Telephone Mnemonics and Complementary Numbers: A Review of Trademark and Unfair Competition Law and Policy

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Telephone Mnemonics and Complementary Numbers: A Review of Trademark and Unfair Competition Law and Policy

I. INTRODUCTION

Telephone mnemonics, or vanity numbers, are numbers represented by their corresponding letters from the telephone dial or keypad, which spell—either literally or phonetically—catchy words, phrases, trademarks, or names.1 Since as early as the 1970s,2 especially following the advent of nationwide “800” toll-free telephone service, telephone mnemonics have become a ubiquitous part of American advertising and culture. Numbers such as 1-800-COLLECT®, 1-800-DOMINOS®, and 1-800-FLOWERS® have become so common as to slip into everyday speech and show up in popular culture. For example, in the popular film “Pretty Woman,” when high-society millionaire Edward Lewis (played by Richard Gere) was asked where he found his beautiful date (played by Julia Roberts), he turned and responded with a wry grin, “976-BABE.”3 This quip, of course, was humorous only because everyone in

1. Several categories of vanity numbers have been identified:
(1) numbers that correspond to the spelling of a product, such as “1-800-FLOWERS®”; (2) numbers that correspond to letters that spell a business name, such as “1-800-HOLIDAY”; (3) numbers that begin with “4” or “2” and end with a product, service, or business name such as “1-800-4-TRAVEL,” or “1-800-2-GO-WEST”; (4) numbers that only partially spell a product or company name, such as “486-HAIR,” . . . ; (5) numbers that are easily remembered, such as “1-800-8000”; and (6) numbers that are heavily marketed, but otherwise lack distinctiveness, such as “1-800-325-3535,” which Sheraton Hotels made into a jingle.


2. The mnemonic mark “1-800-FLOWERS®,” for example, was originally granted trademark registration on April 29, 1975. See Principal Register, United States Patent and Trademark Office, Registration No. 1,009,717.

3. PRETTY WOMAN (Touchstone Pictures 1990).
the audience instantly understood it as a reference to the telephone number of some imaginary escort service.

But no sooner had mnemonic telephone numbers appeared on the scene than business owners found a crafty way to exploit the advertising efforts of their competitors by using complementary numbers. Competitors soon discovered that consumers who dial mnemonic telephone numbers occasionally misdial and sometimes substitute a zero for the letter “O,” or the number one for the letter “I.” These resulting misdials are called complementary numbers because, if written out, they resemble the actual mnemonic, but are numerically different. By purchasing the rights to numbers that complement established, famous mnemonic numbers, market competitors can sometimes instantly grab a significant share of the market in the same business with little or no advertising.

Not surprisingly, this practice has spawned numerous lawsuits under trademark and unfair competition laws. However, judicial resolution of these disputes has been inconsistent 4 and has tended to focus solely on trademark law, while unfair competition considerations have been misunderstood, misapplied, or simply put in the backseat. This Comment will consider the current standard of protection afforded complementary telephone numbers against the backdrop of trademark and unfair competition law and policy, and attempt to suggest a rational framework for courts to follow in resolving these disputes. Part II will review the background, history, and major decisions in trademark law as applied to telephone numbers and mnemonics and review, in particular, the genericness doctrine. Part III will examine the Sixth Circuit’s treatment of complementary numbers in *Holiday Inns, Inc. v. 800 Reservation, Inc* in light of this background. Part IV will analyze the case law, history, and policies that underlie unfair competition law in this area. Part V suggests an analytical theory to guide future decisions regarding complementary numbers based on the policies underlying the Lanham Act and other general policies of law and economics. Part VI concludes that this theory, which

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4. See Dam, supra note 1, at 1245 (“The application of the law by courts to vanity telephone numbers . . . has been inconsistent and often inappropriate.”).
imposes a duty on businesses to prevent confusion, would better allow the Lanham Act to perform its intended function.

II. TRADEMARK LAW, NUMBERS, AND MNEMONICS

Trademarks receive legal protection only to the extent that they serve to designate the source, origin, or affiliation of goods or services. From a policy standpoint, legal protection of such designations is considered beneficial because distinctive trademarks simultaneously encourage economic efficiency and the production of high quality goods and services. In the same vein, the value of mnemonic telephone numbers lies in their ability to stick in the customers' memories and guide them to a provider of goods or services. To the extent trademarks and telephone mnemonics serve these similar purposes, any discussion of the unfair competition aspects of telephone mnemonics and complementary numbers must be viewed against the backdrop of trademark law. Thus, before diving into a discussion of trademark case law and history as they relate to telephone mnemonics, it is first proper to review the basic principles of trademark law.

A. Basic Principles of Trademark Protection

1. Distinctiveness

The touchstone of trademark eligibility is distinctiveness; the level of protection afforded to a mark depends on how distinctive it is. Trademarks are divided into four general categories of distinctiveness: arbitrary or fanciful; suggestive; descriptive; and generic. The lines between these categories are somewhat indistinct and are considered "more advisory than definitional." Nevertheless, marks that are adjudged

7. See Sunbeam Prods., Inc. v. West Bend Co., 123 F.3d 246, 252, 260 (5th Cir. 1997).
8. See id. at 260 ("Trademark law accommodates [its] countervailing public policies by limiting trademark protection to distinctive, non-functional marks.").
arbitrary or suggestive are automatically protected.\textsuperscript{11} Descriptive marks, however, can only be registered upon a showing that the mark has developed secondary meaning during the period of its use.\textsuperscript{12} Finally, generic marks can never receive trademark protection.\textsuperscript{13}

A generic term is defined as one “commonly used to depict a genus or type of product, rather than the particular product” itself.\textsuperscript{14} For example, the term “personal computer” and its acronym “PC” cannot receive trademark protection because that term describes the specific type of product. If one firm had exclusive rights to these terms, a competitor may be forced to describe its product as “a machine capable of doing word processing and high speed calculations using a central processing unit, and so on.”\textsuperscript{15} Beyond its obvious cumbersomeness, advertising of this sort hinders economic

\begin{thebibliography}{10}
\bibitem{11} See Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 11 (2d Cir. 1976) ("If a term is suggestive, it is entitled to registration . . . . [F]anciful or arbitrary terms enjoy all the rights accorded to suggestive terms . . . .").
\bibitem{12} See Zatarains, 698 F.2d at 790-91.
\bibitem{13} See id. at 791; see also Dranoff-Perlstein, 967 F.2d at 855. It has been argued that Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938) created a minor exception to the genericness rule. See Dame, supra note 1, at 1208-09. Kellogg held that under common law unfair competition principles the first user of a generic mark (SHREDDED WHEAT in that case) in a particular market could require a junior user to reasonably distinguish its product in order to prevent any likelihood of confusion. See Kellogg, 305 U.S. at 119. This principle is not accurately described as an exception to the rule. Enforcement of the Lanham Act related to a generic term does not amount to trademark enforcement at all. Under the Lanham Act, unfair competition law extends beyond trademarks to "any word, term, name, symbol, or device" that is likely to cause confusion. 15 U.S.C. § 1125(a) (1994). The statute makes no mention of a mark, registered or otherwise. See id. While it is true that unregistered marks may be protected as common law trademarks under § 43(a) of the Lanham Act, see, e.g., Banff, Ltd. v. Federated Dept. Stores, Inc., 841 F.2d 486, 489 (2d Cir. 1988) (noting that § 43(a) of the Lanham Act "protects not only registered trademarks, but unregistered marks . . . as well"), the same principles of distinctiveness apply as with registered marks. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992). Thus, whether trademark infringement is alleged under § 32 or § 43(a), a generic mark can receive no protection as a trademark. However, because of the greater breadth of unfair competition law, a market participant using a generic mark could still claim unfair competition generally, regardless of the use of a mark. Thus, the holder of a generic mark may still obtain some protection under unfair competition law. See infra Part IV and accompanying notes.
\bibitem{14} Murphy Door Bed Co. v. Interior Sleep Sys., Inc., 874 F.2d 95, 100 (2d Cir. 1989).
\end{thebibliography}
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growth because a longer phrase is harder for a consumer to remember and, thus, conveys less information than a short, easily remembered term.\textsuperscript{16} As a result, consumer search costs—the expenditure of time, effort, and money required to find desired goods or services—rise.\textsuperscript{17} Generic terms like "personal computer," "corn flakes," and "seafood" are thus denied trademark protection because such terms "so directly signify the nature of the product that interests of competition demand that other producers be able to use them."\textsuperscript{18}

2. \textit{Trademark infringement under the Lanham Act}

Section 32 of the Lanham Act sets forth the basic definition of trademark infringement. The Act provides a civil cause of action against:

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such . . . to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.\textsuperscript{19}

These provisions create four key requirements that must be satisfied before infringement can be found: registration, use, likelihood of confusion, and causation. Each of these primary elements warrants a brief discussion.

\textsuperscript{16} See id.
\textsuperscript{17} See id.
\textsuperscript{18} Dranoff-Perlstein, 967 F.2d at 857 (quoting A.J. Canfield Co. v. Honickman, 808 F.2d 291, 304 (3d Cir. 1986)).
First, § 32 expressly applies only to the use of a "reproduction, counterfeit, copy, or colorable imitation of a registered mark . . . ." The term "registered" as used here refers to trademarks registered on the principal register of the United States Patent and Trademark Office. This is significant because although trademarks that are not federally registered can be protected under § 43(a) of the Lanham Act, they are not afforded protection as trademarks under § 32.

The second requirement is use. Trademark infringement, according to the plain language of § 32, absolutely requires the use of a reproduction, counterfeit, copy, or colorable imitation of a mark in interstate commerce. If there is no use, there can be no infringement.

Third, a likelihood of confusion must be shown. This is the key factor in finding infringement. The Lanham Act does not define "likelihood of confusion," nor does it provide specific guidelines for how it is to be shown. As a result, the courts have developed a general common law standard by which likelihood of confusion is determined. Whether there is a likelihood of confusion from an unauthorized use of a trademark is determined based on the presence or absence of a number of factors, which are generally based upon a list of nine factors taken from Section 731 of the 1938 Restatement of Torts.

20. Id. (emphasis added).
21. See id. § 1051(a)-(a)(1) ("The owner of a trade-mark used in commerce may apply to register his or her trade-mark under this chapter on the principal register established: (1) By filing in the Patent and Trademark Office . . . .").
22. See supra note 13.
24. See id. § 1051(a); Peaches Entertainment Corp. v. Entertainment Repertoire Assocs., 62 F.3d 690, 692 (5th Cir. 1995); Teledem Corp. v. Tel-Med, Inc., 588 F.2d 213, 216 (6th Cir. 1978).
25. See Holiday Inns, Inc. v. 800 Reservation, Inc., 86 F.3d 619, 626 (6th Cir. 1996), cert. denied, 519 U.S. 1093 (1997); Dakota Indus. v. Dakota Sportswear, Inc., 946 F.2d 1384, 1388 (8th Cir. 1991) ("Infringement of a trademark is a tort and requires the use, without the owner’s consent, of the same or similar mark in connection with the sale of goods . . . .") (citations omitted).
26. See 1 McCarthy, supra note 6, § 2:8.
27. See 3 id. § 23:19. Today, Restatement (Third) of Unfair Competition § 21 reporter’s note (1995) lists six "market factors" based upon this earlier list. They are:
(a) the degree of similarity between the respective designations, including a comparison of
(i) the overall impression created by the designations as they are used in marketing the respective goods or services or in identifying the
respective businesses;
(ii) the pronunciation of the designations;
(iii) the translation of any foreign words contained in the designations;
(iv) the verbal translation of any pictures, illustrations, or designs contained in the designations;
(v) the suggestions, connotations, or meanings of the designations;
(b) the degree of similarity in the marketing methods and channels of distribution used for the respective goods or services;
(c) the characteristics of the prospective purchasers of the goods or services and the degree of care they are likely to exercise in making purchasing decisions;
(d) the degree of distinctiveness of the other’s designation;
(e) when the goods, services, or business of the actor differ in kind from those of the other, the likelihood that the actor’s prospective purchasers would expect a person in the position of the other to expand its marketing or sponsorship into the product, service, or business market of the actor;
(f) when the actor and the other sell their goods or services or carry on their businesses in different geographic markets, the extent to which the other’s designation is identified with the other in the geographic market of the actor.

Id. Section 21 also notes that other factors beyond this list may be relevant or important, and that a determination of likelihood of confusion should be made in light of all the facts and circumstances. See id.

28. See, e.g., Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492, 495 (2d Cir. 1961) (setting forth eight factors to be considered in the Second Circuit); cf. AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979) (setting forth a slightly different eight-factor test used in the Ninth Circuit). The most extensive list of likelihood of confusion factors is found in In re E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973) (listing thirteen factors to be considered when determining likelihood of confusion).

29. 1 JEROME GILSON & JEFFREY M. SAMUELS, TRADEMARK PROTECTION & PRACTICE § 5.01[3][I], at 15-16 & n.19 (1996).

30. The list set forth in AMF is representative:
1. strength of the mark;
2. proximity of the goods;
3. similarity of the marks;
4. evidence of actual confusion;
5. marketing channels used;
6. type of goods and the degree of care likely to be exercised by the purchaser;
7. defendant’s intent in selecting the mark; and
8. likelihood of expansion of the product lines.

AMF, 599 F.2d at 348-49. The court noted that this list is not exhaustive, and that
recognized as a question of fact,\textsuperscript{31} although some courts consider it a mixed question of law and fact;\textsuperscript{32} others have applied both standards at various times.\textsuperscript{33}

Finally, to establish a trademark infringement, there must be causation. The alleged infringer’s use of a “reproduction, counterfeit, copy, or colorable imitation” of a mark must actually be “likely to cause confusion, or to cause mistake, or to deceive.”\textsuperscript{34} Actual confusion, though powerful evidence, need not be shown.\textsuperscript{35} As previously discussed, each of these four primary statutory elements—registration, use, likelihood of confusion, and causation—must be shown to establish a trademark infringement under § 32 of the Lanham Act.

\textsuperscript{31} See, e.g., Ocean Garden, Inc. v. Marktrade Co., 953 F.2d 500, 509 (9th Cir. 1991) ("[A] finding of a likelihood of confusion [is] a factual finding . . . ."); Cardtoons, L.C. v. Major League Baseball Players Ass’n, 95 F.3d 959, 967 (10th Cir. 1996) (stating that likelihood of confusion is a question of fact); Door Sys., Inc. v. Pro-Line Door Sys., Inc., 83 F.3d 169, 173 (7th Cir. 1996) (stating that the likelihood of confusion is a question of fact which is reversible only if clearly erroneous).

\textsuperscript{32} See, e.g., Champions Golf Club, Inc. v. The Champions Golf Club, Inc., 78 F.3d 1111, 1116 (6th Cir. 1996) ("Whether there is a likelihood of confusion is a mixed question of fact and law. We apply a clearly erroneous standard to the district court’s findings of fact supporting the likelihood of confusion factors, but review de novo the legal question of whether those foundational facts constitute a ‘likelihood of confusion.’" (citation omitted)); Hormel Foods Corp. v. Jim Henson Prods., Inc., 73 F.3d 497, 502 (2d Cir. 1996) (stating that the application of likelihood of confusion factors is reviewed de novo while determinations of each factor are factual and disturbed only if clearly erroneous).

\textsuperscript{33} The Third Circuit, for example, has used both standards in recent actions. Compare Versa Prods. Co. v. Bfökl Co., 50 F.3d 189, 200 (3d Cir. 1995) (stating that likelihood of confusion is a question of fact) and Dranoff-Perlstein Assocs. v. Sklar, 967 F.2d 852, 862 (3d Cir. 1992) (considering likelihood of confusion a question of fact) with Optician’s Ass’n of Am. v. Independent Opticians of Am., 920 F.2d 187 (3d Cir. 1990) (considering likelihood of confusion to be a mixed question of fact and law) and Scott Paper Co. v. Scott’s Liquid Gold, Inc., 589 F.2d 1225, 1229 n.3 (3d Cir. 1978) (considering likelihood of confusion a mixed question of fact and law). For a more complete discussion of the confusion over the proper evidentiary standard and standard of review for likelihood of confusion in the Third Circuit, see Jaqueline Pasquarella, Third Circuit Review, Trademark Law—Confusion Over the Likelihood of Confusion? Dranoff-Perlstein Associates. v. Sklar (1993), 38 VILL. L. REV. 1317 (1993).

\textsuperscript{34} 15 U.S.C. § 1114 (1994); see also Holiday Inns, Inc. v. 800 Reservation, Inc., 86 F.3d 619, 626 (6th Cir. 1996), cert. denied, 519 U.S. 1093 (1997).

\textsuperscript{35} See Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha, 754 F.2d 591, 597 (5th Cir. 1985) ("[E]vidence of actual confusion [is] the best evidence of likelihood of confusion.").
B. Protection of Telephone Numbers and Marks

1. Telephone numbers

Numbers as such can receive trademark protection if they serve to identify or distinguish the goods of one vendor. For example, serial numbers are afforded protection only if some inherent distinctiveness can be shown. However, if the number is used in a generic fashion, it can never qualify as a trademark. Likewise, grade or quality marks are not protectable if they are used solely to indicate size or quality. Nevertheless, numerical trademarks are presumed registrable without proof of secondary meaning, and when challenged in trademark infringement litigation, the burden of proving the absence of secondary meaning falls upon the challenger.

These same principles should hold true for telephone numbers, though this area of the law is not entirely clear. The first case dealing with telephone numbers as trademarks was Rocky Mountain Bell Telephone Co. v. Utah Independent Telephone Co. In Rocky Mountain Bell, two competing telephone companies operating in Salt Lake City, Utah, used

36. See 1 McCarthy, supra note 6, § 7:15 ("One or more numbers, alone or in combination with other symbols, can function as a mark to identify and distinguish the products of one seller."); see also id. at n.1 (citing cases from 1872 to 1986 that held pure numbers protectable as trademarks).

37. See, e.g., Humphreys Homeopathic Med. Co. v. Hilton, 60 F. 756, 758 (C. C.S.D.N.Y. 1894) (refusing to extend trademark protection to a series of numbers assigned to medicines because they were merely used in a series to distinguish one product from another). But see Lawrence Mfg. Co. v. Lowell Hosiery Mills, 129 Mass. 325, 327 (1880) (holding that the number "523" for hosiery could serve as a trademark).

38. See, e.g., Intel Corp. v. Advanced Micro Devices, Inc., 756 F. Supp. 1292, 1295-98 (N.D. Cal. 1991) (holding the number-mark "386" for a particular type of microprocessor to be generic).

39. See, e.g., In re Armco Steel Corp., 127 U.S.P.Q. 135, 136-37 (T.T.A.B. 1960) (denying trademark protection to "17-4PH" and "17-7PH" as designations of grades of stainless steel products even though these products had not been assigned numbers by the American Iron and Steel Institute, and no manufacturer other than the applicant had used these specific numbers), rev'd sub nom. Armco Steel Corp. v. Watson, 188 F. Supp. 554 (D.D.C. 1960).


41. See Arrow Fastener Co. v. Stanley Works, 59 F.3d 384, 393 (2d Cir. 1995).

42. In his exhaustive treatise on trademark law, for example, Professor McCarthy does not address the trademark eligibility of phone numbers as such, but only discusses telephone mnemonics. See 1 McCarthy, supra note 6, § 7:13.

43. 88 P. 26 (Utah 1906).
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the number “888” to reach a “Trouble Department” or “Trouble Clerk.” Upon the first company’s suit to enjoin the other’s use of the number, the trial court sustained the defendant’s motion to dismiss for failure to state a cause of action. On appeal, the Utah Supreme Court affirmed, holding that neither company could prevent the other from using the number for this purpose. Focusing on the impracticality of requiring competing telephone companies to use only unique numbers, the court concluded that the telephone number “888,” whether used alone or in connection with the company’s Trouble Department, could not receive trademark protection. This case essentially stands for the proposition that a telephone number as such cannot be protected because numbers must remain in the public domain.

More recently, however, in Chicago World’s Fair-1992 Corp. v. 1992 Chicago World’s Fair Commission, a federal district court awarded a preliminary injunction preventing the defendant from using a number similar to the plaintiff’s. This unpublished decision appears to be the first to grant trademark rights in a telephone number itself. Still, given the nature of telephone numbers, Chicago World’s Fair is probably the exception rather than the rule. Most telephone numbers are unlikely to be distinctive enough to merit protection as numbers.

2. Telephone mnemonics

Mnemonics, however, are another matter. Although vanity numbers are relatively new to trademark law, it is clear that telephone mnemonics can receive trademark protection in some

44. See id. at 27-28.
45. See id. at 27.
46. See id. at 29-30.
47. See id. (“If appellant may prevent the use of one number in connection with a certain telephone upon the ground of prior use and inconvenience, why not of all used by respondent when inconvenience results? But inconvenience may also arise where patrons of each system have the same number, and yet it is not practicable to prevent a duplication of these numbers.”).
48. See id. at 29 (“There is no claim in this case that the number 888, either alone, or as used in connection with the telephone connected with appellant’s Trouble Department, is, or constitutes, a trade-mark. Nor could this claim prevail, if made . . . .”).
TELEPHONE MNEMONICS

The first reported case in which a court had to consider a trademark for a telephone mnemonic was decided in 1984. In *Cytanovich Reading Center v. Reading Game*, the plaintiff operated a reading improvement center in Palo Alto, California. Since 1975, Cytanovich had exclusive rights to the local telephone number 321-7323, corresponding to the mnemonic “321-READ,” and had advertised the mnemonic for many years. The defendants also operated a reading improvement service, and in 1980, opened a branch near the plaintiff’s center. The defendant obtained the telephone number 494-7323, corresponding to the mnemonic “494-READ.” On plaintiff’s claim of common law trademark infringement, the California Court of Appeals ruled that neither party’s phone numbers or mnemonics were protectable as trademarks or service marks. The court’s primary reasoning was that “[d]ue to the common use of the word ‘read’ in virtually all contexts . . . neither the number itself nor suffix method . . . can be deemed to constitute a trademark or service mark.” In other words, the court construed “read” to be a generic term.

Since this case, courts have become more familiar with mnemonic numbers, and have regularly upheld their validity as trademarks. Still, the theories and approaches to enforcement vary considerably. For example, some courts now refuse to grant any protection whatsoever to mnemonics that include generic terms. Others reason that a number incorporating a generic term may be distinct enough, sometimes solely by virtue of its incorporation into a telephone number. This discrepancy may be explained in part by the nature of telephone mnemonics compared to the purpose of trademarks. Trademarks are protected only insofar as they serve to

50. See, e.g., Dial-A-Mattress Franchise Corp. v. Page, 880 F.2d 675 (2d Cir. 1989); see also infra note 55.
52. See id. at 414.
53. See id.
54. Id. at 416.
56. See, e.g., Dra�off-Perlstein Assocs. v. Sklar, 967 F.2d 852 (3d Cir. 1992); see also infra Part II.B.3.
57. See, e.g., *Dial-A-Mattress*, 880 F.2d at 678; see also infra Part II.B.3.
designate source, origin, or affiliation of goods or services. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 779-80 (1992) (Stevens, J., concurring).

59. See Nicholas S. Economides, The Economics of Trademarks, 78 TRADEMARK REP. 523, 527 (1988) ("By the beginning of the twentieth century trademarks were understood not to be useful in identifying the source, but rather as identifying a quality standard.").


61. See id. at 286-87.

62. See supra note 54.

63. 880 F.2d 675 (2d Cir. 1989).
MATTRES, 64 628-8737, in the New York metropolitan area since 1976. In 1983, the defendant started a similar business, and succeeded in obtaining the nationwide toll-free number corresponding to 1-800-MATTRESS. In considering the plaintiff’s trademark and unfair competition claims, the Second Circuit held that even though the term “mattress” was a generic term, mnemonics were exempted from the general policy limiting protection for the use of a generic term. 65 Accordingly, the court granted trademark protection to the plaintiff’s mnemonic.

The Dial-A-Mattress decision had the effect of protecting generic terms, and the Patent and Trademark Office (PTO) responded by thereafter granting trademark registration to mnemonics which included generic terms. 66 This decision prompted widespread criticism from the legal community. 67

64. Since telephone numbers consist of only seven digits, the last ‘x’ in the eight letter word “mattress” was dropped by plaintiff in its advertising. Actually, as the court noted, “although the word ‘mattress’ has one letter more than the telephone number, dialing the extra letter does not affect completion of the call.” Id. at 677.

65. See id. at 678.

66. The general rationale behind this policy was that the addition of the “800” or other prefix makes the mark sufficiently distinctive to merit protection. See id. While the numbers “800” or “888” can be considered generic terms (or perhaps even functional elements), a mark composed of generic parts may be sufficiently distinctive to merit protection because marks are evaluated as a whole, rather than in parts. See 2 McCarthy, supra note 6, § 12.12[3]. For example, the trademarks V-8® for vegetable juice and A.1® for steak sauce are composed of purely generic parts. Such marks are often referred to as composite marks. These marks are protected because the generic parts are joined in a way that is distinctive. See id.; see also 1 McCarthy, supra note 6, § 7:15.

This justification is more difficult to make in the case of telephone numbers because “800” is essentially a prescribed term that involves no choice or creativity on the part of the toll-free number’s owner. In light of established trademark law, it seems absurd to suggest that the simple addition of “800” could render a generic telephone mnemonic distinctive. For example, misspellings or phonetic equivalents of a protected mark are not recognized as being different than the protected word itself. See Henri’s Food Prods. Co. v. Tasty Snacks, Inc., 817 F.2d 1303, 1305-07 (7th Cir. 1987). If, for example, the mnemonic 800-SEAFOOD were granted trademark protection for a company selling seafood products, variations of the clearly generic word “seafood” would be considered to be infringement if used in a mnemonic, and a competitor could not advertise seafood products using 800-44C-FOOD, or 888-SEAFOOD. Under the misspelling and phonetics doctrines, infringement would surely be found in both of these cases.

67. See, e.g., Anthony L. Fletcher & David J. Kera, The Forty-Third Year of Administration of the Lanham Trademark Act of 1946, 80 TRADEMARK REP. 591, 676 (1990) ("It is rather difficult to understand why trademark law should protect
More recently, in *Dranoff-Perlstein Associates v. Sklar*, the Third Circuit refused to adopt the Second Circuit's reasoning in *Dial-A-Mattress*. In the *Dranoff-Perlstein* case, the court considered the common law trademark claims of two personal injury law firms in the Delaware valley. One firm began using the phone number and corresponding mnemonic "INJURY-1" in 1984 and advertised it extensively. In 1990, another firm obtained the number corresponding to "INJURY-9" and began advertising it. In declining to extend trademark protection to the first firm's use of the word "injury," the court noted that if trademark protection is extended to mnemonics using generic terms, "the first firm in a given market to obtain such a telephone number would, merely by winning the race to the telephone company, gain an unfair advantage over its competitors." This unfair advantage would manifest itself by allowing a firm to exclude all competitors from using the protected generic term in mnemonics of their own, and thereby thwart the fundamental policy of the genericness doctrine.

The basic economic principles of supply and demand urge a regulatory framework that prevents one competitor from depleting the supply of a finite commodity—words in this case.

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69. *See id.* at 853-54.
70. *See id.* at 854.
71. *Id.* at 857.
72. *See id.* at 859-60. Because genericness often hinges on the availability of commonly used alternatives, the *Dranoff* court also reasoned that since telephone numbers consist only of an area code and seven digits, the range of alternatives is limited. *See id.* at 859. Where toll-free numbers are concerned, the range of alternatives is further limited because competitors are constrained to use one of only two prefixes: either "800" or "888." Thus in the field of telephone mnemonics, a protected generic term is even more limiting on competitors than it would be in other contexts because of the increased limitations in available alternatives.
73. *See Landes & Posner, supra* note 15, at 273 ("The availability of alternative words, symbols, and so on to those appropriated for use as particular trademarks... is a precondition to a system of trademarks that is effective in lowering consumer search costs."); *see also id.* at 276 ("[I]f one firm is given exclusive rights to words that define or describe a product, this will reduce the productivity of the trademarks of other firms that make the same product.").
Since Dranoff-Perlstein, the Missouri Court of Appeals,\(^74\) as well as other courts within the Third Circuit,\(^75\) have followed the Third Circuit’s reasoning. Dranoff-Perlstein has also been cited favorably in federal and state courts in other jurisdictions.\(^76\)

However, at least one court from the Sixth Circuit has refused to follow the lead of Dranoff-Perlstein.\(^77\) In Express Mortgage Brokers, Inc. v. Simpson Mortgage, Inc., a mortgage broker with the number “1-800-760-CASH” sought a preliminary injunction against another competing mortgage broker in the same area with the number “369-CASH.”\(^78\) In granting an injunction, the federal district court for the Eastern District of Michigan distinguished Dranoff-Perlstein, reasoning that in Dranoff-Perlstein, the “INJURY-1” mark was found to be generic because there was a lack of commonly available alternatives for other similar businesses to use for the same services.\(^79\) Conversely, in Express Mortgage, the court found the plaintiff’s mark descriptive, noting there were “a plethora of alternatives to plaintiff’s use of CASH in relation to mortgage-related services.”\(^80\)

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74. See Southwestern Bell Yellow Pages, Inc. v. Wilkins, 920 S.W.2d 544, 549 (Mo. Ct. App. 1996) holding that the mark “772-ROOF” is generic as a mark for a roofing contractor.


78. See id. at 1371. The suit was described as a trademark infringement suit brought under 15 U.S.C. § 1125(a), which is § 43(a) of the Lanham Act. There was no indication that any of the “marks” involved were registered, leaving an unfair competition claim the only available alternative under the Lanham Act.

79. See id. at 1372-73 (citing Dranoff-Perlstein Assoc. v. Sklar, 967 F.2d 852, 858 (3d Cir. 1992)). The Express Mortgage court also questioned the Dranoff-Perlstein court’s inability to imagine alternative mnemonics for personal injury lawyers: “The court wonders whether the Third Circuit considered such possibilities as 1-800-AMBULANCE, 1-800-JACKPOT, or 1-800-LOTTERY given the context of the business addressed in Dranoff-Perlstein.” Id. at 1373 n.3.

80. Id. at 1373-74 ("[D]efendants could have chosen to use such telephone numbers as 1-800-MORTGAGE, 1-800-LOAN-YES, 1-800-MONEY-1, or any of another half-dozen choices.").
Express Mortgage notwithstanding, Dranoff-Perlstein is the better-reasoned case. A generic term used in a telephone mnemonic is still generic and should be denied trademark protection. Some commentators have reasoned that telephone mnemonics incorporating generic terms should be protected because they indicate not only the single product or service designated by the generic term, but also other services involved, such as a nationwide network of taking orders for and delivering the product. However, this reasoning is unsound; the same could be argued about nearly any company using a mnemonic telephone number, because the reputation of the company and its associated services are always bound up with its related advertising terms. The mnemonic telephone number is always one of these terms.

At the other extreme, some commentators, in reaction to Dial-A-Mattress, have called for an amendment of the Lanham Act to make clear that the genericness doctrine applies to all trademarks regardless of their form. Others argue that telephone mnemonics ought to be required to meet a standard of distinctiveness higher than that by which other types of marks are evaluated before trademark protection is granted.

Still others argue that mnemonic marks should be protected only against other mnemonic marks.

b. The PTO response. In 1994, in response to the split, the PTO issued new administrative guidelines, adopting the Dranoff-Perlstein reasoning. Under these new guidelines, trademark examiners are instructed that "[t]he fact that a designation is in the form of a telephone number is insufficient, by itself, to render it distinctive." Examining attorneys are

81. See Monahan, supra note 60, at 291 ("1-800-FLOWERS indicates not only the product, flowers, but also the service, a nationwide network taking orders for and delivering flowers. 'FLOWERS,' in that scenario, signifies more than just floral arrangements.").

82. See Smith, supra note 67, at 1110-12.

83. See, e.g., Elizabeth A. Horky, Note, 1-800-I-AM-VAIN: Should Telephone Mnemonics be Protected as Trademarks?, 3 J. INTELL. PROP. L. 213, 252 (1995) (suggesting that telephone mnemonics should be presumed descriptive, like alphanumeric marks, and should receive protection only upon a showing of actual function as a trademark).

84. See Monahan, supra note 60, at 307.

instructed to refuse registration if an application is made for “a designation which consists of a merely descriptive or generic term with numerals in the form of a telephone number.” These new PTO guidelines should adequately ensure that the mistakes of Dial-A-Mattress are not repeated. As stated above, generic terms should not be protected because protecting them would restrain competitors from effectively describing their products. Because this is plainly contrary to established trademark law, generic telephone mnemonics should not receive protection as trademarks under the Lanham Act. But the jury is still out on this precise question. Given the split between the Second and Third Circuits, in spite of the new PTO guidelines, generic mnemonics persist in the market and will be around for some time to come.

III. COMPLEMENTARY TELEPHONE MNEMONICS: HOLIDAY INNS, INC. v. 800-RESERVATION, INC.

In spite of their notoriety, consumers frequently misdial vanity numbers by substituting a zero for the letter “O,” or substituting the number one for the letter “I.” For example, if attempting to dial the number 800-POPCORN (800-767-2676), a potential customer might mistakenly dial the number corresponding to 800-P0PC0RN (800-707-2076), with zeros in place of the digit 6 which corresponds to the letter “O.” This mistaken number is a complementary number. This phenomenon is widely known by businesses with toll-free service. It is also well known by their competitors, providing an environment ripe for one of the most recent significant cases involving complementary mnemonics: Holiday Inns, Inc. v. 800-Reservation, Inc.

86. Id.
88. See id.; 2 McCarthy, supra note 6, § 12.01[2].
89. The “1-800-FLOWERS®” mark, for example, is still a valid registered trademark, though it is arguably generic. See Principal Register, United States Patent and Trademark Office, Registration No. 1,009,717. The goods and services for which this mark is registered are described as “[r]ecieving and placing orders for flowers and floral products.” Id. “Flowers” is arguably the generic term for this service.
Holiday Inns, Inc. owned the rights to the number 1-800-465-4329, corresponding to the vanity number 1-800-HOLIDAY, for its nationwide reservation service. The mnemonic was not a registered trademark, but Holiday Inns had owned and used the corresponding toll-free number for many years. Moreover, the mnemonic appeared in “virtually all” of the corporation’s $20 million to $30 million annual media, print, and radio advertising.

In 1993, businessman Albert Montreuil discovered that numbers complementing 1-800-HOLIDAY had not been reserved. With the admitted purpose of intercepting calls from misdialing Holiday Inns customers, Montreuil obtained the rights to these complementary numbers and began a hotel reservations service which could make reservations at Holiday Inns and other national hotel chains. Montreuil confessed that his new company, 800-Reservation, “reaped benefits in direct proportion to Holiday Inns’s efforts at marketing 1-800-HOLIDAY for securing reservations.”

At trial, the District Court for the Eastern District of Tennessee found in favor of Holiday Inns and granted a preliminary injunction against 800-Reservation. The court concluded that although 800-Reservation could reserve rooms for customers at Holiday Inns hotels, Holiday Inns was still damaged because the defendant used a different computer system which might show no vacancies at a particular Holiday Inn when rooms were in fact available, and also because a customer would be more likely to obtain a favorable room rate from Holiday Inns directly. While recognizing that the defendant did not cause the confusion that causes misdialing, the district court concluded that the defendants were using Holiday Inns’ mark in an insidious and parasitic manner so as to catch unsuspecting consumers. “From the consumer’s standpoint, defendants’ use is insidious because, while

91. It is also worth noting that this mark is probably not generic because Holiday Inns is not selling holidays, but is selling accommodation and dining services for which “HOLIDAY” is not the generic term.
92. See Holiday Inns II, 86 F.3d at 620.
93. Id. at 621.
95. See id.
96. See id. at 1254.
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defendants have not created the confusion inherent in the use of vanity numbers, they have cleverly spread their net to capture the consumer at the very moment his confusion is manifested but not necessarily apparent."

Upon review, the Sixth Circuit reversed. In analyzing Holiday Inns’ trademark infringement claim, the court noted that the Lanham Act’s threshold requirement of use was not satisfied. The defendant had never advertised or used “1-800-HOLIDAY” or any copy or facsimile of any of Holiday Inns’ marks. In fact, 800-Reservation had engaged in almost no advertising at all and had only advertised its toll-free number as a number, not in its mnemonic form. The court of appeals rejected the district court’s appeal to the “spirit” of the Lanham Act, and stressed the requirement that “the defendants’ use of a protected mark... is a prerequisite to the finding of a Lanham Act violation.”

The Sixth Circuit’s conclusion regarding trademark infringement was undeniably correct, though not entirely for the right reasons. The court correctly noted that the use of a protected mark or a colorable imitation of one is a specific

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97. Id. at 1255.
98. Holiday Inns II, 86 F.3d at 626.
99. See id. at 625. Although the mark “1-800-HOLIDAY” was not a registered mark, the court agreed that it was protectable under the Lanham Act, largely because the defendants conceded that it was. See id. at 624.
100. See id. at 623-24; cf. Holiday Inns I, 838 F. Supp. at 1255 (“In fact, defendants engage in no meaningful advertising whatsoever.”).
101. See Holiday Inns II, 86 F.3d at 625.
102. Id. at 626.
103. Id.
104. See id. A petition for writ of certiorari in this case was denied by the Supreme Court. See 519 U.S. 1093 (1997). However, as binding case law in the Sixth Circuit, Holiday Inns II has been followed in at least one other factually similar case, U-Haul Int'l., Inc. v. Kresch, 943 F. Supp. 802 (E.D. Mich 1996), and was discussed in a second factually dissimilar case, Sports Authority, Inc. v. Abercrombie & Fitch, Inc., 965 F. Supp. 925 (E.D. Mich. 1997).
statutory requirement before infringement can be found under § 32 of the Lanham Act. The fact that the defendant had never used Holiday Inns’ mark was not disputed and was dispositive of this point.

However, the court overlooked a more fundamental basis for its decision: Holiday Inns did not have a mark that was afforded protection under § 32 of the Lanham Act. In its complaint, Holiday Inns, Inc. alleged, inter alia, trademark infringement and unfair competition under §§ 32 and 43 of the Lanham Act respectively, and similar state law provisions. Upon noting that the standard of relief for both trademark infringement and unfair competition is “substantially identical—likelihood of confusion,” the district court analyzed the two claims together and found a Lanham Act violation with respect to the “plaintiff’s mark.” The district court’s opinion did not specifically state which section of the Act the defendant violated. However, the court’s use of the word “mark” in its conclusion implies that it focused on § 32. The clear implication is that the district court considered the mark “1-800-HOLIDAY” to be entitled to federal trademark protection under § 32. Because the mark was unregistered, this was clearly wrong.

The Sixth Circuit Court of Appeals perpetuated this error, as evidenced by the court’s acceptance of the defendant’s concession that Holiday Inns’ unregistered mnemonic was “fully entitled to trademark protection.” However, whether a mark is entitled to trademark protection is a question of law based on underlying facts and is for the court to decide. The parties’

105. See supra Part II.A.2.
106. Some commentators have lamented that the court’s insistence on some advertising or active promotion of the competitor’s mark is unreasonably rigid. See Dame, supra note 1, at 1226 (“[T]he mere use or operation of a telephone number, whether in alphanumeric form or not, should be sufficient to qualify as a ‘use’ under the Lanham Act . . . .”). This reasoning, however, confuses §§ 32 and 43(a) of the Lanham Act. Under § 32, use of a mark or a copy or colorable imitation of a mark is absolutely required by the plain language of the statute. Use of a number, without more, can only be pursued under § 43(a).
107. Id. at 1253.
108. Id. at 1255.
109. This follows because the word “mark” does not appear in § 43(a) of the Lanham Act.
111. See Specialty Brands, Inc. v. Coffee Bean Dists., Inc., 748 F.2d 669, 671
concession, therefore, was not determinative. The use requirement of § 32 by its plain terms is predicated upon confusion with a registered mark. Unregistered marks can receive no protection under § 32 of the Lanham Act as trademarks. Since “1-800-HOLIDAY” was not registered, Holiday Inns’ § 32 claim should have been dismissed from the outset.

_Holiday Inns II_ has been followed by several district courts in the Sixth Circuit. Most notably, in _U-Haul International, Inc. v. Kresch_, the defendant, a former U-Haul agent, obtained three mnemonic telephone numbers complementary to U-Haul’s nationwide toll-free rental number. Defendant played a recorded message to incoming callers explaining that it had been terminated “without cause” by U-Haul and directing potential customers to call Ryder Truck Rental for truck rental services. The district court ruled that in taking these actions the defendant did not infringe the federally registered mark “U-Haul” nor unfairly compete with U-Haul in any way. In reaching this conclusion, the court relied primarily on the _Holiday Inns II_ decision and its holding that in both the trademark and unfair competition contexts the defendant must

(Fed. Cir. 1984).

112. The only alternative for unregistered trademarks under federal law is an unfair competition claim under § 43(a). This will be discussed below. See infra Part IV.B.


115. “1-800-GO-U-HAUL” (1-800-468-4285). _See id._ at 804.

116. _See id._ at 810. There were two recorded messages. The first stated: “We are no longer accepting U-Haul reservations. For quality one-way truck rentals, please call 1-800-GO-RYDER. If you must reach U-Haul, please call 313-467-3275.” _Id._ at 810. The second recorded message stated:

_You have reached centre 40 Truck Rental. We regret to advise you that we have been unilaterally terminated without cause as an authorized U-Haul dealer by U-Haul International. We will thus be unable to serve our customers. We sincerely regret any inconvenience to you. We hope our differences with U-Haul will be amicably resolved so that we will again be given the opportunity to provide quality truck rental services for our customers in the years to come. In the interim you may wish to support us by calling 1-800-GO-RYDER for your next one-way truck rental. If you want to hear U-Haul's side of the story, or specifically require a U-Haul rental, please call 313-467-3275. Your support will be greatly appreciated._

_If._

117. _See id._ at 812.
use a protected mark to be liable. The problems with *Holiday Inns II*'s ruling on the unfair competition issue will be considered below, but it is remarkable that no courts outside the Sixth Circuit have yet followed the decision.

IV. UNFAIR COMPETITION: THE NEGLECTED TORT

In many decisions regarding telephone mnemonics, courts have confused the two torts of trademark infringement and unfair competition. This part will review the general principles and features of unfair competition law—both the common law and unfair competition as embodied in the Lanham Act. It will then apply those principles to *Holiday Inns II* to illustrate that, although the Sixth Circuit was correct in determining that no infringement of a registered mark had taken place, it fell prey to this confusion and improperly dismissed the unfair competition claim.

A. Unfair Competition Law Generally

Unfair competition is a very broad and flexible commercial tort that has its roots in the common law of deceit. Unfair competition defies complete definition in the abstract. The definition of unfair competition can be circular: it is competitive conduct that seems unfair. This definition has been compared to Justice Stewart’s “I know it when I see it” definition of hard-

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118. *See id.* at 810 (“*Holiday Inns II* makes it clear that owning a complementary number, alone, is not a violation of the Lanham Act. Instead, a showing of actual use of the mark, i.e., the vanity number, must be made.”).

119. Only one court outside the Sixth Circuit has yet cited *Holiday Inns II*. *See* Lockheed Martin Corp., v. Network Solutions, Inc., 44 U.S.P.Q.2d 1865 (C.D. Cal. 1997). *Lockheed*, a case related to Internet domain names, considered whether NSI had violated the Lanham Act in allowing the registration of domain names allegedly confusingly similar to Lockheed’s federally registered service mark “Skunk Works.” *Id.* at 1865. *Lockheed* cited *Holiday Inns II* to support the proposition that just as mere ownership and use of a telephone number did not constitute infringement, mere “registration of a domain name, without more, does not constitute use of the name as a trademark.” *Id.* at 1872. Because its focus was on infringement of a registered mark, *Lockheed*’s facts are not analogous to that portion of *Holiday Inns II* which causes the concern here.


121. *See*, e.g., *Johnson & Johnson* v. Quality Pure Mfg., Inc., 484 F. Supp. 975, 979 (D.N.J. 1979) (“When competition is engaged in beyond the boundaries of fair play, there is unfair competition.”).
core pornography. Nevertheless, courts sometimes define unfair competition as “fair play” or “principles of honesty and fair dealing.” The Fifth Circuit has stated: “[t]he law of unfair competition is the umbrella for all statutory and nonstatutory causes of action arising out of business conduct which is contrary to honest practice in industrial or commercial matters.”

The law of unfair competition has changed along with the evolution of business types and methods. “[T]here is no part of the law which is more plastic than unfair competition, and what was not reckoned an actionable wrong 25 years ago may have become such today.” Unfair competition is not, and was never intended to be, a static area of the law because it represents such a dynamic and shifting part of American society. “[T]he legal concept of unfair competition has evolved as a broad and flexible doctrine with a capacity for further growth to meet changing conditions.” Because of this capacity for change, courts retain the equitable power to create new remedies as times and circumstances change, regardless of the existence of close precedent or established labels for a particular wrong. “When a scheme is evolved which on its face violates the fundamental rules of honesty and fair dealing, a court of equity is not impotent to frustrate its consummation because the scheme is an original one.” Thus, a court may fill the gaps and impose liability for unfair practices whether or not an established category for the practice exists.

Although the definitions of unfair competition are vague, one thing is clear: the law of trademarks is a subcategory of the

122. See 1 McCarthy, supra note 6, § 1:9 ("[The definitions of unfair competition] sound[] very much like Mr. Justice Stewart's definition of hard-core pornography: I know it when I see it.").
123. See Water Gremlin Co. v. Ideal Fishing Float Co., 401 F. Supp. 809, 811 (D. Minn. 1975) ("The essence of the law of unfair competition is fair play.").
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more general law of unfair competition.129 This principle leads inexorably to at least one conclusion: one who is guilty of trademark infringement is necessarily guilty of unfair competition. However, the converse is not necessarily true: even if one has not infringed a registered or common law trademark, one may still be guilty of unfair competition because of the greater breadth of unfair competition law. This is true even under the Lanham Act.130

The original purpose of unfair competition law was to prevent confusion as to the source of goods, or passing off.131 However, unfair competition law now recognizes causes of action for other conduct such as dilution,132 which includes disparagement of reputation, or tarnishment;133 diversion of business values, including customers;134 and “misappropriation of the skill, expenditures, and labor of another,”135 or in other words, riding on the coattails of another business. At least some of these broader causes of action may be pursued under § 43(a) of the Lanham Act.136

The test for unfair competition—whether the activity causes a likelihood of confusion—is the same as that for trademark infringement.137 This similarity tends to blur the distinction

129. See Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 413 (1916); Parameter Driven Software, Inc. v. Massachusetts Bay Ins. Co., 25 F.3d 332, 337 (6th Cir. 1994); see also Monahan, supra note 60, at 284 (“In the realm of mnemonic marks, unfair competition may be used to protect mnemonic users who are not able to achieve trademark rights.”).
130. See supra note 13.
134. See Jordache Enters., Inc. v. Hogg Wyld, Ltd., 828 F.2d 1482, 1490 (10th Cir. 1987) (noting that diversion of customers is considered unfair competition per se); Int’l News Serv. v. Associated Press, 248 U.S. 215, 236 (1918).
135. Murphy Door Bed Co. v. Interior Sleep Sys., Inc., 874 F.2d 95, 102 (2d Cir. 1989).
136. See Qualitex, 13 F.3d at 1303 (“[A] claim of unfair competition under § 43(a) is no longer limited to cases of passing off.”).
between the two torts, causing some courts to conclude, whether consciously or unconsciously, that infringement and unfair competition are coextensive. The scope of unfair competition, however, is much broader than trademark infringement law. Essentially, unfair competition law is designed to fill in the gaps where more narrow rules, such as trademark or patent infringement, do not reach improper conduct.

B. Unfair Competition Under the Lanham Act

While § 32 of the Lanham Act relates specifically to infringement of registered trademarks, § 43 concerns unfair competition and is more broad. Section 43 provides in part that:

(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.138

The critical difference between § 43(a) and § 32 is that § 43(a) refers to the use of "any word, term, name, symbol, or device, or any combination thereof." The term "registered mark," while an essential part of § 32, does not appear in § 43(a). Furthermore, the word "mark" does not appear in any form anywhere in § 43(a). The natural conclusion, therefore, is that § 43(a) applies

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to situations of unfair competition even where no mark, registered or otherwise, is involved.

This observation, however, is not the end of the story. Section 43(a) was originally interpreted to reach only false advertising. 139 However, beginning in 1963, federal courts have extended this section to other forms of unfair competition that were previously only protected under state common law, 140 including infringement of unregistered, or common-law, trademarks. 141 This somewhat counter-intuitive interpretation 142 of § 43(a) has since gained almost universal acceptance. 143 Where § 43(a) is invoked to protect a common-law trademark, the § 32 principles of likelihood of confusion 144 and distinctiveness 145 similarly apply. Nevertheless, this extension

139. See 4 McCarthy, supra note 6, § 27:14 (“Section 43(a) was originally envisioned as a federal anti-false advertising statute, with emphasis on the false description or representation language.”).
141. See, e.g., Metro Publ’g, Ltd. v. San Jose Mercury News, 987 F.2d 637, 640 (9th Cir. 1993) (“It is not necessary that a trademark be registered in order for it to qualify for protection under the Lanham Act.”); Banff, Ltd. v. Federated Dept. Stores, Inc., 841 F.2d 486, 489 (2d Cir. 1988) (noting that § 43(a) of the Lanham Act “protects not only registered trademarks, but unregistered marks . . . as well”).
142. The author considers this interpretation counter-intuitive because it does not logically fit the structure of the Lanham Act. As noted, § 32 of the Lanham Act addresses trademark infringement, and refers only to registered marks. If Congress had intended to extend protection to unregistered marks as well, § 32 would seem the most logical place to find it. On the other hand, as noted, § 43(a) does not include the word “mark” at all. Limiting trademark protection under the Lanham Act to registered marks would be consistent with the current state of the law of copyrights, in which a federal cause of action for copyright infringement absolutely requires a valid federal copyright registration. See 17 U.S.C. § 411 (1994) (“[N]o action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title.”).
143. The protection of common law trademarks is generally consistent with the breadth of § 43(a), though it should perhaps be called by another name. Since § 43(a) does not refer to trademarks at all, it seems improper to talk about trademark infringement under this section. Where a common-law trademark is involved, enforcement of § 43(a) should simply be considered another type of unfair competition action.
144. See Century 21 Real Estate Corp. v. Sandlin, 846 F.2d 1175, 1178 (9th Cir. 1988); see also Polo Fashions, Inc. v. Extra Special Prods., Inc., 451 F. Supp. 555, 558 (S.D.N.Y. 1978).
of the Lanham Act to cover unregistered marks has been the cause of significant confusion in the courts, and appears to have confused the Sixth Circuit in the *Holiday Inns II* case.

C. Application of Unfair Competition Law to *Holiday Inns II*

The district court in *Holiday Inns I* paid lip service to the fact that unfair competition is broader than trademark infringement, but in its confusion over the similarity of the standard of liability blurred the two torts and their boundaries. On appeal, the Sixth Circuit ably discerned the absence of trademark infringement, but was blinded by the district court's amalgamation of infringement and unfair competition into a single lump and did not separate the issues. As a result, the Sixth Circuit effectively limited unfair competition to a scope coextensive with trademark infringement.

In doing so, *Holiday Inns II* overlooked the basic difference between trademark infringement and unfair competition under the Lanham Act. That is, trademark infringement under § 32 of the Lanham Act imposes liability upon any person who uses a "reproduction, counterfeit, copy, or colorable imitation of a registered mark" In *Holiday Inns II*, there was no registered mark. However, under § 43(a) of the Lanham Act, liability for unfair competition will lie against any person who uses "any word, term, name, symbol, or device" in a way which is likely to cause confusion. While a telephone number normally does not qualify as a protectable mark, it certainly qualifies as either a term, symbol, or device. As used in the law, and consistent with its usage in the Lanham Act, the term device most naturally means a contrivance, an invention, a project or scheme, usually one designed to serve a special purpose, or perform a special function. A telephone number surely fits within this

146. See *Holiday Inns I*, 838 F. Supp. 1247, 1253 (E.D. Tenn. 1993) ("[U]nfair competition is a broad field within which lies the concept of trademark infringement . . .").

147. See *Holiday Inns II*, 86 F.3d 619, 626 (6th Cir. 1996) ("[T]he defendants’ use of a protected mark . . . is a prerequisite to the finding of a Lanham Act violation."); cf. Monahan, supra note 60, at 301 ("What is conspicuously absent from the Sixth Circuit’s opinion is treatment of the unfair competition claim.").


149. Id. § 1125.

150. See *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 197-98 & 199 n.20 (1975) (defining a device as that which is formed by design; a contrivance; an invention).
definition of “device” because it is a contrivance or invention—albeit abstract—that is designed to perform a special function within the telephone system. Thus, while the defendant in *Holiday Inns II* did not use a “mark,” its use of a telephone number, 800-Reservation, did constitute the use of a device. The court therefore should have engaged in an analysis of unfair competition.

Turning to the question of likelihood of confusion, the Sixth Circuit in *Holiday Inns II* cited eight factors outlined in *Frisch’s Restaurants, Inc. v. Elby’s Big Boy, Inc.*: “(1) strength of the plaintiff’s mark; (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care; (7) defendant’s intent; and (8) likelihood of expansion of the product lines using the marks.”

Because the court found that the defendant did not use a mark, the court did not actually consider these factors.

On the other hand, the district court reached the “likelihood of confusion” analysis, but stopped short by considering only one of the eight *Frisch’s Restaurants* factors, the defendant’s intent, and deemed that intent sufficient to establish a likelihood of confusion. Although it misapplied § 32 as discussed above, the court was correct in noting that the defendant’s intent was a critical factor; thus its analysis was correct, as far as it went. The defendant’s admitted intent was to divert customers from Holiday Inns. Notably, the defendant’s business flourished despite negligible advertising. By intentionally seeking to capitalize on the fame and goodwill of Holiday Inns and its established customer base, the defendant intentionally misappropriated the skill, expenditures, and labor of Holiday Inns. Such intent may be considered unfair competition per se. Still, as a stronger basis

151. *Holiday Inns II*, 86 F.3d at 625 (citing *Frisch’s Restaurants, Inc. v. Elby’s Big Boy, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982)).
152. *See id.* at 625-26.
154. *See id.*
155. *See id.; see also* Murphy Door Bed Co. v. Interior Sleep Sys., Inc., 874 F.2d 95, 102 (2d Cir. 1989).
156. *See Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1490 (10th Cir. 1987).
for decision, both courts should have consulted the remaining factors as Holiday Inns insisted.\[157\]

Like § 32, the plain language of § 43(a) incorporates a causation element.\[158\] This element of causation also may have been satisfied in Holiday Inns II. Unfortunately, the Sixth Circuit never reached this issue. The court of appeals was correct in reasoning that the confusion that causes misdialing was not created by the defendant, but existed independently among the dialing public.\[159\] Here, the distinction between carelessness and confusion is important. Courts have been careful to note that mere carelessness on the part of consumers does not constitute confusion so as to give rise to trademark infringement.\[160\] For example, in Pennzoil Co. v. Crown Central Petroleum Corp.,\[161\] a competitor of Pennzoil developed a greenish lubricating oil and called it “Greenzoil.” In finding no likelihood of confusion, the court noted the very different design of the two company’s oil cans and concluded that, although there were some instances of customers asking if Greenzoil was made by the same company as Pennzoil, “[o]nly occasional cases of confusion or thoughtless errors by very inattentive purchasers are of little significance.”\[162\] Similarly, thoughtless errors by very inattentive telephone users should not be sufficient to show unfair competition on the part of a passive recipient of telephone calls. It is reasonable to assume that misdialing is generally the result of consumer carelessness or preexisting confusion. Furthermore, the Lanham Act speaks specifically to confusion as to source, origin, or affiliation of goods or services, not confusion as to how to operate a telephone.\[163\]

However, other considerations can affect whether a complementary number has “caused” consumer confusion. For example, new market participants have an affirmative duty to

157. See Holiday Inns II, 86 F.3d at 625.
158. See supra note 138 and accompanying text.
159. See Holiday Inns II, 86 F.3d at 625.
161. 50 F. Supp. 891 (D. Md. 1943), aff’d, 140 F.2d 387 (4th Cir. 1944).
162. Id. at 900.
163. See Dame, supra note 1, at 1231 (“[C]onfusion as to the source [of goods or services] should not be mistaken with confusion as to the operation of a telephone.”).
prevent confusion with senior competitors; where a holder of a complementary number fails to take steps to do so, the causation element may be satisfied. In Holiday Inns I and Holiday Inns II, the defendant, at the beginning of each call, explained in a recorded message that the customer had not reached Holiday Inns. However, Holiday Inns offered numerous affidavits to show that the message did not play at the beginning of every call. This factual issue was never resolved. If in fact some significant proportion of misdialing callers did not hear this message, it could be argued that 800-Reservation contributed to the confusion. If customers’ calls indeed were caused by 800-Reservation’s use of a complementary phone number, the Sixth Circuit could have found in favor of Holiday Inns.

V. Policy Considerations

Commentators have only grudgingly supported the protection of telephone mnemonics. Some urge that mnemonics should meet higher standards to qualify for trademark protection. Some argue that mnemonics should only be protected from each other, while some suggest amending the Lanham Act. Others see the free use of complementary numbers by competitors as a desirable aid to economic competition. The Lanham Act seeks to strike a balance

165. The message stated:
Hello. You have misdialed and have not reached Holiday Inns or any of its affiliates. You’ve called 800 Reservations, America’s fastest growing independent computerized hotel reservation service. One of our highly trained hotel reservation specialists will be with you momentarily to provide the Holiday Inns number or to assist you in finding the lowest rate at over 19,000 properties worldwide, including such hotel chains as Holiday Inns, Guest Quarters, Hampton Inn, Sheraton, Comfort Inn, and many more. If you are a member of a hotel’s frequent guest program, have that number ready. Please stay on the line, assistance is just a moment away.

166. See id.
168. See Horky, supra note 83, at 252.
169. See Monahan, supra note 60, at 307.
170. See Smith, supra note 67, at 1110-12.
171. See Allen, supra note 160, at 862.
between promoting free economic competition on the one hand, and protecting property rights and preventing consumer confusion on the other. In light of the obvious errors in the Sixth Circuit's analysis of this issue in *Holiday Inns II*, the remainder of this comment will review the fundamental economic and legal policies that underlie trademark and unfair competition law in order to fashion a workable rule that encourages the policy goals of the trademark system, yet at the same time observes the plain language and nature of the Lanham Act. This comment concludes that holders of mnemonics, either as registered trademarks or unregistered marks, should enjoy greater protection from complementary number holders than *Holiday Inns II* provided.

A. Free Market Policies

Since the time of Adam Smith, the preservation of a free market economy in the United States has been based upon the general premise that unfettered competition tends to keep quality and productivity up and prices down. The law recognizes this principle generally: "[T]here is a basic public policy, deep-rooted in our economy and respected by the courts . . . that social welfare is best advanced by free competition . . . ." This same principle applies in the trademark and unfair competition contexts and leads some commentators to conclude that unfair competition law has gone too far in the direction of regulating competition.

172. See Sunbeam Prods., Inc. v. West Bend Co., 123 F.3d 246, 260 (5th Cir. 1997) ("The Lanham Act embodies two strong countervailing policies: protection of the proprietary interest in distinctive trademarks, minimizing consumer confusion and maximizing consumer confidence, versus fostering competition and its attendant economic benefits.").

173. See generally, ADAM SMITH, AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS, 78-79 (R.H. Campbell et al. eds., Oxford Press 1976) (1775) ("[The price of free competition . . . is the lowest which can be taken . . . for any considerable time together."); RICHARD A. POSNER, ECONOMIC ANALYSIS OF LAW 8 (4th ed. 1992) ("The forces of competition tend to make opportunity cost the maximum as well as minimum price.").


175. See S. REP. No. 79-1333 (1946), reprinted in 1946 U.S.C.C.S. 1274, 1275 (noting that the Lanham Act's basic policy is designed to promote competition).

However, under traditional free market theory, things that interfere with the “invisible hand” of the market are considered the enemy of prosperity.\textsuperscript{177} Adam Smith considered monopolies, whether created by government control or self-interested collusion, to be the greatest of these enemies: “People of the same trade seldom meet together,” he noted, “but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices.”\textsuperscript{179} Other practices, such as false advertising, produce similar effects. Thus, some amount of regulation is required to prevent collusion and obfuscation detrimental to the free market.

Some economists have criticized trademark protection as a creator of monopolies, concluding that it serves no beneficial economic purpose.\textsuperscript{180} However, these views represent only a small minority. It is widely recognized that trademarks serve at least two valuable economic purposes: “(1) they encourage the production of quality products; and (2) they reduce the customer’s costs of shopping and making purchasing decisions.”\textsuperscript{181} Some economists explain this purpose (or perhaps, more accurately, its effect) as primarily that of encouraging economic efficiency.\textsuperscript{182} Unfair competition law, on the other hand, is typically not explained in terms of economic policies, but is rooted in considerations of fairness and the public’s interest in not being deceived.\textsuperscript{183} Yet these purposes overlap in many ways, and to the extent that unfair competition law promotes the same desirable ends as trademark law, it should be analyzed in the same way.

\textsuperscript{177} See Smith, supra note 173, at 456.
\textsuperscript{178} See Robert L. Heilbroner, The Worldly Philosophers 70 (6th ed. 1986) (“If the working of the market is trusted to produce the greatest number of goods at the lowest possible prices, anything that interferes with the market necessarily lowers social welfare.”).
\textsuperscript{179} Smith, supra note 173, at 145.
\textsuperscript{180} See Economides, supra note 59, at 532 (citing Edward Hastings Chamberlin, The Theory of Monopolistic Competition, Ch. IV & App. E (8th ed. Harvard Univ. Press 1969)).
\textsuperscript{181} 1 McCarthy, supra note 6, § 2:3.
\textsuperscript{183} See generally, 1 McCarthy, supra note 6, § 2:1.
Aspects of the free market rationale support both sides of the complementary number controversy. Imposing liability on complementary number holders should tend to promote economic prosperity because the use of complementary numbers can hinder normal supply and demand forces that help assure that quality and productivity go up, and prices go down. For example, a significant difference in the quality between two businesses' goods and services should normally result in the more efficient and quality conscious company gradually obtaining a larger market share. However, if consumers confuse these two companies in their mind and in their patronage because of the use of a complementary mnemonic telephone number, the opposite result is possible. In the end, consumers may receive poorer quality goods and services, but associate them with the company that is actually more quality conscious. If the better company eventually goes out of business because of this confusion, the market may be open to monopolistic practices by a sole survivor, thus thwarting the goals of quality, efficiency, and low price that trademark and unfair competition law seeks to promote.

On the other hand, the essence of free, unfettered competition is to allow an entrepreneur to see an unsatisfied need in the market and exploit it.\(^\text{184}\) If the economic incentive to fill such needs is taken away, the whole economy suffers. Furthermore, where goods are nearly identical, as is the case with direct competitors using complementary numbers, some amount of confusion may be an "unavoidable incident of lawful, healthy competition."\(^\text{185}\) Where purchasers receive the same or comparable goods or services regardless of which vendor they actually contact, as in the \textit{Holiday Inns II} case, it could be argued that there is no real danger of confusion as to the source of the goods because the source is essentially the same.

However, the confusion which the Lanham Act seeks to prevent includes confusion as to affiliation, as well as to source.\(^\text{186}\) Customers do not merely buy goods; they also receive the services of the vendor. These services extend to such

\(^{184}\) See generally, SMITH, supra note 173.


intangibles as the ease and convenience of working with customer service personnel, the speed of delivery, and the responsiveness of the company to problems. Certainly these services also relate to price. Even when goods come from one supplier, the reputation of the affiliated vendor is at stake based on the quality of these services. Thus, the difference in affiliation is an important aspect of the total package of goods and services, and should be subject to the strict control of the senior user to prevent tarnishment of its reputation.

Because these free market principles lend some support to both sides of the complementary numbers debate, free market theory alone does not answer the question whether complementary numbers should be afforded trademark protection. At bottom, the interests of the free market are consistent with the overall approach of the Lanham Act, which is to balance the countervailing policies of protecting free competition while preventing consumer confusion and overreaching by market participants.  

B. Economic Efficiency

Leading economists believe that trademark law can best be explained in terms of economic efficiency. This efficiency is manifested primarily in "the saving in search costs made possible by the information or reputation that the trademark conveys or embodies about the brand (or the firm that produces the brand)."

Economic efficiency arguments also support both sides of the complementary number issue and thus lead to the same conclusion reached in the discussion of free market theory above. For example, some commentators have pointed out that economic efficiency is promoted by allowing complementary number holders the full benefit of their entrepreneurial cunning, without the spectre of unfair competition liability. Under this theory, allowing complementary number holders to

187. See Sunbeam Prods., Inc. v. West Bend Co., 123 F.3d 246, 260 (5th Cir. 1997).
189. Id. at 270.
190. See, e.g., Allen, supra note 160, at 862-63 ("[D]isallowing passive receipt of calls on a complementary number may preclude some potential competitors from entering the market if they cannot afford to advertise.").
receive calls from misdialing consumers promotes efficiency and competition by making entry into an established market less costly. This promotes competition and efficient allocation of resources by encouraging owners of mnemonic numbers to purchase the rights to their complementary numbers. After all, no other business but a competitor would want these complementary numbers because the misdialed calls are a nuisance and a significant expense that the other business ought not to bear. Furthermore, the cost of buying the complementary numbers is relatively small. If the original number holder does not purchase the complementary numbers, and a competitor cannot use them, they will be essentially locked-up and of no use to anyone.

On the other hand, why should a market participant be required to go to the expense and trouble of buying complementary numbers at the peril of its business? In doing so, it is entirely possible that a business may miss one or more complementary numbers. Should it then be penalized for its lack of creativity in predicting the scheming mind? The resultant expense could be significant depending on the nature and relative size of the business. Additionally, toll-free numbers are a finite commodity. Requiring a business to purchase several numbers when it only needs one hardly seems an efficient use of resources. The proliferation of telephone connections is a significant problem in the United States, especially since the advent of fax machines, modems, internet connections, and dedicated lines. For example, the new toll-free prefix “888” was introduced precisely because the demand for additional numbers has outstripped supply. Removing the
incentives for complementary parasites would help conserve the existing telephone infrastructure and minimize consumer cost and inconvenience.

C. Unjust Enrichment

The equitable theory of unjust enrichment, like the law of unfair competition, is typically explained in terms of fairness and good conscience. Also like unfair competition, legal scholars are at a loss to define unjust enrichment in the abstract. Justice Cardozo described it as any situation where a party has received a benefit "in such circumstances that the possessor will give offense to equity and good conscience if permitted to retain it." As with other torts, remedies based on unjust enrichment are regularly applied in Lanham Act cases. For example, in *Maier Brewing Co. v. Fleischmann Distilling Corp.*, the Ninth Circuit Court of Appeals held that the Lanham Act justifies a broad application of equitable remedies to prevent unjust enrichment. After noting that the language within § 35 of the Act gives an aggrieved party a remedy "subject to the principles of equity," the court quoted the legislative history which showed that Congress intended not merely to compensate trademark holders for actual lost or diverted sales, but intended more generally to "make infringement and piracy unprofitable."

These equitable policies argue squarely against the *Holiday Inns II* result. As a matter of logic and common sense, it hardly seems fair or just for a business to be allowed to profit through what is essentially piracy of the advertising efforts of another company. By the defendants' own admission in *Holiday Inns II*,

30. In 1996, the FCC agreed to make identical vanity numbers in the new "888" exchange temporarily unavailable upon request of a holder of the same number in the "800" exchange. See Order, supra note 1, at 2504. For a complete discussion of FCC regulations and telephone mnemonics, see Dame, supra note 1, at 1220-22.

195. See generally, DOUGLAS LAYCOCK, MODERN AMERICAN REMEDIES 525 (2d ed. 1994) (stating that unjust enrichment is undefinable).


197. 390 F.2d 117 (9th Cir. 1968).

198. See id. at 121-22.


200. *Maier*, 390 F.2d at 121.

201. *Id.* (quoting S. REP. NO. 79-1333, at 1-2 (1946)).
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this is precisely what happened. Thus, the use of complementary numbers contradicts the basic policy that underlies unfair competition law—enforcement of that which is fair.

But legal prevention of unjust enrichment is not justified solely by the principles of fairness and good conscience. It also provides distinct economic benefits. Preventing one market participant from “free-riding” on the coattails of another spurs development of valuable trademarks, and urges parties to contract with one another, which in turn fosters economic growth. For example, if Business A prospers because of its high quality products, good reputation, and extensive advertising, and Business B is allowed to ride on Business A’s coattails, Business B’s free-riding will drive down quality regardless of the quality of Business B’s goods or services. This produces a benefit for one market participant at the expense of other businesses and the general consuming public. Thus, the principle of unjust enrichment, whether justified in terms of fairness or economics, leads to the conclusion that competitors ought not be allowed to profit from the use of complementary numbers of others.

D. The Duty to Prevent Confusion

Not only do actors in the marketplace have a duty not to cause confusion, they also have an affirmative duty to prevent confusion. This duty is clearly imposed in the trademark infringement context: A latecomer to a market has a duty to choose a trademark, or to name its product in a manner designed to avoid all likelihood of confusion. The same principle also applies in the unfair competition context: Junior competitors have an affirmative duty to avoid or minimize the

203. See Landes & Posner, supra note 15, at 270 (“If the law does not prevent it, free riding will eventually destroy the information capital embodied in a trademark, and the prospect of free riding may therefore eliminate the incentive to develop a valuable trademark in the first place.”).
204. See Opticians Ass’n. v. Independent Opticians, 920 F.2d 187, 197 (3d Cir. 1990) (“One entering a field already occupied by another has a duty to select a trademark that will avoid confusion . . . .”) (quoting Ideal Indus., Inc. v. Gardner Bender, Inc., 612 F.2d 1018, 1026 (7th Cir. 1979)).
prospect of confusion among purchasers. This same duty was invoked by the Supreme Court in *Kellogg Co. v. National Biscuit Co.* In the complementary numbers context, as the court found in *Holiday Inns II*, the defendant did not create the confusion that caused misdialing, but merely took advantage of it. However, the confusion that causes misdialing is not the only relevant confusion. The recipient’s actions after the call is received may also contribute to the confusion.

Legal imposition of the duty to prevent confusion tends to soften the result that unjust enrichment principles urge, while stopping short of the no-holds-barred competition that free market and economic efficiency principles tend to support. Entirely preventing competitors from holding complementary numbers, as the unjust enrichment rationale suggests, would certainly fulfill the duty to prevent confusion. This approach, however, is a bit extreme. With an affirmative duty to prevent confusion, competitors could hold and profit from complementary numbers, so long as they took adequate steps to allay confusion.

Where the number holder has a complementary number and knows or ought to know that some significant portion of calls it receives are from misdialing consumers, it may fulfill this legal obligation by providing a clear explanatory message at the beginning of the call. If a call recipient adequately informs callers of their possible or probable mistake, and gives adequate information to prevent any additional confusion, the likelihood of confusion should be adequately remedied. At the very least, the use of such precautions should be an important factor in the “likelihood of confusion” analysis.

A simple or vague identification at the beginning of a telephone call may be inadequate. It may go unheard or be misunderstood. Also, since many toll-free numbers are routed through answering services, many callers may simply assume that the answering party, regardless of its name, is the answering or customer support service for the intended

206. 305 U.S. 111 (1938); see supra note 13.
207. See *Holiday Inns II*, 86 F.3d at 625.
208. See Allen, supra note 160, at 862-63.
party. A misdialing customer who is aware of this commercial practice may presume that they have dialed a complementary number when they have not or, conversely, that they have reached the correct number when in fact they have dialed a complementary number. If the recipient of the call does nothing, it adds to this confusion.

The *Holiday Inns II* court did not impose the duty to prevent confusion upon the defendant. In *Holiday Inns II*, the defendant’s phones were all allegedly answered by the recorded message referred to above. The message explained that the caller had not reached Holiday Inns or any of its affiliates, and stated that an operator would be available shortly to help the misdialing caller find their intended number, or make a hotel reservation at Holiday Inn or one of several other hotel chains mentioned by name. Whether each caller heard this message and exactly what the message contained were major points of contention in the district court hearing. Nevertheless, a clear explanatory message is a simple, reasonable, and easy step to remedy or prevent confusion from complementary number holders in the same business.

### E. Portability and Property Rights

The economic analysis of trademark law draws heavily on the economics of property rights. As with real property law,
the essence of trademark law is the right to exclude. Such exclusive rights provide both costs and benefits. The primary benefit is the incentive to use a finite resource in the most cost-efficient way and to improve that resource in anticipation of eventual personal enrichment. However, property rights also introduce transfer costs, rent seeking (i.e., promotion costs), costs of protection and enforcement, and the cost of restricting use of property which has a public good. As with free market principles in general, these competing interests urge a regulatory approach that balances the interests.

In order to adequately balance these interests, the nature of the property should dictate in large measure the nature of the legal structure that protects it. Thus, the nature of telephone numbers and their underlying technology ought to inform the rationale behind their protection. An understanding of toll-free telephone technology and how it works is essential to any discussion of possible solutions to its inherent weaknesses. One important aspect of toll-free telephone technology and related law is the concept of portability. From the break-up of AT&T until 1993, toll-free telephone numbers were assigned in blocks of 10,000 to individual long distance companies. A customer could not change long distance providers and retain the same toll-free number. However, as a result of FCC regulations that took effect in May 1993, toll-free telephone numbers became fully portable. As a result, a toll-free customer can switch carriers (e.g., from AT&T to MCI) and keep their toll-free number and its corresponding mnemonic. As one commentator has pointed out, the advent of portability "means that the telephone company does not 'own' the telephone number; the customer does."

215. See id.
216. See id. ("[A] firm is less likely to expend resources on developing a new product if competing firms that have not borne the expense of development can duplicate the product and produce it at the same marginal cost as the innovator; competition will drive price down to marginal cost, and the sunk costs of invention will not be recouped.").
217. See id.
218. For a good general discussion of the toll-free telephone industry and the portability of toll-free numbers, see Horky, supra note 83, at 229.
219. See id.
220. See id.
221. Id.
Effective “ownership” of the number by the customer argues against the Holiday Inns II result, and the jungle warfare economics that it supports. If the owner of a mnemonic number is deemed to have rights in the number superior to everyone but the telephone company, the law should recognize the full spectrum of property rights, including exclusive rights in the means chosen to help associate the number with goods or services. Complementary numbers may be viewed to infringe those exclusive rights just as a new high rise may infringe a neighboring property owner’s right to sunshine, or a particular view.

F. Internet Domain Name Cases

Recent disputes involving the Internet have noted the similarities between telephone mnemonics and domain names. In fact, the Patent and Trademark Office’s policy of allowing federal registration of internet domain names evolved from court rulings holding that telephone mnemonics and radio

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222. See id. at 231. Interestingly, this characterization of the rights of the number holder is quite similar to a lease of real property.

223. There are both similarities and significant differences. On the one hand, telephone mnemonics and domain names may both serve as an easy way of remembering how to contact a provider of goods or services. Likewise, both telephone mnemonics and domain names may contain a trademark, such as 1-800-CALLATT® and “intel.com,” or they may become famous themselves, such as 1-800-COLLECT@ and “yahoo.com.” Most importantly, both telephone mnemonics and domain names can each only occur once in a given exchange or area code, in the case of telephone numbers, or Top Level Domain (TLD), in the case of domain names. While this does not make each possible combination strictly unique (because there are multiple exchanges and multiple TLD’s), by far the most valuable and desired telephone exchanges are 800 and 888, because they have nationwide coverage, and the TLD used by commercial enterprises is “.com.” See id. at 966. Also, because each of the numbers on a telephone keypad or dial (except the number 1) corresponds to three letters of the alphabet, multiple mnemonics can be derived from a single number. For example, the telephone number corresponding to the mnemonic 1-800-SEAFOOD could also correspond to 800-READ-ONE, 800-READOME, 800-PEAFOOD, and others. In addition to the seven digit limitation, telephone mnemonics are also limited by the absence of the letters Q and Z from the telephone keypad. See id. at 967.
station call letters are registrable.\textsuperscript{224} Recent decisions on trademark infringement and unfair competition claims involving domain names have, contrary to the \textit{Holiday Inns II} decision, protected domain names from complementary or parasitic names. For example, in \textit{Playboy Enterprises, Inc. v. Calvin Designer Label}, a federal district court recently enjoined an adult-oriented internet web site owner from using its domain names “playboyxxx.com” and “playmatelive.com” because such use constituted infringement and unfair competition.\textsuperscript{225} Although at least one of these domain names arguably does not infringe a registered trademark of Playboy Enterprises, Inc., the court found that unfair competition had been proven.\textsuperscript{226}

In another recent case, Steven Brodsky created a web site bearing the address “www.jewsforjesus.org” which contained information opposed to the views and activities of the evangelical group, Jews for Jesus, whose official web site is found at “www.jews-for-jesus.org.”\textsuperscript{227} Jews for Jesus’ official site contains information related to the group’s belief that Jesus is the Jewish Messiah. Brodsky’s web site contended that “[t]he Jews for Jesus cult is founded upon deceit and distortion of fact” and that “[t]he whole program [of Jews for Jesus] is based on deceit and trickery, preying on people who are confused.”\textsuperscript{228} Brodsky’s page provided a link to the web site of Outreach Judaism, and advised users to follow this link “to learn more about how the Jews for Jesus cult is founded upon deceit and distortion of fact.”\textsuperscript{229} Upon consideration of the plaintiff’s claims of trademark infringement and unfair competition, the federal district court held squarely for Jews for Jesus and enjoined Brodsky’s use of these terms. The court ruled that Jews for Jesus’ name and federally registered trademark\textsuperscript{230} were

\textsuperscript{225} See 44 U.S.P.Q.2d 1156 (N.D. Cal. 1997).
\textsuperscript{226} See id. at 1156-58.
\textsuperscript{228} Brodsky, 46 U.S.P.Q.2d at 1657.
\textsuperscript{229} Id. at 1658 n.15.
\textsuperscript{230} On Oct. 4, 1983, Jews for Jesus obtained U.S. Reg. No. 1,252,889 for the
protectable under state and federal law, and that Brodsky's use of these trademarks created a likelihood of confusion.\textsuperscript{231} Of greatest interest to the present discussion, the court pointed out that "[i]n order to constitute infringement, exact similarities are not required between the allegedly confusing marks. Rather, it is sufficient that enough of the mark is confusingly similar or has been used to deceive the public."\textsuperscript{232} Applying this same reasoning to telephone mnemonics, it should not be necessary that the mnemonic number and the complementary mnemonic be mirror images for the courts to protect mnemonic number holders. Rather, it should be sufficient if the complementary and mnemonic numbers are confusingly similar or the complementary number has been used to deceive the public, as was the case in both \textit{Holiday Inns I} \& \textit{II}.

Because of the differences between Internet and telephone technology, the domain name controversy may not provide much assistance to the complementary number analysis. Nevertheless, these cases have come down on the side of protecting property rights in Internet domain names (alphanumeric designs associated with telecommunications) and, thus, support the conclusion that complementary numbers deserve legal protection from pirates, free-riders, and other parasites.

VI. CONCLUSION

As a clever and popular advertising device, a telephone mnemonic is protectable under federal trademark law so long as it is distinctive enough to function as a designator of source or quality. The Lanham Act provides a civil cause of action for trademark infringement against any person who uses in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mnemonic mark that causes a likelihood of confusion among consumers.

In spite of the established principles of trademark distinctiveness, however, some courts have extended trademark protection to telephone mnemonics that include generic terms

\textsuperscript{231} See id. at 1656.
\textsuperscript{232} Id. at 1662 (citations omitted).
for the offered goods or services, such as 1-800-MATTRESS for a mattress dealer, or 1-800-760-CASH for a lender. Part of the reason for this extension of protection was the now discontinued practice of the Patent and Trademark Office in registering these marks. Though the federal courts are still split on this matter, the basic principles of trademark law outlined in the Dranoff-Perlstein case urge the common-sense result that a generic mark is still generic regardless of whether it is used in a telephone mnemonic. Recent PTO administrative guidelines require this approach to registration of telephone mnemonics, and the courts should follow.

However, complementary mnemonics are a more troubling matter. Complementary numbers by their very nature present potential commercial abuses that could harm the free market system and hamper economic progress. In the Holiday Inns II case, the Sixth Circuit’s rejection of liability against a parasitic complementary number holder correctly applied the Lanham Act in the trademark context: the defendants had never used a copy or colorable imitation of a Holiday Inns trademark. However, the court of appeals misunderstood and misapplied the unfair competition provisions of the Lanham Act.

Unfair competition is meant to be a broader tort than trademark infringement. Where trademark infringement requires the use of a copy or colorable imitation of a registered mark, unfair competition only requires the use of any device likely to cause confusion. A telephone number, whether in its numeric or mnemonic form, is a device within the ordinary meaning of the word. The Sixth Circuit essentially merged trademark and unfair competition into one coterminous tort. This decision was erroneous, and its faulty rationale should be rejected by future courts that confront the issue.

On balance, the fundamental legal and economic policies behind the Lanham Act and commercial law in general argue against the Holiday Inns II result. The total, unfettered right to obtain and use a mnemonic complementary to a competitor’s established number seems on the surface to promote free market policies. However, it can have the opposite effect in the same way monopolies discourage quality and competition. Likewise, economic efficiency arguments support both conclusions. Free access to complementary numbers promotes easy access into the market, and promotes efficient allocation of
telephone numbers to the customers who really want them. However, it seems inefficient to effectively require a market competitor to buy assets that it does not really want or need.

The principles underlying unjust enrichment, the duty to prevent confusion, and property rights argue squarely for increased protection for owners of mnemonic numbers against holders of complementary numbers. Recent Internet domain name cases have drawn heavily from telephone mnemonic cases in recognizing property rights in telecommunications designations. In the end, strict enforcement of the duty to prevent confusion will best serve both the interests of the free market, while simultaneously protecting property rights and preventing unjust enrichment. In the complementary number context, this duty will allow competitors to hold and profit from complementary numbers so long as they take adequate steps to allay confusion. Such steps should include, at a minimum, a clear explanatory message at the beginning of the call. This will ensure that competitors are not adding to consumer confusion and profiting purely at the expense of another's effort, expense, and advertising. To the extent that a competitor does not provide an adequate explanatory message, an action for unfair competition should lie. Likewise, to the extent that a competitor advertises a complementary number in its mnemonic form, she should be held liable for either infringement or unfair competition. These will obviously be factual inquiries that will depend on the specific facts and circumstances of each case. If future courts analyze complementary numbers in this way, the courts will give more effect to the underlying purpose of the Lanham Act and similar state laws than the court did in Holiday Inns II. Moreover, the courts will promote robust, healthy competition. Application of these rules will strike a balance between promoting economic competition and protecting property rights and preventing consumer confusion.

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