now defunct mailing list discussing playing the electronic bass.) `.edu` signifies educational activities, so you expect `duke.edu` to be different from `duke.com` (which at present carries an “under construction” message and points to sites selling Duke merchandise, among other things). `.xxx` is reserved for porn sites. `.gov` is reserved for government sites, so `Whitehouse.gov` will get you the White House web site, while `Whitehouse.com` will get you advertisements for Ukrainian dating sites (to use the most salubrious example there). And finally, the country level domain names such as `.uk` and `.fr` mean that a little of the *geographic* boundedness that trademark relied on (no one in Portugal knows Delta faucets, but they all know Delta coffee) can be restored. It should be noted, though, that there is no requirement that companies only use country level domain names pointing to their nation,

<sup>1</sup> “Domain Name System” [http://en.wikipedia.org/wiki/Domain\\_Name\\_System](http://en.wikipedia.org/wiki/Domain_Name_System) (as posted in July 2014).

and that many entities use the country domain names for reasons other than nationality. .tv is popular for television related sites, though it really signifies Tuvalu.

Despite the multiple uses made possible by the varied TLDs and CCTLDs (country-code top level domains) there is clearly a shortage of desirable domains for those businesses or activities that both use the same word. A body of law that presumes that a word is “rivalrous” only within the bounds of a type of commercial activity (because that is all the trademark covers) meets a technology where the use of the word is rival in a different way. One immediate problem (though hardly the only one) is that of “cybersquatting” or “cyberpiracy.” While the term is actually a broad one, as you can see from 1125(d), the core prohibition against cyberpiracy is aimed at a practice that was most prominent in the early days of the web. The cybersquatter is the person who buys up a domain name that a trademark owner might want and has not yet purchased. Often, he or she does not use the domain in commerce. (Doing *that* might have triggered conventional trademark liability, depending on what goods and services were being offered and whether they were similar to the trademark owner’s products.) Instead, he or she leaves the site with an “under construction” sign and offers it to the trademark owner at a price, generally a hefty price. 1125(d) was designed to deal with this problem.<sup>2</sup> But what is the nature of the “problem”?

### PROBLEM 9-2

John Wayne, Daddy Warbucks and Joe Dotcom all have interesting business opportunities—at different moments in history. Wayne reads the speeches of the politicians and believes that a transcontinental railroad must be coming soon. He pores over maps and realizes that there are certain geographical choke points, valleys through which the tracks must pass. Quietly, he starts buying up the land. He can do so for pennies, because it is unattractive and not very fertile. He has no intention of farming himself, he just waits for the railroad to come to town at which point he will confidently name a very high price. The cost of bypassing the valley would be even greater.

Years later, Warbucks is also keeping a close eye on the news. He believes that a new World War is about to break out. Knowing that aviation gasoline and various

<sup>2</sup> § 1125(d) is largely mirrored by an agreement called the UDRP (or Uniform Domain Name Dispute Resolution Policy) imposed by the Internet Corporation on Assigned Names and Numbers (ICANN). ICANN effectively runs the decentralized registrar system by which new websites are registered. Anyone registering a domain name with an ICANN sanctioned registrar must follow that agreement, which sets up an arbitration system to resolve domain name disputes. (The UDRP is included in the statutory supplement.)

All registrars must follow the Uniform Domain-Name Dispute-Resolution Policy (often referred to as the “UDRP”). Under the policy, most types of trademark-based domain-name disputes must be resolved by agreement, court action, or arbitration before a registrar will cancel, suspend, or transfer a domain name. Disputes alleged to arise from abusive registrations of domain names (for example, cybersquatting) may be addressed by expedited administrative proceedings that the holder of trademark rights initiates by filing a complaint with an approved dispute-resolution service provider. To invoke the policy, a trademark owner should either (a) file a complaint in a court of proper jurisdiction against the domain-name holder (or where appropriate an in-rem action concerning the domain name) or (b) in cases of abusive registration submit a complaint to an approved dispute-resolution service provider.

<https://www.icann.org/resources/pages/help/dndr/udrp-en> (last visited July 20, 2018). While trademark law provides the broad outlines of the rules, on a day-to-day basis, disputes are more likely to be settled in the cheaper and quicker arbitration system outlined in the UDRP. Yet the UDRP arbitrators will often consult the same principles that you are reading about in these trademark cases.

metals will be in high demand, he manages to corner a nice chunk of the market on them, buying “options” to purchase at a set price. He believes the prices will skyrocket and he will be able to flip his options to eager, even desperate, buyers. He has no intention of flying planes or smelting metal himself. He just wants to “bring the information to market” and make a lot of money doing so. He is proud of his “all-American” ingenuity in figuring out where the market is going.

Joe Dotcom is an early user of the internet. He believes this will be the future of commerce and speech and he thinks that incumbent industries will be slow to realize this. He goes on a spending spree, buying up Ford.com, Pfizer.com, CocaCola.com and many others. He has no intention of using the domains, he is simply “safeguarding them” he says. When the companies awake to the power of the internet, he will be ready with an offer to sell the domain. In the case of companies competing for the same domain, such as bass.com, he will propose a simple auction. For the others, he will propose that they ask themselves how much it is worth to have the correct domain name. He is sure they can agree on a price. And if they cannot, he is asked? Then the domain will not be transferred, the way it normally goes in a market if a willing buyer and a willing seller cannot agree to a price. “It is not as though anyone will be confused by the big ‘under construction’ notices that are currently the only thing on those pages,” he tells you.

**Are Warbucks and Wayne breaking the law? If not, why is Dotcom? What is he doing that is different from what they are doing? (This is not a rhetorical question; please list the differences.) How do the words *cyberpiracy* and *cybersquatting* morally frame the issue? What are the arguments that it is socially better (more efficient, more just) for him to be forbidden from this kind of activity and for the trademark owners to be given the legal right to compel transfer of the domains at no cost to them? Are you convinced?**

*Lamparello v. Falwell*  
420 F.3d 309 (4th Cir. 2005)



MOTZ, Circuit Judge.

Christopher Lamparello appeals the district court’s order enjoining him from maintaining a gripe website critical of Reverend Jerry Falwell. For the reasons stated below, we reverse.

## I.

Reverend Falwell is “a nationally known minister who has been active as a commentator on politics and public affairs.” *Hustler Magazine v. Falwell* (1988). He holds the common law trademarks “Jerry Falwell” and “Falwell,” and the registered trademark “Listen America with Jerry Falwell.” Jerry Falwell Ministries can be found online at “www.falwell.com,” a website which receives 9,000 hits (or visits) per day.

Lamparello registered the domain name “www.fallwell.com” on February 11, 1999, after hearing Reverend Falwell give an interview “in which he expressed opinions about gay people and homosexuality that [Lamparello] considered . . . offensive.” Lamparello created a website at that domain name to respond to what he believed were “untruths about gay people.” Lamparello’s website included headlines such as “Bible verses that Dr.

Falwell chooses to ignore” and “Jerry Falwell has been bearing false witness (Exodus 20:16) against his gay and lesbian neighbors for a long time.” The site also contained indepth criticism of Reverend Falwell’s views. For example, the website stated:

Dr. Falwell says that he is on the side of truth. He says that he will preach that homosexuality is a sin until the day he dies. But we believe that if the reverend were to take another thoughtful look at the scriptures, he would discover that they have been twisted around to support an anti-gay political agenda . . . at the expense of the gospel.

Although the interior pages of Lamparello’s website did not contain a disclaimer, the homepage prominently stated, “This website is NOT affiliated with Jerry Falwell or his ministry”; advised, “If you would like to visit Rev. Falwell’s website, you may click here”; and provided a hyperlink to Reverend Falwell’s website.

At one point, Lamparello’s website included a link to the Amazon.com webpage for a book that offered interpretations of the Bible that Lamparello favored, but the parties agree that Lamparello has never sold goods or services on his website. The parties also agree that “Lamparello’s domain name and web site at [www.fallwell.com](http://www.fallwell.com),” which received only 200 hits per day, “had no measurable impact on the quantity of visits to [Reverend Falwell’s] web site at [www.falwell.com](http://www.falwell.com).”

Nonetheless, Reverend Falwell sent Lamparello letters in October 2001 and June 2003 demanding that he cease and desist from using [www.fallwell.com](http://www.fallwell.com) or any variation of Reverend Falwell’s name as a domain name. Ultimately, Lamparello filed this action against Reverend Falwell and his ministries (collectively referred to hereinafter as “Reverend Falwell”), seeking a declaratory judgment of noninfringement. Reverend Falwell counter-claimed, alleging trademark infringement under 15 U.S.C. § 1114 (2000), false designation of origin under 15 U.S.C. § 1125(a), unfair competition under 15 U.S.C. § 1126 and the common law of Virginia, and cybersquatting under 15 U.S.C. § 1125(d).

The district court granted summary judgment to Reverend Falwell, enjoined Lamparello from using Reverend Falwell’s mark at [www.fallwell.com](http://www.fallwell.com), and required Lamparello to transfer the domain name to Reverend Falwell. However, the court denied Reverend Falwell’s request for statutory damages or attorney fees, reasoning that the “primary motive” of Lamparello’s website was “to put forth opinions on issues that were contrary to those of [Reverend Falwell]” and “not to take away monies or to profit.”

Lamparello appeals the district court’s order; Reverend Falwell cross-appeals the denial of statutory damages and attorney fees.

## II.

We first consider Reverend Falwell’s claims of trademark infringement and false designation of origin. . . .

Trademark law serves the important functions of protecting product identification, providing consumer information, and encouraging the production of quality goods and services. See *Qualitex Co. v. Jacobson Prods. Co.* (1995). But protections “‘against unfair competition’” cannot be transformed into “‘rights to control language.’” *CPC Int’l, Inc. v. Skippy Inc.* (4th Cir. 2000) (quoting Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 *Yale L.J.* 1687, 1710–11 (1999)). “Such a transformation” would raise serious First Amendment concerns because it would limit the ability to discuss the products or criticize the conduct of companies that may be of widespread public concern and importance. Much useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark.

Lamparello and his *amici* argue at length that application of the Lanham Act must be restricted to “commercial speech” to assure that trademark law does not become a tool for unconstitutional censorship. The Sixth Circuit has endorsed this view, see *Taubman Co. v. Webfeats* (6th Cir. 2003), and the Ninth Circuit recently has done so as well, see *Bosley Med. Inst., Inc. v. Kremer* (9th Cir. 2005).

In its two most significant recent amendments to the Lanham Act, the Federal Trademark Dilution Act of 1995 (“FTDA”) and the Anticybersquatting Consumer Protection Act of 1999 (“ACPA”), Congress left little doubt that it did not intend for trademark laws to impinge [on] the First Amendment rights of critics and commentators. The dilution statute applies to only a “commercial use in commerce of a mark,” 15 U.S.C. § 1125(c)(1), and explicitly states that the “[n]oncommercial use of a mark” is not actionable. § 1125(c)(4). Congress explained that this language was added to “adequately address[] legitimate First Amendment concerns,” and “incorporate[d] the concept of ‘commercial’ speech from the ‘commercial speech’ doctrine.” Similarly, Congress directed that in determining whether an individual has engaged in cybersquatting, the courts may consider whether the person’s use of the mark is a “bona fide noncommercial or fair use.” 15 U.S.C. § 1125(d)(1)(B)(i)(IV). The legislature believed this provision necessary to “protect[] the rights of Internet users and the interests of all Americans in free speech and protected uses of trademarked names for such things as parody, comment, criticism, comparative advertising, news reporting, etc.”

In contrast, the trademark infringement and false designation of origin provisions of the Lanham Act (Sections 32 and 43(a), respectively) do not employ the term “noncommercial.” They do state, however, that they pertain only to the use of a mark “in connection with the sale, offering for sale, distribution, or advertising of any goods or services,” 15 U.S.C. § 1114(1)(a), or “in connection with any goods or services,” § 1125(a)(1). But courts have been reluctant to define those terms narrowly. Rather, as the Second Circuit has explained, “[t]he term ‘services’ has been interpreted broadly” and so “[t]he Lanham Act has . . . been applied to defendants furnishing a wide variety of non-commercial public and civic benefits.” *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.* (2d Cir. 1997). Similarly, in *PETA* we noted that a website need not actually sell goods or services for the use of a mark in that site’s domain name to constitute a use “‘in connection with’ goods or services.” *PETA*; see also *Taubman Co.* (concluding that website with two links to websites of for-profit entities violated the Lanham Act).

Thus, even if we accepted Lamparello’s contention that Sections 32 and 43(a) of the Lanham Act apply only to commercial speech, we would still face the difficult question of what constitutes such speech under those provisions. In the case at hand, we need not resolve that question or determine whether Sections 32 and 43(a) apply exclusively to commercial speech because Reverend Falwell’s claims of trademark infringement and false designation fail for a more obvious reason. The hallmark of such claims is a likelihood of confusion—and there is no likelihood of confusion here.

### B. 1.

“[T]he use of a competitor’s mark that does not cause confusion as to source is permissible.” *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.* (7th Cir. 1996). Accordingly, Lamparello can only be liable for infringement and false designation if his use of Reverend Falwell’s mark would be likely to cause confusion as to the source of the website found at [www.fallwell.com](http://www.fallwell.com). This likelihood-of-confusion test “generally strikes a comfortable balance” between the First Amendment and the rights of markholders.

We have identified seven factors helpful in determining whether a likelihood of confusion exists as to the source of a work, but “not all these factors are always relevant or equally emphasized in each case.” *Pizzeria Uno Corp. v. Temple* (4th Cir. 1984) The factors are: “(a) the strength or distinctiveness of the mark; (b) the similarity of the two marks; (c) the similarity of the goods/services the marks identify; (d) the similarity of the facilities the two parties use in their businesses; (e) the similarity of the advertising used by the two parties; (f) the defendant’s intent; (g) actual confusion.”

Reverend Falwell’s mark is distinctive, and the domain name of Lamparello’s website, [www.fallwell.com](http://www.fallwell.com), closely resembles it. But, although Lamparello and Reverend Falwell employ similar marks online, Lamparello’s website looks nothing like Reverend Falwell’s; indeed, Lamparello has made no attempt to imitate Reverend Falwell’s website. Moreover, Reverend Falwell does not even argue that Lamparello’s website constitutes advertising or a facility for business, let alone a facility or advertising similar to that of Reverend Falwell. Furthermore, Lamparello clearly created his website intending only to provide a forum to criticize ideas, not to steal customers.

Most importantly, Reverend Falwell and Lamparello do not offer similar goods or services. Rather they offer opposing ideas and commentary. Reverend Falwell’s mark identifies his spiritual and political views; the website at [www.fallwell.com](http://www.fallwell.com) criticizes those very views. After even a quick glance at the content of the website at [www.fallwell.com](http://www.fallwell.com), no one seeking Reverend Falwell’s guidance would be misled by the domain name—[www.fallwell.com](http://www.fallwell.com)—into believing Reverend Falwell authorized the content of that website. No one would believe that Reverend Falwell sponsored a site criticizing himself, his positions, and his interpretations of the Bible.<sup>3</sup>

Finally, the fact that people contacted Reverend Falwell’s ministry to report that they found the content at [www.fallwell.com](http://www.fallwell.com) antithetical to Reverend Falwell’s views does not illustrate, as Reverend Falwell claims, that the website engendered actual confusion. To the contrary, the anecdotal evidence Reverend Falwell submitted shows that those searching for Reverend Falwell’s site and arriving instead at Lamparello’s site quickly realized that Reverend Falwell was not the source of the content therein.

For all of these reasons, it is clear that the undisputed record evidences no likelihood of confusion. In fact, Reverend Falwell even conceded at oral argument that those viewing the content of Lamparello’s website probably were unlikely to confuse Reverend Falwell with the source of that material.

## 2.

Nevertheless, Reverend Falwell argues that he is entitled to prevail under the “initial interest confusion” doctrine. This relatively new and sporadically applied doctrine holds that “the Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer’s, even if confusion as to the source of the goods is dispelled by the time any sales are consummated.” *Dorr-Oliver*. According to Reverend Falwell, this doctrine requires us to compare his mark with Lamparello’s website domain name, [www.fallwell.com](http://www.fallwell.com), without considering the content of Lamparello’s website. Reverend Falwell argues that some

---

<sup>3</sup> If Lamparello had neither criticized Reverend Falwell by name nor expressly rejected Reverend Falwell’s teachings, but instead simply had quoted Bible passages and offered interpretations of them subtly different from those of Reverend Falwell, this would be a different case. For, while a gripe site, or a website dedicated to criticism of the markholder, will seldom create a likelihood of confusion, a website purporting to be the official site of the markholder and, for example, articulating positions that could plausibly have come from the markholder may well create a likelihood of confusion.

people who misspell his name may go to [www.fallwell.com](http://www.fallwell.com) assuming it is his site, thus giving Lamparello an unearned audience—albeit one that quickly disappears when it realizes it has not reached Reverend Falwell's site. This argument fails for two reasons.

First, we have never adopted the initial interest confusion theory; rather, we have followed a very different mode of analysis, requiring courts to determine whether a likelihood of confusion exists by “examin[ing] the allegedly infringing use *in the context in which it is seen by the ordinary consumer.*” *Anheuser-Busch, Inc. v. L & L Wings, Inc.* (4th Cir. 1992).

Contrary to Reverend Falwell's arguments, we did not abandon this approach in *PETA*. Our inquiry in *PETA* was limited to whether Doughney's use of the domain name “[www.peta.org](http://www.peta.org)” constituted a successful enough parody of People for the Ethical Treatment of Animals that no one was likely to believe [www.peta.org](http://www.peta.org) was sponsored or endorsed by that organization. For a parody to be successful, it “must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original and is instead a parody.” *PETA*. Doughney argued that his domain name conveyed the first message (that it was PETA's website) and that the content of his website conveyed the requisite second message (that it was not PETA's site). Although “[t]he website's content ma[de] it clear that it [wa]s not related to PETA,” we concluded that the website's content could not convey the requisite second message because the site's content “[wa]s not conveyed simultaneously with the first message, [i.e., the domain name itself,] as required to be considered a parody.” Accordingly, we found the “district court properly rejected Doughney's parody defense.”

*PETA* simply outlines the parameters of the parody defense; it does not adopt the initial interest confusion theory or otherwise diminish the necessity of examining context when determining whether a likelihood of confusion exists. Indeed, in *PETA* itself, rather than embracing a new approach, we reiterated that “[t]o determine whether a likelihood of confusion exists, a court should not consider how closely a fragment of a given use duplicates the trademark, but must instead consider whether the use in its entirety creates a likelihood of confusion.” When dealing with domain names, this means a court must evaluate an allegedly infringing domain name in conjunction with the content of the website identified by the domain name.<sup>4</sup>

Moreover, even if we did endorse the initial interest confusion theory, that theory would not assist Reverend Falwell here because it provides no basis for liability in circumstances such as these. The few appellate courts that have followed the Ninth Circuit and imposed liability under this theory for using marks on the Internet have done so only in cases involving a factor utterly absent here—one business's use of another's mark for its own financial gain.

Profiting financially from initial interest confusion is thus a key element for imposition of liability under this theory.<sup>5</sup> When an alleged infringer does not compete

---

<sup>4</sup> Contrary to Reverend Falwell's suggestions, this rule does not change depending on how similar the domain name or title is to the mark. Hence, Reverend Falwell's assertion that he objects only to Lamparello using the domain name [www.fallwell.com](http://www.fallwell.com) and has no objection to Lamparello posting his criticisms at “[www.falwelliswrong.com](http://www.falwelliswrong.com),” or a similar domain name, does not entitle him to a different evaluation rule. Rather it has long been established that even when alleged infringers use the very marks at issue in titles, courts look to the underlying content to determine whether the titles create a likelihood of confusion as to source.

<sup>5</sup> Offline uses of marks found to cause actionable initial interest confusion also have involved financial gain. See *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 204 (5th Cir. 1998); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987). And even those courts recognizing the initial interest confusion theory of liability but finding no actionable initial confusion involved one business's use of another's mark for profit.

with the markholder for sales, “some initial confusion will not likely facilitate free riding on the goodwill of another mark, or otherwise harm the user claiming infringement. Where confusion has little or no meaningful effect in the marketplace, it is of little or no consequence in our analysis.” *Checkpoint Sys.* For this reason, even the Ninth Circuit has stated that a firm is not liable for using another’s mark in its domain name if it “could not financially capitalize on [a] misdirected consumer [looking for the markholder’s site] even if it so desired.” *Interstellar Starship Servs., Ltd. v. Epix, Inc.* (9th Cir. 2002).

This critical element—use of another firm’s mark to capture the markholder’s customers and profits—simply does not exist when the alleged infringer establishes a gripe site that criticizes the markholder. See Hannibal Travis, *The Battle For Mindshare: The Emerging Consensus that the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 Va. J.L. & Tech. 3, 85 (Winter 2005) (“The premise of the ‘initial interest’ confusion cases is that by using the plaintiff’s trademark to divert its customers, the defendant is engaging in the old ‘bait and switch.’ But because . . . Internet users who find [gripe sites] are not sold anything, the mark may be the ‘bait,’ but there is simply no ‘switch.’”).<sup>6</sup> Applying the initial interest confusion theory to gripe sites like Lamparello’s would enable the markholder to insulate himself from criticism—or at least to minimize access to it. We have already condemned such uses of the Lanham Act, stating that a markholder cannot “shield itself from criticism by forbidding the use of its name in commentaries critical of its conduct.” *CPC Int’l* (quoting *L.L. Bean, Inc. v. Drake Publishers, Inc.* (1st Cir. 1987)). “[J]ust because speech is critical of a corporation and its business practices is not a sufficient reason to enjoin the speech.”

In sum, even if we were to accept the initial interest confusion theory, that theory would not apply in the case at hand. Rather, to determine whether a likelihood of confusion exists as to the source of a gripe site like that at issue in this case, a court must look not only to the allegedly infringing domain name, but also to the underlying content of the website. When we do so here, it is clear, as explained above, that no likelihood of confusion exists. Therefore, the district court erred in granting Reverend Falwell summary judgment on his infringement, false designation, and unfair competition claims.

### III.

We evaluate Reverend Falwell’s cybersquatting claim separately because the elements of a cybersquatting violation differ from those of traditional Lanham Act violations. To prevail on a cybersquatting claim, Reverend Falwell must show that Lamparello: (1) “had a bad faith intent to profit from using the [www.fallwell.com] domain name,” and (2) the domain name www.fallwell.com “is identical or confusingly similar to, or dilutive of, the distinctive and famous [Falwell] mark.” *PETA* (citing 15 U.S.C. § 1125(d)(1)(A)).

---

<sup>6</sup> Although the appellate courts that have adopted the initial interest confusion theory have only applied it to profit-seeking uses of another’s mark, the district courts have not so limited the application of the theory. Without expressly referring to this theory, two frequently-discussed district court cases have held that using another’s domain name to post content antithetical to the markholder constitutes infringement. See *Planned Parenthood Fed’n of Am., Inc. v. Bucci*, No. 97 Civ. 0629, 1997 WL 133313 (S.D.N.Y. 1997), *aff’d*, 152 F.3d 920 (2d Cir. 1998) (table) (finding use of domain name “www.plannedparenthood.com” to provide links to passages of anti-abortion book constituted infringement); *Jews for Jesus v. Brodsky*, 993 F. Supp. 282 (D.N.J. 1998), *aff’d*, 159 F.3d 1351 (3d Cir. 1998) (table) (finding use of “www.jewsforjesus.org” to criticize religious group constituted infringement). We think both cases were wrongly decided to the extent that in determining whether the domain names were confusing, the courts did not consider whether the websites’ content would dispel any confusion. In expanding the initial interest confusion theory of liability, these cases cut it off from its moorings to the detriment of the First Amendment.

“The paradigmatic harm that the ACPA was enacted to eradicate” is “the practice of cybersquatters registering several hundred domain names in an effort to sell them to the legitimate owners of the mark.” *Lucas Nursery & Landscaping, Inc. v. Grosse* (6th Cir. 2004). The Act was also intended to stop the registration of multiple marks with the hope of selling them to the highest bidder, “distinctive marks to defraud consumers” or “to engage in counterfeiting activities,” and “well-known marks to prey on consumer confusion by misusing the domain name to divert customers from the mark owner’s site to the cybersquatter’s own site, many of which are pornography sites that derive advertising revenue based on the number of visits, or ‘hits,’ the site receives.” The Act was not intended to prevent “noncommercial uses of a mark, such as for comment, criticism, parody, news reporting, etc.,” and thus they “are beyond the scope” of the ACPA.

To distinguish abusive domain name registrations from legitimate ones, the ACPA directs courts to consider nine nonexhaustive factors. . . . [These statutory factors are listed at the beginning of this section on page 254.]

These factors attempt “to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others’ marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc.” H.R.Rep. No. 106-412. “The first four [factors] suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of a mark, and the others suggest circumstances that may tend to indicate that such bad-faith intent exists.” However, “[t]here is no simple formula for evaluating and weighing these factors. For example, courts do not simply count up which party has more factors in its favor after the evidence is in.” *Harrods Ltd. v. Sixty Internet Domain Names* (4th Cir. 2002). In fact, because use of these listed factors is permissive, “[w]e need not . . . march through” them all in every case. *Virtual Works, Inc. v. Volkswagen of Am., Inc.* (4th Cir. 2001). “The factors are given to courts as a guide, not as a substitute for careful thinking about whether the conduct at issue is motivated by a bad faith intent to profit.” *Lucas Nursery & Landscaping*.

After close examination of the undisputed facts involved in this case, we can only conclude that Reverend Falwell cannot demonstrate that Lamparello “had a bad faith intent to profit from using the [www.fallwell.com] domain name.” Lamparello clearly employed www.fallwell.com simply to criticize Reverend Falwell’s views. Factor IV of the ACPA, 15 U.S.C. § 1125(d)(1)(B)(i)(IV), counsels against finding a bad faith intent to profit in such circumstances because “use of a domain name for purposes of . . . comment, [and] criticism,” constitutes a “bona fide noncommercial or fair use” under the statute, 15 U.S.C. § 1125(d)(1)(B)(i)(IV).<sup>7</sup> That Lamparello provided a link to an Amazon.com webpage selling a book he favored does not diminish the communicative function of his website. The use of a domain name to engage in criticism or commentary “even where done for profit” does not alone evidence a bad faith intent to profit, and Lamparello did not even stand to gain financially from sales of the book at Amazon.com.

---

<sup>7</sup> We note that factor IV does not protect a *faux* noncommercial site, that is, a noncommercial site created by the registrant for the sole purpose of avoiding liability under the FTDA, which exempts noncommercial uses of marks, see 15 U.S.C. § 1125(c)(4)(B), or under the ACPA. As explained by the Senate Report discussing the ACPA, an individual cannot avoid liability for registering and attempting to sell a hundred domain names incorporating famous marks by posting noncommercial content at those domain names. See S.Rep. No. 106-140, 1999 WL 594571, at \*14 (citing *Panavision Int’l v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998)). But Lamparello’s sole purpose for registering www.fallwell.com was to criticize Reverend Falwell, and this noncommercial use was not a ruse to avoid liability. Therefore, factor IV indicates that Lamparello did not have a bad faith intent to profit.

Thus factor IV weighs heavily in favor of finding Lamparello lacked a bad faith intent to profit from the use of the domain name.

Equally important, Lamparello has not engaged in the type of conduct described in the statutory factors as typifying the bad faith intent to profit essential to a successful cybersquatting claim. First, we have already held, *supra* Part II.B, that Lamparello’s domain name does not create a likelihood of confusion as to source or affiliation. Accordingly, Lamparello has not engaged in the type of conduct—“creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site,” 15 U.S.C. § 1125(d)(1)(B)(i)(V)—described as an indicator of a bad faith intent to profit in factor V of the statute.

Factors VI and VIII also counsel against finding a bad faith intent to profit here. Lamparello has made no attempt—or even indicated a willingness—“to transfer, sell, or otherwise assign the domain name to [Reverend Falwell] or any third party for financial gain.” 15 U.S.C. § 1125(d)(1)(B)(i)(VI). Similarly, Lamparello has not registered “multiple domain names,” 15 U.S.C. § 1125(d)(1)(B)(i)(VIII); rather, the record indicates he has registered only one. Thus, Lamparello’s conduct is not of the suspect variety described in factors VI and VIII of the Act.

Notably, the case at hand differs markedly from those in which the courts have found a bad faith intent to profit from domain names used for websites engaged in political commentary or parody. For example, in *PETA* we found the registrant of [www.peta.org](http://www.peta.org) engaged in cybersquatting because [www.peta.org](http://www.peta.org) was one of fifty to sixty domain names Doughney had registered, *PETA*, and because Doughney had evidenced a clear intent to sell [www.peta.org](http://www.peta.org) to PETA, stating that PETA should try to “‘settle’ with him and ‘make him an offer.’” Similarly, in *Coca-Cola Co. v. Purdy* (8th Cir. 2004), the Eighth Circuit found an anti-abortion activist who had registered domain names incorporating famous marks such as “Washington Post” liable for cybersquatting because he had registered almost seventy domain names, had offered to stop using the *Washington Post* mark if the newspaper published an opinion piece by him on its editorial page, and posted content that created a likelihood of confusion as to whether the famous markholders sponsored the anti-abortion sites and “ha[d] taken positions on hotly contested issues.” In contrast, Lamparello did not register multiple domain names, he did not offer to transfer them for valuable consideration, and he did not create a likelihood of confusion.

Instead, Lamparello, like the plaintiffs in two cases recently decided by the Fifth and Sixth Circuits, created a gripe site. Both courts expressly refused to find that gripe sites located at domain names nearly identical to the marks at issue violated the ACPA. In *TMI, Inc. v. Maxwell* (5th Cir. 2004), Joseph Maxwell, a customer of homebuilder TMI, registered the domain name “[www.trendmakerhome.com](http://www.trendmakerhome.com),” which differed by only one letter from TMI’s mark, TrendMaker Homes, and its domain name, “[www.trendmakerhomes.com](http://www.trendmakerhomes.com).” Maxwell used the site to complain about his experience with TMI and to list the name of a contractor whose work pleased him. After his registration expired, Maxwell registered “[www.trendmakerhome.info](http://www.trendmakerhome.info).” TMI then sued, alleging cybersquatting. The Fifth Circuit reversed the district court’s finding that Maxwell violated the ACPA, reasoning that his site was noncommercial and designed only “to inform potential customers about a negative experience with the company.”

Similarly, in *Lucas Nursery & Landscaping*, a customer of Lucas Nursery registered the domain name “[www.lucasnursery.com](http://www.lucasnursery.com)” and posted her dissatisfaction with the company’s landscaping services. Because the registrant, Grosse, like Lamparello, registered a single domain name, the Sixth Circuit concluded that her conduct did not constitute that which Congress intended to proscribe—i.e., the registration of multiple

domain names. *Lucas Nursery & Landscaping*. Noting that Grosse's gripe site did not create any confusion as to sponsorship and that she had never attempted to sell the domain name to the markholder, the court found that Grosse's conduct was not actionable under the ACPA. The court explained: "One of the ACPA's main objectives is the protection of consumers from slick internet peddlers who trade on the names and reputations of established brands. The practice of informing fellow consumers of one's experience with a particular service provider is surely not inconsistent with this ideal."

Like Maxwell and Grosse before him, Lamparello has not evidenced a bad faith intent to profit under the ACPA. To the contrary, he has used [www.fallwell.com](http://www.fallwell.com) to engage in the type of "comment[] [and] criticism" that Congress specifically stated militates against a finding of bad faith intent to profit. And he has neither registered multiple domain names nor attempted to transfer [www.fallwell.com](http://www.fallwell.com) for valuable consideration. We agree with the Fifth and Sixth Circuits that, given these circumstances, the use of a mark in a domain name for a gripe site criticizing the markholder does not constitute cybersquatting.

#### IV.

For the foregoing reasons, Lamparello, rather than Reverend Falwell, is entitled to summary judgment on all counts. Accordingly, the judgment of the district court is reversed and the case is remanded for entry of judgment for Lamparello.  
REVERSED AND REMANDED.

#### PROBLEM 9-3

*Lamparello* is from the 4th Circuit, the same Circuit that decided *PETA* (excerpted in Chapter 7). **Are the two cases consistent?** In your answer you should first offer the strongest reasons that they are not—listing arguments, decisions on points of law, legal definitions, or jurisprudential approaches towards trademark that you think make the two decisions inconsistent, not just as a matter of law, but as a matter of trademark philosophy. Then you should make the strongest counter arguments. In particular, you should list the distinguishing features between the two cases that actually show that the decisions—though one favors plaintiff and one defendant—are consistent. **Which side of the debate do you think is stronger, and why? To the extent you do think the cases represent diverging views, with which do you agree, and why?**