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TAKING THE CONFUSION OUT OF "LIKELIHOOD OF CONFUSION": TOWARD A MORE SENSIBLE APPROACH TO TRADEMARK INFRINGEMENT

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ABSTRACT—This Article critically examines the core infringement standard for trademark law—the "likelihood of confusion" test—which imposes liability if an appreciable number of consumers are likely to be confused by the defendant's use of its mark. The test is a mess. It produces bad results, is doctrinally incoherent, and lacks a sensible normative foundation. It chills socially valuable uses and facilitates excessively broad expansions of trademark law, and it includes factors that make no sense as predictors of likely confusion. Most importantly, the test erroneously assumes that consumer confusion is enough to warrant liability without regard to the harmful consequences or the moral wrongfulness of the defendant's conduct. This Article diagnoses these problems and proposes a set of promising reforms. It begins by presenting a systematic history of the test's origins. The likelihood of confusion test emerged in the early 1960s as a compromise between conflicting views about the proper scope of protection against noncompeting uses, a compromise that papered over the conflict without resolving the underlying normative disagreement. The result is a test without a secure normative foundation and one that remains plagued by the conflicts and disagreements that gave it birth. The test's history also suggests a promising avenue for reform. To improve the infringement standard, one must start at the normative level and work from a coherent theory of trademark law's goals. This Article distinguishes between moral and economic goals and fits infringement standards to the most plausible justifications for protecting marks. In those cases involving a moral wrong, such as intentional deception, moral principles should shape the test. In those cases where the economic goals of trademark law are paramount, the test should focus not only on the probability of confusion but also on the trademark-related harm that confusion generates.

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INTRODUCTION

The liability standards for trademark infringement are a mess. For most trademark suits, liability turns on the likelihood that an ordinary consumer will be confused. The likelihood of consumer confusion, in turn, depends on a multifactor test, the application of which varies from circuit to circuit.[1] These multifactor tests are deeply flawed. They support an open-ended and relatively subjective approach that generates serious litigation uncertainty, chills beneficial uses of marks, and supports socially problematic expansions of trademark law. It is time to take a closer look at the "likelihood of confusion" test with an eye to replacing it with a more sensible approach to trademark infringement.

In recent years, trademark scholars have identified a number of problems with the likelihood of confusion test. In 2006, Professor Barton Beebe described it as "in a severe state of disrepair" and complained in particular about its inconsistent formulation and application across circuits.[2] More recently, Professor William McGeveran criticized the test's

[1] *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1591 (2006) (summarizing, in chart form, the factors each circuit considers).

[2] *Id.* at 1582–84.

uncertainty and the high litigation costs it generates.[3] He argued that trademark owners exploit this uncertainty and high cost to chill legitimate uses of marks.[4] Professor Michael Grynberg points to problematic expansions in the types of actionable confusion—from source to sponsorship and from point-of-purchase to initial interest and post-sale—that create product monopolies, impair First Amendment interests, and interfere with creative consumer search techniques on the Internet.[5] Professors Mark Lemley and Mark McKenna argue that these problematic expansions are linked to the multifactor test's uncritical focus on likely confusion itself, without regard to the materiality of the confusion to consumer choice.[6] Professor Rebecca Tushnet agrees. She draws on a comparison between trademark law and false advertising to argue for the addition of a materiality requirement to trademark infringement.[7]

These are important criticisms. At a deep level, the likelihood of confusion test rests on an inadequately justified and normatively incomplete premise. That premise assumes that the ultimate goal of trademark law is to prevent consumer confusion. But this makes no sense. People are often confused in their ordinary lives and the law does not intervene to help. Before a likelihood of confusion can trigger trademark liability, there must be a good reason why the law should prevent confusion when it involves consumers responding to marks. In short, the likelihood of confusion test suffers from a normative gap. It focuses exclusively on the probability of confusion when it should also consider confusion-related harm and the reasons for redressing that harm.

Most of the critics who recognize the gap fill it with an economic analysis that gives short shrift to moral justifications.[8] Moreover, they assume that the goal of trademark law is the same as the goal of false advertising: to prevent false statements of fact about product quality material to consumer choice.[9] However, trademark law has a broader function: to protect marks as information transmission devices. This distinction is important because, as Part IV explains, the information transmission function can be impaired in ways that have nothing to do with materiality.

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3 William McGeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49 (2008).

4 *Id.* at 51–52, 66–71.

5 Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 N.Y.U. L. REV. 60 (2008); *see also* Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 414 (2010) (arguing that trademark law should be refocused away from "sponsorship and affiliation confusion . . . that do[es] not affect consumers' decisionmaking process" and back to "confusion that is actually relevant to purchasing decisions").

6 *See* Lemley & McKenna, *supra* note 5, at 414, 427.

7 Rebecca Tushnet, *Running the Gamut from A to B: Federal Trademark and False Advertising Law*, 159 U. PA. L. REV. 1305, 1365 (2011).

8 *See infra* Part IV.

9 *See infra* Part IV.B.3.

The judicial response is also inadequate. Those courts that recognize problems with the likelihood of confusion test tinker with the factors without questioning the test's exclusive focus on likely confusion and its neglect of confusion-related harm.[10] Even when courts consider the harm from confusion, they do so superficially within the framework of a confusion-focused analysis that fails to appreciate the central importance of harm to the infringement analysis.[11]

All these criticisms reduce to one fundamental point: There is no good reason to prevent consumer confusion when it causes very little harm and involves no morally blameworthy conduct. This Article aims to correct the deficiencies with the likelihood of confusion test. It reconstructs the infringement standard based on a clearer understanding of the goals of trademark law and a more sensitive account of the costs of enforcing trademark rights.

This Article is divided into four parts. Part I gives a brief overview of trademark policy and doctrine as background for the rest of the discussion. Part II provides the first comprehensive historical account of the genesis of the multifactor likelihood of confusion test. Part II.A describes the expansion of trademark rights between 1910 and 1940 to cover noncompeting products and the controversy these expansions generated. Part II.B describes the sharp conflict that developed in the 1940s and 1950s among Second Circuit judges over the proper scope of trademark protection for noncompeting products. Part II.C explains how this Second Circuit conflict eventually gave birth to the modern multifactor likelihood of confusion test in 1961 and 1962. This test emerged as a compromise. It patched together factors borrowed from both sides of the Second Circuit divide and gave judges broad discretion to balance those factors as they saw fit.[12] As Part II.D makes clear, this compromise merely papered over the disagreement without resolving the underlying normative conflicts, and the modern test is still plagued by the disagreements and conflicts that gave it birth.

Part III examines three serious problems with the likelihood of confusion test. First, as Part III.A explains, the open-ended and protean nature of the test produces bad results by chilling socially valuable uses and supporting excessively broad interpretations. Second, as Part III.B explains,

[10] *See, e.g.*, Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 638 F.3d 1137, 1148–54 (9th Cir. 2011) (limiting the Ninth Circuit's three-factor "Internet troika" mostly to domain name disputes and massaging the likelihood of confusion factors to fit keyword advertising cases); Versa Prods. Co. v. Bifold Co. (Mfg.), 50 F.3d 189, 202–07 (3d Cir. 1995) (adapting the likelihood of confusion factors to product configuration trade dress cases); *see also* Century 21 Real Estate Corp. v. LendingTree, Inc., 425 F.3d 211, 224–28 (3d Cir. 2005) (modifying the likelihood of confusion factors for a nominative fair use case).

[11] *See, e.g.*, Hearts on Fire Co. v. Blue Nile, Inc., 603 F. Supp. 2d 274, 286–89 (D. Mass. 2009) (proposing a new seven-factor test for cases involving search engine keywords).

[12] *See infra* notes 148–65 and accompanying text.

the likelihood of confusion test is internally incoherent. Some factors, such as bridge the gap, comparative product quality, mark strength, and intent, have at best a loose connection and at worst no connection at all to evaluating likelihood of consumer confusion. Third, as Part III.C explains, the test lacks a clear normative foundation with a strong connection to trademark law's purposes.

Part IV reconstructs the infringement test along more sensible lines. Whereas other scholars have proposed mostly ad hoc modifications, this Article outlines a systematic approach that fits the infringement standard to the moral and economic policies trademark law should serve. Part IV.A focuses on moral justifications. It explains why some moral principles applied by the courts, such as the anti-free-riding principle, cannot do the work they are supposed to do, while others, such as the principle prohibiting intentional deception, can. In those cases involving a moral wrong capable of grounding trademark liability, the relevant moral principles should govern the liability determination.

Part IV.B focuses on economic justifications. It explains why, from an economic perspective, the goal must be to minimize expected harm rather than reduce likely confusion, and it outlines an infringement test that furthers this goal. Part IV.B also critically examines proposals to add some version of a materiality requirement to trademark law. Although these proposals have merit, they also overlook some of the complex ways that the information transmission function of marks can be impaired.

I. BRIEF OVERVIEW OF TRADEMARK POLICY AND DOCTRINE

The following discussion summarizes basic trademark policy and doctrine as background for the analysis in the rest of the Article. In particular, Part I.A briefly presents the main policies underlying trademark law, and Part I.B summarizes the principal doctrines relevant to acquiring rights and proving infringement.

A. Policy

Although Part IV delves into the policies underlying trademark law in more detail, it is useful to provide a brief overview at the outset.[13] Trademarks are words or symbols that consumers use to identify a single source of goods or services.[14] For example, CREST functions as a trademark because consumers believe that every tube of toothpaste marked CREST comes from the same source as every other tube with the same

[13] For a comprehensive overview of these policies, see Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2104–14 (2004).

[14] *See* Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163–64 (1995). I use the term "trademark" to denote any mark that functions as a source identifier, including marks used for services and businesses as well as for goods and including logos and trade dress in addition to more conventional word marks.

mark. When a mark uniquely identifies a source in this way, consumers are able to rely on the mark to retrieve information about the product they wish to buy. For example, a consumer contemplating which brand of toothpaste to buy can use the CREST mark to retrieve information about Crest toothpaste that she has learned from advertising, word-of-mouth, or past experience. She is then able to apply this information to the particular purchase she is about to make, confident that the toothpaste on the shelf marked CREST will have the qualities that she expects from Crest toothpaste. In this way, trademarks reduce the costs to consumers of searching for product information.

Marks serve this search-cost-reduction function, however, only if a trademark owner can stop others from using the same mark on competing products. For example, if a firm other than Proctor & Gamble could call its toothpaste CREST, consumers would no longer be able to rely on the CREST mark to indicate a single source and thus a guarantee of uniform quality. As a result, they would have to use other, presumably more costly, ways to verify product attributes, which would increase consumer search costs. Moreover, without trademark protection, sellers would find it difficult to inform consumers about high-quality features of their products that are hidden from view before purchase. If firms cannot communicate high quality to consumers, their incentives to produce high-quality products will diminish.

These are the standard economic arguments for trademark law: protecting the exclusivity of marks reduces consumer search costs and supports incentives to maintain and improve product quality by facilitating the communication of quality-related information to consumers.[15] The Supreme Court has put its stamp of approval on these rationales.[16] And they have had a major impact on trademark scholarship.[17]

There are also moral arguments for trademark protection. When a firm uses a mark with intent to deceive consumers, the presence of intent invites the application of moral norms against deliberate lying. Moreover, trademark law protects sellers as well as consumers. It allows mark owners to stop others from injuring or appropriating the goodwill associated with their marks.[18] I explore these moral arguments with some care in Part IV below.

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[15] *See, e.g.*, WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 166–68 (2003); 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:5 (4th ed. 2009).

[16] *See, e.g.*, *Qualitex Co.*, 514 U.S. at 163–64.

[17] *See, e.g.*, LANDES & POSNER, *supra* note 15, at 166–209; Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223 (2007); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367 (1999).

[18] *See Qualitex Co.*, 514 U.S. at 163–64.

B. Doctrine

To prevail in a trademark infringement suit, a firm must prove (1) that it owns the exclusive rights in the mark and (2) that the defendant's use of a similar mark infringes those rights.[19]

1. Ownership of Exclusive Rights.—The requirements for proving ownership vary with the type of mark. Marks are divided into five categories: fanciful, arbitrary, suggestive, descriptive, and generic.[20] A "fanciful" mark is a made-up word or symbol, such as POLAROID or KODAK, and an "arbitrary" mark is an existing word or symbol that bears no relationship to the product, such as SUN for computers.[21] A "suggestive" mark is a word or symbol that communicates information about the product by way of suggestion rather than outright description.[22] For example, COPPERTONE is a suggestive mark for suntan lotion because it takes some imagination to connect the ordinary meaning of "copper" and "tone" with the product.[23] A "descriptive" mark is a word or symbol that directly describes qualities of the product without any need for imagination. For example, FISH-FRI is a descriptive mark for a batter mix used to fry fish.[24] Finally, a "generic" mark is a word or phrase that refers to a class of products rather than a single brand within that class. For example, THERMOS is generic for a vacuum-insulated bottle because "thermos" is the term that consumers use to refer to any such bottle regardless of the brand.[25]

Fanciful, arbitrary, and suggestive marks are collectively known as inherently distinctive marks.[26] A plaintiff establishes exclusive ownership in an inherently distinctive mark by proving that she was the first to use it in trade.[27] There is no need to prove that the word or symbol is actually functioning as a source identifier.[28] The theory is that consumers noticing a conspicuous word or symbol that does not describe the product will naturally conclude that it is meant to serve as a mark and treat it as such.[29]

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[19] *See, e.g.*, RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20 (1995).

[20] *See* Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992) (citing Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976)); *see also* 2 MCCARTHY, *supra* note 15, § 11:1.

[21] *See* 2 MCCARTHY, *supra* note 15, § 11:4. The ordinary meaning of "sun" obviously says nothing about computers.

[22] *See, e.g.*, Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 791 (5th Cir. 1983) (describing the leap-of-imagination and other tests used to distinguish suggestive from descriptive marks).

[23] *Id.* (citing Douglas Labs., Corp. v. Copper Tan, Inc., 210 F.2d 453 (2d Cir. 1954)).

[24] *Id.* at 790, 792–93.

[25] King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 579 (2d Cir. 1963).

[26] Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 210–12 (2000).

[27] *See* 2 MCCARTHY, *supra* note 15, § 11:4.

[28] *See id.*

[29] *See Wal-Mart Stores*, 529 U.S. at 212.

Descriptive marks work differently. A firm establishes ownership of a descriptive mark by proving that it was the first to develop "secondary meaning" in the mark.[30] Secondary meaning exists when a substantial fraction of the consuming public actually uses the mark to designate a single source of the product.[31] The idea is that consumers seeing a descriptive word or symbol might think it is meant to be a descriptor rather than a source identifier. Accordingly, trademark law demands that owners prove that consumers actually use the word or symbol to identify a particular source.[32]

Finally, generic marks, unlike inherently distinctive and descriptive marks, cannot be owned as trademarks.[33] Since a generic mark is a word (or symbol) that designates a product class, competitors need the word (or symbol) to inform consumers of the type of product they are selling. As a result, giving one seller exclusive rights would impede competition.[34]

2. Infringement.—Once a firm establishes exclusive ownership of a mark, it must prove that the defendant's use of a similar mark infringes its rights. In most trademark cases, infringement is established by showing that the defendant's use is likely to confuse an appreciable number of consumers into believing that the plaintiff is the source of the defendant's products, or sponsors or is somehow affiliated with the defendant or its products.[35] There is no need to show that consumers are actually confused; a significant likelihood is enough for liability.[36] Nor need the plaintiff show that a large

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[30] 2 MCCARTHY, *supra* note 15, § 16:34.

[31] *See* Vincent N. Palladino, *Surveying Secondary Meaning*, 84 TRADEMARK REP. 155, 160–62 (1994) (surveying the different definitions of secondary meaning).

[32] *See* 2 MCCARTHY, *supra* note 15, § 15:5.

[33] *Id.* § 12:1.

[34] *See id.* § 12:2.

[35] *See* 4 *id.* §§ 23:1–:4. By "product," I mean any good or service. While this Article considers only confusion-based theories, it is worth mentioning that trademark law also imposes liability for dilution, which does not require confusion. Dilution occurs when the defendant's use impairs the mark's selling power either by tarnishing it with unsavory associations or by blurring its distinctiveness with multiple uses on different products. *See* Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 429–30 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, § 2(1), 120 Stat. 1730. Focusing on confusion-based theories makes sense because they comprise the core of trademark infringement. Dilution has very limited scope. Indeed, dilution theories have been extremely controversial ever since the idea was first suggested by Frank Schechter in 1927 and first codified by Massachusetts in 1947. *See generally* Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 604–06 (2006) [hereinafter Bone, *Hunting Goodwill*] (describing the history of dilution law, including the adoption of the Federal Trademark Dilution Act in 1995); Robert G. Bone, *Schechter's Ideas in Historical Context and Dilution's Rocky Road*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 469 (2008) [hereinafter Bone, *Schechter's Ideas*] (describing Schechter's jurisprudence and analyzing the impact of his dilution theory).

[36] *See* 4 MCCARTHY, *supra* note 15, § 23:12. However, instances of actual confusion can be probative of likely confusion. *See id.* § 23:13. And a plaintiff must prove actual confusion and resulting harm to recover damages. *See* 5 *id.* § 30:74.

fraction of consumers are at risk of being confused. Some courts have found liability with survey evidence showing only 10% to 15%.[37]

As noted above, courts determine likelihood of confusion by applying a multifactor test, and the factors vary from circuit to circuit.[38] Most versions of the test include the strength of the plaintiff's mark, the similarity of the marks, the proximity or similarity of the plaintiff's and the defendant's products, evidence of actual confusion among consumers, and the defendant's intent.[39] A court is supposed to consider the reactions of "ordinary consumers" when they see the plaintiff's and the defendant's marks as they usually appear in the marketplace.[40] Beyond these simple rules, trial courts have broad discretion to apply the multifactor test on a case-by-case basis.[41]

Finally, courts today recognize different types of actionable confusion.[42] "Source confusion" lies at the heart of trademark law. It exists when the defendant's use of a similar mark leads consumers to believe that the plaintiff is actually selling the defendant's products.[43] "Sponsorship confusion" goes further and expands trademark rights beyond source confusion. When the plaintiff's and the defendant's products do not compete, consumers might know that the plaintiff is not the actual seller but still be confused into believing that the plaintiff is sponsoring, endorsing, or somehow affiliated with the defendant or its products. Sponsorship confusion can harm consumers if they buy the defendant's lower quality product expecting the same high quality as the plaintiff's.[44] It can also harm trademark owners if consumers think less of the owner and its products as a result.[45] In addition to expanding confusion along the product dimension, courts have also expanded it along the temporal dimension by recognizing confusion not only at the time of purchase, but also before purchase (initial-interest confusion) and after purchase (post-sale confusion).[46] I shall say more about these different types of confusion later.[47]

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[37] 4 *id.* § 23:2 & n.3; 6 *id.* § 32:188.

[38] 4 *id.* §§ 24:29–:43; Beebe, *supra* note 1, at 1584.

[39] Beebe, *supra* note 1, at 1589, 1591.

[40] Malletier v. Burlington Coat Factory Warehouse Corp., 426 F.3d 532, 538–39 (2d Cir. 2005).

[41] Moreover, the scope of appellate review is quite narrow and leaves wide latitude for trial judges to apply the test as they see fit. *See* 4 MCCARTHY, *supra* note 15, § 23:73 (noting that most circuits use a clearly erroneous standard of review, at least for reviewing the district court's evaluation of the underlying factors and also, in many jurisdictions, for reviewing the ultimate balance).

[42] *See id.* §§ 23:5–:8, 24:6.

[43] *Id.* § 24:6.

[44] Indeed, some courts and commentators argue that consumers are harmed simply by being confused or deceived, even when the defendant's product is not of lower quality. *See id.* § 24:16.

[45] *See id.* § 24:15.

[46] *See id.* §§ 23:6–:7.

[47] Although it is not relevant to this Article, I should mention, for the sake of completeness, that courts recognize another type of confusion known as reverse confusion. *Id.* § 23:10. In his treatise on

II. HISTORY OF THE LIKELIHOOD OF CONFUSION TEST

As I explain in Part III below, the likelihood of confusion test is deeply flawed. Before describing these flaws, however, it is important to take a careful look at the history of the test. This history reveals a great deal about why the test is so problematic and points the way toward sensible solutions.

A. 1910–1940: Trademark Protection Against Noncompeting Uses

Until the early twentieth century, trademark protection was limited to source confusion and uses of marks on directly competing goods.[48] This made sense in a world where most firms manufactured and sold a single product.[49] In the early twentieth century, however, firms began to integrate horizontally, and consumers gradually came to expect that the same firm might sell different products.[50] The direct competition requirement fit these changing market conditions very poorly. As a result, courts gradually expanded protection to include use of marks on noncompeting products that were closely enough related so that consumers might believe that the plaintiff actually sold the defendant's products (source confusion) or that the plaintiff sponsored, endorsed, or was somehow affiliated with them (sponsorship confusion).[51] One commentator at the time justified the expansion as protecting the trademark owner's goodwill from reputation injury and protecting consumers from deception.[52]

By the late 1920s, trademark protection against noncompeting goods was so firmly established that courts were willing to state the principles in broad language and commentators were willing to call for even broader expansions.[53] For example, in 1927, Frank Schechter published his famous dilution article, *The Rational Basis of Trademark Protection*, in which he

trademark law, Thomas McCarthy explains that "reverse confusion occurs when the junior user's advertising and promotion so swamps the senior user's reputation in the market that customers are likely to be confused into thinking that the senior user's goods are those of the junior user: the reverse of traditional confusion." *Id.* Thus, a small firm at risk of being swamped by a large firm can enjoin use of the mark on the ground of likelihood of reverse confusion.

48 *See, e.g.*, Borden Ice Cream Co. v. Borden's Condensed Milk Co., 201 F. 510, 514–15 (7th Cir. 1912).

49 *See* 3 RESTATEMENT OF TORTS § 730 cmt. a (1938) (referring to this as "[t]he oldest and simplest case of infringement").

50 *See* Edward C. Lukens, *The Application of the Principles of Unfair Competition to Cases of Dissimilar Products*, 75 U. PA. L. REV. 197, 204–05 (1927).

51 One of the earliest and most famous decisions reflecting this expansion is *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407 (2d Cir. 1917). The plaintiff sold flour and the defendant sold pancake syrup. *Id.* at 408. The Second Circuit reasoned that the goods were so closely related—they were often used together—that the defendant's use of the same mark might lead consumers of the plaintiff's flour to believe that the plaintiff sold the defendant's syrup. *Id.* at 409–10.

52 Lukens, *supra* note 50, at 198–99, 205.

53 *Id.* at 200 ("It is now established beyond controversy that the products need not be the same, in order that relief may be granted." (footnote omitted)).

argued for extremely broad trademark protection to preserve the distinctiveness and commercial magnetism of marks without regard to consumer confusion.[54] Moreover, the Second Circuit, in a famous Judge Learned Hand opinion, *Yale Electric Corp. v. Robertson*, endorsed a very broad approach to extending trademark protection to noncompeting products.[55] The court even suggested that the mere appropriation of a mark, and thus of a firm's reputation—indeed, its identity—ought to be enough for liability.[56]

However, starting in the mid-1930s and accelerating through the 1940s, some courts, especially the Second Circuit Court of Appeals, began to take a more restrained approach to protecting marks against uses on noncompeting products. The first signs of this development manifested as early as 1934, in *L. E. Waterman Co. v. Gordon*.[57] Judge Learned Hand wrote the opinion for the *Waterman* court and took the opportunity, just six years after his *Yale Electric* opinion, to confine the broad reach of *Yale Electric*'s language. To obtain trademark protection against noncompeting uses, Judge Hand emphasized, a trademark owner had to show that a remedy would either prevent tarnishment of its reputation or protect its plans to enter the defendant's product market.[58] These two interests—protecting reputation and avoiding market foreclosure—would figure prominently in Judge Hand's more restrictive opinions of the 1940s.

Perhaps the most important development during this period occurred in 1938 with the publication of Chapter 35 of the *Restatement of Torts*, dealing with the law of trademark infringement.[59] The *Restatement* offered the first multifactor test for infringement, which, as we shall see, influenced the creation of the modern multifactor test in the early 1960s.[60] The *Restatement*'s test appears in five sections of Chapter 35. Three of these sections deal with the core case of competing products, and two deal with noncompeting products.[61]

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[54] Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927). *See generally* Bone, *Schechter's Ideas*, *supra* note 35 (analyzing Schechter's dilution theory and tying it to his jurisprudential views).

[55] 26 F.2d 972 (2d Cir. 1928) (holding that the mark YALE for flashlights was confusingly similar to the plaintiff's use of YALE for locks and denying registration under the 1905 Trademark Act); *see also* Bone, *Hunting Goodwill*, *supra* note 35, at 594–96 (discussing the case and quoting from Judge Learned Hand's opinion).

[56] *Yale Electric*, 26 F.2d at 974.

[57] 72 F.2d 272 (2d Cir. 1934). The plaintiff used WATERMAN for fountain pens and other writing implements and sought to enjoin the defendant from using the mark for razor blades. *Id.* at 273.

[58] *Id.* at 274.

[59] 3 RESTATEMENT OF TORTS §§ 715–756 (1938). Actually the *Restatement* addresses infringement of both "trade-marks" and "trade names," although the distinction is not significant here. *See id.* § 716 cmt. a. *See generally infra* notes 90–96 and accompanying text (explaining the distinction).

[60] *See infra* Part II.C.

[61] *See* 3 RESTATEMENT OF TORTS §§ 717, 728–729 (1938) (competing products); *id.* §§ 730–731 (noncompeting products).

Section 717 states the general rule for competing products: A defendant is liable for using a designation that is "identical with or confusingly similar to" another's mark.[62] Section 728 defines a "confusingly similar" mark as a mark that is likely to cause source confusion,[63] and section 729 lists four factors for determining whether source confusion is likely.[64] With regard to uses on noncompeting products, section 730 imposes liability only if consumers are likely to "associate[]" the defendant's different product with the "source identified by the [mark]."[65] And section 731 lists nine factors for determining whether such an association is likely.[66] All of the factors were derived from the existing precedent.[67]

Interestingly, in contrast to the single multifactor test customarily used today,[68] the *Restatement* used two distinct multifactor tests, one for "confusing similarity" when products compete and the other for "confusing association" when products do not compete.[69] Given the prevailing uncertainty in the 1930s about how far trademark protection should extend

62 *Id.* § 717(1)(a), (2)(a) ("One infringes another's [trade-mark or] trade name, if . . . he uses . . . a designation which is identical with or confusingly similar to the other's [trade-mark or] trade name . . . .").

63 *Id.* § 728 ("A designation is confusingly similar . . . if prospective purchasers are likely to regard it as indicating the source identified by the [plaintiff's mark].").

64 *Id.* § 729. Slightly paraphrased, the four factors are: (1) the degree of similarity between the marks (in appearance, pronunciation, verbal translation, or suggestion); (2) the defendant's intent; (3) "the relation in use and manner of marketing;" and (4) "the degree of care likely to be exercised by purchasers." *Id.*

65 *Id.* § 730(b) (stating that protection extends to "goods, services, or businesses which, in view of the [mark] used by the [defendant], are likely to be regarded by prospective purchasers as associated with the source identified by the trade-mark or trade name").

66 *Id.* § 731. Slightly paraphrased, the nine factors are: (1) the likelihood that the defendant's goods, services, or business will be mistaken for the plaintiff's; (2) the likelihood that the plaintiff will expand its business so as to compete with the defendant; (3) the extent to which the goods or services of the defendant and those of the plaintiff have common purchasers; (4) the extent to which the plaintiff's and the defendant's goods or services are marketed through the same channels; (5) the relation between the functions of the plaintiff's and the defendant's goods or services; (6) the degree of distinctiveness of the mark; (7) the degree of attention usually given to trade symbols in the purchase of the plaintiff's and the defendant's goods or services; (8) the length of time that the defendant has used the mark; and (9) the defendant's intent. *Id.*

67 For example, it is clear from the Explanatory Notes appended to Tentative Draft 17 that the section 731 factors are a synthesis of the noncompeting product precedents. *See* RESTATEMENT OF TORTS § 3-24 explanatory note (Tentative Draft No. 17, 1938).

68 *See, e.g.*, RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 (1995) (adopting a single multifactor test). *But see id.* § 21 cmt. b & reporters' note b (noting that application of the test is simpler when products compete).

69 Neither section 729 nor section 731 is expressly limited in this way. However, the simple, four-factor test only makes sense for competing products, and the more complicated nine-factor test was clearly designed for noncompeting products.

to noncompeting products, it is not surprising that the drafters would address these cases with a separate section and a separate test.[70]

The most important thing about the *Restatement*'s approach is its rationale for extending trademark protection to noncompeting products. The drafters were clear that not just any confusion would trigger liability. Actionable confusion had to place the trademark owner's reputation at risk by creating the possibility that consumers who had bad experiences with the defendant's product would associate those experiences with the plaintiff because of their false beliefs about source or affiliation.[71] Thus, the *Restatement* drafters did not envision confusion by itself as the trigger of liability, but rather confusion that was likely to create reputation harm.[72]

To be sure, the limitations were framed in terms of harm to the trademark owner rather than harm to consumers. At the time, trademark law combined a consumer-protection strand with a seller-protection strand.[73] The goal was to protect consumers against harmful confusion and also to protect sellers from injury to and even appropriation of their goodwill and reputation.[74] These two strands converged when, as in the typical case, the defendant took or injured the trademark owner's goodwill by misleading consumers about source and quality.[75]

The *Restatement*'s focus on reputation harm anticipates the more restrictive approach to product market expansion advocated during the

[70] Today, the basic infringement rule is stated not in terms of confusingly similar marks, but rather in terms of the likelihood of consumer confusion under all the circumstances. *See, e.g.*, RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20.

[71] *See* 3 RESTATEMENT OF TORTS § 730 cmt. b (1938); *see also id.* § 731 cmt. c (justifying the likelihood of expansion factor as relevant to likelihood of consumer association and also to the "difficulty [that] would be caused if normal expansion . . . were impeded"). It is also worth noting that sections 730 and 731 were presented as limiting protection rather than expanding it. *Id.* § 730 cmt. b.

[72] *Id.* § 730 cmt. a. Although liability turned on likely confusion, the type of confusion deemed actionable (confusion of "association") and the factors considered relevant were chosen with the risk of reputation harm in mind. *See id.* § 730 cmt. b ("[I]f lipsticks are marketed under a designation confusingly similar to a trade-mark for steam shovels, it is not likely that the market reputation of the steam shovels would thereby share in the market vicissitudes of the lipsticks.").

[73] *See* Bone, *Hunting Goodwill*, *supra* note 35, at 560.

[74] These elements are distinct from the trademark owner's standing to sue. Even if trademark law had been exclusively about protecting consumers, the trademark owner would still have had to prove that it was harmed in order to have standing to sue. *See, e.g.*, Borden Ice Cream Co. v. Borden's Condensed Milk Co., 201 F. 510, 513–14 (7th Cir. 1912); Bone, *Hunting Goodwill*, *supra* note 35, at 560–61 & n.58 (explaining the distinction between standing and harm).

[75] For example, the only way a trademark owner could suffer reputation harm was if consumers were misled into assuming an association and thus expecting a certain level of quality from the defendant's products. However, in some noncompeting products cases, protecting goodwill took center stage without any serious reputation risk or any realistic possibility of market expansion, and these were the cases that generated the most intense controversy. *See* Bone, *Hunting Goodwill*, *supra* note 35, at 598.

1940s by Judges Learned Hand and Jerome Frank on the Second Circuit.[76] These two judges limited a trademark's reach by demanding a particularly strong showing of harm to the trademark owner.[77] Harkening back to *Waterman*, they focused on two types of harm: reputation and market foreclosure.[78] The following section tells this part of the story.

B. 1940–1960: Conflict in the Second Circuit

Concerns about trademark monopolies intensified at the end of the 1930s and throughout the 1940s.[79] A growing number of noted economists and legal scholars complained that protecting powerful marks could create barriers to market entry and produce socially undesirable monopolies.[80] The main source of concern was the rapidly growing use of psychological advertising, which relied on imagery and suggestion to appeal to basic human emotions, needs, and desires.[81] Critics argued that this new type of advertising invested marks with the power to grip consumers on an emotional level. As a result, a consumer might become attached to a brand for irrational reasons and insist on buying it even when an identical product was available at a lower price.[82]

These concerns had a particularly strong impact on Judges Hand and Frank.[83] The following discussion recounts their efforts to control monopoly costs through gatekeeping requirements and describes Judge Charles Clark's strong opposition to their approach. The discussion focuses on the Second Circuit for three main reasons.[84] First, during the mid-twentieth

[76] Notably Judge Learned Hand was one of seven advisors for Chapter 35 of the *Restatement*, which covered trademark law. *See* 3 RESTATEMENT OF TORTS iv.

[77] *See infra* notes 100–26 and accompanying text.

[78] *See supra* notes 57–58 and accompanying text (discussing the *Waterman* case).

[79] *See* Bone, *Hunting Goodwill*, *supra* note 35, at 590–92.

[80] *See, e.g.*, RAYMOND T. BYE, PRINCIPLES OF ECONOMICS 449 (rev. ed. 1932); EDWARD CHAMBERLIN, THE THEORY OF MONOPOLISTIC COMPETITION 56–70, 205 (2d ed. 1936); Floyd A. Wright, *The Nature and Basis of Legal Goodwill*, 24 ILL. L. REV. 20, 40 (1929).

[81] *See*, *e.g.*, Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1168–73 (1948) (criticizing the persuasive function of advertising for creating monopoly power through marks); *see also* Bone, *Hunting Goodwill*, *supra* note 35, at 579–82 (describing the rise of psychological advertising in the 1920s).

[82] *See, e.g.*, CHAMBERLIN, *supra* note 80, at 61–62; Brown, *supra* note 81, at 1168–69, 1190.

[83] Today, critics of broad protection focus on a different set of concerns: chilling expression, impeding creative use of the Internet, restricting competition and innovation, and monopolizing merchandising markets. *See, e.g.*, Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or* Fait Accompli*?*, 54 EMORY L.J. 461, 471–89 (2005) (monopolizing merchandising markets); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 573–74 (2005) (impeding Internet uses that improve competition); McGeveran, *supra* note 3, at 61–66 (chilling expression). Nevertheless, the source of the problems is the same: the power that exclusive rights confer on trademark owners and the ways that excessively broad rights can be used strategically.

[84] Others have written about the Second Circuit rift over trademark law during the 1940–1960 period. *See, e.g.*, 4 MCCARTHY, *supra* note 15, §§ 24:55–:60; Richard L. Kirkpatrick, *Learned Hand's*

century, the Second Circuit was perhaps the most distinguished lower federal court in the nation, and it was particularly influential in the area of trademark law.[85] Second, courts in other circuits struggled with the same policy tensions, and several were influenced directly by Second Circuit precedent.[86] The result was serious intra- and intercircuit conflict that divided along lines similar to those that divided the Second Circuit.[87] Finally, and most important, the Second Circuit case law that developed during the 1940s and 1950s spawned the first likelihood of confusion test that subsequently influenced the development of similar tests elsewhere.[88]

Trademark Cases: An Appreciation, 82 TRADEMARK REP. 426, 434–36 (1992); Kenneth L. Port, *Learned Hand's Trademark Jurisprudence: Legal Positivism and the Myth of the Prophet*, 27 PAC. L.J. 221, 252–60 (1996). However, none of these accounts is as careful and comprehensive as the history I present here, especially on the normative level. Nor do any of them connect the earlier developments to the likelihood of confusion test, as this Article does.

85 *See* JEFFREY B. MORRIS, FEDERAL JUSTICE IN THE SECOND CIRCUIT 123, 162 (1987); *see also* Edward McWhinney, *A Legal Realist and a Humanist—Cross-Currents in the Legal Philosophy of Judge Jerome Frank*, 33 IND. L.J. 111, 115 & n.8 (1957) (reviewing JEROME FRANK & BARBARA FRANK, NOT GUILTY (1957)) (describing the court as "the strongest tribunal of the English-speaking world"). In 1941, the Second Circuit had six permanent judgeships occupied by Learned Hand, Augustus Noble Hand, Thomas Swan, Jerome Frank, Charles Clark, and Harrie B. Chase. MORRIS, *supra*, at 136, 143. Learned Hand had served on the court since 1924 and had developed a reputation as a highly distinguished jurist. *Id.* at 138–39. Jerome Frank was appointed in 1941 and before that was an important figure in the legal realist movement and a highly regarded lawyer who served in a number of important positions in the Roosevelt Administration. *Id.* at 145–46. Charles Clark, a moderate realist, had been Dean of the Yale Law School and was a major figure in federal procedural reform, having served as Reporter to the Advisory Committee on Civil Rules during the 1930s. *Id.* at 143–44.

86 *See, e.g.*, S. C. Johnson & Son, Inc. v. Johnson, 266 F.2d 129, 137 (6th Cir. 1959) (relying on Second Circuit opinions by Hand for a narrow approach to noncompeting products); Pure Foods, Inc. v. Minute Maid Corp., 214 F.2d 792, 797 & n.6 (5th Cir. 1954) (mentioning the "Hand Doctrine" without expressing an opinion on the approach and pointing explicitly to "the strong dissenting opinion of Judge Clark"); Sunbeam Furniture Corp. v. Sunbeam Corp., 191 F.2d 141, 144–45 (9th Cir. 1951) (noting, in reliance on a Judge Hand opinion, that the Lanham Act does not "stifle all excursions into adjacent markets" (quoting S. C. Johnson & Son, Inc. v. Johnson (*Johnson II*), 175 F.2d 176, 180 (2d Cir. 1949), *cert. denied*, 338 U.S. 860 (1949)); Hanson v. Triangle Publ'ns, Inc., 163 F.2d 74 (8th Cir. 1947) (considering a noncompeting goods case, with the majority applying a broad view and the dissent applying a narrow view); Horlick's Malted Milk Corp. v. Horlick, 143 F.2d 32, 36 (7th Cir. 1944) (citing Second Circuit precedent for the requirement that the plaintiff show likely market entry or need to preserve its identity in the defendant's market, and indicating concerns about monopoly); Nat'l Fruit Prod. Co. v. Dwinell-Wright Co., 47 F. Supp. 499, 505–06 (D. Mass. 1942) (noting that Judge Hand's Second Circuit opinions "have become classics of trade-mark law" and recounting the growing concern about trademark monopolies).

87 For an account of these conflicts and splits, see Julius R. Lunsford, Jr., *The Lanham Trade-Mark Act—Conflict and Dissent*, 43 TRADEMARK REP. 995, 997–1019 (1953) (endorsing the more expansive approach and noting that "[t]he restrictionists . . . advocate that . . . the public interest is better served when no one has an exclusive right in a trade-mark"); Sergei S. Zlinkoff, *Monopoly Versus Competition: Significant Trends in Patent, Anti-Trust, Trademark, and Unfair Competition Suits*, 53 YALE L.J. 514, 538–46 (1944) (noting a restrictive trend in the federal courts and using an opinion by Judge Hand as illustrative, referring to it as "[o]ne of the most illuminating opinions dealing with the issues").

88 *See infra* notes 148–65 and accompanying text.

As we shall see, tracing the test's genesis through Second Circuit precedent sheds useful light on its current ills.

1. 1940–1953: A Rift Develops.—This section first discusses Judge Hand's and Judge Frank's restrictive views concerning product market expansion and then examines Judge Clark's more generous approach. Before proceeding, however, it is important to be clear that the debate over noncompeting products was limited to descriptive, geographic, and personal name marks. More precisely, it had to do with the scope of the "unfair competition" tort in protecting "trade names" and had nothing to do with the tort of "trade-mark infringement."[89] To explain this distinction, we need to review some old terminology.

During the late nineteenth and early twentieth centuries, what we call trademark law today was divided into two parts.[90] The law of "trade-mark infringement" included the rules for protecting fanciful, arbitrary, and suggestive word marks, which were known as "technical trade-marks," or "trade-marks" for short.[91] The law of "unfair competition" included the rules for protecting descriptive, geographic, and personal name marks, which were known as "trade names."[92]

In the late nineteenth century, the tort of trade-mark infringement was based on a formalistic property theory.[93] A firm secured ownership of a fanciful, arbitrary, or suggestive mark simply by using the mark in trade without any need to show secondary meaning.[94] Anyone who used an identical or nearly identical mark on directly competing goods infringed the owner's property right and was liable without regard to likely confusion.

The tort of unfair competition worked differently. Because a trade name had a primary meaning as an ordinary descriptive, geographical, or personal name designation, establishing ownership required a showing that the prospective owner had developed a "secondary meaning" in the trade name so that it also identified a single source.[95] Moreover, to obtain relief, the owner of a trade name had to prove likelihood of consumer confusion.[96] In short, trade-marks were protected on a property theory, while trade names were protected on a tort theory of unfair competition.

By the 1930s and 1940s, many courts and commentators rejected the formalistic property theory and treated trade-mark infringement and unfair

89 *See infra* note 98 and accompanying text.

90 Elsewhere I have explained the distinctions among "technical trademarks," "trade names," "trademark infringement," and "unfair competition." *See* Bone, *Hunting Goodwill*, *supra* note 35, at 563–67.

91 *Id.* at 563–64.

92 *Id.* at 565.

93 *Id.* at 562.

94 *Id*. at 563–65.

95 *Id.* at 565–66.

96 *Id.* at 566.

competition as two branches of a single legal theory based on protecting marks against likely confusion.[97] However, the old terminology remained, and so too did the assumption that "trade-marks" (i.e., fanciful, arbitrary, and suggestive word marks) had a stronger claim to protection than "trade names" (i.e., descriptive, geographic, and personal name marks). Perhaps for this reason, Judges Hand and Frank focused their concerns on trade-name monopolies. Use of a fanciful, arbitrary, or suggestive mark—in other words, a "trade-mark"—so obviously reeked of bad faith, and the defendant had so many viable alternatives, that Judge Hand, for one, could see little justification for permitting the defendant's use.[98]

a. Judge Learned Hand and Judge Jerome Frank.—The fact that Judge Learned Hand was an early proponent of the restrictive approach is a bit ironic given his eagerness in *Yale Electric* to embrace broad noncompeting market protection.[99] But the monopoly concerns voiced during the 1930s obviously had an effect. Judge Hand laid the groundwork for his restrictive approach as early as 1939.[100] But he developed it in more detail in four opinions issued during the 1940s.[101]

Judge Hand's approach required a strong showing of harm to one of the two interests identified in the earlier *Waterman* case: the mark owner's interest in preventing injury to reputation, or its interest in entering the defendant's market.[102] In its mature form, the analysis involved a case-specific balancing that weighed harm to the mark owner's interest in reputation or expansion against harm to the defendant's legitimate interest in continued use of the mark.[103] In striking this balance, Judge Hand insisted from the beginning that there be more than an abstract risk of reputation

[97] *Id.* at 585–89.

[98] *See, e.g.*, Durable Toy & Novelty Corp. v. J. Chein & Co., 133 F.2d 853, 855 (2d Cir. 1943) (noting that, in the case of a coined mark, "it will be hard indeed for the newcomer to find any excuse for invading it"); Emerson Electric Mfg. Co. v. Emerson Radio & Phonograph Corp., 105 F.2d 908, 910, 911 (2d Cir. 1939) (noting that cases involving trade-marks "offer no difficulty" because the defendant is usually a "mere pirate" without any "excuse" for using the mark, and use "almost inevitably" involves "fraud").

[99] *See supra* notes 55–56 and accompanying text.

[100] *See Emerson Electric*, 105 F.2d at 910–11 (noting the need for a case-specific balancing of competing interests in addition to likely confusion); *see also* Landers, Frary & Clark v. Universal Cooler Corp., 85 F.2d 46, 48 (2d Cir. 1936) (identifying two "interests" that support protecting a mark on noncompeting goods—reputation and market expansion—but taking a broader approach than in later cases).

[101] S. C. Johnson & Son, Inc. v. Johnson (*Johnson II*), 175 F.2d 176 (2d Cir. 1949); Dwinell-Wright Co. v. White House Milk Co., 132 F.2d 822, 825 (2d Cir. 1943); *Durable Toy & Novelty*, 133 F.2d at 853; S. C. Johnson & Son, Inc. v. Johnson (*Johnson I*), 116 F.2d 427 (2d Cir. 1940).

[102] *See supra* notes 57–58 and accompanying text (discussing L. E. Waterman Co. v. Gordon, 72 F.2d 272 (2d Cir. 1934)).

[103] *See, e.g.*, Fed. Tel. & Radio Corp. v. Fed. Television Corp., 180 F.2d 250, 251–52 (2d Cir. 1950); *Johnson II*, 175 F.2d at 179–80.

harm or a mere possibility of market entry by the plaintiff.[104] And as of the late 1940s, he required *actual* reputation injury or *actual* plans to enter the market, especially when the plaintiff's mark was weak or the defendant used it in good faith and had a legitimate reason to continue its use.[105]

In several opinions, Judge Hand clearly stated his goal as limiting trade-name monopolies to cases where there was a strong social benefit. In a 1940 opinion, he cautioned against the tendency to grant monopolies based on a misguided property theory:

> There is always the danger that we may be merely granting a monopoly, based upon the notion that by advertising one can obtain some "property" in a name. We are nearly sure to go astray in any phase of the whole subject, as soon as we lose sight of the underlying principle that the wrong involved is diverting trade from the first user by misleading customers who mean to deal with him.[106]

Hand found a powerful ally when Jerome Frank was appointed to the Second Circuit in 1941. Judge Frank never authored a majority opinion in a major noncompeting-products case, but he did join with Judge Hand in several trademark decisions, including two that developed Hand's restrictive approach.[107] Judge Frank also stated his views clearly and

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[104] *See Johnson I*, 116 F.2d at 429. In *Johnson I*, Judge Hand made a point of saying "we should not forget that, so long as the newcomer has not in fact misconducted himself, the injury [to reputation] is prospective and contingent, and very different from taking away the first user's customers." *Id.* As for the expansion interest, he cautioned against giving protection on the basis of "nothing more than the desire to post the new market as a possible preserve which [the trademark owner] may later choose to exploit." *Id.*

[105] *See, e.g.*, *Fed. Tel. & Radio Corp.*, 180 F.2d at 251–52 (denying an injunction against use of FEDERAL for television sets and arguing that the plaintiff had no present interest in selling television sets, there was no evidence of any actual reputation harm, the defendant "started the user in entire good faith," and "the word [Federal] is in general use for all sorts of purposes"); *Johnson II*, 175 F.2d at 180 (denying an injunction against use of the mark JOHNSON for cleaning fluid and arguing that the plaintiff had no current plans to sell cleaning fluid, there was no evidence that the defendant's use had actually tarnished the plaintiff's reputation, and the defendant had used his personal name as a mark for three years before the plaintiff sued).

[106] *Johnson I*, 116 F.2d at 429; *see also Johnson II*, 175 F.2d at 179 (noting that granting protection without harm would "frequently result in great hardship to others, and give to the first user of a mark a wholly unjustified power to preempt new markets").

[107] For the restrictive approach cases authored by Judge Hand and joined by Judge Frank, see Durable Toy & Novelty Corp. v. J. Chein & Co., 133 F.2d 853 (2d Cir. 1943) (applying the restrictive view to a case involving only reputation harm and no lost sales), and Dwinell-Wright Co. v. White House Milk Co., 132 F.2d 822 (2d Cir. 1943) (strongly stating the restrictive view in a noncompeting goods case). For examples of other trademark decisions authored by Judge Hand and joined by Judge Frank, see Artype, Inc. v. Zappulla, 228 F.2d 695 (2d Cir. 1956) (reversing a judgment for the defendant and holding that the plaintiff's mark was not descriptive and that the plaintiff was entitled to some relief); Am. Auto. Ass'n v. Spiegel, 205 F.2d 771 (2d Cir. 1953) (reversing summary judgment enjoining use of the AAA mark); Adolph Kastor & Bros. v. FTC, 138 F.2d 824 (2d Cir. 1943) (affirming an FTC order enjoining use of "Scout" on knives as likely to be confused with Boy Scouts of America and seemingly taking a broader view of reputation harm in the absence of lost sales); and Pure

eloquently in several notable dissents.[108] Perhaps because they were dissents, he wrote at some length, offering rather expansive, even philosophical, discussions of the issues and stating his position in a sharper tone than Judge Hand ever used.

Frank's approach rested on two fundamental propositions. First, he insisted that the paramount purpose of unfair competition law was to promote consumer welfare.[109] Accordingly, he objected to expansions of trade-name monopolies that served seller interests at the expense of consumers.[110] Second, he rejected any notion that free riding on goodwill was wrong in itself. In Frank's view, a moral aversion to free riding stemmed from an excessively formalistic conception of "property" rights in a mark.[111] When stripped of the formalistic property label, legal rights in trade names had weak support on policy grounds. For this reason, Frank believed they should be carefully limited to prevent trade-name monopolies that hurt consumers.[112]

Judge Frank treated the seller-harm requirement as a gatekeeping device. If a trademark owner could not make a strong showing of reputation injury or market foreclosure, the suit was probably anticompetitive and protecting the mark would likely confer market power to the detriment of consumers.[113] On the other hand, even if a strong showing could be made, it

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Oil Co. v. Puritan Oil Co., 127 F.2d 6 (2d Cir. 1942) (construing interstate commerce for purposes of the 1905 Trademark Act).

108 *See, e.g.*, Triangle Publ'ns, Inc. v. Rohrlich, 167 F.2d 969, 974–82 (2d Cir. 1948) (Frank, J., dissenting); LaTouraine Coffee Co. v. Lorraine Coffee Co., 157 F.2d 115, 119–25 (2d Cir. 1946) (Frank, J., dissenting).

109 *See, e.g.*, *LaTouraine Coffee*, 157 F.2d at 124 (Frank, J., dissenting) ("We have said that the paramount interest to be protected in these trade-name cases is the consumers'.").

110 *See id.*; Standard Brands, Inc. v. Smidler, 151 F.2d 34, 37–42 (2d Cir. 1945) (Frank, J., concurring).

111 *Triangle Publ'ns*, 167 F.2d at 974, 978 (Frank, J., dissenting) ("Where . . . the probability of confusion of source is not otherwise proved . . . , the fact of a 'free ride' is immaterial.").

112 *Id.* at 980–81 & n.13 ("The failure to keep constantly in mind the divers policy considerations which, in this legal province, come in conflict with one another and the consequent occasional over-emphasis on but one of them—the protection of the interest of the businessman who has built a business around a name—has sometimes led to decisions unduly extending the confines of name-monopolies." (quoting E. Wine Corp. v. Winslow-Warren, Ltd., 137 F.2d 955, 959 (2d Cir. 1943) (Frank, J., majority opinion)) (internal quotation mark omitted)).

113 *See, e.g.*, *Standard Brands*, 151 F.2d at 43 (Frank, J. concurring). In *Standard Brands Inc. v. Smidler*, the plaintiff sold vegetable juices under the V-8 mark and the defendant sold dry vitamin tablets under the same mark. As it happened, the plaintiff also sold dry vitamin tablets in competition with the defendant, but under a different mark, STAM. *Id.* at 35–36 (majority opinion). The majority (Judges Chase and Clark) treated the case as an easy one for liability. *See id.* at 37. Judge Frank disagreed and wrote a concurring opinion to highlight how difficult the case actually was. In Judge Frank's view, the fact that the plaintiff already sold STAM vitamin tablets suggested that its "real purpose" in bringing suit was not to protect its V-8 mark, but rather to gain a competitive advantage in the vitamin tablet market, where the plaintiff and defendant were competitors. *Id.* at 43 (Frank, J., concurring). Furthermore, the plaintiff "manifested no intention of ever" using its trademark in the defendant's market because it already used a different mark for vitamin tablets. *Id.* Finally, the

did not necessarily mean that consumer interests were being served. In theory at least, Frank was still prepared to examine the facts of the case to determine whether consumers were actually benefiting from the defendant's use even if the trademark owner suffered some harm.[114]

Judge Hand was not as clear as Judge Frank in endorsing the position that trademark law should focus exclusively on consumer interests, and his views on the purpose of requiring seller harm were less clearly articulated. But there is no question that Hand put a great deal of weight on consumer interests, and it is reasonable to read him as accepting the gatekeeping model as well. For both Frank and Hand, a strict rule requiring seller harm helped to screen out anticompetitive suits where the monopoly costs were likely to exceed any trademark benefits.

A good example of Judge Frank's restrictive approach to product market expansion can be found in his dissent in *Triangle Publications, Inc. v. Rohrlich*.[115] The plaintiff published *Seventeen*, a fashion magazine for teenage girls; the defendant sold MISS SEVENTEEN girdles.[116] *Seventeen* had developed such popularity that any item advertised or editorialized in the magazine and any item bearing its name "had an added desirability."[117] As a result, the mark had promotional value, and the plaintiff sought to exploit as much of that value as possible. The district judge entered a permanent injunction, and the defendant appealed.[118]

The appeal was heard by Judges Augustus N. Hand (*not* Learned Hand), Charles Clark, and Jerome Frank. Augustus Hand and Charles Clark affirmed. They held that the defendant's use was likely to create confusion as to sponsorship of the defendant's girdles even if there was no confusion as to source.[119] Judge Frank wrote a scathing dissent.[120] He saw no risk of

plaintiff's reputation was not obviously at risk because there was no evidence that the defendant's vitamin tablets were "shoddy or substandard." *Id.* Although Judge Frank went along with the majority in this case, he intimated that in future cases he would demand a strong showing of harm to the trademark owner: either actual intent to enter the defendant's market or proof that the defendant's product is of such low quality as to tarnish the trademark owner's reputation. *Id.*

114 Judge Frank was fond of giving as an example a case where the plaintiff sells a simple product, such as a bar of soap, and the defendant sells the identical product under the same mark at a lower price. *See, e.g.*, *id.* at 40–41. This is a core competing products case, and it was settled law that the trademark owner could assert the injury of trade diversion to justify suit. Judge Frank, however, thought the law was misguided. In his view, only the soap-seller trademark owner suffers a loss, and consumers actually benefit from buying the lower priced product. *See id.*

115 167 F.2d at 974 (Frank, J., dissenting).

116 *Id.* at 970 (majority opinion).

117 *Id.* at 971.

118 *Id.*

119 *Id.* at 972–73.

120 Judge Frank first classified SEVENTEEN as a descriptive mark and thus a trade name subject to the restrictive approach. *Id.* at 974–75 (Frank, J., dissenting). The majority, on the other hand, had classified the mark as fanciful or arbitrary—based, in Judge Frank's view, on a sloppy review of the evidence. *Id.* This was not the first time Judge Frank objected to the majority's classification of a mark.

source confusion.[121] Nor was there any possibility that the magazine publisher would enter the girdle market or any evidence that the defendant's girdles were poor quality or otherwise a threat to the plaintiff's reputation.[122] To be sure, the defendant was free riding on the popularity of the plaintiff's mark, but in Frank's view, "the fact of a 'free ride' is immaterial. . . .[A] 'free ride,' without more, is in line with the theory of competition."[123]

More generally, Judge Frank reiterated his view that "[w]ithout doubt, the judge-made trade-name doctrine or concept fosters monopolies."[124] Because of this, he believed it was important not to apply a trade-name rule mechanically, but to "peer behind" it "to observe the policy it embodies."[125] And this was especially important in a case like *Triangle Publications*, which stretched existing law to "yield socially disvaluable results."[126]

*b. Judge Charles Clark.—*Judge Charles Clark stood firmly against Hand and Frank's restrictive approach. Judge Clark believed that a risk of confusion alone should be enough for infringement without any regard to harm.[127] He relied mainly on the text of the Lanham Trade-Mark Act of 1946 (Lanham Act),[128] the federal statute that created a comprehensive scheme of trademark protection and expanded benefits for registered marks and federal protection for unregistered marks.[129] However,

See LaTouraine Coffee Co., Inc. v. Lorraine Coffee Co., 157 F.2d 115, 119–21 (2d Cir. 1946) (Frank, J., dissenting). Judge Frank had to be particularly careful with this threshold issue because the restrictive rules applied only to descriptive and other trade name marks. *See supra* text accompanying note 98.

121 *See Triangle Publ'ns*, 167 F.2d at 976–77, 981–82 (Frank, J., dissenting). In an interesting passage, Judge Frank criticized the majority for speculating about teenage girls' reactions without any empirical evidence or personal experience. *See id.* at 976.

122 *Id.* at 981 ("[A] plaintiff seeking . . . protection should always be required to prove that defendant's product is so substandard that, if that product be associated by consumers with plaintiff, impairment of plaintiff's good-will is a likely result.").

123 *Id.* at 978.

124 *Id.* at 982 ("Such a concept should be carefully scrutinized when the courts are asked to widen it, as here, by a decision which will become a precedent with 'radiating potencies.'").

125 *Id.*

126 *Id.*

127 *See, e.g.*, Hyde Park Clothes, Inc. v. Hyde Park Fashions, Inc., 204 F.2d 223, 226, 228–29 (2d Cir. 1953) (Clark, J., dissenting) ("For the single question here seems to me to come down simply to this: Does the defendant's use of the name confusingly mislead purchasers as to the source of the goods?").

128 *See, e.g.*, *id.* at 227–28 (citing Lanham Trade-Mark Act of 1946, 15 U.S.C. §§ 1114(1), 1125(a)).

129 *See* 1 MCCARTHY, *supra* note 15, § 5:4. The Lanham Act replaced the Trademark Act of 1905, which was considered inadequate by the 1930s and was heavily criticized. *See id.*; *see also* Bartholomew Diggins, *The Lanham Trade-Mark Act*, 35 GEO. L.J. 147, 148 (1947) ("The Act of 1905 offered little in the way of protection for substantive rights and there was no great incentive to register trade-marks.").

his interpretation of the Lanham Act was influenced by values that differed substantially from those that Hand and Frank held.[130]

Judge Clark took the position that the Lanham Act eliminated the common law rule requiring harm in noncompeting products cases.[131] His argument focused mainly on the language of the statutory infringement provision, § 1114.[132] In Clark's view, the fact that § 1114 referred only to "confusion," "mistake," and "deception" suggested that Congress meant to impose liability for confusion alone without the harm-based restrictions that had been imposed previously.[133]

Judge Hand saw matters differently.[134] He argued that Congress meant only to update federal law to match the common law as it existed in 1946.[135] Because in Hand's view the 1946 common law included the harm requirement, the Lanham Act had to be interpreted to include it as well.

These divergent interpretations reflected a deeper division between Judges Hand and Clark at the level of trademark policy. Judge Hand's concern about trade-name monopolies animated his construction of the Lanham Act. He counseled against construing the statute to eliminate a rule

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[130] In *Hyde Park Clothes, Inc. v. Hyde Park Fashions, Inc*., Judge Clark denied that he had any "particular bias" in the matter. 204 F.2d at 228 (Clark, J., dissenting). And in the earlier *Johnson II* case, he actually claimed to be sympathetic to Judge Hand's concerns about a trade-name owner's "power to preempt new markets," even referring to the concern as "compelling." 175 F.2d 176, 179, 182–83 (2d Cir. 1949) (Clark, J., dissenting). Nevertheless, it is clear that Judge Clark's interpretation of the Act was influenced by a rather different view of the policies at stake. For example, in both cases, Clark invoked an anti-free-riding policy. *See Hyde Park Clothes*, 204 F.2d at 228 (Clark, J., dissenting); *Johnson II*, 175 F.2d at 182–83 (Clark, J., dissenting). As we have seen, Judge Frank rejected the anti-free-riding policy categorically and Judge Hand gave it little weight in noncompeting products cases. *See supra* Part II.B.1.a.

[131] *See, e.g.*, *Hyde Park Clothes*, 204 F.2d at 226, 228–29 (Clark, J., dissenting) (discussing the impact of the enactment of the Lanham Act); *Johnson II*, 175 F.2d at 181–82 (Clark, J., dissenting) (criticizing Judge Hand's interpretation of the Lanham Act).

[132] The version of § 1114(1) enacted in 1946 imposed liability when any person used "any reproduction, counterfeit, copy, or colorable imitation of any registered mark . . . [so that] such use is likely to cause confusion or mistake or to deceive purchasers as to the source or origin of [the associated] goods or services." 15 U.S.C. § 1114(1) (1946); *see also* Diggins, *supra* note 129, at 190 (quoting the original 1946 version of § 1114(1)).

[133] *See Hyde Park Clothes*, 204 F.2d at 227 (Clark, J., dissenting) (citing § 1114(1) and noting that "[w]e have already given effect to the announced purpose of Congress to establish a national law in the Lanham Act so far as concerns the issue of infringement"); *id.* at 228 ("I felt and still feel that we should accept the congressional mandates on the whole rather gratefully."); *Johnson II*, 175 F.2d at 181–82 (Clark, J., dissenting) (eschewing a "definitive interpretation" of the Lanham Act, but still noting that a literal reading of § 1114(1) would "grant recovery wherever a mark is 'intended to be used to cause confusion or mistake or to deceive purchasers,'" and rejecting Judge Hand's arguments against this interpretation).

[134] *See, e.g.*, *Johnson II*, 175 F.2d at 178–80 (majority opinion) ("[I]t is far from true that the mere fact of confusion between the two users should always and of itself tip the scales in favor of the first.").

[135] *Id.* at 178–79.

that had proved useful in controlling monopoly power.[136] Judge Clark had a different view of the costs and benefits. He was not as concerned about the anticompetitive dangers of trade-name monopolies. He found it hard to believe that giving exclusive rights in a trade name could restrain competition given the large number of alternative words and symbols available to competitors.[137] Clark also placed much more weight on the unfairness of someone free riding on a mark owner's hard-earned goodwill.[138] Moreover, whereas Hand and Frank saw consumer interests served by limits on monopolies, enhanced competition, and lower prices, Clark, in at least one case, equated consumer interests with a formal autonomy value.[139] He argued, in effect, that confusion by itself harmed consumers even when they ended up with a high-quality product at a lower price.[140]

2. *1953–1960: The Rift Repairs.*—Thus, the law of the Second Circuit was in a muddle by the early 1950s. Judge Frank noted the developing inconsistency as early as 1948,[141] and Judge Clark complained

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[136] *Id.* at 179 ("[T]here is the strongest possible reason for not reading the language [of Section 1114] literally, because to do so would frequently result in great hardship to others, and give to the first user of a mark a wholly unjustified power to preempt new markets."); *see also id.* at 180 ("If Congress really meant to allow every first user of a mark so to stifle all excursions into adjacent markets upon showing no more than that confusion would result, it seems to us that it would have said so more clearly.").

[137] *See* Best & Co. v. Miller, 167 F.2d 374, 378 (2d Cir. 1948) (Clark, J., dissenting) ("Moreover, it seems obvious that in the case of a trade name there is nothing like the same opportunity for burdensome monopoly and restriction on scientific advances which experience has shown to exist in the grant of a patent. The resources of the English language are such that a defendant may be required without undue hardship to choose his own formula or slogan to exploit without riding upon the successful advertising of another.").

[138] *See Hyde Park Clothes*, 204 F.2d at 228–29 (Clark, J., dissenting) (claiming "equal repugnance for the excesses of American advertising as for the attempts at a 'free ride' upon a business reputation built up by others"); LaTouraine Coffee Co. v. Lorraine Coffee Co., 157 F.2d 115, 119 (2d Cir. 1946) (stating that "one cannot ride upon another's coattails in the inevitable process of becoming bigger"); *id.* at 118 (noting that a firm that invests in building the "drawing power" of its mark "can obtain redress if another poaches upon the commercial magnetism of the symbol he has created" (quoting Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203, 205 (1942)) (internal quotation marks omitted)); *Johnson II*, 175 F.2d at 182–83 (Clark, J., dissenting) (noting that "[t]he question is insistently asked [by many] why . . . it is necessary to permit another to reap the rewards of the diligence and money expended by the original exploiter").

[139] *Hyde Park Clothes*, 204 F.2d at 228 (Clark, J., dissenting) (quoting the first entry in the Lanham Act's statement of "Basic Purposes" to the effect that the public should be able to rely on trademarks to get what it "asks for and wants to get").

[140] *Id.* ("I think it important that women, when being led to buy the somewhat lower priced goods of defendant, should not be also led to think that they are getting goods backed up with the plaintiff's long established reputation in the garment industry."). *But see Johnson II*, 175 F.2d at 180–81 (Clark, J., dissenting) (suggesting that consumer interests were subordinated in the passage of the Lanham Act).

[141] *See* Triangle Publ'ns, Inc. v. Rohrlich, 167 F.2d 969, 981 (2d Cir. 1948) (Frank, J., dissenting) (referring to a Second Circuit case decided just one month earlier and warning that "anyone reading the

in 1953 that decisions varied by "the chance of the assignment calendar."[142] During this period, the court divided into two camps and the decisions split accordingly. Judges Chase and Augustus Hand usually aligned with Judge Clark and the liberal infringement approach, while Judge Swan tended to join with Judges Learned Hand and Jerome Frank in applying the more restrictive approach.[143] Moreover, the doctrinal muddle reflected a deeper normative divide.[144]

However, during the latter half of the 1950s, Second Circuit doctrine began to settle gradually in favor of Judge Clark's confusion-only approach. The precise reasons for the change are not clear, but there are some likely contributing causes. One is the changing composition of the court. By 1954, all of the permanent judges who shaped the law during the 1940s had taken senior status except Clark and Frank. When Judge Frank died in 1957, Judge Clark was the only remaining active judge with a personal stake in the Second Circuit's earlier trademark jurisprudence.[145] This turnover may

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decision in [that] case and the decision here will be in considerable confusion about the doctrine of confusion in this circuit").

[142] *Hyde Park Clothes*, 204 F.2d at 226 (Clark, J., dissenting) ("Plaintiff-appellant has had the misfortune—so it seems to me—to come before a panel of this court allergic to the doctrine . . . of protecting trade names against competition which will create confusion as to the source of goods sold under such names."). It is worth noting that in many of the trademark cases that involved confusion theories and that had Judge Frank and Judge Clark sitting on the same panel, one of the two judges was in the majority and the other was in dissent. *See, e.g.*, *id.* at 224, 226 (considering noncompeting products with Judge Frank joining the majority opinion and Judge Clark dissenting); *Triangle Publ'ns*, 167 F.2d at 970, 974 (considering noncompeting products with Judge Clark joining the majority opinion and Judge Frank dissenting); *Best & Co.*, 167 F.2d at 375, 378 (considering competing products with Judge Frank joining the majority opinion and Judge Clark dissenting); *LaTouraine Coffee Co.*, 157 F.2d at 116, 119 (considering competing products with Judge Clark writing the majority opinion and Judge Frank dissenting). Indeed, there was "incessant conflict" between Judges Clark and Frank and it was not limited to trademark law. MARVIN SCHICK, LEARNED HAND'S COURT 32 (1978).

[143] *See* 4 MCCARTHY, *supra* note 15, § 24:56 (describing the two camps). For examples of cases where the liberal approach prevailed, see Admiral Corp. v. Penco, Inc., 203 F.2d 517 (2d Cir. 1953); Speed Prods. Co. v. Tinnerman Prods., Inc., 179 F.2d 778 (2d Cir. 1949); and *Triangle Publ'ns*, 167 F.2d at 969 (over a Frank dissent). For cases where the more restrictive approach won the day, see *Hyde Park Clothes*, 204 F.2d at 223 (over a Clark dissent); Fed. Tel. & Radio Corp. v. Fed. Television Corp., 180 F.2d 250 (2d Cir. 1950); *Johnson II*, 175 F.2d at 176 (over a Clark dissent). The split also influenced some competing products cases. *See, e.g.*, *Best & Co.*, 167 F.2d at 374 (Frank and Swan with Clark dissenting); *LaTouraine Coffee Co.*, 157 F.2d at 115 (Clark and Chase with Frank dissenting).

[144] *See supra* notes 136–40 and accompanying text. Judges Hand and Frank emphasized the dangers of monopoly, criticized the reliance on free-riding rationales, and valued the long-run consumer benefit from competition. Judge Clark, on the other hand, noted the unfairness of free riding, criticized exaggerated concerns about monopoly, and seemed to value formal consumer autonomy.

[145] Judge Learned Hand took senior status in 1951; Judge Swan, a strong supporter of Judges Hand and Clark, did so in 1953. MORRIS, *supra* note 85, at 130, 141. Judge Augustus Hand took senior status in 1953 and died in 1954. *Id.* at 142. Judge Chase also took senior status in 1954. *Id.* at 143. It is also notable that many of their replacements had relatively short tenures. For example, Judge Medina, who replaced Judge Learned Hand, was forced into semi-retirement after approximately seven years, in 1958 (Judge Henry Friendly took his spot). Similarly, Judge Swan's replacement assumed senior status after only about five years, in 1959. Finally, Judge Augustus Hand's replacement, John Marshall Harlan,

well have given Clark considerable power on the court, perhaps reinforced by his serving as Chief Justice from 1954 to 1958.

Whatever the reason, Judge Clark's approach became the focus of infringement analysis during the 1950s. Moreover, Clark elevated the importance of the *Restatement*'s multifactor likelihood of confusion test. During the 1940s and early 1950s, the *Restatement* was seldom cited, and the court never invoked the *Restatement* factors in a systematic way. However, Judge Clark endorsed the *Restatement*'s test in his *Hyde Park Clothes* dissent and even suggested that the *Restatement* might be relevant to construing the Lanham Act itself.[146] As we shall see in Part II.C, the *Restatement* factors played an important role in the Second Circuit's formal adoption of the first multifactor likelihood of confusion test in 1961.

Still, it is important not to overstate the trend of the case law between 1953 and 1960. Few trademark cases during this period involved noncompeting products. Moreover, in one case, decided in 1960, the court seemed to breathe new life into the Hand–Frank restrictive approach, although perhaps only for determining the scope of relief rather than for finding infringement.[147] In any event, the conflicting precedent from the 1940s and early 1950s was too powerful to ignore and continued to haunt Second Circuit trademark jurisprudence until Judge Friendly worked legal magic.

C. 1961–1962: The Likelihood of Confusion Test Emerges

Judge Friendly's opinion in *Polaroid Corp. v. Polarad Electronics Corp.*[148] launched the modern multifactor test for likelihood of confusion

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served only two years before being appointed to the United States Supreme Court. *See id.* at 173–74, 177.

[146] 204 F.2d at 228–29 (Clark, J., dissenting).

[147] Avon Shoe Co. v. David Crystal, Inc., 279 F.2d 607, 612–13 (2d Cir. 1960). The owner of the registered mark HAYMAKERS for men's, women's, and children's shoes sued the seller of HAYMAKER stylish sportswear for women. *Id.* at 609. The court denied an injunction despite finding likely confusion. It reasoned that an injunction does not automatically issue against an innocent use on noncompeting products and that there was no significant reputation risk or likely entry in the case, the defendant's mark was adopted in good faith, and the plaintiff delayed before bringing suit. *Id.* at 613–14. Judge Clark voted with the majority, which is strange given the court's strong endorsement of the earlier Judge Hand opinions and the reputation injury and market foreclosure requirements. *Id.* (approving the old limiting principles as "well beyond judicial reconsideration at this late date"). Judge Clark's vote is less puzzling if one assumes he understood the decision as about remedy rather than liability. He had no problem with counting reputation and market foreclosure harms as part of a traditional balance of equities for injunctive relief. *See, e.g.*, *Johnson II*, 175 F.2d at 181 (Clark, J., dissenting) (suggesting that the competing equities might be better worked out by adjusting the remedy than by denying liability on the basis of remote trademark owner injury).

[148] 287 F.2d 492 (2d Cir. 1961). The plaintiff owned the registered mark POLAROID and sold a variety of optical and photography products, including some involving television uses. The defendant used the mark POLARAD to sell microwave devices and television studio equipment. *Id.* at 493–94.

and influenced the adoption of similar tests in other circuits.[149] Judge Friendly's analysis is a tour de force. He replaced the conflicting Second Circuit precedent with a single infringement test and relied in part on sections 729 and 731 of the *Restatement* for authority.[150] The resulting multifactor test diluted the Hand–Frank injury requirements by converting them from threshold requirements into mere factors in an eight-factor balancing test aimed at estimating the likelihood of confusion. Friendly's test instantiated Clark's confusion-only approach, but did so without offering any policy reason for focusing exclusively on confusion and ignoring harm.[151] Nevertheless, the test was flexible and open-ended enough to accommodate a range of views,[152] and it ended up quieting, though not resolving, the tensions that had plagued the court's trademark jurisprudence for almost twenty years.

The *Polaroid* test included the following eight factors:

> the strength of [the plaintiff's] mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers.[153]

Most important, the Hand–Frank requirement of reputation injury was reduced to "the quality of defendant's product" and likely market entry became "the likelihood that the prior owner will bridge the gap."[154] In this way, what had been two gatekeeping requirements entitled to priority in the

[149] *See* 4 MCCARTHY, *supra* note 15, § 24:32 ("The history and development of the test of infringement in the Second Circuit has been immensely influential in the development of United States law . . . ."); *see also infra* note 165 and accompanying text (illustrating that the Second Circuit's multifactor test has influenced the tests adopted in other circuits).

[150] *Polaroid*, 287 F.2d at 495.

[151] *See id.* at 495–96 (making multiple references to the need to show likelihood of confusion in order to "bring into play . . . the Lanham Act" without explicitly mentioning any need to show reputation harm or product market expansion); *see also supra* Part II.B.1 (distinguishing Judge Clark's expansive confusion-only approach from Judge Hand's and Judge Frank's more restrictive view). Of course, I cannot know what was really in Judge Friendly's mind when he formulated the *Polaroid* test, and in particular whether he wanted to get rid of the Hand–Frank requirements. That is certainly the result of what he did, and I suspect he found that result congenial.

[152] *See* 4 MCCARTHY, *supra* note 15, § 24:57 ("The *Polaroid* factors proved to be the pattern on which eventually all of the judges could acquiesce and construct their opinions.").

[153] *Polaroid*, 287 F.2d at 495 (adding that the factors were not meant to be exclusive). Many of the *Polaroid* factors map into the *Restatement* factors. For example, the strength of the mark, similarity between the marks, and proximity of the products have (differently worded) analogues in the section 731 factors. Further, the "reciprocal of defendant's good faith" clearly refers to the *Restatement*'s intent factor, and buyer sophistication is the same as degree of purchaser care. *Compare id.* (listing the Second Circuit's likelihood of confusion factors), *with* 3 RESTATEMENT OF TORTS § 731 & cmt. a (1938) (listing the *Restatement*'s nine factors, "which are generally important" but not necessarily "exclusive").

[154] *Polaroid*, 287 F.2d at 495; *see also supra* Part II.B.1.a (presenting Judge Hand's and Judge Frank's restrictive approach to infringement).

analysis were transformed into two factors that could be outweighed by other factors or even ignored completely, all with the goal of determining whether confusion was likely without regard to seller or consumer harm.[155]

The *Polaroid* case itself is a good example of how the multifactor test can subordinate the Hand–Frank injury requirements. Although the case was ultimately decided on laches grounds, the court briefly discussed how its new multifactor test might apply to the facts. Concluding that the plaintiff might have been "entitled to at least some injunctive relief if it had moved with reasonable promptness," the court emphasized the strength of the plaintiff's mark, the similarity of the marks, and the proximity of the party's television-related products.[156] Remarkably, it ignored the two factors—product quality and bridge the gap—that embodied the Hand–Frank injury requirements. This is especially striking because the defendant emphasized that its products were high quality and that the likelihood of plaintiff's entry was slim.[157] The court did not dispute either point but chose to ignore both in its discussion of likely confusion.[158]

Polaroid is best viewed as a transitional opinion, straddling both sides of the Second Circuit divide while trying to mask the conflict. It gives something to each side even as it sets the stage for a more definitive move to a multifactor, confusion-only test. That definitive move came one year later, in *Triumph Hosiery Mills, Inc. v. Triumph International Corp.*[159]

The *Triumph Hosiery* court opened its discussion with the telling observation that while "it is difficult to reconcile all the decisions of this court . . . , we think the full Bench of the court would now accept the propositions set forth in the opinion in [*Polaroid*]."[160] It then proceeded to quote the *Polaroid* court's statement of the multifactor test. Judge Hincks,

[155] It is more than a little ironic that the *Polaroid* court enlisted the original *Restatement* for a confusion-only approach to infringement when the comments to section 730 of the *Restatement* made clear that the only basis for recovery was reputation injury or market foreclosure. *See supra* notes 71–72 and accompanying text; *see also* 3 RESTATEMENT OF TORTS § 730 cmt. b (1938) ("[T]he interest in a trade-mark or trade name is protected . . . only within the limits fixed by the likelihood of confusion . . . . The issue in each case is whether the [products] of the actor and of the other are sufficiently related so that the alleged infringement would subject the good-will and reputation of the other's trade-mark or trade name to the hazards of the actor's business."); *id.* § 731 cmt. c ("Confusion and difficulty would be caused if normal expansion of a business were impeded by inability to expand correspondingly the scope of a trade-mark used in the business.").

[156] *Polaroid*, 287 F.2d at 496.

[157] *Id.* at 495.

[158] To be sure, Judge Friendly judiciously quoted a passage from one of Judge Learned Hand's opinions, in which Judge Hand states that a trademark owner has only its reputation and market-entry interests to protect in noncompeting-products cases. *Id.* at 497–98 (quoting Dwinell-Wright Co. v. White House Milk Co., 132 F.2d 822, 824–25 (2d Cir. 1943)). But that case involved a laches defense, and Judge Friendly quoted and cited it in *Polaroid* only to support the availability of laches for injunctive relief. Neither the case nor the quote is referred to at all in the infringement discussion.

[159] 308 F.2d 196 (2d Cir. 1962).

[160] *Id.* at 198.

for the court, emphasized that likelihood of source confusion is the "touchstone" of infringement under the Lanham Act.[161] Furthermore, he explained that Hand's and Frank's traditional reputation-injury and market-foreclosure limitations were now merely factors in the multifactor test, entitled to no particular priority and subject to being outweighed by other factors:

> It will be observed that this broadly stated summary [of the multifactor test in *Polaroid*] includes the two conditions . . . which Judge L. Hand . . . thought should limit the extension of a trade-mark to cover related goods . . . . The Polaroid summary recognizes that the reach of the trade-mark beyond its owner's present use depends upon factors which are variable and relative, none of which standing alone constitutes the sole criterion.[162]

After *Polaroid* and *Triumph Hosiery*, judges in the Second Circuit gradually embraced the multifactor test.[163] Moreover, judges elsewhere followed the Second Circuit's lead and formulated their own multifactor likelihood of confusion tests.[164] Although these tests differed somewhat in the factors they included, many of them were influenced by *Polaroid*, *Triumph Hosiery*, and other Second Circuit precedent.[165]

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[161] *Id.* at 200.

[162] *Id*. at 198. The court also selectively and creatively interpreted Judge Hand's opinions to support the *Polaroid* approach, even though none of those opinions actually offered any support. *See id*. at 198–99. The court, for example, cited Hand's endorsement of an equitable balance between the interests of the trademark owner and the interests of the defendant as support for *Polaroid*'s balancing test. *Id*. But Hand's equitable balance had nothing to do with estimating the probability of confusion. It instead had to do with the normative basis for liability and the importance of gatekeeping requirements.

[163] *See* 4 MCCARTHY, *supra* note 15, § 24:57 (noting that the *Polaroid* factors became the accepted mode of analysis in the Second Circuit). Second Circuit judges did not always apply the test in the same way. *See id*. § 24:58 (claiming that some judges turned back to the Hand–Frank restrictive view during the late 1970s and early 1980s).

[164] *See id*. §§ 24:30–:43 (describing the multifactor tests in each of the circuits). For many years, courts tended to apply a simpler version of the test to competing products cases. This simpler version focused mainly on the similarity of the two marks. If the marks were similar enough and the plaintiff's and defendant's products competed directly, a finding of likelihood of confusion usually followed. *See, e.g.*, AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir. 1979) (noting that when goods compete, "infringement usually will be found if the marks are sufficiently similar that confusion can be expected"). More recently, however, there has been a strong trend toward applying the full-blown likelihood of confusion test to competing as well as noncompeting products cases. *See* 4 MCCARTHY, *supra* note 15, § 24:22.

[165] In most circuits, there is a key opinion that establishes the multifactor test for that circuit, and the factors are often named after that opinion, as in the "*Polaroid* factors." Many of these key opinions either cite *Polaroid* or *Triumph Hosiery* (or both), or cite to cases that in turn trace back through successive citations to Second Circuit precedent. *See, e.g.*, Interspace Corp. v. Lapp, Inc., 721 F.2d 460, 462–63 (3d Cir. 1983) (citing two Second Circuit opinions, including *Polaroid*); Frisch's Rests., Inc. v. Elby's Big Boy, Inc., 670 F.2d 642, 648 (6th Cir. 1982) (citing *Sleekcraft*, 599 F.2d at 341, which cites *Triumph Hosiery* and the *Restatement*); Pignons S. A. de Mecanique de Precision v. Polaroid Corp., 657 F.2d 482, 487 (1st Cir. 1981) (citing Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc., 616 F.2d 440, 443 (9th Cir. 1980), which relies on *Sleekcraft*, which in turn relies on *Triumph Hosiery*); SquirtCo v. Seven-Up Co., 628 F.2d 1086, 1091 (8th Cir. 1980) (citing Second Circuit precedent that traces all the

D. The Lessons of History

The history of the multifactor test helps explain many of the deficiencies described more fully in Part III below. For example, the internal incoherence of the test results from the fact that it combines factors that served different functions historically. Similarity of the marks, proximity of the products, actual confusion, and buyer sophistication have always been relevant to estimating the probability of confusion.[166] However, the likelihood that the prior owner will bridge the gap and the quality of the defendant's product served a different function historically, a function tied to Judge Hand's and Judge Frank's restrictive approach and not to Judge Clark's confusion-only approach. Bridge the gap and comparative quality were gatekeeping requirements that guarded against anticompetitive trademark suits.

Moreover, the test's genesis as an ad hoc compromise without a guiding policy rationale contributes to its vague and open-ended character. Also, focusing on consumer confusion alone naturally leads to conceiving the ultimate goal of trademark law as preventing any type of confusion, including confusion after sale and before sale, which pushes the law in problematic directions. And armed with a confusion-only infringement analysis and a vague and open-ended test, judges have wide latitude to impose liability on questionable grounds—such as anti-free riding—as long as they can find a plausible confusion risk.

Perhaps the most important lesson of this history has to do with the role of harm in the infringement analysis. From the mid-1930s to the mid-1950s, infringement doctrine developed with explicit attention to the harms and benefits of trademark protection. Judges Hand and Frank were attentive to monopoly costs and resistant to basing liability on an anti-free-riding principle.[167] On the other hand, Judge Clark relied on an aversion to free riding and on at least one occasion invoked a strong consumer autonomy value to add support to his construction of the Lanham Act.[168] However, when the Second Circuit instantiated the confusion-only analysis in *Polaroid* and *Triumph Hosiery*, it simply cited the Lanham Act and the *Restatement* without giving any clear policy reason for its new multifactor

way back to *Polaroid*, *Triumph Hosiery*, and Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 543 (2d Cir. 1956)); *Sleekcraft Boats*, 599 F.2d at 348 n.11 (citing *Triumph Hosiery* and the *Restatement*); *see also* Beer Nuts, Inc. v. Clover Club Foods Co., 711 F.2d 934, 940 (10th Cir. 1983) (citing *Sleekcraft* and *Polaroid* as well as other cases); Malarkey-Taylor Assocs., Inc. v. Cellular Telecomms. Indus. Ass'n, 929 F. Supp. 473, 477 (D.D.C. 1996) (citing *Polaroid* for the factors); Dow Corning Corp. v. Applied Power Indus., Inc., 322 F. Supp. 943, 946 (N.D. Ill. 1970) (citing *Polaroid* for confusion factors); La Maur, Inc. v. Alberto-Culver Co., No. 4-70-Civ. 442, 179 U.S.P.Q. 607, 609 n.1 (D. Minn. June 18, 1973) (quoting *Polaroid* for the factors and describing them as "the rationale which the Second Circuit arrived at after years of debate").

166 *See supra* note 39 and accompanying text.

167 *See supra* Part II.B.1.a.

168 *See supra* Part II.B.1.b.

approach.[169] Detached from a convincing normative rationale, the likelihood of confusion test can do great mischief. And it has, as Part III explains.

III. PROBLEMS WITH THE LIKELIHOOD OF CONFUSION TEST

The general multifactor likelihood of confusion test that all the circuits follow in one form or another is flawed along three dimensions.[170] First, it produces bad results. Second, it is doctrinally incoherent. Third, it is inadequately supported on normative grounds. The following discussion explains each of these flaws in turn.

A. Bad Results

The likelihood of confusion test produces bad results in at least two ways. The open-ended nature of the test creates legal uncertainty and generates high litigation costs, which invite frivolous and weak assertions of trademark rights and chill socially valuable uses. Moreover, without a clear supporting rationale to limit its scope, the test is susceptible to broad interpretations that can generate high social costs.

1. Chilling Effects.—Trademark owners often send cease-and-desist letters to alleged infringers, and when a legitimate user capitulates, the trademark owner succeeds in impermissibly extending its rights.[171] The open-ended likelihood of confusion test facilitates this practice. Trademark owners would have little leverage if legitimate users could predict litigation success with confidence and obtain decisions early and at minimal cost. In that case, the user could simply ignore the letter and call the trademark owner's bluff. However, the vague and open-ended nature of the likelihood of confusion test makes success hard to predict even for legitimate users, and the dependence of the test on case-specific facts makes litigation costly.[172]

The combination of uncertainty and high litigation costs creates an environment conducive to frivolous and weak assertions of trademark rights.[173] In this environment, a legitimate user might well agree to a pro-plaintiff settlement, especially if the user is risk averse and less financially secure than the trademark owner. As a result, trademark owners can

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[169] *See supra* Part II.C.

[170] Unless otherwise stated, references to the "likelihood of confusion test" in the rest of this Article refer to the general balancing test that incorporates a number of factors aimed at predicting likely confusion and not to any particular circuit's embodiment of that test.

[171] *See* Lemley & McKenna, *supra* note 5, at 416–18 & n.13, 420; McGeveran, *supra* note 3, at 63–66.

[172] *See, e.g.*, Lemley & McKenna, *supra* note 5, at 420 (noting that many recipients of cease and desist letters capitulate without litigation "rather than face the uncertainty of a lawsuit"); McGeveran, *supra* note 3, at 64–71 (describing these dynamics).

[173] For a discussion of incentives to file frivolous and weak suits in general, see Robert G. Bone, *Modeling Frivolous Suits*, 145 U. PA. L. REV. 519 (1997).

succeed in shutting down expressive and other socially valuable uses simply by threatening suit.[174]

2. Broad Interpretations.—Over the past thirty years or so, courts have given the likelihood of confusion test very broad interpretations that risk high social costs without clear trademark-related benefits. Two examples are noteworthy: expansions in the meaning of intent and expansions in the types of actionable confusion.

First, consider the intent factor, which is included in all but one of the circuits' likelihood of confusion tests.[175] This factor focuses on whether the defendant adopted the mark in bad faith, and it weighs very strongly in favor of likely confusion when it applies.[176] In the nineteenth century, the relevant intent was limited to subjective intent to deceive,[177] but over time it has been construed much more broadly. Intent to deceive can now be inferred merely from the defendant's adoption of a similar mark with knowledge of the plaintiff's prior use.[178] Furthermore, the relevant types of intent reach beyond deception. Some courts are willing to find bad faith intent when the defendant aims only to copy the plaintiff's mark or to free ride on the plaintiff's goodwill without intending to deceive.[179]

These expansions in the meaning of intent create a greater risk that some socially desirable trademark uses will be deterred.[180] For example, a defendant might copy an aesthetically attractive product feature that the plaintiff claims as its mark in order to capture the feature's aesthetic value without meaning to confuse or deceive consumers. When a court finds bad

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[174] Although I am not aware of any empirical studies quantifying the magnitude of this problem, it is worth noting that there is sufficient concern that a website has been created just to deal with the chilling effects of cease and desist letters. *See Chilling Effects*, CHILLING EFFECTS CLEARINGHOUSE, http://chillingeffects.org (last visited Aug. 11, 2012).

[175] Only the Federal Circuit does not include bad faith intent as an explicit factor. *See* 4 MCCARTHY, *supra* note 15, §§ 24:29–:43; Beebe, *supra* note 1, at 1589–90.

[176] Beebe, *supra* note 1, at 1628 ("[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.").

[177] *See* 4 MCCARTHY, *supra* note 15, § 23:113.

[178] *See id.* § 23:115; Beebe, *supra* note 1, at 1630 (noting that "this circumstantial inference is the leading basis for a finding of bad faith intent" today).

[179] *See, e.g.*, Gen. Motors Corp. v. Keystone Auto. Indus., Inc., 453 F.3d 351, 354, 357 & n.1 (6th Cir. 2006) (considering the "defendant's intent in selecting the mark" as one of the likelihood of confusion factors and counting in favor of liability the fact that the defendant copied the design of the plaintiff's grilles without requiring any direct evidence of intent to deceive); Ferrari S.P.A. Esercizio v. Roberts, 944 F.2d 1235, 1242–43 (6th Cir. 1991) (focusing on the defendant's intent to capitalize on the plaintiff's goodwill and reputation); Perfect Fit Indus., Inc. v. Acme Quilting Co., 618 F.2d 950, 954 (2d Cir. 1980) ("If there was intentional copying the second comer will be presumed to have intended to create a confusing similarity of appearance and will be presumed to have succeeded.").

[180] Professor McCarthy, in his treatise, cautions against equating intent to confuse with intent to copy. *See* 4 MCCARTHY, *supra* note 15, § 23:113. The *Restatement (Third) of Unfair Competition* includes a similar warning. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 22(2) & cmt. c (1995).

faith intent on the basis of this copying and then infers likely confusion, it risks giving trademark owners the power to impede healthy competition in the product market.[181]

Judicial recognition of broader types of actionable confusion is another example of problematic expansion in the scope of the likelihood of confusion test. The Lanham Act does not define "confusion," and the likelihood of confusion test itself does nothing to clarify the meaning of the term. Nor do any of the various formulations of the test include an account of why confusion is harmful. The likelihood of confusion test merely instructs courts to determine whether "confusion" is likely. Many judges have followed this instruction quite literally by broadly giving credit to any possible way that consumers might be confused.[182]

For example, actionable confusion now includes confusion not only about whether the plaintiff is selling the defendant's product but also about whether the plaintiff has licensed use of its mark. Thus, Anheuser-Busch, the beer brewing company that owns the registered MICHELOB trademark, managed to obtain an injunction against a humor magazine to stop a parody ad for "Michelob Oily."[183] The court's rationale was not that readers might believe Anheuser-Busch sold "Michelob Oily" beer or was involved with the (fictional) company that did, but rather that they might think Michelob authorized the use of its mark in the parody.[184]

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[181] It is true that the functionality doctrine is supposed to protect the defendant in circumstances like these, but the effectiveness of this doctrine is rather limited, especially as applied to aesthetic trade dress. As a result, inferring likely confusion from intent to copy sometimes gives the trademark owner a litigating advantage that he should not have. *See* Bone, *supra* note 13, at 2155–81. The reason has to do with the nature of the aesthetic functionality test. That test turns on whether protecting the aesthetic features in question would confer a "significant non-reputation-related disadvantage" on competitors, which in turn requires a factual inquiry into the availability of alternative, nonconfusing designs with similar aesthetic appeal. TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 33 (2001) ("It is proper to inquire into a 'significant non-reputation-related disadvantage' in cases of esthetic functionality . . . ."). The test's highly fact-specific inquiry into alternatives makes summary judgment difficult to obtain, which in turn makes it easier for plaintiffs to obtain favorable settlements in anticompetitive strike suits. *See* Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 213–14 (2000) (referring to the risk of "anticompetitive strike suit[s]" and noting that "[c]onsumers 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 facilitates plausible threats of suit against new entrants . . . . It is true, of course, that the person seeking to exclude new entrants would have to establish the nonfunctionality of the design feature . . . . Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit . . . .").

[182] *See, e.g.*, Kos Pharm., Inc. v. Andrx Corp., 369 F.3d 700, 711 (3d Cir. 2004) ("The [Lanham] Act is now broad enough to cover 'the use of trademarks which are likely to cause confusion, mistake, or deception *of any kind*, not merely of purchasers nor simply as to source of origin.'" (quoting Syntex Labs., Inc. v. Norwich Pharmacal Co., 437 F.2d 566, 568 (2d Cir.1971) (emphasis added))). *See generally* Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 295 (3d Cir. 2001) (arguing that the 1962 amendment to § 1114 of the Lanham Act authorized judicial expansions to include initial interest confusion).

[183] Anheuser-Busch, Inc. v. Balducci Publ'ns, 28 F.3d 769, 771–72, 777–78 (8th Cir. 1994).

[184] *Id.* at 775.

Moreover, trademark owners can enjoin uses that do not confuse buyers at the point of purchase. For example, Levi Strauss & Company (Levi) was able to use a post-sale confusion theory to stop Lois Sportswear, U.S.A. from selling designer jeans with a stitching pattern that looked like the famous Levi's pattern.[185] The court worried that third parties viewing purchased jeans worn in public might infer from the stitching pattern that they were Levi's jeans. It did not matter to the court that the infringer sold "designer" jeans and that consumers might benefit from having this new product.[186]

Also, in recent years, courts have used an initial-interest confusion theory to enjoin use of competitors' marks to attract consumers to websites. For example, Brookfield Communications, an Internet provider of movie information, was able to stop West Coast Entertainment (West Coast), an Internet video rental and movie information supplier, from using Brookfield's mark, MOVIEBUFF, as part of a website meta-tag.[187] An Internet user inputting "moviebuff" into a search engine would pull up a list of sites that included Brookfield's and West Coast's domain names.[188] Although the user was not likely to be confused about any connection with Brookfield after visiting West Coast's site, it was enough for the court that the user might click on West Coast's site, mistakenly believing it to be related to Brookfield's because it appeared in the same search results.[189]

While these expansions have their supporters, critics blame them for many of the most problematic trademark decisions in recent years. For example, broad reliance on sponsorship confusion can prevent expressive uses of marks, such as the "Michelob Oily" parody.[190] Post-sale confusion can be used to confer exclusivity over product features that have consumption value, such as Levi's unique stitching pattern, and, as a result, can impede competition and discourage innovation.[191] And initial-interest

[185] Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 868 (2d Cir. 1986); *see also* Bone, *Hunting Goodwill*, *supra* note 35, at 609–11 (discussing the case and noting that it revived the post-sale confusion theory).

[186] *Lois Sportswear*, 799 F.2d at 870–73.

[187] Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1041–42, 1066 (9th Cir. 1999).

[188] *Id.* at 1042–45.

[189] *Id.* at 1062–66. *But see* Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 638 F.3d 1137, 1148–49 (9th Cir. 2011) (limiting *Brookfield Commc'ns*, 174 F.3d at 1036, mainly to domain name disputes).

[190] *See* Anheuser-Busch, Inc. v. Balducci Publ'ns., 28 F.3d 769 (8th Cir. 1994); *see also* Mut. of Omaha Ins. Co. v. Novak, 836 F.2d 397, 402 (8th Cir. 1987) (enjoining use of Mutual of Omaha's marks in an antinuclear-proliferation message); Am. Dairy Queen Corp. v. New Line Prods., Inc., 35 F. Supp. 2d 727, 728, 732 (D. Minn. 1998) (granting preliminary injunction against film company's use of *Dairy Queens* as the title of a "mockumentary" about a Midwestern beauty pageant).

[191] *See* Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867 (2d Cir. 1986); *see also, e.g.*, Gen. Motors Corp. v. Keystone Auto. Indus., Inc., 453 F.3d 351, 356–59 (6th Cir. 2006) (using post-sale confusion theory to enjoin the sale of after-market replacement grilles for plaintiff's

confusion can deter creative uses of the Internet that reduce consumer search costs and provide easy access to information about comparative quality and price.[192]

B. Doctrinal Incoherence

The bad results illustrated in Part III.A are in fact symptoms of problems internal to the likelihood of confusion test itself. One of these problems has to do with doctrinal incoherence. Most circuits consider factors that make little sense for a test that aims to measure probabilities and factors that, while relevant to estimating the probability of confusion, perform other functions that do not obviously fit a confusion analysis. The following discussion considers four of these problematic factors: (1) bridge the gap, (2) comparative product quality, (3) strength of the mark, and (4) defendant's intent.[193]

1. Bridge the Gap.—The bridge-the-gap factor refers to the possibility that the trademark owner might enter the defendant's noncompeting product market and sell the same product as the defendant sells.[194] As Part II.B.1.a showed, this factor started out as a gatekeeping requirement that focused on seller harm and required a showing of actual plans to enter the defendant's market. In this form, bridge the gap had nothing at all to do with the probability of consumer confusion. After all, the plaintiff's plans cannot possibly affect consumer perceptions when consumers know nothing about those plans.

The incorporation of this factor into the test for predicting likely confusion has altered its meaning and greatly reduced its significance.[195] Many courts and commentators today treat it as calling not for a subjective inquiry into the plaintiff's plans but rather for an objective inquiry into whether firms similar to the plaintiff have a tendency, in general, to enter product markets like the defendant's.[196] The idea is that if consumers

automobiles); Reebok Int'l Ltd. v. Sung Hwa Int'l Corp., 6 U.S.P.Q.2d 1233 (S.D.N.Y. 1987) (using post-sale confusion theory to issue a preliminary injunction against a sneaker producer's use of the plaintiff's "stripecheck" design).

192 *See* Goldman, *supra* note 83.

193 *See* 4 MCCARTHY, *supra* note 15, §§ 24:29–:43; Beebe, *supra* note 1, at 1584.

194 *See* 4 MCCARTHY, *supra* note 15, § 24:18.

195 It is significant, I believe, that despite playing a major role historically, today this factor appears in the tests of only five circuits, a result perhaps of its questionable relevance to likely confusion. *See id.* §§ 24:29–:43; Beebe, *supra* note 1, at 1584.

196 *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 cmt. j (1995) (noting that consumer perception is what really counts—not actual plans—because the test focuses on likely confusion, not harm); 4 MCCARTHY, *supra* note 15, § 24:19 (collecting cases that support the proposition that "[i]n determining possible expansion of a product line, it is the ordinary customer's perception of possible expansion that counts, whether that perception comports with the reality of the senior user's actual plans or not"); *see also* Lambda Elecs. Corp. v. Lambda Tech., Inc., 515 F. Supp. 915, 926 (S.D.N.Y. 1981)

believe that firms like the plaintiff's usually sell products like the defendant's, then they may conclude that the plaintiff itself is actually selling the defendant's products or is at least involved with the defendant's operation in some way.

The problem is that the objective version of the bridge-the-gap factor collapses into another factor present in all the tests: proximity of the products.[197] The proximity factor focuses on whether "the goods [of the plaintiff and the defendant] are similar enough that a customer would assume they were offered by the same source."[198] But this is exactly the same question that the objective version of the bridge-the-gap factor asks: Whether consumers would believe, based on the similarity of the products, that the plaintiff has actually entered the defendant's market and is selling the defendant's products or is involved with the defendant in some way.

As a result, the bridge-the-gap factor has no independent role to play in the infringement analysis. It is either irrelevant to likely confusion or redundant of proximity. The empirical evidence confirms this conclusion. One study reveals that the bridge-the-gap factor has only a very weak effect on results.[199] This is a remarkable fate for a factor that once had key importance as a gatekeeper. But it should not be surprising. The bridge-the-gap factor fits awkwardly into a likelihood of confusion test that focuses exclusively on probabilities and ignores harm.

2. Comparative Product Quality.—The comparative-quality factor has had a similar fate. This factor compares the quality of the defendant's product with that of the plaintiff's.[200] Like bridge the gap, comparative quality played a central role as a gatekeeper in the mid-twentieth century: when the defendant's product was lower quality compared to the plaintiff's, the defendant's use of a similar mark in a noncompeting market risked harming the plaintiff's reputation. But as courts shifted away from harm and toward a confusion-focused test, the comparative-quality factor collapsed into the proximity-of-goods factor and lost its original significance.

(noting the two distinct aspects of the bridge-the-gap factor: a defendant's actual plans to enter and consumers' perceptions that similar companies generally do expand).

[197] *See* Beebe, *supra* note 1, at 1591 (listing product proximity as a factor in the likelihood of confusion tests for all the circuits).

[198] Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 286 (3d Cir. 2001) (citing Wynn Oil Co. v. Thomas, 839 F.2d 1183, 1187 (6th Cir. 1988)); *see* 4 MCCARTHY, *supra* note 15, § 24:19.

[199] *See* Beebe, *supra* note 1, at 1644 (noting that "courts either ignore . . . or bend" the bridge-the-gap factor "to conform to the outcome of the test" dictated by other factors).

[200] *See* 4 MCCARTHY, *supra* note 15, § 24:15. Only two circuits include comparative quality as an explicit factor in their formulations of the likelihood of confusion test. *See id.* §§ 24:29–:43; Beebe, *supra* note 1, at 1584.

It is easy to see why. When the focus is on probability of confusion, relative quality is relevant in an opposite way than when the focus is on harm. The inferior quality of an allegedly infringing product may reduce the likelihood of confusion by making the relevant products appear less similar so that consumers are less likely to believe the plaintiff is involved.[201] In contrast, when the parties' products are of comparable quality, they appear more similar so that consumers are more likely to be confused into thinking that the plaintiff is involved.[202] Thus, when comparative quality is made part of the confusion-only test, it becomes redundant of the proximity-of-goods factor. Comparative quality affects the similarity of the products, which is exactly what the proximity factor is designed to measure.

Like bridge the gap, comparative quality adds nothing to predicting likely confusion that other factors do not already supply. And once again, the empirical evidence confirms this conclusion.[203] Indeed, one commentator has observed:

> Perhaps more than any other, the quality factor is an embarrassment to the multifactor test, and not simply because tarnishment should have no relevance to a finding of fact as to the likelihood of consumer confusion, nor because similarity in quality should already be addressed under the proximity factor, but because the factor is so utterly pliable.[204]

This should not be surprising. Divorced from its original gatekeeping role, comparative quality has no obvious function to perform.

3. Strength of the Mark.—The strength-of-the-mark factor focuses on the strength of the plaintiff's mark, and as I explain below, strength depends on both inherent distinctiveness and secondary meaning.[205] This factor started out, however, as a simple distinction between technical trademarks and trade names. As the history in Part II recounts, the Hand–Frank restrictive approach was limited to "trade names" (descriptive, geographic, and personal name marks requiring secondary meaning), and "technical trade-marks" (fanciful, arbitrary, and suggestive marks that were inherently distinctive) were given broader protection.[206] When Judge Friendly

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[201] *See* 4 MCCARTHY, *supra* note 15, § 24:15 (noting that the "radically lower" quality of a junior user's goods "might reduce the probability of confusion because buyers could be less likely to assume that a high quality producer would be responsible for the low quality goods or services of the junior user").

[202] *See, e.g.*, Landscape Forms, Inc. v. Columbia Cascade Co., 117 F. Supp. 2d 360, 367 (S.D.N.Y. 2000) (noting that the similar quality of the parties' product lines weighs in favor of infringement); *see also* Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 875 (2d Cir. 1986) (using the high quality of the defendant's jeans as a reason supporting likely confusion).

[203] *See* Beebe, *supra* note 1, at 1644.

[204] *Id.* at 1644–45.

[205] *See* 4 MCCARTHY, *supra* note 15, § 24:49 ("The more 'famous' and 'well known' a plaintiff's mark, the greater the likelihood that use on noncompetitive products will cause confusion.").

[206] *See supra* notes 90–96 and accompanying text.

formulated the first multifactor likelihood of confusion test in 1961, he transformed this precedent into the "strength of the mark" factor.[207] Today, every circuit court considers this factor as part of the likelihood of confusion test, and the empirical evidence shows that it exerts a strong influence on results.[208]

The problem is that mark strength has no obvious relationship to likely confusion. Courts measure the strength of a mark in two different ways: by whether the mark is inherently distinctive (called inherent or conceptual strength) and by how much secondary meaning it has (called acquired or market strength).[209] For example, a court is likely to consider AFARION inherently strong for shampoo simply because it is fanciful. Moreover, the descriptive mark FISH-FRI for a batter mix used to fry fish will have more acquired strength the more secondary meaning it has. However, neither inherent strength nor acquired strength bears an obvious relationship to the likelihood that consumers will be confused.

First, consider inherent strength. Assuming both marks have the same degree of secondary meaning, it is unclear why consumers should be more confused by seeing AFARION, a fanciful mark, on defendant's shampoo than by seeing FISH-FRI, a descriptive mark, on a competing batter mix. In both cases, consumers, seeing the same mark on the defendant's shampoo and associating it with the plaintiff, might assume that the plaintiff is the source of (or in some way connected with) the defendant's shampoo. Why then should the intrinsic nature of the mark make a difference to the likelihood of confusion when each mark's secondary meaning is the same?

One might argue that consumers are more likely to remember a fanciful mark like AFARION than a descriptive mark like FISH-FRI. However, merely recalling a symbol is not enough to create likely confusion. For a court to find that consumers are confused about source or sponsorship, consumers must treat AFARION as a source-identifying mark for the plaintiff's shampoo. Whether consumers actually do so is a matter of secondary meaning, not inherent distinctiveness. After all, if FISH-FRI has strong secondary meaning, consumers are likely to recall it even though it is a descriptive mark. Perhaps an unusual word like AFARION is more likely to capture consumer attention and distract consumers from contextual clues that mitigate confusion, but the same thing is true for descriptive marks like FISH-FRI that have strong secondary meaning.

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[207] I say "transformed" because that is exactly what he did. As Part II explains, Judge Hand distinguished categorically between "technical trade-marks" and "trade names" because he believed the risk of monopoly costs was higher for the latter. "Strength of the mark," on the other hand, is not a categorical distinction. Strength is treated as a continuous variable, and the strength of the mark factor has nothing to do with guarding against monopoly costs.

[208] Beebe, *supra* note 1, at 1612, 1620.

[209] *See, e.g.*, Virgin Enters. Ltd. v. Nawab, 335 F.3d 141, 147 (2d Cir. 2003) (describing the concepts as "inherent distinctiveness" and "acquired distinctiveness," respectively (internal quotation marks omitted)).

At least one court has tried to explain the relationship between inherent strength and likely confusion by relying on the relatively small probability that another firm would independently choose the same arbitrary or fanciful mark: "If a mark is arbitrary or fanciful," the court reasoned, "consumers who see the mark on different objects offered in the marketplace will be likely to assume, because of the arbitrariness of the choice of mark, that they all come from the same source."[210] This argument has some force. It is possible that inherent distinctiveness could make a marginal difference to likely confusion when two marks—one inherently distinctive and the other descriptive—have the same degree of secondary meaning. But I, for one, am skeptical that the difference is large.[211] My guess is that if mark strength has a significant impact on consumer confusion, it is because of acquired strength through secondary meaning, not because of inherent distinctiveness. And according to the empirical evidence, judges seem to agree.[212]

Yet the relationship between acquired strength through secondary meaning and likely confusion is also uncertain. To see this point clearly, we must distinguish between two dimensions of secondary meaning. Secondary meaning is often used in a *quantitative* sense to refer to the proportion of consumers who use the mark as a source identifier. But it can also be used in a *qualitative* sense to refer to the commercial magnetism of a mark. A mark has stronger secondary meaning in the qualitative sense when the average consumer feels more strongly about the mark so that it has a more powerful grip on her purchasing decisions.[213]

Turning first to secondary meaning in the quantitative sense, the relevance of this factor depends on what base population the likelihood of confusion test targets. If the base population consists only of consumers who are capable of being confused, secondary meaning in the quantitative sense has no relevance whatsoever to likely confusion. The probability that a source-identifying consumer will be confused depends on that consumer's

[210] *Id.* at 148; *see also id.* ("For example, if consumers become familiar with a toothpaste sold under an unusual, arbitrary brand name, such as *ZzaaqQ*, and later see that same inherently distinctive brand name appearing on a different product, they are likely to assume, notwithstanding the product difference, that the second product comes from the same producer as the first. The more unusual, arbitrary, and fanciful a trade name, the more unlikely it is that two independent entities would have chosen it.").

[211] And certainly not a large enough difference to warrant calling inherent strength the "most important" dimension of mark strength. *Id.* at 147 ("The strength of a trademark encompasses two different concepts . . . . The first and most important is inherent strength, also called 'inherent distinctiveness.'").

[212] *See* Beebe, *supra* note 1, at 1635–36 (noting that inherent distinctiveness has little independent effect on likelihood of confusion results).

[213] I refer to this aspect of secondary meaning as qualitative for obvious reasons. But it can be measured quantitatively by the size of the premium that consumers are willing to pay for the same product with the mark as compared to the product without it.

reaction to the mark and not in any way on how many other consumers happen to use the mark as a source identifier.[214]

Secondary meaning in the quantitative sense is relevant, however, if the base population also includes those consumers who do *not* use the mark as a source identifier. Because non-source-identifying consumers cannot be confused, adding more of them to the mix reduces the likelihood that any randomly selected consumer from the base population will be confused.[215]

The question then is which definition of the base population is the correct one for determining likely confusion. At first glance, the answer might seem obvious: because the only consumers who can possibly be confused are those who use the mark as a source identifier, they are the only ones relevant for estimating confusion risks.[216] But the matter is a bit more complicated. One might reasonably argue that trademark law should not impose liability unless the number of potentially confused consumers is large enough, that is, unless it exceeds some threshold level. Perhaps the purpose of secondary meaning in the quantitative sense is to define this threshold.[217] If this is correct, however, we would expect mark strength to play only a subordinate and relatively limited role in the likelihood of confusion analysis. Secondary meaning does not have to be terribly strong

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[214] To see this point clearly, let p be the probability that any consumer will be confused, and let n be the total number of consumers. My point is that p is independent of and does not increase with n. On average, $p \times n$ consumers will be confused, but the likelihood of confusion for any consumer remains fixed at p. It is true that the probability that at least one consumer will be confused, which is $1 - (1 - p)^n$, does increase with n. But the likelihood of confusion test focuses on p. Indeed, if likelihood of confusion varied with n, even a tiny p would support liability for a large enough n, which is plainly an absurd result.

[215] To illustrate, assume that there is a 50% chance that a consumer capable of being confused will actually be confused. Also assume that the base population has 1000 consumers. Consider a scenario in which there are only 100 non-source-identifying consumers. In that case, 900 consumers (90%) will understand the mark to be a source identifier (i.e., secondary meaning in the quantitative sense is very strong), and 450 consumers (50% x 900 = 450) will actually be confused. Compare this to a scenario in which there are 950 non-source-identifying consumers. In this case, only 50 consumers (5%) will understand the mark to be a source identifier (i.e., secondary meaning in the quantitative sense is extremely weak), and only 25 consumers (50% x 50 = 25) will actually be confused. To generalize, let n be the total number of consumers, and let m be the number of consumers who understand the mark to be a source identifier for the plaintiff's product. Let p be the probability that the defendant's use will create confusion for a consumer who treats the mark as a source identifier. It follows that the probability that any consumer randomly selected from the total population of n consumers will be confused is $p \times m / n$. This probability increases as m / n—the fraction of source-identifying consumers—increases. I am grateful to my colleague, Oren Bracha, for making this point clear to me.

[216] Let p be the probability of confusion for a consumer who is capable of being confused. The probability of confusion for a consumer incapable of being confused is 0 (zero). The question is why the likelihood of confusion test should depend on a weighted average of p and 0 rather than just on p alone.

[217] In fact, modern trademark law recognizes just this sort of threshold in the context of determining whether a descriptive mark is distinctive enough to warrant protection. For that purpose, secondary meaning exists only when a "significant," "substantial," or "appreciable" number of consumers use the mark as a source identifier. *See* 2 MCCARTHY, *supra* note 15, § 15:45. While judges resist using precise percentages, it appears as though the threshold requirement is relatively low. *See id.*

for there to be a substantial number of consumers at risk. As long as other factors support a substantial likelihood for source-identifying consumers, even a relatively weak secondary meaning should be sufficient. Indeed, a fraction as small as 5% can represent a very large number of potentially confused consumers when the base population is large enough. But assigning a minor role to mark strength is contrary to the evidence that indicates mark strength has a powerful influence on likelihood of confusion results.[218]

It is also difficult to see how secondary meaning in the *qualitative* sense relates to likelihood of confusion. A mark with a more powerful grip on consumers might divert attention away from contextual clues that could mitigate confusion. But this is not likely to be a serious problem except for impulse purchases. When a consumer spends some time deliberating on a purchase, she is not likely to focus exclusively on the mark. She might do so at first, but she will soon take in the rest of the marketing context.

This analysis does not rule out the possibility that mark strength matters for estimating likely confusion. But the relationship is not intuitively obvious. The question is in part an empirical one, and more evidence is needed. This is somewhat of a puzzle. How can it be that a factor with a questionable link to likelihood of confusion should play a prominent role in the likelihood of confusion test? As we have seen, mark strength entered the test to take account of the precedent limiting the restrictive approach to trade names. But why does it still have a strong influence now, after the restrictive approach has been eliminated?

I believe the answer has to do with the work that mark strength does behind the scenes. Acquired strength is connected to another variable that should be relevant to infringement but is officially ignored by the likelihood of confusion test: the seriousness of the harm caused by confusion when it materializes.[219] Stronger secondary meaning in the quantitative sense implies more consumers who use the mark as a source identifier and therefore more consumers who are likely to be confused. This in turn implies greater potential consumer harm. Also, a mark with stronger secondary meaning, both quantitatively and qualitatively, is vulnerable to greater loss from reputation harm. If this analysis is correct, then acquired strength is not so much about the probability that consumers will be confused (in other words, whether this probability is higher or lower), but rather about the harm that such confusion might generate.[220]

[218] *See* 4 *id.* § 24:49 ("Some courts have even said that the strength of the senior user's mark is perhaps the most important factor in the multi-point analysis."); Beebe, *supra* note 1, at 1612, 1620 (demonstrating a strong correlation between the strength-of-the-mark factor and judicial findings of likely confusion).

[219] *See infra* Part IV.B.1.

[220] Inherent strength is also relevant to harm, but in a different way. A firm that has a monopoly over a descriptive mark can make it more difficult for competitors to describe their products in a

4. Intent.—As we have seen, the intent factor refers to the defendant's intent in adopting the mark.[221] Intent plays a dual role in the infringement analysis. First, it serves an obvious evidentiary function. When a firm adopts a similar mark to deceive consumers, it is reasonable to assume that the firm believes deception is likely. The firm's belief thus deserves considerable evidentiary weight given that it knows the market and is in a good position to predict consumer response.[222]

But the intent factor also serves a normative function. As Part IV will show, the intentionality of the deception itself is a reason to condemn the use on moral grounds. The problem, however, is that intent's normative function is obscured by including it as a factor in a likelihood of confusion test that purports to be strictly empirical and predictive. A judge who takes seriously the doctrinal focus on probability of confusion will tend to see only intent's evidentiary significance. On the other hand, a judge convinced that liability should be imposed because of the defendant's moral culpability will be inclined to force a likelihood of confusion finding even when the other factors do not lend strong support. This only adds to the apparent inconsistency and incoherence of the multifactor test.[223]

C. Inadequate Normative Foundation

There is an even deeper problem with the likelihood of confusion test: It lacks a clear normative foundation. Confusion is not a problem in itself. People are confused all the time and the law does nothing to lend assistance. Thus, preventing consumer confusion is justified only if the confusion is associated with morally culpable conduct or causes sufficient harm.

A confusion-focused test might be acceptable if a risk of consumer confusion correlated strongly with bad conduct or harmful consequences. In

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prominent way, at least when there are few equally effective descriptors available for the purpose. A firm with a fanciful mark like AFARION has no such power because the mark says nothing about the product and thus confers no competitive advantage. Because the monopoly costs of protecting an inherently distinctive mark are lower, somewhat broader protection is justified.

[221] *See supra* notes 175–79 and accompanying text. The intent factor appears explicitly in all the circuits' likelihood of confusion tests except for the Federal Circuit's. *See* 4 MCCARTHY, *supra* note 15, §§ 24:29–:43; Beebe, *supra* note 1, at 1584.

[222] *See* Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 543 n.3 (2d Cir. 1955) (noting a firm's intent to cause confusion "is relevant as an opinion by one familiar with market conditions"); *see also* 4 MCCARTHY, *supra* note 15, §§ 23:110–:111 (explaining the inference that can be drawn from intent to confuse and summarizing circuit courts' views on the evidentiary weight of this inference). Even the original *Restatement* relied on the evidentiary argument for the intent factor without mentioning its moral significance. *See* 3 RESTATEMENT OF TORTS §§ 729 cmt. f, 731 cmt. g (1938).

[223] *See* Beebe, *supra* note 1, at 1631 (noting that "a finding of bad faith intent exerts excessive influence on the outcome of the multifactor test," that "courts employ the multifactor test to reach what they deem to be the right result," and that "if trademark law seeks to prevent commercial immorality, then it should do so explicitly" rather than through "distorted findings of fact as to the likelihood of consumer confusion").

that case, focusing on confusion alone would get the right result most of the time and save the costs of a more fact-intensive inquiry. Although this makes sense for competing products where the correlation between likely confusion and potential harm is strong,[224] it makes much less sense for noncompeting products. In the latter case, as Part IV explains, a defendant can copy a mark or free ride on goodwill without intending to deceive and without causing serious harm to the mark's capacity to communicate reliable information to consumers. The correlation between likely confusion and potential harm is thus not nearly as strong.

Put simply, liability should depend on the moral character of the defendant's conduct or the expected trademark-related harm from confusion. But this means that the likelihood of confusion test is either irrelevant or incomplete. Insofar as liability depends on the morality of the defendant's conduct, the likelihood of confusion test is irrelevant; liability should instead focus on the nature of the moral wrong and on confusion only if it is part of that wrong. Insofar as liability turns on confusion-generated harm, the likelihood of confusion test is incomplete. Probability of confusion is certainly relevant to liability, but liability should also depend on the severity of the harm that confusion is likely to generate.[225]

This analysis invites additional questions. If morality plays a role in the infringement analysis, which moral principles are relevant, and how? What confusion-generated harms ought to count for trademark purposes, and how should those harms figure in a liability determination? Part IV addresses these questions.

IV. RECONSTRUCTING THE INFRINGEMENT TEST

Any effort to reconstruct the infringement test should start with the reasons why marks are protected and then fit the test to those reasons. Starting with reasons is complicated, however, by the fact that modern accounts of trademark law tend to rely on an incomplete or imprecise account of trademark's goals. These accounts fall into two camps. One camp views the social value of trademark protection in economic terms and focuses on reducing consumer search costs.[226] This camp argues that the

[224] *See* Bone, *supra* note 13, at 2123–43 (using an enforcement-cost argument to justify focusing on a showing of likely confusion as presumptive of liability for competing products given the strong correlation between likely confusion and harm in that setting).

[225] *See infra* Part IV.B.1.

[226] *See, e.g.*, LANDES & POSNER, *supra* note 15, at 166–68 (describing the social benefits of trademark protection in terms of reducing the costs to consumers of obtaining information about products); Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1223–27 (2007) (using search-cost theory to justify doctrines limiting trademark rights); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 786–88 (2004). [hereinafter Dogan & Lemley, *Search Costs on the Internet*] (using search-cost theory to check excessively broad applications of trademark law to Internet uses).

most problematic expansions are due to judges forgetting trademark law's consumer-oriented function and instead placing emphasis on other concerns, such as anti-free-riding principles.[227] The other camp sees trademark law as a more open-ended unfair competition tort.[228] On this view, the law is not limited to reducing search costs but instead reflects a complex balance of values that cannot be exhaustively enumerated in advance and that depend on the facts of each particular case.[229]

Each approach has something to offer. The search cost model focuses on an important—perhaps the most important—goal of trademark law: to police the information transmission function of marks in order to maintain their effectiveness in enabling efficient consumer search. The problem with this model, however, is that its economic focus submerges the moral dimension of trademark law. The unfair competition model is helpful in this regard. Unfair competition was originally conceived as a tort that enabled judges to police the fairness and morality of market conduct in a world where competitors constantly invented new ways to gain a market advantage.[230] Today, this history stands as a reminder that, while economic goals are critical to trademark law, morality should, and does, play a role in shaping infringement standards. Still, the unfair competition model is also ad hoc and imprecise. It relies on judges making pragmatic all-things-considered decisions, which by their nature are subjective and open-ended. We can and should be more precise and more transparent about the moral theories that count in trademark law.

The following discussion draws on both models. It has two main purposes. First, it aims to present a more careful analysis of the moral dimension of trademark law and subject candidate moral theories to critical analysis. Other scholars have criticized free-riding arguments that assume it is morally wrong to free ride on a trademark owner's goodwill, and I summarize those criticisms in Part IV.A.3 below. However, anti-free-riding is not the only moral argument with intuitive appeal. For example, consumer autonomy and identity rights support superficially attractive

[227] *See, e.g.*, Dogan & Lemley, *Search Costs on the Internet*, *supra* note 226, at 779–82, 805; Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1695–1701, 1705 (1999).

[228] *See, e.g.*, Graeme B. Dinwoodie, *Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99, 107–08 (2009) (likening trademark law to unfair competition and rejecting any notion that the values of trademark law can be reduced to a single rationale or metric); Graeme B. Dinwoodie & Mark D. Janis, *Confusion over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1614 n.71 (2007) (explaining that, although trademark law was originally narrower than unfair competition, it has been "expanded liberally to conform with the more generous contours of unfair competition principles").

[229] *See* Dinwoodie, *supra* note 228, at 101 n.1, 107–08; *see also id.* at 121 (enumerating a nonexhaustive list of eight values that underpin trademark law).

[230] *See* JAMES LOVE HOPKINS, THE LAW OF TRADEMARKS, TRADENAMES, AND UNFAIR COMPETITION § 1 (4th ed. 1924); Edward S. Rogers, *Comments on the Modern Law of Unfair Trade*, 3 ILL. L. REV. 551, 551–52 (1909).

moral theories that can—and I believe do—influence infringement findings. Thus, it is important to examine these arguments openly to guard against judges relying on them improperly to render excessively broad trademark decisions.[231]

The second purpose of the discussion is to explore the implications of an economic theory for optimal liability standards. For this purpose, I return to first principles and defend a bifurcated infringement analysis that focuses on trademark-related harm as well as on likely confusion.[232]

A. Moral Justifications

1. Intentional Deception.—The law of trademark infringement originally grew out of the tort of fraud and required proof of intentional deception.[233] Over time, intent gradually disappeared as a required element. Today, even innocent adoption of a confusingly similar mark is actionable.[234] Still, courts find infringement much more readily when intentional deception is involved. In many jurisdictions, proof of bad intent supports a rebuttable presumption of likely confusion.[235]

As we saw in Part III, it makes sense on evidentiary grounds to infer likely confusion from intentional deception: when the defendant intends to deceive, there is good reason to believe that deception is likely.[236] The problem, however, is that focusing on the evidentiary significance of intent ignores its normative function from a moral point of view.

When the defendant adopts a mark with intent to deceive consumers, the defendant sets out to deliberately lie, and deliberate lying is a reason to

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[231] The draft of a forthcoming article by Professor Jeremy Sheff, which applies a contractarian approach to derive moral principles for trademark law, stands out as a notable exception to the paucity of moral analysis in trademark scholarship. *See* Jeremy N. Sheff, *Marks, Morals, and Markets*, STAN. L. REV. (forthcoming), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2021394. This is not the place to discuss Professor Sheff's article with care. He makes a number of interesting and useful points, but in the end I am not persuaded by his contractarian arguments.

[232] The following discussion focuses mainly on policy. Its objective is to construct a more sensible approach to the infringement analysis and to suggest changes in the law that better fit that approach. It is a separate question whether all of these changes can be implemented within the current statutory framework of the Lanham Act, and I do not discuss that question with any care. If some of the proposed changes cannot be implemented, the statute would have to be amended to permit them.

[233] *See, e.g.*, 1 MCCARTHY, *supra* note 15, § 5:2.

[234] *See* 4 *id.* §§ 23:106–:107. For example, the defendant might use the mark in a location distant from the plaintiff's marketing area and therefore be unaware of the plaintiff's prior use. Or the defendant might adopt the mark for use on a different yet related product, honestly believing that consumers will not be confused. Nevertheless, the junior user in each case may still be sued. *See id.*

[235] *See* Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 258 (2d Cir. 1987) (holding that evidence of a bad faith intent to copy the plaintiff's trademark established a rebuttable presumption); 4 MCCARTHY, *supra* note 15, §§ 23:110–:112 (noting that evidence of an intent to cause confusion establishes "a presumption that deception and confusion resulted" and that "its presence may turn the scales in a close case" (internal quotation marks omitted)).

[236] *See supra* note 222 and accompanying text.

condemn the action on moral grounds.[237] Morally culpable intent alone is not enough for infringement liability. The law does not normally intervene based on a bad mental state by itself; some type of harm is necessary as well. Here the requisite harm exists when an actor's intent to deceive results in actual deception. But harm in the form of deception need not actually materialize before an injunction is granted; it is enough that the risk of harm is significant and sufficiently imminent.[238] It is here that the evidentiary function of intent fits in: it establishes the requisite risk of actual deception, and thus harm, by way of inference. In sum, proof of intent to deceive establishes a basis for moral condemnation, which, when combined with the inference of deception-based harm, supports trademark liability.

Furthermore, it makes sense on moral grounds to make the inference of harm conclusive, rather than rebuttable as it is today. A defendant who is acting with morally culpable intent should not be able to argue that the circumstances make it unlikely that he can carry out his intent because the products are too remote or consumers are too sophisticated.[239] Also, the defendant's argument in most cases will at best show that deception is unlikely, not that it is impossible, and any residual uncertainty should be resolved against the moral wrongdoer and in favor of the innocent party. Finally, although not directly relevant to the moral argument, it is worth noting that a conclusive presumption saves the litigation costs of rebuttal and also reduces the uncertainty that a rebuttable presumption inevitably creates.[240]

Recognizing the moral significance of intent has an important implication. It supports a much simpler test for granting injunctive relief than the multifactor likelihood of confusion test. A plaintiff should be able to enjoin use of a mark with proof only that the defendant intended to deceive consumers about source or sponsorship, and without a full-blown likelihood of confusion analysis. This simple test changes current law in two respects. First, it completely removes the intent factor from the

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[237] Morality plays an important role in many aspects of trademark law notwithstanding the law's strict liability focus. For example, proof of wrongful intent supports broader forms of relief. *See* Adray v. Adry-Mart, Inc., 76 F.3d 984, 988 (9th Cir. 1995) (explaining that profits can be recovered on an unjust-enrichment theory only if the infringement is willful); RESTATEMENT (THIRD) UNFAIR COMPETITION § 35 cmt. c (1995) (noting that proof of willful or intentional conduct can support broader injunctive relief). Moreover, reasonable attorney's fees may be recovered only in exceptional cases, *see* 15 U.S.C. § 1117(a) (2006); 5 MCCARTHY, *supra* note 15, § 30:99, and an exceptional case usually requires "intentional, deliberate[,] or willful infringement." *Id.* § 30:100; *see also id.* §§ 26:4, :6–:10 (explaining the relevance of bad faith in extending trademark protection to remote areas).

[238] *See* 5 MCCARTHY, *supra* note 15, § 30:10.

[239] *See* 3 RESTATEMENT OF TORTS § 729 cmt. f (1938) (noting that the defendant's "denial that his conduct was likely to achieve the result intended by him will ordinarily carry little weight," though not explaining why).

[240] In fact, courts appear to treat the presumption as "nearly un-rebuttable" in practice. Beebe, *supra* note 1, at 1628–29 (reporting that all but one of fifty preliminary injunction decisions and all but one of seventeen bench trials in which the court found bad faith resulted in a finding of likely confusion).

likelihood of confusion test. This is sensible because intent is not just a predictive factor; it also has normative relevance. Second, the simple test treats intent as a distinct basis for finding infringement liability, which, in effect, converts the existing rebuttable presumption of likely confusion based on proof of intentional deception into a conclusive presumption.

There is, however, a problem with the way many judges use intent today. The strong presumption appropriate only for morally culpable intent has been extended to cover cases where the intent is not morally culpable at all. For example, many courts infer deceptive intent from intent to copy the plaintiff's mark, and some treat intent to free ride on the plaintiff's goodwill as sufficient for a strong presumption of likely confusion and thus of liability.[241] This is a serious mistake because there is nothing morally wrong about doing these things. For example, copying is often permitted for product features that are not protected by patent or copyright.[242] Moreover, courts grant some latitude for copying marks to create parodies.[243] Indeed, as many have pointed out and as Part IV.A.3 below elaborates, free riding is perfectly acceptable in a wide range of situations.[244]

The confusion-only, predictive focus of the current likelihood of confusion test is responsible for this sloppy use of intent. If one considers only intent's evidentiary function, it makes sense to credit all these different types of intent: they are all probative of consumer confusion to some extent.[245] However, when one recognizes the moral function of intent, it becomes clear that not all types of intent qualify for moral condemnation. This insight should be evident to anyone who thinks carefully about the moral status of deceptive intent. But the likelihood of confusion test gets in the way of clear thinking by diverting attention away from the moral and towards the purely predictive.[246]

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[241] *See supra* note 179 and accompanying text.

[242] *See* TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 29–30 (2001) (recognizing that, in general, one can copy product features that are not protected by patent or copyright).

[243] *See* Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 901 (9th Cir. 2002) (recognizing the public interest in free expression that protects parodies).

[244] *See, e.g.*, Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149, 167 (1992) ("A culture could not exist if all free riding were prohibited within it."); William P. Kratzke, *Normative Economic Analysis of Trademark Law*, 21 MEMPHIS ST. U. L. REV. 199, 223 (1991) (arguing that free riders can create value and foster competition).

[245] Although there are perfectly valid reasons for intentionally copying a mark, it seems likely in cases of word marks and ordinary market competition that the purpose would be to confuse consumers. So too, while firms can certainly free ride on goodwill without confusing consumers, they are more likely to succeed if consumers are in fact confused.

[246] I am not suggesting that the predictive focus of the modern likelihood of confusion test is the only reason for the problem. Some judges actually believe that free riding on goodwill is morally wrongful despite the contrary arguments. Still, by submerging moral considerations, the likelihood of confusion test at least makes it more difficult to debate these questionable beliefs.

The lesson is clear. The moral function of intentional deception should be brought to the fore and explicitly factored into the construction of liability rules. Doing so shows why the simple test is justified: a plaintiff should be able to enjoin use of a mark by proving that the defendant adopted the mark with the intent to deceive consumers. It also shows why it is so important to distinguish different types of intent carefully.

Two additional observations deserve brief mention.[247] First, it is important that the relevant intent targets consumers. For example, the simple test should not apply to post-sale confusion, such as selling jeans with the Levi's stitching pattern to consumers who know they are not buying Levi's jeans.[248] One might argue that the seller intends to deceive members of the general public who might assume from the stitching pattern that they are looking at Levi's jeans. But this assumption about intent is highly suspect. It is much more likely that the seller simply intends to compete on equal terms with Levi's by using a feature of the jeans that has significant consumption value. Or if the stitching pattern is coupled with a funny twist, the seller might wish to use a humorous play on a popular symbol to sell its jeans. Either way, the intent should not be treated as morally culpable because it does not aim to confuse the consumer at the point of purchase.

Second, while deception has a core of fairly clear meaning, deceptive intent, like other mental states, is difficult to define precisely. Moral philosophers and legal scholars disagree about the meaning of intent in criminal law and the law of intentional tort just as they disagree about mental states and their relationship to moral culpability more generally.[249] In this respect, there is an advantage to making the moral function of intent transparent in trademark law and building a simple test around it. Doing so will force judges to focus on the type of intent necessary for infringement and rigorously define the contours of deceptive intent in the trademark field.

2. Consumer Autonomy.—Here we consider the possibility that there is moral value in consumers making informed and autonomous choices based on accurate product information. We have already seen Judge Charles Clark allude to consumer autonomy in one case.[250] Moreover, Professor

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[247] It is also worth mentioning that proof of intent might involve some of the same evidence as is currently used to prove likelihood of confusion. Still, not all likelihood of confusion factors are relevant to determining intent. More important, the goal of an intent inquiry is not to make a general and somewhat amorphous prediction of likely confusion, but rather to conduct a more focused inquiry into culpability.

[248] *See* Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867 (2d Cir. 1986).

[249] *See, e.g.*, Peter Arenella, *Convicting the Morally Blameless: Reassessing the Relationship Between Legal and Moral Accountability*, 39 UCLA L. REV. 1511, 1517–24 (1992) ("There are many different accounts of when individuals deserve moral blame for causing some undesirable state of affairs."). *See generally* George P. Fletcher, *The Nature and Function of Criminal Theory*, 88 CALIF. L. REV. 687 (2000) (tracing different philosophical and legal theories of criminal intent).

[250] *See supra* note 140 and accompanying text.

Thomas McCarthy suggests the possibility that consumers are "entitled to be told the truth about the origin or sponsorship of products."[251] McCarthy's entitlement is not just a right not to be lied to. It extends beyond cases of intentional deception to those involving innocent adoption that confuses consumers and even to cases where the qualities of the defendant's products are identical to the plaintiff's in all material respects.[252]

At first glance, there is something intuitively appealing about a right to consumer autonomy. But if the right has more than rhetorical force, it must guarantee *each* consumer accurate or at least non-confusing information. For that is how individual rights work in general; they give each individual rightholder a claim that cannot be easily outweighed by collective goals or aggregate welfare.[253] As I have explained elsewhere, recognizing a right of this sort in trademark law is hopelessly incoherent and impractical.[254] Given the high variance in consumer abilities to process information and the subjectivity of interpretation, there is always a chance that at least one consumer will misunderstand a message conveyed by a trademark and act on the basis of her mistaken impressions.[255] Therefore, if consumers had the supposed right, it would be impossible for any seller to behave morally—an obviously absurd result. One might argue that the right is to reasonable accuracy, rather than perfect accuracy. However, this just begs the question of what is "reasonable."

Perhaps consumer autonomy can influence trademark law as a moral value rather than as a right.[256] If so, consumer autonomy must derive its force from the moral value attaching to individual autonomy more generally.[257] It is not obvious, however, that a Kantian or other theory of personal autonomy can underwrite a distinct moral value in consumer

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[251] 4 MCCARTHY, *supra* note 15, § 24:16; *accord* 1 *id.* § 2:35 ("[T]he consumer's right to be told the truth not only extends to the facts about the nature and quality of the product, but also extends to the true facts about the source and sponsorship of the products purchased.").

[252] *See* 4 *id.* § 24:16 (noting that a mistake about source or sponsorship creates a "real and independent injury to [the consumer's] rights regardless of whether or not she is *economically* injured by the poor quality of the infringer's goods or services").

[253] *See* RONALD DWORKIN, TAKING RIGHTS SERIOUSLY 90–100 (1978); THOMAS NAGEL, MORTAL QUESTIONS 112–15, 131–33 (Canto ed. 1991).

[254] Bone, *supra* note 13, at 2109–11.

[255] *Cf.* Richard Craswell, *Interpreting Deceptive Advertising*, 65 B.U. L. REV. 657, 672–78 (1985) (making this point for false advertising).

[256] At this point, one must be careful not to confuse moral with economic values. From an economic perspective, consumer autonomy is valuable only because it supports an efficient market that enhances social welfare, and as a result it should be protected only to the extent that it furthers social goals. For discussion of the economic perspective, see *infra* Part IV.B.

[257] There is an extensive philosophical literature devoted to theories of personal autonomy. *See, e.g.*, GERALD DWORKIN, THE THEORY AND PRACTICE OF AUTONOMY (1988) (discussing different conceptions of autonomy in the context of various moral issues).

autonomy.[258] To be sure, the market is an important locus of choice, but it is not choice in itself that has value. For example, one common view equates the value of autonomy with self-determination, that is, with the ability of individuals to choose their own conceptions of the good life, their own life plans, personal commitments, and personal projects.[259] One might try to derive consumer autonomy from this more general conception by arguing that the only way a good life can seem attainable—and thus worth choosing—is if the individual has freedom to choose the goods and services necessary to implement a life plan. This is a promising beginning, but more work needs to be done.

Even assuming that consumer autonomy makes sense as a moral value, its scope and weight must still be defined. For example, while source confusion is an obvious concern, it is difficult to see how initial-interest confusion or post-sale confusion would be morally problematic given that in both the consumer is not confused at the point of purchase. Moreover, it seems reasonable to suppose that only confusion about matters of serious consequence should trigger moral concern. Indeed, consumer autonomy as a moral value might be confined to the choice of basic goods and services, such as a home, education, and medical care, which are strongly tied to self-determination and self-constitution.

This is not the place to examine these issues with care. My point is only that trademark scholars should engage the moral argument more seriously. One reason has to do with its implications for the infringement analysis. While nonutilitarian moral values can be outweighed by other values of comparable moral force, including autonomy values that pull in the opposite direction,[260] they are not easily outweighed by high social costs or other concerns having to do with aggregate social welfare. Another reason to engage the issues critically is to clarify the moral stakes so that judges are not moved by the intuitive appeal of consumer autonomy to render unjustifiably broad infringement decisions. If consumer autonomy is affecting decisions implicitly, it is important to make it explicit and give it the critical attention it warrants.

3. Free Riding.—Free riding has had a rocky history in trademark law. Judges in the Second Circuit disagreed sharply about its significance

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[258] *Cf.* Laura A. Heymann, *The Public's Domain in Trademark Law: A First Amendment Theory of the Consumer*, 43 GA. L. REV. 651, 660–64, 692–714 (2009) (invoking a Kantian conception of autonomy to support consumer autonomy as a value to justify limiting the scope of trademark protection).

[259] *See, e.g.*, DWORKIN, *supra* note 257, at 12–20, 31.

[260] *See, e.g.*, Yochai Benkler, *Siren Songs and Amish Children: Autonomy, Information, and Law*, 76 N.Y.U. L. REV. 23, 50–56 (2001) (exploring ways that broad intellectual property rights empower private actors to limit the autonomy of individuals); Heymann, *supra* note 258, at 692–714 (invoking consumer autonomy to limit trademark protection when marks serve persuasive rather than source-identifying functions).

during the 1940s and 1950s. Judge Clark believed that the law should prevent free riding on a trademark owner's hard-earned goodwill, while Judges Hand and Frank insisted that free riding on goodwill was not bad in itself.[261] Moreover, a belief that free riding is morally bad played a role in justifying the broadest trademark expansions during the twentieth century.[262] Courts today still rely on an anti-free-riding principle to justify liability in cases at the edges of trademark law, such as those involving initial interest and post-sale confusion.[263]

Many scholars offer compelling criticisms of the anti-free-riding principle, and I will only briefly summarize two of those criticisms here.[264] First, and most important, the anti-free-riding principle is descriptively inaccurate and normatively flawed. In fact, free riding is pervasive and much of the time perfectly acceptable. For example, the first firm to sell food processors creates consumer demand not only for its specific brand but also for food processors in general. When another firm enters the food processor market selling under its own completely different brand, it free rides on the efforts of the pioneer to promote public acceptance of food processors. Yet this conduct is not considered morally bad; in fact, it is encouraged as socially beneficial competition. Indeed, free riding occurs in very ordinary situations without triggering any moral concern. If Joe overhears Jane explaining something interesting (and not private) at a neighboring lunch table, Joe can pass along the information without getting Jane's consent and without risking moral approbation.[265]

Second, the anti-free-riding principle taken to its logical extreme does not fit trademark law. It supports liability whenever a firm free rides, whether or not the free riding is accomplished through consumer confusion. But trademark law, at its traditional core, does not extend this far. It was never meant to prevent free riding per se. It was meant to prevent the use of marks that cause consumer confusion.[266]

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[261] *See supra* notes 106, 111, 123, 138 and accompanying text.

[262] *See* Bone, *Hunting Goodwill*, *supra* note 35, at 550–51.

[263] *See, e.g.*, Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002, 1018–19 (9th Cir. 2004) (initial interest confusion); Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 295 (3d Cir. 2001) (initial interest confusion); Ferrari S.P.A. Esercizio v. Roberts, 944 F.2d 1235, 1243 (6th Cir. 1991) (post-sale confusion); Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 874–75 (2d Cir. 1986) (post-sale confusion).

[264] *See supra* note 244 and accompanying text.

[265] One might try to argue that creators have a natural right to exclusivity over their creations on Lockean labor-desert grounds. *See* JOHN LOCKE, *Second Treatise of Government*, in TWO TREATISES OF GOVERNMENT §§ 25–51 (Peter Laslett ed., 2d ed. 1970) (1698) (arguing for a natural right to the fruits of one's labor). But the Lockean theory has numerous flaws, including that it cannot account for the pervasive social practice of benefiting freely from value others create. *See, e.g.*, Mark A. Lemley & Mark P. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137, 181–84 (2010) (criticizing the natural rights theory).

[266] *See supra* Parts I.B.2, II.

These are powerful criticisms of the anti-free-riding principle. They have been repeated so often that it is puzzling why so many courts still rely on the principle to justify expansive trademark decisions. Either these judges have not understood the message or they believe something else is at stake in addition to free riding. One possibility has to do with the close association of goodwill with reputation and firm identity. In brief, a judge might believe that taking goodwill is morally impermissible when it also involves stealing a firm's identity.[267] The following section discusses this argument in more detail.

4. Appropriation of Firm Identity.—Though ultimately flawed in the way I explain below, the idea that taking trademarks is morally wrong because it amounts to stealing a firm's identity has intuitive appeal. When *A* takes *B*'s name or other aspects of *B*'s personal identity and passes herself off as *B*, there is reason to condemn the action on moral grounds. The problem is not just that the practice is inefficient or that people might have suboptimal incentives to develop distinctive identities and reputations. There is something morally offensive about taking another's identity.

The law recognizes this intuition for ordinary individuals. The right of publicity protects core elements of personal identity—such as name, portrait, picture, and the like—from appropriation for commercial purposes.[268] When celebrities are involved, protection can be justified on economic grounds, since a celebrity's identity has substantial commercial value. But publicity rights apply even when the victim is not a celebrity, and the most persuasive justification for this application is a personhood theory that recognizes a moral right to protect elements of self deeply tied to personhood.[269] The idea is that taking another person's identity is an offense to that person's autonomy and her freedom to construct a distinctive

[267] Another possibility is that judges worry about the unanticipated consequences of narrower protection given the importance of trademarks and brands in the modern economy. The problem with this concern is that it can easily justify excessive deference to existing practice. The fact that firms behave in certain ways does not make their behavior socially optimal. For example, firms have incentives to appropriate all the goodwill value in their marks even when exclusive appropriation chills competition (as in trade dress cases) or impedes creative and desirable uses of marks (as in the expressive-use and Internet cases).

[268] *See* 1 J. THOMAS MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY §§ 1:30, 4:46 (2d ed. 2009).

[269] *See, e.g.*, Mark P. McKenna, *The Right of Publicity and Autonomous Self-Definition*, 67 U. PITT. L. REV. 225, 279–85 (2005); Margaret Jane Radin, *Property and Personhood*, 34 STAN. L. REV. 957, 978–79 (1982). What we now refer to as publicity rights law originally grew out of the right of privacy and was first recognized for ordinary individuals based on values of personal integrity and autonomy. *See* Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603, 621 (1984). The right was then expanded to protect the commercial value of celebrity identity, which shifted attention toward economic (and, to some extent, labor-desert) arguments. *Id.* at 620–22. For a critique of some of the moral theories used to support publicity rights, see Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161, 1180–84 (2006).

self. The question is whether the same idea extends to taking a firm's brand identity as well.

The connection between trademark law and publicity rights has not escaped attention. When publicity rights law was first developed, courts and commentators frequently drew analogies to trademark law.[270] Just as the law protects a firm's goodwill, they argued, so too it should protect an individual's reputation. The analogy was imperfect doctrinally because trademark law protects only against likely confusion, while publicity rights protect against appropriation of identity regardless of confusion.[271] But its appeal was still strong at the level of justification.

Courts and commentators have made the reverse connection as well. In Part II,[272] we saw Judge Learned Hand, during his liberal pro-trademark phase in the 1920s, drawing on the identity-appropriation idea explicitly: "[A] reputation, like a face," he wrote, "is the symbol of its possessor and creator, and another can use it only as a mask."[273] Judge Hand did not refer to publicity rights explicitly—that body of law would not take shape for another twenty-five years[274]—but the analogy to personal identity is unmistakable. More recently, commentators have drawn the connection to publicity rights explicitly and analyzed the relationship of trademark law to identity.[275]

Given the overlap, it might be tempting to justify trademark law as a mechanism for protecting a moral right to firm identity. Indeed, the argument might seem particularly compelling in the context of brands.

[270] *See, e.g.*, Ali v. Playgirl, Inc., 447 F. Supp. 723, 728 (S.D.N.Y. 1978); Denicola, *supra* note 269, at 623 (making this point).

[271] *See* Denicola, *supra* note 269, at 623–24.

[272] *See supra* notes 54–56 and accompanying text.

[273] Yale Electric Corp. v. Robertson, 26 F.2d 972, 974 (2d Cir. 1928); *see also* Bond Stores, Inc. v. Bond Stores, Inc., 104 F.2d 124, 125 (3d Cir. 1939) ("The annoyance felt by those who do business under a corporate name when the same name is used by others, is very much akin to that of the patronymically proud, when a newly admitted citizen assumes their family name."); Premier-Pabst Corp. v. Elm City Brewing Co., 9 F. Supp. 754, 758 (D. Conn. 1935) (rejecting the notion that the right to a name or mark is part of goodwill that should be protected exclusively, and instead basing the right on the "common-law right of a man to have such an identity in the public eye as he can win by his conduct and personality").

[274] *See* Haelan Labs., Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866, 868 (2d Cir. 1953).

[275] *See, e.g.*, Denicola, *supra* note 269, at 623–27 (noting and criticizing efforts to defend trademark rights by analogy to publicity rights); J. Thomas McCarthy, *Public Personas and Private Property: The Commercialization of Human Identity*, 79 TRADEMARK REP. 681, 689 (1989) ("In an effort to expand the scope of rights in corporate symbols and trademarks, some plaintiff's attorneys have tried to stuff these kinds of corporate and business symbols into the category of the right of publicity."); McKenna, *supra* note 269, at 289–90 (noting the connection between publicity rights and antidilution theories of trademark law); Ellen P. Winner, *Right of Identity: Right of Publicity and Protection for a Trademark's "Persona*,*"* 71 TRADEMARK REP. 193 (1981) (arguing for broad trademark rights by analogy to publicity rights); *see also* Laura A. Heymann, *Naming, Identity, and Trademark Law*, 86 IND. L.J. 381, 393–97 (2011) (discussing the denotative, connotative, and associational functions of personal names and trademarks).

Branding as we know it today is a relatively recent marketing phenomenon, and companies invest huge amounts in building a brand image.[276] The brand is a super trademark that embodies a firm's personality, image, and values. A firm usually applies its brand to everything it sells in order to maintain a consistent image, imbue the products with the firm's personality, and build additional value in the brand. For example, the "Apple Macintosh" and "Harley Davidson" brands have strong personalities.[277]

Thus, a brand for a firm is similar to a personal name for an individual. A brand not only denotes the firm, but it also connotes the firm's identity.[278] This suggests the possibility of according brands the same normative treatment as personal names and using trademark law to extend to firms the personhood protection that publicity rights give individuals.[279] Although I shall argue that this is a mistake, I believe that the idea's strong intuitive appeal might be responsible for some of the broader trademark decisions.[280] For those judges swayed implicitly by the notion of protecting firm identity, the problem is not just that the defendant is free riding on something of value that the plaintiff has created; it is rather that the defendant is appropriating the plaintiff's identity and the reputation it has worked hard to cultivate.

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[276] For useful accounts of the branding phenomenon and its growing importance over the past thirty years, see Katya Assaf, *Brand Fetishism*, 43 CONN. L. REV. 83, 92–103 (2010), and Deven R. Desai, *A Brand Theory of Trademark Law* 10–21 (Thomas Jefferson Sch. of Law, Research Paper No. 1585327, 2010), *available at* http://ssrn.com/abstract=1585327.

[277] *See* Assaf, *supra* note 276, at 95–97 (mentioning these and other examples in discussing "brand fetishism"). Indeed, people use these brands to express their own lifestyle and values. Other examples include the Nike swoosh brand and sports team logos and marks.

[278] *See* Heymann, *supra* note 275 (distinguishing denotative and connotative functions of names and marks).

[279] There is a parallel in trade secret law. While the common law right of privacy attaches only to individuals, some see trade secret law as providing the functional equivalent for corporations. *See* Robert G. Bone, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, 86 CALIF. L. REV. 241, 284–89 (1998) (criticizing this line of argument).

[280] Some judges invoked the notion of protecting identity in the early trademark cases, *see supra* note 273, but it is difficult to find clear references today. This does not mean, however, that judges are not influenced by the intuition. Judges sometimes refer to taking a firm's reputation in anti-free-riding arguments, but these references are difficult to distinguish from the idea of taking goodwill. A concern with identity rights might underlie a common argument used to justify trademark protection in cases where the defendant's product is high quality. In these cases, courts sometimes invoke the trademark owner's right to exclusive control over its own reputation. *See, e.g.*, Carling Brewing Co. v. Philip Morris, Inc., 277 F. Supp. 326, 335 (N.D. Ga. 1967) ("[T]he rule remains: 'It is not to be disputed that the plaintiff is not required to put its reputation in defendant's hands, no matter how capable those hands may be.'" (quoting James Burrough, Ltd. v. Ferrara, 169 N.Y.S.2d 93, 96 (Sup. Ct. 1957))); 4 MCCARTHY, *supra* note 15, § 24:15 (noting that the concern is not just about the current quality but also about the future quality, and arguing that "[t]o deny relief upon the ground that defendant's goods are not inferior today is to place plaintiff's business reputation in the hands of a stranger over whom he has no control"). The argument in this form is puzzling since reputation cannot be at risk when the other firm is competent, responsible, and sells high-quality products. However, it makes more sense if it is understood as expressing a moral right to firm identity modeled on personal identity rights.

Notwithstanding its intuitive appeal, the argument from moral identity rights fails as a normative justification for protection in ordinary trademark cases. If individuals have moral rights to protect their own identities, it is because identity is closely connected with individual autonomy and self-definition. Corporations, however, are artificial entities and not autonomous agents capable of formulating life plans and personal goals.[281] It is not surprising then that the common law right of privacy, from which the personhood strand of publicity rights law developed, applies only to individuals and not to corporations.[282] Moreover, while there is a superficial similarity between brands and personal names, the two are, in fact, quite different. Brands are developed for their economic value in selling products and not for their expressive value in connoting self-identity.[283]

Still, there are cases where this moral right might justify trademark protection. These are cases in which the plaintiff's business is closely tied to the identity of its owner. For example, suppose Frank Carroll, a local handyman with a major reputation, opens a small, individually owned repair shop and calls it CARROLL'S REPAIRS. It is quite possible that Frank Carroll would treat his repair shop as deeply entwined with his personal identity, perhaps even the most important aspect of who he is.[284] In such a case, the name of Frank Carroll's business might warrant moral-rights protection.

The possibility that in certain cases there might be a moral-rights basis for trademark infringement requires much more discussion than there is space for here. For one thing, it is not obvious that moral personhood applies to peripheral extensions of self like Frank Carroll's business in the above example.[285] Moreover, the elements of liability need more elaboration. For example, the plaintiff will have to show that the public associates the mark with his personal identity and treats the defendant's

[281] *See* MEIR DAN-COHEN, RIGHTS, PERSONS, AND ORGANIZATIONS: A LEGAL THEORY FOR BUREAUCRATIC SOCIETY 61–62 (1986).

[282] *See* S. Air Transp. Inc. v. Am. Broad. Cos., 670 F. Supp. 38, 42 (D.D.C. 1987); 3 RESTATEMENT (SECOND) OF TORTS § 652I cmt. c (1977). Corporate entities do not have the capacity to suffer offense, humiliation, or emotional suffering essential to the privacy tort. This is particularly significant because the right of publicity for ordinary individuals grew out of the common law right of privacy. *See supra* note 269.

[283] *Cf.* Bone, *supra* note 279, at 288–89 (arguing that the commercial and technological information protected by trade secret law is not the type of subject matter that the moral right to privacy covers).

[284] It is worth pointing out that trademark law treats personal name marks with some solicitude. To be sure, these cases usually involve a defendant using his own personal name rather than a plaintiff seeking to protect a personal name mark, and the fact that the mark is the defendant's name weighs in favor of limiting the scope of injunctive relief. *See, e.g.*, E. & J. Gallo Winery v. Gallo Cattle Co., 955 F.2d 1327, 1336 (9th Cir. 1992); 2 MCCARTHY, *supra* note 15, §§ 13:6–:8. Nevertheless, the cases are some evidence that trademark law places a special value on marks that reflect personal identity.

[285] Publicity rights apply to extensions of celebrity persona, such as the "Here's Johnny" phrase for Johnny Carson. Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831, 835–36 (6th Cir. 1983). But these applications are probably better justified on economic rather than personhood grounds.

mark as symbolizing that same identity. Although in theory this is different than proving secondary meaning and likely confusion, it can overlap significantly. Finally, if liability has a broad scope on personhood grounds, it is all the more important to craft defenses that protect socially important uses, such as parodying a mark.

5. Summary.—The discussion so far shows that some moral arguments have force in trademark law. A moral norm against intentional deception justifies removing the intent factor from the likelihood of confusion test and making it the centerpiece of a separate test that enjoins any use of a mark made with intent to deceive consumers. Also, if consumer autonomy has moral value, it might support a rather strict infringement test in the context of confusion at the point of purchase about important aspects of basic goods and services, such as one's home, education, and medical services. Finally, the moral right to identity based on personhood values might apply to uses of marks in connection with businesses deeply tied to the personal identity of their creators and owners. Equally important, however, there are superficially attractive moral arguments—consumer autonomy given force as a moral right, anti-free riding, and identity protection in most cases—that should not influence trademark decisions.

B. Economic Justifications

Moral arguments are relevant only to those cases that implicate moral norms. When those norms are not involved, the case is properly analyzed under an economic approach. Economic arguments focus on maximizing social welfare in the aggregate, not on guaranteeing what each person is due as a matter of fairness or justice. The following discussion outlines an approach to restructuring the liability test from an economic perspective in a way that takes account of the harm from confusion and not just the probability that confusion will occur.

1. Expected Harm, Not Likely Confusion.—The goal of an economic analysis is to choose the legal rule that minimizes expected social costs.[286] Expected cost is the product of two factors: (1) the probability that a cost-generating event will occur and (2) the magnitude of the social cost when it does occur.[287] Applying this framework to trademark law, the expected cost of unauthorized trademark use depends on: (1) the probability that consumers will be confused and (2) the magnitude of the social harm if

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[286] *See, e.g.*, RICHARD A. POSNER, ECONOMIC ANALYSIS OF LAW 17–20 (8th ed. 2011) (explaining the Kaldor-Hicks efficiency approach to determining legal outcomes).

[287] This point is nicely illustrated by the economic interpretation of Judge Hand's $B < P \times L$ formula in negligence law. *See* United States v. Carroll Towing Co., 159 F.2d 169, 173 (2d Cir. 1947). $P \times L$ is the *expected cost* of accidents: the product of the probability an accident will occur multiplied by the cost of the accident if it does occur.

confusion materializes. For example, a 50% chance of consumer confusion is much more troubling when the total social harm that confusion produces is $1 million than when it is only $100. Viewed from this perspective, the problem with the current likelihood of confusion test is obvious: It instructs judges to focus exclusively on the first factor without recognizing the importance of the second.

The harms that concern trademark law are all related in one way or another to the content of product-related information that consumers receive and the cost of delivering or acquiring that information. Two of these harms are particularly salient: (1) the additional costs consumers incur in searching for information about product quality (consumer search costs) and (2) the costs that result from reduced incentives to invest in product quality when sellers cannot easily communicate the superior quality of their own products through their mark.[288] At the same time, trademark law also generates costs of its own. These include the administrative and litigation costs of enforcing trademark rights, the risk of creating product monopolies with excessively broad trademark protection, and the risk of chilling expressive and other creative uses of marks.[289]

The objective of an optimal system of trademark law is to minimize total expected social cost. For example, broader trademark rights can reduce search costs and increase incentives to invest in product quality, but they can also increase administrative and litigation costs and in some cases the risk of product monopolies and chilling effects. The social benefits of reducing expected search and inferior-quality costs must be balanced against the expected administrative, litigation, and other costs that the broader rights create.

2. *Constructing the New Liability Test.*—Because of the focus on expected cost—which depends on both the probability of a cost-generating event and the magnitude of the cost when the event materializes—any liability test should be divided into two parts. The first involves estimating the probability that consumers will be confused, and the second involves estimating the magnitude of trademark-related harm when consumers are confused.

a. *Estimating probability of confusion.*—The first part of the test should include only those factors strictly relevant to estimating the probability of consumer confusion. These include similarity of marks; proximity of products; consumer sophistication; instances of actual confusion; and specific features of market context, such as marketing channels, that influence consumer perceptions. However, bridge the gap and comparative quality do not belong in this part of the test. As we saw in Part

288 *See supra* notes 14–17 and accompanying text.
289 LANDES & POSNER, *supra* note 15, at 166–74.

III, those factors collapse into product proximity in a test devoted exclusively to estimating probabilities.[290]

It is less clear what role the strength-of-the-mark factor should play. As Part III explained, mark strength has no obvious connection to likelihood of confusion.[291] Until some significant connection is confirmed empirically, it is better to leave this factor out of the first part of the test. Including mark strength risks biasing findings of likely confusion in favor of strong marks without a clear justification for doing so.

It is also wise not to permit inferences from morally neutral forms of intent, such as intent to copy or to free ride. Although these types of intent have some evidentiary significance for predicting likely confusion, their probative value is relatively weak. Furthermore, given recent experience, there is too great a risk that they will be used to impose liability in cases where copying or free riding is associated with a socially desirable use.[292]

b. Estimating confusion-related harm.—The second part of the test involves estimating confusion-related harm. The relevant factors depend on what harms trademark law should target. From an economic perspective, trademarks function as efficient devices for communicating product information to the market. It therefore follows that the broad goal of trademark law must be to prevent uses of marks that impair this information transmission function.

When uses impair the functioning of a mark, both consumers and trademark owners can suffer harm. For example, search costs can increase for consumers, product quality can decline in the long run, and consumers can be misled into purchasing products they do not want. As for the trademark owner, it can lose sales, suffer reputation injury, and be foreclosed from using the mark in the defendant's market. However, preventing these harms is not the core concern of trademark law. As Part I.A explained, the core concern from an economic perspective is to prevent impairment of the efficient information transmission function of the mark.[293] To be sure, the law is concerned about consumer and seller harms, but only insofar as those harms are causally linked to impairment of a mark's informational function.[294] For example, lost sales, while certainly harmful to

[290] *See supra* notes 197–204 and accompanying text.

[291] *See supra* notes 209–20 and accompanying text.

[292] *See supra* notes 241–46 and accompanying text.

[293] *See supra* notes 13–17 and accompanying text; *see also* LANDES & POSNER, *supra* note 15 (describing the economic benefits of trademarks in terms of efficiently conveying information to consumers).

[294] Thus, I see no point in debating whether trademark law is supposed to protect only consumers or also producers. Trademark law protects both, but only insofar as doing so furthers the general goal of protecting the mark as an information transmission device. *See* Bone, *Hunting Goodwill*, *supra* note 35, at 560–61 & nn.58–59. *But see* Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. 63, 66–70 (2009) (arguing that it matters whether trademark law aims to prevent

the trademark owner, are of no concern to trademark law unless the losses affect the owner's incentives to invest in the mark or in product quality communicated through the mark.[295] In the following discussion, I shall use the term "trademark-related harm" to refer to those harms that are causally linked in an appropriate way to impairment of a mark's information transmission function.

(1) Competing products.—First, consider cases involving competing products and consumer confusion as to actual source. Search costs inevitably rise when consumers cannot rely on marks to identify a single source, and the risk that the defendant's product is lower quality can trigger a downward quality spiral when the trademark owner responds by reducing the quality of her own product. Thus, source confusion almost certainly produces trademark-related harm, and, for this reason, harm should be presumed.

But the presumption should not apply to all cases of competing products. The most notable exception is the merchandising rights cases.[296] These are cases in which the mark is the product itself. For example, the Red Sox organization sells or licenses others to sell RED SOX baseball caps, mugs, and other merchandise. Consumers buy these items not so much for the cap or mug, but for the RED SOX mark displayed on it. When another party sells similar merchandise without a license, there is little reason to believe that any confusion will generate trademark-related harm. Most consumers probably do not care whether the merchandise is officially authorized, and those who do care can order it directly from the trademark owner's website or buy it from an official store (such as the Red Sox's official store next to Fenway Park). Thus, search costs are not likely to be adversely affected. Moreover, there is no significant risk of a reduced quality when the defendant earns most of its profits from the mark's popularity and has little to gain—and possibly reputation to lose—by using shoddy material to manufacture the merchandise.

To be sure, the defendant is free riding on the popularity of the mark. But this free riding is not likely to impair the mark's information transmission function. Indeed, it might strengthen it by bolstering consumers' association of the trademark owner with the mark. It is possible

consumer or producer harms and that trademark law historically was structured around preventing producer harms).

295 Moral theories direct attention to different types of harm. For example, two of the moral theories discussed in Part IV.A.—the anti-free-riding principle and the personhood theory that supports a right to identity—by their nature, direct attention to the trademark owner; and one theory—consumer autonomy—directs attention to the consumer. But as we saw, these theories are highly problematic.

296 For a critical discussion of the merchandising rights cases, see Dogan & Lemley, *supra* note 83. It is reasonable to treat the merchandising rights cases as competing products cases because the trademark owner is exploiting, directly or indirectly, the same merchandising rights market that the defendant occupies.

that the trademark owner will invest less in the underlying activity, knowing that the merchandising market will be less lucrative. But this is not a trademark-related harm. The purpose of trademark law is not to generate incentives to create—that is the province of copyright and patent law.[297]

Because trademark-related harm is very unlikely to occur, the presumption of harm should not apply to merchandising rights cases. There are two alternative ways to implement this result. One is to make the presumption of harm rebuttable in general and to rely on the defendant to rebut it in the merchandising rights cases. The other is to make the presumption conclusive and to carve out exceptions for merchandising rights cases.

The conclusive presumption approach is superior.[298] A rebuttable presumption has the virtue of fitting results to the facts of particular cases, but it also encourages litigation over the rebuttal issue in almost every case. This increases litigation costs and uncertainty and empowers stronger parties to exert pressure for undesirable settlements. A conclusive presumption of harm reduces these costs. Though, like any general rule, it gets the wrong result in some cases, the number of wrong results should be quite small because trademark-related harm is virtually certain to occur in almost all competing products cases. Moreover, the obvious exceptions, such as merchandising rights cases, can be defined reasonably clearly in advance and thus handled by exempting them from the general rule without increasing litigation costs by too much. In fact, I argue later that there should be no trademark liability in merchandising rights cases, which would reduce litigation costs even further.[299]

(2) Noncompeting products.—Let us next consider cases in which the plaintiff and the defendant offer distinct products that do not compete. Here we assume that the defendant innocently adopts its mark. If the defendant instead adopted the mark with intent to deceive consumers

[297] *See, e.g.*, Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 33–35 (2003) (noting the importance of caution in extending trademark protection "into areas traditionally occupied by patent or copyright"); Lemley & McKenna, *supra* note 265, at 173–74 (noting that trademark law is not designed to encourage creation incentives in the way that copyright and patent laws are). It is true that trademark law is supposed to prevent a downward spiral of product quality, but this goal is tied to the ability of marks to communicate product quality information. In the Red Sox example, communication of quality information is not the problem. The problem is the inability to monopolize the merchandising market.

[298] Many factors are relevant to the choice between a rebuttable and a conclusive presumption, including the administrative costs of formulating rules in advance, the error costs of applying a conclusive presumption strictly, and the administrative and error costs of allowing for rebuttal. On the closely analogous choice between rules and standards, see Colin S. Diver, *The Optimal Precision of Administrative Rules*, 93 YALE L.J. 65 (1983), and Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 557 (1992).

[299] *See infra* note 339.

about quality, the moral argument would apply and support liability without any additional inquiry into harm.

The first point to note is that the presumption of harm created for competing products cases should not apply to all noncompeting products because the risk of trademark-related harm is much less certain.[300] Because the mark is still protected against competitive uses in the trademark owner's primary market, consumers receive the full benefit of efficient information delivery there, and the trademark owner reaps the economic value of its mark for the products it actually sells. Thus, most of the mark's value is realized by protection against source confusion in the primary market.

Nevertheless, a presumption of harm might be warranted if the noncompeting product is so closely related to the plaintiff trademark owner's product that consumers might mistakenly believe the plaintiff is the actual source.[301] For example, suppose the plaintiff sells AFARION shampoo and the defendant sells AFARION soap. Although shampoo and soap do not compete, source confusion is still a serious risk because consumers could easily believe that the plaintiff was selling the defendant's identically marked soap. To be sure, the plaintiff does not lose any sales because it is not in the soap market. However, the plaintiff is at much greater risk of reputation harm than in a pure sponsorship case not involving source confusion, and consumers are at greater risk of being misled.

However, no presumption of harm should apply to noncompeting products cases that do not involve source confusion. Instead, the trademark owner should have to prove harm. There are two possible types of harm in these cases: (1) the risk of information distortion due to use on an inferior product in a related market and (2) the risk of efficiency losses associated with preventing the plaintiff from using the mark in the new market. By considering both types of harm, we can construct a set of factors to measure the social costs of trademark use on noncompeting products and an analytic framework for understanding the contribution each factor makes.[302]

First, consider the risk of information distortion. Consumers who are confused about sponsorship might assume that the defendant's product satisfies the same general quality standards as the plaintiff's. If the quality

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[300] *See* McKenna, *supra* note 294, at 70 ("On the whole, . . . one thing is clear: no presumption of harm from uses of a mark for non-competing goods is warranted."); *id.* at 115 ("[S]tudies fail to support a general presumption of harm to a mark owner from use of the mark by non-competitors.").

[301] *See* Lemley & McKenna, *supra* note 5, at 428–29; *id.* at 450 (applying a presumption of materiality to all source confusion cases as well as to cases involving confusion about "responsibility for quality," and noting that "we should not presume social harm from likely confusion regarding other types of relationships").

[302] As we saw *supra* Part II.B.1.a, Judges Hand and Frank used reputation and market-foreclosure harms as gatekeeping devices to screen monopolistic trademark suits. Here I treat these harms—or more precisely, their impact on the information transmission function of marks—as primary reasons to protect marks in the first place.

of the defendant's product is in fact substantially inferior, the mark will communicate false information to consumers in the defendant's market. Moreover, if consumers have a bad experience with the defendant's products, they might transfer some of the blame to the plaintiff and thus discount the reliability of the mark in the plaintiff's market as well.

The seriousness of this harm depends on the extent to which consumers transfer quality information across different products and allow bad experiences with related products to influence their choices in the plaintiff's primary market. Professor Mark McKenna points to marketing studies that shed light on these effects.[303] According to McKenna, these studies show that consumers are likely to transfer positive brand image and association forward to a related product.[304] But the studies also apparently show that consumers are not likely to transfer negative information about the related product back to the trademark owner.[305] If the latter finding is true, it weakens the case for trademark protection based on negative feedback and information distortion in the plaintiff's primary market.

I have serious doubts, however, about the validity of this finding. For one thing, it is counterintuitive in a way that should make one skeptical of the results. Negative feedback, after all, must depend on the seriousness of the quality problem in the related market. If I believe that Aunt Jemima sells AUNT JEMIMA pancake flour as well as AUNT JEMIMA pancake syrup and I find rodent droppings in the flour, I am very likely to worry about the quality of the syrup. Moreover, as McKenna himself points out, the laboratory studies supporting the results have significant methodological limitations.[306]

Furthermore, the results, even if valid in some situations, might not apply generally. For example, it would not be surprising if it took more than

[303] McKenna, *supra* note 294, at 97–115; *see also* Lemley & McKenna, *supra* note 5, at 427–38 (citing these studies to support a proposal to focus on consumer beliefs about responsibility for quality). The studies test brand extensions and brand alliances. McKenna, *supra* note 294, at 94–95. "Brand extensions" are new products marketed by the same owner under the same brand, such as NIKE used for athletic-training services. "Brand alliances" are partnerships between firms in which each firm's brand is used to promote the other's product, such as promotional tie-ins between producers of children's movies and fast food restaurants that appeal to children. *See id.*

[304] *See id.* at 98–101 (positive spillover for brand extensions); *id.* at 113 (positive spillover for brand alliances).

[305] *See id.* at 101–07 (negative feedback for brand extensions); *id.* at 114–15 (negative feedback for brand alliances).

[306] *Id.* at 95–96. McKenna argues that even with their flaws, "these studies remain the best available evidence regarding the impact of uses of a mark outside its original context." *Id*. at 97. This might be so, but even if it is, it does not mean that we should ignore our own experiences as consumers. Those experiences, while not subject to controls or proper experimental methods, are still useful for assessing the initial plausibility of empirical findings. It is true that empirical findings can still be correct even though they fit experience poorly and unfiltered experience can often be an unreliable guide. But a poor fit with experience warrants special attention to methodological limitations and a particularly careful examination of the empirical results.

one negative experience with the defendant's product to change entrenched and strong positive attitudes toward the plaintiff's product. But it would also not be surprising if consumers who had a bad experience with the defendant's product before ever trying the plaintiff's would shun the plaintiff and buy from its competitors if they thought the plaintiff was involved with the defendant's product. In the latter case, there is no pre-existing positive association with the plaintiff's product to counter the bad experience. Indeed, some of the study results McKenna reports seem consistent with this prediction.[307]

This is not the place to closely examine these marketing studies and McKenna's claims. The studies he cites confirm positive spillover effects from the primary market to the related market.[308] This fact alone supports a risk that the mark's information transmission function will be impaired in the defendant's market when consumers buy the defendant's product believing that it has qualities it does not have. Moreover, there is still reason, notwithstanding the studies, to worry that the information content of a mark might be distorted in the primary market by low-quality uses in related markets.[309]

These studies are most useful for identifying factors to estimate confusion-related harm. In particular, the similarity between the defendant's and the plaintiff's products is critical. The more similar the two products, the more likely consumers will transfer positive information about the plaintiff's product forward to affect purchasing decisions in the defendant's market and negative information about the defendant's product back to affect the meaning of the mark in the plaintiff's market.[310] Also, according

[307] McKenna reports some studies that show that a bad experience with the quality of one brand extension compared to the perceived quality of the core brand can adversely affect consumer responses to later extensions. *Id*. at 102 & n.154 (citing Kevin Lane Keller & David A. Aaker, *The Effects of Sequential Introduction of Brand Extensions*, 29 J. MARKETING RES. 35, 44–45, 48 (1992)). Also, there is at least one study that shows that a bad experience with an extension can affect consumer perceptions of the general brand image even when it does not affect consumer attitudes toward existing products sold under the brand. *Id.* at 102 & n.155 (citing Joseph W. Chang, *Will a Family Brand Image Be Diluted by an Unfavorable Brand Extension? A Brand Trial-Based Approach*, 29 ADVANCES IN CONSUMER RES. 299, 302 (2002)). These studies suggest that a bad experience with a product might adversely affect later brand extensions—and, by implication, perhaps the original product if consumers try it subsequent to the bad experience, making it functionally equivalent to a brand extension from their perspective—and also that a bad experience can adversely affect the meaning of the brand in general.

[308] *Id.* at 98–101.

[309] McKenna claims that the brand-alliance studies are the most relevant for sponsorship confusion cases, but the single study he cites offers little support for that conclusion. *See id.* at 114–15. This study tested consumer attitudes when consumers were told negative information about the firm's supplier or a celebrity endorser who had behaved badly. Neither situation is one where I would expect negative feedback effects. Everyone knows that many celebrities are difficult to control and often prone to behave badly. Moreover, negative information about a supplier is unlikely to have an adverse impact unless the information is about the quality of the supplies actually sold.

[310] Professor McKenna makes this point. *Id.* at 116 (arguing that courts should define product similarity in terms of complementarity, substitutability, and transferability).

to McKenna, positive spillover of brand information to a related product is more likely for high-quality brands, and at least one study suggests that negative feedback, when it occurs, is more likely for well-known brands.[311] This suggests that acquired strength should be a factor as well.[312]

The second type of trademark-related harm relevant to noncompeting products results from market foreclosure—the fact that a trademark owner cannot use its mark in a related market if someone else is already using the mark there. However, it is difficult to see how market foreclosure impairs the efficient information transmission function of a mark.[313] One might argue that allowing a trademark owner to use its established mark in the new market is more efficient than making it invest in developing a new mark. But the same is true for other firms wanting to use the mark, assuming they sell products of comparable quality. If it is equally costly for both firms to develop secondary meaning in a new mark, there is no reason to prefer the trademark owner on economic grounds.[314]

Perhaps consumer confusion in the secondary market is more likely when consumers know that the plaintiff has entered the new market but are unaware that the plaintiff is using a different mark there. For example, suppose that Firm *X* sells APPLE car radios. If Apple Computers cannot stop *X*, and therefore must enter the car radio market using a different mark to avoid confusion, consumers who know that Apple has entered the market but are unaware of the new mark may reasonably assume that *X*'s APPLE car radios are Apple's product. However, firms like Apple have strong incentives to advertise a new mark before entry, and thus build awareness of it, and this should reduce the risk of confusion.[315]

Finally, because costs of entry are lower when a firm does not have to invest in developing a new mark, trademark owners might be more willing to enter new markets if they know they can use their existing marks there.

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[311] *Id.* at 99, 104, 113.

[312] Another reason to count acquired strength for estimating harm has to do with the fact that distortions of the information carried by a strong mark will affect more consumers because more consumers use the mark.

[313] I focus on economic arguments in this section and ignore possible moral arguments for remedying market foreclosure harm. However, the moral arguments, based on the anti-free-riding principle and the right to protect personal identity, are deeply flawed as we have seen *supra* Parts IV.A.3–4. *See* Lemley & McKenna, *supra* note 265, at 167–84 (criticizing incentive, anti-free-rider, and natural rights arguments).

[314] Alternatively, one might argue that reserving the value of a mark in ancillary markets will enhance a trademark owner's incentives to invest in and develop the mark in its primary market. However, the trademark owner already has substantial incentives to invest in the mark in order to reap profits in its primary market, and it is not clear how much additional incentive would be created by reserving ancillary markets or how much additional informational benefit a marginal increase in incentives would produce. *See* Lemley & McKenna, *supra* note 265, at 170–77 (thoroughly critiquing incentive-based arguments for preserving ancillary markets).

[315] Moreover, consumers are likely to adjust over time, so any serious confusion should only be temporary.

To be sure, the same is true for other firms, whose costs of entry would also be lower if they could use the mark. But there might be a good reason to prefer the trademark owner if the new product is closely enough related to the original so that the trademark owner can use its existing knowledge to achieve production efficiencies in the new market. In that case, chilling the trademark owner's entry might be costly from a social point of view.

There is a question whether this type of cost is one that trademark law should consider because it bears only a remote relationship to a mark's information transmission function. Assuming that it is relevant, it would count in favor of the market-foreclosure rationale in some cases. Admittedly, the risk of efficiency loss from market foreclosure is not as strong a basis for extending protection as the risk of information distortion, but it still has some force. The most serious problems are probably limited to cases where the mark has very strong secondary meaning in the related market, the new product is fairly closely related to the trademark owner's existing products, and the trademark owner is very likely to enter if given exclusivity. These conditions help assure that there will be efficiency gains from giving the trademark owner the exclusive right to exploit the mark.

To recap the argument so far, we have seen that an economic analysis of trademark infringement should consider both the probability of confusion and the magnitude of harm that confusion is likely to generate. Distinguishing between these two components helps to sort out the factors relevant to each. As for estimating probability, some, but not all, of the factors in the current likelihood of confusion test are relevant. As for estimating harm, it is important to distinguish between competing and noncompeting products. If products directly compete, harm can be conclusively presumed when there is likely confusion—with some important exceptions, such as merchandising rights cases. A presumption of harm might also be warranted when products do not compete if those products are closely enough related that there is a serious risk of source confusion. There should be no presumption, however, when the plaintiff's and the defendant's products are more remotely related so that only sponsorship confusion is involved. In these cases, the trademark owner should have to prove substantial trademark-related harm.

Moreover, by exploring the underlying policies, I identified several factors relevant to estimating harm. Mark similarity is important, of course. In addition, mark strength, in the sense of acquired secondary meaning, is important both for negative feedback and for market foreclosure rationales. Product similarity is crucial as well. The more similar the products, the more likely consumers will transfer favorable experiences with the plaintiff's product forward to the defendant and bad experiences with the defendant's product back to the plaintiff. And the more similar the products, the more likely it is that efficiencies can be achieved by giving the trademark owner exclusivity in the related product market.[316]

3. Materiality, "Responsibility for Quality," and False Advertising.—Recently, some scholars have considered the possibility of adding a materiality requirement to trademark law. The idea is to limit liability to those cases where consumers are confused in a way that actually matters to their purchasing decisions.[317] For example, source confusion that leads consumers to believe that the defendant's television sets are the same high quality as the plaintiff's satisfies the materiality requirement. However, confusion about whether the Dairy Queen company licensed use of its mark in a film about a Midwestern beauty contest called *Dairy Queens* is not likely to affect viewers' decisions about whether to watch the film and thus not likely to satisfy the materiality requirement.[318]

Professors Lemley and McKenna tie their materiality requirement to consumer beliefs about responsibility for quality.[319] They argue that infringement should turn on "whether the defendant's use is likely to confuse consumers about who is responsible for the quality of the defendant's goods or services,"[320] and they assume that information about who controls quality is necessarily material to consumers' purchasing decisions.[321] This means that in a competing products case, where consumers are confused into believing that the trademark owner actually sells the defendant's product, confusion about responsibility for quality can be presumed—and with it, materiality.[322] In a noncompeting products case, by contrast, materiality should be presumed *only if* the trademark owner proves that the defendant's use creates confusion about responsibility for quality; otherwise, materiality must be proved directly.[323]

An important consequence of these rules is that trademark owners must always prove materiality in cases like *Dairy Queen*, where products do not compete and consumers are not likely to be confused about responsibility

[316] It is worth emphasizing that these factors should not be applied mechanically, but rather with sensitivity to their probative value in estimating likely information distortion or reduced efficiency. It is also important to bear in mind that this analysis applies when the products are not so similar that source confusion is a serious risk. For, if source confusion is involved, it might be appropriate to presume harm.

[317] *See, e.g.*, Grynberg, *supra* note 5, at 113–14; Lemley & McKenna, *supra* note 5, at 444-48; Tushnet, *supra* note 7, 1360–73.

[318] Am. Dairy Queen Corp. v. New Line Prods., Inc., 35 F. Supp. 2d 727 (D. Minn. 1998). To cite another example, confusion about whether Mattel, Inc. consented to the use of its BARBIE mark in Aqua's "Barbie Girl" song is unlikely to be material. Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894 (9th Cir. 2002).

[319] Lemley & McKenna, *supra* note 5, 444–48.

[320] *Id*. at 427.

[321] *Id.* at 428–29, 432–34 (noting that information about who controls quality is "real information that affects [consumers'] decisions about which products or services to buy").

[322] *See id.* at 447.

[323] *See id.*

for quality. Lemley and McKenna assume that successful proof will be rare in these cases, and thus the materiality requirement will restrain judges from imposing liability on socially valuable uses that risk very little, if any, trademark-related harm.[324]

Professor Rebecca Tushnet also supports a materiality requirement, although she does not tie it explicitly to responsibility for quality.[325] For Lemley, McKenna, and Tushnet, trademark infringement should be seen as a type of false advertising.[326] A false advertising claim requires a false statement of fact that is material to consumers.[327] By analogy, use of a mark should infringe only when it communicates false information to consumers that is material to their purchasing decisions.

This proposal is attractive in many ways, and I applaud the effort to rein in the excesses of current law. However, the proposal, as framed, has three major problems: (1) the concept "responsibility for quality" is too imprecise and narrow, (2) trademark law differs from false advertising in ways that suggest materiality might be too limiting a constraint, and (3) materiality does not do enough to address the chilling-effects problem and might even exacerbate it.

First, consider the imprecision and narrowness of the responsibility for quality concept. To illustrate, suppose that the defendant sells NIKE fishing lures and that consumers are confused into believing that Nike, Inc. is connected or affiliated with the defendant in some way other than through manufacturing or selling the fishing lures. This sponsorship-type confusion need not translate into a belief that Nike is "ultimately responsible for," or "guarantees," or "controls" the quality of the defendant's fishing lures.[328] Responsibility for quality, after all, is a rather strong inference to draw, especially when the consumer knows that the trademark owner is not the one actually making and selling the product. As Lemley and McKenna themselves recognize, a consumer might believe that the plaintiff has simply authorized the use of its mark or associated with the defendant in

[324] *Id.* at 447–48.

[325] Tushnet, *supra* note 7, at 1352–73.

[326] *See* Lemley & McKenna, *supra* note 5, at 445 ("We think that logically trademark law can be conceived as a specialized subset of false advertising law."); Tushnet, *supra* note 7, 1312, 1344–75 (noting that "[t]reating trademark infringement as a specialized type of false advertising makes sense," and arguing that trademark law and false advertising law can learn from one another).

[327] *See, e.g.*, Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc., 299 F.3d 1242, 1247, 1250 (11th Cir. 2002) (listing the elements of a false advertising claim).

[328] Lemley and McKenna refer variously to consumers believing that the plaintiff is "ultimately responsible for the quality of the defendant's goods or services," that "the plaintiff has played a role in guaranteeing quality," and that "the plaintiff controls the quality" or "assures their quality." Lemley & McKenna, *supra* note 5, at 427, 428, 432.

some loose way without also believing that the plaintiff exercises control or otherwise guarantees the quality of the defendant's product.[329]

Suppose then that consumers in the NIKE example do not attribute responsibility for quality to Nike. Still, this does not mean that there is no trademark-related harm. In fact, there is a risk that the information transmission function of the NIKE mark will be impaired. If the fishing lures turn out to be of poor quality, consumers might infer that Nike is not as concerned about quality as they had previously thought. The chain of reasoning is familiar: if Nike chooses to associate with a firm that has low standards, Nike cannot care much about its own reputation, and therefore, might be sloppy about the quality of its own products. Regular Nike customers are not likely to be affected right away, but they might question Nike's reputation after a few bad experiences with different products bearing the NIKE mark. Notice that this effect does not depend on consumers believing that Nike guarantees quality. It is just an application of the familiar rule of thumb that the character of the people one associates with says a lot about one's own character. One does not necessarily vouch for one's friends, nor does one take responsibility for what they do. Yet one's choice of friends still speaks to one's character.[330]

The important point is that marks convey information in complex ways and consumers form negative impressions of sellers without necessarily blaming them for bad quality in the sense Lemley and McKenna have in mind. This is true even for the cases that Lemley and McKenna want to exclude from liability. Suppose, for example, that the viewers of the movie at issue in *Dairy Queen* believe that Dairy Queen licensed its mark for use in the movie title, but, as is surely the case, do not consider this fact material to their viewing decisions.[331] There is still a risk to the information content of the mark if the movie turns out to be very bad. Viewers might wonder why Dairy Queen licensed its mark for use in such a bad movie, and they might think less of Dairy Queen as a result. To be sure, it is possible that viewers would discount a mistaken association that does not

[329] *Id.* at 427 ("Confusion about some relationships simply shouldn't matter because it doesn't affect consumers' decisions to purchase the defendant's goods or services."). Lemley and McKenna must believe that not all relationships support an inference of responsibility for quality, for otherwise every trademark case would satisfy their materiality requirement.

[330] Lemley and McKenna might respond to this example by arguing that it is one of those cases that require proof of materiality. However, the materiality concept does not fit the way in which Nike's mark is injured. The assumed association between Nike and the defendant in this example need not be material to any consumer's purchasing decision in order to harm Nike's reputation. Moreover, if Lemley and McKenna would treat this example as a case requiring proof of materiality, then one has to wonder how many cases actually fit in Lemley and McKenna's second category (presuming materiality from responsibility for quality). Lemley and McKenna cite franchising arrangements as an example of a second-category case. Lemley & McKenna, *supra* note 5, at 428. But franchising is special. A franchise is all about responsibility for quality—it is what connects the franchisor with its franchisees—and the mark is supposed to convey that fact.

[331] Am. Dairy Queen Corp. v. New Line Prods., Inc., 35 F. Supp. 2d 727 (D. Minn. 1998).

matter to their purchasing decisions, but this is far from certain. Indeed, the risk of a negative inference might well increase with the number of confusing uses, even when none of those uses are material to consumer decisions. Of course, these are all empirical questions; but one thing is clear: the risk in these cases has nothing to do with responsibility for quality, and it can happen even in the absence of materiality. It is just another example of inferring character from choice of "friends."

This is not to say that there should be liability in such a case. In fact, I argue later that expressive use cases like *Dairy Queen* should be categorically exempted from liability.[332] But the reason is not because there is no risk of trademark-related harm. There is a risk. Rather, it is because the risk is relatively low compared to the harm to free expression from enjoining the use.

The second problem with the proposal is that a materiality requirement might be too restrictive. It focuses on consumer purchasing decisions in the short run and misses ways that consumer confidence in the reliability of marks might be impaired in the long run. The concern here is similar to the classic lemons problem.[333] Consumers who believe that a mark can be used in misleading ways but who cannot identify the misleading uses in advance might discount the mark's value in all its uses. Sellers might then respond by investing less in marks, and the result could be a less effective trademark system.

For example, suppose consumers of NIKE fishing lures are confused that Nike is somehow involved, but their confusion is not material. Suppose too that the fishing lures are high quality so there is no risk of negative feedback. If these consumers later learn that Nike is not involved, they might wonder how many other uses of the NIKE mark are unauthorized, including uses that communicate material information. This is not likely to be a problem if it happens only occasionally, but it could become a problem if it happens repeatedly.

Although this risk should be considered in any trademark analysis, it is important not to exaggerate it. Consumers are accustomed to marks being used in lots of different ways: for humorous effect, to embellish websites, for criticism, and so on. In our rough-and-tumble world of symbolic discourse, consumers are not likely to be too concerned about a mistaken belief that is not material, especially if they perceive a legitimate reason for

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332 *See infra* notes 338–39 and accompanying text.

333 *See* George A. Akerlof, *The Market for "Lemons": Quality Uncertainty and the Market Mechanism*, 84 Q.J. ECON. 488 (1970). In the lemons model, asymmetric information about quality leads to a pooling equilibrium in which all products are low quality. For example, suppose the market for used cars includes sellers who market high-quality cars and sellers who market low-quality cars. If consumers are unable to verify quality before purchase, they will pay only the average of the value over high- and low-quality cars, which will not be enough for the sellers of high-quality cars. As a result, only low-quality cars will remain.

unauthorized use. For example, consumers who learn that Dairy Queen did not license use of its mark in the *Dairy Queens* movie are not likely to worry much about the reliability of the mark. Among other things, they can easily see that there is a good reason for using the mark in the title of a film about a Midwestern beauty pageant. However, the Nike example is more troubling because there is no obviously legitimate reason for the defendant to use the NIKE mark.

The most problematic cases are probably limited to those where the plaintiff uses a word mark, the defendant's mark is very similar, and the defendant's use is in an ordinary commercial setting and in a customary trademark way. Moreover, even if a serious problem exists, the defendant's use should not necessarily be enjoined. One must balance the social benefits in reducing the harm against the social costs of enjoining the defendant's use, including the risk of creating product monopolies, harming First Amendment values, and so on.

The important point is that materiality might not capture all the ways in which a mark's information function can be degraded. While I am not aware of any consumer studies to this effect, it seems reasonable, based on experience, to suppose that marks often convey their information in a totalistic way. The mark itself can signal that a product is good without the consumer ever reducing it to specific factual statements about quality.[334] This type of signaling has obvious efficiencies.[335] But for marks to work in this integrated way, consumers must be willing to trust their reliability, and it is precisely this trust that is put at risk by the lemons problem.

The third difficulty with the materiality proposal has to do with chilling effects. As Part III explained, the amorphous likelihood of confusion test creates high litigation costs and decisional uncertainty that can chill socially valuable uses even before a suit is filed.[336] The materiality requirement adds a new issue for adversarial dispute and one that is bound to increase litigation costs. In addition, its strong fact dependence is likely to increase decisional uncertainty. Whoever is the more powerful party—usually the trademark owner in these cases—can use higher costs and greater uncertainty to leverage a privately favorable, but socially undesirable,

[334] This is obviously true for the emotional and affective components of a mark's meaning, as has been understood ever since the advent of psychological advertising. *See* Bone, *Hunting Goodwill*, *supra* note 35, at 579–82. Indeed, this is what constitutes a mark's commercial magnetism or grip on consumers. *See generally* Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203, 205 (1942) (referring to "the commercial magnetism of [a] symbol" and "the drawing power of a congenial symbol"). And it is obviously why firms are so keen on building brand identity.

[335] I put to one side objections, like those voiced by critics of trademark expansions during the 1940s and 1950s, that the emotional power of a mark interferes with rational consumer choice. *See supra* note 80 and accompanying text. This is a very tricky argument to rigorously push through and economists today do not give it much weight. For a brief discussion of this point, see Bone, *Hunting Goodwill*, *supra* note 35, at 602–03.

[336] *See supra* notes 171–74 and accompanying text.

settlement. This is exactly what happens with the likelihood of confusion test today. To be sure, materiality creates an additional filing obstacle for these strategic plaintiffs. But the screening benefits are significantly reduced by materiality's fact dependence, which is likely to preclude summary judgment, and the decisional uncertainty, which is likely to exacerbate chilling effects for risk-averse defendants.[337]

The best way to handle the chilling-effect problem is to carve out categorical liability exemptions for the most seriously affected uses. For example, a defendant who uses a mark in an expressive work should have an absolute defense that depends only on proving that the use is expressively related to the work.[338] Although a general rule exempting an entire category of uses is bound to be overinclusive, it makes good policy sense for expressive uses because the probability of serious trademark-related harm from confusion is very low while the probability of a serious chilling effect is quite high.[339]

A somewhat less effective way to deal with the chilling-effect problem is to impose gatekeeping requirements that strongly correlate with socially desirable uses and that can be judicially enforced at the beginning of a lawsuit.[340] The gatekeeping requirements that Judges Hand and Frank used

[337] A materiality requirement might help somewhat if judges insist that plaintiffs show a substantial likelihood of success on materiality at the preliminary injunction stage, but this depends on judicial willingness to be strict early in the suit.

[338] The Second Circuit did essentially this in *Rogers* v. *Grimaldi*, 875 F.2d 994 (2d Cir. 1989). It held that the use of a trademark in the title of an artistic work is not actionable "unless [the use] has no artistic relevance to the underlying work whatsoever, or, if it [does have] some artistic relevance, unless [it] explicitly misleads as to source or the content of the work." *Id.* at 999. The first requirement—artistic relevance—assures that the use of the mark has some expressive connection with the work, and the second requirement—that the use does not explicitly mislead—makes sure that moral reasons for protection based on intentional deception do not apply. *See also* E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc., 547 F.3d 1095 (9th Cir. 2008) (applying the *Rogers* test more generally to the use of a mark in the body of an expressive work).

[339] In general, a categorical exemption will usually be justified if its social benefits—measured in terms of the expected error costs it avoids and the administrative costs it saves—exceed its social costs—measured in terms of the expected error costs it creates by excluding cases where the facts actually support liability. On the choice between strict rules and flexible standards, see *supra* note 298 and accompanying text. The same policy balance favors exemptions for other types of use as well. For example, a strong case can be made for exempting the merchandising rights cases (at least when the defendant uses a disclaimer) and also product design trade dress cases. *See* Bone, *supra* note 13, at 2182–84. In fact, one can read the Supreme Court's opinion in *TrafFix Devices, Inc. v. Marketing Displays, Inc.* as an effort to create an absolute exemption for utilitarian trade dress. 532 U.S. 23, 32–34 (2001). *But see* Valu Eng'g, Inc. v. Rexnord Corp., 278 F.3d 1268, 1276 (Fed. Cir. 2002) (reading *TrafFix Devices* more narrowly).

[340] Lemley and McKenna propose what they call a "trademark injury" doctrine, which would mandate as a condition of standing that trademark owners "demonstrate (1) that their injury flows from confusion about the actual source of the defendant's goods or about who is responsible for the quality of those goods, or (2) that the defendant's use causes confusion about some other relationship that is material to consumer purchasing decisions." Lemley & McKenna, *supra* note 265, at 188. The problem with this proposal is that it requires a trial on liability to determine standing.

do not fit the new types of uses that create chilling effects today. One promising approach might be to require plaintiffs in Internet and expressive-use cases to prove actual confusion rather than likelihood of confusion and to require plaintiffs to submit substantial evidence of actual confusion early in the litigation.[341] The advantage of this approach is that it guards against speculation about likely confusion. A disadvantage is that it forces trademark owners to suffer harm from actual confusion before obtaining injunctions in legitimate cases. But the harm is only temporary and should not be serious in the Internet and expressive-use cases under consideration.

This is not the place to explore these possibilities with care. My point is only that we need special rules to deal with the chilling-effect problem and that a materiality requirement does not serve this purpose. I favor categorical exemptions where they make sense as a policy matter, and where they do not, I favor threshold requirements that are clear and judicially enforceable at an early stage. There is always the temptation to try to get the right result in each individual case, but this is exactly what creates high litigation costs, decisional uncertainty, and chilling effects.

C. Summary

Part IV has demonstrated the importance of distinguishing between moral and economic arguments in constructing a sensible likelihood of confusion test. Focusing on moral arguments, we saw that intentional deception should be taken out of the likelihood of confusion test and treated as its own distinct basis for liability. Moreover, consumer autonomy as a moral value might justify infringement in some cases, and a moral right to protect personal identity might support prima facie trademark liability in those cases where individuals use personal names as marks for closely held businesses with which they strongly identify. Beyond these situations, the moral arguments are not persuasive, including arguments based on a general moral right to consumer autonomy, a moral duty not to free ride on goodwill, and a personhood-based right to protect individual identity.

As for an economic analysis, it supports dividing the liability test into two parts: an estimate of the probability of consumer confusion and an estimate of the trademark-related harm when consumers are confused. A bifurcated test resolves the doctrinal muddle of the unitary likelihood of confusion test by assigning factors to their proper functions. Furthermore, in estimating the degree of harm, judges should distinguish between competing products and noncompeting products. Uses on competing products should trigger a conclusive presumption of harm, subject to

[341] Making the plaintiff plead actual confusion might serve a screening function by itself if courts are strict about applying the new plausibility pleading standard to trademark suits. *See* Ashcroft v. Iqbal, 556 U.S. 662 (2009); Bell Atl. Corp. v. Twombly, 550 U.S. 544 (2007).

exceptions for special cases, such as merchandising rights. The same presumption might also apply to cases involving noncompeting products when the defendant's product is so closely related to the plaintiff's that actual source confusion is a serious risk. However, no presumption should apply to uses on noncompeting products beyond source confusion, and the estimate of harm should be guided in these cases by factors relevant to the impact of a noncompeting use on the mark's information transmission function.

Finally, a focus on responsibility for quality is ill-advised, at least without a clearer definition of the concept, and a materiality requirement must be thought through more carefully. To protect against chilling socially valuable uses, trademark law should use categorical exemptions or threshold gatekeeping requirements.

CONCLUSION

The likelihood of confusion test is in a state of disarray. A close study of its history reveals an important reason why. The test emerged as an historical compromise that papered over conflicting views about the proper reach of trademark law without resolving the normative disagreements that gave rise to the conflict. Those disagreements manifest today as doctrinal and normative incoherence. And the result is a vague and uncertain test that chills socially valuable uses and facilitates unjustified expansions of trademark law.

This Article identified two key steps toward solving these problems. Both involve restructuring the infringement test so that it more closely fits the policies trademark law should serve. The first step is to distinguish carefully between moral and economic justifications. The second step is to separate two prongs of an economic analysis—the probability of confusion and the trademark-related harm from confusion. Separating these two prongs points the way to a more sensible reorganization of the current likelihood of confusion factors. Also, a serious examination of trademark-related harm suggests promising ways to limit liability, including categorical exemptions for certain uses and gatekeeping requirements to screen undesirable suits.

Trademark law has suffered under the likelihood of confusion test for far too long. The problems run deep and ad hoc tinkering with factors will not solve them. The test needs a complete overhaul. A properly functioning trademark system depends on it.