

Adapting Trademark Law to the Digital Economy: Challenges, Reforms, and Solutions for Non-Traditional Marks

Jessica Young^{1,a,*}

¹King's College London, London, SW8 9AQ, United Kingdom

a. Jessicayoung2005nz@gmail.com

**corresponding author*

Abstract: The rise of the digital economy has expanded international trade while challenging traditional trademark law. This study examines how trademark law has adapted to issues like cybersquatting, keyword advertising, and non-traditional marks protection. Using a doctrinal approach, it analyses key legal frameworks including the *Anticybersquatting Consumer Protection Act* and the *Uniform Domain-Name Dispute Resolution Policy*, alongside cases like *Google v. Louis Vuitton Malletier* and the ongoing case of *Sydney Nicole LLC v. Alyssa Sheil*. By evaluating these legal sources, this study will highlight both their effectiveness and gaps in addressing digital trademark challenges, particularly in cross-border contexts. The findings reveals that while progress has been made, current frameworks remain reactive and territorially limited. This study advocates for more proactive, harmonised international measures and explores future research directions, including artificial intelligence, blockchain, and the evolving role of non-traditional marks in the digital marketplace.

Keywords: Cybersquatting, Keyword Advertising, Trade Dress

1. Introduction

From the rise of online marketplaces to the increasing dominance of social media advertising, the digital era has undoubtedly altered the landscape of global commerce, redefining the ways in which goods and services are marketed, distributed, and ultimately, consumed. Trademark law, which has traditionally served as a cornerstone of classical commercial protection by safeguarding brands and ensuring consumer trust, faces increasing pressure to adapt to the complexities introduced by the digital economy [1]. As technological advancements have created innovative opportunities, they have also given rise to distinct legal challenges, such as cybersquatting, keyword advertising, and concerns surrounding the protection of non-traditional marks such as trade dress and virtual branding. Current research has highlighted the significant strides made in adapting trademark law to address modern issues such as domain name disputes and search engine bidding; however, many rightly argue that notable gaps remain.

This paper will focus on evaluating the extent to which trademark law has effectively adapted to these challenges with respect to non-traditional marks and online enforcement mechanisms. Through analysis of legal developments, case law, and the practical implications of these issues, this examination seeks to highlight where reform is most critically needed. This paper, thus, aims to

identify these shortcomings in order to provide actionable observations on how trademark law might evolve to better protect brand identity without stifling innovation and competition in the digital economy.

2. Modern Challenges: An Introduction to Cybersquatting and Keyword Advertising

As the digital market revolutionised global commerce, it also introduced unprecedented challenges for trademark law. Amongst these challenges, cybersquatting and keyword advertising stand out due to their potential of misappropriating goodwill. Both practices exploit the digital environment to misuse trademarks, creating financial, operational, and ultimately, reputational risks for brand owners. While legal frameworks have been developed to address these concerns, gaps in their enforcement highlight the need for continued adaptation. The following sections will explore the origins and definitions of cybersquatting and keyword advertising, the legal measures in place to address these issues, and the limitations of these frameworks in safeguarding trademark rights in the digital landscape.

Cybersquatting and keyword advertising are two distinct issues that have appeared with the growth of the internet. Cybersquatting refers to the registration of domain names containing trademarks by individuals who lack legitimate interest and aim solely to sell back to their owners for profit [2]. This practice mostly gained prominence in the early days of the internet as registration of domains came on a first-come, first-served basis with minimal regulatory oversight. Opportunistic actors thus exploited this system to register domains connected to well-known brands and trademarks without lawful claims. These actions not only compelled businesses to invest resources in reclaiming their domains but also risked potentially damaging their company reputation through association with unauthorised or potentially harmful content.

In contrast, keyword advertising arises from the more modern mechanics of search engine algorithms. Advertisers bid on specific keywords, including trademarked terms, so that their advertisements may appear the most prominently in search results [3]. This tactic raises concerns such as “initial interest confusion,” in which consumers are briefly misled into visiting a competitor’s website under the assumption that it is affiliated with the trademark holder [3]. Although this problem is often resolved before any purchase is made, the competitor still capitalises on the goodwill and reputation associated with the trademark, frequently at the expense of the rightful owner.

The emergence of these issues clearly highlighted the growing challenges of trademark enforcement in the early digital economy. Cybersquatting exploits the lack of preventive measures in the early stages of domain registration systems, while keyword advertisements leverage the mechanics of search engines, thus blurring the line between competitive marketing and trademark infringement. Together, these practices illustrated the pressing need for trademark law to evolve in conjunction with technological advancements.

3. Cybersquatting

Having established the scope and nature of cybersquatting and keyword advertising, it is now necessary to examine the existing legal frameworks addressing these challenges and assess their effectiveness in protecting trademark rights in the digital environment, beginning with cybersquatting.

3.1. Legal Frameworks of Cybersquatting

The Anticybersquatting Consumer Protection Act (ACPA), enacted in 1999, remains a core foundation of U.S. legislation in the combat against cybersquatting. The ACPA provides trademark owners a direct cause of action against those who register or use domain names in bad faith [4]. Courts are also empowered to grant remedies that may include the transfer, cancellation, or forfeiture of

infringing domain names, as well as statutory damages of \$1,000 to \$100,000 per infringing domain name [4]. To determine bad faith, courts consider factors such as whether the registrant has a legitimate interest in the domain, whether the domain was registered to disrupt a competitor's business, or whether it was solely intended for selling back to the rightful owner for profit [4]. The ACPA has proven itself effective domestically by outwardly defining bad-faith behaviour and offering strong deterrents. However, from a less advantageous perspective, its territorial scope limits its applicability in cross-border disputes, which are increasingly common in the globalised digital economy.

On the international front, the Uniform Domain-Name Dispute Resolution Policy (UDRP), administered by the Internet Corporation for Assigned Names and Numbers (ICANN), provides a streamlined and cost-effective mechanism for resolving domain name disputes. Under the UDRP, trademark owners can file complaints with accredited dispute resolution providers, seeking the cancellation or transfer of domain names registered in bad faith [5]. This policy requires complainants to establish three elements: that the domain name is identical or confusingly similar to their trademark, that the registrant lacks legitimate interests in the domain, and that the domain was registered and is being used in bad faith [5]. The UDRP's international applicability and administrative efficiency have made it a widely used tool for addressing cybersquatting. Furthermore, to complement the UDRP, the ICANN introduced the Uniform Rapid Suspension System (URS) as an expedited process for clear-cut cases of cybersquatting. The URS enables trademark owners to quickly suspend infringing domain names, ensuring that they cannot be used for harmful purposes during their registration period [6]. However, realistically speaking, the UDRP's remedies are limited to administrative actions, such as the cancelling or transferring of domain names, without the possibility of monetary damages or injunctive relief. Similarly, the URS suspends domains rather than transferring ownership and requires the trademark owner to provide "clear and convincing" evidence upon various conditions [6]. Its narrow scope thus restricts its utility in addressing more complex disputes that potentially require broader remedies.

3.2. Limitations of Existing Legal Frameworks

As previously mentioned, despite the progress made by various legal frameworks like the ACPA, UDRP, and URS, notable limitations persist in this area. Both the ACPA and the UDRP are fundamentally reactive, intervening only after harm has occurred. This reactive approach therefore fails to mitigate the initial harm caused by infringing domains, including consumer confusion and reputational damage to brands. Furthermore, the territorial limitations of the ACPA ultimately restrict its overall effectiveness in an increasingly borderless digital economy. Similarly, the UDRP and URS offer limited remedies, focusing on administrative actions without providing compensation or broader legal protections. For example, businesses may often struggle to recover damages from cybersquatters operating outside of their jurisdiction, thus leaving clear gaps in enforcement.

These limitations ultimately emphasise the need for more forward-looking and harmonised measures to address cybersquatting effectively, as for more comprehensive remedies, trademark owners are typically compelled to further pursue court proceedings under national or regional laws. Thus, while the discussed legal frameworks represent significant progress in combating early cybersquatting, they remain a steady work in progress.

4. Keyword Advertisement

While cybersquatting highlights the challenges of enforcing trademark rights in a borderless online environment, keyword advertising presents a similar concern as brands attempt to balance legitimate competition with the protection of their goodwill. The concept of 'initial interest confusion' is

particularly significant in this context. Although confusion may be resolved before a purchase occurs, an infringing advertiser still benefits unfairly by capitalising on the trademark owner's established reputation. In today's digital economy, this practice has gained prominence as search engine algorithms enable advertisers to bid on trademarked terms, ensuring that their advertisements appear first through "sponsored" tabs. Such methods raise the question of whether exploiting the familiarity of a recognised trademark to attract consumers before redirecting them to alternative offerings blurs the line between fair competition and infringement. Consequently, initial interest confusion not only diverts potential revenue but also risks damaging the trademark owner's reputation. This issue stands at the forefront of ongoing debates concerning the legality and ethics of keyword advertising, further shaped by several landmark cases that have since defined its legal parameters in relation to initial confusion.

4.1. Case Law Shaping Keyword Advertising Regulation

As stated above, multiple key rulings have played a notable role in forming the regulation of keyword advertising, particularly in the context of trademark protection. One of the earliest and most influential judicial precedents is *Brookfield Communications Inc v West Coast Entertainment Corp* (1999). In this case, the court introduced the concept of initial interest confusion, ruling that the use of a trademarked term in a meta tag to drive website traffic constituted trademark infringement [3]. This case elaborates that such misdirection creates an opportunity for competitors to benefit from the goodwill of a well-known trademark without permission, as consumers are drawn to their site under false pretenses. Overall, the court established foundational frameworks for later cases addressing the misuse of trademarks in online advertising and provided a structured precedent for this category of disputes. As the internet evolved, the next pivotal decision, *Google v. Louis Vuitton Malletier* (2010), illuminated the growing tension between trademark protection and the functionality of search engine algorithms. The dispute focused on Google's AdWords program, which enabled advertisers to bid on trademarked terms, including Louis Vuitton's competitors, so that their ads would appear in search results when users searched for Louis Vuitton products. The court ultimately ruled that Google's role as an intermediary did not, by itself, constitute trademark infringement, emphasizing the need to distinguish between algorithmic mechanisms used by Google and intentional trademark misuse [7]. This case highlighted the growing need to define the limits of permissible advertising practices involving trademarked words. *Network Automation v Advanced Systems Concepts* (2011) then further refined the legal understanding by introducing the "likelihood of confusion" test, which considers factors such as the labelling and appearance of the advertisement, the proximity of goods, and the advertiser's intent [8]. This development marked a significant step toward balancing the rights of trademark owners with the interests of advertisers. It also provided a far better-structured and analytical approach to evaluating the potential for consumer confusion in keyword advertising scenarios.

4.2. Challenges and Future Directions in Regulating Keyword Advertising

However, despite progress seen in case law, challenges and legal gaps persist in regulating keyword advertising. One of the primary difficulties lies in the current market's reliance on automated systems, such as search engine algorithms, which complicates the enforcement of trademark rights. As algorithms are becoming more essential for modern digital advertising, they inevitably create opportunities for advertisers to exploit trademarked terms without facing direct accountability. This dynamic once again shifts the burden of monitoring and enforcement onto owners, who must continually oversee and challenge the unauthorised use of their trademarks.

Showcasing this conflict, in *Google v. Louis Vuitton Malletier* (2010), the court placed significant emphasis on the “active role” of internet dynamics when delivering its judgment. The argument, voiced by Advocate-General Miguel Maduro, against the consideration of algorithmic usage as a factor in trademark use has received criticism, such as from Fiona McBride's commentary, which points to the potential problems of advertisers exploiting the digital environment to gain unfair commercial advantages [7]. This critique highlights the ongoing tension between trademark protection and the functionality of search engine algorithms while also illustrating the struggle of the current law to adequately address issues concerning large search engines such as Google. In addition, it has been a challenge for courts to come up with standards that can be applied consistently across the digital space. The subjective nature of consumer perception, combined with the varying presentation of advertisements on different platforms, complicates the task of determining when keyword use crosses the line into infringement. The global nature of digital advertising exacerbates enforcement issues, as jurisdictional differences in trademark law create additional hurdles for trademark owners seeking to protect their rights across international borders. Therefore, while existing case law provides a solid foundation for protecting trademark rights in the digital space, the transformative nature of the internet demands ongoing adaptation to ensure fair competition and the effective protection of trademark rights.

5. Social Media and Trademark Law: The Emergence of Social Media as a Trademark Frontier

Shifting focus to an even more contemporary area of trademark law, the rapid rise of social media has introduced new challenges for brand protection, presenting both significant opportunities and considerable risks for trademark owners. Social media platforms have fundamentally transformed how businesses engage with consumers, enabling brands to build strong identities through distinctive aesthetics, slogans, and hashtags. These platforms effectively function as virtual storefronts, offering brands the chance to create deep connections with their audiences. However, this same environment also exposes brands to increasing vulnerabilities, as intangible elements, such as trade dress and stylistic presentation, are increasingly subject to imitation. Traditional principles of trademark law, originally designed for tangible goods, have failed to fit comfortably into these more abstract and fast-changing disputes; from sound marks, such as the MGM lion's roar, to more recent usage of trade dress elements by virtual companies, the protection of these non-traditional marks requires evolving legal standards which reflect the change in brand management practises. This has been particularly challenging given that social media has effectively eliminated the distinction between content creation, brand promotion, and consumer interaction. Influencers, in particular, have become significant brand ambassadors, utilising eye-catching aesthetics to cultivate loyal audiences. This heightened visibility, thus, has prompted critical questioning regarding how trademark law should adapt to protect branding in this ever-evolving digital world.

At the time of writing, the ongoing case of *Sydney Nicole LLC v. Alyssa Sheil* comprehensively illustrates the complexities of applying traditional trademark principles to disputes emerging on social media. At the centre of the claim is the concept of trade dress, a subset of trademark law that protects the overall commercial image of a product or service, including elements such as colour scheme and aesthetic design [9]. In this first-of-its-kind litigation, as agreed upon by various legal commentators, the plaintiff, Sydney Nicole Gifford, contends that Alyssa Sheil infringed on her trade dress by replicating various elements of her social media aesthetic, including colour schemes, branding components, and promotional strategies [10]. Gifford alleged that Sheil's replication of these features misleads the audience and creates an unfair competitive advantage. Such allegations faced significant scepticism initially, as legal experts contested the abstract nature of aesthetics being claimable as intellectual property. For instance, Alexandra Roberts, professor of law, deemed the claim to be “too

far reaching,” while Danielle Garno, legal partner at Holland & Knight, considers the subject matter “not distinctive enough to be protectable” [11-12]. However, despite doubt, the court acknowledged the validity of the trade dress claim, emphasising that Gifford’s aesthetic, though abstract, was integral to her brand identity and had effectively acquired distinctiveness among her audience. Sheil’s financial gain from the alleged infringement, her control over her platforms, and the influence of the content on audience perception were sufficient to substantiate the infringement claims, notwithstanding the intangible nature of Gifford’s brand identity [13]. This recognition reflects a significant shift in the application of trademark law, as courts may now be more inclined to consider non-traditional branding elements, such as a cohesive social media style, as protectable under traditional trade dress principles.

However, despite the court’s decision, some argue that this direction risks overextending the scope of trademark law, potentially allowing brand owners to monopolise broad stylistic elements that generally overlap with popular media industry trends. An analytical perspective on this case reveals several tensions in the current legal approach. On one hand, protecting social media aesthetics under trademark law aligns with the need to safeguard brand equity and prevent unfair competition. Gifford’s claims highlight how imitation can dilute a brand’s value and mislead consumers about the source of content. However, on the other hand, the court’s willingness to recognise broad aesthetic similarities as actionable trade dress raises concerns about stifling creativity and innovation in the influencer space. The complication of enforcement comes from the subjective nature of aesthetics, as the difference between genuine infringement and lawful inspiration becomes increasingly difficult to distinguish. As Pryor Cashman LLP partner James Sammataro notes, “It’s almost like saying because I have this well-known colour scheme, I’m the only person in the world who can use it,” highlighting concerns about the potential establishment of troubling precedents and the opening of floodgates that may enable influencers to exert disproportionate control over the social media market [14]. Moreover, this case reflects the increasing significance of social media branding in contemporary trademark commerce, and its eventual outcome will likely influence future legal disputes in this area. As courts acknowledge the economic impact of a strong social media presence and the influence it has on consumer perceptions, they may prioritise protecting brand identity in digital contexts. Nevertheless, any legal approach must be applied judiciously to uphold the principles of fair competition.

To address these potential challenges, legal reform may be required to further clarify the scope of trade dress protection on social media platforms. Policymakers and the judiciary could, for instance, establish specific guidelines for identifying when stylistic elements qualify as protectable trade dress, ensuring that the safeguards remain sufficiently targeted to prevent misuse while also limiting the potential floodgates. In addition, alternative dispute resolution mechanisms, specifically designed for the fast-moving nature of social media cases, could provide a more efficient way to resolve conflict while also reducing the burden on both courts and content creators.

6. Conclusion

This research has explored the extent to which trademark law has adapted to the challenges of the digital economy. By focusing on core issues such as cybersquatting, keyword advertising, and the emerging yet highly significant protection of non-traditional marks on platforms like social media, this study has highlighted the complexities of trademark enforcement within a landscape that is shaped by rapid technological advancements and evolving consumer behaviour. In examining cybersquatting, this research identified that while existing frameworks provide avenues for resolving disputes, they are largely reactive, addressing harm only after it has occurred. Keyword advertising, particularly within the concept of initial interest confusion, continues to blur the boundaries between fair competition and infringement. While courts have developed tests such as the “likelihood of confusion”, inconsistencies in application paired with the continuing reliance on automated search

engine algorithms complicate enforcement. The exploration of social media branding through *Sydney Nicole LLC v Alyssa Sheil* accentuates the challenges of adapting traditional trademark principles to non-traditional marks, such as trade dress and general aesthetics. While courts are increasingly recognising the value of intangible branding elements, this approach may potentially overextend trademark protections and stifle content creativity as a whole.

Despite these findings, this research acknowledges its limitations. The focus has primarily been on the legal dimensions of trademark adaptation, with less consideration of the economic and technological perspectives that shape trademark enforcement in practice. Future studies could therefore incorporate a multidisciplinary approach that includes technology, economics, and law to come up with more comprehensive and holistic recommendations. Additionally, the scope of this paper was limited to specific digital challenges; broader exploration of issues such as the growing impact of artificial intelligence, blockchain-based trademarks, and how these affect trademark law could offer further contributions.

Looking forward, trademark law must continuously evolve to remain effective in addressing the challenges put forth by the digital economy. Policymakers should prioritise the global harmonisation of legislation to ensure consistency in cross-border enforcement while courts may benefit from refining standards for non-traditional marks, providing clearer guidelines to balance protection with innovation within specific jurisdictions. As technologies continue to advance, proactive mechanisms, rather than reactive ones, will be essential for safeguarding trademarks while fostering fair competition and creativity. By addressing these challenges, trademark law will be better aligned with the conditions of the digital age and further aid the ongoing growth of commerce in an ever-evolving economy.

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