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A Consumer Decision-Making Theory of Trademark Law

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A CONSUMER DECISION-MAKING THEORY OF TRADEMARK LAW

Mark P. McKenna

INTRODUCTION ................................................................................ 68

I. THE SEARCH COSTS THEORY .................................................... 73
   A. The Problem with Search Costs .............................................. 81
      1. Irrelevant Search Costs .................................................. 84
      2. The Value of Search Costs ............................................ 86
      3. The Language of Search Costs Invites Courts to View Confusion as the Problem ................................... 92
   B. The Doctrinal Consequences of Focusing on Search Costs ........................................................................ 94
      1. Sponsorship or Affiliation Confusion ............................. 94
      2. Initial Interest Confusion .............................................. 99
      3. Post-Sale Confusion ...................................................... 102
      4. Dilution ............................................................................. 106

II. CONSUMER DECISION MAKING AND AUTONOMY ...................... 111
   A. Advertising and the Autonomous Consumer ...................... 113
   B. Deception Versus Persuasion ............................................. 122

III. A CONSUMER DECISION-MAKING THEORY ......................... 124
    A. Limits on Types of Actionable Confusion ......................... 125
       1. Sponsorship/Affiliation ............................................... 125
       2. Initial Interest Confusion ........................................... 128
       3. Post-Sale Confusion .................................................. 131
       4. Dilution ............................................................................ 133
    B. Ramifications in Likelihood of Confusion Analysis ........... 136
    C. Defenses and Remedies .................................................. 138

CONCLUSION ................................................................................ 141

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THE storyline of a recent episode of Comedy Central's *Futurama* revolved around the "all new eyePhone." It was not difficult to get the allusion. Aside from the name, and accounting for the fact that *Futurama* is an animated show, the eyePhone logo looked vaguely like the Apple logo, the eyePhone product came in a box that looked more than a little bit like the iPhone box, and the eyePhone was sold at a retail store that you could be forgiven for believing resembled an Apple store, complete with computer panels that looked an awful lot like those seen in Apple advertisements. In case that was not enough, one of the characters in the episode responded to a question about how long shoppers would have to wait in line for their new eyePhone by saying "the eyePhone has an app for that."
It seemed (and seems) unlikely to me that Apple had any involvement with the content of this episode, particularly since a good number of the iPhone/Apple references were clearly mocking in tone. But given the ubiquity of product placement in modern television, it is hard to be confident that Apple would not license such a fictionalized product placement. So I wondered about it the entire episode.

The question of whether the *Futurama* producers needed permission from Apple is an uncomfortably close one, but it is not the subject of this Article. My concern here is that the dominant conceptual model of trademark law is not up to the task of evaluating uses of a mark like those in the episode. All of my wondering about whether the *Futurama* producers had permission to make such obvious references to the iPhone could easily be cast as confusion about some sort of relationship between Apple and the producers of the show. And that is all most courts would need to know. If someone is confused, then the use infringes, because trademark law's job is to rid the marketplace of any and all confu-

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4 See id. Residents of the town are depicted as mindless zombies streaming to Mom's (maker of the eyePhone) retail store, powerless against eyePhone advertising. Once inside the store, the clerk tells one customer he has "no choice of carrier, the battery doesn't hold a charge, and the reception isn't very good." Undeterred, the customer exclaims "Shut up and take my money!" Apple also was not the show's only target: the "killer app" referenced in the title of the episode was called "Twitcher," an app from which one sends "Twits" to his or her followers. With respect to Twitcher, the apparent CEO of Mom's rejoices in the fact that "morons voluntarily spew out every fact I need to exploit them" and then instructs her minions to "fire up the direct marketing algorithm!" And one of the characters competes in a contest for the largest number of followers on Twitcher by sending a video of Leila, the Cyclops, who has a singing boil on her butt. The (Scottish) boil's name? Susan, of course. Id.

5 I am on record arguing that they should not need permission, Mark A. Lemley & Mark McKenna, Irrelevant Confusion, 62 Stan. L. Rev. 413, 415–16, 450 (2010) [hereinafter Lemley & McKenna, Irrelevant Confusion], and that is likely to be the result at the end of the day. William McGeveran, Rethinking Trademark Fair Use, 94 Iowa L. Rev. 49, 59–61 (2008) (describing courts' tendency to protect expressive uses of a mark and arguing that trademark doctrine is problematic for free speech interests primarily because resolution of speech cases comes too late and too uncertainly). Nevertheless, there are enough cases to the contrary that one cannot be too confident in that prediction. See Lemley & McKenna, supra, at 417–23 (giving examples of such cases).
sion. Indeed, courts routinely say that trademark law targets “confusion of any kind.”

This simple view of trademark law’s purpose reflects just how far the law has come in the last century, for courts in the late nineteenth and early twentieth centuries routinely held that consumer confusion, by itself, was not sufficient to sustain a claim. Only a particular type of confusion that was likely to have a particular effect on consumers’ purchasing decisions—specifically, confusion about the identity of a product’s actual source—was actionable. Thus, over the course of the last century, we have moved from a system in which confusion was actionable only insofar as it related to the particular end of trade diversion to one in which confusion itself defines the cause of action. Trademark law, in other words, now abstracts away from consumer decisions and targets confusion “in the air.”

Courts, of course, do not really mean it when they say that trademark law speaks to confusion of any kind. We suffer all sorts of confusion that inarguably lie beyond the reach of trademark law (“I thought this was where I left my keys”), and this is true even of confusion in the marketplace (“I thought my health insurance plan covered this procedure,” or “I thought this coupon was good until Sunday”). Trademark law has never been thought to address these forms of confusion, even though many of them undoubtedly increase consumers’ search costs in some sense. It has instead always focused on confusion regarding the source of particular goods or services that results from the defendant’s commercial use of the

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6 See Kos Pharm. v. Andrx Corp., 369 F.3d 700, 711 (3d Cir. 2004) (“The 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.’” (emphasis omitted) (quoting Syntax Labs v. Norwich Pharmacal Co., 437 F.2d 566, 568 (2d Cir. 1971))).


plaintiff’s mark.\textsuperscript{9} The claim that trademark law targets confusion of any kind therefore vastly overstates matters.

Even if the strong form of that claim should not be taken seriously, however, courts’ unqualified statements about confusion reflect their general acceptance of a somewhat weaker claim: confusion itself is trademark law’s target. Courts, in other words, have detached confusion from its role in the consumer decision-making process and have sought to eliminate it without regard to its effect on consumers’ actions as consumers. As a descriptive matter, courts did not elevate confusion to this central status because they had consumers’ interests at heart; indeed, most of trademark law’s expansive confusion doctrines were developed, often explicitly, for the purpose of protecting mark-owner interests. But courts have had no trouble casting their decisions in consumer protection terms since their emphasis on confusion is so compatible with the dominant theoretical account of trademark law—namely, the search costs theory. Anything that can be characterized in confusion-based terms seems to raise search costs, and if search costs are the harm to be avoided, then anything that causes confusion ought to be at least prima facie actionable.\textsuperscript{10}

Yet it is obviously not true that all search costs can or should be eliminated, whether caused by confusion or otherwise.\textsuperscript{11} Search costs are frequently irrelevant to consumers’ purchasing decisions, and even when they are relevant it is not clear consumers always want them reduced. Moreover, search is only one part of the con-

\textsuperscript{9} The meaning of “source” has broadened over time to include sponsorship or affiliation relationships. See Mark P. McKenna, Trademark Use and the Problem of Source, 2009 U. Ill. L. Rev. 773, 822–23 (2009) [hereinafter McKenna, Problem of Source]. This dramatically expanded the scope of trademark law, often in problematic ways. Nevertheless, it remains the case that trademark law ignores lots of confusion.

\textsuperscript{10} To be fair, the claim that trademark law should target confusion of any kind actually ignores the core insight of the search costs theory, at least as it was originally developed. Specifically, because the search costs theory was developed in the context of directly competing goods, consumer decision making was necessarily, if implicitly, at its core. See infra Section I.A. In this sense, “search costs” was an unfortunate label for a theory that was only really about a certain kind of search costs that are caused by deceptive uses. But given the search cost theory’s emphasis on confusion as the cause of search costs, it was entirely predictable that courts would simply equate confusion with search costs and then cloak their decisions in search costs rhetoric.

\textsuperscript{11} These are, as I explain below, two different propositions because not all confusion raises search costs. See infra Section I.A.
sumer decision-making process, and focusing on search distorts the analysis by ignoring the rest of the process. Finally, and perhaps most problematically, a theory of trademark law that conceives of its ends in terms of search costs can neither explain many of trademark law's longstanding doctrinal limits nor define trademark law's distinctive role in the regulatory system. It cannot, for example, persuasively differentiate trademark law from false advertising law, let alone from securities regulations or other areas of law that govern aspects of commercial information.

If it is ever to have meaningful limits, trademark law must reconceive its ends. Rather than targeting search costs or confusion in and of themselves, trademark law should instead focus on deceptive practices that interfere with consumers' purchasing decisions. More specifically, courts should find trademark infringement only when the defendant's use of the plaintiff's trademark creates a risk that consumers will be deceived into buying goods or services they otherwise would not have or refraining from buying what they otherwise would have.

This Article proceeds as follows. Part I describes the dominant search costs theory and argues that it distorts trademark law because neither confusion nor search costs are the right focus. Confusion frequently has no impact on consumers' purchasing decisions, and it should be irrelevant to trademark law when those decisions are unaffected. Search costs, at least when understood simply as mental costs, are also frequently irrelevant to consumers' purchasing decisions, and it is not clear that consumers always benefit from reducing search costs even when they are relevant. Part II briefly describes some of the consequences of courts' acceptance of the search costs theory, particularly their equation of confusion and search costs. Far from limiting the scope of trademark rights, the search costs theory was quite compatible with courts' expansion of actionable confusion because it offered no conceptual resistance to the notion that all confusion is harmful. Indeed, the search costs theory has proven compatible even with non-confusion-based liability, since mental costs are not uniquely the result of confusion.

Part III argues that courts should focus expressly on consumer decision making and particularly on deceptive acts that prevent consumers from getting what they want. Trademark law, in other words, should take a page from false advertising law and distin-
A Consumer Decision-Making Theory

guish more clearly between uses that affect consumers' decisions by deceiving them and uses that, at most, seek to persuade consumers. Just as courts in the false advertising context assume consumers can manage persuasive—and perhaps even conflicting—messages, so too courts in trademark cases should treat consumers as capable of managing most uses of a trademark. Put differently, trademark law should treat consumers' preferences as essentially fixed and exogenous to the trademark system, and courts should intervene only where a use threatens to prevent a consumer from acting on those preferences. This is the proper focus not because consumers use trademarks exclusively for the information they convey about product quality or because the advertising value trademark law protects is unproblematic, but because limiting trademark law's intervention and treating consumers as autonomous decision makers is better than the regulatory alternatives. Finally, Part IV describes some of the doctrinal consequences of shifting to a system focused on consumer decision making.

I. THE SEARCH COSTS THEORY

According to the dominant theoretical account, trademark law operates to enable consumers to rely on trademarks as repositories of information about the source and quality of products, thereby reducing the costs of searching for goods that satisfy their preferences. Trademark protection enables consumers who are shopping for shoes, for example, to rely on the presence of the NIKE mark as an indicator of the quality of the shoes to which that mark is affixed. Consumers who previously have had good experiences with Nike shoes can simply look for the NIKE mark the next time they go shoe shopping because they can assume that new pairs of Nike shoes come from the same company that produced their last pair of Nike shoes and that they will be similarly satisfied with the new Nike shoes (since, the theory further assumes, stability of source designation is a good proxy for consistent quality). First-time customers benefit from protection too, since they can rely on the NIKE mark as shorthand for information they have learned from advertising or by word of mouth.

In most cases, consumers could find products that satisfy their preferences without the aid of trademarks, but—and this is the key insight of the search costs theory—they would likely have to resort
to less efficient means of assessing the quality of those products. Consumers who care about durability, for example, might have to learn enough about shoe-making and the materials with which various shoes are constructed to estimate durability through pre-purchase inspection. Compared to relying on trademarks, however, that kind of learning and inspection would be costly. It might not even be possible for some kinds of goods. By preventing conflicting uses of a mark, trademark law enables consumers to avoid these costly search processes and instead rely on trademarks as shorthand devices:

Suppose, then, that a consumer has a favorable experience with brand X and wants to buy it again. Or suppose he wants to buy brand X because it has been recommended by a reliable source or because he has had a favorable experience with another brand produced by the same producer. Rather than reading the fine print on the package to determine whether the description matches his understanding of brand X, or investigating the attributes of all the different versions of the product (of which X is one brand) to determine which one is brand X, the consumer will find it much less costly to search by identifying the relevant trademark and purchasing the corresponding brand. . . . A trademark conveys information that allows the consumer to say to himself, “I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier.”

Trademark law ensures that trademarks can perform this information-economizing function, thereby reducing the cost of acquiring information about goods or services and ultimately reducing the total costs of goods. As a doctrinal matter, it accomplishes this

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3 Id.; see also William M. Landes & Richard A. Posner, Trademark Law: An Economic Perspective, 30 J.L. & Econ. 265, 274–79, 285 (1987) [hereinafter Landes & Posner, An Economic Perspective]. According to Landes and Posner, the total cost of a good is an aggregate of the nominal price and the cost of searching with respect to that good. When search costs are reduced, social welfare is increased because the
by preventing parties from using marks that are likely to confuse consumers about the source of goods or services, as this kind of confusion undermines the informational efficiencies gained by using trademarks in the first place.

There are, of course, other theoretical accounts of trademark law. Indeed, the search costs theory is a relative newcomer, trademark law predating development of the theory, and of the law and economics approach generally, by several hundred years. I have previously argued that trademark law traditionally sought to protect a mark owner’s interests by preventing competitors from dishonestly diverting the mark owner’s trade, and that a good deal of trademark doctrine is better explained through that historical lens than through the search costs lens. Nevertheless, it would be nearly impossible to overstate the extent to which the search costs theory now dominates as the theoretical justification of trademark law. The overwhelming majority of scholars use search costs language to describe trademark law’s purposes, and the Supreme...
Court has explicitly endorsed the theory as trademark law's core theoretical justification. As Barton Beebe noted, the search costs theory "has long offered a totalizing and, for many, quite definitive theory of American trademark law.... The influence of this analysis is now nearly total." It is easy to see why the search costs model has been so attractive. First, the model grows out of the law and economics approach that has come to dominate discussions of intellectual property law more generally. Second, the search costs theory purports to focus

hance consumer decisions and to create incentives for firms to produce desirable products); Michael Grynberg, The Road Not Taken: Initial Interest Confusion, Consumer Search Costs, and the Challenge of the Internet, 28 Seattle U. L. Rev. 97, 97–99 (2004) (arguing that courts should find initial interest confusion actionable only when the use causes more confusion than it creates benefit to consumers in the form of better information); William M. Landes & Richard A. Posner, The Economics of Trademark Law, 78 Trademark Rep. 267, 272 (1988) (explaining the search costs theory of trademark law); Mark A. Lemley, The Modern Lanham Act and the Death of Common Sense, 108 Yale L.J. 1687, 1695–96 (1999) (hereinafter Lemley, The Modern Lanham Act) (stating that the single purpose of trademark law is "to enable the public to identify easily a particular product from a particular source"); Clarisa Long, Dilution, 106 Colum. L. Rev. 1029, 1033–34 (2006) (contrasting dilution protection with traditional trademark protection and arguing that the former is producer-centered while the latter is consumer-centered); Glynn S. Lunney, Jr., Trademark Monopolies, 48 Emory L.J. 367, 432 (1999) ("Trademarks can, therefore, help ensure that the pricing signals received by producers from the market (or 'expressed demand') more accurately reflect consumers' actual tastes and preferences (or 'actual demand').")); I.P.L. Png & David Reitman, Why Are Some Products Branded and Others Not?, 38 J.L. & Econ. 207, 208–11 (1995) (presenting empirical evidence in support of the search costs rationale).

7 Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163–64 (1995) ("[T]rademark law, by preventing others from copying a source-identifying mark, 'reduce[s] the customer's costs of shopping and making purchasing decisions,' for it quickly and easily assures a potential customer that this item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past." (citation omitted) (quoting 1 J. McCarthy, McCarthy on Trademarks and Unfair Competition § 2.01[2], at 2–3 (3d ed. 1994) [hereinafter McCarthy])); see also Scandia Down Corp. v. Euroquilt, Inc., 772 F.2d 1423, 1429–30 (7th Cir. 1985) ("Trademarks help consumers to select goods. By identifying the source of the goods, they convey valuable information to consumers at lower costs. Easily identified trademarks reduce the costs consumers incur in searching for what they desire, and the lower the costs of search the more competitive the market.").

8 Barton Beebe, The Semiotic Analysis of Trademark Law, 51 UCLA L. Rev. 621, 623–24 (2004). Beebe suggests that trademark law can be understood in large part as a system of rules designed, perhaps subconsciously, to protect sign value and the integrity of a sign's meaning. See id. at 669–83.

on consumer interests, and it therefore appears to limit the scope of trademark law by keeping it tethered to consumer harm.\textsuperscript{20} Mark owners' interests play a role in the search costs account only to the extent they can be harnessed for the benefit of consumers. Trademark law protects mark owners' investments in goodwill, for example, but it does so only because giving mark owners the ability to reap the benefits of goodwill encourages them to invest in product quality.\textsuperscript{21} For some, the search costs model also has the virtue of certainty and reciprocity: though trademarks have value to their owners, "[t]he value of a trademark to the firm that uses it to designate its brand is the saving in consumers' search costs made possible by the information that the trademark conveys or embodies about the quality of the firm's brand."\textsuperscript{22} Conveniently, then, we need not be concerned about brand premiums because those premiums simply reflect the fact that consumers will pay the information cost of the trademark as long as it is lower than the search cost of investigating the quality or source of the generic product.\textsuperscript{23} Trademark protection is the ultimate win-win.

\textsuperscript{20} In fact, one important consequence of the rise of search costs rhetoric is that mark-owner interests—once at the conceptual forefront—have been subordinated rhetorically. But this does not mean that courts' instincts about mark owners' interests no longer affect outcomes. In fact, as Mark Lemley and I have argued, courts' perceptions that a defendant is preempting a mark owner's opportunity to control a market or that the defendant is free-riding on the value of the mark often determine outcomes. See Mark A. Lemley & Mark P. McKenna, Owning Mark(et)s, 109 Mich. L. Rev. 137, 146-47 (2010) [hereinafter Lemley & McKenna, Owning Mark(et)s].

\textsuperscript{21} Qualitex, 514 U.S. at 163-64 (stating that, in addition to reducing the customer's costs of shopping, it "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product" (citing McCarthy, supra note 17, § 2.01[2], at 2-3)); Union Nat'l Bank, Laredo v. Union Nat'l Bank, Austin, 909 F.2d 839, 844 (5th Cir. 1990) ("The idea is that trademarks are 'distinguishing' features which lower consumer search costs and encourage higher quality production by discouraging free-riders."); see also Landes & Posner, Economic Structure of IP, supra note 12, at 166-68; Eric Goldman, Deregulating Relevancy in Internet Trademark Law, 54 Emory L.J. 507, 552 (2005) (describing trademark law's purposes as "protecting consumers from confusion" and "protecting producers' investments in quality that creates consumer goodwill towards them").

\textsuperscript{22} Landes & Posner, Economic Structure of IP, supra note 12, at 168 (emphasis added); see also Landes & Posner, An Economic Perspective, supra note 13, at 270.

\textsuperscript{23} Landes & Posner, An Economic Perspective, supra note 13, at 274-75; see also Stephen L. Carter, The Trouble with Trademark, 99 Yale L.J. 759, 761 (1990) ("Suc-
Recent doctrinal developments, however, have driven a wedge between theory and practice, at least in the eyes of most trademark scholars. Courts have recognized as actionable a variety of new types of confusion, including confusion as to sponsorship or affiliation, reverse confusion, initial interest confusion, and post-sale confusion. Scholars criticize these doctrines, along with dilution,
which many regard as the most objectionable doctrine, on the ground that they are disconnected from the search costs theory and inconsistent with consumer interests. These doctrines deserve all the scorn that can be heaped upon them. But the fact that there have been so many of them, and that trademark law’s expansion has accelerated over the last several decades as the search costs theory has taken hold, should give us reason to doubt that the scope of modern trademark law is a result of courts losing sight of search cost values. Indeed, in my view, the scope of modern trademark law is much more a consequence of courts’ acceptance of the search costs theory than of courts’ deviation from that theory. The search costs theory, at least as it has been widely understood by both courts and scholars, sees reduction of search costs as an end in itself. Because the search costs narrative is bound up with consumer confusion, this view of trademark law’s purpose has manifested itself primarily in courts’ fetishizing confusion and feeling compelled to respond whenever mark owners can characterize a defendant’s use in confusion-based terms. Maybe courts actually believe the confusion narratives these mark owners advance, even though many of them seem quite far-fetched. Or perhaps the confusion-based stories are just the cover courts need to reach decisions that really are motivated by other concerns. In either case, the language of search costs is complicit in the expansion.

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28 See, e.g., Goldman, supra note 21, at 565–70 (criticizing the initial interest confusion doctrine); Wendy J. Gordon, Introduction, Symposium, Ralph Sharp Brown, Intellectual Property, and the Public Interest, 108 Yale L.J. 1611, 1614–15 (1999) (“One can only hope that Congress’s recent decision to allow the owners of famous marks to sue in the absence of ‘consumer confusion’ will not prove a disaster in terms of increased litigation costs and, most importantly, market constraints.”); Lemley, The Modern Lanham Act, supra note 16, at 1698 (arguing that “dilution laws represent a fundamental shift in the nature of trademark protection”); Lunney, supra note 16, at 391–410 (criticizing the expansion of trade dress protection); Jennifer E. Rothman, Initial Interest Confusion: Standing at the Crossroads of Trademark Law, 27 Cardozo L. Rev. 105, 121–59 (2005) (criticizing the initial interest confusion doctrine).

29 Notwithstanding this overwhelming focus on confusion, many of those who have advocated the search costs theory have justified dilution in search costs terms as well. I address those arguments below.

30 Specifically, much of modern trademark law has been driven by misguided notions of harm to trademark owners, and rhetorical focus on consumer interests has
If one has any doubt that trademark law’s embrace of the consumer search costs rationale and its more general acceptance of the rhetoric of consumer protection have enabled its radical expansion, one need look no further than false advertising law for a striking contrast. At the same time courts in trademark cases have continually found new reasons to protect consumers, they have taken great pains to restrict, rather than expand, the scope of false advertising law. Courts have, for example, imposed a significant prudential standing requirement,31 required evidence that the allegedly false statement materially affects consumers’ purchasing decisions,32 and carved out space for puffery.33 They have created these limitations—none of which has express statutory basis—while routinely making clear that the Lanham Act’s false advertising provisions were intended to protect commercial entities and not consumers.34

31 See, e.g., Phoenix of Broward, Inc. v. McDonald’s Corp., 489 F.3d 1156, 1167 (11th Cir. 2007); Conte Bros. Auto. v. Quaker State-Slick 50, 165 F.3d 221, 233–34 (3d Cir. 1998).

32 See, e.g., Cashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave., 284 F.3d 302, 311–12 (1st Cir. 2002) (noting the requirement that the plaintiff prove materiality and that “[o]ne method of establishing materiality involves showing that the false or misleading statement relates to an ‘inherent quality or characteristic’ of the product” (quoting Nat’l Basketball Ass’n v. Motorola, 105 F.3d 841, 855 (2d Cir. 1997))); Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1139 (9th Cir. 1997) (articulating the elements of a false advertising claim, including the requirement that “the deception [be] material, in that it [be] likely to influence the purchasing decision”); Johnson & Johnson * Merck Consumer Pharms. Co. v. Smithkline Beecham Corp., 960 F.2d 294, 297 (2d Cir. 1992) (requiring proof of materiality); Johnson & Johnson v. GAC Int’l, 862 F.2d 975, 977 (2d Cir. 1988) (holding that materiality is presumed if statements are literally false but must otherwise be proven).

33 Pizza Hut v. Papa John’s Int’l, 227 F.3d 489, 496 (5th Cir. 2000) (“Bald assertions of superiority or general statements of opinion cannot form the basis of Lanham Act liability. Rather, the statements at issue must be ‘specific and measurable claim[s], capable of being prove[n] false or of being reasonably interpreted as a statement of objective fact.’” (citations omitted) (quoting Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co., 173 F.3d 725, 731 (9th Cir. 1999))).

34 See, e.g., Phoenix of Broward, 489 F.3d at 1167 (stating that “the Conte Bros. test is designed to determine whether the injury alleged is the type of injury that the Lanham Act was designed to redress—harm to the plaintiff’s ‘ability to compete’ in the marketplace and erosion of the plaintiff’s ‘good will [sic] and reputation’ that has
Indeed, “the several circuits that have dealt with the question are uniform in their categorical denial of Lanham Act standing to consumers because consumers cannot allege either a commercial or a competitive injury.35 Hence, consumers are “irrelevant” to the prudential standing analysis,36 and the putative plaintiff “may not bolster its ‘case for prudential standing by relying on forms of monetary relief that [it] would receive as a vicarious avenger of the general public’s right to be protected against ... false advertisements.’”37

Courts err on the side of greater information—of less paternalistic protection of consumers—when they are honest and admit they are applying a law designed to protect commercial entities. When consumers are ostensibly the object of protection, by contrast, courts “protect” them endlessly.

A. The Problem with Search Costs

According to the search costs theory, conflicting uses of a trademark undermine the informational quality of the mark, ultimately making it impossible for consumers to rely on the mark as an indicator of the source and qualities of the goods or services with which the mark is used. If, for example, I begin selling brown

35 See Conte Bros., 165 F.3d at 229 (noting that allowing consumer standing would “ignore the purpose of the Lanham Act’’); Barrus v. Sylvania, 55 F.3d 468, 470 (9th Cir. 1995).
36 Phoenix of Broward, 489 F.3d at 1170–71; Ford v. NYLCare Health Plans of the Gulf Coast, 301 F.3d 329, 338 (5th Cir. 2002) (Benavides, J., concurring).
37 Phoenix of Broward, 489 F.3d at 1172 (quoting Joint Stock Soc'y v. UDV N. Am., Inc., 266 F.3d 164, 184 (3d Cir. 2001)).
carbonated soda in a red can and calling it Coca-Cola, consumers will eventually be unable to rely on the COCA-COLA mark to give them relevant information about the brown carbonated soda in a red can they encounter in the marketplace. The search costs the Coca-Cola mark was supposed to reduce return in full force.

Despite the label, this is not really a theory of why search costs are, by themselves, problematic; it is instead a theory about why a certain type of search cost, which results from acts of deception, impacts consumers’ purchasing behavior. More particularly, the claim in this version of the search costs theory is not that confusion itself is a search cost. Confusion—or, more accurately, deception—matters only insofar as it ultimately undermines consumers’ ability to rely on the informational content of trademarks. The “search costs” are the costs associated with the additional, less efficient means consumers are forced to use to verify information about the goods or services they encounter. As this simple version of the search costs theory recognized, consumers do not engage trademarks simply for the purpose of gaining abstract information. They use trademarks as shorthands for information so that they can make purchasing decisions in the marketplace. Search costs of this kind simply cannot result where consumers are not using the mark at issue to make purchasing decisions. The problem with conflicting uses is not that they increase search costs, but that they are likely to interfere with consumers’ ability to effectuate their decisions.

This might seem a rather unimportant distinction in the context of core passing off cases. It is often not possible for a consumer to check the composition and source of the packaged product in front of her, so identification of the brand (“That’s a Coke.”) turns out to maximize the chances of her deciding accurately (“I want to buy a can of the same delicious drink that I had yesterday. Is that the same one?”). This means that, under certain conditions—namely, where the issue is use of a mark for directly competing goods—the consumer search costs theory is congruent in outcome with a con-

39 Occasionally courts seem to understand this, though it is not clear that their recognition shapes any decisions. See Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163–64 (1995) (claiming that trademark law “reduce[s] the customer’s costs of shopping and making purchasing decisions” (quoting McCarthy, supra note 17, § 2.01[2], at 2–3) (internal quotation marks omitted)).
sumer decision-making theory. And it is important to note that this is precisely the context in which the search costs theory was originally articulated and in which those who promote the theory continue to describe it. Rarely do advocates of the search costs theory extend their analysis to the kinds of cases that dominate modern trademark law—those involving non-competing goods, where "passing off" is not at issue. Courts and scholars alike have largely assumed that, since consumer confusion leads to search costs in the context of competing goods, confusion generates search costs generally, and trademark law should therefore make all confusion actionable so as to reduce search costs.

Both of these assumptions are wrong, or at least badly overdrawn. First, confusion in the context of non-competing goods may not have the same effect on consumers as confusion does in the context of competing goods. Specifically, some confusion in the non-competing goods context is unlikely to be relevant to consumer purchasing decisions, and where it does not impact purchasing decisions, confusion cannot create the kind of search costs that result from passing off. "Confusion," then, is not sufficiently precise; because only confusion that affects purchasing decisions should be relevant to trademark law, and because many forms of confusion do not have that effect, trademark law cannot be focused on confusion itself. Second, search is only one part of the decision-making process, and ultimately what matters is the ability to make accurate decisions. A consumer wants to buy the same drink she

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40 There are, of course, arguments made in support of these broader claims, but those arguments have almost uniformly focused on mark owners' interests. Three arguments are most common. First, mark owners contend that third-party use of a mark for non-competing goods harms them because consumers who are confused about the mark owner's relationship with the defendant's goods might hold their disappointment against the mark owner. Second are a series of arguments that third-party use for non-competing goods might prevent a mark owner from expanding into those other markets under the same mark. Third are arguments that the third-party users are simply free riders. See McKenna, Testing Modern Trademark, supra note 30, at 81–82. I have criticized these producer-side arguments elsewhere, both on empirical grounds (consumers generally do not change their views of product A based on the quality of product B unless the products are exceptionally closely related) and on normative grounds. See id.; Lemley & McKenna, Irrelevant Confusion, supra note 5, at 429–30; Lemley & McKenna, Owning Markets, supra note 20, at 142–43; McKenna, Testing Modern Trademark, supra note 30, at 81–82. Having done so, I take it for granted here that, outside the context of competing goods, consumer rather than producer interests should predominate.
enjoyed yesterday, not engage in a search. Search is relevant only insofar as it assists a customer in eventually making an accurate purchasing decision; undue focus on search misses the forest for the trees.

The following Subsections make this case in greater detail, arguing that explicit focus on search costs is conceptually misguided and distorts trademark doctrine by contributing to the outsized influence of “confusion” writ large.

1. Irrelevant Search Costs

Focusing on search costs and equating them with confusion is a mistake because much confusion simply does not matter to consumers’ decision making. If I cannot tell whether these Nike shoes were made by Nike, Inc., then that is likely to be a problem for me since it is unlikely I will have another suitable way to assess the quality of the shoes. Likewise, I might stop at a restaurant adorned with Golden Arches because I think I know what kind of food I can get there. It is, however, unlikely that anyone decided whether to see *Dickie Roberts: Former Child Star* based on whether they thought Wham-O gave the movie’s producers permission to suggest that one of the characters was injured on a Slip ‘N Slide. Nor are most parents likely to decide whether to sign their kids up to play Little League baseball based on whether they think the team licensed the right to call itself the Cubs.

In these cases, where consumers might be confused about the existence of a relationship between parties, but where the presence or absence of such a relationship makes no difference to a purchasing decision, we can think of the confusion as generating search costs only if we think the mental act of wondering is the search cost. This is not the sense in which most advocates of the search costs theory have used the concept in the context of competing goods: the “search costs” meant to be reduced were the costs of having to use...

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42 Not that this stops Major League Baseball (“MLB”) from objecting. See, e.g., Tim Cronin, MLB to Youth: You’re Out, Herald News, May 27, 2008, at A8; see also Katie Thomas, In Cape Cod League, It’s Tradition vs. Trademark, N.Y. Times, Oct. 24, 2008, at B11 (discussing a similar claim brought by MLB against the amateur Cape Cod League).
alternative means of assessing the quality of products. In this sense, search costs are related to consumer decision making because no one looks for alternative ways to evaluate the quality of products unless they are interested in buying them. And there is good reason for search costs to be tied to consumer decision making in this way. After all, trademark law regulates the commercial marketplace; it is not an all-purpose remedy for having to think. There are, of course, sometimes costs associated with being confused more generally, but these costs do not harm consumers as consumers if they do not affect purchasing behavior.

Unfortunately, most courts—and most commentators for that matter—have not focused on the decision-making aspect of this narrative and have simply accepted the wisdom that (1) search costs are a problem and (2) they result from confusion. As a result,

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43 Cf. Laura A. Heymann, Naming, Identity, and Trademark Law, 86 Ind. L.J. 381, 441-42 (2011) ("Name or trademark changes that make it more difficult for others to retrieve information about the person or entity are not legally prohibited, even though such changes can result in increased search costs, and even though others may have been induced to act in a way in which they would not have acted if they had known about the person’s or the company’s history. In short, despite more expansive statements to the contrary in the trademark literature, both trademark law and the law of personal names care about only one type of effect on search costs: confusion as between sources, not deception as to a single source.").

44 "Even if we did not think there were particular reasons to focus on consumers’ behavior as consumers, it is not clear we would want trademark law to eliminate confusion anyway. Confusion actually has real benefits in some circumstances. Recent cognitive psychology demonstrates that humor, for example, often depends on resolution of some level of incongruity (confusion). See, e.g., Rod A. Martin, The Psychology of Humor: An Integrative Approach 85-89 (2007). A variety of techniques—from simple jokes to more complicated parodies or satires—rely on a disconnection between two different mental models. Id.; see also id. at 98-99 (explaining the humor of ironic statements and noting that “[t]o understand the ironic statement, the listener first activates its salient (literal) meaning, but, since this does not make sense in the context, must then activate an ‘unmarked’ interpretation (the ‘implicature’), and both of these meanings remain activated in order for them to be compared. The incongruity between the two activated meanings causes the irony to be humorous”). “Take my wife . . . please” is humorous because it first calls to mind one model (“take my wife” as in “my wife, for example”) and then asks the listener to resolve a possible second model (“take my wife” as in “please take my wife off my hands”). This particular joke may no longer be funny, of course, since it is now familiar. But that is only because we are now beyond those initial moments where we had to work to resolve the conflict. And while certain kinds of jokes might be protected through affirmative defenses in the trademark system, a simpler way of handling them would be to focus more narrowly on confusion that affects a consumer’s decision making.
courts have no way to distinguish between relevant and irrelevant search costs.

2. The Value of Search Costs

Even when search costs matter to consumers, it is not always the case that reducing search costs best maximizes consumer welfare. Consumers suffer little in the way of search costs, for example, where they have few choices; you do not have to search for ticket prices if there is only one airline on which you can fly. Hence, consumer search costs would be reduced if we eliminated competition. But no one advocates monopolization of markets on search costs grounds. We generally believe that consumers are better served by competition, even though competitive markets require more searching than do markets with single providers. Likewise, trademark law has never prohibited all conflicting uses of a mark regardless of the contexts in which that mark is used, even though search costs would be minimized in a world with only one party using APPLE or FORD.

This recognition that consumers are sometimes better off having to endure search costs is reflected in several other trademark doctrines. The functionality doctrine, for example, recognizes that consumers are better off having functional product features available

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45 Indeed, the Supreme Court has rejected the argument that horizontal agreements to eliminate credit sales can be justified under the antitrust laws on the ground that an industry-wide agreement reduces the cost of learning price and credit terms. See Catalano, Inc. v. Target Sales, 446 U.S. 643, 649–50 (1980) ("Nor can the informing function of the agreement, the increased price visibility, justify its restraint on the individual wholesaler's freedom to select his own prices and terms of sale. For, again, it is obvious that any industrywide [sic] agreement on prices will result in a more accurate understanding of the terms offered by all parties to the agreement. As the Sugar Institute case demonstrates, however, there is a plain distinction between the lawful right to publish prices and terms of sale, on the one hand, and an agreement among competitors [sic] limiting action with respect to the published prices, on the other."). I thank Christopher Leslie for bringing this case to my attention.

46 In fact, there are a number of companies using APPLE and FORD in different contexts: Apple, Inc. (computers), Apple Vacations, Apple Records; Ford Motor Company, Ford Models (modeling agency), Ford Theatres. Cf. Heymann, supra note 43, at 398 ("The ability of common words to serve as trademarks and personal names and the fact that some products and some individuals may share a name both mean that we often depend on context to make their references pellucid.").
for copying even if those features indicate source.\textsuperscript{7} It does so because of a judgment that the value of competition in the provision of the function exceeds the value of the reduced search costs consumers might enjoy if they could rely on the claimed features as source indicators.\textsuperscript{8} And we can say the same thing of the fair use doctrine, at least if we are to take seriously the Supreme Court's conclusion in \textit{KP Permanent v. Lasting Impressions} that "some possibility of consumer confusion must be compatible with fair use."\textsuperscript{9}

These doctrines simply reflect a judgment about the costs and benefits of search cost reduction: reducing search costs can itself be costly, and the price of search cost reduction has to be weighed against the increase in consumer welfare that the search cost reduction would entail. The underlying assumption here is that consumer welfare is inversely related to search costs—consumer welfare rises as search costs decline, and vice-versa. Thus, the only question is whether the increase in consumer welfare is large enough to justify the cost of reducing the search costs. But the very fact that search costs and competition are sometimes in tension should give us some pause, since search cost reduction and competition are both supposed to \textit{increase} consumer welfare. Obviously consumers are not always better off having their search costs reduced, yet because the theory posits a strictly inverse relationship between search costs and welfare, it cannot tell us when search costs are worth eliminating or even what kinds of search costs

\textsuperscript{7} See TrafFix Devices v. Mktg. Displays, 532 U.S. 23, 34–35 (2001) ("The Lanham Act . . . does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller.").

\textsuperscript{8} Cf. Dogan & Lemley, A Search-Costs Theory, supra note 16, at 1247–49 (focusing on the functionality defense as an example of trademark law's acknowledgement that competition is even more fundamental than search costs).

\textsuperscript{9} KP Permanent Make-Up v. Lasting Impressions I, 543 U.S. 111, 121 (2004). As I have argued elsewhere, this conclusion is probably based on a misreading of the statutory fair use defense. McKenna, Problem of Source, supra note 9, at 803 ("If the Court meant by that statement that some amount of actionable confusion is compatible with the statutory fair use defense, it misread the statute."). But trademark law should regard some amount of confusion as compatible with fair use.
trademark law should address. Those conclusions can only be reached by reference to some other, non-search cost value.50

There is another reason why search cost reduction cannot always be thought to increase consumer welfare: consumers sometimes like search costs and do not want them reduced regardless of the cost. The process of searching requires cognitive effort, and consumers respond differently to the task of navigating the marketplace. The amount of effort a particular consumer will expend depends on that consumer’s motivation to search and her ability to do so.51 Motivation depends in part on the amount of involvement a consumer may have with a particular product or class of products.52

50 Some search costs advocates have recognized this and have tried to ground their search costs arguments in competition more generally. Stacey Dogan and Mark Lemley, for example, argue that “[t]rademark law . . . aims to promote more competitive markets by improving the quality of information in those markets.” Stacey L. Dogan & Mark A. Lemley, The Merchandising Right: Fragile Theory or Fait Accompli?, 54 Emory L.J. 461, 467 (2005) [hereinafter Dogan & Lemley, The Merchandising Right]; see also Dogan & Lemley, A Search-Costs Theory, supra note 16, at 1224 (“The evolution of trademark law reflects a continual balancing act that seeks to maximize the informational value of marks while avoiding their use to suppress competitive information.”). But while it is useful to recognize that search cost reduction is not an end in itself, “competition” is too abstract a concept for courts to work out specific limitations in individual cases, particularly since search cost reduction is posited to promote competition itself. More broadly, resort to “competition” is problematic because it is not even clear that trademark law has a coherent notion of fair competition against which particular acts could be judged unfair. See Mark P. McKenna, (Dys)Functionality, 48 Hous. L. Rev. 823 (2012).

51 To be clear, motivation and ability are both relevant, but they are distinct concepts. See generally Thomas R. Lee, Glenn L. Christensen & Eric D. DeRosia, Trademarks, Consumer Psychology, and the Sophisticated Consumer, 57 Emory L.J. 575 (2008) (summarizing much of the literature on consumer sophistication).

52 Involvement relates to the level of personal relevance or salience a consumer perceives with respect to the product or service, and that involvement may be an “enduring involvement” or simply “situational involvement.” A consumer has enduring involvement with a product when her involvement transcends any particular encounter with the product and continues to motivate her across multiple product interactions. Richard L. Celsi & Jerry C. Olson, The Role of Involvement in Attention and Comprehension Processes, 15 J. Consumer Res. 210, 212 (1988). These are products in which a consumer is invested, either because of a hobby, an occupation, or some other relatively longstanding interest that carries over across time and in varied contexts. See Lee et al., supra note 51, at 591; John W. Schouten & James H. McAlexander, Subcultures of Consumption: An Ethnography of the New Bikers, 22 J. Consumer Res. 43, 55 (1995) (focusing on Harley Davidson consumers). Situational involvement, by contrast, is cued by the purchase situation, including those elements of the situation that are directly related to the perceived risk of purchasing and consuming the product. The greater risk a consumer perceives in a particular purchase, the more
But motivation to exert cognitive effort also depends on particular personality traits relating to the amount of cognitive difficulty one enjoys. Consumer research refers to these traits as "need for cognition," and the literature suggests consumers fall along a spectrum. Some consumers have a low need for cognition. These consumers do not enjoy exerting cognitive effort and tend to avoid doing so whenever they can. They would much prefer "to rely on their intuitions and emotions as their guides." Others, however, have a high need for cognition. Consumers in this category enjoy thinking deeply. They derive "intrinsic enjoyment" from "engaging in effortful information processing." They tend to exert cognitive effort to carefully consider consumer problems (for example, carefully considering the attributes and benefits of a product before purchasing it).

And though doctrinally trademark law makes some effort to account for differences in consumers' ability to search through the consumer sophistication factor in the likelihood of confusion analysis, at the theoretical level the search costs model assumes all situational involvement she will have, and that situational involvement will likely motivate her to exercise greater care. See Peter H. Bloch & Marsha L. Richins, A Theoretical Model for the Study of Product Importance Perceptions, 47 J. Marketing 69, 70 (1983); Utpal M. Dholakia, A Motivational Process Model of Product Involvement and Consumer Risk Perception, 35 European J. Marketing 1340, 1342-43 (2001) (showing that personal salience is a function of differences in perceived risk in a particular situation); Lee et al., supra note 51, at 591-93. For a discussion of how consumer involvement with brands contributes to their value, see Deborah R. Gerhardt, Consumer Investment in Trademarks, 88 N.C. L. Rev. 427, 449-58 (2010).


See Curtis P. Haugtvedt, Richard E. Petty & John T. Cacioppo, Need for Cognition and Advertising: Understanding the Role of Personality Variables in Consumer Behavior, 1 J. Consumer Psychol. 239, 240-41 (1992). Consumers are frequently referred to as "cognitive misers" in that they use as few mental resources as possible when making consumption choices. See, e.g., James M. Olson & Mark P. Zanna, Attitudes and Attitude Change, 44 Ann. Rev. Psychol. 117, 135-36 (1993) (discussing research confirming that consumers engage in the minimum amount of deliberation necessary to provide themselves with sufficient judgmental confidence when making consumption choices). This research regarding need for cognition, however, suggests that some consumers are more miserly than others.

Lee et al., supra note 51, at 593.

consumers fall in the "low need for cognition" category. There is no basis for that assumption. Consumer research has demonstrated clearly that some consumers have a high "need for cognition." Without some way to know the proportions of consumers with low and high need for cognition, we cannot determine whether reducing search costs is generally the right goal. Indeed, it clearly would decrease some consumers' welfare.

This is not simply a theoretical observation either. Marketers increasingly aim to exploit consumers' desire to search by engaging in practices like product displacement—the practice of using fake brands in entertainment content that resemble, but differ from, real brands. It is unclear how many instances of product displacement are authorized by brand owners, but at least some displacements are clearly marketing tactics. Brand owners use product displacement because they understand that consumers engage more deeply when they have to exert cognitive effort to work out the incongruity. The same concept was behind Chiquita's cam-

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57 It bears repeating that "need for cognition is a motivational variable, not an ability variable. It is not necessarily the case that consumers in high need for cognition are more intelligent than their low need for cognition counterparts." Lee et al., supra note 51, at 593; see also John T. Cacioppo et al., Dispositional Differences in Cognitive Motivation: The Life and Times of Individuals Varying in Need for Cognition, 119 Psychol. Bull. 197, 207 (1996) (noting low correlations between need for cognition and measures of intellectual ability).

58 "Product displacement typically occurs when a studio or broadcaster want [sic] to avoid giving a product/brand free publicity. Displacement is also used when companies refuse to allow their brands and logos from being [sic] shown, especially in scenes and story-lines that portray their products in a negative way." Gladys Santiago, Product Displacements Explained: Part 1 (Apr. 16, 2009), http://gladyssantiago.wordpress.com/2009/04/16/product-displacements-explained-part-1/. Product displacement can be done through fictionalization or unbranding. "Fictionalized product displacements are created by referencing recognizable characteristics of real brands," unlike fictional brands which exist only in the movies or shows in which they are used. Id. "Unbranded product displacements use real products in scenes, but the brand names and logos are deliberately and strategically covered up." Id.


60 See Gladys Santiago, Product Displacements as Catalysts to Engagement, Gnovis (Jan. 29, 2009), http://gnovisjournal.org/2009/01/29/product-displacements-as-catalysts-to-engagement/ ("It requires no stretch of the imagination to recognize 'Tit Tat' and 'Coffee Bucks' as stand-ins for real brands, but that recognition allows audiences to engage with product placements in a manner that is significantly more en-
campaign to redesign the little blue stickers with which it adorns its bananas—a campaign that included a competition among consumers to design new stickers using a web tool Chiquita created. By actually contributing to the defamiliarizing of something familiar, the contestants layer new ‘intrigue’ onto one company’s supply of what is, after all, a pure commodity. Far from harming a brand by increasing search costs, practices that require consumers to exert cognitive effort benefit brands by more actively engaging consumers.

Even where it is not clear that consumers affirmatively value search costs, they are often willing to incur them. Dina Mayzlin and Jiwoong Shin recently demonstrated, for example, that under certain conditions brand owners rationally choose to engage in unin-

compassing than simply spotting a branded product onscreen. Referencing these product displacements to their real world counterparts requires audiences to actively draw upon their cultural capital and awareness, therefore they have more resonance than a strategically placed can of Coca-Cola or a character mindlessly raving about his/her T-Mobile phone. Ultimately, product displacements have the opportunity to flatter the intelligence of viewers, especially if they are parodic and satirical in nature. The connection to parody is particularly apt since it is precisely the incongruity between parodic speech and its target that makes a parody work. See Deborah F. Rossen-Knill & Richard Henry, The Pragmatics of Verbal Parody, 27 J. Pragmatics 719, 728 (1997) (“[For a parody to work,] the hearer must be aware of the original action [that is the target of the parody] and be directed to it. This enables him/her to reconstruct the original act, hold it up next to the parodying version, and work out the parodist’s commentary on the original.”); cf. Laura A. Heymann, Reading the Product: Warning, Disclaimers, and Literary Theory, 22 Yale J.L. & Human. 393, 410 (2010) (“And, as marketing scholars have noted, modern advertising often depends on irony, parody, and other literary tropes that involve facially contradictory texts.”). The connection to parody is particularly apt since it is precisely the incongruity between parodic speech and its target that makes a parody work. See Deborah F. Rossen-Knill & Richard Henry, The Pragmatics of Verbal Parody, 27 J. Pragmatics 719, 728 (1997) (“[For a parody to work,] the hearer must be aware of the original action [that is the target of the parody] and be directed to it. This enables him/her to reconstruct the original act, hold it up next to the parodying version, and work out the parodist’s commentary on the original.”); cf. Laura A. Heymann, Reading the Product: Warning, Disclaimers, and Literary Theory, 22 Yale J.L. & Human. 393, 410 (2010) (“And, as marketing scholars have noted, modern advertising often depends on irony, parody, and other literary tropes that involve facially contradictory texts.”).


Id. (“Obviously, anybody can find fruit in the supermarket. What’s more unusual is the possibility that someone who’s looking for Chiquita’s product might be doing so just to see the stickers on a physical fruit—something that will be true again when the winning designs make their way into the produce section later this year.”).

See Hungry Beast, Product DISplacement, YouTube (Mar. 10, 2010), http://www.youtube.com/watch?v=VIvCfnKg8qM (discussing a number of examples of de-branding or product displacement, including Pepsi’s deliberate misspelling of its mark as “Pecsi” in Brazil, and Coca-Cola’s creation of the “Open Happiness” campaign, which included a music video devoid of any branding that was created on the belief that consumers would like the video and want to go online to learn more about it, at which point they would see the brand); cf. Heymann, supra note 60, at 414 (“Indeed, some of the marketing literature indicates that consumers express positive feelings and better recall when wordplay and other rhetorical devices are used in advertising, simply because such techniques challenge the consumer and make the process of interpretation more enjoyable.”).
formative advertising as an invitation to consumers to search. Specifically, Mayzlin and Shin show that, given limited available advertising bandwidth, high quality brands may choose to engage in non-attribute-based advertising so that “active consumers” can conduct their own searches (by reading product reviews or talking to friends). The invitation to search might explain AT&T’s “mLife” campaign, in which the telecom giant ran advertisements for several months before the Super Bowl asking, but not answering, “What is mLife?”

The point here is not that marketing always depends on incongruity or increasing search costs. Nor is it that search costs are always beneficial to consumers; obviously they are not. It is instead simply to resist the conclusion that search costs are unequivocally bad. Advertisers sometimes strategically invite consumers to search, and it is often worth it for those consumers to oblige. For trademark law’s purposes, “search costs” is insufficiently precise; what we need is a theory of which search costs matter, and when. And to develop such a theory we need to focus on the effects of different kinds of search costs.

3. The Language of Search Costs Invites Courts to View Confusion as the Problem

Third, and probably most significantly, focusing on search costs almost inexorably leads courts to the conclusion that all confusion is problematic because confusion, by definition, increases search costs. From this perspective, all confusion is presumptively actionable, and the only question is whether a use increases search costs

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65 Id. at 667, 679. By endogenizing consumer search, Mayzlin and Shin show that advertisers can signal quality not just through the amount of advertising but through the content of the advertising (particularly the lack of attribute information).
66 Tobi Elkin, Rare Prime-Time Teaser Campaign Gets MLife Off to a Running Start, Advertising Age, Apr. 15, 2002, at S4, available at http://adage.com/article?article_id=52422 (“Befuddled construction workers peering at taxi-tops emblazoned with “mLife” were overheard wondering, ‘What’s this mLife thing?’ Cryptic teaser ads on TV and online appeared sans the AT&T logo.”).
67 For a similar argument that the law should not always try to reduce transaction costs because transaction costs are sometimes efficient, see David Driesen & Shubha Ghosh, The Functions of Transaction Costs: Rethinking Transaction Cost Minimization in a World of Friction, 47 Ariz. L. Rev. 61, 64 (2005).
enough to justify the enforcement costs entailed in creating a claim.\footnote{See Robert G. Bone, Enforcement Costs and Trademark Puzzles, 90 Va. L. Rev. 2099, 2135–36 (2004) (focusing on enforcement costs to explain various doctrinal rules in trademark law).}

We know, of course, that trademark law has never actually addressed every type of confusion. Students are regularly confused in my classes,\footnote{This is purely hypothetical and intended only to demonstrate the point.} and yet none of them has a trademark claim against me for it. Children do not get trademark claims against their parents for misleading them about Santa Claus.\footnote{In case you were living under a rock, it turns out he was not. See, e.g., Larry Dorman, Woods Says He'll Take Break, But How Long is 'Indefinite'?, N.Y. Times, Dec. 12, 2009, at A1.} And we do not get trademark claims against Tiger Woods for convincing us he was disciplined.\footnote{It is possible these types of confusion could give rise to liability for fraud if they were the result of statements that were material and relied upon by others to their detriment. See Restatement (Second) of Torts § 525 (“One who fraudulently makes a misrepresentation of fact, opinion, intention or law for the purpose of inducing another to act or to refrain from action in reliance upon it, is subject to liability to the other in deceit for pecuniary loss caused to him by his justifiable reliance upon the misrepresentation.”). But the fact that other claims exist to remedy certain kinds of deception only reinforces my point: trademark law is not a general-purpose anti-deception law.} Trademark law does not reach any of these types of confusion even if the confused persons were somehow harmed.

Nor does trademark law even reach all confusion in the marketplace. We do not, for example, get trademark claims for being confused about what our various insurance plans cover. Nor do we get claims for being confused about the terms of our credit card bills.\footnote{You know, all those mall Santas are just helpers.} Many specific commercial statements also lie beyond trademark law’s reach, even if they cause confusion:

Imagine that PepsiCo started a new advertising campaign claiming that Pepsi is “preferred over Gatorade by cyclists and runners.” Further assume that consumers seeing this ad are confused about whether Pepsi is in fact preferred over Gatorade by cyclists and runners. Would the makers of Gatorade have a claim for trademark infringement? Of course not. The advertisement does not infringe Gatorade’s trademark rights despite causing confu-
sion because it does not cause the right type of confusion—confusion as to source.  

The point here is that it is obvious on a moment's reflection that trademark law cannot, and should not, respond to all forms of confusion or even to all confusion in the marketplace. Courts clearly understand this. Yet having accepted that search cost reduction is trademark law's ultimate goal and having equated confusion with search costs, courts have made it difficult to explain or justify many of trademark law's limits. More importantly, they have been unable to resist arguments that new forms of liability should be recognized whenever mark owners can characterize conduct in consumer confusion terms. They have given in to (obviously incorrect) claims that the Lanham Act was intended to target "confusion . . . of any kind."  

B. The Doctrinal Consequences of Focusing on Search Costs

The belief that trademark law is intended to reduce search costs, and the derivative belief that the law should target "confusion of any kind," has manifested itself in a variety of doctrines that have vastly expanded the scope of a mark owner's rights. The following sections describe some of those doctrinal consequences.

1. Sponsorship or Affiliation Confusion

Because their goal was only to prevent diversion of a competitor's trade, courts in trademark cases traditionally found infringement only when a defendant used the same or a similar mark as the plaintiff for directly competing goods. In the prototypical case of Borden Ice Cream Co. v. Borden's Condensed Milk Co., for example, the court rejected the plaintiff's claim that use of the BORDEN mark for ice cream infringed its rights in BORDEN for

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73 McKenna, Problem of Source, supra note 9, at 799. If the claim in this hypothetical were unfounded, of course, it might constitute false advertising under § 43(a) of the Lanham Act. 15 U.S.C. § 1125(a)(1)(B) (2006). See infra Section II.B (marrying trademark law and false advertising law conceptually).

74 Kos Pharm. v. Andrx Corp., 369 F.3d 700, 711 (3d Cir. 2004) (emphasis omitted) (quoting Syntex Labs. v. Norwich Pharmacal Co., 437 F.2d 566, 568 (2d Cir. 1971)).

75 This Subsection is adapted from Lemley & McKenna, Irrelevant Confusion, supra note 5, at 422–26.
milk and related products. The court acknowledged that simultaneous use of BORDEN for milk and ice cream might confuse consumers, but it nevertheless denied the claim because the plaintiff could not show that the defendant's use of the same mark for non-competitive products would divert consumers who otherwise would have bought from the plaintiff. People who want milk do not buy ice cream by mistake.

As producers began serving wider geographic and product markets, however, courts began to view cases like Borden as overly restrictive. In order to expand the range of actionable confusion to reach uses of a mark for non-competing goods, courts interpreted the doctrinal requirement of "source" confusion more broadly. Specifically, courts began to find confusion actionable when it caused consumers to think either (1) that the plaintiff actually produced the defendant's goods or (2) that the plaintiff somehow sponsored the defendant's goods or was affiliated with their producer. In Vogue Co. v. Thompson-Hudson Co., for example, the court held that the defendant's use of "The Vogue Hat Company" to sell hats infringed Vogue's rights in the VOGUE mark for magazines because

[the] course of conduct by the defendant manufacturer and its retailers created a very common alternative impression—first, that these hats were manufactured by the plaintiff; or, second, that, although some knew that plaintiff was not manufacturing, yet these

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76 201 F. 510, 515 (7th Cir. 1912).
77 Id.
78 This is also how courts legitimated licensing practices that had previously been forbidden. In order to distinguish uses by affiliated companies from infringing uses by third parties, courts began to hold that, even when it did not actually produce the products bearing its mark, a mark owner could be considered the legal "source" of those products if it exercised sufficient control over their quality. See, e.g., Keebler Weyl Baking Co. v. J.S. Ivins' Son, 7 F. Supp. 211, 214 (E.D. Pa. 1934) ("An article need not be actually manufactured by the owner of the trade-mark it being enough that it is manufactured under his supervision and according to his directions thus securing both the right of the owner and the right of the public."). Congress later codified this understanding of source in § 5 of the Lanham Act, which provides that use of a mark by "related companies" inures to the benefit of the mark owner. 15 U.S.C. § 1055 (2006). A "related company" in this context is one "whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used." Id. § 1127.
hats were in some way vouched for or sponsored or approved by the plaintiff.\(^9\)

This language of sponsorship or affiliation is now codified in Section 43(a) of the Lanham Act,\(^8\) though it remains unclear precisely what the terms “sponsorship” and “affiliation” mean. Lack of terminological clarity is a problem because “sponsorship” or “affiliation” could refer to virtually any relationship between the parties,\(^8\) and in fact courts have readily embraced new ways of characterizing the relationships about which consumers might be confused.\(^2\) As Jim Gibson cataloged,

\(^9\) 300 F. 509, 511 (6th Cir. 1924); see also Triangle Publ’ns v. Rohrlich, 167 F.2d 969, 972 (2d Cir. 1948) (finding defendant’s use of “Miss Seventeen Foundations Co.” as the partnership name to make and sell girdles, and “Miss Seventeen” as the trademark for the girdles, infringing of the magazine publisher’s rights: “[T]he defendants’ use of ‘Seventeen’ created a likelihood that the public would erroneously believe that defendants’ dresses were advertised in or sponsored by the magazine and that the plaintiff’s reputation and good will [sic] would thereby be injured”); Esquire, Inc. v. Esquire Bar, 37 F. Supp. 875, 876 (S.D. Fla. 1941) (finding the defendant’s use of Esquire for a bar infringing of the magazine publisher’s rights: “The Court finds from the evidence that the defendant’s use of plaintiff’s name ‘Esquire’ is calculated to, and does, cause the public (not otherwise fully informed) to believe there is some connection between the two, either that the plaintiff owns or controls the business of the defendant, or sponsors it, or has given leave to conduct the business under some contract, and that the defendant’s business has the approval of plaintiff, or that the defendant’s business is in some manner related to the plaintiff’s business, Esquire, Inc., and thereby constitutes unfair competition in violation of plaintiff’s rights”).

\(^8\) 15 U.S.C. § 1125(a)(1)(A) (2006) (providing a civil cause of action against anyone who “uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person”).

\(^2\) See James Gibson, Risk Aversion and Rights Accretion in Intellectual Property Law, 116 Yale L.J. 882, 907 (2007) (“The definitions of sponsorship and approval, however, are notoriously broad and ambiguous, making liability a significant possibility for any use of a mark from which consumers might infer acquiescence by the mark owner.”).

\(^2\) See Adolph Kastor & Bros. v. FTC, 138 F.2d 824, 825 (2d Cir. 1943) (“At the outset we hold therefore that the word, ‘Scout,’ when applied to a boy’s pocket knife, suggests, if indeed it does not actually indicate, that the knife is in some way sponsored by the Boy Scouts of America.”); Copacabana, Inc. v. Breslauer, 101 U.S.P.Q. 467, 468 (Dec. Comm’r Pat. 1954) (rejecting an application to register Copacabana for cosmetics in light of the prior use of Copacabana for a nightclub and restaurant despite the finding that cosmetics are “entirely different” from the nightclub and restau-
Courts use a variety of synonymous and not-so-synonymous terms to describe the kind of confusion at issue, from the Lanham Act’s “sponsorship” and “approval” terminology, to whether the relationship between the parties is one of endorsement, affiliation, association, connection, authorization, permission, or license, to whether the use produced confusion “of any kind.” Attached to these descriptors comes a host of catch-all modifiers, selected precisely for their imprecision: Was there confusion as to whether the mark owner “otherwise” approved or was “in some other way” connected? Was there a relationship “of some sort” or a suggestion that the defendant’s product emanated “in some way” from the mark owner? Will consumers “in some fashion” associate the plaintiff and defendant?83

There is, of course, no reason to think confusion about all these various relationships has the same effect on consumers. But courts rarely focus on consumer impact because they take it as a given that confusion necessarily harms consumers. Confusion increases search costs, and search costs are bad. End of story.

Emboldened by the growing list of relationships that apparently count as sponsorship or affiliation relationships, courts have also abstracted away from the language of the statute, which requires confusion regarding some kind of relationship between the plaintiff and the defendant, however ill-defined that relationship might be.84 In the merchandising cases, for example, courts have sometimes been satisfied that the defendant’s use of the plaintiff’s logo would necessarily cause consumers to associate the trademark with the plaintiff.85 These decisions are wrong as a doctrinal matter—the
statute focuses on the relationship between the parties, not merely confusion regarding the source of the trademark. Predictably, however, the opinions have been cloaked in the language of confusion, complete with reminders that trademark law now covers confusion of any kind,\textsuperscript{86} and later cases have had no trouble recasting even extreme cases like \textit{Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Manufacturing} in more conventional sponsorship or affiliation confusion terms.\textsuperscript{87} In \textit{Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.}, for example, the court insisted that

\textit{Boston Hockey} also reiterated our unbroken insistence on a showing of confusion.... Under the circumstances there—involving sales to the consuming public of products bearing trademarks universally associated with Boston Hockey—the fact that the buyers knew the \textit{symbols} originated with Boston Hockey supported the inescapable inference that many would believe that the \textit{product itself} originated with or was somehow endorsed by Boston Hockey.\textsuperscript{88}

Not every merchandising case has come out in favor of the mark owner,\textsuperscript{89} but many now regard it as conventional wisdom that uni-

\begin{footnotesize}
\textsuperscript{86} See \textit{Boston Hockey}, 510 F.2d at 1012 (noting that “the act was amended to eliminate the source of origin as being the only focal point of confusion” and finding “[t]he argument that confusion must be as to the source of the manufacture of the emblem itself... unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem”).
\textsuperscript{87} 510 F.2d 1004 (5th Cir. 1975).
\textsuperscript{88} 549 F.2d 368, 389 (5th Cir. 1977); see also Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co., 676 F.2d 1079, 1082 n.3 (5th Cir. 1982) (explaining that, even after \textit{Boston Hockey}, “a claimant must still prove a likelihood of confusion, mistake or deceit of ‘typical’ purchasers, or potential purchasers, as to the connection of the trademark owner with the infringing product”).
\textsuperscript{89} See, e.g., Bd. of Governors of the Univ. of N.C. v. Helpingstine, 714 F. Supp. 167, 173 (M.D.N.C. 1989) (rejecting the plaintiff’s claim on the ground it failed to provide “evidence establishing that individuals do make the critical distinction as to sponsorship or endorsement, or direct evidence of actual confusion”); Univ. of Pittsburgh v. Champion Prods., 566 F. Supp. 711, 713, 716 (W.D. Pa. 1983) (finding no likelihood of confusion, in part because Champion clearly indicated it was the source of origin of the goods, and finding the logos functional as used by Champion).
\end{footnotesize}
versities and sports teams have the right to prevent unauthorized use of their marks on merchandise.  

The important lesson from all of these sponsorship or affiliation cases, whether they involve merchandising or not, is that trademark law has no meaningful limits if confusion is not tethered to a theory of how that confusion harms consumers. And the search costs theory is complicit in trademark law’s expansion to the extent it encourages courts to equate confusion with search costs and to ignore the relationship between search costs and consumer decision making.

2. Initial Interest Confusion

The tyranny of search costs reveals itself perhaps most clearly in the initial interest confusion doctrine. That doctrine allows trademark owners to assert claims against uses of their marks that attract the interest of potential consumers, even if any such confusion is dispelled before a purchasing decision and sometimes even in the absence of any confusion at all. In *Brookfield Communications v. West Coast Entertainment Corp.*, for example, the court concluded that the defendant’s use of the plaintiff’s “moviebuff” mark in the metatags for its website infringed the plaintiff’s rights because search engines used the metatags to generate search results in which the defendant’s site appeared prominently, which the court believed allowed the defendant to benefit unfairly from recognition of the plaintiff’s mark.  

While the court conceded that confusion was unlikely, it believed that consumers, now presented with both websites in response to a search employing “moviebuff” as a search term, might choose the defendant’s website rather than the plaintiff’s. While some courts recently have begun to express

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90 See Dogan & Lemley, The Merchandising Right, supra note 50, at 461, 487, 489, 506 (questioning the legal foundation of a merchandising right but noting the explosive growth of the licensing market and acknowledging that “we might be stuck with” consumer expectations that merchandise is licensed, and recommending limited injunctive relief in the form of a disclaimer in most cases).

91 174 F.3d 1036, 1062 (9th Cir. 1999). Notably, the court recognized that the defendant, West Coast Video, had actually used the term “Movie Buff” in its slogan “The Movie Buff’s Movie Store” and that “Movie Buff” has generic significance as a term for movie enthusiasts. Id. at 1042, 1066.

92 See id. at 1062.
skepticism about broad application of the doctrine, initial interest confusion remains a viable theory of infringement in most circuits.

In my view it is unlikely that the initial interest confusion doctrine was actually motivated by concern about consumers or search costs, notwithstanding the traditional bait-and-switch analogy used to justify it. In fact, beneath the language about confusion, initial

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93 See, e.g., Lamparello v. Falwell, 420 F.3d 309, 315–18 (4th Cir. 2005) (noting that the U.S. Court of Appeals for the Fourth Circuit had never explicitly accepted the initial interest confusion doctrine and refusing to apply it where the defendant's website made clear that the site was not sponsored by the plaintiff and the defendant did not use the domain name to derive financial benefit); Playboy Enters. v. Netscape Commc'ns Corp., 354 F.3d 1020, 1034 (9th Cir. 2004) (Berzon, J., concurring) ("Brookfield might suggest that there could be a Lanham Act violation even if the banner advertisements [at issue in that case] were clearly labeled, either by the advertiser or by the search engine. I do not believe that to be so. So read, the metatag holding in Brookfield would expand the reach of initial interest confusion from situations in which a party is initially confused to situations in which a party is never confused. I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation...").

94 See, e.g., McNeil Nutritionals, L.L.C. v. Heartland Sweeteners, L.L.C., 511 F.3d 350, 358 (3d Cir. 2007) ("We reaffirm the holding that initial interest confusion is an independently sufficient theory that may be used to prove likelihood of confusion."); Checkpoint Sys. v. Check Point Software Techs., 269 F.3d 270, 294 (3d Cir. 2001) ("We join [other] circuits in holding that initial interest confusion is probative of a Lanham Act violation."); Eli Lilly & Co. v. Natural Answers, 233 F.3d 456, 464 (7th Cir. 2000) ("[Initial interest] confusion, which is actionable under the Lanham Act, occurs when a consumer is lured to a product by its similarity to a known mark, even though the consumer realizes the true identity and origin of the product before consummating a purchase."); Interstellar Starship Servs. v. Epix, Inc., 184 F.3d 1107, 1110 (9th Cir. 1999) ("We recognize a brand of confusion called 'initial interest' confusion, which permits a finding of a likelihood of confusion although the consumer quickly becomes aware of the source's actual identity and no purchase is made as a result of the confusion."); Pebble Beach Co. v. Tour 18 I, 155 F.3d 526, 543–45 (5th Cir. 1998) (finding evidence that some players, before playing the defendant's golf course, thought the defendant had permission to copy hole designs sufficient to sustain a cause of action even if such "confusion" was obviated by playing the course and viewing the holes and disclaimers on the golf course signs).

95 See Brookfield, 174 F.3d at 1064 ("Suppose West Coast's competitor (let's call it 'Blockbuster') puts up a billboard on a highway reading—'West Coast Video: 2 miles ahead at Exit 7'—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there."). Other courts have used similar "bait and switch" language, see AM Gen. Corp. v. DaimlerChrysler Corp., 311 F.3d 796, 828 (7th Cir. 2002) (refusing claim of initial interest confusion where there was no
A Consumer Decision-Making Theory

interest confusion is most often simply a manifestation of an anti-free-riding impulse. In *Elvis Presley Enterprises v. Capece*, for example, the court noted that “initial-interest confusion is beneficial to the Defendants because it brings patrons in the door” which, in that case, “[was] even more significant because the Defendants’ bar sometimes charges a cover charge for entry, which allow[ed] the Defendants to benefit from initial-interest confusion before it [could] be dissipated by entry into the bar.” Likewise, the court in *Playboy Enterprises v. Netscape Communications Corp.* noted that “[s]ome consumers, initially seeking PEI’s sites, may initially believe that unlabeled banner advertisements are links to PEI’s sites or to sites affiliated with PEI.” And though they may realize they are not at a PEI site once they click through the ads, “they may be perfectly happy to remain on the competitor’s site, just as the *Brookfield* court surmised that some searchers initially seeking Brookfield’s site would happily remain on West Coast’s site.”

While concern about consumer search costs may not actually have been driving these decisions, widespread acceptance of the idea that consumer confusion is the target of trademark law made it hard to criticize them since they speak in terms of confusion. Yet the confusion in these cases could not have led to mistaken purchasing decisions because, by definition, the confusion was dispelled before purchase. This insight is actually latent in several commentators’ criticisms of initial interest confusion, which frequently emphasize how trivially the practices courts have condemned increase search costs. But it is difficult to find the right vocabulary to criticize the doctrine once one accepts the simple version of the search costs theory. If trademark law’s goal is to reduce the amount of time it takes consumers to search—and solely

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“bait and switch”), but the analogies have been persuasively criticized in the internet context, where most initial interest confusion is found. See Goldman, supra note 21, at 570–73.

*See* Lemley & McKenna, *Owning Mark(et)s*, supra note 20, at 151–52.

141 F.3d 188, 204 (5th Cir. 1998).

354 F.3d 1020, 1025 (9th Cir. 2004).

*Id.* at 1025–26.

See, e.g., Goldman, supra note 21, at 572 (criticizing the *Brookfield* court’s billboard analogy for “ignor[ing] differential search costs between physical space and cyberspace” where “the ‘costs’ to correct their search can be as minimal as hitting the back button”); Rothman, supra note 28, at 110 (criticizing the initial interest confusion doctrine).
for the purpose of reducing the time searching, without regard for how time searching relates to consumer decision making—then no amount of search cost reduction seems too trivial. Indeed, initial interest confusion is actually a natural, logical end of a focus on length of time to search.

3. Post-Sale Confusion

The post-sale confusion doctrine, which makes actionable the confusion of non-purchasers based on their post-sale interaction with a product, similarly has been enabled by search costs rhetoric. Courts have recognized post-sale confusion primarily in cases involving luxury goods,101 where despite the near identity of the products and/or the marks at issue consumers are unlikely to be confused because of the context in which they encounter the goods. Consumers who buy twenty dollar “Louis Vuitton” handbags on Canal Street, for example, know well that the bag they are buying was not made by Louis Vuitton. Aside from the fact that it is for sale on Canal Street, the price undoubtedly signals to them that the bags are fakes.

Courts, however, have not been content to let the copyists off the hook in these cases, and they have managed to squeeze them into trademark law by focusing on observers of the goods rather than purchasers. Even if purchasers of fake Louis Vuitton bags on Canal Street are not confused, the story goes, perhaps those who see the purchasers carrying around their imitation bags will believe

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the bags are genuine. In Ferrari S.P.A. Esercizio v. Roberts, for example, the court recognized a claim for Ferrari against the maker of kit cars that replicated the design of some of Ferrari’s cars, crediting “survey evidence . . . show[ing] that members of the public, but not necessarily purchasers, were actually confused by the similarity of the products.” And since confusion is ipso facto problematic, these observers’ confusion is sufficient.

Courts have sometimes justified this focus on confusion among the general public by suggesting observers might notice the poor quality of the fakes and therefore change their opinion of the quality of the mark owner’s goods. This still does not close the gap, however, because there is no reason to care whether observers change their view of Louis Vuitton bags unless we have some reason to think those observers would otherwise be potential customers of Louis Vuitton. But since we are speculating so much here anyway, courts have been willing to make this leap as well. In Ro-

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944 F.2d 1235, 1245 (6th Cir. 1991); see also Rolls-Royce Motors v. A & A Fiberglass, 428 F. Supp. 689, 694 (N.D. Ga. 1976) (finding that the defendant’s customizing kits infringed Rolls-Royce’s grill and hood ornamentation designs on the ground that “confusion need not always be that of a potential purchaser but can exist where ‘the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the [plaintiffs’] trademarks’” (quoting Boston Hockey, 510 F.2d at 1012)).

Jeremy Sheff calls this theory “bystander” confusion, which allegedly arises when “a defendant sells its product to a non-confused purchaser, observers who see the non-confused purchaser using the defendant’s [knockoff] product mistake it for the plaintiff’s [genuine] product, and those observers draw conclusions from their observations that influence their future purchasing decisions.” See Jeremy N. Sheff, Veblen Brands, 96 Minn. L. Rev. (forthcoming 2012) (manuscript at 8, available at http://ssrn.com/abstract=1798867). As Sheff acknowledges when he notes that sometimes the “chain of events culminating in a trademark injury appears to be assumed sub silentio,” this description might even give courts too much credit, since courts frequently do not even tie observers’ confusion to future purchasing decisions, suggesting liability is appropriate where observers simply mistake the defendant’s product for the genuine product, even without more. Id. at 16; see, e.g., Rolex Watch, 645 F. Supp. at 493 n.3, 495 (admitting that it could “only speculate as to the forms [that] . . . cheapening or dilution [of the Rolex brand] might take and the injuries that might ensue” but imposing liability anyway on the possibility that, for example, airport security guards might be confused when a counterfeit watch set off a metal detector). Sheff identifies “downstream confusion”—confusion among purchasers in a secondary market—as another theory of post-sale confusion that depends (albeit speculatively) on consumer confusion about the source of the goods. Sheff, supra, at 18–22.

This was one of the court’s claims in Rolex Watch, 645 F. Supp. at 495.
lex Watch U.S.A v. Canner, the court claimed that “[i]ndividuals examining the counterfeits, believing them to be genuine Rolex watches, might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real time piece.”

It is pretty obvious to anyone who reads these cases fairly that they are not really motivated by concern about the impact of confusion on observers of the defendant’s goods. They are instead clearly intended to preserve for the mark owner the prestige value of the mark irrespective of confusion. In the earliest post-sale confusion case, Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, the court was concerned that visitors to the homes of those who purchased the defendant’s clocks would mistake them for genuine Atmos clocks, the design of which the defendant copied. This was a problem, according to the court, because

at least...some customers would buy [the copier’s] cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers’ homes would regard as a prestigious article. [The copier’s] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock.... [T]he likelihood of such confusion suffices to render [the copier’s] conduct actionable.

Likewise, the court in Rolex Watch quite honestly noted its concern that “[non-purchasers] who see the watches bearing the Rolex trademarks on so many wrists might find themselves discouraged

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104 Virginia Law Review

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104 Id.
106 Professor McCarthy attempts to describe post-sale confusion in trade diversion terms. See McCarthy, supra note 17, § 23:7 (claiming that “senior user[s] suffer[] a loss of sales diverted to the junior user, the same as if the actual buyer were confused,” because “[e]ven though the knowledgeable buyer knew that it was getting an imitation, viewers would be confused”). This makes sense only if one assumes (1) that purchasers buy imitation products knowing they will be able to pass them off to friends and acquaintances as the originals and (2) these purchasers would have bought the originals if they knew they could not confuse viewers. This seems quite a dubious set of assumptions, however, both because imitations often are readily identifiable and because purchasers of imitation products often would not have purchased the originals.
107 221 F.2d 464 (2d Cir. 1955).
108 Id. at 466.
from acquiring a genuine [Rolex] because the items have become too common place and no longer possess the prestige once associated with them. And in Ferrari, the court shared the district court's concern that the copying of the distinctive design of the plaintiff's cars would harm the plaintiff even if consumers were not confused at all:

If the country is populated with hundreds, if not thousands, of replicas of rare, distinct, and unique vintage cars, obviously they are no longer unique. Even if a person seeing one of these replicas driving down the road is not confused, Ferrari's exclusive association with this design has been diluted and eroded. If the replica Daytona looks cheap or in disrepair, Ferrari's reputation for rarity and quality could be damaged.

Courts' efforts to protect prestige value can, and should be, criticized on their own terms. But the criticisms would have much more impact if courts were not always able to fall back in these cases on broad references to the problem of consumer confusion. In fact, dissenting judges have sometimes cried foul in post-sale confusion cases precisely on the ground that loss of prestige is not the kind of harm with which trademark law is concerned only to see majorities re-emphasize that the defendants' actions created confusion.

106 645 F. Supp. at 495.
111 See Sheff, supra note 103, at 60 (arguing that prestige-protecting, post-sale confusion is illegitimate because it attempts to police consumers' use of marks for expressive purposes).
112 Compare Ferrari, 944 F.2d at 1251 (Kennedy, J., dissenting) ("The majority does more than implicitly recognize a dilution cause of action by its misapplication of the eight-factor test; it expressly reads such a cause of action into the statute. To justify this interpretation, the majority points out that Congress deleted the word 'purchasers' from the statutory language in 1967. According to the majority, this congressional act demonstrates that Congress intended 'to protect against the cheapening and dilution of the genuine product, and to protect the manufacturer's reputation.").
frequently cite the language from *Syntex Laboratories v. Norwich Pharmacal Co.* that “[i]n amending that section in 1962, Congress . . . evinc[ed] a clear purpose to outlaw 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.”

4. Dilution

At first glance, dilution might seem not to fit this story since dilution claims do not depend on confusion of any kind. Specifically, dilution claims come in two varieties: “blurring” and “tarnishment.” Under the blurring theory—the form of dilution originally conceived by Frank Schechter—use of the BUICK mark for shoes harms the car company not because anyone who is looking for a new car will buy it from the shoemaker or even will believe the shoe company and car company are related, but rather because the mere existence of shoes bearing the BUICK mark will detract from the mark’s “selling power” or “commercial magnetism” by destroying the mark’s singularity. Buick (the automaker) will therefore lose future customers or at least have to work harder to attract them. The other form of dilution is “tarnishment,” which is based on the claim that the defendant’s use of the plaintiff’s mark in some unwholesome way will negatively affect the associations consumers have with the mark.

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113 437 F.2d 566, 568 (2d Cir. 1971); see also *Rolex Watch*, 645 F. Supp. at 492 (describing the 1962 amendment as intended to broaden the protection afforded by the Act to “prevent mistake, deception, and confusion in the market place at large”).


115 I should say the mark’s “alleged” singularity because supporters of dilution have always relied more on intuition than empirical evidence in identifying the marks worthy of dilution protection. See Robert Brauneis & Paul J. Heald, Trademark Infringement, Trademark Dilution, and the Decline in Sharing of Famous Brand Names: An Introduction and Empirical Study, 59 Buff. L. Rev 141, 143, 164 (2011) (demonstrating through examination of business names in the white pages telephone directories of Chicago, Philadelphia, and Manhattan widespread sharing of 131 famous brand names, including BUICK, CADILLAC, and TIFFANY—all marks long identified as precisely the marks dilution law should protect). Obviously this third-party use did not destroy the singularity of the famous marks in the minds of dilution advocates.

116 See 15 U.S.C. § 1125(c)(2)(C) (2006) (defining dilution by tarnishment as “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark”); Restatement (Third) of Unfair
Because neither of these forms of dilution depend on evidence of confusion, it might seem odd to blame the search costs theory for dilution's expansion. But that would ignore both the rhetorical power of consumer confusion and the conceptual power of the search costs theory. First, courts that have been uncomfortable with the dilution theory itself frequently have relied on likelihood of confusion analysis to decide cases that seem really to involve the kinds of harm postulated by dilution.\textsuperscript{117} Second, and more important here, courts and scholars have justified the broad rights dilution law grants in essentially search cost terms.

The clearest example is the Seventh Circuit's decision in \textit{Ty, Inc. v. Perryman}.\textsuperscript{118} In that case, Judge Posner made clear that "[t]he fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of the particular source of particular goods."\textsuperscript{119} Third-party uses of a mark, even those for totally unrelated goods that are unlikely to cause confusion, raise search costs because they interfere with that unequivocal signal:

Suppose an upscale restaurant calls itself "Tiffany." There is little danger that the consuming public will think it's dealing with a...
branch of the Tiffany jewelry store if it patronizes this restaurant. But when consumers next see the name “Tiffany” they may think about both the restaurant and the jewelry store, and if so the efficacy of the name as an identifier of the store will be diminished. Consumers will have to think harder—incur as it were a higher imagination cost—to recognize the name as the name of the store.\textsuperscript{120}

This is what Graeme Austin referred to as the “thought burden,”\textsuperscript{121} and for Judge Posner it is not even limited to cases of blurring:

Now suppose that the “restaurant” that adopts the name “Tiffany” is actually a striptease joint. Again, and indeed even more certainly than in the previous case, consumers will not think the striptease joint under common ownership with the jewelry store. But because of the inveterate tendency of the human mind to proceed by association, every time they think of the word “Tiffany” their image of the fancy jewelry store will be tarnished by the association of the word with the strip joint. So “tarnishment” is a second form of dilution. Analytically it is a subset of blurring, since it reduces the distinctness of the trademark as a signifier of the trademarked product or service.\textsuperscript{122}

Dilution fits neatly into the search costs theory on this understanding despite its lack of concern with confusion because both blurring and tarnishing uses force consumers to think harder.\textsuperscript{123} In

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  \item \textsuperscript{120} Id. at 511.
  \item \textsuperscript{121} Graeme W. Austin, Trademarks and the Burdened Imagination, 69 Brook. L. Rev. 827, 890–95 (2004).
  \item \textsuperscript{122} Ty, 306 F.3d at 511 (citations omitted).
  \item \textsuperscript{123} More recently, Posner and Landes have returned to dilution and the Tiffany example, though this time without expressly emphasizing thought burdens: dilution “protects trademark owners from the loss of value resulting from nonconfusing duplication of their trademarks (as where a hot dog stand adopts the name ‘Tiffany’s’).” William M. Landes & Richard A. Posner, Indefinitely Renewable Copyright, 70 U. Chi. L. Rev. 471, 485 (2003); see also Richard A. Posner, When Is Parody Fair Use?, 21 J. Legal Stud. 67, 75 (1992) (“A trademark seeks to economize on information costs by providing a compact, memorable, and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark of the product or service.”).
\end{itemize}
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fact, several scholars have endorsed such a search costs theory of dilution.\textsuperscript{124}

Most supporters of this view do not describe the mechanism by which thought burdens affect consumers in the marketplace. The most extensive attempt at such an explanation comes from Stacey Dogan and Mark Lemley:

Dilution of a unique mark increases consumer search costs by making consumers who once associated any mention of the trademark with its owner look further for context. If consumers hear the term "Exxon," they think immediately of the oil company. If they hear "National" or "United," by contrast, they need context to understand what is being referred to. The risk of blurring is precisely that unique terms will over time be relegated to context-specific terms.\textsuperscript{125}

\textsuperscript{124} See Dogan & Lemley, Search Costs on the Internet, supra note 16, at 790 n.40 ("Dilution of a unique mark increases consumer search costs by making consumers who once associated any mention of the trademark with its owner look further for context."); Stacey L. Dogan & Mark A. Lemley, What the Right of Publicity Can Learn from Trademark Law, 58 Stan. L. Rev. 1161, 1197 (2006) ("[L]ike traditional trademark law, dilution properly understood is targeted at reducing consumer search costs."); Lee Goldman, Proving Dilution, 58 U. Miami L. Rev. 569, 575-76 (2004) ("Finally, as Judge Posner argued, trademarks provide information to consumers. To the extent junior users adopt the trademarks of others, the resultant 'clutter' imposes real costs upon consumers. This problem is exacerbated in the information age. To the extent other companies use the same name, finding the senior user's location on the World Wide Web can prove difficult.") (footnotes omitted); Daniel Klerman, Trademark Dilution, Search Costs, and Naked Licensing, 74 Fordham L. Rev. 1759, 1767 (2006) (arguing that a dilution by blurring claim is only justified where the diluting use increases search costs, which it might do by impairing memory about product attributes or by causing consumer confusion as to product origin that courts mistakenly assume would not exist, but positing that these harms might be relatively small compared to the significant cost of recognizing such a claim); J. Thomas McCarthy, Proving a Trademark Has Been Diluted: Theories or Facts?, 41 Hous. L. Rev. 713, 727-28 (2004) ("[I]f a once-unique designation loses its uniqueness[,]... it [is] harder for consumers to link that designation with a single source—the hallmark of a strong trademark. Under this theory, dilution increases the consumer's search costs by diffusing the identification power of that designation."); Maureen A. O'Rourke, Defining the Limits of Free-Riding in Cyberspace: Trademark Liability for Metatagging, 33 Gonz. L. Rev. 277, 307 n.134 (1998) ("Dilution by blurring is concerned with preventing the erosion of the distinctiveness of the mark because of its use on non-related products. The 'noise' that this creates around the mark may increase consumer search costs.").

\textsuperscript{125} Dogan & Lemley, Search Costs on the Internet, supra note 16, at 790 n.40 (citation omitted).
I will have more to say about this argument later, but for now two observations are important. First, Dogan and Lemley’s explanation assumes that consumers who hear “National” or “United” hear those terms in a vacuum, devoid of any context other than the term itself to help consumers understand the reference. This is an unrealistic assumption; in the commercial marketplace, context is king. Second, the argument makes no particular claim that consumers’ decisions will be affected by the multiplication of “United” marks. The argument is not, for example, based on a claim that, as a result of the fact that many companies use the “United” mark, consumers might patronize one United when they meant to patronize another. At best, the argument suggests obliquely that consumers might refrain from purchasing plane tickets from United because they will have to remember that United Airlines has the plane tickets and United Van Lines has the trucks.

This last suggestion depends on a view of consumers as exceptionally averse to thinking, and that view is inconsistent both with the evidence I discussed above demonstrating that consumers sometimes value search costs and with the anecdotal observation that the market is flooded with trademarks that are used concurrently by multiple parties without any obvious detrimental effect on consumers. In this respect, it is telling that many of the marks that advocates point to as exemplars of the category of marks worthy of dilution protection are in fact not unique. Judge Posner, for example, is quite fond of using the Tiffany mark in his examples, even though Tiffany is actually in widespread concurrent use—even for restaurants, the very use Posner suggests would be problematic. Similarly, in describing the phenomenon of blurring, Judge Kozinski confidently proclaimed in Visa International Ser-

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A Consumer Decision-Making Theory

vice Ass'n v. JSL Corp. that there are "many camels, but just one Camel; many tides, but just one Tide." Thus, he claimed, "Camel cupcakes and Tide calculators would dilute the value of those marks." But in fact there are many Camels and many Tides, and obviously none of them has imposed a thought burden on Judge Kozinski. Finally, the idea that consumers lose when marks are no longer singularly associated with a particular type of goods is inconsistent with the fact that companies routinely extend their brands into a variety of product markets and therefore create the very disparate product associations that supposedly cause such harm.

II. CONSUMER DECISION MAKING AND AUTONOMY

As I have argued, trademark law regulates the commercial marketplace and should therefore focus on actions that affect consumers in their capacity as marketplace actors. Simply having to think harder is not a harm to consumers as consumers unless it somehow impacts their decisions. As a result, courts should always ask not simply whether the defendant's practice is likely to cause confusion, but also whether it is likely to materially affect consumer purchasing decisions. Any use of a mark that does not impact consumer decisions should be deemed irrelevant to trademark law.

128 610 F.3d 1088, 1091 (9th Cir. 2010).
129 Id.
130 See, e.g., U.S. Trademark Registration No. 3,320,577 (CAMEL for "containment structures for large scale spills or releases from primary mobile storage containers, namely, berms made of polymers reinforced with fiberglass and/or metal"); U.S. Trademark Registration No. 3,863,961 (CAMEL and design for "accumulator jars; battery chargers; chargers for batteries; electric accumulators; electric accumulators for vehicles; plates for batteries"); U.S. Trademark Registration No. 3,560,450 (CAMEL for "flour; rice; spices"); U.S. Trademark Registration No. 3,631,151 (THE TIDE for newsletters in the field of Christian music and various entertainment services); U.S. Trademark Registration No. 3,824,991 (New Tide for "microphone connector, chassis mount, adapter and transformer").
131 See Stadler Nelson, supra note 117, at 776–83 (describing the growing ubiquity of brands and the inconsistency of this practice with dilution theory).
132 See Lemley & McKenna, Irrelevant Confusion, supra note 5, at 414–15 (arguing that confusion regarding the actual source of a product or about responsibility for quality ought to be deemed presumptively relevant but that other forms of confusion should be actionable only when the plaintiff can prove the confusion is likely to materially impact consumer purchasing decisions).
It is not, however, enough to say that trademark law ought to focus on consumer decisions since many different types of information can affect those decisions. We learn about products through word of mouth and from conventional advertising, product reviews, and pop culture references, just to name a few sources. This information can affect our decisions in many ways: use of a mark may deceive us into buying something we would not have; a positive consumer report might convince us to buy a new Toyota Prius; or an investigative report detailing a producer’s child labor practices might dissuade us from patronizing that company anymore. Some of these uses of a trademark already fall outside the ambit of trademark law because they are not commercial uses and/or because they involve speech. But those limits are largely external to the search costs theory, not ones that derive from it. Indeed, many non-commercial uses can raise search costs.133

Focusing on consumer decision making rather than search costs does not necessarily obviate the need for all of these external values, but it does enable us to focus more specifically on the kinds of interferences with consumer decisions that we want to regulate. Here it is useful to look more carefully at the way the search costs theory was originally articulated in the context of competing goods. Confusion, it turns out, was not really the point: the uses that caused concern were those that deceived consumers. The distinction between confusion and deception is an important one because consumers in many passing off cases are not confused in a cognitive sense at all. Those who buy a product labeled “Coca-Cola” that was not produced by the Coca-Cola Company are not confused about the source of the product they buy—they always thought they were getting a genuine Coca-Cola, and they were just wrong.134

133 See Tushnet, supra note 126, at 549 (“As far as we know, the brain has no use-in-commerce requirement or other distinction that would keep references to Tiffany-the-girl from activating thoughts of Tiffany’s-the-jeweler, or vice versa.”).

134 This is undoubtedly why older cases, which required direct competition, largely spoke of the deception of consumers rather than their confusion. See, e.g., Coats v. Holbrook, 2 Sand. Ch. 586, 594 (N.Y. Ch. 1845) (holding that a person is not allowed to imitate the product of another and “thereby attract to himself the patronage that without such deceptive use of such names... would have inured to the benefit of that other person”); Amoskeag Mfg. Co. v. Spear, 2 Sand. 599, 605–06 (N.Y. Sup. Ct. 1849) (“He who affixes to his own goods an imitation of an original trademark, by which those of another are distinguished and known, seeks, by deceiving the public, to divert and appropriate to his own use, the profits to which the superior skill and en-
As a consequence of this mistaken purchasing decision, they might later downgrade their assessment of the quality of Coca-Cola, either because they now believe Coca-Cola is of poor quality or because they believe its quality is variable. But this is not confusion either. Consumers are not confused about the quality of Coca-Cola; they are just mistaken. And confusion is not even the issue at a systemic level. Consumers may stop relying on trademarks to give them quality-related information if they encounter enough goods whose quality varies significantly despite the use of the same mark, but that is because they have learned that trademarks are not reliable indicators of quality, not because they are confused.

The point is that the search costs postulated in this context derive from deception, not confusion. Somehow we have lost sight of this as trademark law has expanded far beyond the case of direct competition, which probably explains why search costs advocates infrequently explain the theory in the context of non-competing goods. But this is an insight we need to recover, because it is a critical limitation. Trademark law should attempt to regulate only uses of a mark that interfere with consumers' ability to effectuate their decisions by deceiving them. To see why deception is the right focus, it is instructive to look closely at how the legal system treats advertising, particularly given the close relationship between trademark and false advertising law.135

A. Advertising and the Autonomous Consumer

Legal scholars have debated the virtues of advertising since at least the time Ralph Brown wrote his famous article Advertising and the Public Interest: Legal Protection of Trade Symbols.136 Brown, inspired by the work of economist Edward Chamberlain, criticized advertising for enabling producers of otherwise indistin-
distinguishable goods to "artificially" differentiate their products through advertising. Advertising, for example, enables Morton's to dupe consumers into believing its branded salt is somehow distinguishable from other generic salt. Advertising, on this account, impedes competition by creating irrational brand preferences, and trademark law is to blame for encouraging and rewarding persuasive advertising.

Law and economics scholars in particular have taken issue with that conclusion, suggesting the economic literature has revealed it to be misguided. According to these scholars, advertising is purely, or at least overwhelmingly, informational in nature—at a minimum in the sense that it signals to consumers that the advertiser believes in its product and has the resources to stand behind it. As a result, so long as it is not false, advertising actually promotes rather than inhibits competition. And despite some lingering protestations, this view has largely prevailed.

In my view, an agnostic position towards advertising is generally the right one, but not because advertising is always, or even pre-

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137 Id. at 1170–71.
139 See Lunney, supra note 16, at 417.
140 See, e.g., Landes & Posner, Economic Structure of IP, supra note 12, at 173 (“The implicit economic model that guides the law is our model, in which trademarks lower consumers' search costs by providing them with valuable information about brands and encourage quality control rather than create social waste and consumer deception. The hostile view of advertising anyway is unsound.”).
dominantly, informational in nature. If there was ever really a doubt, the evidence now shows beyond reasonable dispute that advertising creates emotional or psychological product differentiation that is often unrelated to observable product differences. Indeed, it is remarkable that there is even a debate about this in the legal literature. The marketing literature makes abundantly clear that differentiation in brand personality is precisely the goal: the point of modern marketing is to rescue producers from having to compete on price or quality. In the aptly titled *Meaningful Brands from Meaningless Differentiation: The Dependence on Irrelevant Attributes*, for example, Gregory Carpenter and his co-authors show how brands induce consumers to infer that a distinguishing but irrelevant attribute is in fact relevant and valuable, creating a meaningfully differentiated brand. Marketing is designed not merely to give information about products consumers already know they want but to "make people want many other things." It is about creating desires.

In the false advertising context, the Federal Trade Commission ("FTC") has candidly acknowledged this persuasive function. In *In the Matter of C & H Sugar Co.*, the FTC admitted that

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144 But see Landes & Posner, Economic Structure of IP, supra note 12, at 168; Lillian R. BeVier, Competitor Suits for False Advertising Under Section 43(a) of the Lanham Act: A Puzzle in the Law of Deception, 78 Va. L. Rev. 1, 8 (1992) ("Advertising contributes to consumer welfare by providing information, which lowers consumer search costs, which in turn facilitates competition.").


146 Susan Strasser, Satisfaction Guaranteed: The Making of the American Mass Market 27 (1989); see also id. at 28 ("By advertising branded products, manufacturers explicitly intended to eliminate price competition and to eclipse price sensitivity: the consumer who would accept no substitutes for Ivory soap or Steinway pianos would be unwilling to settle for another product just because it was cheaper."); Deven R. Desai & Spencer W. Waller, Brands, Competition, and the Law, 2010 BYU L. Rev. 1425, 1436-442 (describing the development of the advertising industry and the way branding enables producers to differentiate their products and insulate them from price competition).

147 Austin, supra note 121, at 856 ("Economist John Kenneth Galbraith famously identified the ‘dependence effect’ of modern systems of production that are aided and abetted by advertising, whose 'central function is to create desires—to bring into being wants that previously did not exist.'").
the homogenous nature of [sugar] means that there are few truthful, nondeceptive comparisons that can be made among competing products. In order to promote their brands, sugar refiners must rely on ... subjective endorsement claims ... [T]he order [which prohibited unsubstantiated claims of differences between Hawaiian cane sugar and other sugar, or of superiority of Hawaiian cane sugar] inhibits competition in the granulated sugar industry. 148

The effects of such differentiation are clear and contrary to the simple conclusion that advertising makes markets more competitive. In one recent study, for example, Michael Baye and John Morgan demonstrated that, in a large online market for branded consumer electronics, "[w]hen brand advertising is higher, average listed prices are also higher," and "the average minimum listed price is also higher." 149 Put simply, advertising frequently leads to higher prices, and the legal response should not pretend otherwise. 150

148 119 F.T.C. 39, 46 (1995). This statement, of course, cannot be squared with traditional notions of competition. In the classical model, if competing sugar products are in fact homogenous, then competition should be limited to price.

149 Michael R. Baye & John Morgan, Brand and Price Advertising in Online Markets, 55 Mgmt. Sci. 1139, 1145 (2009); see also Dhaval Dave & Henry Saffer, The Impact of Direct-to-Consumer Advertising on Pharmaceutical Prices and Demand 1–3, 28–29 (May 2010) (Nat’l Bureau of Econ. Research, Working Paper No. 15969), available at http://www.nber.org/papers/w15969.pdf (finding that broadcast direct-to-consumer advertising ("DTCA") positively affects the advertiser’s own sales and price and that expansion in broadcast DTCA may be responsible for about nineteen percent of the overall growth in prescription drug expenditures over the sample period, with over two-thirds of this impact due to an increase in demand as a result of the DTCA expansion and the remainder due to higher prices).

150 These increased prices cannot be justified on the ground that the advertiser’s willingness to spend money advertising itself signals quality. See Phillip Nelson, Advertising as Information, 82 J. Pol. Econ. 729, 730 (1974); Png & Reitman, supra note 16, at 209. Conceptually speaking, this argument is self-limiting. If we assume that advertising expenditures alone signal quality, then there is incentive for low-quality producers to advertise heavily in order to fool consumers. As Stacey Dogan and Mark Lemley have argued, advertising can work as a signal only

where the expenditure on advertising is so great that it cannot be recouped by initial purchases, only by repeat business, and where the public recognizes it as such. Further, it applies only to goods that require repeat purchases and whose quality is not evident upon casual inspection. It does not serve to justify trademark protection more generally.

Dogan & Lemley, Search Costs on the Internet, supra note 16, at 799–800. The point about consumers’ ability to observe quality is a particularly important one. The pri-
Nor should advertising be tolerated because of a naïve belief that consumers generally are well-situated to manage the persuasive messages advertising entails. Consumers fall along a spectrum of persuasion sophistication, and some consumers—probably those most likely to be confused in any given situation—fall at the low end of that spectrum. These consumers are quite susceptible to persuasive advertising messages. But persuasive advertising is effective even with sophisticated consumers. As Dominique Lauga recently showed, “persuasive advertising may be used even though consumers are fully aware of it and [] persuasive advertising does not necessarily signal high-quality products.” Moreover, “[w]hen firms choose between persuasive and informative advertising, persuasive advertising may block the full unraveling of information” because “consumers cannot fully undo the effects of advertising.”

Thus, the reason for tolerating non-deceptive advertising is neither that advertising generally promotes competition nor that consumers can be presumed capable of resisting persuasive messaging. The reason is instead simply that there is no reasonable, practicable alternative. Attempting to police the persuasive messages of advertising and to restrict advertisers’ ability to convey those persuasive messages promises to be messy, as brand messages are con-

mary justification for trademark law presumes there are many situations in which a product’s quality is not observable, and that is why consumers rely on the trademark to indicate quality. Where consumers cannot evaluate the quality of goods, the incentive for low-quality producers to advertise heavily is particularly high.

Cf. BeVier, supra note 144, at 8–13 (arguing that consumer disbelief in producer claims about credence qualities implies that advertisers cannot profit by making direct statements about credence qualities).

See Barton Beebe, Search and Persuasion in Trademark Law, 103 Mich. L. Rev. 2020, 2025 (2005). As Beebe notes, some consumers have greater persuasion sophistication than others, and sophistication is a function of a number of factors, including “cognitive capacity, knowledge of the topic of persuasion and capacity to generate topic-related ‘counter persuasion,’ susceptibility to affect[,] self-confidence or self-esteem, ‘impulsivity,’ susceptibility to ‘peripheral cues,’ gender, culture, and age.” Id. at 2047–49 (footnotes omitted) (citing various social science sources). Moreover, “[a]s an empirical matter, search sophistication appears to correlate positively with persuasion sophisticated. It is well-established that consumers with low search sophistication are also more likely to have a low degree of persuasion sophistication” and vice-versa. Id. at 2062 (footnote omitted).


Id. at 1, 3.
veyed in a multitude of ways beyond conventional advertising. Marketers engage in product placement, commission branded content, and use a variety of other "stealth marketing" practices. Regulating these practices would raise enormous practical difficulties. Even focusing just on traditional mass-media advertising, it is difficult to imagine a regulatory regime that could regulate persuasive messaging without undermining the value of the informational messages. This is in part because much of what may be regarded by some as purely "artificial" differentiation is in fact "information" to other consumers. That is to say, some consumers are sufficiently sophisticated to resist and manage some persuasive attempts, and we do not have a good sense of the relative proportion of sophisticated and unsophisticated consumers.

Nor is it even clear that we could reliably distinguish between the informational and purely persuasive aspects of advertising, as the distinction between the "artificial" and "real" is much more elusive than is often presumed. In fact, the emotions many people experience in response to brands are so powerful that they actually control the experience. For example, while people tend to prefer Pepsi over Coke in blind taste tests, those who are exposed to the brand names during the test tend to prefer Coke. This is not simply because the respondents want to like Coke better—they actu-

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155 For a lively debate about the desirability and efficacy of regulating some of these practices, see Zahr Said, Embedded Advertising and the Venture Consumer, 89 N.C. L. Rev. 99, 105 (2010) (arguing that the law should "take into account the evolution of the 'venture consumer,' who knows what she wants out of her media, knows where to get it, and is aware of the risks and costs involved"); Eric Goldman, Stealth Risks of Regulating Stealth Marketing: A Comment on Ellen Goodman's Stealth Marketing and Editorial Integrity, 85 Tex. L. Rev. See Also 11 (2007), http://www.texaslrev.com/seealso/vol/85/responses/goldman (questioning the efficacy and desirability of mandatory disclosure requirements); Ellen P. Goodman, Stealth Marketing and Editorial Integrity, 85 Tex. L. Rev. 83, 83 (2006) (arguing that undisclosed sponsorship in media degrades the "robust public discourse that is necessary to a democracy and is possible even in a highly commercialized media sphere" and proposing "revamping and extending sponsorship disclosure law beyond broadcasting in a manner that is technology-neutral and sensitive to the evolution of digital technologies").

156 On the difficulty the FTC has had identifying grounds on which to proceed against non-deceptive advertising, see Richard Craswell, The Identification of Unfair Acts and Practices by the Federal Trade Commission, 1981 Wis. L. Rev. 107, 139-51.

ally *do* like the Coke better when they know it is Coke. Brain scans reveal that the brands stimulate a different region in the brain that is not stimulated in blind taste tests—the region responsible for higher thinking. Those who are drinking a beverage they know to be Coke are actually experiencing a different product than those in the blind taste test.

Consumers get real benefit, often benefit that manifests itself in physical form, from their interactions with branded products, and these benefits are independent of the functional qualities of goods. This phenomenon is not limited to ingestible products either: another study showed that women’s heart rates increased twenty percent when they encountered blue Tiffany boxes.

These kinds of emotional responses to brands are not necessarily something to be sanguine about. In fact, they are often of questionable social value, since the responses are a function of a deeply consumerist culture and often of consumers’ attempts to signal status through brand consumption. There are good reasons, then,

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159 This phenomenon is not necessarily the result of advertising. For example, Mexican Coke has developed a significant cult following despite the fact it is neither advertised nor sold in the United States. The urban legend surrounding Mexican Coke is that it is sweeter than regular Coke, and that sweetness has been attributed to the use of table sugar rather than the high fructose corn syrup used in regular Coke. See Rob Walker, *Cult Classic*, N.Y. Times Mag., Oct. 8, 2009, at 22 (“Mexican Coke cultists of course have a rational explanation: Coca-Cola bottled in Mexico is sweetened with sugar, while the U.S. version is (almost) always made with high-fructose corn syrup. That is so.”). Except Mexican Coke’s sweetness is a cognitive illusion. See Emily E. Ventura, Jaimie N. Davis & Michael I. Goran, *Sugar Content of Popular Sweetened Beverages Based on Objective Laboratory Analysis: Focus on Fructose Content*, 19 Obesity 868, 873 (2011) (investigating the sugar content of a number of popular drinks and failing to find any sucrose, but plenty of glucose and fructose, in Mexican Coke, which suggests Mexican Coke is also made with high fructose corn syrup or that the sucrose (table sugar) had at least been split into its constituent glucose and fructose).

160 Lindstrom, supra note 158, at 154; see also Assaf, supra note 143, at 5, 28 (identifying many of these studies and suggesting that consumers’ responses to brands are analogous to responses to religious images).

for cultural resistance to the hegemony of brands. But that is not the same thing as saying that the law should regulate the means by which these brand responses arise. To tell consumers they cannot have the emotional or experiential value they derive from brands because it is not "real" is remarkably paternalistic, and it implies that consumers are fools incapable of determining what they want. That view of consumers has profound implications. As Barton Beebe observed, "[t]o formulate a theory of the consumer as sovereign in one sense and fool in the other is to formulate a theory not just of the consumer, but of the citizen," and one that is "schizoid."

We are left, then, with a simple acknowledgement that, so long as advertising messages are not false, consumers must be expected to manage the information contained therein, even if that information is purely persuasive. Importantly, this is essentially a normative proposition, not a descriptive one. In other words, this proposition does not depend on a descriptive claim that consumers will generally make good decisions. It depends instead on the judgment that due regard for consumer autonomy requires us to live with these decisions even if they are bad.

This view of consumers as autonomous agents capable of managing information is more consistent with the Supreme Court's construction of consumers in the First Amendment context. As Laura Heymann observed, in evaluating the constitutionality of commercial speech the Court has sought only to eliminate "fraudulent attempts to interfere with consumer autonomy (for example, by communicating false facts about a product)" so that "consumers [can] engage with and make choices based on the information they

individuals in a society signal through their consumption their differences from and similarities to others).

162 Cf. Said, supra note 155, at 117–20 (arguing that the law should construct consumers of media as venture consumers with significant agency).

163 Beebe, supra note 152, at 2062.

164 In this respect, my argument differs from Said's argument about consumers of media; her argument relies more on a descriptive claim that significant numbers of consumers are venture consumers. See Said, supra note 155, at 117–18.

Indeed, if we are to take the Court's commercial speech cases seriously, it seems this construction of consumers is required:

Precisely because bans against truthful, nonmisleading commercial speech rarely seek to protect consumers from either deception or overreaching, they usually rest solely on the offensive assumption that the public will respond "irrationally" to the truth. The First Amendment directs us to be especially skeptical of regulations that seek to keep people in the dark for what the government perceives to be their own good. That teaching applies equally to state attempts to deprive consumers of accurate information about their chosen products....

If, however, this is the right construction of consumers, there is no reason why it should be confined to the advertising context and should not also inform the scope of trademark law. After all, advertising value finds protection in trademark law. Yet as the next Section demonstrates, here there has been deep theoretical incon-

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166 Id. at 689.
167 44 Liquormart v. Rhode Island, 517 U.S. 484, 503 (1996) (plurality opinion) (citation omitted). The Court made this view even clearer in its earlier decision in Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council:

It appears to be feared that if the pharmacist who wishes to provide low cost, and assertedly low quality, services is permitted to advertise, he will be taken up on his offer by too many unwitting customers.... They will respond only to costly and excessive advertising, and end up paying the price.... All this is not in their best interests, and all this can be avoided if they are not permitted to know who is charging what.

There is, of course, an alternative to this highly paternalistic approach. That alternative is to assume that this information is not in itself harmful, that people will perceive their own best interests if only they are well enough informed, and that the best means to that end is to open the channels of communication rather than to close them. If they are truly open, nothing prevents the "professional" pharmacist from marketing his own assertedly superior product, and contrasting it with that of the low-cost, high-volume prescription drug retailer. But the choice among these alternative approaches is not ours to make or the Virginia General Assembly's. It is precisely this kind of choice, between the dangers of suppressing information, and the dangers of its misuse if it is freely available, that the First Amendment makes for us.

425 U.S. 748, 769-70 (1976); see also Lyrissa Barnett Lidsky, Nobody’s Fools: The Rational Audience as First Amendment Ideal, 2010 U. Ill. L. Rev. 799, 801 ("Instead, the Court defaults to a set of normative assumptions which, taken together, reflects an idealized vision of the audience of core speech. The first of these assumptions is that audiences are capable of rationally assessing the truth, quality, and credibility of core speech.")
sistency. While courts and defenders of advertising have embraced consumer autonomy to resist calls for greater regulation of advertising, they tend to ignore the implications of that concept in delineating the scope of trademark protection.

B. Deception Versus Persuasion

In the advertising context, construction of consumers as autonomous agents capable of managing information leads to the conclusion that law should regulate only false statements and that it should particularly avoid regulating attempts to persuade. A similar focus on consumer autonomy in the trademark context would limit trademark law to circumstances in which use of a trademark is likely to deceive consumers in ways that will affect their purchasing decisions. Put differently, a trademark law focused on consumer decision making and committed to respecting consumer autonomy should treat consumer preferences as fixed and exogenous; it should intervene only when use of a trademark threatens to prevent consumers from acting on pre-existing preferences. It should specifically decline to regulate non-deceptive attempts to shape those preferences.

This conception would harmonize trademark and false advertising law, the latter of which already operates from the premise that consumers should be protected only from false information and should otherwise be able to make up their own minds about the merits of products. In American Italian Pasta Co. v. New World Pasta Co., for example, the court emphasized the importance of defining puffery broadly in order to give “advertisers and manufacturers considerable leeway to craft their statements,... ensuring vigorous competition, and protecting legitimate commercial speech.”168 Importantly, the court’s approach was clearly based on a normative principle rather than an empirical assessment of consumers’ actual reactions to the advertising messages at issue. In fact, the court made clear it was unwilling to let the outcome of the case turn on consumer perception: “To allow a consumer survey to

168 371 F.3d 387, 391 (8th Cir. 2004).
determine a claim's benchmark would” lead to “unpredictability [and] could chill commercial speech.”

This is not to suggest that courts in false advertising cases never rely on survey evidence—they certainly sometimes do. But courts have refused to allow evidence of consumer confusion to dominate. They are willing, for example, to declare some statements to be nonactionable puffery without looking for evidence of consumer reaction. They do this not because consumers are never confused about statements of opinion or overblown claims but rather because they are comfortable making normative judgments about how reasonable consumers should respond to those statements. They are expecting consumers to manage puffery themselves, even if that expectation may not be met.

Focusing trademark law on deceptive uses of another's mark that are likely to materially impact consumer decisions would not only marry trademark and false advertising law conceptually, it would also help courts to identify the proper domains of trademark and false advertising law. As it currently stands, despite the fact that both trademark infringement and false advertising are statutorily proscribed by the Lanham Act—in consecutive subsections of Section 43(a)(1) no less—courts have struggled to determine which doctrinal rules apply to which cases. Parties have often made the courts’ task more difficult by bringing both trademark infringement and false advertising claims against the same conduct. Just to take one example, in AFL Philadelphia LLC v. Krause, the former

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169 Id. at 393–94. The plaintiffs in American Italian Pasta submitted survey evidence to demonstrate that a substantial number of consumers understood the slogan “Americans' Favorite Pasta” as implying the advertised brand was “number one” or at least a national brand, neither of which was true. Id. at 393. Nevertheless, the court determined the statement was mere puffing since “favorite” is subjective and vague and the statement therefore could not be regarded as factual in nature. Id.


171 See Pizza Hut v. Papa John's Int'l, 227 F.3d 489, 497 (5th Cir. 2000) (“[N]onactionable 'puffery' comes in at least two possible forms: (1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.”) (emphasis added).

172 See Tushnet, supra note 135, at 1307–08 (noting both borrowing and independent development in treatment of false advertising and trademark precedents).
sales director for an Arena Football League team brought a Section 43(a) false designation of origin claim against the team for sending an email to its fans from an email address that appeared to belong to the former sales director notifying them that the season would be cancelled. Even though this was not a false advertising claim, the court proceeded to assess whether the plaintiff had prudential standing to bring the claim—a screen applied only in false advertising cases—as well as likelihood of confusion.

One might be tempted to dismiss this simply as doctrinal confusion on the court's part were courts not so routinely unclear about when it is appropriate to rely on precedent from one context or the other. The doctrinal confusion reflects a lack of conceptual clarity about the conduct that is regulated by trademark law and false advertising law, respectively. Seen through the lens of consumer decision making, trademark and false advertising laws are complementary but distinct regulations of deceptive claims that are likely to materially affect consumer purchasing decisions: trademark law speaks to actions that deceive consumers regarding the source of goods and false advertising targets statements that deceive consumers about the qualities or characteristics of goods.

III. A CONSUMER DECISION-MAKING THEORY

I have argued that trademark law should focus on consumer decision making rather than search costs or confusion themselves and that courts should attempt to regulate only deceptive uses that interfere with consumers' decisions. Cases involving confusion regarding the actual source of a product fit easily within this conceptual framework. When a consumer walks down the aisle in the grocery store and means to buy Coca-Cola but instead picks up the brown carbonated beverage I have put in a red can and called Coca-Cola, my deceptive use of the COCA-COLA mark (and probably the red can) has prevented the consumer from getting

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174 Id. at 521–30.
175 See Tushnet, supra note 135, at 1308 (“For certain issues—mainly preliminary relief, remedies, and survey evidence—courts have drawn freely on false advertising precedents to decide trademark cases, and vice versa. But in other important areas of the law, doctrine has proceeded as if trademark and false advertising were two entirely separate bodies of law, despite their common heritage.”).
what she wants. If that consumer had known she was picking up my soda rather than the genuine Coca-Cola, she would not have selected it. Uses of a mark that imply that the mark owner is responsible for the quality of a third party’s product, even if they do not suggest the mark owner actually produced the goods, are similarly likely to interfere with consumer decisions. Thus, trademark law properly intervenes here, too.

Courts, however, have taken trademark law far beyond these cases, and conceiving of trademark law’s purpose in consumer decision-making terms helps illuminate where they have gone wrong. The following Sections take up a few of modern trademark law’s most problematic expansions and recast them in consumer decision-making terms.

A. Limits on Types of Actionable Confusion

1. Sponsorship/Affiliation

Unlike cases in which a defendant’s use of a mark is likely to confuse consumers about the actual source of its products or about who is responsible for their quality, uses that confuse consumers about other types of relationships have ambiguous effects on consumer decision making. It seems quite unlikely, for example, that consumers’ decisions regarding whether to watch a movie about a beauty pageant at a farm-related fair in Minnesota will be affected if they wonder whether the title of the film—“Dairy Queens”—indicates that the company that owns the Dairy Queen restaurants licensed use of the mark. Likewise, it seems doubtful that parents will decide whether to sign up their children to play for a local Little League team, or even buy T-shirts supporting that local Little

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176 See Lemley & McKenna, Irrelevant Confusion, supra note 5, at 414–15 (arguing that uses that confuse consumers about actual source or about responsibility for quality ought to be presumed material to consumers’ decisions).

League, based on their view of whether the Chicago Cubs gave the team permission to call itself the Tinley Park Cubs. 178

Because confusion that is unrelated to actual source or responsibility for quality is unlikely to affect consumers’ purchasing decisions, Mark Lemley and I have previously argued that plaintiffs should have to prove any such confusion is likely to materially impact consumers’ decisions in order to succeed on a claim for infringement. 179 This is, ultimately, an argument rooted in concern for consumer decision making since the point is that consumers are unlikely to care about most other forms of confusion. Requiring evidence of materiality also makes sense because it may help identify claims that, while dressed up in the language of confusion, are really motivated either by a misguided anti-free-riding impulse or a desire to prevent a use that might impact the meaning of the mark at issue.

The anti-free-riding impulse is on full display in the early merchandising cases, which involved uses of the names or logos of professional sports franchises or universities to adorn clothing or other merchandise. 180 Courts found infringement in these cases when they first arose in the 1970s and 1980s by pushing the concept of sponsorship or affiliation confusion to the extreme, 181 but it is quite clear that these courts were moved by their belief that the defendants were mere free riders. In *Boston Professional Hockey Ass’n v. Dallas Cap & Emblem Manufacturing*, for example, the first case to expand trademark rights to include merchandising, the court found the conclusion “inescapable that, without plaintiffs’ marks, defendant would not have a market for his particular product among ice hockey fans desiring to purchase emblems embroidered with the symbols of their favorite teams.” 182 In *Boston Athletic Ass’n v. Sullivan*, the court was even clearer: “Defendants’ shirts are clearly

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178 This has not stopped Major League Baseball from threatening Little League teams. See, e.g., Tim Cronin, MLB to Youth: You’re Out, Herald News, May 27, 2008, at A8.
179 See Lemley & McKenna, Irrelevant Confusion, supra note 5, at 415–16.
180 See Lemley & McKenna, Owning Mark(ets), supra note 20, at 147 (“We think the influence of the free-riding and market preemption arguments also explains the merchandising cases.”).
181 See generally Dogan & Lemley, The Merchandising Right, supra note 50, at 464, 472–73 (discussing the history of merchandising claims).
182 510 F.2d 1004, 1011 (5th Cir. 1975).
designed to take advantage of the Boston Marathon and to benefit from the good will [sic] associated with its promotion by plaintiffs. Defendants thus obtain a ‘free ride’ at plaintiffs’ expense.” Mark Lemley and I have criticized this anti-free-riding impulse in trademark law generally, but the important point here is that courts have smuggled this impulse in under the cover of a broad interpretation of sponsorship or affiliation confusion. Refocusing the inquiry away from confusion and search costs and toward consumer decision making would expose these cases for what they are.

A couple of classic examples should suffice to illustrate the latter category of cases in which parties have relied on sponsorship or affiliation claims to prevent uses that implicate the meaning of a mark but do not deceive consumers about who is responsible for the quality of the defendant’s goods. In *Dallas Cowboys Cheerleaders v. Pussycat Cinema*, the plaintiff objected to the defendant’s depiction in an adult film titled *Debbie Does Dallas* of a cheerleader wearing a uniform that was recognizably similar to that of a Dallas Cowboys cheerleader. Though the court recognized that no consumers would be confused about who was responsible for the “gross and revolting sex film,” it nevertheless believed the defendant’s use caused confusion of some kind because

the uniform depicted in “Debbie Does Dallas” unquestionably brings to mind the Dallas Cowboys Cheerleaders. Indeed, it is

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183 867 F.2d 22, 33 (1st Cir. 1989); see also Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co., 550 F.3d 465, 477-78 (5th Cir. 2008) (holding that universities’ color schemes are protectable and that others’ use of those colors on T-shirts evoking the universities infringed the universities’ rights); Univ. of Ga. Athletic Ass’n v. Laite, 756 F.2d 1535, 1547 (11th Cir. 1985) (enjoining use of Battlin’ Bulldog beer when “the confusion stems not from the defendant’s unfair competition with the plaintiff’s products, but from the defendant’s misuse of the plaintiff’s reputation and good will [sic] as embodied in the plaintiff’s mark”); Sigma Chi Fraternity v. Sethscot Collection, No. 98-CV-2102, 2000 WL 34414961, at *9 (S.D. Fla. Apr. 7, 2000) (“[T]he confusion factor is met where, as here, the registered mark . . . is the triggering mechanism for the sale of the product.” (citing *Boston Hockey*, 510 F.2d at 1012)); cf. Univ. Book Store v. Univ. of Wis. Bd. of Regents, 33 U.S.P.Q.2d 1385, 1394 (T.T.A.B. 1984) (“[The] antiquated view of trademarks as harmful monopolies which must be rigorously confined within traditional bounds [is] outmoded and not in accordance with more recent cases.”) (footnote omitted).

184 Lemley & McKenna, Owning Mark(et)s, supra note 20, at 140-41.

185 604 F.2d 200, 202-03 (2d Cir. 1979).

186 Id. at 202.
hard to believe that anyone who had seen defendants' sexually depraved film could ever thereafter disassociate it from plaintiff's cheerleaders. This association results in confusion which has "a tendency to impugn [plaintiff's services] and injure plaintiff's business reputation . . . ."\textsuperscript{187}

To paraphrase: viewers of \textit{Debbie Does Dallas} will not be confused about who is responsible for the movie, but the uniforms will bring the Cowboys' cheerleaders to mind and change the way consumers feel about the Cowboys' cheerleaders.

Similarly in \textit{Mutual of Omaha Insurance Co. v. Novak}, the court enjoined Franklyn Novak from selling T-shirts and other merchandise bearing the phrase "Mutant of Omaha" and "depict[ing] a side view of a feather-bonneted, emaciated human head."\textsuperscript{188} It did so nominally on the ground that Novak's T-shirts were likely to confuse consumers; the court was impressed by evidence that approximately ten percent of all the persons surveyed thought that Mutual of Omaha "[went] along" with Novak's products.\textsuperscript{189} Yet no reasonable consumer could have believed that Mutual of Omaha was responsible for Novak's T-shirts, and it is exceedingly unlikely that any consumer's decision to purchase one of the T-shirts was affected by any confusion that did exist. Clearly the court's real concern was that the images on the T-shirts would affect the meaning of Mutual of Omaha's mark.\textsuperscript{190} This is precisely the type of effect trademark law should not police.

\textbf{2. Initial Interest Confusion}

If initial interest confusion is where the tyranny of the search costs theory is most evident, it should be clear that it is also where reconceiving trademark law in consumer decision-making terms

\textsuperscript{187} Id. at 205 (quoting Coca-Cola Co. v. Gemini Rising, Inc., 346 F. Supp. 1183, 1189 (E.D.N.Y. 1972)).

\textsuperscript{188} 836 F.2d 397, 398 (8th Cir. 1987).

\textsuperscript{189} Id. at 400.

\textsuperscript{190} There are many other cases that fit this pattern. See, e.g., Anheuser-Busch, Inc. v. Balducci Publ'ns, 28 F.3d 769, 772, 777 (8th Cir. 1994) (finding infringing a parody "ad" in a humor magazine called \textit{Snicker} for a mythical product called "Michelob Oily"); \textit{Coca-Cola Co.}, 346 F. Supp. at 1186, 1188 (granting a preliminary injunction where defendant produced a poster which added "ine" to Coca-Cola's trademark such that it read "Enjoy Cocaine").
would have the clearest effect. There are two specific points worth emphasizing here. First, some initial interest confusion cases seem willing to treat "initial interest" as separate from "confusion" and to recognize a claim when there is only initial interest and never confusion of any sort. These cases are wrong even under a theory that emphasizes confusion as the ultimate target, though perhaps less obviously so when one focuses on search costs themselves. But these cases are more clearly wrong from a consumer decision-making perspective that honors consumer autonomy by limiting trademark law to uses that deceive consumers. Consumers who are merely initially attracted have not been deprived of their agency to make decisions in any way, and "protecting" them from such acts is plainly paternalistic. Indeed, the claims in these cases very frequently appear to be attempts to prevent consumers from receiving information about competitive products or services, and trademark law should never interfere with consumers' ability to make informed decisions.

Second, even in cases where consumers are genuinely initially confused, there is no reason for trademark law to intervene so long as that confusion is easily overcome and therefore does not disable consumer choice. Thus, the only cases in which initial interest confusion could conceivably justify a trademark claim would be those in which the initial deception led consumers to make significant investments of time or money that could not be recouped without great difficulty. To be clear, it should not be enough that consumers ultimately are exposed to a product that they might not other-

191 See, e.g., Brookfield Commc'ns v. W. Coast Entm't Corp., 174 F.3d 1036, 1062 (9th Cir. 1999) (conceding that confusion was unlikely but finding actionable use anyway because consumers, now presented with both parties' websites in response to a search employing "MovieBuff" as a search term, might choose the defendant's website rather than the plaintiff's). Other cases are ambiguous about whether the initial interest must be the result of confusion. See Eli Lilly & Co. v. Natural Answers, 233 F.3d 456, 464 (7th Cir. 2000) ("[Initial interest] confusion, which is actionable under the Lanham Act, occurs when a consumer is lured to a product by its similarity to a known mark, even though the consumer realizes the true identity and origin of the product before consummating a purchase." (citing Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 382 (7th Cir. 1996))); Rothman, supra note 28, at 108 (noting that "initial interest confusion" is something of a misnomer because courts have based findings of trademark infringement on their conclusions that consumers might "initially be 'interested,' 'attracted,' or 'distracted'" by the third party's use of a trademark).
wise have seen and then decide to purchase that product. Those consumers have simply made a different decision than they otherwise might have, and that should not be actionable. Instead we should focus on cases in which deception leads consumers to spend money or invest so much time that they no longer effectively have a choice. If, for example, as the court postulated in *Elvis Presley Enterprises v. Capece*, consumers' confusion about responsibility for a bar was unlikely to be dispelled before consumers paid a cover charge to enter the bar, then perhaps a claim ought to be recognized—though in that case it is not obvious the claim would be for initial interest confusion since the confusion was not dispelled before a purchase of some sort. Likewise one could imagine cases in which genuine initial confusion led a consumer to invest considerable time, and that while the confusion might be dispelled before an expenditure of money, the investment of time might have been so large as to prevent the consumer from changing course. But these cases are likely to be exceedingly rare, particularly on the internet, and courts should require a plaintiff to prove both the genuine initial confusion and the investment that is likely to interfere with consumer decisions.

We should be particularly suspicious of initial interest confusion in product configuration cases, since in those cases there is almost certainly sufficient additional contextual information to prevent any initial interest from interfering with a consumer's choice. Take, for example, *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, in which the plaintiff alleged that the defendant's guitar design was sufficiently similar to Gibson's design that consumers standing on the far side of a room in a guitar store would believe they saw Gibson guitars and would walk over to examine them before realizing the guitars were, in fact, Paul Reed Smith guitars. The court rejected the claim on the ground that "[m]any, if not most, consumer products will tend to appear like their competitors at a sufficient

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192 141 F.3d 188, 204 (5th Cir. 1998).

193 I am not suggesting this sort of confusion was actually present in that case. Specifically, it seems unlikely to me that consumers would have believed that Elvis Presley (or his heirs) was responsible for the quality of the bar even before they paid the cover charge. But if we could be convinced that they were confused about a material relationship, this would be the sort of investment I have in mind.

194 423 F.3d 539, 552 (6th Cir. 2005).
This is not wrong—it is, in fact, undoubtedly true—but it only gets half of the point. It should not matter how similar any product is from a distance, because similarity at a distance is very unlikely to affect a purchasing decision. The whole reason Gibson was focused on the similarity at a distance was because the contextual clues, including the prominent use of house marks on the respective guitars, were undoubtedly enough to prevent any mistaken purchasing decisions.

3. Post-Sale Confusion

Post-sale confusion is similarly difficult to defend from the perspective of consumer decision making. First, some courts have found infringement in these cases by focusing on confusion among members of the general public even though there was no evidence that those confused individuals were ever likely to be purchasers. It seems self-evident that there can be no interference with consumer decision making if those who are confused are not consumers of the relevant product. This is a central point: trademark law cannot, and should not, make actionable confusion in the abstract. It is only when confusion is likely to prevent consumers from acting on their preferences that the law should intervene. And since the supposedly confused persons in these cases are not consumers, their confusion cannot impact their decisions regarding the defendant’s goods.

The subtler point has to do with the claims in some post-sale confusion cases about the impact of confusion among members of the general public on purchasers of the plaintiff’s goods. For example, the court in Ferrari S.P.A. Esercizio v. Roberts suggested that Ferrari had a claim against the maker of replica cars because

[i]f the country is populated with hundreds, if not thousands, of replicas of rare, distinct, and unique vintage cars, obviously they are no longer unique. Even if a person seeing one of these replicas driving down the road is not confused, Ferrari’s exclusive association with this design has been diluted and eroded.196

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195 Id.
Similarly, in *Rolex Watch U.S.A. v. Canner*, the court explained that “[o]thers who see the watches bearing the Rolex trademarks on so many wrists might find themselves discouraged from acquiring a genuine [Rolex] because the items have become too common place and no longer possess the prestige once associated with them.”

Even if it were otherwise legitimate to focus on the purchasing decisions of the plaintiff’s customers rather than the defendant’s, these arguments miss the point because they focus on the way the defendant’s use affects the meaning of the plaintiff’s mark—by making it less prestigious or unique—rather than on some way in which that use deceives consumers and thereby prevents consumers from acting on their preferences.

Only when we take into account secondary markets does post-sale confusion have any possible justification. Where we can reasonably expect goods to circulate in secondary (that is, post-initial sale) markets, and where the contextual clues that prevent any deception in the primary market cannot be expected to work in the secondary market, then it is possible that use of plaintiff’s mark will deceive secondary purchasers in ways that affect their purchasing decisions. If, for example, it is reasonably foreseeable that imitation Rolex watches will wind up on eBay, and if we cannot be confident there will be sufficient clues to inform eBay purchasers that the watches are not authentic—clues that might be present in the original purchasing context, like price differential, the location of the sale, and labeling or tags attached to the product—then we might have cause for concern that the eBay purchasers will be deceived in ways that affect their decisions. It is important to emphasize, however, that this is a theory of deception of *purchasers*, albeit purchasers in a secondary market. It is not a justification for focusing on the lack of such contextual clues in the context of mere

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198 As a doctrinal matter, it is not legitimate to do so. The Lanham Act quite clearly focuses the relevant inquiry on confusion regarding the source of the defendant’s goods or services. See 15 U.S.C. § 1125(a)(1)(A) (2006) (“Any person who . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person”) (emphases added).
observers. Moreover, it is important in this formulation both that the secondary market be reasonably foreseeable and that the contextual clues be inadequate to inform consumers. And it is likely to be a rare case in which both of these conditions are satisfied, since it is likely in many cases that consumers shopping for Rolex watches on eBay are fully aware of the status of the goods available there.\footnote{See Mark P. McKenna, Probabilistic Knowledge of Third-Party Trademark Infringement, 2011 Stan. Tech. L. Rev. 10, 12–15 (discussing the low probability of harm to consumers in secondary markets for luxury goods).}

4. Dilution

As I described above, the modern search costs theory has been used to justify dilution claims, even though these claims target non-confusing uses. Not surprisingly, given the difficulty they have had explaining the harm of dilution, mark owners have seized on this justification, and some dilution supporters have claimed to show the hypothesized thought burden empirically.\footnote{Jacob Jacoby, a frequent plaintiff's-side expert in trademark cases, has published studies claiming to have shown the dilutive effect. See Maureen Morrin & Jacob Jacoby, Trademark Dilution: Empirical Measures for an Elusive Concept, 19 J. Pub. Pol'y & Mktg. 265, 269 (2000) (showing that the average time it took for participants to recognize famous brands after exposure to advertisements showing dilutive brands was 770 milliseconds, twenty-two milliseconds longer than the average time after exposure to unrelated advertisements and ninety-five milliseconds longer than the average time after exposure to reinforcing advertisements); see also Jacob Jacoby, The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution, 91 Trademark Rep. 1013, 1048 (2001) (using the same study to support the conclusion that dilution increases the cognitive effort required to recognize a brand). Jacoby even claims to have empirically demonstrated the effect of tarnishing uses by showing the associational links generated by a parodic use of a famous mark. See id. at 1059–62.} Rebecca Tushnet persuasively critiqued these empirical studies and the interpretations advocates have given them, even while recognizing why they have been so attractive.\footnote{See Tushnet, supra note 126, at 526–46.} In particular, Tushnet questioned the descriptive accuracy of the internal search costs model of dilution, both because methodological shortcomings of the studies limit their applicability to real-world situations and because interpretations of these studies ignore the fact that the allegedly dilutive uses

\[199\] See Tushnet, supra note 126, at 526–46.
sometimes improve consumers’ memories for a mark. Tushnet also makes a strong case that the effects these studies focus on are not congruent with the commercial uses of a mark that dilution law targets: to the extent the effects are real, most of them derive from what we would generally recognize as non-commercial speech.

Tushnet’s arguments essentially accept, however, that dilution law would be acceptable if it were true that third-party uses of a mark actually increased internal search costs and those effects could be traced primarily to commercial uses of a mark. From the perspective of consumer decision making, by contrast, it is irrelevant whether it takes consumers twenty-two milliseconds longer to answer the abstract question of what “Apple” means. The right question is whether any such delay prevents a consumer from effectuating her choices. And it seems exceedingly unlikely that it does.

In fact, if we scratch a little below the surface, we can see that dilution law is a classic example of the difference between deceptive and persuasive uses. Particularly in the context of tarnishment, the mark owner’s claim is that it should be free from uses that might change the way people feel about their mark. To be clear, the changes in consumer feelings about a mark targeted by a tarnishment claim do not result from consumers’ beliefs that the mark owner was somehow responsible for the tarnishing use. Instead, tarnishment targets uses about which there is no confusion and which simply compete for the meaning of a mark. Take for example the advertisement at issue in Deere & Co. v. MTD Products, in which MTD animated the deer in Deere’s logo and showed the deer being chased around by one of MTD’s Yard-Man mowers.

202 See id. at 528, 536–38, 544–45. I am particularly persuaded by Tushnet’s argument that the empirical tests do not translate to the real world because they do not account for important context effects. Consumers simply do not think about brands in a vacuum, wondering which “American” or “United” to think about when they are looking for plane tickets. See id. at 529–32 (noting that product categories and other marketplace clues provide consumers with context).

203 See id. at 546–58.

204 41 F.3d 39, 41 (2d Cir. 1994). As the court described: [T]he deer in the Commercial Logo is animated and assumes various poses. Specifically, the [deer in MTD’s commercial] looks over its shoulder, jumps through the logo frame (which breaks into pieces and tumbles to the ground), hops to a pinging noise, and, as a two-dimensional cartoon, runs, in apparent fear, as it is pursued by the Yard-Man lawn tractor and a barking dog. Judge
The court acknowledged that consumers would not be confused about the obviously comparative advertisement, but it nevertheless found that the ad diluted Deere's famous logo under New York law because it lessened the selling power of the Deere logo by diminishing the favorable attributes of the mark.205 "The commercial takes a static image of a graceful, full-size deer—symbolizing Deere's substance and strength—and portrays, in an animated version, a deer that appears smaller than a small dog and scampers away from the dog and a lawn tractor, looking over its shoulder in apparent fear."206 The ad threatened the meaning of the mark.

Similarly in Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, luxury brand owner Louis Vuitton objected to the defendant's sale of "Chewy Vuitton" plush dog toys, which "ha[d] a shape and design that loosely imitate[d] the signature product of [Louis Vuitton]."207 Though the court ultimately stretched to find that the toys were non-actionable parodies of Louis Vuitton's products, it was clear that Louis Vuitton's objection to these toys was grounded in a concern that the toys would change the meaning of the Louis Vuitton brand. Louis Vuitton conjures images of luxury and prestige; the dog toys conjured something quite different. The toys therefore threatened to change the meaning of the Louis Vuitton mark in the minds of consumers.208

Tarnishment, then, violates precisely the distinction I articulated between uses that deceive consumers and those that simply compete for the meaning of the mark. But this is not only true of tarnishment cases: dilution by blurring is, at bottom, motivated by a concern that multiple uses of the same mark will make the meaning of the mark less clear. This loss of singularity is what Schechter thought would lessen the selling power of the mark.209 Schechter

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205 Id. at 45.
206 Id.
207 507 F.3d 252, 258 (4th Cir. 2007).
208 Cf. Hormel Foods Corp. v. Jim Henson Prods., 73 F.3d 497, 507 (2d Cir. 1996) ("Hormel argues that the image of Spa'am, as a 'grotesque,' 'untidy' wild boar will 'inspire negative and unsavory associations with SPAM® luncheon meat.'").
209 See Schechter, supra note 114, at 831.
was concerned, for example, that use of KODAK for “bath tubs and cakes” would destroy the “arresting uniqueness” of the KODAK mark, and “hence its selling power.” It would change the commercial meaning of KODAK, and not by misleading anyone.

**B. Ramifications in Likelihood of Confusion Analysis**

Thinking of trademark law in terms of consumer decision making should also make the likelihood of confusion analysis itself much more sensitive. Specifically, courts aiming only to prevent uses that will deceive consumers in a way that is likely to affect their purchasing decisions should be much more attuned to differences between the parties’ uses that, while perhaps not sufficient to eliminate any possibility of association, are likely to be sufficient to prevent deception. “[P]roducers often distinguish their goods with a house mark, a product-specific brand, a logo, a slogan, product packaging, and perhaps product color or configuration all at once.” Courts need to be careful not to constrain their comparison to one or a few of the components—say, focusing on the color of a particular package even though there are also words—because relevant “[c]onfusion is less likely in the case of unrelated goods when a defendant copies only one (or a few) of these elements rather than all of them.”

To make this more concrete, imagine that Pepsi released a new soda product that it sold in a red can. On the can, in white script lettering, are the words “Pepsi Cola.” A court that was focused on deception and consumer decision making should be unimpressed by the obvious fact that consumers are likely to associate the coloring and the lettering with Coca-Cola. It should focus narrowly on the question of whether, given the use of a well-known house mark from a direct competitor, consumers are likely to be deceived about who made the soda or who is responsible for its quality.

It may be that this focus generally will cut back on the scope of protection available for trade dress. Product packaging and product design are frequently secondary (or tertiary) source indicators.

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210 Id. at 830.

211 Lemley & McKenna, Irrelevant Confusion, supra note 5, at 433.

212 Id.
Where labeling is possible, consumers are less likely to need those designs to avoid deception that is relevant to their purchasing decisions. Indeed, it is more likely that trade dress protection frequently operates as a method by which producers can differentiate their products in ways that are not primarily about source: packaging or design may simply become features of a product that make it less interchangeable with other products.

More generally, courts that view consumers as autonomous and capable agents should be disinclined to act in close cases. Just as courts in the First Amendment context, and sometimes in the false advertising context, expect consumers to manage a certain amount of information and accept that those consumers might sometimes have to adapt, so too courts should count on consumers to learn how to interpret certain uses of trademarks. There are empirical reasons to think consumers can, and will, adapt fairly easily in a variety of cases. Indeed, consumer adaptation has, in some cases, been shaped by legal rulings. Consumers, for example, have grown accustomed to a market in which private label goods are allowed to imitate the packaging of their brand name competitors fairly closely. But this is not primarily an empirical point. Courts should

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213 In Mattel, Inc. v. 3894207 Canada Inc., [2006] 1 S.C.R. 22, ¶ 57 (Can.) (quoting Michelin & Cie v. Astro Tire & Rubber Co. of Canada (1982), 69 C.P.R. (2d) 260, 263 (Can. F.C.T.D.)), the Supreme Court of Canada held that consumers ought to be regarded as capable, making clear that “one must not proceed on the assumption that the prospective customers or members of the public generally are completely devoid of intelligence or of normal powers of recollection or are totally unaware or uninformed as to what goes on around them.”

214 Several studies have determined that use of a sub-brand or other mechanism for differentiating an extension from the parent brand effectively insulates the parent brand from any feedback effects. See, e.g., Amna Kirmani, Sanjay Sood & Sheri Bridges, The Ownership Effect in Consumer Responses to Brand Line Stretches, 63 J. Mktg. 88, 94–95 (1999) (finding that sub-branding was sufficient to insulate the BMW and Acura brands from any negative feedback); Sandra J. Milberg, C. Whan Park & Michael S. McCarthy, Managing Negative Feedback Effects Associated With Brand Extensions: The Impact of Alternative Branding Strategies, 6 J. Consumer Psychol. 119, 136 (1997) (finding that sub-branding may prevent negatively evaluated extensions from harming the parent brand). This research suggests that consumers are relatively adept at recognizing attempts to differentiate and that they are able to categorize brand attitudes finely when they have reason to differentiate.

215 See, e.g., McNeil Nutritional, LLC v. Heartland Sweeteners, LLC, 511 F.3d 350, 360 (3d Cir. 2007) (rejecting plaintiff's trade dress claim based on store brand's use of same colors for packaging, and particularly focusing on the prominence of the store label); Conopco, Inc. v. May Dep't Stores Co., 46 F.3d 1556, 1559–60, 1565 (Fed. Cir. 2012)
err on the side of less protection in close cases, requiring consumers to manage the resulting marketplace, because trademark law should not coddle consumers.\textsuperscript{216} The close cases in which this default rule should apply should include both cases in which relatively new practices are at issue—perhaps, for example, keyword advertising when it was in its infancy—and in which the claimed confusion seems likely only among a small number of consumers.\textsuperscript{217}

\section*{C. Defenses and Remedies}

A consumer decision-making orientation also should manifest itself in various defenses to trademark infringement and in the scope of injunctive relief that courts award. Most obviously, this framework supports a robust comparative advertising defense. When Pepsi runs an advertisement for the purpose of convincing consumers that, notwithstanding their prior beliefs, Pepsi is actually better than Coke, Pepsi most certainly aims to affect consumers’ decisions. But Pepsi is not trying to trick consumers into buying

\begin{footnotesize}
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\item[\textsuperscript{216}] See Lemley & McKenna, Irrelevant Confusion, supra note 5, at 438-40 (noting that courts’ failure to abide by this type of default rule has arguably shifted consumer understanding in the other direction—toward an expectation of control—in the merchandising context, where there once was no reason to assume consumers would see uses of a college logo as an indication of source).
\item[\textsuperscript{217}] While there is no absolute quantitative threshold for determining what level of confusion is “appreciable,” courts have generally been persuaded by evidence of fifteen percent confusion. See, e.g., Exxon Corp. v. Tex. Motor Exch. of Hous., 628 F.2d 500, 507 (5th Cir. 1980) (finding “a high possibility of confusion” between TEXON and EXXON where approximately fifteen percent of the individuals surveyed associated the TEXON sign with EXXON, another twenty-three percent associated the sign with gasoline, a gas station, or an oil company, and only seven percent associated the sign with Texas Motor Exchange); RJR Foods v. White Rock Corp., 603 F.2d 1058, 1061 (2d Cir. 1979) (noting that survey results showing fifteen to twenty percent confusion corroborates likelihood of confusion); James Burrough, Ltd. v. Sign of Beefeater, 540 F.2d 266, 279 (7th Cir. 1976) (noting that a fifteen percent level of confusion is neither small nor de minimis). In one case, the Second Circuit called evidence of 8.5% confusion “strong evidence.” Grottrian, Helfferich, Schulz, Th. Steinhew Nachf. v. Steinway & Sons, 365 F. Supp. 707, 716 (S.D.N.Y. 1973), modified, 523 F.2d 1331 (2d Cir. 1975); cf. Lemley & McKenna, Irrelevant Confusion, supra note 5, at 451 n.147 (“We believe, however, that the thresholds courts have established in the confusion context are likely too low since research suggests a significant level of background confusion among consumers.”).
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something different than they had wanted; it is instead trying to shape consumers' preferences—trying, in other words, to change what consumers want. This is precisely the kind of distinction trademark law should draw: it should police uses that deceive consumers in ways that lead them to buy something different than they wanted, but it should not attempt to police efforts to shape those preferences in the first place. For the same reason we enable parties to shape preferences via persuasive advertising, we should allow competitors to try to persuade consumers of something different as long as they are not deceiving consumers.

More to the point, the construction of consumers as autonomous and capable actors should inform our determination of what it means for a use to be deceptive, and this construction should enable courts to conceive of various defenses—comparative advertising, descriptive and nominative fair use, parody—as independent of the likelihood of confusion analysis. Courts to date have collapsed virtually every doctrine regarded as a defense in trademark law into the confusion analysis, primarily because they have been convinced that preventing confusion is the end-all goal of trademark law. Courts therefore tend to see the possibility of confusion as an overriding concern, and they define legitimate uses in contr distinction to confusing uses. A consumer decision-making conception of trademark law should help in two respects. First, it should allow courts to differentiate among different types of confusion and to recognize that some of them are irrelevant to purchasing decisions. That should take significant pressure off these defenses even if courts continue to subject them to the caveat that the use not cause confusion. Even if a use needs to be non-confusing to be considered fair, it should only have to be unlikely to cause relevant confusion relating to purchasing decisions. Second, courts that construct consumers as capable of adapting ought to be less concerned about the possibility that otherwise fair uses—say, uses in comparative advertising—will confuse consumers. Indeed, courts should be more willing to be norm creators and to teach consumers that they should not understand comparative uses to suggest spon-

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218 This is something courts have struggled mightily to achieve. See McKenna, Problem of Source, supra note 9, at 802–09 (describing the ways courts have collapsed these “defenses” into the likelihood of confusion analysis).
sorship or affiliation. They should be more willing, as the court was in Century 21 Real Estate Corp. v. Lendingtree, Inc., to assess a nominative use on the basis of its accuracy from an objective point of view rather than from the standpoint of consumer understanding.

Finally, courts concerned only with preventing deception that risks interfering with consumer decision making ought to be a lot more modest in their remedial approach. Specifically, injunctive relief ought to be tailored to what would be sufficient to prevent deception in a particular case. Given the multiple levels of branding applied to many products, it may well be that courts need only to prevent the use of certain features to adequately prevent deception or that requiring prominent use of the defendant's brand or a disclaimer would be sufficient. We have seen this kind of modesty occasionally in nominative fair use cases or other cases involving clear speech interests. In the recent Toyota Motor Sales, U.S.A. v. Tabari decision, for example, the court seemed to announce a rule that injunctive relief must be limited in nominative fair use cases:

If the nominative use satisfies the three-factor New Kids test, it doesn't infringe. If the nominative use does not satisfy all the New Kids factors, the district court may order defendants to modify their use of the mark so that all three factors are satisfied; it may not enjoin nominative use of the mark altogether.

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219 425 F.3d 211 (3d Cir. 2005).
220 See id. at 222 (articulating the three-part test for nominative fair use that "(1) ... use of plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service; (2) ... the defendant uses only so much of the plaintiff’s mark as is necessary to describe plaintiff’s product; and (3) ... the defendant’s conduct or language reflect the true and accurate relationship between plaintiff and defendant’s products or services").
221 See generally Mark P. McKenna, Back to the Future: Rediscovering Equitable Discretion in Trademark Cases, 14 Lewis & Clark L. Rev. 537 (2010) [hereinafter McKenna, Back to the Future] (describing how modern courts have tended to view injunctive relief in trademark cases as an all-or-nothing proposition and urging the use instead of more finely tailored equitable remedies).
222 610 F.3d 1171 (9th Cir. 2010).
223 Id. at 1176. The court did note that the district court could effectively enjoin the defendants from using the mark at all "[i]f defendants are unable or unwilling to modify their use of the mark to comply with New Kids." Id. at 1176 n.2.
We should see much more widespread use of this kind of limited relief. It would help in merchandising cases—courts could simply prevent unauthorized users from explicitly claiming authorization and force consumers who cared about whether the goods were official to learn to look for the “officially licensed” insignia. \(^{224}\) Likewise, there are almost certainly ways in which post-sale deception could be avoided short of preventing use of a design altogether, just as there are probably ways of preventing deception about endorsement in cases involving expressive works without disabling creators from using marks altogether.

**CONCLUSION**

Courts for too long have been convinced that their job is to rid the world of search costs. This is the wrong goal because many search costs are irrelevant to consumers and some search costs even increase consumer welfare. Focusing on search costs has had serious negative effects on trademark doctrine: courts have accepted virtually any argument sounding in consumer confusion terms, and the result has been nearly unbridled expansion. It is time for courts to put consumer decision making back at the center of their analysis and to start treating consumers like they are capable of processing non-deceptive information. Doing so would allow them to identify reasonable boundaries on trademark rights before they become precisely the “rights in gross” courts have long insisted they are not. This project is long overdue.

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\(^{224}\) See McKenna, Back to the Future, supra note 221, at 551 (“Courts could simply forbid unlicensed sellers from saying their goods are ‘official’ or ‘licensed,’ or from using any kind of certification mark. Licensed manufacturers could then easily communicate the status of their goods, thereby preventing any confusion about sponsorship or affiliation, while leaving third parties free to market unlicensed merchandise to consumers who do not care about approval.”).