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MICHAEL H. BANIAK* & MATTHEW SAG**

MR. O'DONOVAN: Hello, and welcome to our afternoon panels. My name is Colin O'Donovan, and I'm the incoming Editor in Chief of the Journal. Our next panel is going to be really exciting. It's "Trademark in the Days of the Internet," specifically "The Google Influence."

PROFESSOR SAG: "Trademark and Copyright."

MR. O'DONOVAN: "Trademark and Copyright," that's correct.

PROFESSOR BANIAK: This is where things start to get really sexy now.

MR. O'DONOVAN: And, obviously, to lead us off with this discussion, we have two leaders in the field. Matthew Sag is a Professor of Law at DePaul University here in Chicago, and he's really—if you were here in the morning conference, he's really got an international perspective. Prior to his academic career, he practiced intellectual property as an attorney in the United Kingdom with Arnold & Porter, and he earned his law degree with honors from the Australian National University, and he clerked for Justice Paul Finn of the Federal Court of Australia.

PROFESSOR BANIAK: He has a much better accent than I do.

MR. O'DONOVAN: Professor Sag's research focuses on the law and economics of intellectual property, and his recent publications include the California Law Review and a piece in the Northwestern Law Review entitled "Copyright and Copy-reliant Technology." Obviously, intellectual property is essentially information and information that's been transmitted more easily with the growth of the Internet, and at the center has been Google. And also with us who we will have talking about that is going to be Professor Michael Baniak, and he has more than twenty-five years of experience in the field of intellectual property. As a trial attorney, he has been involved in over 150 lawsuits. Recent patent infringement cases involved music subscription services, bone prostheses and telecommunications. Professor Baniak has counseled an international array of clients regarding copyright and trademark litigation. And additionally, in his spare time, he does find time to teach classes here at Northwestern. So anybody who is a 1L or 2L who has suggestions for a patent or copyright class, feel free to let him know. So with that, we'll get it started. Professor Baniak, would you like to begin?

PROFESSOR BANIAK: No. I'll defer to Professor Sag. Go ahead.

PROFESSOR SAG: All right. So we tossed a mental coin and decided that we would talk about trademark first. And I think the overarching feature of Google's influence on copyright and trademark law is essentially that with Google leading the way,
in many respects in new business practices, that the law is also being driven as people react to what Google is doing. I think the first big reaction that we’d like to talk about is the use of keyword advertising, which definitely predates Google, but Google is the company who most effectively monetized it. It is the core of their billions of dollars in revenue every year. And keyword advertising is thought to be all well and good except when trademark owners object to Google using their trademarks as a keyword to generate advertisement for their competitors. There have been a number of lawsuits against Google and other companies such as Yahoo with respect to various forms of keyword advertising, and this issue has gone around and around in the Ninth Circuit and the Second Circuit. And it looks like we may finally have a little bit more clarity from the Second Circuit finally, although even that’s perhaps not so clear.

PROFESSOR BANIAK: How many of you are actually familiar with the Rescuecom case that we have up there? I’m seeing many nods left and right but not many up and down. We can talk—let’s talk a little bit about that so you have some context of what we’re dealing with. You know, for example, we have this gentleman over here (indicating), and he has a Pepsi. May I borrow this can of pop as an example?

Okay. "Diet Pepsi," obviously, the trademark that we’re dealing with here. Well, if you go to Google, Google would be happy to sell that mark in its Google ads to Pepsi or to Coke, Coca-Cola, so Coca-Cola could buy that trademark. Therefore, when you would go to your Google search and you put in "Coke," up would pop a Pepsi ad next to that; in fact, maybe quite prominently, depending on how much was paid for to use that ad, Google would put you in a place of prominence on there. So that’s kind of what was going on in the Rescuecom case, which is in the Second Circuit; and the Second Circuit kind of went off on their own in terms of the direction that they took with respect to, is this a trademark infringement or not versus, for example, the Ninth Circuit and some other circuits which more or less kind of went in a different direction. Back to you.

PROFESSOR SAG: Right. So if we can go to the next slide.

PROFESSOR BANIAK: Sure.

PROFESSOR SAG: The basic trademark liability provision is featured up here on the whiteboard. Essentially, what the Lanham Act says is that if you use a trademark in connection with goods or services in commerce and that use causes confusion, then you will be liable. Where the cases have been bouncing around for the past—probably, I would say, for the past five years or so, is the question of whether use in commerce is just about attracting federal jurisdiction for the purposes of the commerce clause, or is it a substantive threshold that means that you can dismiss a case on summary judgment without ever having to get to the question of the likelihood of confusion. And so Google’s preferred legal position is simply this. If we take your trademark and we sell it to your competitor such that when someone searches for your trademark, your competitor’s ad pops up on a side screen or a separate screen or in a "Sponsored Links" banner, et cetera, the Court never gets to the question of confusion because that’s just not a use of a trademark as a trademark. That’s essentially what Google would like the law to be.

Some District Courts have found that this is the law, and the Ninth Circuit has rejected this view in a case called Geico where it was the Geico Insurance Company suing Google for keyword advertising. The Second Circuit embraced this view wholeheartedly in 1-800-CONTACTS, a case where 1-800-CONTACTS was the
Plaintiff, and their advertising was being—so their key—their trademark was sold as a keyword to a rival seller of contact lenses. Then the Second Circuit came along in Rescuecom and, I think, substantially revised the rules yet again.

PROFESSOR BANIAK: That's right. So what we're dealing with in terms of liability for trademark infringement—and this is how the Circuits were looking at it. You know, we're dealing with a connection with any goods or services, okay? Break that out. A connection that's being used. This is a use in connection with goods or services by Google when it has just sold somebody's trademark. Is that a use in commerce? So the question is: Is that even a trademarked use, as we call it, and is that in commerce? So this is how it was kind of breaking down as between the Circuits. And then we've got—I got this reversed. 1-800 should be at the bottom, and Geico should be at the top. So remember that when you come back. I'm just being a little dyslexic here.

PROFESSOR SAG: Yes. I think the important thing to recognize here is that the argument that Google is pursuing here—and it's not just Google, it's all the major Internet companies who sell advertising—is, they don't want to be liable every time they sell a trademark as a keyword, and they don't want to have to prove or defend against an accusation that they were causing confusion. Their position, I think you could fairly put it as, is that consumers are intelligent. They understand when they use the Internet that the things that come up as ads aren't the same as the thing that we're searching for. They understand that the things that come up in the "Sponsored Links" bar are not sponsored by the trademark owner; that they are, in fact, ads served up by Google.

There is an interesting empirical question there, and it is: Are consumers actually that smart? Do they really understand this? But there's also an interesting normative question, which is: Well, even if they're not that smart today, if we let the system play out, will consumers will adapt? Consumers will learn, and they all will. Even if they're confused in the sort of nascent emerging Internet market, that as they become more sophisticated, they will realize that there is a distinction to be drawn here.

PROFESSOR BANIAK: Part of the problem, and this is from the nature of the technology itself, is that this usage—it is called a usage of the party's trademark—is never seen. Really, it doesn't show up. When you do that search, whatever Google has done with respect to that trademark is not going to show up on the screen itself. So you, as the consumer, don't see that; and that is just very untraditional in the sense of how we deal with trademark infringement and we deal with, you know, well, someone else—so you see the mark. You visually observe these things. You see that usage; ergo, you know, then you can make a decision as to whether there is a likelihood of confusion. Here, that all happens internally, and that's the same thing that goes on where you have, meta tags, for example, metadata where that is key to someone's trademark, tradename or whatever. And things are happening as a result of a user putting in an input, and that meta—that keys something in the metadata, and then out pops a result.

That was kind of the 1-800 scenario where the Second Circuit did this analysis, where they said, okay, we're going to break this into three elements. We're going to look at it from the standpoint of use, not use in commerce, but just use. Is there a trademark use? If no, stop. Is this in commerce, meaning is whatever Google is doing, is that actually in commerce because it's all going on inside of a computer. So are they actually using a trademark in commerce? And, third, you know, all right, let's get to the question
of is there a likelihood of confusion. So, again, that was—do you want to comment a little on the 1-800 case and how that came out?

¶21 PROFESSOR SAG: I think we can probably just jump straight to Rescuecom.

¶22 PROFESSOR BANIAK: That's fine.

¶23 PROFESSOR SAG: So in Rescuecom, the Second Circuit very patiently went through the legislative history of the definition of "use in commerce" that you'll find in the Lanham Act, and they concluded what trademark scholars and most trademark attorneys, quite frankly, have been saying for some time, which is that this section was never intended to operate as a limit on what was actionable infringement, that this section is all about what counts for use for establishing trademark rights in the first place. Not only did they essentially say that their Second Circuit colleagues in 1-800 had just misinterpreted the Act, but there's actually a footnote in the Rescuecom case that says "and we ran this legislative history past the panel in 1-800, and they essentially agreed that we're correct," which is something I've never seen in a judgment before. I think it's a very strong signal from the Second Circuit that they have done a total about-face on use in commerce and that it is no longer there, at least, a threshold requirement. It's a decision that's primarily based on what the Act says. But the Second Circuit took a strong policy view that, no, if there really is confusion, then you can't play these games to immunize yourself from liability. I think that Google's position is that, you know, we're not playing games to avoid liability. We're trying to get these cases dismissed in summary judgment because, ultimately, they have no merit, and we shouldn't be forced to litigate this through a jury trial.

¶24 Now, what's really interesting is, after fighting for six years this litigation, Rescuecom today has dismissed their action voluntarily. After seemingly having won in the Second Circuit, they dismissed the action, so we'll never get the likelihood of confusion analysis. And they argued that they dismissed their action because Google has now changed its policy, and it doesn't specifically target trademarks to sell through ad words, but Google made that change a long time ago. It doesn't really ring true. The alternative explanation is to note that Rescuecom is now a defendant in one of these keyword advertising cases. Rescuecom runs a computer repair service. They are the less-well-known computer repair service. They bought the keyword for the much-better-known Geek Squad, such that when you type in "Geek Squad" into your search engine, you get an ad for Rescuecom, showing you that there's an alternative. And many people think that this is actually a useful feature of the way the Internet works these days and that not all this keyword advertising is an attempt to free-ride off the brand or actually to deceive consumers; that, rather, it's a way of offering consumers choices when they search through brands, as they often do. So we have had quite a turnout.

¶25 PROFESSOR BANIAK: That's right. Apparently, Rescuecom is of the opinion of, all right, never mind now, after doing this. What we see happened in the Rescuecom case is that Rescuecom went over to the other side of the equation that basically other Circuits had adopted, which was to look at it from the standpoint of likelihood of confusion under the Lanham Act up there. You know, is there a likelihood of confusion that is at the end of, basically, the analysis. And they said if there's a likelihood of confusion that results, well, then, there must be a use in commerce. And you sort of—you see that in a footnote that comes out of the Rescuecom case where you see this is where the Court's rationale is coming from now. And I've highlighted at the very end—you know, they work through
this, and they say, well, yes, if people could be confused, you know, you put in "Coke," and a Pepsi ad pops up, then isn't that going to result in some confusion of the consumer there? If that's the case, then this must be a use in commerce. And the criticism of that is, well, perhaps you're putting the cart before the horse here. You know, you've gone to the likelihood of confusion, and from that, you're backing up and saying, there must be something, you know, from the O.J. trial, something wrong here. (Laughter.)

PROFESSOR BANIAK: And then, that's what that last line says. Well, yes, this must be actionable because it does provoke confusion, or at least the potential of it. And we haven't gotten that far in any of these cases yet, to my knowledge.

PROFESSOR SAG: No. And, I mean, none of these cases have been decided on the merits. That's the interesting thing. So I think we had some questions.

PROFESSOR BANIAK: All righty on this?

MR. NARAYEN: I had two questions. Going back a little bit to the other two prongs of this Section 43, is it Google's position that it is not commerce because a transaction is occurring between the search engine and the Internet user, so during the search, if it is not commercial in nature, there's no—typically no money changing hands when someone searches using Google? Is that their position, that it's not commercial—it's not a use in commerce because it's not commercial?

PROFESSOR SAG: No. It's more the "use" part that they focus on than the "in commerce" part. It's very difficult to say this is not taking place in commerce. Google argues that they're not using—they're physically using the trademark. They use it as a—literally, in a lookup file, if a search term equals this, then, yes, these things happen, so it's used in that way. But it's not used in the sense of attached to a Google service. It's not generally visible or perceptible to consumers, and so they would argue that it's not used as a trademark. And what the Court said in the 1-800 case, they pretty much said that any invisible use is no use at all. It's akin to private thoughts inside your mind. So it's not so much on the commerce point, it's about the use. It's taking the word "use," and it's saying, "use" means something quite special. And they get that from the definition in the Lanham Act, where it defines "use in commerce" as a phrase and talks about things being attached, et cetera, et cetera. But, I mean, we can go on this for some length. The statutory construction is erroneous, I think.

PROFESSOR BANIAK: It becomes kind of metaphysical, to answer your question in a sort of vague and obtuse way, in the sense that, you know, the "use" and "in commerce" sort of collapse, and the Courts look at it and say, well, the use is actually going on inside of this computer here, and nobody sees it, so is that in commerce, let alone a trademark usage, as we have come to understand trademark usage?

MR. NARAYEN: It's funny, because you keep saying "trademark," but that doesn't appear in Section 43. It just says any mark, term—or any term, name, symbol or device, right? So how do they get around that? They say, well, we're not using it as a trademark, but the trademark doesn't appear because they don't have to use the trademark to be liable, I mean, as I understand it. It's just a word they are using as a word. I'm just curious how they have gotten around that.

PROFESSOR SAG: What the argument does is, it takes these words, "uses in commerce," and it goes to the "Definitions" section of the Act. In the definition of the Act, it says what a "use in commerce" is in relation to a goods market, in relation to a service mark. Now, in relation to a goods mark, it looks like there's a plausible textual
argument to say that it means taking a trademark and placing it on a good or putting it near a good and having it associated with a good in the minds of the consumer. But if you look at the subsection on services, it clearly talks about just using the mark. So just on the text of the Act, it doesn't really make sense. But if you want to understand how they get from A to B, they take "use in commerce," and they look up the definition of the Act but it's a badly drafted statute. No one disagrees with that.

¶34 PROFESSOR BANIAK: We call it the Trademark Act, so that's where the trademark comes from.

¶35 PROFESSOR SAG: But that's how they get there.

¶36 PROFESSOR BANIAK: To visualize for yourself what is just sort of going on here in terms of the infringement, imagine you go into a restaurant, okay? You go into a restaurant, and you look up, and you see that they have Coke; and you say, "Hey, give me a Coke, please." You sit down, and they deliver you a cola beverage. Well, that cola beverage is, in fact, Pepsi, or the cola beverage is, in fact, something that they bought in Jewel-Osco, and it isn't Coke. So there you have a situation where you say, oh, that's classic trademark infringement. I asked—the consumer asks for a Coke and gets something else, gets Pepsi. And, believe me, Pepsi and Coke go around the countryside to make sure that when you order Coke, you get a Coke and not some other kind of cola beverage for what you ask for. Well, more or less, isn't that what's going on here where you put in the word "Coke," and up comes a Pepsi ad in its place. So it's the same concept of confusion that's being generated there, and that's why people are thinking, well, shouldn't this be actionable if that is what is going on, regardless of what's happening in the computer?

¶37 PROFESSOR SAG: I think we have some responses to your question.

¶38 AN AUDIENCE MEMBER: But isn't it a bit different? I mean, if you type in "Coke," you're not necessarily only getting Pepsi. You're getting Coke and Pepsi. And so in that—they're not just giving you Pepsi. And it would seem—I'm not necessarily disagreeing with your guys' argument, but—

¶39 PROFESSOR BANIAK: You're welcome. And he may abandon me on this in his analogy.

¶40 PROFESSOR SAG: Oh, I'm about to. (Laughter.)

¶41 AN AUDIENCE MEMBER: But they are giving you more information than you asked for, and the consumer—the Internet searcher has the choice, do I want to pursue these other avenues, or don't I? And so, like, there's this idea, do I want to be a more informed consumer.

¶42 PROFESSOR BANIAK: Right.

¶43 PROFESSOR SAG: So I think the counter-story that Google's lawyers would tell here is that it's not a case of substituting one product for another. This is exactly what happens when you go to the supermarket and you say, "Where is your Coke?" And they say, "Aisle 4." You walk down aisle 4 and, lo and behold, there's generic cola, there's Coca-Cola, there's Pepsi, there's lemonade, there's mineral water. And what Google says here—I think in many cases with a lot of credibility is, this is not confusion. This is choice. And—

¶44 PROFESSOR BANIAK: Product placement.

¶45 PROFESSOR SAG: Yes. One of the things that's really interesting about the court's decision in Rescuecom is that in their brief and in argument, Google's lawyers
said, "Look. This is just the same as product placement," and no one doubts that product
placement is anything but immune from trademark infringement liability. So the Second
Circuit kicks them over on that one as well. It says, we have never said that product
placement is kosher here, and product placement could cause confusion. And if it does,
then there could be an action for trademark infringement. You can imagine the
Supermarket Association of America went wild when they heard that because they make
a lot of money from product placement. You know, like Google, they charge slotting
fees to place less-known brands with better-known brands, and they charge—they're very
scientific in how they carve out that real estate. So the Court agreed that the analogy was
correct. They just didn't think that it inevitably meant Google had to win. In fact, it
might mean the supermarkets lose.

¶46

PROFESSOR BANIAK: To modify my analogy further, then what is happening
is, if Google sells you that prominent space, for example, not just something that's a pop-
up on the side, but it looks like the first result of your search, and you put in "Coke" and
out comes "Pepsi," it's almost akin in my mind to that service person who comes to you
and gives you that cola beverage and shoves the Pepsi out in front. And then, well, yes,
maybe Coke is back here in line, but that was shoved out there, and that's the one that you
grab because it looks like what you ordered. Now, we have a question over here.

¶47

AN AUDIENCE MEMBER: Yes. But in the Google situation, I know it hasn't
been addressed by the Courts, but if there's a Pepsi ad that pops up when you put in
"Coke" or, vice versa, a Coke ad that pops up when you put in "Pepsi," does the customer
really think that that Pepsi ad is for Coke? So is there really likely cause of confusion—or
likely to cause confusion?

¶48

PROFESSOR BANIAK: That's where we haven't gotten yet.

¶49

PROFESSOR SAG: Yes. The result of the Rescuecom decision is, we actually
need to go and find out the answer to that question, which trademark owners will say is a
good thing because they should be allowed to have their day in court and have these
things assessed on the merits. And Internet companies would say it's a terrible thing
because they say we're going to win these cases in the long run, it's now just more time-
consuming and more expensive because Google maintains that no one could ever be
confused by the advertising that appears on their website, that it's very clear that
sponsored links are not the same as organic search results. As a matter of fact, we need
evidence. We need the kind of evidence that will stand up in court, so we need
sophisticated studies of consumers and experiments. And I think—I mean, I virtually
grew up on the Internet. I know those of you who are students here really did grow up on
the Internet. You're probably much more sophisticated than people using the Internet
who I'd say are twenty or thirty years older than you. It could depend product by product,
and that's what Google really wants to avoid, and now they're stuck with.

¶50

PROFESSOR BANIAK: And what we may be seeing, for example, with
Rescuecom is, you know, all right, it's going to be hard to prove that likelihood of
confusion prong, and expensive, probably, because the way that we typically do that is
through surveys. And you go out, and you've got to spend a lot of money to—"a lot of
money" being maybe 50,000 to $75,000 minimum to come up with a survey that we hope
will support your position if you're the plaintiff. And what are you going to get at the end
of the day, you know? All right. Fine. If I can prove that likelihood of confusion,
maybe I can get an injunction. Am I going to get damages? That's even going to be
harder to prove. What are my damages as a result of that? Or they might just punt, you know. I've done what I wanted to do at the Second Circuit. I've proven that at least I've got a case, and now, I'd rather buy the Geek Squad mark.

AN AUDIENCE MEMBER: That's true.

PROFESSOR BANIAK: Get out.

AN AUDIENCE MEMBER: You can play the game that way also. I'll play, too.

PROFESSOR BANIAK: Exactly. Exactly. So, all right. Just for a little transition, we can take some more questions. Google, of course, is becoming a victim of its own success in the trademark world. And the Google trademark now, some value that as even greater, in terms of what its valuation is, than Coca-Cola, in the Coke market, which has always been kind of the standard. Coca-Cola is worth $24 billion or whatever. Well, the Google mark now is considered to be even higher in terms of its intrinsic value. So what do we see out there now? We see products such as this Bounty-like paper towels with the Google trademark. And these are real products. Now, they may not be sold in the United States. I think this one was out of Turkey. So we have Google being used on that. We have Google For Men in terms of a cologne. (Laughter.)

PROFESSOR BANIAK: The Google Fashion, and I think this one came out of Indonesia. And here's a search engine that has been put together which is actually called "Elgoog," all right? You put your search term in backwards and then get your search results that come out frontwards, essentially. But there's another—there's a usage out there in the world right now of somebody who has taken that and just made a mirror image of the Google mark. So Google isn't necessarily all that happy with this. And, in fact, I just saw a lawsuit that Google filed against someone recently for infringing on the Google mark. So I think at this stage now, we're going to transition. We'll take another question and then we'll transition into the kind of copyright stage of today's program.

AN AUDIENCE MEMBER: Now, when you're talking about Google or every—other very well-known marks like Coke or McDonald's or something, they're handled differently than the name on my company would be because of their recognition in society, right? So does that affect these cases? In other words, if it wasn't a well-known mark like Google or Coke or Pepsi or something like that but was the name of my company, which is not a well-known recognized mark?

PROFESSOR SAG: Yes. The scope of a trademark infringement increases dramatically as the fame of the brand increases. So most trademarks that are used really only get protection for the way in which they're used because if the consumer sees them on a totally different product, they're not going to think that it's the same company. But for the large iconic brands, there's the view that consumers are so used to brand extension, they're so used to having a Nike wristwatch as well as Nike sporting gear and Coca-Cola fashion items as well as a drink that pretty much any use is going to be found to be infringing.

PROFESSOR BANIAK: And what this gentleman is referring to is, under our trademark laws, not too long ago, we established a level of kind of—we call them "super trademarks" which have an even greater range in terms of what we would look at for purposes of is there going to be a likelihood of confusion. So don't be out there using the mark Whirlpool, for example, on just about anything because that's an extremely well-known mark. And Whirlpool, the owner of that mark, is going to be able to assert rights against just about anybody who wants to put "Whirlpool" on chairs because of the fact
that now that mark is so well-known, if it's on a chair, is there going to be an association made between Whirlpool and the chair, the company that manufactures washing machines and chairs.

¶59
The same thing at McDonald's. If you see golden arches on anything, McDonald's is going to be all over you on that. So don't put McDonald's golden arches on a pair of shoes, for instance. Major League Baseball, for example, also has marks that it enforces. And it is an entity, like the NFL, which I have also been up against. The NFL actually doesn't care whether it really has trademark rights or any copyright rights to speak of. It will enforce that mark against you, period, because it is Major League Baseball, and the same with the NFL. So, for example, you go to a restaurant or a bar, and the bar says, "Hey, you know, we're gonna hold a Super Bowl party." Well, the NFL comes in and says, "No, you're not. That's our—you know, we have rights in that." The bar says, "No. It's the Super Bowl. I get to advertise. I'm not using a trademark usage. I'm just saying we're going to put the Super Bowl up." "No, you're not." So they extend their rights just because of, basically, the clout that they have. We recognize those rights and entities that actually do have the super trademark ability. But we digress.

¶60
AN AUDIENCE MEMBER: There are cases where, like, there's these domain name cases where I think they basically said if you take, like, Walmart's canvas socks, right, and they say there's no confusion because once you're there, you know that it's not Walmart. Isn't that a fact? So if you see—even if the link doesn't say—if you search for "Pepsi," the link doesn't say "Coke," it just says "cool, refreshing soft drink," once you click it, you know that you're not at the Pepsi site and so, therefore, wouldn't the confusion analysis happen at the site and not at the link?

¶61
PROFESSOR SAG: I think the majority of cases on that in the keyword context say no, say that the trademark owner has lost something merely by the fact that you were taken away and your time was wasted. Now, the URL cases, where you are using someone's trademark as part of the "www," they actually split pretty evenly between Courts who think that you just look at that momentary diversion and other Courts that think that, no, you look at the site, and once you get there, you realize, oh, this is a parody, for example. I don't believe that anyone could enter the URL www.walmartsucksincanada.com and believe that they were going to a Walmart site. So those grudge sites that are clearly labeled as such tend to do pretty well in this litigation. The more difficult questions are when you have something that's not clearly antagonistic to the trademark owner but incorporates the mark in a URL; but then, when you get to the site, it's clearly a political commentary. So there's a case involving Jerry Falwell. There's a case involving the Utah Lighthouse Ministry. But there's a case involving People for the Ethical Treatment of Animals which goes the other way, largely because the defendant there was so much less sympathetic.

¶62
PROFESSOR BANIAK: There is an aspect—we will get to your question in a second. There is an aspect of trademark law, and I'm not going to—I'm not remembering the second word of it, if you can help me out on this one, it's, like, initial—

¶63
PROFESSOR SAG: Interest confusion.

¶64
PROFESSOR BANIAK: Yes, initial interest confusion, which is sort of what I was hearing when you were saying that, which is, all right, I see something, and I think it's one thing; and then, I get in the door of that store and I look around, and I go, "Oh, wait, that isn't it at all." And I see that the goods in that store, you know, like, nobody is
passing off their goods as this other party's goods, but it's still actionable because of that initial interest. What you did was, you rode the coattails of that mark to get that person in the door. Now, the individual could very well say, "Well, I don't want to buy your goods. I really went—I'm after this other guy's product that I thought I was going to buy here. But while I'm here, you know what? Maybe I'll just take this anyway." So that's the nature of that initial interest type confusion. You attract somebody, again using someone else's service mark, using someone else's trademark to get them in the door.

¶65  PROFESSOR SAG: We should probably switch to copyright.
¶66  PROFESSOR BANIAK: We can do that.
¶67  PROFESSOR SAG: And then, if there are more trademark questions at the end, we can see what kind of time we have.
¶68  PROFESSOR BANIAK: Oh, yes. You had one?
¶69  MR. NARAYEN: Yes. I was just going to ask kind of two more questions about the analogies that can be drawn to the domain cases. It sounds like if somebody bought coca-cola.com that had links to Coca-Cola, Pepsi, generic soda and RC Cola, that would be, pretty clearly, trademark infringement under this initial interest confusion doctrine. But wouldn't the initial interest—
¶70  PROFESSOR SAG: You'd definitely get them under the Anti-Cybersquatting Consumer Protection Act, which is a different route to the same end if you're the trademark owner. It's not clear that you'd get them on just a straight-up trademark infringement.
¶71  MR. NARAYEN: Even under initial interest confusion? Because it sounds like that would be—I mean, that kills the supermarket analogy because that's exactly what's going on. You ask for Coca-Cola, and the supermarkets paid all their associates to direct you to the aisle where not just Coca-Cola, but Pepsi and RC Cola have all stocked their wares, too. So it seems like that would defeat the supermarkets and Google in their attempt to say this is just consumer information, not just presenting choices.
¶72  PROFESSOR SAG: Well, the difference between the URL cases and the keyword cases—I know this sounds like a lot of jargon, but it's actually quite important—is, in the URL, you have a word that is the trademark, and so the consumer can see the trademark there. And that's a much sort of clearer connection between the trademark and the site that they're going to. In the keyword cases, using the Google search engine, for example, you get whatever your organic search results are that are detailed by the very complex algorithm, and you get Sponsored Links on the top, labeled as a slightly colored bar and "Sponsored Links" down the right-hand side. And so what you're getting there is, you're clearly getting choice. With URL, you know, a URL only goes to one location, so it's not clear that it's the same.
¶73  PROFESSOR BANIAK: So, then, we switch—now we're going to switch over to something else that Google has been up to. It has this Mission Statement, which is no small mission when you look at it. "Organize the world's information and make it universally accessible and useful." Not a bad way to start the day, you know?
¶74  So where does this go? Well, it ends up in this lawsuit, which is the Authors Guild v. Google Inc. And what is that case all about? Well, that case is all about the Google mission in the sense that Google wants to make a universal library, at least make a universal library that at this point in time is searchable, is accessible to all of us out there who are interested in buying a book, reading a book, finding a book. But here is how
Google goes about that, being Google and all. They say, what we're going to do is, we're going to digitize anything we can get our hands on. So we're going to digitize all these works, whether they're out of print, whether they're in the public domain, whether they're still in copyright, so subject to copyright protection. We're going to digitize those. Then we're going to have that copy in our system, and then we're going to enable you—us—to search and view that copy; and then, with that snippet, we're not going to give you the whole work at this point, but we'll give you a snippet. We'll let you view that snippet, and from that, you may desire to see more, maybe another snippet of the same work, or you may decide, I want to buy that work, and then we will give you the ability somehow, some way, to buy that work.

¶75 So, kind of in a nutshell, that was what Google was up to. And not everybody really thought that that was just a great idea, from a copyright standpoint. And what we end up with is a class action, which is the Authors Guild against Google, saying we think this is infringement of our copyright.

¶76 PROFESSOR SAG: Yes. So Google is a remarkable entity because it is the source through which vast numbers of people get really significant portions of their information; and, yet, Google doesn't produce information. It's not like a newspaper. It doesn't have reporters. It doesn't write stories. It doesn't write encyclopedia entries. What Google primarily relies on is being the best middleman there is. So if you want to know what websites are most relevant to your interest in Brittany Spears or Dr. Martin Luther King, type those words into the website. Google will tell you, with surprising accuracy, what some of the best answers are. The issues for Google, and all other web companies operating in the space, are dealing with user-generated content, and a lot of user-generated content turns out to be other people's content, so that is a big issue for Google and for YouTube, et cetera. But there's also the questions of third-party liability and intermediate use. Google—in a site like YouTube, Google faces big third-party exposure because users may generate their content by actually not generating their own content but just copying other people's content. So the question there is, to what extent is Google liable for the content that users post?

¶77 The really interesting question that comes up in the Authors Guild case is: Can Google copy all this copyrighted material—and we're talking, literally, 18 million library books from the Michigan library, the Stanford library, the New York public library, et cetera. Can they copy all of those books to build a database when the final result of that database is not showing you very much of any one book? So Google Books, as it was first envisaged, copies everything but shows very, very little. It shows small snippets. And what it does is, it provides an amazing location tool to make it much easier to find the books that you are after; but from there, you would have to go to a library, you would have to go to Amazon.com, et cetera, and get the books. The initial lawsuit is really the question of, is that fair use? Is that total intermediate commercial copying to make a product that in the end is not a substantial reproduction of any individual book, is that okay? Now, we could talk about the fair use issue a little bit, but—and maybe we should save that for question-and-answer because it's just been so swept aside by the settlement that it's just—you know, it's turned the argument over a cupcake into an agreement over the whole picnic. And, essentially, the authors and the publishers and Google have agreed that they're going to share in this amazing thing that will not only allow you to search books but actually is turning digitized books into commodities which will be sold
on a subscription basis and on an individual basis so that you can all read them on your electronic book readers, et cetera. And everyone is going to make a lot more money than anyone could have made based on the initial Google Books plan.

PROFESSOR BANIAK: Right. So what's the copyright infringement here? Because you're sitting there going, well, all right, well, they have a book, and they make a copy of the book and put it up in a digitized form. But they're only letting you see a little bit of it. The copyright infringement is what I just stated. They copy a book. So we're not talking about, for example, the Library of Congress here. If it were possible—there's a book on that shelf. If it were possible for somebody to enable us to be able to get a look at that book, that legitimate copy, then, all right, that's not necessarily an infringement.

But what Google did was, they made a digitized copy of that book. And there's nothing in our law per se that allows someone to do that. It's not like a computer program, for example, where you can make an archival copy so you actually end up with two of those, all right? There's no exception that relates to these kind of books; and, in fact, authors themselves will reserve the right to have a digitized version of the book. Here, Google wasn't really asking anybody for permission. They were putting these books up and then saying, "We have, essentially, a fair use." That was their argument. "This is a fair use of your material out there because what we're doing is, we're only enabling a little bit, a little bit of a view of that work; and so what's wrong with this? Especially when we're going to give you some substantial value because there may be many of you out there, your work is out of print. Nobody is reading your book because they really can't find it. Well, now, we're going to create a vehicle where people can find that, and you're going to make more sales. You're going to get more dissemination of your book as a result of that. And those of you who have books that people are actually reading, you're now going to have a much wider audience because we're enabling everybody to be able to tap into this." But when we get into the fair use factors, you know, as I view them, it was heavily weighted against Google.

PROFESSOR SAG: So this is a subject upon which lawyers tend to disagree. There's an excellent article in the recent issue of the Northwestern Law Review called "Copyright and Copy-reliant Technology." I won't say who wrote it, out of modesty.

PROFESSOR BANIAK: Who wrote that? (Laughter.)

PROFESSOR SAG: But that explains exactly why these kind of intermediate technological uses that don't result in the distribution of the content to human end users, why they really have to be regarded as fair use. And the importance of the Google Bookcase—you know, a year ago, it looked like it wasn't about Google Books. This is about the future of the Internet. The same copyright argument Google relies on in Google Books is what it relies on to run its search engine and, in fact, what everyone relies on to run a search engine. The way a search engine runs is, automated software agents literally copy all of your html, they store it on huge banks of servers, and then they run lots of clever algorithms against that to build a database such that when you type a word into your search engine, it has an index it can go to suggest where it should send you. Now, it doesn't display to you the ultimate web page. In fact, what it does is, it tells your browser how to go to the web page, and if the web page has changed, then so be it. But all of that requires copying. How much copying? Literally billions of pages, at least 85 billion, probably a much larger number. So from Google's point of view and from those people who like the way the Internet currently works, Google Books was not about
books. It was about the future of the Internet. And it could have been a very worrying thing if Google had lost this argument and we got a precedent that essentially undermined its entire business model, which is why Google had a very powerful incentive to settle and do a deal with the Authors Guild and the publishers.

PROFESSOR BANIAK: Now, to put it in some kind of hyperbole, this is basically how the parties were casting this battle, which is, if Google won, all right, all of these portions of the works, et cetera, can escape out there into the Ethernet, into the clouds, without any security. Regardless of how well Google tried to protect these digitized works, it's like anything else. It's like music. You know, "boop," it just disappears and disseminates, and it's gone, and how are the authors now to reap anything as a result of that because people are just willy-nilly copying the work, and there's nothing to basically stop them. So the entire music industry has had to try—has had to come up with a new business model because the old business model doesn't work anymore in an Internet-based system as we have now.

The authors, if the authors won, then, yes, now Google has some serious problems, and this dream that they had would have been completely undercut. So what did they end up doing? They end up cutting a deal. But there is one point I do want to go back to, and that's at the bottom here, this slide where it says "transformative use," and, actually, we kind of alluded to that. In the fair use analysis, it is possible that you could make an exact copy of something, and this has come up in the way of what we call thumbnails, where you go on the computer and you see a tiny version of a work of some sort. When you click on that, you may get a little bigger version, or it may take you to the site from which that work is actually in the original.

But what Courts did was, they said, "Well, yes, we got an exact copy, and this is an unauthorized copy, so it doesn't seem to fit within the fair use standard, except the transformation that you've done"—this transformation being you've made it now accessible for people to search and find, and that's a good thing. And if there's an infringement, maybe it's just a little infringement because you're not using the entire work here. You're just enabling people to find what they want out there. That is then a transformative use, which constitutes a fair use. And that's really where Google was putting all of its eggs in this basket, which is, "Yes, I may not fit the various factors that we look at if we decide whether it's a fair use. What we do fit, though, is, it's horrendous—it's majorly transformative because it's going to help the world so much," we being the world.

PROFESSOR SAG: So, then, we get to the settlement, and the settlement opens up just profoundly different questions. The real issue that comes out of the settlement is, can you turn a relatively small disagreement where only the future of the Internet and Google as a company was at stake—sorry—can you take a relatively small disagreement and turn that into a settlement that is going to transform the very future of the book. What Google and the representative plaintiffs have done is, they've agreed that Google is going to show much more than it ever planned to under fair use. It's going to show by default twenty percent previews. It's still going to index everything. It's going to allow copyright owners to essentially grab the dials and turn up or turn down access. It's going to sell whole copies of these works unless the copyright owner says, "Oh, I don't want that."

PROFESSOR BANIAK: And none of the copyright owners are going to say that, really.
PROFESSOR SAG: And it's going to split the revenue between Google and the copyright owners, and most of it is going to go to the copyright owners. They are going to get 63 percent of all the ad revenue. Now, the copyright owners also get to figure out what price they want to charge for their books. So the reason why this is controversial is because the representative plaintiffs—that's the Authors Guild, who represent 8000 authors based in the United States and, really, five or six big publishing companies—and Google have done a deal that affects the rights of literally millions of people, and many of those people will never, ever, ever register with the new Book Rights Registry. And so the default rule that's set in the agreement is what will happen to their works, and that troubles a lot of people because it looks a lot like these parties have got together and done what Congress should have done five years ago and created, like, an amazing system of orphan works, access and revenue generation. But it does look a lot like private legislation. I'm a huge fan of what the settlement does, but there are real antitrust issues, and there are real class action issues in terms of can the plaintiffs reasonably represent more than their own narrow interests, and are orphan works, foreign works, etcetera, are they really properly represented in this negotiation.

PROFESSOR BANIAK: The orphan works that were just referred to are these works where you just can't track down who actually has the rights to grant someone the ability to—for example, Google put it up, or sell a copy of the work. So, now, essentially, Google has grabbed all these works, made a copy of it, which, by virtue of this settlement, this agreement, will be blessed. Of course, if one of these parties shows up and says, "Hey, you know, I'm not—I don't want my work on there," they'll take it off. But in the meantime, it's out there, and people can deal with it as they see fit. And I just don't remember whether Google is also going to now have the right to sell copies of these orphan works.

PROFESSOR SAG: Absolutely.

PROFESSOR BANIAK: Yes. So now this author has essentially got a compulsory license that's been granted on his or her work out there which he or she may not want to have and may not want it on the price that Google is selling it for.

PROFESSOR SAG: And to be clear, Google is not going to keep the money from those orphan works. That money is going to go into trusts. And under the terms of the amended settlement agreement, if, after the elapse of ten years, they can't track down the rights holders, this surplus money will go to, I think, literacy-based charities in the U.S., Canada, the United Kingdom and Australia. Now, why those countries? Well, because one of the things that Google has done in response to a brilliant avalanche of criticism about the settlement is, they narrowed down the scope of works included so that it now only includes works first published in one of those four countries. There were submissions made to the Second Circuit, who has to approve this deal ultimately, but the government of France and the government of Germany, they were outraged at the possibility that all of their citizens' works in U.S. libraries were going to end up in this database, although now, those same governments are panicked that the works of their citizens in the French and German languages are not going to be in that database and that that's going to further promote the ascendancy of English as the lingua franca, ironically, throughout the world. (Laughter.)

PROFESSOR BANIAK: Right. So what you're seeing is, in my view, something very akin to what happened when videocassette recorders first got out into the world and
then spread everywhere. In my mind, there was never any question, what was going on was a classic infringement; but, yet, it was happening on such a wide scale that by the time the case reaches the Supreme Court, what are you going to do about that? You know you can't reverse it. You can just see this is going to happen. And I see this same thing going on here with respect to Google. It is going to happen, so let's try to make the best of it at this stage.

¶94  PROFESSOR SAG: But just to connect the dots that broaden out from this issue, one of the key questions in the Google Books case is going to be, what are the limits of a class action? To what extent can private parties take a relatively small dispute and negotiate a relatively large change effectively in—I mean, when the class is all U.S. copyrighters, they effectively are changing copyright law. The Supreme Court just handed down a decision in the Reed Elsevier case which seems to allow a broader scope for copyright class action. That case actually spins off of an earlier Supreme Court case called Tasini, where the Court held that the New York Times and National Geographic couldn't automatically include the works of freelance authors in their databases, that they had to go and get their permission. Well, that requirement for permission, which I think is probably correct, that caused huge transaction cost problems. You had many, many articles, many, many authors, and just a real problem to make sure you tracked down every last one of them before you distribute a CD-ROM with your 1987 National Geographic. So what happened in that case is, ultimately, class action. That's the way we do things in the U.S. If we have a complex problem to resolve, we kind of break through the ice by forming a class action. And so the Supreme Court Justice decided somewhat cryptically that the requirement for copyright registration is nonjurisdictional.

¶95  PROFESSOR BANIAK: Right.

¶96  PROFESSOR SAG: Which seems to at least mean that you can have a class that includes unregistered works. What more it means is not immediately clear.

¶97  PROFESSOR BANIAK: Yes, because if you look at—if you read that decision that just came down, and I think it's only about fourteen pages, Justice Thomas wrote it. If you read it and you look in there, you're not going to see anything, really, of what Professor Sag just said because it's actually embedded in there. The District Court approved of the settlement. In that settlement, there are a lot of unregistered copyright works, like, okay, well, fine. Everybody has agreed to this in this class action. The Judge stamps it. It gets to the Second Circuit, and the Second Circuit looks at it and says, "Well, I see under Section 411 (a), you should have a registration in order to deal with copyrighted works." So if you don't have a registration and you're a U.S. national, it's a U.S. work, then you don't even get into Court. You're out of Court. It's jurisdictional.

¶98  Well, that's what the Supreme Court then looks at and says, "No, we've decided that that is nonjurisdictional," meaning the Court can exercise subject matter jurisdiction. The Court can approve a settlement that has other stuff in it that may be unregistered. So that's what's going on underneath the decision that you may or may not read in the near future. But there is some tail-chasing that occurs in there because what happens is, the Court says, "Yes, but as we see under the copyright law, it is still a prerequisite that you have a registration in order to bring your copyright claim, and we're not going to deal with that in this particular opinion." End of story.

¶99  MR. O'DONOVAN: I just want to thank you both. I don't want to cut the discussion short, but we do want to leave people room if they need to use the washroom.
But, first of all, I'd like to thank you guys both. This has been an amazing topic. (Applause).

¶100 PROFESSOR SAG: Thank you.
¶101 MR. O'DONOVAN: So at this time, if people need to use the washroom, feel free. If you have questions and answers, please feel free to also ask them now, but we just want to let you know that the next panel will be starting in about seven minutes, so if you need to use the washroom or ask any questions, you can do so.
¶102 PROFESSOR BANIAK: Otherwise, we'll just sit here and continue to talk.