LAW360

Portfolio Media. Inc. | 111 West 19th Street, 5th Floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

4 Ways Generative AI May Implicate Trademarks

By **Rebecca Dalton, Phillip Hill and Alyssa Greenstein** (August 28, 2023, 12:27 PM EDT)


Rebecca Dalton


Phillip Hill


Alyssa Greenstein

As use of generative AI continues to grow, so do the questions surrounding AI and intellectual property infringement. Many articles have considered copyright infringement risks from these emerging uses of AI. But what about trademark-infringement risks?

This article examines four ways in which trademarks may be implicated with AI and considers this question with respect to each.

1. Trademarks in AI Training Materials

At a high level, generative AI models are trained on voluminous preexisting materials, learning patterns within and across those materials that the AI then uses to generate outputs.

In the copyright context, there is much discussion regarding the use of copyrighted works as training materials, including whether such use qualifies as noninfringing fair use.

For example, one issue is whether internal use of copyrighted material to train an AI is, on its own, an infringement of copyright that is then excused by consideration of the statutory fair use factors — i.e., the purpose and character of the use, the amount and substantiality of the taking, the nature of the copyrighted work and the impact on the market.

In contrast, in the trademark context, as J. Thomas McCarthy explains in "McCarthy on Trademarks and Unfair Competition," the test for trademark infringement is whether there is a likelihood of confusion — i.e., that there is a probability rather than a mere possibility of confusion — over the identity of a good itself or the source of a good or service among an appreciable or substantial number of relevant consumers.[1]

Thus, focusing on purely internal uses to train AI, the trademark infringement analysis naturally differs from the copyright analysis.

That is because using trademarks to train AI may not be capable of causing consumer confusion where the use occurs solely internally such that there is no consumer-facing use of the trademark over which the consumer could become confused.[2]

Of course, this reasoning would no longer apply if the AI-generated output itself contains trademarks.

2. Trademarks in User's Prompts

Along these same lines, if a user includes a trademark within a prompt and the AI-generated output is unrelated to any other entity's marks, goods or services, then, all else equal, there is no obvious opportunity for confusion among an appreciable or substantial number of relevant consumers and thus trademark infringement is unlikely.

However, there may be potential for other issues such as business defamation.

3. Trademarks in AI-Generated Outputs

Even if the AI-generated output is related to another entity's marks, goods or services, this does not necessarily mean there is trademark infringement.

Again, to infringe a trademark, the use at issue needs to create a likelihood of confusion among an appreciable number of relevant consumers.

Because of this, one could potentially argue that isolated instances of responding to a single user's prompt by generating a single output that includes a third-party mark would be insufficient to create trademark liability — although again there may be other types of liability.

However, if the AI-generated output consistently seems to favor one brand over another, consumers may begin to wonder whether the AI company has some relationship with that brand, and the risk of trademark infringement might increase.

Another consideration in the analysis may be whether the inclusion of a mark in AI-generated output constitutes use "in connection with the sale, offering for sale, distribution, or advertising of any goods or services," as required for there to be infringement, under Title 15 of the U.S. Code Section 1114(1).[3]

A different analysis would apply, however, if the AI generates an original mark and the user takes that AI-generated mark and begins using it in commerce with a good or service.

In this case, the primary question would be whether the use in the marketplace of the AI-generated mark creates a likelihood of confusion with an already-existing third-party mark among an appreciable number of relevant consumers. This inquiry would likely be the same for AI-generated marks as when a potentially infringing image is generated by a human being.

Nonetheless, there may then be additional questions, not tied directly to the trademark infringement analysis, such as whether the AI company made representations of noninfringement and other contractual terms regarding subsequent uses of materials its AI generates that are permitted or prohibited.

4. Regular Substitution of a Competitor's Trademark in Response to a User's Prompt

Where an already-existing third-party mark regularly appears in an AI-generated output, the risk of trademark infringement may be greater if the user's prompt also included a trademark, particularly a competitor's mark.

Before the modern versions of generative AI became popular, this type of situation occurred regularly as part of keyword advertising.

In keyword advertising, an advertiser pays for its ads to be displayed in online search results when users input certain keywords, which may sometimes include other parties' trademarks.[4]

Over a number of years when keyword advertising cases made their way through the courts, it became generally settled that keyword advertising that uses another's mark could not constitute trademark infringement unless the ads that are displayed to consumers use the searched trademarks in a manner confusing to consumers.[5]

In the context of today's generative AI, a somewhat analogous example may be a user asking the AI where to find the fictional soda Fizzbotic — a brand made up courtesy of ChatGPT — and being directed to a store or website that sells only the competing soda Galactice Fizz — likewise made-up courtesy of ChatGPT.

Whether such substitution rises to the level of trademark infringement is an open question, but the analysis may turn on fact-specific considerations, such as:

- The user's exact query;
- How the AI in question was trained to make this substitution;
- Whether the AI company, or competitor, took any action that encouraged the AI to make such substitution; and
- How clearly the generated output explains to the user why it is providing this substitution.

To make things even more complicated, AI can be used not merely in the provision of textual responses but also in the provision of goods or services themselves, such as grocery delivery services, where AI may actually substitute the good of a different brand for the good in the prompt.[6]

In such situations, the risk of confusion may be even greater but would likely still turn on many of the same factors as the foregoing, as well as whether the consumer was asked for any input about the substitution.

Finally, in certain types of AI outputs, AI substitution could also theoretically cause dilution by blurring, which occurs when an unauthorized use of the same or similar mark even for an unrelated good/service weakens the ability to distinguish only one source of a more famous mark.[7]

Specifically, dilution could potentially occur if the AI produces the less famous trademark in response to a prompt where the user intended to reference the more famous trademark.

For instance, a 1964 decision, the U.S. District Court for the District of Massachusetts in Tiffany & Co. v. Boston Club held that there was dilution because a restaurant that used Tiffany in its name blurred the well-known Tiffany jewelry store trademark.[8]

If AI repeatedly produced an output that referenced the restaurant Tiffany when a user entered a prompt referencing the jewelry store, then the AI might arguably be contributing to the dilution.

Again, the analysis may turn on considerations like how the AI in question was trained to produce this output and whether the AI company or the owner of the less famous trademark took any action to encourage the AI to do so.

As was the case with keyword advertising cases, it is likely that courts will attempt to fit these emerging questions into existing legal frameworks rather than inventing new principles.[9]

We do not know yet how courts will apply existing trademark infringement doctrine to these novel technological issues.

Furthermore, although we have addressed a few types of use cases concerning trademarks and AI, given the increasingly wide array of AI models and capabilities, much is likely to turn on continuously evolving, highly fact-specific, and technical considerations.

Rebecca Dalton is special counsel at Covington & Burling LLP.

Phillip Hill is special counsel at the firm.

Alyssa Greenstein was a 2023 summer associate at the firm.

[1] 4 McCarthy on Trademarks and Unfair Competition § 23:1-5 (5th ed.).

[2] This analysis is somewhat analogous to that of courts dealing with keyword advertising, which is discussed more in Section IV below. See 5 McCarthy on Trademarks and Unfair Competition § 25A (5th ed.).

[3] 15 U.S.C.A. § 1114(1).

[4] See 5 McCarthy on Trademarks and Unfair Competition § 25A (5th ed.).

[5] Id.; see Robert Burrell & Michael Handler, Keyword Advertising and Actionable Consumer Confusion, T Aplin (ed), Research Handbook on Intellectual Property and Digital Technologies, UNSW Law Research Paper No. 21-11, 5-7 (2021).

[6] See Gabriele Engels, Liability for Trademark Infringement Involving Artificial Intelligence, 5 The Trademark Lawyer 18, 20 (2022).

[7] See 4 McCarthy on Trademarks and Unfair Competition § 24:67 (5th ed.).

[8] Tiffany & Co. v. Boston Club, Inc., 231 F. Supp. 836, 143 U.S.P.Q. 2 (D. Mass. 1964).

[9] See Burrell, supra note 6, at 4.