

# TRADEMARK LITIGATION AS CONSUMER CONFLICT

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*Trademark litigation typically unfolds as a battle between competing sellers who argue over whether the defendant’s conduct is likely to confuse consumers. This is an unfair fight. In the traditional narrative, the plaintiff defends her trademark while simultaneously protecting consumers at risk for confusion. The defendant, relatively speaking, stands alone. The resulting “two-against-one” storyline gives short shrift to the interests of nonconfused consumers who may have a stake in the defendant’s conduct. As a result, courts are too receptive to nontraditional trademark claims where the case for consumer harm is questionable. Better outcomes are available by appreciating trademark litigation’s parallel status as a conflict between consumers. This view treats junior and senior trademark users as proxies for different consumer classes and recognizes that remedying likely confusion among one group of consumers may cause harm to others. Focusing on the interests of benefited and harmed consumers also minimizes the excessive weight given to moral rhetoric in adjudicating trademark cases. Consideration of trademark’s consumer-conflict dimension is therefore a useful device for critiquing trademark’s expansion and assessing future doctrinal developments.*

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INTRODUCTION

Trademark litigation typically unfolds as a conflict between competing sellers who argue over whether the defendant’s conduct is likely to confuse consumers. In the traditional narrative, the plaintiff serves two interests. She defends the goodwill embodied by her trademark and protects consumers from deception. The defendant, in turn, rebuts the evidence of confusion and asserts any applicable defenses.

This is an unfair fight. Part I explains why. While the trademark plaintiff may draft consumers into serving as de facto co-litigants, the defendant, comparatively speaking, stands alone. Simply balancing the interests of the defendant against those of the plaintiff plus those of potentially confused consumers invites expansive claims. Trademark’s traditional seller-conflict account gives insufficient weight to

the interests of nonconfused consumers and their potential losses if the defendant is enjoined. The resulting “two-against-one” dynamic is more than a rhetorical imbalance. Trademark’s tilted storyline has doctrinal consequences because the disposition of trademark cases often rests on the factfinder’s intuitions. When the plaintiff’s and the defendant’s interests are balanced, any marginal amount of consumer confusion can too easily tip the scales in the plaintiff’s favor. The seller-conflict narrative thus skews analysis of trademark claims and abets the heavily criticized expansion of trademark’s scope beyond its traditional boundaries.<sup>1</sup>

This is not to say that the interests of consumers who benefit from alleged infringement are wholly absent from trademark law. Many cases invoke the “public interest” and pursue consumer-oriented policy goals such as the promotion of competition. Moreover, a number of trademark doctrines protect the interests of nonconfused consumers.<sup>2</sup> For example, the functionality doctrine denies protection to product configurations that serve a utilitarian function. These safeguards are, however, inadequate. First, vague appeals to the public interest are too easily counterbalanced by similarly rhetorical exhortations to courts to combat “misappropriation” of goodwill, to protect a trademark holder’s “investment” in his mark, or to halt “unfair competition.” These counter-interests also purport to serve the public interest, but do not bear the pejorative burden of being asserted by an alleged “free rider.” Second, general policy arguments against expansive trademark liability often yield to the plaintiff’s ability to summon comparatively concrete groups of likely-to-be-confused consumers. Third, those trademark doctrines that protect the interests of nonconfused consumers may be inapplicable to nontraditional trademark claims.

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<sup>1</sup> E.g., Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 723–24 (2004) (arguing that malleability of likelihood-of-confusion standard has made “trademarks normatively stronger, broader, and ever easier to ‘protect’ for mark holders”); Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020, 2069–72 (2005) (discussing rise of “sovereign trademark”); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 778–81 (2004) (describing how courts have stretched or ignored traditional trademark doctrine in Internet cases); Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 YALE L.J. 1717, 1721–25 (1999) (describing extension of actionable confusion within trademark law); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 486–87 (1999) (“[W]e have divorced trademark law from its historical and sensible policy focus on the probability of material confusion, and crafted an overbroad, ill-considered legal regime that serves simply to enrich certain trademark owners at the expense of consumers, the market’s competitive structure, and the public interest more generally.”).

<sup>2</sup> See *infra* Part I.C.1.

A doctrinal approach that explicitly recognizes the interests of nonconfused consumers would remedy the traditional narrative's flaws. Part II develops this alternative framework. Rather than viewing trademark litigation strictly as combat between competing sellers, courts should be aware of its parallel status as conflict between differing classes of consumers. In this view, consumer confusion is both a harm and a cause of harm. When a defendant's purportedly confusing conduct is enjoined, those consumers who benefit from the practice suffer a loss. Consequently, if courts err on the side of trademark protection, they privilege certain consumer classes (sometimes the gullible, sometimes the hypothetical) over others. Nonconfused consumers may have a significant interest in the continuation of a defendant's actions. Treating them as effective parties in interest would force courts to grapple explicitly with the consequences of expanding trademark liability. Otherwise, it is too easy to dismiss such concerns as the self-serving claims of a defendant who already bears the derogatory free-rider label.

Part III discusses the implications of a consumer-conflict view. While the consumer- and seller-conflict narratives counsel similar results for traditional trademark claims involving source confusion at the point of sale, they part ways at the frontiers of trademark law. A jurisprudence oriented to consumer conflict is less likely to entertain efforts to expand the scope of trademark rights. In contrast, the seller-conflict narrative's shortcomings lead to questionable outcomes in a range of contentious areas, including merchandising, initial interest confusion, and post-sale confusion.

Part III concludes by looking beyond a critique of trademark's expansion to consider four implications of a consumer-conflict perspective on trademark law's future development. First, the inability of benefited and harmed consumer classes to bargain with each other counsels judicial caution in crafting remedies when the case for liability is marginal. Second, accounting for the benefits to nonconfused consumers of a trademark defendant's challenged conduct may offer guidance in assessing whether alleged confusion should be deemed material to consumers. Third, the consumer-conflict view makes clearer the social costs of denying trademark claims. Last, appreciation of trademark litigation's consumer-conflict dimension raises questions about whether the protection of seller goodwill deserves its place of privilege at the center of trademark law.

## I

## THE TRADITIONAL TRADEMARK NARRATIVE

This Part outlines the “traditional” narrative of trademark litigation and how it disadvantages consumers who are not confused by a trademark defendant’s challenged practices. Although trademark doctrine provides some protection for the interests of nonconfused consumers, these safeguards are inadequate. As a result, the litigation playing field is tilted in favor of the interests of the marginal confused consumer and, in turn, the trademark holder who purports to vindicate them.

*A. Purposes of Trademark Law*

From its common law roots to the modern Lanham Act,<sup>3</sup> trademark law has served the two, usually parallel, goals of protecting consumers and protecting the sellers they patronize.<sup>4</sup> More than sixty years ago, the Senate Committee on Patents described trademark law as, on the one hand, “protect[ing] the public so that it may be confident that, in purchasing a product . . . , it will get the product which it asks for and wants to get,” and, on the other hand, protecting a trademark owner’s expenditure of “energy, time, and money in presenting to the public the product . . . from . . . misappropriation by pirates and cheats.”<sup>5</sup>

Though trademark law’s “true” original purpose is debated,<sup>6</sup> the consumer-protection and seller-protection stories both have long pedigrees.<sup>7</sup> This is unsurprising, as they are often described as flip sides of the same coin.<sup>8</sup> On one side, trademarks<sup>9</sup> enable consumers to minimize search costs and obtain desired products with confidence that

<sup>3</sup> 15 U.S.C. §§ 1051–1141n (2000).

<sup>4</sup> These purposes are consistent with the facilitation of competition, which serves consumers and sellers alike. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:1 (4th ed. 2007).

<sup>5</sup> S. REP. NO. 79-1333, at 3 (1946).

<sup>6</sup> Compare Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1840–41 (2007) (“[T]rademark law was not traditionally intended to protect consumers. Instead, trademark law, like all unfair competition law, sought to protect producers from illegitimate diversions of their trade by competitors.”), with Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 561 & n.59 (2006) (“The problem with a project like Professor McKenna’s is similar to interpreting an Escher print. Everything depends on what one sees as the foreground (protecting consumers or protecting sellers) and what one sees as the background—and both perspectives are necessary to fully appreciate the whole.”).

<sup>7</sup> See Bone, *supra* note 6, at 560–61 (arguing that nineteenth-century judges and commentators were concerned about both sellers and consumers).

<sup>8</sup> E.g., ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 638 (rev. 4th ed. 2007).

they will receive what they expect.<sup>10</sup> On the other, trademarks enable sellers to capture investments made in securing goodwill<sup>11</sup> with consumers.<sup>12</sup> In most cases, these two benefits are mutually reinforcing. If consumers are able to find their preferred sellers efficiently, sellers have an incentive to compete on price and quality because the goodwill they develop will be rewarded by customers who can easily find them.<sup>13</sup> In this story, consumer and seller interests are in harmony. Protecting consumers from confusion is no more than “protecting the trademark owner’s right to a nonconfused public.”<sup>14</sup>

Sometimes the interests of trademark holders and consumers nonetheless diverge. Trademark owners naturally seek to exploit the value of their marks, even if doing so is detrimental to consumer interests. They may, for example, try to wield the Lanham Act to stifle comparative advertising.<sup>15</sup> Success might promote customer retention, but it would also cut off consumers from valuable information.<sup>16</sup>

Trademark law’s expansion increases the possibility of conflicts between seller and consumer interests. At common law, trademark litigation usually addressed claims that the defendant was “passing off” his goods as the plaintiff’s or that there was a likelihood of confu-

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<sup>9</sup> Unless otherwise stated, the term “trademark” is used throughout to encompass trademarks, service marks, and protectible trade dress.

<sup>10</sup> See generally William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 275–76 (1987) (discussing search costs).

<sup>11</sup> Goodwill presents a number of definitional problems. Bone, *supra* note 6, at 583–85. It has been defined as “that which makes tomorrow’s business more than an accident. It is the reasonable expectation of future patronage based on past satisfactory dealings.” 1 MCCARTHY, *supra* note 4, § 2:17 (quoting EDWARD S. ROGERS, GOOD WILL, TRADEMARKS AND UNFAIR TRADING 13 (1914)).

<sup>12</sup> Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412 (1916) (“[A] party has a valuable interest in the good-will of his trade or business, and in the trade-marks adopted to maintain and extend it.”).

<sup>13</sup> Cf. S. REP. NO. 79-1333, at 4 (1946) (“Trade-marks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates.”).

<sup>14</sup> James Burrough Ltd. v. Sign of the Beefeater, Inc., 540 F.2d 266, 276 (7th Cir. 1976); see also WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 168 (2003) (“Once the reputation is created, the firm will obtain greater profits because repeat purchases and word-of-mouth references will add to sales and because consumers will be willing to pay a higher price in exchange for a savings in search costs and an assurance of consistent quality.”). *But see, e.g.,* Bartow, *supra* note 1, at 729–38 (contending that arguments for broad trademark protection overstate benefits to consumers and understate benefits to trademark holders).

<sup>15</sup> For example, “If you like Pepsi, you’ll love Coke.”

<sup>16</sup> See, e.g., Smith v. Chanel, Inc., 402 F.2d 562, 568 (9th Cir. 1968) (noting that disallowing comparative advertising by maker of perfume similar to Chanel No. 5 would “deprive consumers of knowledge that an identical product was being offered at one third the price”).

sion as to a product's source.<sup>17</sup> From these beginnings, trademark's scope has steadily broadened. Courts have recognized claims based on confusion with respect to noncompeting goods, confusion as to sponsorship or endorsement, initial interest confusion (confusion that is dispelled before a purchase decision is made), post-sale confusion (confusion of nonpurchasers arising after the purchase), merchandising (allowing the trademark holder to exercise control of the mark when used as a product—e.g., as the marketable part of a Red Sox cap—and not as a source identifier), and dilution (an action that does not cause confusion, but “blurs” or “tarnishes” a famous trademark).<sup>18</sup>

Critics contend that many of these doctrinal developments resolve tensions between seller and public interests in favor of trademark holders.<sup>19</sup> Some critique trademark's expansion as part of a trend of treating trademark rights like ordinary property rights.<sup>20</sup> Trademark doctrine, however, self-consciously limits the extent to which trademarks function as property in either the conventional sense<sup>21</sup> or as a form of incentive-based intellectual property like patent or copyright,<sup>22</sup> raising the question of what drives the “proper-

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<sup>17</sup> RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 cmt. b (1995) (“The oldest and simplest form of trademark infringement occurs when a seller identifies its goods by a designation that is identical to a designation previously used by a competitor marketing similar goods.”).

<sup>18</sup> See Bone, *supra* note 6, at 593–615 (documenting expansion of trademark protection).

<sup>19</sup> See, e.g., Litman, *supra* note 1, at 1718 (“Legal protection for trade symbols, in the absence of confusion, disserves competition and thus the consumer. It arrogates to the producer the entire value of cultural icons that we should more appropriately treat as collectively owned.”); Lunney, *supra* note 1, at 403–04 (discussing courts' use of consumer protection rationale as pretext for extending property-like protection to marks).

<sup>20</sup> See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1693 (1999) (“[T]here is an increasing tendency to treat trademarks as assets with their own intrinsic value, rather than as a means to an end. In part, this change reflects a broader trend towards ‘proPERTIZING’ intellectual property . . . .”); Lunney, *supra* note 1, at 372 (“[M]any courts and commentators succumbed to ‘property mania’—the belief that expanded trademark protection was necessarily desirable so long as the result could be characterized as ‘property.’”).

<sup>21</sup> Early on, the Supreme Court recognized the general rule that “the trade-mark is treated as merely a protection for the good-will, and not the subject of property except in connection with an existing business.” *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 414 (1916). Consistent with that tradition, trademark rights may not be transferred except as part of a sale that includes the underlying goodwill. 15 U.S.C. § 1060(a)(1) (Supp. IV 2006); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 34 (1995) (stating that assignment of ownership is only possible when “the assignee also acquires the line of business that is associated with the designation or otherwise maintains continuity in the use of the designation by continuing the line of business without substantial change”).

<sup>22</sup> *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995) (“It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly

tization” trend. Somewhat paradoxically, trademark law’s mechanism for consumer protection is part of the problem.

## B. Roots of Consumer Conflict

### 1. Trademark Rhetoric and Its Consequences

Why might the divergence of interest between consumers and trademark holders “tilt the trademark laws from the purpose of protecting the public to the protection of the business interests”?<sup>23</sup> It is not simply that judges are treating trademarks as a form of property. Protecting seller goodwill is—for better or worse—part of trademark law and its history.<sup>24</sup> Courts cannot now lightly ignore pleas for its protection. Part and parcel of protecting goodwill is the attendant need to police “free riding” by competitors of trademark holders.<sup>25</sup> This concern, in turn, complements property rights rhetoric and the temptation to treat trademark rights as intellectual property akin to the limited monopolies granted to copyright and patent holders.<sup>26</sup>

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over new product designs or function for a limited time after which competitors are free to use the innovation.” (internal citation omitted)).

<sup>23</sup> *Boston Prof'l Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1011 (5th Cir. 1975).

<sup>24</sup> See Bone, *supra* note 6, at 560–79 (tracing history and development of goodwill concept). For this reason, Bone notes, complaints about a propertization trend in trademark law are somewhat beside the point.

Critics who complain that these expansions “propertize” trademark law often blame judges for applying their own moral intuitions against free riding without respecting traditional trademark principles or seriously considering the social costs. There is some truth to this criticism, but the history of the goodwill idea reveals a more complicated picture. The notion that trademark law protects goodwill from appropriation is not a modern invention; it has been around in one form or another for more than one hundred years. Thus, blaming judges for applying their own morality instead of following the law oversimplifies the problem. In fact, broad liability can result from a sincere, if misguided, attempt to apply general principles in a consistent way when those principles are framed in terms of goodwill.

*Id.* at 553.

<sup>25</sup> See, e.g., *Freedom Card, Inc. v. JPMorgan Chase & Co.*, 432 F.3d 463, 470 (3d Cir. 2005) (“The essence of a direct confusion claim is that a junior user of a mark attempts to free-ride on the reputation and goodwill of the senior user by adopting a similar or identical mark.”).

<sup>26</sup> Notwithstanding Supreme Court precedent that rejects using trademark law as a reward for innovation, see, e.g., *Qualitex*, 514 U.S. at 164 (stating that patent law, not trademark law, is designed to encourage invention); *Trade-Mark Cases*, 100 U.S. 82, 94 (1879) (“The ordinary trade-mark has no necessary relation to invention or discovery.”), some courts find seductive the reasoning that expansive trademark rights incentivize the creation of value in the trademark. *Boston Professional Hockey Ass'n*, 510 F.2d at 1004, is one notorious example. In that case, the Fifth Circuit extended trademark rights to include the use of a logo not as a product identifier, but as the product itself. The court rationalized its decision in part because the “major commercial value of the emblems is derived from the efforts of plaintiffs.” *Id.* at 1011; see also, e.g., *Au-Tomotive Gold, Inc. v.*

### a. Shortcuts and the Multifactor Test

The rhetorical landscape of trademark litigation matters because the underlying factual inquiry—is there a likelihood of confusion?—is often elusive. Factfinders address it by employing an imprecise multifactor test.<sup>27</sup> The test's factors are flexible<sup>28</sup> and vulnerable to outcome-oriented manipulation.<sup>29</sup> Assessing and balancing them leaves the factfinder (or appellate reviewer) with considerable discretion in determining whether liability exists.<sup>30</sup>

Not all of the test's factors are equally applicable in practice. For example, the quality of the defendant's product is unlikely to matter if the trademarks are deemed entirely dissimilar. Moreover, it is difficult as a practical matter to consider all possible evidence and give full attention to each factor. Barton Beebe points out that this is unsurprising given the nature of human (and judicial) decisionmaking: “[We] seldom seek to consider all relevant information or reduce uncertainty to the maximum extent conceivable, even if we were capable of doing so.”<sup>31</sup> People naturally use shortcuts. Even when faced with complex choices, decisionmakers may rely on only a few factors.<sup>32</sup> This affects the use of the multifactor test because “empir-

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Volkswagen of Am., Inc., 457 F.3d 1062, 1074 (9th Cir. 2006) (rejecting aesthetic functionality claim where claimed utility “is tied to the reputation and association with [plaintiffs]”); Lunney, *supra* note 1, at 372 (observing that rise of property-based trademark is motivated in part by desire to reward investment in marks by owners).

<sup>27</sup> The multifactor tests of the differing circuits have considerable overlap. See 4 McCARTHY, *supra* note 4, §§ 24:30–:43 (listing factors used by various circuits). For a classic example, see *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). In that case the court considered (1) strength of plaintiff's mark, (2) degree of similarity between marks, (3) competitive proximity of litigants' products, (4) any actual confusion, (5) likelihood that plaintiff will “bridge the gap” separating the two markets, (6) whether defendant acted in good faith in adopting its mark, (7) quality of defendant's product, and (8) purchaser sophistication. *Id.*

<sup>28</sup> See, e.g., *Nautilus Group, Inc. v. ICON Health & Fitness, Inc.*, 372 F.3d 1330, 1346 (Fed. Cir. 2004) (applying Ninth Circuit law to observe that “the application of this multifactor test should remain flexible and ‘pliant’” (quoting *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 942 (9th Cir. 2002))).

<sup>29</sup> For example, courts often consider the traits of prospective purchasers “and the degree of care they are likely to exercise in making purchasing decisions.” RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 (1995). But this assessment may be manipulated by the factfinder. See, e.g., 4 McCARTHY, *supra* note 4, § 23:92 (“[W]hen the court wants to find no infringement, it says that the average buyer is cautious and careful and would never be confused. But if the judge thinks there is infringement, . . . the average buyer is gullible and . . . easily confused by the similar marks.”).

<sup>30</sup> 4 McCARTHY, *supra* note 4, § 23:73 (surveying circuit court approaches to reviewing lower court decisions on likelihood of confusion).

<sup>31</sup> Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1601 (2006).

<sup>32</sup> *Id.* at 1601–02 (“Social science researchers have demonstrated that in regression-based modeling of human decision making, only a small number of cues—three on

ical work suggests that decision makers tend to use a core attributes heuristic by which they stop acquiring and analyzing information once the last in their set of most important, determinant attributes has been acquired and analyzed.”<sup>33</sup>

Judges therefore employ “‘fast and frugal’ heuristics to short-circuit the multifactor analysis. A few factors prove to be decisive; the rest are at best redundant and at worst irrelevant.”<sup>34</sup> Of particular relevance here is the factor assessing the defendant’s good faith (or lack thereof). Beebe’s study of the application of multifactor tests reveals that this factor looms large in ascertaining liability in trademark litigation.<sup>35</sup> One could argue, however, that the factor has only limited relevance to the likelihood-of-confusion inquiry and its inclusion arises from a judicial concern for the equities of trademark use rather than from a focus on the underlying factual inquiry.<sup>36</sup> Similarly, commentators have noted the role of evaluations of good faith in ascertaining remedies for trademark infringement, noting that the “ringing epithets” serve as justification for the awarding of profits.<sup>37</sup> Assessing good faith, in turn, opens the door for courts to transform rhetorical labels of defendants as “free riders” or “misappropriators” of goodwill into substantive outcomes.

#### b. “Moral Heuristics” and Framing Effects

With judicial discretion comes the ability to give free play to shortcuts used to evaluate and assess blame.<sup>38</sup> The human tendency to assign punishment based on the perceived outrageousness of a tortfeasor’s action, for example, can overwhelm other policy consider-

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average, one author has speculated—emerge as statistically significant.” (internal citations omitted)).

<sup>33</sup> *Id.* at 1602; *see also id.* at 1601 nn.87–88 (listing empirical studies of decisionmaking generally and of judicial decisionmaking specifically).

<sup>34</sup> *Id.* at 1581. “Judges tend to ‘stampede’ these remaining factors to conform to the test outcome, particularly when they find infringement.” *Id.* at 1582.

<sup>35</sup> *Id.* at 1608, 1628. After conducting a study of 331 trademark opinions reported from 2000 to 2004 that employed the local circuit’s multifactor test, Beebe concluded that his data “suggest that a finding of bad faith intent creates, if not in doctrine, then at least in practice, a nearly un-rebuttable presumption of a likelihood of confusion.” *Id.* at 1628.

<sup>36</sup> *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 22 cmt. c (1995) (“Although the actor’s intent does not affect the perceptions of prospective purchasers, it may be appropriate to assume that an actor who intends to cause confusion will be successful in doing so.”).

<sup>37</sup> 5 MCCARTHY, *supra* note 4, § 30:62 (“To put it bluntly, courts are not willing to grant an accounting of profits unless the judge ‘gets mad’ at the defendant.”).

<sup>38</sup> *See* Cass R. Sunstein, *Moral Heuristics and Moral Framing*, 88 MINN. L. REV. 1556, 1558 (2004) (arguing that moral shortcuts can lead to significant moral, political, and legal errors).

ations in determining appropriate penalties.<sup>39</sup> These moral evaluations are influenced by how an issue is framed.<sup>40</sup>

Identifying potential “moral heuristics” at work in trademark law is not difficult. The strength of anti-free-riding and property rhetoric in trademark cases correspond well with moral intuitions that admonish that “you should not reap where you did not sow”<sup>41</sup> and “people should enjoy the fruits of their labor.”<sup>42</sup> While such moral shortcuts may be good enough as adages, they are not universally applicable.<sup>43</sup> In trademark litigation they are prone to causing mischief both in the operation of the multifactor test<sup>44</sup> and in the expansion of trademark to nontraditional areas. There, the judge’s moral assessment of the defendant’s behavior sometimes seems to stand in

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<sup>39</sup> *Id.* at 1570–72 (reporting results of empirical studies showing tendency to assign penalties based on “outrageousness of the act” rather than by reference to incentive effects or other consequences of punishment). Sunstein observes,

[I]t is most sensible to think that people are operating under a heuristic, requiring punishment that is proportional to outrageousness, and thinking that punishment should not be based on consequential considerations. As a general rule, of course, it is plausible to think that penalties should be proportional to the outrageousness of the act.

*Id.* at 1572.

<sup>40</sup> *See id.* at 1596 (“[I]t is easy to frame questions in order to shift moral and legal assessments in the desired directions.”).

<sup>41</sup> *See, e.g.,* *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 n.14 (1982) (“[T]he infringer deprives the owner of the goodwill which he spent energy, time, and money to obtain.”); *Int’l News Serv. v. Associated Press*, 248 U.S. 215, 239 (1918) (finding misappropriation where defendant “is endeavoring to reap where it has not sown”).

<sup>42</sup> As one jurist explained,

Given that our system of values embraces this view, the claim “I’ve made it; it’s mine,” has strong appeal. Often the right-based moral claim is confused with, or subsumed under, the utilitarian claim . . . . But they’re really quite different. Utilitarian arguments look to incentives; they ask: How can we best manipulate people’s behavior by adjusting the rewards associated with various types of conduct? Moral claims are harder to quantify, but nevertheless have a force of their own. They tend to be based on the notion that people are entitled to something not as an incentive to work harder, but because it’s right.

Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 966–67 (1993) (footnote omitted). Many trademark cases reflect moral judgments about activities that are separate from any false passing off of goods. *See, e.g.,* *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 945 (9th Cir. 2002) (“If a *rogue* company adopts as its domain name a protected trademark and proceeds to sell goods similar to those offered by the trademark owner, it necessarily free rides on the trademark owner’s goodwill, and that *rogue* company benefits from increasing initial interest confusion . . . .” (emphases added)).

<sup>43</sup> *Cf.* Sunstein, *supra* note 38, at 1569 (“[W]hen people speak in absolute terms, they are generalizing from most situations, producing moral heuristics that predictably misfire.”).

<sup>44</sup> *Cf.* Beebe, *supra* note 31, at 1608, 1628–29 (reporting data suggesting that when trademark defendant is found to have bad-faith intent, a “nearly un-rebuttable presumption” of likelihood of confusion results).

for evidence that conventional consumer confusion is likely.<sup>45</sup> This issue is of special significance with respect to the Lanham Act due to the open-ended manner in which section 43(a) has been interpreted over the years.<sup>46</sup> Judges therefore have leeway to transform moral intuition into results, either formally in the workings of the multifactor test or as a background policy reason for expanding trademark's scope.<sup>47</sup>

Because trademark law is also about consumer protection,<sup>48</sup> one might expect consumer-based policies to act as a counterweight. To some extent they do,<sup>49</sup> but incompletely. The structure (or framing, if you will) of trademark litigation masks the effect of assumptions

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<sup>45</sup> See, e.g., *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1063 (9th Cir. 1999) (concluding that defendant's conduct—using plaintiff's trademark in website's hidden text in order to be indexed by Internet search engines—“improperly benefits” from plaintiff's goodwill notwithstanding absence of point-of-sale confusion).

<sup>46</sup> See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776 (1992) (Stevens, J., concurring) (“I think it is important to recognize that the meaning of the text has been transformed by the federal courts over the past few decades.”); U.S. Trademark Ass'n Trademark Review Comm'n, *Report and Recommendations to USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 376 (1987) (“Today, under the rubric of Section 43(a), there is in every way but name only a federal common law of the major branches of the law of unfair competition.”).

<sup>47</sup> Thus, if free riding stimulates in judges a sense of outrage, they are less likely to contemplate the policy consequences of expanding trademark liability. Cf. Sunstein, *supra* note 38, at 1571–72 (reporting empirical studies demonstrating that moral assessments may outweigh instrumental considerations in assessing proper penalties).

For an example of this dynamic in action, consider the judicial treatment of the use of trademarks in the hidden text, or metatags, of websites. Some websites have used such text, which is invisible to the web surfer, in order to be indexed by search engines when a search is performed using the hidden term. The practice of using another party's trademark as a metatag is controversial, but there are arguments that it sometimes enhances consumer welfare. See Michael Grynberg, *The Road Not Taken: Initial Interest Confusion, Consumer Search Costs, and the Challenge of the Internet*, 28 SEATTLE U. L. REV. 97, 124–28 (2004) (arguing that increases in search costs resulting from use of trademarks as metatags are low, and that consumers may benefit when search engines deliver websites that are similar to that of trademark owner). Nevertheless, courts that find infringement in these cases often conclude that the deliberate use of a trademarked word demonstrates bad faith and should be policed by trademark law. See, e.g., *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 465 (7th Cir. 2000) (stating that use of another's trademark in metatags “is significant evidence of intent to confuse and mislead”); *SNA, Inc. v. Array*, 51 F. Supp. 2d 554, 562–63 (E.D. Pa. 1999) (concluding that defendants' attempt to use metatags to “lure internet users to their site” was in bad faith), *aff'd sub nom. Silva v. Karlsen*, 259 F.3d 717 (3d Cir. 2001).

<sup>48</sup> See *supra* notes 3–14 and accompanying text.

<sup>49</sup> See, e.g., *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1541 (2d Cir. 1992) (“Absent confusion, imitation of certain successful features in another's product is not unlawful and to that extent a ‘free ride’ is permitted.” (quoting *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569, 572 (2d Cir. 1959))); see also *infra* Part I.C (discussing consumer protections in trademark doctrine).

favoring trademark holders and enhances the power of such assumptions by disguising them as consumer protections.<sup>50</sup>

## 2. *The Structure of Trademark Litigation*

Trademark litigation's structure drives the expansion of trademark rights, notwithstanding consumer interests, in a variety of ways. On the most basic level, trademark holders file the lawsuits.<sup>51</sup> Whatever the centrality of consumer protection to trademark law, vindicating this interest is out of consumer hands. The self-interest of the plaintiff trademark holders determines the range of cases pursued. This set will naturally include actions that benefit and harm consumer interests. Once in court, however, the latter class performs better than expected because the storyline of trademark litigation tilts the litigation playing field in favor of trademark holders.

### a. Enlisting Consumers—Trademark Litigation's Incomplete Narrative

In the “happy” story of trademark law, sellers and consumers share a common interest that extends into litigation.<sup>52</sup> While trademark litigation is necessarily a seller-versus-seller encounter, given the Lanham Act's structure, consumer interest should still be present. The senior trademark holder attacks the junior trademark user for misappropriating the goodwill of her trademark while simultaneously arguing that the defendant is harming consumers.<sup>53</sup> Accordingly, “a court must expand the more frequent, one-on-one, contest-between-

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<sup>50</sup> The consequences of framing have been noted in a variety of intellectual property contexts. See, e.g., RONAN DEAZLEY, *RETHINKING COPYRIGHT* 152 (2006) (“What is being suggested here is that the conceit and language of intellectual property *as natural property right* has provided one of the key foundations for the rampant expansionism which is the story of copyright law throughout the twentieth and into the twenty-first century.”).

<sup>51</sup> Section 43(a) of the Lanham Act, which creates the statute's “common law” infringement and false advertising causes of action, does not restrict standing to trademark holders or those with a commercial interest. 15 U.S.C. § 1125(a)(1) (2000) (authorizing suit by “any person who believes that he or she is or is likely to be damaged” by statute's proscribed acts). Courts have, nonetheless, generally read the limitation into the law. See 5 MCCARTHY, *supra* note 4, § 27:39 (noting that all five federal circuits that have addressed issue have denied consumer standing).

<sup>52</sup> See *supra* notes 3–14 and accompanying text.

<sup>53</sup> This claim is rooted in the statutory text. See 15 U.S.C. § 1125(a)(1)(A) (2000) (providing liability under “common law” trademark infringement action for conduct that “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”); see also 15 U.S.C. § 1114(1) (2000) (creating liability for imitating or copying registered mark when such conduct “is likely to cause confusion, or to cause mistake, or to deceive”).

two sides, approach. A third party, the consuming public, is present and its interests are paramount.”<sup>54</sup>

In a typical case, therefore, the plaintiff’s claim proceeds on two distinct levels—each tracking one of trademark law’s traditional rationales. On one level, the plaintiff represents herself and her interest in her trademark. On another, the senior user is the consumer’s proxy, representing the absent party-in-interest who is harmed by the defendant junior user’s deceptive acts.<sup>55</sup> “In meritorious cases . . . the plaintiff is acting, not only in his own interest, but in the public interest.”<sup>56</sup>

#### b. Rhetorical Doublecounting

The seller-conflict narrative stacks the deck against the junior user. By abstracting the universe of consumers into a single third party whose priority is avoiding confusion, the narrative creates a two-against-one fight. In effect, two parties combine against a defendant, who is deprived of a natural ally—the consumers who benefit from the alleged infringement. While the defendant’s interests may be considered, they are largely viewed as particular to him, without implicating any consumer interests more broadly.<sup>57</sup> To illustrate, consider one court’s summary of its task:

In assessing whether plaintiff has met its burden of proving a likelihood of confusion at the consumer level, the Court must evaluate the interests of the parties and the public that are protected by the trademark laws. The two interests that are relevant in the present case are the senior user’s interest in protecting the good reputation associated with his mark from the possibility of being tarnished by the inferior merchandise or services of the junior user, and the public’s interest in not being misled by confusingly similar marks. Of course, these interests overlap to a certain degree. If the consuming public is not confused as to the source of the junior user’s product, and therefore does not associate that product with the

<sup>54</sup> James Burrough Ltd. v. Sign of the Beefeater, Inc., 540 F.2d 266, 274 (7th Cir. 1976).

<sup>55</sup> See, e.g., Sundor Brands, Inc. v. Borden, Inc., 653 F. Supp. 86, 93 (M.D. Fla. 1986) (“[W]hat is actually infringed is the right of the public to be free of confusion and the synonymous right of the trademark owner to control his products’ reputation.”).

<sup>56</sup> Gen. Baking Co. v. Gorman, 3 F.2d 891, 893 (1st Cir. 1925); see also, e.g., 1 MCCARTHY, *supra* note 4, § 2:33 (“While consumers would have standing to sue under state law, the consumer’s stake is small, making cost-efficient litigation a rarity . . . . The consumer’s interest would never be adequately protected by individual consumer suits unlikely to be brought”).

<sup>57</sup> Cf., e.g., Pan Am. World Airways, Inc. v. Panamerican Sch. of Travel, Inc., 648 F. Supp. 1026, 1032–33 (S.D.N.Y. 1986) (noting that existence of equitable factors such as “conflicting interests of the parties in continuing their trademark use, and . . . the harm to the junior user as compared to the benefit to the senior user that would result from the requested injunction” presented other issues for consideration (citations and quotations omitted)), *aff’d*, 810 F.2d 1160 (2d Cir. 1986).

senior user, then there is little likelihood that the senior user's good reputation will suffer because of the possibly inferior quality of the junior user's product.<sup>58</sup>

Both of trademark law's traditional rationales are at work in this passage: The plaintiff seeks to protect her goodwill while vindicating the consumer interest in avoiding confusion. While these interests are not the same, the traditional trademark narrative reassures us that they overlap. Without consumer confusion, "there is little likelihood that the senior user's good reputation will suffer because of the possibly inferior quality of the junior user's product."<sup>59</sup>

But this assurance raises two critical questions. First, if the interests of consumers and trademark holders are truly parallel, why is protecting seller goodwill, the concept's pedigree notwithstanding, a distinct interest from consumer protection? I return to this question below.<sup>60</sup> Second, if the two interests are flip sides of the same coin, why should the plaintiff's interest in its own goodwill be considered alongside the general public interest in avoiding consumer confusion? If the claims are indeed parallel, might the impact of evidence of confusion effectively be "double counted"?

While this concern—being somewhat rhetorical—may seem minor, it looms larger in light of the impressionistic, rather than empirical, nature of trademark litigation.<sup>61</sup> Evidence of actual confusion is often hard to come by, and surveys, whatever their importance,<sup>62</sup> are not employed in the full run of cases.<sup>63</sup> More generally,

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<sup>58</sup> *Dunfee Hotels Corp. v. Meridien Hotels Invs. Group, Inc.*, 504 F. Supp. 371, 378 (S.D.N.Y. 1980) (citation and quotation marks omitted) .

<sup>59</sup> *Id.*

<sup>60</sup> *See infra* Part III.B.4.

<sup>61</sup> *See supra* Part I.B.1.

<sup>62</sup> Compare 6 McCARTHY, *supra* note 4, § 32:195 ("Some courts have remarked on the failure to introduce a survey as indicating that a litigant is less than deadly serious about its case."), with Beebe, *supra* note 31, at 1641 (reporting results of study of 331 trademark opinions in which "[t]he data suggest that the conventional view of the utility of survey evidence may be incorrect" and reporting that only twenty percent of sample addressed survey evidence with only seven percent of total cases ruling in favor of outcome supported by credited survey).

<sup>63</sup> *See* Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOK. L. REV. 827, 867–69 & nn.173–77 (2004) (reporting data suggesting that trademark cases usually do not turn on survey data); Beebe, *supra* note 31, at 1641 (discovering similar results). Even if surveys were always employed, judges still have leeway to rely on their own impressions:

The majority rule is that while technical deficiencies can reduce a survey's weight, they will not prevent the survey from being admitted into evidence. This is especially true in a non-jury case. As one court correctly observed, "No survey is perfect" and flaws in questions and methodology should only affect the weight accorded survey results.

6 McCARTHY, *supra* note 4, § 32:170 (footnotes omitted).

trademark doctrine is replete with judicial proclamations regarding consumer behavior that are intuitive rather than empirical,<sup>64</sup> leaving courts with leeway to characterize questionable examples of consumer harm as necessitating intervention when other considerations urge them in that direction.<sup>65</sup> The specter of “double counting”—even if only on a qualitative, rhetorical, or impressionistic level—is therefore significant.

Further, attempts to expand trademark’s scope from its roots in source confusion often involve situations in which consumer confusion, if any, is likely to be limited or nontraditional. These are the cases where courts have proven susceptible to rhetorical appeals to prevent free riding or to protect trademark holder investments.<sup>66</sup> A two-against-one narrative helps pave the way for such thrusts by reassuring courts that the sole party in opposition is little more than a free rider whose concerns may be discounted, especially in light of the resulting benefits to both trademark holders and consumers. At the same time, treating the plaintiff as the consumer’s proxy insulates her from the charge that she is trying to thwart competition.

### c. Neglected Consumers

If trademark litigation expands the playing field to include as a third party those consumers who may be confused,<sup>67</sup> a fourth party is still missing: the consumers who benefit from the defendant’s conduct.<sup>68</sup> Though courts consider the “consuming public,”<sup>69</sup> they focus on those “ordinarily prudent purchasers,” who are “likely to be

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<sup>64</sup> See, e.g., *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 212–13 (2000) (musing on distinctiveness of product design and opining that “[i]t seems to us that design, like color, is not inherently distinctive”); *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 148 (2d Cir. 2003) (“[T]he more distinctive the mark, the greater the likelihood that the public, seeing it used a second time, will assume that the second use comes from the same source as the first. The goal of avoiding consumer confusion thus dictates that . . . strong marks[] receive broader protection than weak marks.”); *Rogers v. Grimaldi*, 875 F.2d 994, 1000 (2d Cir. 1989) (“[M]ost consumers are well aware that they cannot judge a book solely by its title any more than by its cover. We therefore need not interpret the Act to require that authors select titles that unambiguously describe what the work is about . . .”). Lack of empirical grounding does not mean that all such claims are incorrect, of course, but it can give rise to potential errors.

<sup>65</sup> See, e.g., *infra* notes 111–25 and accompanying text.

<sup>66</sup> See discussion *infra* Part III.A.

<sup>67</sup> See *supra* text accompanying note 55.

<sup>68</sup> The same problem appears in false advertising cases, which also arise under section 43(a) of the Lanham Act:

When an ad . . . makes direct false representations that are unbelievable and relatively useless, a decision to enjoin it should at least acknowledge the loss of its indirect, true, and helpful information. Ideally, a decision *not* to enjoin it should be the outcome in every case where the ad’s useful, indirect, and true information—and its concomitant potential to promote consumer welfare—

misled, or indeed simply confused.”<sup>70</sup> This abstraction is often insufficient.

### i. Identifying Relevant Consumers

The problem of identifying the relevant class of consumers for purposes of evaluating trademark claims is an old one. While courts look to “reasonably prudent purchasers exercising ordinary care,”<sup>71</sup> the resulting construct is frequently criticized. Commentators object that judges define consumers in ways that are biased,<sup>72</sup> patronizing,<sup>73</sup> sexist,<sup>74</sup> or insulting,<sup>75</sup> and that these definitions are wielded in a manner too indulgent of claims of likely confusion.<sup>76</sup>

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dominates its useless, direct false claims and thus essentially thwarts its overall potential to do harm.

Lillian R. BeVier, *Competitor Suits for False Advertising Under Section 43(a) of the Lanham Act: A Puzzle in the Law of Deception*, 78 VA. L. REV. 1, 38–39 (1992). BeVier does not appear similarly skeptical of the Lanham Act’s trademark policies. See *id.* at 21 (“[I]f the law had not devised a means for providing trademarks with inherent credibility . . . their benign effects on consumer welfare could not have been so readily achieved.”).

<sup>69</sup> *Dunfey Hotels Corp. v. Meridien Hotels Invs. Group, Inc.*, 504 F. Supp. 371, 378 (S.D.N.Y. 1980).

<sup>70</sup> *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978).

<sup>71</sup> *Attrezzi, L.L.C. v. Maytag Corp.*, 436 F.3d 32, 38 (1st Cir. 2006) (quoting *Int’l Ass’n of Machinists v. Winship Green Nursing Ctr.*, 103 F.3d 196, 201 (1st Cir. 1996)); see also 4 MCCARTHY, *supra* note 4, § 23:91 n.1 (collecting cases and examples).

<sup>72</sup> 4 MCCARTHY, *supra* note 4, § 23:92 (“[W]hen the court wants to find no infringement, it says that the average buyer is cautious and careful and would never be confused. But if the judge thinks there is infringement, . . . the average buyer is gullible and . . . easily confused by the similar marks.”).

<sup>73</sup> See, e.g., *Austin*, *supra* note 63, at 832 (“[T]rademark law constructs the consumer worldview in ways that minimize the relevance of consumers’ own independent thinking.”). Indeed, the traditional narrative of a trademark action encourages trademark holders to question the intelligence of their customers. Beebe, *supra* note 1, at 2035 (“It is an irony of trademark law that the trademark plaintiff is often placed in the awkward position of arguing that its customers are ignorant and its goods commonplace, while the defendant begs to differ.”).

<sup>74</sup> *Bartow*, *supra* note 1, at 776–92 (describing contrasting treatment of male and female consumers for purposes of likelihood-of-confusion analysis).

<sup>75</sup> *Id.* at 723 (“Why, in trademark litigation decisions, do judges so often write about representative members of the public as if we are astoundingly naïve, stunningly gullible, and frankly stupid?”).

<sup>76</sup> See, e.g., *Beebe*, *supra* note 1, at 2068–69 (arguing that courts employ reasonable consumer standard in descriptive manner “rather than [as] a prescriptive standard based on what ought to be a reasonable level of sophistication in that population” (emphasis omitted)); *Lunney*, *supra* note 1, at 395–408 (discussing circumstances in which courts have applied likelihood-of-confusion standard “to protect the mark’s value as a desirable product in and of itself, rather than as a source of otherwise indiscernible information concerning the product to which it is attached”).

## ii. Nonconfused Consumers

Even when courts properly perform the task of identifying harmed consumers, the standard trademark narrative remains incomplete.<sup>77</sup> Nonconfused consumers who benefit from the defendant's behavior are usually missing from the analysis. The public interest at issue is that of avoiding consumer confusion, which is the charge of trademark plaintiffs.<sup>78</sup>

Of course, trademark litigation implicates consumer interests beyond avoiding confusion. Most fundamentally, consumers benefit from an economy in which competition between sellers drives price down while spurring qualitative advances.<sup>79</sup> Consumers would therefore be harmed if trademark holders were able, for example, to stifle competition by claiming trademark protection in useful product designs.<sup>80</sup> Consumers also have an interest in the information content of a trademark that extends beyond uses authorized by the trademark holder. To return to the simple example of the previous Subpart, a trademark owner might benefit if she were able to prevent comparative advertising by her competitors. Consumers, by contrast, benefit from learning about product alternatives, and the "if you like X, you'll love Y" formulation efficiently conveys such data.<sup>81</sup>

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<sup>77</sup> Even within the selected class, courts may make further refinements. *See, e.g.*, *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 293 (3d Cir. 1991) ("[W]hen a buyer class is mixed, the standard of care to be exercised by the reasonably prudent purchaser will be equal to that of the least sophisticated consumer in the class."). Moreover, identifying the right class of consumers might arguably protect the nonconfused members of that class (no one knows *ex ante* if he will encounter a product in conditions that will confuse), though it does not tell us if they would want protection in those circumstances.

<sup>78</sup> *Cf.* *Dunfey Hotels Corp. v. Meridien Hotels Invs. Group*, 504 F. Supp. 371, 378 (S.D.N.Y. 1980) (recognizing that "the Court must evaluate the interests of the parties and the public," and defining public interest as "not being misled by confusingly similar marks").

<sup>79</sup> *See, e.g.*, 1 MCCARTHY, *supra* note 4, § 1:1 ("There is a basic public policy, deep-rooted in our economy and respected by the courts, resting on the assumption that social welfare is best advanced by free competition." (quoting *E. Wine Corp. v. Winslow-Warren, Ltd.*, 137 F.2d 955, 958 (2d Cir. 1943))).

<sup>80</sup> In these cases, the avoidance of confusion would be too "harmful to other consumer interests. Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes . . ." *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213 (2000); *see also, e.g.*, *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2000) ("[C]opying is not always discouraged or disfavored by the laws which preserve our competitive economy.").

<sup>81</sup> *Cf.* *Smith v. Chanel*, 402 F.2d 562, 567-68 (9th Cir. 1968) ("To prohibit use of a competitor's trademark for the sole purpose of identifying the competitor's product would bar effective communication of claims of equivalence.").

### C. *Do Nonconfused Consumers Need More Protection?*

This is not to say that trademark doctrine ignores the interests of nonconfused consumers. Nonetheless, existing mechanisms are inadequate to the challenges posed by modern trademark law.

#### 1. *Protections for Absent Consumers*

Although judicial references to the public interest in trademark cases are often equivalent to invoking the public's right not to be confused,<sup>82</sup> the concept does admit consideration of consumer welfare more generally.<sup>83</sup> Judges often cite, for example, the need to preserve a free marketplace in which consumers enjoy competition in price and quality.<sup>84</sup> More importantly, multiple trademark doctrines protect consumers whose interests in the litigation are not coterminous with the plaintiff's.

##### a. *Trademark's Information Protections*

The importance of protecting consumer access to information is a recurring theme in trademark law. The doctrine of nominative fair use, which generally defends the right of junior users to use marks in non-misleading ways to refer to the senior user's products and services,<sup>85</sup> protects comparative advertising.<sup>86</sup> The Lanham Act also safeguards the right of competitors to use language in its descriptive

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<sup>82</sup> See, e.g., *S & R Corp. v. Jiffy Lube Int'l, Inc.*, 968 F.2d 371, 379 (3d Cir. 1992) ("In a trademark case, the public interest is 'most often a synonym for the right of the public not to be deceived or confused.'" (quoting *Opticians Ass'n of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 197 (3d Cir. 1990))).

<sup>83</sup> See, e.g., *Dakota Indus., Inc. v. Ever Best Ltd.*, 944 F.2d 438, 441 (8th Cir. 1991) (affirming denial of preliminary injunction and finding no error in district court's conclusion that "the public's interest in being offered the widest range of merchandise in all price brackets would best be served by denying the injunction").

<sup>84</sup> See, e.g., *Freudenberg Household Prods. L.P. v. Time Inc.*, No. 06 C 399, 2006 WL 1049569, at \*9 (N.D. Ill. Apr. 18, 2006) ("[T]he public interest is . . . protected by ensuring that trademark protection is not applied in such a broad fashion that it allows one party to inhibit the natural competition in the marketplace, from which the consumers ultimately benefit in the form of lower prices and higher-quality goods." (citations omitted)).

<sup>85</sup> See, e.g., *New Kids on the Block v. News Am. Publ'g Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) ("[W]here the defendant uses a trademark to describe the plaintiff's product, rather than its own . . . a commercial user is entitled to a nominative fair use defense."). In the Ninth Circuit, nominative fair use analysis typically substitutes for the multifactor inquiry for trademark infringement, so calling nominative fair use a trademark defense is something of a misnomer. See, e.g., 4 MCCARTHY, *supra* note 4, § 23:11 ("The 'nominative fair use' analysis is no more an 'affirmative defense' than is the multi-factor test of infringement used by all of the circuits.").

<sup>86</sup> See, e.g., *New Kids on the Block*, 971 F.2d at 307 ("[C]ompetitors may use a rival's trademark in advertising and other channels of communication if the use is not false or misleading." (citing *Smith*, 402 F.2d at 562)).

sense notwithstanding the presence of trademark rights.<sup>87</sup> Both protections secure the flow of information to consumers notwithstanding the trademark holder's wishes.

The proscription against permitting trademarks in generic words or phrases serves a similar purpose by ensuring that words necessary to describe a product are available to all sellers.<sup>88</sup> Thus, while the word "Apple" is a perfectly acceptable arbitrary trademark for a computer manufacturer, the term is off-limits as a stand-alone trademark for a purveyor of the fruit.<sup>89</sup> This restriction protects competing sellers, but it likewise serves consumers for whom search costs would rise if basic, category-defining words were unavailable.<sup>90</sup> In a similar vein, trademark law limits protection for descriptive trademarks. Doing so ensures that terms that are useful for communicating with consumers remain accessible to advertisers.<sup>91</sup>

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<sup>87</sup> 15 U.S.C. § 1115(b)(4) (2000); *see also* 2 McCARTHY, *supra* note 4, § 11:45 ("[A] junior user is always entitled to use a descriptive term in good faith in its primary, descriptive sense other than as a trademark."). This defense is referred to as the "classic" fair use defense, *id.*, and may excuse a defendant's use of a trademark even if that use causes some consumer confusion. *KP Permanent Make-Up, Inc. v. Lasting Impression, Inc.*, 543 U.S. 111, 121–22 (2004).

<sup>88</sup> 15 U.S.C. § 1064(3) (2000) (authorizing petitions to cancel marks "if the registered mark becomes the generic name for the goods or services, or a portion thereof"); *id.* § 1065(4) (precluding incontestable status to marks that have become generic); *id.* § 1127 (providing that mark shall be deemed abandoned "[w]hen any course of conduct of the owner . . . causes the mark to become the generic name for the goods or services"); *see also, e.g.*, *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (defining generic mark as "one that refers, or has come to be understood as referring, to the genus of which the particular product is a species"); 2 McCARTHY, *supra* note 4, § 12:1 (describing generic mark as "the name of the product or service itself—what [the product] is—is the very antithesis of a mark"); *cf.* 15 U.S.C. § 1052(e)(5) (2000) (denying registration for functional matter).

<sup>89</sup> Word marks are generally classified on a spectrum of distinctiveness that starts with generic terms and proceeds to descriptive, suggestive, arbitrary, and fanciful marks. For a description of the different types of marks, *see, for example*, *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 143 (2d Cir. 1997).

<sup>90</sup> *See, e.g.*, LANDES & POSNER, *supra* note 14, at 194 (noting that placing mark in public domain after it becomes generic "reduces the costs of communication by making it cheaper for competitors of the (former) trademark owner to inform the consumer that they are selling the same product").

<sup>91</sup> While some protection is available if the would-be trademark holder establishes that consumers have come to associate the descriptive words with a single source, 15 U.S.C. § 1052(f) (2000) (allowing registration of marks that "ha[ve] become distinctive of the applicant's goods in commerce"), that right remains subject to the ability of competitors to engage in fair uses of the terms. So, for example, the existence of a trademark for TASTY hamburgers would not preclude a competitor from using the word in advertising (*e.g.*, "Try our tasty burgers!"). *See, e.g.*, *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 793–96 (5th Cir. 1983) (recognizing trademark in term "Fish-Fri" despite descriptiveness because term had acquired secondary meaning, but holding that defendants had right to fair use of term).

Finally, the First Amendment reins in trademark enforcement and protects information access by recognizing that the right to speak includes the public's interest in hearing what speakers have to say.<sup>92</sup> Free expression arguments in trademark cases are limited, however, by the comparatively weak First Amendment protection given to commercial speech.<sup>93</sup> Because trademark litigation typically arises in commercial speech contexts, appeals to the First Amendment often face an uphill battle.<sup>94</sup>

#### b. Trademark's Market Protections

Just as limitations on a trademark's scope safeguard information about goods on the market, they also protect the market itself. Trademark protection is unavailable for functional product features.<sup>95</sup> Without the functionality doctrine, trademark owners might tie up useful product designs under the guise of protecting distinctive trade dress. They could then restrict output, raise prices, and extract

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<sup>92</sup> See, e.g., *Rogers v. Grimaldi*, 875 F.2d 994, 998 (2d Cir. 1989) (observing that authors' interest "in freedom of artistic expression is shared by their audience"); *id.* at 999 ("[T]he Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression."); cf. Roberta Rosenthal Kwall, *The Right of Publicity vs. The First Amendment: A Property and Liability Rule Analysis*, 70 *IND. L.J.* 47, 51 (1994) (calling for balancing analysis in publicity cases that would "weigh all of the relevant harms created by the particular use against society's general informational interest and the cultural value of the specific depiction at issue"); *id.* at 63 & n.72 (referring to balancing in Lanham Act context).

<sup>93</sup> See *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n*, 447 U.S. 557, 562–63 (1980) ("The Constitution therefore accords a lesser protection to commercial speech than to other constitutionally guaranteed expression.").

<sup>94</sup> See Rebecca Tushnet, *Trademark Law as Commercial Speech Regulation*, 58 *S.C. L. REV.* 737, 747 (2007) (observing that courts follow "cursory" First Amendment analysis with respect to trademark claims and that "[t]he only exceptions involve creative works such as music and movies, whose uses of marks sometimes lead courts to invoke free speech concerns"); cf. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 905 (9th Cir. 2002) ("[A] trademark injunction, even a very broad one, is premised on the need to prevent consumer confusion. This consumer protection rationale—averting what is essentially a fraud on the consuming public—is wholly consistent with the theory of the First Amendment, which does not protect commercial fraud." (citing *Cent. Hudson*, 447 U.S. at 566)).

<sup>95</sup> 15 U.S.C. § 1052(e)(5) (2000) (forbidding registration of trademark that "comprises any matter that, as a whole, is functional"); *id.* § 1125(a)(3) (2000) ("In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional."). In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2000), the Supreme Court set forth two tests for functionality. First, under the so-called traditional test, "'a product feature is functional,' and cannot serve as a trademark, 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.'" *Id.* at 32 (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)). Under the second test, "a functional feature is one the 'exclusive use of which would put competitors at a significant non-reputation-related disadvantage.'" *Id.* (quoting *Qualitex*, 514 U.S. at 165).

monopoly profits at the expense of consumers generally.<sup>96</sup> While federal intellectual property law uses the carrot of temporary monopoly to encourage production of new inventions and creative works, these incentives are regulated by patent and copyright law, each of which has built-in safeguards designed to prevent the holders of the monopoly grants from taking too much.<sup>97</sup> Outside of these exceptions, free copying of useful product features is the norm, enabling competition that drives down prices and spurs further innovation.<sup>98</sup>

### c. Trademark's Limited Costs

To the doctrines that protect the interests of absent consumers we may add the argument that nonconfused consumers also benefit from the low cost of trademark law to other sellers. The broad availability of terms that a seller may use instead of the trademark holder's mark suggests that the cost of distinguishing oneself in the marketplace is low.<sup>99</sup> If true, then the passed-on cost to consumers of trademark protection should likewise be minimal.<sup>100</sup>

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<sup>96</sup> See *United States v. E.I. DuPont de Nemours & Co.*, 351 U.S. 377, 391 (1956) (defining market power as "the ability of a single seller to raise price and restrict output").

<sup>97</sup> See, e.g., *Qualitex*, 514 U.S. at 164 ("It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or function for a limited time after which competitors are free to use the innovation." (citation omitted)).

<sup>98</sup> *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619, 640 (6th Cir. 2002) ("After all, copying preserves competition, which keeps downward pressure on prices and encourages innovation."); see also *TrafFix*, 532 U.S. at 29 ("Allowing competitors to copy will have salutary effects in many instances. 'Reverse engineering . . . often leads to significant advances in technology.'" (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 160 (1989))).

Concerns for functionality also can justify the preclusion of trademark protection for aesthetically functional designs. See, e.g., *Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 81 (2d Cir. 1990) (withholding trademark protection from baroque style of silverware). But see 1 MCCARTHY, *supra* note 4, § 7:80 (surveying federal circuit courts and observing that most have either explicitly rejected aesthetic functionality or expressed doubts as to its validity). The Supreme Court likewise has withheld protection from product designs that fail to establish secondary meaning, in part out of concern for protecting competition. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213 (2000) ("Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that [would protect designs that had not established a secondary meaning].").

<sup>99</sup> See LANDES & POSNER, *supra* note 14, at 172 ("The number of distinctive yet pronounceable combinations of letters . . . that will serve as a suitable trademark is very large, implying a high degree of substitutability and hence only a slight value in exchange."). But see Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 769-75 (1990) (noting that reductions of search costs may not always be outweighed by loss of words available for marketing).

<sup>100</sup> Cf. LANDES & POSNER, *supra* note 14, at 204 ("The second seller should be able to find a trademark that distinguishes his product from the first seller's in the minds of the careless without confusing the careful.").

Trademark doctrine thus offers a variety of safeguards to defend the interests of absent consumers. The prospect that judges are overpolicing marginal confusion should therefore be of little concern to nonconfused consumers if these protections are sufficient. They are not.

## 2. *The Seller-Conflict Narrative's Failure To Protect Absent Consumers*

Trademark law's protections for absent consumers are inadequate and have failed to keep pace with trademark's expansion.<sup>101</sup> These safeguards fail for reasons rooted in the traditional trademark narrative. Rhetorical appeals to the "public interest" (or competition, or free expression, etc.) can be counterbalanced by contrary appeals by trademark holders to enjoin "free riding," prevent "misappropriation," halt "unfair competition," "protect investments," and defend "property."<sup>102</sup> Insofar as these appeals are tied to the importance of goodwill, they draw strength from a rich tradition.<sup>103</sup> Rhetorical battles, moreover, are open to inconsistent outcomes,<sup>104</sup> particularly when there is no prevailing definition of the "public interest." Even if courts accept the argument that, say, search costs are important, that may not blunt the force of an appeal to enjoin the misappropriation of goodwill.<sup>105</sup>

Moreover, general invocations of the public interest often lack force in the face of a plaintiff's invocation of a concrete class of potentially confused consumers. Unless a specific doctrine or defense is available—such as genericism or the First Amendment—the defendant may have no means of bringing the interests of nonconfused consumers to the fore.<sup>106</sup> In the two-against-one dynamic of the

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<sup>101</sup> See *infra* Part III.A.

<sup>102</sup> See *supra* Part I.B.1. The force of these principles has limited the adoption of consumer-focused views of trademark law. See Austin, *supra* note 63, at 845 ("The search costs rationale has never succeeded in suppressing a different rationale that is concerned less with objective marketplace effects and more with issues of commercial morality."); cf. Sunstein, *supra* note 38, at 1589 ("An understanding of how heuristics work suggests reason to doubt the reliability of [moral] intuitions, even when they are very firm.").

<sup>103</sup> See *supra* note 24.

<sup>104</sup> See, e.g., Bartow, *supra* note 1, at 816 ("Courts have abjectly failed to consistently articulate any logical framework for balancing speech rights against trademark interests.").

<sup>105</sup> See Austin, *supra* note 63, at 864 ("Where instrumentalist rationales are found wanting, trademark law's 'moral' aspects are ever ready to provide an alternative justification. . . . To complain that misappropriation doctrine does not make *rational* sense may be missing much of its point.").

<sup>106</sup> In contrast, a plaintiff's allegations about the defendant's bad faith play a significant role in the multifactor likelihood-of-confusion test. See *supra* note 35 and accompanying text.

seller-conflict narrative, a defendant's appeal to the public interest may appear self-serving and disconnected from the public at large. Moreover, the abstracted consumer is treated as if her primary concern is avoiding confusion.<sup>107</sup> The balancing, therefore, looks not at the consumers who stand to gain from the defendant's conduct, but rather at the defendant's own needs.<sup>108</sup> A seductive narrative emerges. Two distinct interests are at risk of being harmed: the consumer's and the senior user's. Against these interests are those of a junior user, who looks like a free rider. The playing field is qualitatively and quantitatively stacked.

Relying on the junior user to fight for alternative public interests is part of the problem. Given the general availability of alternative means of conveying a message,<sup>109</sup> it is not surprising that a judge might be inclined to give short shrift to the effects of an expansion of trademark rights when the principal countervailing interests appear to be those of a junior user bent on misappropriating the plaintiff's goodwill. Trademark litigation's storyline thus abets the "moral heuristics" that favor trademark holders.<sup>110</sup>

Consider *Brookfield Communications v. West Coast Entertainment Corp.*,<sup>111</sup> the now notorious case that opened the door to broader application of the initial interest confusion doctrine to the Internet.<sup>112</sup> *Brookfield* involved a trademark dispute between a provider of information about the entertainment industry (Brookfield) and a chain of video stores (West Coast). Brookfield used the disputed trademark "MovieBuff" as a mark for its searchable database of entertainment-related information. West Coast used the term in a variety of ways. Of relevance here was West Coast's use of the word in the hidden text—or metatags—of its website. This meant that West Coast's site might be listed among the results of a search-engine

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<sup>107</sup> See *supra* Part I.B.2.c.

<sup>108</sup> See *supra* note 57 and accompanying text.

<sup>109</sup> See *supra* Part I.C.1.c.

<sup>110</sup> See Sunstein, *supra* note 38, at 1590–97 ("Purely semantic framing can alter the baseline and, hence, alter moral judgments.").

To continue the metaphor, we should ask legislators, judges, and scholars (and even litigants and interest groups) who consider propertization to consider the whole city of the law, explicitly, and not just one neighborhood. For example, the cases establishing that certain domain names came into being already owned by trademark owners (an extension of propertization) would have been more satisfactory had they taken into account other parts of the city, even if the result would have been the same.

Margaret Jane Radin, *A Comment on Information Privatization and its Legal Milieu*, 54 CLEV. ST. L. REV. 23, 27–28 (2006).

<sup>111</sup> 174 F.3d 1036 (9th Cir. 1999).

<sup>112</sup> The doctrine is discussed in greater depth *infra* Part III.A.2.

inquiry for the word “moviebuff.” Having concluded that Brookfield owned the mark, the court found a likelihood that West Coast’s use was infringing.<sup>113</sup>

The panel’s analysis illustrates the limitations of the traditional trademark narrative. At the outset, the court acknowledged that confusion between the parties’ actual websites was impossible. No matter:

Web surfers looking for Brookfield’s “MovieBuff” products who are taken by a search engine to “westcoastvideo.com” will find a database similar enough to “MovieBuff” such that a sizeable number of consumers who were originally looking for Brookfield’s product will simply decide to utilize West Coast’s offerings instead. Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using “moviebuff.com” or “MovieBuff” to divert people looking for “MovieBuff” to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark.<sup>114</sup>

Two shortcomings of the seller-conflict narrative are immediately apparent. First, the defendant is tarred with the free-rider label based on the court’s moral judgment that “divert[ing]” websurfers through the use of metatags is “improper[.]”<sup>115</sup> Second, and relatedly, the court is quick to give weight to a marginal form of consumer confusion—the “diversion” of consumers from Brookfield’s site to West Coast’s—as a problem demanding judicial intervention. The panel employed an analogy, comparing metatags to a deceptive highway billboard.<sup>116</sup> To the court, a diverted mouseclick is a harm on par with

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<sup>113</sup> *Brookfield*, 174 F.3d at 1066. Brookfield ultimately won summary judgment on its trademark claim. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, No. CV 98-9074 CM, 1999 U.S. Dist. LEXIS 23251 (C.D. Cal. June 10, 1999).

<sup>114</sup> *Brookfield*, 174 F.3d at 1062. In fact, most search engines do not make use of metatags. Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 567 (2005) (“[A]lmost all search engines have removed keyword metatags from their relevancy algorithms.”).

<sup>115</sup> *Brookfield*, 174 F.3d at 1062.

<sup>116</sup> The court elaborated:

Using another’s trademark in one’s metatags is much like posting a sign with another’s trademark in front of one’s store. Suppose West Coast’s competitor (let’s call it “Blockbuster”) puts up a billboard on a highway reading—“West Coast Video: 2 miles ahead at Exit 7”—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast’s store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they

wasted miles of driving. While the billboard analogy captures a potential harm of initial interest confusion,<sup>117</sup> that harm is absent in *Brookfield*. Even if one accepts the questionable premise that a consumer who clicks on an alternative search result does so due to deception and not volition, the resulting costs are of a different order of magnitude from diverting consumers from one highway exit to another.

So much for the interests of confused consumers. What about the other side? What of the interests of nonconfused consumers? Might they have a bearing on the court's evaluation of the relative importance of the identified diversion and misappropriation? With respect to these consumers, the court was silent.

Though the *Brookfield* panel did not consider absent consumers, its ruling imposed costs upon them. Policing the use of metatags may restrict the availability of useful information to nonconfused consumers. Metatags may, for example, enhance the efficacy of search engines by allowing website owners to assist in the indexing of their site in response to searches. Where the metatag is a trademark, doing so benefits those searchers who are interested in websites serving the same (or complementary) market as the trademark holder. For such searchers, "moviebuff" could have been an information-rich term that the panel rendered unavailable. Whether the interests of these neglected consumers are, at the end of the day, more or less important than the consumers about whom the *Brookfield* panel was concerned is beside the point. These tradeoffs are discussed in greater detail below.<sup>118</sup> For present purposes, the point is that the court never asked the question, and its failure to do so is a byproduct of a seller-conflict narrative in which consumers play a limited role.

*Brookfield* thus illustrates three points about the traditional trademark narrative. First, the courts consider an incomplete set of interests. The panel considered only three: the plaintiff's, the defendant's (in rejecting West Coast's fair use defense),<sup>119</sup> and those of the confused consumer. Stated another way, of the four potential parties in interest—plaintiff seller, defendant seller, plaintiff's proxy consumer class, defendant's proxy consumer class—the court neglected one. Any public policy concerns would have to be asserted by a

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have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast's acquired goodwill.

*Id.* at 1064.

<sup>117</sup> See *infra* Part III.A.2.

<sup>118</sup> See *id.*

<sup>119</sup> *Brookfield*, 174 F.3d at 1065–66.

defendant who had “improperly benefit[ed] from the goodwill that Brookfield developed in its mark.”<sup>120</sup>

Second, trademark law’s protections of nonconfused consumers are often inadequate. Here, the rhetoric of free riding and misappropriation made an easy transition to the metatag question, while doctrinal protections for absent consumers were inapplicable. Using a competitor’s trademark as a metatag may be viewed as an act of self-description—a claim that the website is in the same category as that of the senior user—but this claim lacked a doctrinal point of entry in *Brookfield*.<sup>121</sup> Even though “moviebuff” may have been performing a generic function, the mark itself had not become generic, foreclosing the defense to West Coast except by way of analogy. The *Brookfield* court also rejected West Coast’s fair use defense by narrowly construing the descriptive possibilities of the “MovieBuff” term, and concluded that the lack of a space between “Movie” and “Buff” stripped it of any descriptive connotation.<sup>122</sup> Nor did the court consider whether use of the metatag could be defended as a nominative use of Brookfield’s mark (i.e., “This site is like MovieBuff’s”). Rather than translating the doctrine to accommodate analogous conduct, the panel noted that West Coast could have used the trademark in explicit comparative advertising.<sup>123</sup>

Third, the seller-conflict narrative works to broaden trademark’s scope. *Brookfield* and its progeny have been heavily criticized for expanding initial interest confusion doctrine into Internet cases in which the case for any consumer harm is doubtful.<sup>124</sup> Unfortunately,

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<sup>120</sup> *Id.* at 1062.

<sup>121</sup> Grynberg, *supra* note 47, at 127 (“*Brookfield* does not explain why a metatag necessarily means ‘I am the trademark’ and not ‘I am like the trademark.’”).

<sup>122</sup> *Id.* at 1066 (“Even though [‘MovieBuff’] differs from ‘Movie Buff’ by only a single space, that difference is pivotal. The term ‘Movie Buff’ is a descriptive term, which is routinely used in the English language to describe a movie devotee. ‘MovieBuff’ is not. . . . West Coast certainly *can* use [the term ‘Movie Buff’].”).

<sup>123</sup> According to the panel, West Coast could have stated “Why pay for MovieBuff when you can get the same thing here for FREE?” *Id.* Instead, West Coast “presently uses Brookfield’s trademark not to reference Brookfield’s products, but instead to . . . attract people to its web site in the case of the metatags. That is not fair use.” *Id.* Later Ninth Circuit precedent allowed the metatag use of trademarks where the user had a direct relationship with the senior user. See *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 803–04 (9th Cir. 2002) (concluding that former *Playboy* Playmate of the Year’s use of plaintiff’s marks as metatags of her website constituted nominative fair use).

<sup>124</sup> See, e.g., Dogan & Lemley, *supra* note 1, at 777 (“[T]his expansionist trend in Internet trademark cases threatens to undermine a central goal of the Lanham Act—to promote fair and robust competition through reducing consumer search costs.”); Goldman, *supra* note 114, at 573 (“[C]ourts still do not have a solid doctrinal grasp of the harms [initial interest confusion] supposedly causes.”); Grynberg, *supra* note 47, at 130 nn.156–57 (listing scholarly critiques of *Brookfield* court as having failed to understand nature of Internet and as relying on inapt metaphor).

decisions of this sort are part and parcel of a dynamic that gives too much weight to the interests of potential—even hypothetical—confused consumers without considering the interests of their comparatively clear-eyed colleagues.

## II

### TRADEMARK LAW AS CONSUMER CONFLICT

The shortcomings of the seller-conflict narrative suggest an alternative analysis. While trademark litigation is literally a battle between competing sellers, it is also a struggle between consumer classes. The conflict arises because each class attaches a different value to the defendant's conduct. The "plaintiff" consumer class seeks to avoid confusion of its members by depriving the "defendant" consumer class of access to a particular product or service. In this view, each side has a champion for its respective interests: the nominal plaintiff and defendant.

This perspective balances the scales between the actual litigants. The consumers at risk for confusion are not parties to the action; rather, they are invoked by the senior user who acts as their champion (while protecting her own interest in the goodwill of her mark). If these likely confused consumers are in effect parties to the case, it is appropriate to consider the consequences of their potential confusion upon others. Confused consumers may suffer harm, but giving legal effect to their confusion causes harm by preventing other, less confusion-prone buyers from enjoying the benefits of the defendant's behavior. This is not to say that a consumer-conflict view necessarily counsels contrary results to the seller-conflict perspective. The two views will be in accord much of the time. But not always.

#### *A. Consumer Conflict's Promise*

Treating trademark litigation as consumer conflict corrects some of the traditional narrative's shortcomings by more accurately representing the range of interests at stake. Consumers represent a mix of sometimes competing desires. The traditional narrative ensures that courts consider the needs of those likely to be confused. Consumer-conflict analysis expands the inquiry by asking whether other consumers will be harmed if the trademark holder prevails. To be sure, the class of benefited consumers is no more monolithic than its burdened counterpart, and the two classes may share members. A two-group framework, however, produces a fuller picture of consumer interests than the traditional one.

A consumer-conflict approach offers a more concrete analysis of public interest considerations than the seller-based narrative. Looking to the consequences of liability for nonconfused consumers allows for a more precise analysis than appealing to a vague “public interest” writ large. The public interest, after all, necessarily encompasses the concerns of the likely confused, which encourages courts to limit their inquiry to the need to avoid confusion. This goal is already front and center in the traditional narrative; the other side of the equation is the one that needs clearer expression. Grappling directly with the adverse consequences of trademark protection, regardless of whether the harm fits into a preexisting doctrinal box, fills the gap while perhaps promoting the growth of new doctrines that may protect the interests of absent consumers.

More generally, viewing trademark litigation as consumer conflict checks rhetorical appeals for the expansion of trademark liability beyond trademark law’s consumer-protection function. While some courts look past efforts to slap the free-rider label on junior users,<sup>125</sup> others do not.<sup>126</sup> Indeed, some judges have been quick to assume the worst about those who attempt to free ride within the bounds of the law, conflating an intent to cause confusion with an intent to imitate.<sup>127</sup>

Unlike their seller proxies, nonconfused, benefited consumers do not look like free riders.<sup>128</sup> Consideration of their interests carries none of the connotative baggage associated with the free rider epithet.<sup>129</sup> Explicitly weighing the interests of opposed consumer groups thus provides an alternative mechanism for assessing the costs and benefits of challenged trademark practices that minimizes the influence of rhetorically loaded terms on either side—be it “free

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<sup>125</sup> The Ninth Circuit noted that while “[d]isapproval of the copyist’s opportunism may be an understandable first reaction, . . . the copyist, albeit unintentionally, serves an important public interest by offering comparable goods at lower prices.” *Smith v. Chanel, Inc.*, 402 F.2d 562, 568 (9th Cir. 1968). In contrast, it is the trademark owner who may be guilty of “sacrific[ing] public to personal interests by seeking immunity from the rigors of competition.” *Id.*

<sup>126</sup> *See, e.g.*, *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 295 (3d Cir. 2001) (declaring that if initial interest confusion were not actionable, “an infringer could use an established mark to create confusion as to a product’s source thereby receiving a ‘free ride on the goodwill’ of the established mark” (citation omitted)).

<sup>127</sup> *See, e.g.*, *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1543 (11th Cir. 1986) (“[E]ven an intent to come as close as the law will allow is an intent to derive benefit from the other party’s reputation and is therefore probative on the likelihood of confusion issue.”); Tushnet, *supra* note 94, at 755 n.100 (“[M]any [courts] look at the defendant’s intent to copy the plaintiff, which is not the same thing as an intent to confuse the public.”).

<sup>128</sup> Just as the confused consumers of the traditional narrative do not look like attempted monopolists.

<sup>129</sup> *See supra* Part I.B.1.

riding” or “free competition.” I posit that doing so is easier when considering consumer groups rather than individual plaintiffs and defendants. To return to a recurring example, a maker of an imitation perfume who uses the Chanel name in advertising looks more like a free rider than does the consumer who wants an affordable scent that smells like Chanel. A court is therefore more likely to look past the pejorative label to weigh the social value of the practice under a consumer-conflict framework than the seller-conflict alternative.

### B. *Some Objections*

Before proceeding, two issues merit discussion. First, is it plausible to view junior trademark users as vindicating the interests of nonconfused consumers? Second, does the Lanham Act, with its explicit focus on likelihood of confusion, permit considering the interests of nonconfused consumers even where likely confusion exists?

#### 1. *Trademark Defendants as Consumer Proxies*

In the ordinary case, trademark defendants may not clearly stand in the shoes of a distinct class of consumers. Recall that in a traditional trademark infringement suit, the defendant’s need to use or imitate the senior user’s mark is seen as weak because of the wide availability of arbitrary terms.<sup>130</sup> That is, a seller of personal computers unable to dub her device “Apple” is free to call it “Nile” or “Force” or any other available distinctive term. If the cost of selecting an alternative mark is low, the costs passed on to nonconfused consumers will be correspondingly low, and the benefit to nonconfused customers of using a mark similar to a trademark holder’s will therefore be limited.<sup>131</sup>

So why view junior users as vindicating the interests of the nonconfused? The flip answer—who else is there?—aside, there are three responses. First, the plausibility objection could be read as a claim that likelihood of confusion at the point of sale should be actionable under a consumer-conflict view just as it is under the traditional narrative. The greater problem for a consumer-conflict approach would be if it did not counsel this result.

Second, even when the use of a mark creates a likelihood of confusion with another’s trademark, the infringing mark still lowers search costs for nonconfused purchasers of the product.<sup>132</sup> The min-

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<sup>130</sup> See *supra* Part I.C.1.c.

<sup>131</sup> See *supra* notes 99–100 and accompanying text.

<sup>132</sup> LANDES & POSNER, *supra* note 14, at 204–05. Landes and Posner note that where *B* produces a good that is similar to *A*’s, and also adopts a trademark similar to *A*’s, *B*’s trademark benefits “consumers who are not confused and use [*B*’s] mark to identify [*B*’s]

imal cost to the junior user of selecting a non-infringing alternative does not establish that there is no value of infringement to the junior user's customers; it simply means that that value is low.

Third, and perhaps reminiscent of the flip answer, the question of how closely a trademark defendant's interest mirrors that of nonconfused consumers is somewhat beside the point. The interests of consumers and trademark plaintiffs do not overlap perfectly, yet trademark law empowers trademark holders to assume the role of vindicating the consumer interest in avoiding deception. The same is true of consumers and trademark defendants. Some challenged conduct may produce benefits to consumers that are not fully captured by the defendant, but these benefits still merit consideration when assessing whether the challenged activity should be enjoined.

This is not an unusual result. Indeed, it describes those cases in which trademark defendants invoke a First Amendment defense, insofar as both speakers and listeners have cognizable interests in free expression.<sup>133</sup> The fact that the defendant is the one asserting the defense for both parties does not defeat the underlying interests. Approaching other consumer interests from a consumer-conflict perspective encourages courts to consider them explicitly, lest they be subsumed by an incomplete focus on the junior user's individualized needs.<sup>134</sup>

## 2. *May We Consider the Interests of the Nonconfused?*

A more serious objection is that, while promoting consumer welfare is nice, the Lanham Act is about preventing likelihood of confusion. The interests of nonconfused consumers are therefore irrelevant—at least to cases applying federal law or state causes of action that are parallel to the Lanham Act.

While the Lanham Act's consumer-confusion focus may cabin judicial discretion to consider the interests of nonconfused consumers, it hardly eliminates it. First, trademark law already concerns itself

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good . . . but harms consumers who believe they are getting a good produced by A." They conclude that B should be found guilty of infringing on A's trademark only if the "additional cost of B reducing confusion is less than the expected reduction in harm to the confused group from B's abandoning the mark." *Id.*

<sup>133</sup> See, e.g., *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) (noting that test of First Amendment defense must "sufficiently accommodate the public's interest in free expression").

<sup>134</sup> See *supra* Part I.C.2. Indeed, any mismatch of interests between sellers and buyers on both the plaintiff and defendant sides favors the consumer-conflict perspective. If all consumer gains were perfectly reflected in the interests of the competing sellers, bargaining between them would likely resolve most disputes. Varying interests between sellers and purchasers make looking to the interests of absent consumers more worthwhile, not less.

with policy issues distinct from consumer confusion.<sup>135</sup> It is late in the day to object to efforts to make analysis of these concerns more precise. Second, even if trademark law were to self-consciously purge itself of those public interest considerations that are not commanded by the Lanham Act or other law (like the First Amendment), such considerations would still factor into judicial consideration of appropriate remedies for trademark infringement<sup>136</sup> and the proper scope of the Lanham Act's statutory provisions. Many judges have interpreted the Lanham Act with an eye to policy as much as text, and such considerations are unlikely to disappear from trademark law so long as the Lanham Act's text retains its open-ended character.<sup>137</sup> Third, as a descriptive matter, trademark doctrine has long accepted the possibility that there may be no likelihood of confusion notwithstanding the existence of some actual consumer confusion.<sup>138</sup> As discussed in the next Subpart, that acceptance offers support for the consumer-conflict narrative's usefulness as a descriptive device. Consideration of the needs of nonconfused consumers may aid courts in future determinations on when the confusion at issue is insufficient—in either amount or kind—to compel a liability finding.<sup>139</sup>

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<sup>135</sup> As discussed *supra* Part I.C.1, trademark doctrine protects consumer interests in competition and information access in addition to avoidance of confusion. Moreover, as argued *supra* Part I.B.1, judicial concern with the morality of defendants' conduct often belies any focus on whether consumers are confused.

<sup>136</sup> See, e.g., *Borinquen Biscuit Corp. v. M.V. Trading Corp.*, 443 F.3d 112, 115 (1st Cir. 2006) (noting that courts consider impact on public interest in determining whether to grant preliminary injunction); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 35 (1995) (listing "the interests of third persons and of the public" as factor in issuance of injunctions).

<sup>137</sup> See, e.g., *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776 (1992) (Stevens, J., concurring) ("[T]he meaning of the text has been transformed by the federal courts over the past few decades. I agree with this transformation, even though it marks a departure from the original text, because it is consistent with the purposes of the statute and has recently been endorsed by Congress."). In some cases, interpretive practice is later ratified by congressional enactment. See, e.g., *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 29–30 (2003) (observing that Trademark Law Revision Act of 1988 codified debatable appellate court interpretations of "origin" in section 43(a) of Lanham Act).

This point applies to defenses as well. Professor McCarthy observes that many "defenses" under section 43(a) of the Lanham Act are in effect common law protections derived by referring to other parts of the statute. 5 MCCARTHY, *supra* note 4, § 27:19 ("[T]he statutory 'defenses' in a § 43(a) case are merely guidelines to ascertain the federal common law substantive 'defenses' to a § 43(a) claim.").

<sup>138</sup> See, e.g., *Int'l Ass'n of Machinists v. Winship Green Nursing Ctr.*, 103 F.3d 196, 201 (1st Cir. 1996) ("[A]n isolated instance of confusion does not prove probable confusion. To the contrary, the law has long demanded a showing that the allegedly infringing conduct carries with it a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care.").

<sup>139</sup> See *infra* Part III.B.2.

### C. *Consumer Conflict as a Descriptive Tool*

Consumer conflict's descriptive accuracy in certain established matters of trademark doctrine bolsters the case for its use as a device in evaluating nontraditional trademark actions. Consider the standard cause of action based on likelihood of source confusion.<sup>140</sup> Suppose seller *A* has an arbitrary mark for soda; call it "FRAME" soda. Seller *B* enters the soda market using the same name, but does not otherwise engage in any deceptive behavior. Some of *A*'s customers are confused and inadvertently purchase *B*'s product. Other purchasers of *B*'s product know what they are getting.

Using the consumer-conflict lens, the resulting litigation may be described as follows: Purchasers of *A*'s product (Group *A*) seek to enjoin purchasers of *B*'s product (Group *B*) from buying the soda under the FRAME brand name. On these facts, balancing the interests between the parties offers a strong argument for Group *A*. They are being asked to bear an increase in costs, both in terms of their search ("which FRAME soda am I getting?") and their purchases ("I just bought the wrong FRAME soda"). In contrast, Group *B* is asked to give up comparably little. A wide variety of monikers are available, so the relative cost of forgoing the title in question is minimal.<sup>141</sup> This echoes similar conclusions made when the focus is on junior users rather than their customers.<sup>142</sup>

But there is a wrinkle. Group *B* may include former purchasers of *A*'s product who, as a result of confusion, purchased *B*'s product by mistake, liked it better, and therefore will choose to remain with *B* after their confusion is dispelled. One could argue that their confusion benefited them by expanding their known soda options such that they experimented with a soda they would not have otherwise. This benefit, however, must be balanced against the losses of Group *A*, as well as the ability of Group *B* to obtain such information by less costly means.<sup>143</sup> Thus Group *B*'s interest in obtaining information about rival products can be protected by precedents that allow nondeceptive comparative advertising. Trademark doctrine assumes that such advertising harms Group *A* less than its prohibition would harm Group *B*.

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<sup>140</sup> Carter, *supra* note 99, at 764 ("Despite decades of evolution, the workhorse of unfair competition remains the original common law action for 'passing off' or 'palming off.'").

<sup>141</sup> Assuming that Groups *A* and *B* share roughly similar aesthetic preferences in soda names.

<sup>142</sup> See *supra* notes 99–100 and accompanying text.

<sup>143</sup> See Kozinski, *supra* note 42, at 973 ("Whatever first amendment rights you may have in calling the brew you make in your bathtub 'Pepsi' are easily outweighed by the buyer's interest in not being fooled into buying it.").

Any number of trademark doctrines may be recast in this manner. Consider the Lanham Act's system of national registration. Senior trademark users formerly could obtain priority only in their active markets plus an area of natural expansion.<sup>144</sup> When consumers in discrete markets use the same unregistered mark to find differing products, one consumer class cannot force another to abandon a useful mark simply because the first group's seller later expands into the second's market. Doing so would impose excessive costs to the junior consumers, who would have to develop associations with a new trademark and suffer increased search costs.<sup>145</sup> Under a registration system, by contrast, the junior consumer's "agent" has constructive notice of the prior mark, making the costs of avoiding confusion comparatively low.<sup>146</sup>

Likewise, many of the doctrines that protect the interests of non-confused consumers may be described as attempts to mediate consumer conflict.<sup>147</sup> The generic and functionality doctrines protect access of nonconfused consumers to useful terms (generics) and product designs (functionality). They fulfill this function notwithstanding the potential existence of confused consumers who have come to associate the term or design with a single source.<sup>148</sup> The judgment is implicit that the needs of the nonconfused consumers trump those of their likely confused peers.<sup>149</sup> In both cases, however, courts

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<sup>144</sup> See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101 (1918) (noting that prior appropriation is legally insignificant when parties independently employ same marks in wholly remote and separate markets). See generally 5 MCCARTHY, *supra* note 4, §§ 26:1–30 (discussing common law use rights).

<sup>145</sup> Not to mention the possibility of passed on rebranding costs or the risk of market exit. See LANDES & POSNER, *supra* note 14, at 182–83 (discussing costs of inadvertent conflicting uses).

<sup>146</sup> 15 U.S.C. § 1072 (2000) (registration of a mark "shall be constructive notice of the registrant's claim of ownership thereof"). This is not to say that a system of national priority cannot be criticized from the perspective of comparative consumer costs. Carter, *supra* note 99, at 788–95 (arguing that search-cost considerations favor traditional common law priority system rather than system of nationwide registration).

<sup>147</sup> See *supra* Part I.C.

<sup>148</sup> Jonathan Barsade has described the problem in consumer-conflict terms. Jonathan Barsade, *Distinct Classes of Consumers of a Single Product—Accommodating Competing Perceptions of Genericness of the Same Identification*, 86 TRADEMARK REP. 56, 56 (1996) ("This conflict is not easily resolved—the decision maker must balance the interests of the different classes of consumers, inquire who is more likely to be hurt and who will be less damaged and finally decide whose perception should prevail.").

<sup>149</sup> This formulation avoids the claim—suggested by treating consumers as an undifferentiated interest—that the confused are still better off thanks to the confusion-inducing activity. Cf. LANDES & POSNER, *supra* note 14, at 195 ("Giving generic status to the former brand name may increase the search costs of consumers who believe there are quality differences between the old and the new brands. Overall, however, search costs would be greater if the sellers of the new brands could not use the generic name."); Dogan & Lemley, *supra* note 1, at 795 ("To the extent that the use may even then mislead some

sometimes mediate between the two groups by attempting to minimize confusion for the potentially confused group while ensuring that the other enjoys continued access to useful product designs and information.<sup>150</sup>

Consumer conflict may better explain some outcomes than seller conflict. Evidence of actually confused consumers is an element common to the various multifactor tests.<sup>151</sup> Though the presence of such confusion is not dispositive, a little goes a long way.<sup>152</sup> Courts nonetheless resist automatic liability where confused consumers are present.<sup>153</sup> Similarly, although surveys need not reveal much confusion before a court will decide that the scales tip in favor of liability,<sup>154</sup> judges still balk at very low levels.<sup>155</sup> But if selecting an alternative trademark really has low costs, why not enjoin activities that cause minimal levels of confusion?

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members of the public, the functionality doctrine presupposes that the harm to consumers in these cases is outweighed by the greater availability of competitive products in the first place.”).

Similarly, so-called dual use cases may be better described through consumer conflict. For example, the Illinois High School Association failed in its effort to assert trademark rights in the term “March Madness,” which it had long used to describe a high school basketball tournament, in the face of widespread public adoption of the term for the NCAA basketball tournament. *Ill. High Sch. Ass’n v. GTE Vantage, Inc.*, 99 F.3d 244, 247 (7th Cir. 1996) (“Whatever you call it, it’s a name that the public has affixed to something other than, as well as, the Illinois high school basketball tournament. . . . [W]e think that for the sake of protecting effective communication [the issue] should be resolved against trademark protection . . .”).

<sup>150</sup> See *Blinded Veterans Ass’n v. Blinded Am. Veterans Found.*, 872 F.2d 1035, 1047–48 (D.C. Cir. 1989) (affirming availability of generic terms notwithstanding potential confusion, but allowing district court to require junior user to take steps to avoid confusion); *Dogan & Lemley*, *supra* note 1, at 795 (“[C]ourts have responded to this possibility not by prohibiting use of the feature, but by requiring competitors to ‘use reasonable care to inform the public of the source of [their] product[s].’” (quoting *Gum, Inc. v. Gumakers of Am., Inc.*, 136 F.2d 957, 960 (3d Cir. 1943))).

<sup>151</sup> See 4 MCCARTHY, *supra* note 4, §§ 24:30–43 (surveying tests of various circuits, all of which consider actual confusion).

<sup>152</sup> See, e.g., *World Carpets, Inc. v. Dick Littrell’s New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971) (“There can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion. . . . [W]hile very little proof of actual confusion would be necessary to prove the likelihood of confusion, an almost overwhelming amount of proof would be necessary to refute such proof.”).

<sup>153</sup> See, e.g., *supra* note 138 and accompanying text; *infra* note 156 and accompanying text.

<sup>154</sup> See 4 MCCARTHY, *supra* note 4, § 23:2 (discussing necessary levels of confusion among reasonable buyers).

<sup>155</sup> See *S.S. Kresge Co. v. United Factory Outlet, Inc.*, 598 F.2d 694 (1st Cir. 1979) (rejecting likelihood of confusion where 7.2% of respondents thought surveyed marks shared owner, and where control mark—patently dissimilar from surveyed marks—had confusion level of 5.7%).

One possibility is that in the *de minimis* case, the harm to non-confused consumers of losing the use in question outweighs the value of protecting confused consumers. This view is supported by those cases that dismiss minor examples of confusion in light of relative lack of care by the confused.<sup>156</sup> The traditional seller-conflict narrative should downplay such considerations. Some consumers are confused, and the plaintiff senior user is having some goodwill appropriated. That should be enough to force the defendant to come up with another mark. But if nonconfused consumers always have some interest in the junior user's activity,<sup>157</sup> then the burden to them of a change in marks may outweigh any gains to the confused class, particularly when the exercise of reasonable care would preclude confusion in the first instance. If so, it stands to reason that a court would stay its hand in these circumstances. To be sure, these and similar cases might also be explained as weighing the interests of the marginal consumer against that of the junior user, but a consumer-conflict approach perhaps better explains the expectation that potentially confused consumers exercise some care before they are protected.<sup>158</sup>

### III

#### CONSUMER CONFLICT AND TRADEMARK'S SCOPE

This Part explores some of the implications of viewing trademark litigation as a form of consumer conflict, both as a basis for critiquing trademark's expansion and as a tool for considering prospective future developments in trademark doctrine.

##### *A. Trademark's Expansion*

Trademark's expansion beyond a narrow cause of action designed to prevent source confusion at the point of sale illustrates the shortcomings of the traditional trademark narrative and the potential corrective effect of a consumer-conflict perspective.<sup>159</sup>

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<sup>156</sup> See 4 McCARTHY, *supra* note 4, § 23:13 (describing how some courts have dismissed evidence of actual confusion as the product of carelessness or inattention).

<sup>157</sup> See *supra* note 132 and accompanying text.

<sup>158</sup> See, e.g., *Conopco, Inc. v. May Dept. Stores Co.*, 46 F.3d 1556, 1564–65 (Fed. Cir. 1994) (dismissing testimony of actually confused purchaser as “atypical and an isolated incident” and noting that packaging in question “is clearly labeled and differentiated”).

<sup>159</sup> 15 U.S.C. § 1125(c) (2000); see *supra* notes 17–18 and accompanying text.

### 1. Sponsorship and Merchandising

Numerous precedents take a broad view of the Lanham Act's provisions regarding "approval" of goods.<sup>160</sup> Although this view has a statutory basis,<sup>161</sup> the result has been to police trademark usage in contexts where the materiality of any consumer confusion regarding "approval" is doubtful. For many courts, approval does not mean "is the trademark owner standing behind the quality of this product?," but rather, "did the trademark holder give permission for the trademark to be employed?"<sup>162</sup> So, for example, Dairy Queen succeeded in keeping its name out of a film title,<sup>163</sup> and various sports teams successfully demanded a monopoly over the sale of branded merchandise.<sup>164</sup>

Though these efforts have not been universally successful, any success has a chilling effect on those who would use trademarks for purposes other than source identification.<sup>165</sup> Or, as James Gibson

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<sup>160</sup> See 4 McCARTHY, *supra* note 4, § 24:6 ("Today, the test of 'likelihood of confusion' encompasses any type of confusion, including: confusion of source; confusion of sponsorship; confusion of affiliation; or confusion of connection."). This trend has been aided by the relaxation of any requirement that the products in a trademark case need to be related before liability is imposed. *Id.* ("'Related' does not mean that there is necessarily any physical relationship between the goods or services identified by the conflicting marks. Rather, it means that the marks as used are 'related' in the mind of the consuming public.").

<sup>161</sup> Section 43(a) provides liability for use of "any word, term, name, symbol, or device, or any combination thereof" that "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." 15 U.S.C. § 1125 (2000) (emphases added).

<sup>162</sup> See, e.g., *Anheuser-Busch, Inc. v. Balducci Publ'ns*, 28 F.3d 769, 775 (8th Cir. 1994) (noting that majority of survey respondents believed plaintiff's approval was necessary to use trademarks in parodic advertisement); *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 400, 403 (8th Cir. 1987) (upholding judgment that T-shirt with phrase "Mutant of Omaha" infringed "Mutual of Omaha" mark in light of survey indicating that "ten percent of all the persons surveyed thought that Mutual 'goes along' with" defendant's use); see also, *Parks v. LaFace Records*, 329 F.3d 437, 455 & n.7 (6th Cir. 2003) (citing with approval affidavits indicating consumer mistake as to whether OutKast's song *Rosa Parks* was about civil rights movement but without claim that mistake was material to purchase decision).

<sup>163</sup> See *Am. Dairy Queen Corp. v. New Line Prods., Inc.*, 35 F. Supp. 2d 727, 735 (D. Minn. 1998) (barring defendant from using *Dairy Queens* as title for movie).

<sup>164</sup> See *infra* Part III.A.1.b.

<sup>165</sup> A number of expansive claims are collected at the Chilling Effects Clearinghouse. See, e.g., *Mensa Says PetsorFood Doesn't Make the Grade*, CHILLING EFFECTS CLEARINGHOUSE, July 25, 2002, <http://www.chillingeffects.org/protest/notice.cgi?NoticeID=416> (reprinting cease and desist request to fictional character claiming Mensa membership on character's website); *NBC Claims TM on Punch Lines*, CHILLING EFFECTS CLEARINGHOUSE, July 18, 2005, <http://www.chillingeffects.org/trademark/notice.cgi?NoticeID=2164> (reprinting cease and desist letter from NBC claiming trademark rights in "More Cowbell" joke from *Saturday Night Live*); *Pork Board Has a Cow over Slogan Parody*, CHILLING EFFECTS CLEARINGHOUSE, Jan. 30, 2007, <http://www.chillingeffects.org/trademark/notice>.

observes, they may elect to pay a licensing fee rather than risk litigation with an indefinite outcome.<sup>166</sup> As licensing becomes the norm, the practice feeds consumer perceptions that licensing is required, which encourages courts to find infringement against defendants who choose not to license, which increases the pressure to seek a license.<sup>167</sup>

#### a. Approval and Cultural Works

Broad conceptions of the meaning of “approval” for Lanham Act purposes invite trademark owners to seek control of the depiction of their marks in works of popular culture.<sup>168</sup> For example, in *Anheuser-Busch, Inc. v. Balducci Publications*,<sup>169</sup> the plaintiff prevailed against defendants who used Michelob beer trademarks in a fictitious ad that, among other things, portrayed the brand’s eagle logo as soaked in oil.<sup>170</sup> Defendants did so purportedly to make larger points about the

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cgi?NoticeID=6418 (reprinting cease and desist letter from National Pork Board claiming that use of slogan “The Other White Milk” to refer to breast milk infringed and diluted mark).

<sup>166</sup> James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 913 (2007).

<sup>167</sup> *Id.* at 907–27.

<sup>168</sup> These efforts are far from uniformly successful and face First Amendment hurdles and difficulty convincing courts that a likelihood of confusion exists. *See, e.g.*, *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 900 (9th Cir. 2002) (“Were we to ignore the expressive value that some marks assume, trademark rights would grow to encroach upon the zone protected by the First Amendment.”); *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 503 (2d Cir. 1996) (finding no likelihood of confusion between plaintiff’s trademark for SPAM and movie producer’s merchandising of puppet named “Spa’am”); *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 920 (C.D. Ill. 2003) (denying temporary restraining order based on claim that film portraying plaintiff’s equipment created likelihood of consumer confusion that plaintiff sponsored film). *But see, e.g.*, *World Championship Wrestling v. Titan Sports, Inc.*, 46 F. Supp. 2d 118, 125 (D. Conn. 1999) (acknowledging that public may not have believed defendants’ program that used plaintiff’s marks was produced by plaintiff, but holding that “plaintiff’s allegations adequately plead that the public may think that [plaintiff] otherwise approved the denigration of its marks on defendants’ program and that it was injured by defendants’ use”); Lemley, *supra* note 20, at 1710–13 (describing cases involving broad trademark claims and arguing that they both reflect and facilitate trademark’s encroachment on public discourse); *cf.* Gibson, *supra* note 166, at 917 n.138 (“[T]he fact that Caterpillar even bothered to bring suit may be more significant than the fact that it lost.”).

<sup>169</sup> 28 F.3d 769 (8th Cir. 1994).

<sup>170</sup> *Id.* at 771. The mock advertisement was for the fictitious “Michelob Oily” brand beer:

The advertisement states in bold type, “ONE TASTE AND YOU’LL DRINK IT OILY” immediately above “MICHELOB OILY®.” The accompanying graphics include a partially-obscured can of Michelob Dry pouring oil onto a fish, an oil-soaked rendition of the A & Eagle design (with the eagle exclaiming “Yuck!”) below a Shell Oil symbol, and various “Michelob Oily” products bearing a striking resemblance to appellants’ Michelob family. This resemblance was quite intentional, as evidenced by the admitted use of actual Anheuser-Busch “clip-art” in replicating several of the protected trademarks.

problem of pollution and the ubiquity of Anheuser-Busch's beer brands and advertising.<sup>171</sup>

*Balducci's* ruling for the beermaker recounts many of the limitations of the traditional trademark narrative. As discussed in Part I, a narrow focus on confused consumers invites courts to treat marginal confusion as a basis for liability. Just so in *Balducci*. The Eighth Circuit acknowledged that the case presented no danger of diverted sales, as the defendants were not in the same market as Anheuser-Busch.<sup>172</sup> Nevertheless, the court observed that “[m]any courts have applied, we believe correctly, an expansive interpretation of likelihood of confusion,” including situations in which the buying public thinks the defendant is somehow “connected with” the trademark owner.<sup>173</sup>

Extreme solicitude for the marginal confused consumer dominates the opinion. *Balducci* takes seriously the notion that consumers would have believed that the plaintiff was behind ads displaying its logo drenched in oil,<sup>174</sup> and castigates the defendants for not employing a more prominent disclaimer.<sup>175</sup> Despite the fact that the two products were not in competitive proximity, the court concluded that the location of the parodic ad on the back of a magazine “threatens to confuse consumers accustomed to seeing advertisements on the back cover of magazines.”<sup>176</sup> Indeed, “[t]he back cover of magazines is frequently used for advertisements and cannot be expected to command the thoughtful deliberation of all or even most of the viewing public.”<sup>177</sup> Combining these observations with ambig-

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In smaller text the ad opines, “At the rate it’s being dumped into our oceans, lakes and rivers, you’ll drink it oily sooner or later, anyway.” Finally, the following disclaimer is found in extremely small text running vertically along the right side of the page: “Snicker Magazine Editorial by Rich Balducci. Art by Eugene Ruble. Thank goodness someone still cares about quality (of life).”

*Id.* at 772 (footnote omitted); *see also id.* at 780–81 (reproductions of actual image).

<sup>171</sup> *Id.* at 772.

<sup>172</sup> *Id.* at 774. Competitive proximity is a consideration under the traditional multifactor test. *See supra* note 27.

<sup>173</sup> *Balducci*, 28 F.3d at 774.

<sup>174</sup> Evidence on this front was weak: Anheuser-Busch pointed to a shopping mall survey in which 200 respondents viewed defendants’ ad, while 101 viewed an actual Michelob Dry ad. Six percent of those viewing defendants’ ad thought the ad was by Anheuser-Busch. The more significant survey result was that fifty-eight percent thought plaintiff’s permission was required for use of the company’s marks, which presents more difficult questions of consumer harm. *Id.* at 772–73.

<sup>175</sup> *Id.* at 774.

<sup>176</sup> *Id.*

<sup>177</sup> *Id.* at 775. That advertisers often use the back cover is, of course, a good reason for a parodist to use the space.

uous survey evidence, the court concluded that the district judge erred in not finding a likelihood of confusion.<sup>178</sup>

While the court took the potential for confusion seriously— notwithstanding the qualitative<sup>179</sup> and quantitative<sup>180</sup> weakness of the evidence in the record—it largely ignored the interests of nonconfused consumers. To the extent they were considered at all, the interests of the nonconfused were subsumed in the defendants' First Amendment defense as a generalized public interest in free expression.<sup>181</sup> Though such defenses implicate the interests of nonconfused consumers,<sup>182</sup> the panel's analysis only considered the defendants' need for the trademarked materials without more visible disclaimers. Without such disclaimers, their parody was "vulnerable under trademark law since the customer is likely to be confused."<sup>183</sup> The specificity of the harm of confusion to a survey-defined group of buyers easily trumped the harms to the nonconfused who were never considered as a distinct class.<sup>184</sup> The defendants stood alone; the court considered only their interest in the plaintiff's marks, not the interests of the public for whom the defendants were a proxy.<sup>185</sup> Consequently,

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<sup>178</sup> *Id.*

<sup>179</sup> The confusion regarding whether the company gave permission to use its marks is not obviously material to a purchase decision. This is distinct from the question whether the negative presentation of the trademark—i.e., a commentary on it—might have deterred a decision to purchase. *Id.* at 773 ("Fifty-five percent construed the parody as suggesting that Michelob beer is or was in some way contaminated with oil. As a result, twenty-two percent stated they were less likely to buy Michelob beer in the future.").

<sup>180</sup> Six percent of survey respondents thought the ad was an actual advertisement for the beer. *Id.* at 772–73. *Compare* S.S. Kresge Co. v. United Factory Outlet, Inc., 598 F.2d 694, 697–98 (1st Cir. 1979) (rejecting likelihood of confusion where 7.2% of respondents thought surveyed marks shared owner and where control had confusion level of 5.7%), *with* Restatement (Third) of Unfair Competition § 20 cmt. g (1995) ("Courts have given weight to survey results showing confusion among 25 percent or more of those surveyed even when the survey was partially flawed. Similarly, surveys without obvious defects indicating confusion of seven percent to 15 percent of the sample have been held adequate . . .").

<sup>181</sup> *Balducci*, 28 F.3d at 776.

<sup>182</sup> *See supra* note 92 and accompanying text.

<sup>183</sup> *Balducci*, 28 F.3d at 777.

<sup>184</sup> Wrapping the interests of confused consumers in the mantle of the public interest writ large necessarily biases the analysis. *Cf.* *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc.*, 886 F.2d 490, 494 (2d Cir. 1989) (claiming that in trademark infringement analysis under Lanham Act, "it is appropriate to weigh the public interest in free expression against the public interest in avoiding consumer confusion").

<sup>185</sup> To be sure, other cases have rejected a strict need-based approach to defendants asserting a First Amendment defense. *E.g.*, *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989). That does not mean, however, that these cases engage in a deep inquiry of potential benefits to nonconfused consumers. *Compare* *Parks v. LaFace Records*, 329 F.3d 437, 449 (6th Cir. 2003) (noting public interest in free exchange of ideas), *with id.* at 452–58 (discussing OutKast's use of Rosa Parks's name in song title without reference to consumer interests in permitting use).

magnifying the relative importance of the confusion on the other side of the ledger proved easy.

Had the court considered the absent consumers, it would have noticed that they also had an interest at stake. The judges' proposed changes to the ad's artwork—including a more prominent disclaimer and altering the trademarked logos in a more "meaningful" way—would have had ramifications on the consumer experience. Instead of "Michelob Oily," the defendants could have altered the trademark further—say, by using the label "Slickelob." While that may have satisfied the humor critics of the Eighth Circuit, doing so would also have changed the style of defendants' humor, removing an element of subtlety from a joke that had little to spare. To be sure, a pun-driven, broad parodic style has its adherents, but they were not the intended market. Defendants' preferred audience was simply outside the court's consideration. As a result, defendants were deprived of a market, and that consumer market was deprived of a seller.<sup>186</sup>

While taking a consumer-conflict perspective would not negate a court's ability to construe broadly the scope of what should be considered confusion, it would at least guide the court in identifying members of the public with a stake in the conduct in question. They may well form markets more appreciable than the one in *Balducci*. Consider *Any Given Sunday*, an Oliver Stone film about professional football. A sports movie is more likely to resonate with audiences if it is realistic.<sup>187</sup> The inability to set a football movie in the National Foot-

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<sup>186</sup> Similarly, the Dallas Cowboys won a preliminary injunction against an adult film, *Debbie Does Dallas*, whose character wore a uniform similar to that of the team's cheerleaders. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 202–03 (2d Cir. 1979). There, the court focused on the harm to plaintiff's reputation, but liability still turned on potential confusion of viewers not as to source, but as to whether the team permitted the use in question. *Id.* at 205 ("The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement."). The two-against-one arrangement of interests drives the opinion's expansive view of trademark protections. The plaintiff's reputation was harmed, some consumers might be confused, and the defendant made a "depraved" film. *Id.* ("The trademark laws are designed not only to prevent consumer confusion but also to protect 'the synonymous right of a trademark owner to control his product's reputation.'" (quoting *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976))). The court gave no consideration to the interests of those viewers who would not have believed there was any connection between the team and the film, but still would have appreciated a nod to verisimilitude. (Granted, such concerns may be deemed minor given the medium in question, but the underlying reasoning extends to less seedy realms.) Like *Balducci*, the court restricted such considerations to a First Amendment analysis that looked only to the defendant's need for the protected material and found that claim wanting. *Id.* at 206.

<sup>187</sup> This is an old problem for sports films. *Pride of the Yankees*, though receiving an ultimately favorable review, received the following criticism from the *New York Times*:

[S]ports fans will protest . . . that a picture about a baseball player should have a little more baseball in it. What is shown is accurate. But it is only shown in

ball League rather than some contrived fictional analogue is a potential barrier to such realism. Because of the NFL's restrictions on licensing its trademarks, Stone reportedly had to contrive just such an analogue. Knowledgeable viewers of *Any Given Sunday* could not help but notice the compromises.<sup>188</sup> A decision to expand trademark doctrine to force Stone to make such concessions should explain why the interest of viewers in not mistakenly thinking that the NFL went along<sup>189</sup> with the use of its logos outweighs the interests of viewers who want a more realistic piece of art. If the question is unasked, the perhaps immaterial harm to confused consumers stands alone in any infringement analysis and plays an outsized role in its resolution.<sup>190</sup>

### b. Merchandising

Trademark's expansion has also allowed trademark holders to control the use of their logos as product components. Several precedents encourage the Boston Red Sox to enjoin unaffiliated vendors from selling Red Sox caps, even though the hats' logos do not serve as

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glimpses or montage sequences, without catching much of the flavor or tingling excitement of a tight baseball game. Fans like to know what's the inning, how many are on and how many out. At least, the score.

Bosley Crowther, 'Pride of the Yankees,' *a Film Biography of Lou Gehrig, with Gary Cooper and Teresa Wright, on View at Astor*, N.Y. TIMES, July 16, 1942, at 23.

<sup>188</sup> One reviewer wrote:

Because the NFL wouldn't extend support for the film—too many controversial subjects like drug use—the movie creates its own league, the AFFA. [T]he movie leads us to view the AFFA as an equivalent of the NFL, with a similarly-glorious and lengthy history. I can't make that leap. While I don't think this stretch of reality made it impossible or even difficult for me to enjoy *AGS*, it did affect my suspension of disbelief.

Colin Jacobson, *Any Given Sunday (1999)*, DVD MOVIE GUIDE, <http://www.dvdmg.com/anygivensunday.shtml> (last visited Nov. 12, 2007) (paragraph breaks omitted); see also Robert Neely, *Real Football, Not Reel Football*, PRO FOOTBALL WEEKLY, Dec. 26, 1999, at 17, available at [http://archive.profootballweekly.com/content/archives/features\\_1999/anygivensunday\\_122099.asp](http://archive.profootballweekly.com/content/archives/features_1999/anygivensunday_122099.asp) ("The filmmakers had to create the AFFA and its teams because the NFL would not allow its trademarks to be used in the film. . . . Aside from the uniforms and logos, they did a good job.").

<sup>189</sup> See *supra* note 162.

<sup>190</sup> It is no answer to argue that the problem is overstated because the value of verisimilitude would be reflected in bargaining between Stone and the NFL. Leaving aside the prospect that transaction costs may preclude bargains even in bilateral situations, RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 62 (7th ed. 2007), licensing is problematic in those situations in which a rights holder fears that the work may convey an unwanted message about his intellectual property, cf. LANDES & POSNER, *supra* note 14, at 122 (noting that refusal to license may reflect desire to suppress criticism). This appears to have been the case with *Any Given Sunday*. Neely, *supra* note 188, at 17 ("[The NFL] at one point discouraged teams and players from cooperating with filmmakers, fearing an unflattering portrayal of the pro game.").

a source identifier (“who is providing the hats?”) but are rather part of the product for consumers in the market for Red Sox caps.<sup>191</sup>

In such cases, the interest of nonconfused consumers is clear—they stand to lose the benefits of a competitive market for the merchandised good. Nevertheless, some courts focus instead on the remote possibility of consumer confusion and the proprietary interests of trademark holders in capturing any value created in their marks, notwithstanding third-party interests.<sup>192</sup> Here, too, the pejorative free-riding label often plays a role.<sup>193</sup>

Unsurprisingly, these cases have been heavily criticized.<sup>194</sup> In them, one consumer group’s qualitatively marginal form of confusion deprives other consumers of effective price competition,<sup>195</sup> which trademark law otherwise seeks to promote.<sup>196</sup> If the quality of the goods is not at issue, it appears of little importance that consumers lack “certain knowledge . . . that the source and origin of the trademark symbols” were with the seller<sup>197</sup> or that permission was obtained for such uses.

Perhaps some consumers of branded products believe that their purchases support the creator of the underlying logo and are happy to do so. After all, I may buy a Red Sox cap for any number of reasons. I may want to show support for my hometown team. I may want to express regional loyalties. Or I may want the sun out of my eyes and pay extra for a branded cap in order to kick in a few dollars to the

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<sup>191</sup> Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 472–78 (2005) (discussing cases in which courts have either accepted or rejected theory of merchandising right).

<sup>192</sup> See, e.g., *Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1011 (5th Cir. 1975) (justifying “tilt[ing] the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs” by asserting that “the major commercial value of the emblems is derived from the efforts of plaintiffs”).

<sup>193</sup> See, e.g., *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1064 (9th Cir. 2006) (“[Defendant’s] incorporation of Volkswagen and Audi marks in its key chains and license plates appears to be nothing more than naked appropriation of the marks.”).

<sup>194</sup> E.g., Dogan & Lemley, *supra* note 191, at 465; Lunney, *supra* note 1, at 395–99.

<sup>195</sup> In this case, the consumer confusion is over the precise requirements of what trademark law requires. This presents the familiar circularity problem in trademark law in which protection is based on what consumers believe the law requires, which is itself influenced by decisions predicting those beliefs. See, e.g., Robert C. Denicola, *Freedom To Copy*, 108 YALE L.J. 1661, 1668 (1999) (“If trademark owners win enough high-profile cases or brag loudly enough about licensing revenues from ornamental use, consumers will naturally think that the products they see must be licensed, which in turn will help insure that a license is indeed required.”).

<sup>196</sup> See *supra* Part I.C.1.b.

<sup>197</sup> *Boston Prof'l Hockey Ass'n*, 510 F.2d at 1012.

team for its next free agent signing.<sup>198</sup> Only one of these interests is served by a merchandising right. Trademark law could easily mediate the conflict between the consumer classes representing these respective interests by requiring conspicuous disclosures by the producers of unofficial apparel, rather than precluding competition for team merchandise.<sup>199</sup> There seems little reason to compel the sponsorship of trademark owners by unwilling consumers.<sup>200</sup>

## 2. *Initial Interest Confusion*

The proliferation of cases involving so-called initial interest confusion further testifies to the power of the two-against-one effect. In the normal trademark case, likelihood of confusion is measured at the point of sale. Confusion may also arise while the buyer is searching for a good, only to be dispelled before any purchasing decision. I may ask for a Coke, be handed a Pepsi, but realize the distinction before I make my choice.

Courts have recognized for several decades that such confusion may form the basis of a trademark claim.<sup>201</sup> Unfortunately, judges have been slower to articulate the precise harm of initial interest confusion. What does it matter if I once thought my Pepsi was a Coke so long as I know the product's true identity when I make my purchasing decision? For the most part, courts have answered the question by focusing on the purported misappropriation of the trademark owner's goodwill.<sup>202</sup>

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<sup>198</sup> This may be so even though I would not unilaterally donate money to the Red Sox. I make no pretenses to being a purely rational consumer.

<sup>199</sup> See *Plasticolor Molded Prods. v. Ford Motor Co.*, 713 F. Supp. 1329, 1339 (C.D. Cal. 1989) ("The potential for confusion can be diminished, however, by requiring that the manufacturer of a product that employs a trademark for functional purposes take all reasonable steps to eliminate post-sale confusion consistent with the functional use of the mark."), *vacated*, 767 F. Supp. 1036 (C.D. Cal. 1991); Dogan & Lemley, *supra* note 191, at 488–89 ("[D]isclaimers, rather than injunctions against use, should suffice in most merchandising cases.").

<sup>200</sup> As Glynn Lunney notes,

[T]hat there might be those who affirmatively desire "authorized" goods would not justify a different result. There may be just as many consumers who would rather purchase lower-priced, or receive higher quality, unauthorized goods. If a court were to use the likelihood of confusion standard to prohibit such unauthorized use, then it would effectively preclude competitive entry, and would sacrifice the second group's desires for the sake of the first.

Lunney, *supra* note 1, at 398 (footnote omitted).

<sup>201</sup> See, e.g., *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987) (finding that such initial confusion caused "sufficient trademark injury"); *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975) (same).

<sup>202</sup> See generally Grynberg, *supra* note 47, at 105–12 (critiquing initial interest rationales as applied by courts). *Steinway & Sons*, a case involving competing piano trademarks, is a

Relying on goodwill alone is unsatisfying. To the extent that initial interest confusion leads to a diverted sale, the goodwill motivating the purchase by an unconfused consumer is that of the junior user, not the trademark holder.<sup>203</sup> Moreover, activities accused of causing initial interest confusion frequently benefit consumers by increasing the information available to a potential purchaser without causing mistaken purchases.<sup>204</sup>

I have argued elsewhere that initial interest confusion claims are best resolved by focusing on the challenged activity's effect on consumer search costs.<sup>205</sup> Sometimes the pre-sale diversion significantly increases consumer search expenditures; sometimes it does not. Thus, a highway billboard that falsely advertises a video store at the next exit may raise search costs for a diverted consumer.<sup>206</sup> In contrast, using a color scheme similar to a brand-name shampoo on a clearly labeled alternative with the same chemical formula may not appreciably affect search costs. Stated another way, initial interest confusion is a form of point-of-sale confusion in which the item being purchased is not the final product, but rather a closer look at that product. The "misappropriation" of the senior user's goodwill, if any, comes into play here—not at the point of sale. Just as courts ignore *de minimis* confusion at the point of sale, they should not treat negligible examples of initial interest confusion as a basis for liability. In such cases, there is no material displacement of the senior user's product in the consumer's attention.<sup>207</sup>

Initial interest confusion's potential costs should also be weighed against possible information benefits to consumers of the challenged practice. So, for example, using a color scheme similar to Tylenol's on a clearly labeled box of generic acetaminophen may help consumers

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good example. 523 F.2d 1331. The Second Circuit focused on the danger that the junior user was free riding on the senior user's mark, not on any potential harm to consumers:

The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway or that Grotrian had some connection with Steinway and Sons. The harm to Steinway, rather, is the likelihood that a consumer, hearing the "Grotrian-Steinweg" name and thinking it had some connection with "Steinway", would consider it on that basis. . . . Such initial confusion works an injury to Steinway.

*Id.* at 1342 (footnote and citations omitted).

<sup>203</sup> Grynberg, *supra* note 47, at 106.

<sup>204</sup> *See id.* at 110–12 (discussing information benefits of generic over-the-counter drug packaging that resembles packaging used by familiar brand name).

<sup>205</sup> *Id.* at 99–100.

<sup>206</sup> As discussed at the conclusion of Part I, the Ninth Circuit applied the billboard metaphor to target the practice of using trademarked terms in metatags as a means of attracting search engine attention. *E.g.*, *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1064 (9th Cir. 1999).

<sup>207</sup> *See Grynberg, supra* note 47, at 108–12.

who are interested in purchasing (or learning about) a cheaper, chemically identical, Tylenol alternative. The box's similarities to Tylenol provide valuable information to these consumers, while the clear labeling prevents search costs from rising significantly for those for whom nothing but Tylenol will do.<sup>208</sup>

In practice, however, many courts entertain initial interest confusion claims even though the challenged activity does not meaningfully affect consumer search costs. The stacked deck of the seller-conflict storyline is part of the problem. Some courts wholeheartedly embrace the claim that initial interest confusion is an effort to misappropriate the goodwill of a trademark holder, and they combine the need to protect the trademark holder with the existence—sometimes hypothetical—of “diverted” consumers.<sup>209</sup> In this manner, initial interest confusion has enjoyed broad applicability to the Internet. Courts have aggressively policed the practice of promoting one's own website by arranging to have it displayed by search engines in response to a search for a trademarked term, despite the fact that the trademark owner's website is neither obscured nor suppressed, and where the cost of diversion to any consumer is a mouse click.<sup>210</sup>

Several courts that have bucked the initial interest confusion trend have done so with an eye to the confused consumers, arguing that the ease of navigating the Internet minimizes the harm they experience.<sup>211</sup> True enough. But it is equally important to remember that consumer confusion is not the only public interest at stake. Otherwise, it is too easy for cases of de minimis confusion to slip through the cracks. The argument that certain “diverting” practices may actually provide net benefits to consumers has yet to establish a firm foothold in initial interest confusion jurisprudence.<sup>212</sup> As a result, the door is open to attacks against deep pockets, like Google, for the

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<sup>208</sup> *Id.* at 111–12; *cf.* *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1047 (2d Cir. 1992) (ruling “Tylenol PM” and “Excedrin PM” trade dresses not confusingly similar, despite similar packaging and defendant's bad faith, in light of differing word marks).

<sup>209</sup> *See, e.g., Brookfield*, 174 F.3d at 1062 (by using trademarked term in metatags, “[defendant] improperly benefits from the goodwill that [plaintiff] developed in its mark”).

<sup>210</sup> For a discussion of such cases, see Grynberg, *supra* note 47, at 131–36. Though cases involving the Internet have drawn attention to initial interest confusion, the problems with the resulting precedents are fundamentally doctrinal, not technological. *See id.* at 129–31.

<sup>211</sup> *See, e.g., Bihari v. Gross*, 119 F. Supp. 2d 309, 320 n.15 (S.D.N.Y. 2000) (“The harm caused by a misleading billboard on the highway is difficult to correct. In contrast, on the information superhighway, . . . [w]ith one click of the mouse and a few seconds delay, a viewer can return to the search engine's results and resume searching for the original website.”).

<sup>212</sup> *Cf. Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) (“There is a big difference between hijacking a customer to another website by making the customer think he or she is visiting the trademark holder's

practice of selling advertisements triggered by searches for trademarked terms.<sup>213</sup>

Treating the initial interest confusion cases as consumer conflict and comparing the needs of the plaintiff and defendant consumer classes would make transparent the social costs of enjoining particular activities. If broad acceptance of initial interest confusion liability threatens profitable activities like keyword advertising, judges should address the diminished availability of information to consumers that would result. A manufacturer of generic acetaminophen who pays to have his ad displayed as a sponsored link in response to my Google search for “Tylenol” may be a free rider. But I am not. In effect, defenders of a broad initial interest confusion doctrine are arguing that I should refrain from using Tylenol as a search term, no matter how hard acetaminophen is to spell, unless my interest is in the more expensive branded product.<sup>214</sup> If there is something wrong with my behavior, courts should articulate what it is before they deprive me of the ability to search the Internet with the most information-rich terms available.<sup>215</sup>

Greater sensitivity to initial interest confusion’s consumer-conflict dimension need not eliminate the doctrine. Some practices, like the proverbial deceptive highway billboard, may raise consumer search costs without providing sufficient offsetting information benefits to nonconfused consumers. Even on the Internet, where the costs of diversion are low, one could argue that practices like “cybersquatting” are unjustified by any offsetting consumer gains.<sup>216</sup> The problem

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website (even if only briefly), . . . and just distracting a potential customer with another choice, when it is clear that it is a choice.”).

<sup>213</sup> See, e.g., *Google Inc. v. Am. Blind & Wallpaper*, No. C 03-5340, 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007) (denying summary judgment to Google on claims regarding keyword sales for search engine); see also *Playboy Enters.*, 354 F.3d at 1029 (concluding that search engine’s refusal to remove trademarked terms from keywords, coupled with profiting from confusion, was evidence of intent to confuse).

<sup>214</sup> See Chad J. Doellinger, *Trademarks, Metatags, and Initial Interest Confusion: A Look to the Past To Reconceptualize the Future*, 41 *IDEA* 173, 210 (2001) (“Some argue that consumers ought to be able to use a famous trademark as a shortcut. This argument would be more persuasive if alternative methods of receiving the same information were not easily accessible. With a minimal amount of consumer education, no consumers would be deprived of information.” (footnotes omitted)).

<sup>215</sup> See Grynberg, *supra* note 47, at 126 & n.144 (discussing value of trademarks as search terms for sites other than trademark owner’s).

<sup>216</sup> While arranging to have one’s website listed alongside another in a search engine results page may expand consumer options without displacing the senior user’s site from consumer consideration, using someone else’s trademark as a domain name (without more) may increase search costs for those consumers who look for websites by guessing the domain name. *Id.* at 128–29. Congress has arguably made precisely this judgment by passing the Anticybersquatting Consumer Protection Act, which targets “bad faith” efforts

is that courts cannot accurately make these distinctions if they do not appreciate that some activities alleged to cause initial interest confusion have something to offer consumers. Reframing the question in terms of consumer conflict, rather than seller conflict, invites consideration of these tradeoffs in a morally neutral framework.<sup>217</sup>

### 3. “Knockoffs” and Post-Sale Confusion

Multiple cases recognize a Lanham Act cause of action for allegations of likelihood of confusion after the sale.<sup>218</sup> For example, the maker of a luxury car successfully attacked the seller of car kits that allowed purchasers to convert their cars into Ferrari look-alikes.<sup>219</sup> Despite the absence of confusion near the point of sale in such cases, courts posit two potential harms. First, post-sale confusion may endanger the trademark owner’s reputation if shoddy products are mistaken for the trademark owner’s goods.<sup>220</sup> Second, judges are solicitous of purchasers of “prestige” goods, who have an interest in the scarcity of expensive items. Price competition in the elite style endangers their ability to enjoy the cachet that comes from being one of the few able to spend money on a high-class good.<sup>221</sup>

The countervailing consumer interest is that of consumers who want a product with a similar aesthetic appearance to the prestige good at a cheaper price. Recognizing post-sale confusion claims subordinates the interests of these consumers to those wishing to cultivate the status that comes with the purchase of artificially scarce goods.

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to use trademarked terms as domain names. Pub. L. No. 106-113, 113 Stat. 1501A-545 (1999) (codified as amended in scattered sections of 15, 16, 28 U.S.C.).

<sup>217</sup> Cf. Sunstein, *supra* note 38, at 1590–97 (discussing effects of moral framing).

<sup>218</sup> *E.g.*, *Insty\*Bit, Inc. v. Poly-Tech Indus., Inc.*, 95 F.3d 663, 672 (8th Cir. 1996); *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987); *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955).

<sup>219</sup> *Esercizio v. Roberts*, 944 F.2d 1235, 1237 (6th Cir. 1991).

<sup>220</sup> *See, e.g., id.* at 1244 (“Individuals examining the counterfeits, believing them to be genuine . . . might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real [thing].” (quoting *Rolex Watch U.S.A., Inc. v. Canner*, 645 F. Supp. 484, 495 (S.D. Fla. 1986))).

<sup>221</sup> *Kozinski, supra* note 42, at 970 (“Whatever pleasure people get from wearing an image-enhancing product is diminished if everyone else can get the same thing at a discount store.”). The incentive rationale appears here as well, as courts have endorsed prevention of post-sale confusion as a method for ensuring a return on investment for trademark holders. *See United States v. Torkington*, 812 F.2d 1347, 1353 n.6 (11th Cir. 1987) (“Traffickers of these counterfeit goods . . . attract some customers who would otherwise purchase the authentic goods. Trademark holders’ returns to their investments in quality are thereby reduced.”).

Some would argue that this is a good thing.<sup>222</sup> Fair enough, but the judges who agree should be candid about it. The burden of a prestige-protection policy is borne not only by the defendant seller—who bears the pejorative weight of the counterfeiter label—but also by her customers.<sup>223</sup> Because trademark’s moral judgments focus on the defendant’s conduct, however, it is easier, if not more accurate, to condemn the “counterfeiter” rather than her customers.<sup>224</sup>

The analysis that favors the interests of “snobs” over “poseurs” is not explicit about comparing the relative merits of the two groups. For example, *Hermès International v. Lederer de Paris Fifth Avenue, Inc.*<sup>225</sup> rejected a laches defense mounted by the maker of knock-off handbags based on the defendant’s lack of good faith—a finding guided in part by the anti-free-riding impulse.<sup>226</sup> In finding bad faith, the Second Circuit all but condemned the purchasers of so-called knockoffs while retaining a surface focus on the sellers.

First, the court determined that the district court’s confusion analysis was incomplete because it failed to consider post-sale confusion resulting from a buyer’s cheap acquisition of the prestige associated with a more expensive product.<sup>227</sup> For the panel, the harm arose because some customers would buy the copier’s product “for the pur-

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<sup>222</sup> See *infra* notes 224, 232.

<sup>223</sup> See Austin, *supra* note 63, at 921 (“[T]rademark doctrine privileges those consumers who are concerned with the prestige value of their goods over those who care somewhat less, or not at all.”); see also Lunney, *supra* note 1, at 406–07 (“[S]ome courts have simply assumed that on-looker confusion, being a form of confusion, necessarily represents actionable harm; others have substituted name-calling (‘poaching’) for reasoning . . . .” (footnote omitted)).

<sup>224</sup> As Judge Kozinski illustrates:

The case of the phony Rolex watches seems to carry the strongest moral charge. Rolex has spent considerable energy and money creating an image for its product; the Rolex trademark has become a substantial part of the product itself—some might say the *most* important part. At the same time, the counterfeiters have only weak moral claims. They are free riding on the Rolex trademark, while doing very little, if anything, creative and nothing at all to advance Rolex’s interests. To the contrary: Rolex’s swank image is based on exclusivity, not popularity, and the proliferation of Rolex look-alikes cuts away at that valuable commodity. To be sure, the counterfeiters have expended a little energy in copying the product, and to that extent their moral claim might be superior to that of a thief. But when it comes to selling the watches, their moral claim is negligible because the *only* reason they can do so is that they are cashing in on someone else’s effort. Phooey on them!

Kozinski, *supra* note 42, at 967 (footnotes omitted).

<sup>225</sup> 219 F.3d 104 (2d Cir. 2000).

<sup>226</sup> *Id.* at 107 (“[Defendants] intentionally copied Hermès’ designs and sought to sell knockoffs of Hermès’ originals. [Defendants] thus intentionally traded off the Hermès name and protected products and should not have been entitled to invoke the doctrine of laches as a defense against Hermès’ claims for injunctive relief.”).

<sup>227</sup> *Id.* at 108.

pose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article."<sup>228</sup> The counterfeit purchase is defined as the "copier's wrong,"<sup>229</sup> but the described wrong—acquiring prestige on the cheap—is committed by an unconfused purchaser. The copier may be an accomplice, but she is not guilty of the "wrong."

Blurring that distinction facilitates the opinion's next conclusion—that defendants' conduct harmed "the general public."<sup>230</sup> According to the court, "a loss occurs when a sophisticated buyer purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public and achieving the status of owning the genuine article at a knockoff price."<sup>231</sup> Discussing the general public's confusion masks the resolution of a conflict between two competing consumer interests. In reality, the court is doing no more than protecting snobs and condemning poseurs, but by claiming to have identified "the copier's wrong" and by treating the public interest as single and undivided, it frees itself from considering the ramifications of doing so. While one may still argue that the balance between the two consumer classes favors trademark rights in the post-sale context,<sup>232</sup> trademark's seller-conflict narrative conceals an underlying policy analysis that should be explicit.<sup>233</sup>

#### 4. Dilution

Consumer conflict also offers a basis for critiquing the development of dilution law. The federal dilution statute polices activities

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<sup>228</sup> *Id.* (quoting *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955)).

<sup>229</sup> *See id.* ("[The copier's] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock . . . ." (alteration in original) (quoting *Mastercrafters*, 221 F.2d at 466)).

<sup>230</sup> *Id.*

<sup>231</sup> *Id.* at 109.

<sup>232</sup> *Compare, e.g.,* LANDES & POSNER, *supra* note 14, at 199–200 (arguing that aesthetic features used as marks do not disadvantage other firms so long as feature does not become "an attribute of the product" in consumer mind), *and* Kozinski, *supra* note 42, at 970 ("Allowing unrestricted copying of the Rolex trademark will make it less likely that Rolex, Guess, Pierre Cardin, and others will invest in image advertising, denying the image-conscious among us something we hold near and dear."), *with* Lunney, *supra* note 1, at 467–69 (arguing that prestige value is transferred rather than lost when supply increases, therefore interest in maintaining scarcity does not justify greater trademark protection and that acquisition of prestige goods imposes negative externality).

<sup>233</sup> Richard H. Stern & Joel E. Hoffman, *Public Injury and the Public Interest: Secondary Meaning in the Law of Unfair Competition*, 110 U. PA. L. REV. 935, 945 (1962) (discussing *Mastercrafters* and observing that "[e]ven if one accepts the premise that there is a public interest in frustrating this sort of social climbing," relief is not automatically appropriate, as "[t]he coordinate public interest in easy access to the desirable features of the Atmos design deserves, at least, to be weighed in determining the issue").

“likely to cause dilution by blurring or dilution by tarnishment of [a] famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.”<sup>234</sup>

One could argue that dilution presents a questionable case for the consumer-conflict perspective insofar as dilution is often viewed as fundamentally about seller, as opposed to consumer, interests.<sup>235</sup> There are, however, consumer interests that may be compared. In the case of dilution by blurring, the interest of the “protected” consumer class is not the avoidance of marginal confusion but rather the less concrete “imagination costs” of being presented with a mark similar to a famous mark in a noncompeting industry and having to think that much harder about what it means.<sup>236</sup> On the other side of the ledger is the potential removal of words that effectively serve as trademarks and lower search costs or otherwise play a useful role in the marketplace.<sup>237</sup> The consumer-conflict framework may therefore have a role to play as courts implement the statute’s recently added “likelihood of dilution” standard.<sup>238</sup>

### B. Consumer Conflict and Trademark’s Future

As described in the last Section, a consumer-conflict view makes explicit some of the policy choices in trademark’s growth over the last century and suggests that these expansions of trademark’s scope have

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<sup>234</sup> Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, §2, 120 Stat. 1730, 1730 (amending 15 U.S.C. § 1125(c)).

<sup>235</sup> Several courts have described the dilution right as existing for the benefit of trademark holders, not consumers. *See, e.g.*, *Viacom Inc. v. Ingram Enters., Inc.*, 141 F.3d 886, 890 n.7 (8th Cir. 1998) (“Trademark infringement relief protects the public from confusion by enforcing the rights of a prior mark, whereas dilution relief, being premised on the absence of confusion, merely protects the property rights of the prior mark’s owner.”).

<sup>236</sup> The court in *Ty Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002), illustrates this cost with the “Tiffany” example:

Suppose an upscale restaurant calls itself “Tiffany.” There is little danger that the consuming public will think it’s dealing with a branch of the Tiffany jewelry store if it patronizes this restaurant. But when consumers next see the name “Tiffany” they may think about both the restaurant and the jewelry store, and if so the efficacy of the name as an identifier of the store will be diminished. Consumers will have to think harder—incur as it were a higher imagination cost—to recognize the name as the name of the store.

*Id.*

<sup>237</sup> *See, e.g.*, *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 900 (9th Cir. 2002) (“The problem arises when trademarks transcend their identifying purpose. Some trademarks enter our public discourse and become an integral part of our vocabulary. How else do you say that something’s ‘the Rolls Royce of its class?’”).

<sup>238</sup> Trademark Dilution Revision Act, § 2 (amending 15 U.S.C. § 1125(c) to reverse effect of *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433–34 (2003), which held that federal dilution statute required proof of actual dilution and not merely likelihood of dilution).

privileged certain consumer classes at the expense of others. This Section concludes by considering several potential implications of a consumer-conflict perspective for the future development of trademark law.

### 1. Injunctions

Courts have discretion over whether to impose injunctions as a remedy for trademark infringement.<sup>239</sup> Insofar as the public interest is a factor in these analyses, judges typically treat it as favoring such grants.<sup>240</sup> This is unsurprising. The seller-conflict narrative typically views the public interest as an interest in avoiding consumer confusion, and this view carries over into precedents on injunctions.<sup>241</sup> While the equities may not always balance in favor of an injunction, the Restatement view is that exceptions are to be found by focusing on the defendant, *not* on the benefited members of the public.<sup>242</sup> A similar approach appears in preliminary injunction litigation.<sup>243</sup> As with the analysis of trademark infringement, however, courts are sensitive to the public policy that favors free competition as a public interest to be weighed in assessing whether an injunction will issue.<sup>244</sup>

The standard rationale for injunctive remedies (a property rule) instead of damages (a liability rule) is that courts are ill-suited to the task of accurately assessing proper damages. In the absence of high transaction costs, therefore, injunctive relief is more efficient because the parties may negotiate over an injunction while damages may be

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<sup>239</sup> 15 U.S.C. § 1116(a) (2000).

<sup>240</sup> See, e.g., *Opticians Ass'n of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 198 (3d Cir. 1990) (holding that likelihood of confusion damages public interest and therefore public interest would be best served by injunction); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 35 cmt. b (1995) ("The public interest in preventing confusion and deception also typically weighs in favor of an injunction.").

<sup>241</sup> See *Opticians Ass'n*, 920 F.2d at 197 ("Public interest can be defined a number of ways, but in a trademark case, it is most often a synonym for the right of the public not to be deceived or confused.").

<sup>242</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 35 cmt. b (1995) ("However, if the plaintiff's interest is not substantial in comparison with the legitimate interests of the defendant and the defendant's conduct was undertaken in good faith, the balance of equities may not justify injunctive relief.").

<sup>243</sup> See, e.g., *Laboratorios Roldan, C. por A. v. Tex Int'l, Inc.*, 902 F. Supp. 1555, 1571 (S.D. Fla. 1995) ("In a trademark infringement or unfair competition case, a third party, the consuming public, is present and its interests are paramount. [Preliminary i]njunctive relief will serve the public interest by immediately stopping Defendants' deception of consumers." (citation and internal quotation marks omitted) (quoting *BellSouth Adver. & Publ'g Corp. v. Real Color Pages, Inc.*, 792 F. Supp. 775, 785 (M.D. Fla. 1991))).

<sup>244</sup> *Calvin Klein Cosmetics Corp. v. Lenox Labs., Inc.*, 815 F.2d 500, 505 (8th Cir. 1987) (reversing injunction where neither "strong public interest in lowest possible prices" nor "interest in avoiding monopolies and in encouraging, not stifling, competition" were taken into account).

set at a level that does not reflect the value that the parties would assign to an entitlement.<sup>245</sup>

If we view trademark litigation as a form of consumer conflict, however, transaction costs are high indeed. Neither “party” is present in the suit; negotiation is impossible. This is not necessarily an argument against injunctions when dealing with trademark actions that seek to prevent source confusion at the point of sale. As discussed above, the benefits to consumers of the nominal defendant’s infringing conduct should be low.<sup>246</sup> A property rule is therefore unlikely to harm the defendant consumer class and likely remains more efficient than attempting to assess damages. The harder question involves nontraditional actions.<sup>247</sup>

In those contexts, the relative social value of the allegedly confusing conduct is often unclear. Courts may guess wrong on liability and assign the entitlement to the incorrect consumer class.<sup>248</sup> Broad injunctive relief may therefore compound the error because of the inability of the classes to bargain with each other. In contrast, damages—which trademark defendants may, depending on market conditions, pass through to customers—leave open the possibility of continued activity. To be sure, if the nominal plaintiff and defendant value the conduct in a manner consistent with the consumer classes they represent, an injunctive remedy could still be preferable. That assumption, however, does not always hold.<sup>249</sup>

Many cases at the peripheries of trademark law establish liability in situations where the argument for consumer harm is tenuous. In such cases, courts should respond to uncertainty by tailoring injunctions to address the purported harm while allowing the challenged practice to continue. In a merchandising case, for example, a court may require a clear disclosure that the clothing vendor is not affiliated

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<sup>245</sup> See generally Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1105–10 (1972) (discussing tradeoffs between property and liability rules). A number of works consider the proper applicability of liability and property rules to intellectual property and of proper intellectual property damages rules generally. E.g., Roger D. Blair & Thomas F. Cotter, *An Economic Analysis of Damages Rules in Intellectual Property Law*, 39 WM. & MARY L. REV. 1585 (1998); Robert P. Merges, *Of Property Rules, Coase, and Intellectual Property*, 94 COLUM. L. REV. 2655 (1994).

<sup>246</sup> See *supra* notes 141–42 and accompanying text.

<sup>247</sup> See *supra* Part III.A.

<sup>248</sup> Cf. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring) (“The potential vagueness and suspect validity of some [business method] patents may affect the calculus under the four-factor test” for determining whether injunction is appropriate and noting that such patents “were not of much economic and legal significance in earlier times.”).

<sup>249</sup> See *supra* note 190.

with the team whose logo is on the merchandise.<sup>250</sup> If that option is unavailable, then as between an absolute injunction or damages, attempting to ascertain damages may ameliorate the social costs of a flawed liability decision.<sup>251</sup> So, if a court determines that a consumer's belief that a third party vendor needed a license to sell a Red Sox cap establishes liability under the Lanham Act, attempting to assess damages based on lost sales due to that misunderstanding is preferable to an injunction. If the trademark holder secures injunctive relief, he may be willing to license the logo, but would likely do so in a manner that would capture the value of a judicially granted monopoly on branded apparel, rather than the loss from the confusion.<sup>252</sup>

## 2. Defining Materiality

As noted at several points above, trademark's expanding scope reaches contexts in which the materiality of the alleged confusion to a consumer's purchasing decision is dubious.<sup>253</sup> While there is precedent deeming a de minimis amount of confusion to be nonactionable,<sup>254</sup> courts have been less inclined to make qualitative judgments of materiality.<sup>255</sup> But even if courts do not explicitly make these evaluations, they are all but inevitable given the breadth of the Lanham Act's text and the ease with which some consumers are misled.<sup>256</sup> The

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<sup>250</sup> See *supra* note 199.

<sup>251</sup> Cf. Tushnet, *supra* note 94, at 748–49 (“A mark may convey useful information to some while misleading others. Eliminating a use that misleads 15% of consumers but helps 30% of consumers may make the market less efficient overall, whereas an injunction would be justified if the percentages were reversed.”).

<sup>252</sup> To be sure, this view is in conflict with the traditional trademark law of remedies. 5 MCCARTHY, *supra* note 4, § 30:85. Insofar as damages without an injunction act as a compulsory license, they are in conflict with GATT-TRIPS. Agreement on Trade-Related Aspects of Intellectual Property Rights art. 21, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (“[C]ompulsory licensing of trademarks shall not be permitted . . .”).

<sup>253</sup> See *supra* notes 124, 162, 190 and accompanying text.

<sup>254</sup> See *supra* notes 151–58 and accompanying text.

<sup>255</sup> Materiality issues arise under the Lanham Act with respect to questions of registration, see, e.g., *In re Budge Mfg. Co.*, 857 F.2d 773, 775 (Fed. Cir. 1988) (applying materiality test to determine whether trademark is “deceptive” and therefore ineligible for registration under section 2 of Lanham Act), and false advertising, see, e.g., *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 153 n.3 (2d Cir. 2007) (“[T]he plaintiff [claiming false advertising] must also demonstrate that the false or misleading representation involved an inherent or material quality of the product.”).

<sup>256</sup> 15 U.S.C. § 1125 (2000) (providing liability for activities that are “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” (emphases added)); cf. Tushnet, *supra* note 94, at 743 (“In an ad-cluttered world in which it is rational to devote limited time to comprehending and evaluating most ad claims, significant and persistent misunderstanding is widespread . . . . If we took misleadingness seriously, government

question of how much confusion (and what kind) is material is hard to avoid altogether.

If courts were to engage the materiality issue more overtly, the question of where to set the bar is not far behind. A consumer-conflict perspective suggests that any materiality threshold need not be fixed. When nonconfused consumers stand to gain significantly from the defendant's challenged conduct, it is appropriate to demand that plaintiffs proffer something more than hypothetical examples of why some consumer somewhere might care about the confusion at issue.<sup>257</sup> In contrast, when the gain to the nonconfused is minimal, granting plaintiffs greater leeway may be justified. For example, the practice of using trademarks for keyword advertising creates the potential for the same sort of confusion that purportedly arises when trademarked words are used as domain names. But even though the same harm—a mistaken mouseclick—is threatened in both cases, the potential benefits to nonconfused consumers differ. Keyword advertising offers a means to deliver relevant information to consumers without displacing the trademark holder's website from consideration.<sup>258</sup> The value of this activity suggests that the case for the materiality of mouseclick confusion is weaker with respect to keyword advertising than it is in the domain-name context.

This analysis bears particularly on the problem of devising appropriate metrics for evaluating nontraditional trademark claims. Inevitably, balancing tests may require the weighing of hard-to-quantify values.<sup>259</sup> Nonetheless, if a defendant's challenged activity creates a measurable benefit for consumers, courts should demand that plaintiffs demonstrate that the resulting loss to their proxy consumers is commensurate to what they would take away from nonconfused consumers.<sup>260</sup>

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could ban almost all factual advertising because of the significant potential for misunderstanding . . . ." (footnote omitted)).

<sup>257</sup> In discussing the "Mutant of Omaha" case, *see supra* note 162, Lunney argues that use of the phrase generated some value (as customers bought the shirt), while reducing the "Mutual of Omaha" mark's selling power, "though this was simply assumed and not proven." Lunney, *supra* note 1, at 464. The problem is that the likelihood-of-confusion standard neglects "the relative magnitude of the values gained and lost . . . . As a result, property-based trademark is poorly suited to identifying cases where the net-lost-value condition has been satisfied." *Id.*

<sup>258</sup> *See supra* note 216 and accompanying text.

<sup>259</sup> As seen where First Amendment considerations intersect with the Lanham Act. *See, e.g.,* Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc., 886 F.2d 490, 494 (2d Cir. 1989) ("[I]n deciding the reach of the Lanham Act in any case where an expressive work is alleged to infringe a trademark, it is appropriate to weigh the public interest in free expression against the public interest in avoiding consumer confusion.").

<sup>260</sup> Lillian BeVier makes a similar claim for the law of false advertising under the Lanham Act. BeVier, *supra* note 68, at 39 ("Ideally, a decision not to enjoin [an advertise-

### 3. *Consumer Costs of Restricting Trademark's Scope*

Just as the traditional narrative masks the harms to consumers of expanding trademark protection, it also may conceal the costs of limiting trademark rights. Trademark law accepts the existence of confused—or otherwise disadvantaged—consumers in a number of contexts. Declaring a mark generic, for example, raises the search costs of consumers who still use the term in question as a trademark.<sup>261</sup> But if a court is merely applying established precedents on genericism or functionality, it need not grapple with the possibility that some subset of the consumer population is having its interests sacrificed to the common good.

If the courts embrace a reform agenda that favors a greater focus on consumer search costs or supports materiality standards,<sup>262</sup> other subsets of the consumer population may encounter confusion in the marketplace that will lack a judicial remedy, potentially creating a similar problem to that faced by nonconfused consumers under current trademark doctrine. Judging an activity's aggregate effects—e.g., whether the practice raises or lowers search costs of “consumers”—overlooks the aggregate's components. Just as proponents of initial interest confusion have drawn overly facile analogies between deceptive billboards and Internet search engines, the doctrine's critics are perhaps too quick to minimize the consequences of any diversion.<sup>263</sup> It may be socially useful for a generic drug maker to copy elements of Tylenol's trade dress in order to signal that it offers a chemically identical formula, but doing so benefits those who seek cheap alternatives to Tylenol at the expense of those who seek Tylenol—and only Tylenol—and pick up the wrong package before realizing their mistake. Not all consumers would prefer a world in which the generic

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ment] should be the outcome in every case where the ad's useful, indirect, and true information—and its concomitant potential to promote consumer welfare—dominates its useless, direct false claims and thus essentially thwarts its overall potential to do harm.” (emphasis omitted); *see also* 15 U.S.C. § 45(n) (2000) (authorizing Federal Trade Commission to police unfair competition, but clarifying that Commission cannot declare acts unlawful “unless the act or practice causes or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition”).

<sup>261</sup> *See supra* notes 147–50 and accompanying text.

<sup>262</sup> *See, e.g.,* Dogan & Lemley, *supra* note 1, at 811 (“Maintaining the focus on search costs is critical to keeping the doctrine of trademark use alive. It is far too easy for courts and commentators to slip into the rhetoric of ‘free riding’ and ‘unfair competition.’”); Lunney, *supra* note 1, at 484 (“[C]onfusion as to other [nonsource] issues is inherently less likely to involve an issue that will actually matter to consumers when they decide which products to buy.”).

<sup>263</sup> I include myself here. Grynberg, *supra* note 47, at 112.

maker is allowed to ape Tylenol's trade dress even if she distinguishes her product with a clear brand name.<sup>264</sup>

Their loss should be dealt with honestly. Simply asserting that certain practices raise or lower search costs among consumers generally invites incomplete analyses from judges. Deciding cases with an eye to both benefited and burdened consumers is more likely to spur the development of metrics that will enhance the accuracy of future trademark litigation.

#### 4. *The Future of Goodwill*

Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer.

—Adam Smith, *The Wealth of Nations*<sup>265</sup>

This Article has argued that one of the primary shortcomings of the traditional trademark narrative is its frequent failure to consider meaningfully the consumer benefits of challenged activities. The problem for the neglected consumers is that they lack a natural avenue to place their concerns before the court. The senior user has his goodwill to protect; the junior user has her need to compete; and the “plaintiff” consumer class has its interest in avoiding confusion, vindicated by the senior user. There is no easy entry point for the interests of the “defendant” consumers.<sup>266</sup>

Approaching trademark as consumer conflict, rather than seller conflict, ameliorates this tendency by asking a court to consider these interests explicitly. By focusing on nonparty consumers, a court can avoid some of the prejudice that may infiltrate an analysis that looks to the needs of the junior user, who is open to pejorative attacks for free riding and misappropriation.

Consumer-conflict analysis asks a question in turn: What is left of goodwill? Just as the traditional narrative protects some consumer interests through the protection of sellers, a consumer-conflict account protects the interests of sellers by focusing on the needs of consumers.

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<sup>264</sup> This point has been driven home to me in discussing initial interest confusion with acquaintances both inside and outside the law. When presented with the generic drug example and the argument for the benefits of tolerating some pre-sale confusion, most agree, but some are irritated by the practice to the point that they might be happy to see it banned anyway.

<sup>265</sup> ADAM SMITH, *THE WEALTH OF NATIONS: BOOKS IV–V* 245 (Andrew Skinner ed., Penguin Books 1999) (1776).

<sup>266</sup> In contrast, the FTC Act authorizes the Federal Trade Commission to police unfair competition, but forbids the Commission from declaring unlawful acts whose harms are “outweighed by countervailing benefits to consumers or to competition.” 15 U.S.C. § 45(n) (2000).

Specifically, seller investments in goodwill are protected by ensuring that consumers have access to their preferred sellers without being distracted by unnecessary confusion. But there is no room in the consumer-conflict story for any protection of goodwill except as a function of protecting consumers. If a practice benefits the defendant consumer class more than it harms the plaintiff consumer class, it should be permitted notwithstanding any use of the senior user's goodwill. Goodwill's only additional role may be as a standing requirement, ensuring that plaintiff consumers are represented by someone with a sufficient stake in the litigation to fight for their interests.<sup>267</sup>

Viewing trademark law as consumer conflict thus joins other challenges to goodwill's primacy in trademark jurisprudence.<sup>268</sup> If plaintiffs seek expansion of trademark's scope, it will not do for them to point to their interest in goodwill plus the presence of potentially confused consumers. Too frequently this is a form of double-counting. Those who pursue expanded trademark rights should justify their efforts in light of consumer interests. If they cannot, perhaps there are other reasons to favor trademark holders at the expense of overall consumer welfare. But these arguments should be clear about what is being requested of society at large.<sup>269</sup> A consumer-conflict perspective helps the rest of us know when the issue is before us.

#### CONCLUSION

Trademark law's seller-conflict narrative is one factor driving the expansion of trademark rights. While it has consumer interests at heart, the seller-based storyline largely ignores the interests of non-confused consumers, leaving it ill-suited for evaluating trademark claims arising outside the traditional source-confusion context. This Article has claimed that courts are more likely to appreciate the consequences of expansive trademark claims if trademark litigation is viewed also as a conflict between consumers. This formulation is descriptively accurate with respect to the traditional action targeting likelihood of source confusion at the point of sale, and it corrects the

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<sup>267</sup> This arguably returns the concept of goodwill to its common law roots. See Bone, *supra* note 6, at 561 (explaining that "trademark protection was originally based on fraud . . . perpetrated on the public at large" rather than on trademark owners, leaving courts without jurisdiction to hear owners' cases).

<sup>268</sup> See, e.g., *id.* at 616–22 (exploring "moral and economic arguments" for expanding trademark based on preventing appropriation of goodwill and "find[ing] them both wanting").

<sup>269</sup> See Litman, *supra* note 1, at 1729 ("If competition is still the American way of doing business, then before we give out exclusive control of some coin of competition, we need, or should need, a justification.").

shortcomings of the seller-conflict narrative. Current doctrine invites plaintiffs to invoke the interests of potentially confused consumers, but defendants have a harder time vindicating the interests of nonconfused consumers. A consumer-conflict view would blunt rhetorical attacks on free riding while asking courts to inquire into the overall social utility of challenged practices.

The consumer-conflict account also responds to the scarcity of easily applicable consumer protection doctrines to nontraditional trademark claims. Although trademark law recognizes that consumers have interests beyond avoiding confusion, the doctrines that protect these interests are not always adequate to the task. They tend to be counterbalanced by trademark law's solicitude for the interests of trademark holders, such as the preservation of goodwill or the desire to reward investment. The structure of the seller-conflict narrative encourages courts to overemphasize these concerns when novel questions arise. While trademark's pro-seller rhetoric is easily imported to new settings, established consumer protection doctrines are harder to transplant. For example, the bar against trademarking generic terms has little to say about whether Google's keyword advertising is infringing except by way of analogy.<sup>270</sup> The rhetoric of misappropriated goodwill, by contrast, had an easy transition to the new world of initial interest confusion.<sup>271</sup>

If the trademark doctrines that protect absent consumers have limited applicability at the frontiers of trademark law, the judicial discretion that pushed the boundaries of liability may yet respond. Courts may develop new (or invigorate old) doctrines to fill the gaps created by trademark's expansion. For example, a stronger requirement that a defendant engage in a trademark "use" of a mark might limit claims based on the utilization of a senior user's trademark to deliver information.<sup>272</sup> Perhaps the aesthetic functionality doctrine will become a more reliable counterweight to merchandising claims.<sup>273</sup> In the meantime, nontraditional claims are best considered in an anal-

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<sup>270</sup> Cf. Grynberg, *supra* note 47, at 107, 111 (discussing instances where marks function as product categories analogous to generic marks).

<sup>271</sup> See *supra* notes 118–21 and accompanying text.

<sup>272</sup> See, e.g., *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 403 (2d Cir. 2005) (holding Internet advertising service that supplied competitor pop-up ads when plaintiff's website was visited did not "use" plaintiff's trademarks). Compare Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669 (2007) (arguing that trademark use doctrine should play, and has played, important role in trademark law), with Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007) (rejecting trademark use theory).

<sup>273</sup> But see *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1064 (9th Cir. 2006) (refusing to apply aesthetic functionality doctrine on grounds that it would allow

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ysis that provides the fullest possible picture of the interests at stake. Appreciating trademark law's consumer-conflict dimension is a means to that end.

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anyone to trade on any competitor's trademark as long as "there is some 'aesthetic' value to the mark that customers desire").