

---

## ARTICLE

---

---

### RUNNING THE GAMUT FROM A TO B: FEDERAL TRADEMARK AND FALSE ADVERTISING LAW

---

REBECCA TUSHNET<sup>†</sup>

*The Lanham Act bars trademark infringement and false advertising in nearly identical and often overlapping language. In some circumstances, courts have interpreted the two provisions in the same way, but in other areas there has been significant doctrinal divergence, often to the detriment of the law. This Article argues that each branch of the Lanham Act offers important lessons for the other. Courts should rationalize their treatment of implied claims, whether of sponsorship or of other facts; they should impose a materiality requirement, such that the only unlawful trademark and false advertising claims are those that actually matter to consumers; and in false advertising cases, they should recognize that competitors have sufficient interests to confer standing when the advertisers' false statements are doing harm, rather than imposing increasingly elaborate barriers to suit. The present practice of interpreting the same language in substantially different ways lacks justification and has the effect of promoting the interests of the most powerful companies, whether they are asserting claims of trademark infringement against smaller entities or defending themselves against false advertising claims by competitors.*

---

<sup>†</sup> Professor of Law, Georgetown University Law Center. Thanks to Graeme Dinwoodie, Mark Lemley, Mark McKenna, Jennifer Rothman, and the George Mason Faculty Workshop, as well as to Mara Gassmann, Portia Roundtree, and Emin Akopyan for research assistance.

INTRODUCTION.....	1306
I. THE LANHAM ACT .....	1309
II. WHAT DOES THAT MEAN? IMPLICATION AND THE LANHAM ACT .....	1313
A. <i>Trademark's Overexpansiveness</i> .....	1313
B. <i>Implication in False Advertising Cases: Pragmatics         and Doctrinal Categories</i> .....	1318
C. <i>A More Persuasive Role for Implications in Trademark</i> .....	1327
1. Similar Treatment for All Lanham Act Claims....	1327
2. The Explicit/Implicit Divide as a Pragmatic Error-Avoidance Rule .....	1331
3. Other Costs of Protecting Consumers .....	1336
D. <i>A More Persuasive Role for Implications in         False Advertising</i> .....	1337
III. WHAT TRADEMARK SHOULD LEARN FROM FALSE ADVERTISING: MATERIALITY .....	1344
A. <i>False Advertising Precedents</i> .....	1344
B. <i>Materiality in Trademark</i> .....	1352
C. <i>Ending the Materiality Divide</i> .....	1360
1. The Difference Materiality Makes in Practice .....	1361
2. Restoring Materiality to Rationalize the Law.....	1365
3. Details of Implementation.....	1368
IV. WHAT FALSE ADVERTISING SHOULD LEARN FROM TRADEMARK: COMPETITION.....	1374
A. <i>In Trademark</i> .....	1374
B. <i>False Advertising's Wrong Turn</i> .....	1375
CONCLUSION.....	1383

## INTRODUCTION

McDonald's advertises a Monopoly-themed contest with millions of dollars in high-value prizes, as well as millions more in small prizes.<sup>1</sup> In fact, however, perfidious contractors conspire to allocate the high-value prizes to people they choose, meaning that ordinary consumers have no chance to win.<sup>2</sup> A class of Burger King franchisees, alleging substantial lost business as a result of the contest, sues McDonald's for false advertising but loses a motion to dismiss on the pleadings because the court

---

<sup>1</sup> Phoenix of Broward, Inc. v. McDonald's Corp., 489 F.3d 1156, 1159-60 (11th Cir. 2007).

<sup>2</sup> See *id.* at 1160 (describing an embezzlement scheme by the contracted operator of the game and later distribution of the pieces to "winners").

concludes, without hearing any evidence, that it would be too difficult for the class to show the precise extent to which it had been harmed.<sup>3</sup>

McDonald's sues a dentist's office, McDental, for causing confusion about whether McDonald's approved or endorsed the dental office.<sup>4</sup> McDonald's wins without having to provide evidence that consumers cared about any affiliation or evidence that it had been harmed, even though the office had been in existence for nearly a decade.<sup>5</sup> Now add in one more fact: in both cases, the same federal law was the basis for suit. How can this be?

The Lanham Act, enacted in 1946 and significantly amended several times since, establishes federal trademark law as well as a private cause of action for false advertising more generally.<sup>6</sup> Along with prohibiting infringement of registered trademarks, the Lanham Act protects unregistered trademarks and indications of source against conduct likely to cause confusion as to source or sponsorship, in a provision now known as section 43(a)(1)(A).<sup>7</sup> Congress confirmed by amendment that the Lanham Act's false advertising provision, now known as section 43(a)(1)(B), bars both false statements about an advertiser's own goods or services and false statements about another's goods or services—false boasting and false attacks, respectively.<sup>8</sup>

As their designations indicate, these provisions are next to one another in the U.S. Code. Their wording is nearly identical. Language in both provisions bars “any word, term, name, symbol, or device, . . . or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact” that either is likely to cause confusion about the origin or sponsorship of the defendant's goods or services (trademark) or misrepresents the nature, characteristics, qualities, or geographic origin of anyone's goods or

---

<sup>3</sup> *Id.* at 1160-61, 1173.

<sup>4</sup> *McDonald's Corp. v. Druck & Gerner, DDS., P.C.*, 814 F. Supp. 1127, 1129 (N.D.N.Y. 1993).

<sup>5</sup> *See id.* at 1129, 1133-35 (finding a likelihood of confusion between the plaintiff's and the defendant's marks); *see also Quality Inns Int'l, Inc. v. McDonald's Corp.*, 695 F. Supp. 198, 221-23 (D. Md. 1988) (enjoining the use of the term “McSleep Inn” for motels without requiring evidence of materiality, actual harm to reputation, or lost sales); *McDonald's Corp. v. McBagel's, Inc.*, 649 F. Supp. 1268, 1273-74 (S.D.N.Y. 1986) (finding “confusion of any type” sufficient to enjoin McBagel even without finding misleadingness or harm from mistakenly associating McBagel, “however fleetingly,” with McDonald's).

<sup>6</sup> Act of July 5, 1946 (Lanham Act), ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1127 (2006)).

<sup>7</sup> 15 U.S.C. § 1125(a)(1)(A).

<sup>8</sup> *Id.* § 1125(a)(1)(B).

services (false advertising).<sup>9</sup> 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.<sup>10</sup> 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.<sup>11</sup>

This Article challenges that separation. It argues in particular that false advertising law, though vastly undertheorized compared to trademark law, has several important lessons for trademark. Right now, trademark doctrine has difficulty defining its proper scope. Instead of reinventing the wheel (and continuing down the wrong track), trade-

---

<sup>9</sup> Compare *id.* (false advertising), with *id.* § 1125(a)(1)(A) (trademark).

<sup>10</sup> See, e.g., *Lorillard Tobacco Co. v. Amouri's Grand Foods, Inc.*, 453 F.3d 377, 382 (6th Cir. 2006) (holding that presumption of irreparable injury is the same for both); *S.C. Johnson & Son, Inc. v. Clorox Co.*, 241 F.3d 232, 238-40 (2d Cir. 2001) (same); *Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 16 (7th Cir. 1992) (using survey precedent interchangeably); *Johnson & Johnson \* Merck Consumer Pharm. Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 300 (2d Cir. 1992) (same); *Rexall Sundown, Inc. v. Perrigo Co.*, 707 F. Supp. 2d 357, 363 (E.D.N.Y. 2010) (holding that damages should be evaluated the same way for both); *Bracco Diagnostics, Inc. v. Amersham Health, Inc.*, 627 F. Supp. 2d 384, 479 (D.N.J. 2009) (“Trademark case law applies to the remedies sought in this [false advertising] action: Congress amended the Lanham Act to expressly make all trademark remedies available in false advertising cases, and numerous courts have since applied trademark precedent to false advertising damages claims.” (citation omitted)); 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:193 (4th ed. 2010) (discussing equal applicability of survey precedent and citing cases).

<sup>11</sup> Pockets of disagreement emerge seemingly at random. See *Balance Dynamics Corp. v. Schmitt Indus., Inc.*, 204 F.3d 683, 695 n.6 (6th Cir. 2000) (distinguishing false advertising from trademark infringement, where “one of the trial court’s primary functions is to make violations of the Lanham Act unprofitable to the infringing party” (citing *Wynn Oil Co. v. Am. Way Serv. Corp.*, 943 F.2d 595, 606-07 (6th Cir. 1991))); *Campagnolo S.R.L. v. Full Speed Ahead, Inc.*, No. 08-1372, 2010 WL 2079694, at \*4 (W.D. Wash. May 20, 2010) (“Campagnolo fails to provide any argument as to why the doctrines applicable to contributory trademark infringement should apply to false advertising.”); *Pernod Ricard USA LLC v. Bacardi U.S.A., Inc.*, 702 F. Supp. 2d 238, 248-50 (D. Del. 2010) (suggesting that the meaning of “geographic origin” might differ as between the two provisions); *Rocky Brands, Inc. v. Red Wing Shoe Co.*, No. 06-00275, 2009 WL 5125475, at \*3 (S.D. Ohio Dec. 28, 2009) (“In trademark infringement cases, it is well-established that for a consumer confusion survey, the universe must consist only of potential purchasers, not past purchasers. Although there is a dearth of case law on the subject, it appears the same rule may not always apply in a false advertising case.” (citation omitted)); *id.* at \*5 (holding that marketplace conditions didn’t need to be replicated with the same precision in false advertising surveys as in trademark surveys); *Powerhouse Marks LLC v. Chi Hsin Impex, Inc.*, No. 04-73923, 2006 U.S. Dist. LEXIS 4021, at \*7 (E.D. Mich. Feb. 2, 2006) (“As this is not a false advertising case, the Court will adhere to the Sixth Circuit’s holding in *Wynn Oil* and hold that Powerhouse’s lack of evidence of actual confusion does not bar a monetary award.”).

mark law should reclaim a few ideas from false advertising law about the importance of implications and materiality. Reciprocally, false advertising doctrines could benefit from trademark law's greater flexibility and clearer ideas about values that might counterbalance a plaintiff's claim to be acting in the interests of deceived consumers. Trying to understand the Lanham Act solely through the lens of trademark law is like trying to write a story with only half the alphabet. False advertising needs to take an equal role. This Article suggests steps toward that goal.

## I. THE LANHAM ACT

A bit of history is essential to understanding the problem. The Lanham Act was conceived as a federal trademark statute, protecting marketplace participants against unfair competition.<sup>12</sup> Consumers are generally presumed to care about the origin or the brand-specific characteristics of a product. A Snickers is not just any chocolate-peanut-nougat confection, and a buyer is entitled to get a genuine Snickers bar if she wants one, not a counterfeit. Thus, trademark infringement is a type of false advertising—a false claim of origin, or perhaps a false claim about a product's characteristics.

From the beginning, the Lanham Act prohibited false claims in language that extended beyond trademark. Some circuits initially limited the scope of the Act to cases in which an advertiser made false statements about its own products by analogizing to situations in which the advertiser used an infringing mark to identify its own products.<sup>13</sup> In those circuits, false statements about a competitor's product were the province of state trade libel and product defamation law,<sup>14</sup> which were and remain substantially more limited in scope than the Lanham

---

<sup>12</sup> Lee Goldman, *The World's Best Article on Competitor Suits for False Advertising*, 45 FLA. L. REV. 487, 497-98 (1993).

<sup>13</sup> See, e.g., *U-Haul Int'l, Inc. v. Jartran, Inc.*, 681 F.2d 1159, 1160-61 (9th Cir. 1982); *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 650-51 (3d Cir. 1954); *Skil Corp. v. Rockwell Int'l Corp.*, 375 F. Supp. 777, 783-84 (N.D. Ill. 1974).

<sup>14</sup> See, e.g., *Bernard Food Indus., Inc. v. Dietene Co.*, 415 F.2d 1279, 1283 (7th Cir. 1969) ("False advertising or representations made by a defendant about a plaintiff's product are not covered by section 43(a)."); *Samson Crane Co. v. Union Nat'l Sales, Inc.*, 87 F. Supp. 218, 222 (D. Mass. 1949) ("[Section 43(a)] should be construed to include only such false descriptions or representations as are of substantially the same economic nature as those which involve infringement or other improper use of trademarks."), *aff'd per curiam*, 180 F.2d 896 (1st Cir. 1950) (mem.).

Act because of their scienter requirements.<sup>15</sup> In 1988, Congress amended the Lanham Act to make clear that false statements about *anyone's* products or services were actionable.<sup>16</sup>

While courts limited the false advertising provisions of the Lanham Act, they simultaneously interpreted trademark law expansively by treating infringement as a strict liability cause of action, among other things. Courts generally construed the Lanham Act to follow common law concepts of infringement, and so it was with intent. Intent to confuse could justify an inference that consumer confusion was likely, but even innocent intent would not save a defendant whose use was likely to cause confusion.<sup>17</sup> When courts then confronted nontrademark Lanham Act claims, they imposed strict liability for false advertising as well.<sup>18</sup>

Gilbert Weil, “an early advocate of expansive recovery for false advertising under § 43(a),” predicted that the standards for evaluating

<sup>15</sup> See, e.g., *Verizon Directories Corp. v. Yellow Book USA, Inc.*, 309 F. Supp. 2d 401, 406 (E.D.N.Y. 2004) (reciting the standard elements for product disparagement, including malice).

<sup>16</sup> Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (codified as amended at 15 U.S.C. §§ 1051–1127 (2006)). For evidence of Congress's intent, see S. REP. NO. 100-515, at 40 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5603.

[Some] courts have held that Section 43(a) applies only to misrepresentations about one's own products or services. . . . The committee agrees that this effect is illogical on both practical and public policy levels and that the public policy of deterring acts of unfair competition will be served if Section 43(a) is amended to make clear that misrepresentations about another's products are as actionable as misrepresentations about one's own.

*Id.* (citation omitted).

<sup>17</sup> See, e.g., *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 613 (7th Cir. 1965) (“A finding of fraudulent intent or bad faith is not essential to the award of an injunction for trademark infringement where likelihood of confusion exists.”); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 157-58 (9th Cir. 1963) (inferring intent to confuse from deliberate adoption of another's name); *Safeway Stores, Inc. v. Rudner*, 246 F.2d 826, 829 (9th Cir. 1957) (concluding that intent to confuse was “immaterial”); *Lane Bryant, Inc. v. Maternity Lane, Ltd.*, 173 F.2d 559, 564 (9th Cir. 1949) (“It does not appear that an evil intent is necessary to relief.”); *J.S. Tyree, Chemist, Inc., v. Thymo Borine Lab.*, 151 F.2d 621, 623 (7th Cir. 1945) (stating that the defendant's emphasis on findings showing it avoided “piratical methods” were immaterial); *United Drug Co. v. Obear-Nester Glass Co.*, 111 F.2d 997, 999 (8th Cir. 1940) (“Good faith may have an effect upon the measure of damages[,] . . . but it has no bearing upon the question of infringement.”). *But cf.* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1608, 1626-31 (2006) (finding that, while good intent is not dispositive, there is heavy reliance on findings of bad intent in practice).

<sup>18</sup> See, e.g., *POM Wonderful LLC v. Purely Juice, Inc.*, 362 F. App'x 577, 579 (9th Cir. 2009) (“It is settled that intent is not an element of a Lanham Act false advertising claim.” (citing 5 MCCARTHY, *supra* note 10, § 27:51)).

false advertisers and trademark infringers would converge.<sup>19</sup> Weil wrote that once falsity was established, courts would use the same tools to assess materiality and likely injury that they used to evaluate likely confusion in a trademark case.<sup>20</sup> For example, courts could determine that an advertiser wouldn't spend money making a claim unless it thought the claim would affect sales, thus presuming materiality.<sup>21</sup> Likewise, once a plaintiff showed that an ad was literally false, the plaintiff wouldn't need to provide evidence that consumers were actually deceived, just as a trademark plaintiff wouldn't need to show actual confusion to prevail.<sup>22</sup> As Weil anticipated, unlike the common law,<sup>23</sup> success today under section 43(a) does not require evidence of specific harm to obtain injunctive relief—a “mere likelihood of deception will suffice.”<sup>24</sup>

Lillian BeVier, writing nearly twenty years ago, criticized these developments as unwarranted expansions of the common law with respect to false advertising.<sup>25</sup> I think BeVier understated the importance of

<sup>19</sup> 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, 40 n.118 (1992) (citing Gilbert H. Weil, *Protectability of Trademark Values Against False Competitive Advertising*, 44 CALIF. L. REV. 527, 537 (1956)).

<sup>20</sup> Weil, *supra* note 19, at 537.

<sup>21</sup> *Id.*

<sup>22</sup> See, e.g., *Balance Dynamics Corp. v. Schmitt Indus., Inc.*, 204 F.3d 683, 693-94 (6th Cir. 2000) (citing, in a false advertising case, the trademark case *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1407 (9th Cir. 1993), which held that proof of actual confusion can be difficult to obtain and thus is not required); *Am. Brands, Inc. v. R.J. Reynolds Tobacco Co.*, 413 F. Supp. 1352, 1356 (S.D.N.Y. 1976) (“[A] court can grant relief on its own findings without recourse to a survey of consumer reaction.”). Currently, courts often confine themselves to citing false advertising precedents without explicit mention of trademark precedents. See, e.g., *Pizza Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 497 (5th Cir. 2000) (“[W]hen the statements of fact at issue are shown to be literally false, the plaintiff need not introduce evidence on the issue of the impact the statements had on consumers.”).

<sup>23</sup> See Stuart P. Green, *Lying, Misleading, and Falsely Denying: How Moral Concepts Inform the Law of Perjury, Fraud, and False Statements*, 53 HASTINGS L.J. 157, 182-87 (2001) (tracing the legal remedies for fraud at common law to the beginning of the eighteenth century, when claims involving deception were limited to a narrow set of circumstances).

<sup>24</sup> 1A LOUIS ALTMAN & MALLA POLLACK, *CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* § 5.5 (4th ed. 2009); see also 5 MCCARTHY, *supra* note 10, § 27:36 (“When plaintiff seeks only an injunction, there is no requirement that it be proven that purchasers were actually deceived, only that the advertisement has a tendency to deceive.”).

<sup>25</sup> As BeVier stated,

when courts began entertaining competitor suits for false advertising under section 43(a), they decided instead [of analogizing to the tort of deceit] to incorporate trademark law's standard of strict liability. In doing so, however, they neither built upon nor eschewed a consciously made choice of the com-

nearly identical statutory language because such language reinforced the relationship between trademark infringement and other types of false advertising under federal law. The Lanham Act targeted consumer deception resulting in harm to competitors, not classical fraud. Once one accepts that the Lanham Act provides a cause of action for more than trademark infringement, we have left the common law—in which competitors, as opposed to consumers, rarely had fraud claims against lying advertisers—behind. This development was also consistent with the modern experience of large-scale consumer advertising, which was in many ways unlike the traditional one-off fraud involving a single seller's deliberate misrepresentation to a single consumer. Mass markets both require and justify a probabilistic examination of the overall effect on consumers (that is, likely confusion) rather than a case-by-case examination of precisely who a misrepresentation of source or of some other fact fooled.

Treating trademark infringement as a specialized type of false advertising makes sense, not only because of the statutory language, but also because of the logical affinity between the concepts. The drafters of the *Restatement (Third) of Unfair Competition* observed that infringement claims fell within the literal scope of deceptive marketing, though they recommended that plaintiffs bring their claims under the section more specifically dealing with trademark infringement.<sup>26</sup> Still, the common foundation largely justified common treatment. Roger Schechter summarized the situation at the end of the twentieth century:

The current judicial approach to false advertising cases under the Lanham Act largely parallels the trademark rules. The advertising plaintiff need not show that the defendant promulgated the false ad deliberately. Similarly, like the trademark plaintiff, the advertising plaintiff need not show any actual harm flowing from the advertisement, unless seeking money damages. To obtain an injunction, the plaintiff must demonstrate only that the defendant's ad is false and that the plaintiff is "likely" to be injured by the defendant's conduct.<sup>27</sup>

As the following sections will explore, this summary is incomplete. Among other things, trademark uses a context-specific multifactor test

---

mon law. Instead, their choice seems to have been a product of serendipitous statutory drafting coupled with their own failure to recognize the important differences between the two kinds of cases.

BeVier, *supra* note 19, at 40.

<sup>26</sup> RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 4 cmt. b (1995).

<sup>27</sup> Roger E. Schechter, Commentary, *Additional Pieces of the Deception Puzzle: Some Reactions to Professor BeVier*, 78 VA. L. REV. 57, 58-59 (1992) (footnote omitted).



for evaluating infringement claims, while false advertising has a more rigid yes-or-no structure. Moreover, trademark decisions have become increasingly indifferent to whether consumers actually care about trademarks, whereas false advertising doctrine is quite attentive to materiality. Yet the areas of divergence have not developed as the result of any particular theory of trademark and false advertising. This Article proposes that the two bodies of law should be reunited because of their fundamental similarities as regulations of how advertisers communicate messages to consumers.

## II. WHAT DOES THAT MEAN? IMPLICATION AND THE LANHAM ACT

### A. *Trademark's Overexpansiveness*

In trademark, likely confusion is generally assessed by a multifactor test that covers the strength of the plaintiff's mark, the proximity of the parties' goods and services, the similarity of the parties' marks, the channels in which the goods and services travel, the defendant's good faith, consumer sophistication, and evidence of actual confusion, among other things.<sup>28</sup> Courts have interpreted the Lanham Act broadly, concluding that almost any association between a trademark owner and a defendant may sow confusion. Courts are willing to enjoin uses that they conclude indicate a trademark owner's mere approval of a defendant's product or service.

For example, a district court enjoined the use of the movie title *Dairy Queens* (later changed to *Drop Dead Gorgeous*) for fear that it would be associated with the Dairy Queen restaurant chain.<sup>29</sup> Another court affirmed an injunction against a parody T-shirt for "Mutant of Omaha," which bore the tagline "Nuclear Holocaust Insurance," because consumers might believe that the insurer Mutual of Omaha "goes along" with the antiwar message on the shirts.<sup>30</sup> Given the number of lucrative and highly visible product placement deals, such as Coca-Cola's relationship with American Idol,<sup>31</sup> trademark owners can

---

<sup>28</sup> See, e.g., *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1090-91 (8th Cir. 1980) (discussing the "numerous factors" used to determine a likelihood of confusion); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979) (identifying the Ninth Circuit's eight factors relevant to the likelihood-of-confusion analysis).

<sup>29</sup> See *Am. Dairy Queen Corp. v. New Line Prods., Inc.*, 35 F. Supp. 2d 727, 729, 735 (D. Minn. 1998).

<sup>30</sup> *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 400 (8th Cir. 1987).

<sup>31</sup> *Ford, Coca-Cola and AT&T Return as Official Sponsors*, AM. IDOL (Jan. 19, 2011, 3:04 PM), <http://www.americanidol.com/news/view/pid/4251>.

argue that consumers see a brand's presence practically anywhere as an indication of endorsement.

In recent years, expansive trademark claims, often in situations implicating anticompetitive conduct or free speech values, have led courts and commentators to propose rules that will end cases quickly.<sup>32</sup> In certain recurring situations, a defendant should not be required to engage in an expensive battle to defend the use of its mark. The critical move, then, is to find a way to avoid a factual inquiry into whether a particular use of a trademark is likely to confuse reasonable consumers.

One frequently litigated situation involves factual statements about a trademark owner used to communicate an expressive or competitive message. In a case about whether *USA Today* could run a for-profit phone poll about the music group New Kids on the Block without the group's permission, the Ninth Circuit generalized a class of cases categorically outside the scope of trademark law, which it called "nominative fair use."<sup>33</sup> A nominative fair use is a usage that is necessary to identify the subject (you can't discuss the New Kids on the Block without using their name), uses no more of the mark than necessary to identify the product or service, and does nothing else to suggest source or sponsorship.<sup>34</sup> If a defendant establishes these elements, the Ninth Circuit held, its use is not confusing as a matter of law.<sup>35</sup>

---

<sup>32</sup> See, e.g., *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) (holding that the Lanham Act does not apply to the use of a celebrity's name in the title of an artistic work unless the title has no relevance to the work or the use of the name is explicitly misleading about the source of the work). See generally Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1671-73 (2007) (discussing the trademark use doctrine as a way to limit expansive trademark claims in the Internet age); Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 444-46 (2010) (proposing a materiality requirement to rein in trademark claims); William McGeeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 115-21 (2008) (arguing for the creation of simple affirmative defenses to trademark claims because complex fair use doctrines deter legitimate uses).

<sup>33</sup> *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 304, 307-08 (9th Cir. 1992).

<sup>34</sup> *Id.* at 308. The Third Circuit has devised its own approach to nominative fair use cases. Its two-step method requires the plaintiff to demonstrate likely confusion as an initial matter. If the plaintiff is successful, the burden shifts to the defendant to show the necessity of using the plaintiff's mark, that no more was used than required, and that the defendant accurately represented the relationship between the plaintiff's and defendant's goods. See *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222 (3d Cir. 2005).

<sup>35</sup> See *New Kids*, 971 F.2d at 308; see also *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150-51 (9th Cir. 2002) (holding that nominative fair use replaces the traditional confusion analysis and is available even when the standard multifactor test would find a likelihood of confusion); cf. *Rogers*, 875 F.2d at 999 (holding that the Lanham Act does

At the same time as it treated nominative fair use as a legal conclusion, the Ninth Circuit also made an empirical claim: consumers can't be confused by a truthful statement.<sup>36</sup> Courts commonly make this move in nominative fair use and other speech-protective cases,<sup>37</sup> and understandably so. Such a rationale conveniently denies the existence of a possible harm (confusion) that the court might otherwise need to balance against the defendant's claim of free speech.

Nominative fair use attempts to operationalize a vital insight: trademark owners shouldn't be able to control all discussion of themselves or of their products. Absent some rule both reflecting and shaping the reality that people are generally free to talk about trademarks without permission, and routinely do so, trademark owners would have virtually unlimited power to suppress speech. We do not live, and we do not want to live, in a world where all mentions of trademarks—even in commercial publications—need authorization, nor do we believe that consumers actually expect that permission is always required. Furthermore, we want the law to discourage trademark owners from attempting to convince consumers that there is a general permission requirement. Even if trademark owners were to succeed empirically in persuading consumers that permission is always required, we would still, as a normative matter, refuse to enforce any such overreaching control; this rule discourages trademark owners from making the attempt. As a result, I think dismissal before any factual inquiry is often the right result, but that doesn't mean that truthful statements can't be confusing. The real problem, as I take up below, is that any such confusion is almost certainly immaterial to consumers.

---

not generally apply to titles of expressive works, except when “the title has no artistic relevance to the underlying work” or “explicitly misleads as to source or content of the work,” a test that apparently replaces the multifactor confusion analysis).

<sup>36</sup> See *New Kids*, 971 F.2d at 307-08 (“When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth.” (quoting *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924))).

<sup>37</sup> See, e.g., *Hensley Mfg. v. ProPride, Inc.*, 579 F.3d 603, 610-11 (6th Cir. 2009) (noting that the plaintiff could not establish likelihood of confusion as a matter of law where the defendant did not use the mark “in a way that identifies the source” of the goods (quoting *Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc.*, 326 F.3d 687, 695 (6th Cir. 2003))); *Cairns*, 292 F.3d at 1155 & n.12 (stating that there was no likelihood of confusion where the use of a mark was nominative); *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 545-46 (5th Cir. 1998) (explaining that a nominative fair use claim “is in actuality a claim that the use is noninfringing and *thus* creates no likelihood of confusion” and disallowing the nominative fair use defense where the defendant used the trademark as a source identifier for its own services because of a likelihood of confusion (emphasis added)), *abrogated on other grounds* by *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001).

The empirical claim about the unlikelihood of confusion makes a conceptual mistake—it neglects implicature, a fundamental part of human communication.<sup>38</sup> Here’s an example Richard Craswell used<sup>39</sup>: You ask me for the nearest gas station. I give you an address. Because the default assumption is that I’m being truthful, complete, and *helpful*, my answer implies that I believe, and have some reason to believe, that the station is actually open. If I know the station is closed, I am speaking in bad faith when I provide its address, and you would have a legitimate grievance against me when you ran out of gas while looking for another place to fill up.

More generally, reasonable audiences presume that information provided to them is relevant and useful, in the absence of reason to believe otherwise.<sup>40</sup> If a prospectus advertises that a piece of property is five miles from the waterfront, readers will have good cause to cry foul if in fact there are no roads between the property and the water-

---

<sup>38</sup> See PAUL GRICE, *STUDIES IN THE WAY OF WORDS* 24-40 (1989) (positing the cooperative principle that listeners generally presume that a speaker is speaking truthfully, informatively (saying no more and no less than necessary), and relevantly, and that listeners will interpret statements to make them intelligible). Implicature is sometimes identified as a function of the speaker’s intent, but especially in the context of advertising, where the advertiser is communicating to many consumers in a fixed manner, intent should not be taken to mean anything subjective. Cf. Kent Bach, *The Top 10 Misconceptions About Implicature* (arguing that when the knowledge required to decode the implicature is more generally shared, we don’t need to talk about the speaker’s intention), in *DRAWING THE BOUNDARIES OF MEANING: NEO-GRICEAN STUDIES IN PRAGMATICS AND SEMANTICS IN HONOR OF LAURENCE R. HORN* 23 (Betty J. Birner & Gregory Ward eds., 2006). For example, in uttering “Bill is meeting a woman this evening,” you would normally (in the absence of special circumstances) be implicating that the woman in question is not Bill’s wife, because of the general assumption that the speaker is saying no less than is appropriate. So it makes sense, without considering actual speakers’ intentions, to talk about a certain sentence’s likely implications. Deception by implication does not require any intent to deceive, only deceptive effect.

<sup>39</sup> Richard Craswell, *Taking Information Seriously: Misrepresentation and Nondisclosure in Contract Law and Elsewhere*, 92 VA. L. REV. 565, 601-02 (2006).

<sup>40</sup> As Bach writes,

[Gricean maxims] are better construed as presumptions about utterances, presumptions that we as listeners rely on and as speakers exploit. As listeners, we presume that the speaker is being cooperative (at least insofar as he is trying to make his communicative intention evident) and is speaking truthfully, informatively, relevantly, and otherwise appropriately. If an utterance superficially appears not to conform to any of these presumptions, the listener looks for a way of taking it so that it does conform. He does so partly on the supposition that he is intended to. As speakers, in trying to choose words to make our communicative intentions evident, we exploit the fact that our listeners presume these things.

Bach, *supra* note 38, at 24.

front and any roads to be built in the future would take a path far longer than five miles.<sup>41</sup> In the absence of further disclosure, the statement “five miles from the waterfront” implies that humans could reach the water by traveling that distance, because otherwise the information would be irrelevant and unhelpful. Similarly, if Kraft advertises that its cheese slices are made with five ounces of milk, an ordinary consumer will assume that the benefits of those five ounces—especially the calcium, milk’s best-known nutrient—are retained in the slices, not dissipated in the processing.<sup>42</sup> Otherwise, the information about the number of ounces involved is irrelevant to an ordinary purchasing decision. Although there are good reasons to deny the relevance of *some* implications, it is analytically insufficient to stop at the dictionary meanings of a string of words.

In fact, the Ninth Circuit quickly retreated from the logical results of its nominative fair use test when confronted with a traditional thirty-second television ad that formally satisfied the elements of *New Kids*. In the ad, General Motors (GM) compared its vehicles with college basketball records set by Lew Alcindor, who used the name Kareem Abdul-Jabbar when he reached national prominence.<sup>43</sup> The use of Alcindor’s name was necessary to identify him; GM did no more than necessary to identify him, even opting to use his birth name, rather than the name under which he was famous.<sup>44</sup> GM did nothing else to suggest sponsorship or affiliation except put the reference in a conventional advertising format. Unlike a telephone poll, the court concluded, a conventional ad featuring a celebrity is likely to lead consumers to conclude that the celebrity is an endorser.<sup>45</sup> As a result of this empirical reality, GM was not entitled to summary judgment on its nominative fair use defense.<sup>46</sup> “Nothing else” turns out to be something more than a negative requirement; it is a contextual inquiry using background knowledge to determine what counts as nominative use.<sup>47</sup>

<sup>41</sup> See *Lustiger v. United States*, 386 F.2d 132, 136 (9th Cir. 1967) (finding ads were “fraudulently misleading and deceptive” for representing that a subdivision was five miles from Lake Mead when it was between fifteen and forty miles by road).

<sup>42</sup> See *Kraft, Inc. v. FTC*, 970 F.2d 311, 313-16 (7th Cir. 1992) (affirming the decision that Kraft’s ads made a misleading and material claim); see also Craswell, *supra* note 39, at 602-03 (discussing the *Kraft* case).

<sup>43</sup> *Abdul-Jabbar v. Gen. Motors Corp.*, 85 F.3d 407, 409 (9th Cir. 1996).

<sup>44</sup> *Id.* at 413.

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

<sup>47</sup> *Cf. New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 309 (9th Cir. 1992) (finding that the survey at issue said “nothing that expressly or by fair implication

Further reinforcing the necessity of considering context—not just express claims about source—is that even the average trademark use is not an explicit claim in the conventional sense. It indicates source not by a full syllogistic statement, but by implication, relying on consumers' knowledge about how source and sponsorship get communicated. That is, vanishingly few products say, "This is a bottle of Coca-Cola," or something similar. The presence of the name itself, in a distinctive font in the most prominent position on the label, necessarily implies the source claim to a culturally competent modern consumer.<sup>48</sup> Necessary implication is a recognized doctrine in false advertising law, as I will discuss in the next Section, and makes sense in the core example of "Coca-Cola" used on a bottle of soda. But trademark law has also been willing to find an implication of source to exist in some unlikely places, such as being the subject of a newspaper poll or the title of a film, which is why it has seemed necessary to create new doctrines like nominative fair use to protect expression and competition. Without making their use of implicature explicit, and explaining its relation to empirical and normative concepts of confusion, courts will likely continue to struggle with awkward results from the existing tests.

### B. *Implication in False Advertising Cases: Pragmatics and Doctrinal Categories*

While courts have granted trademark law greater flexibility, false advertising law often seems to flounder in rigid doctrinal categories—

---

connotes endorsement or joint sponsorship" (emphasis added)). One could debate whether GM's use of Abdul-Jabbar's name really approximated a conventional celebrity endorsement, which would usually involve at least an image of the celebrity, not to mention the use of her current name. The fact that the court limited the reach of *New Kids* when the celebrity appeared in a sufficiently ad-like context has led to uncertainty that will likely increase as new forms of promotion outside the conventional thirty-second ad spot become more common. See, e.g., *Yeager v. Cingular Wireless LLC*, 673 F. Supp. 2d 1089, 1103 (E.D. Cal. 2009) ("Where a celebrity's name is used in a commercial, there are triable issues of fact regarding whether such use implies endorsement."); *Yeager v. Cingular Wireless LLC*, 627 F. Supp. 2d 1170, 1173, 1178-79 (E.D. Cal. 2008) (denying motion to dismiss Chuck Yeager's claim that the use of his name in a press release promoting Cingular's new service might confuse consumers as to his sponsorship or endorsement).

<sup>48</sup> See Thomas R. Lee et al., *An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness*, 41 ARIZ. ST. L.J. 1033, 1078 (2009) (finding that, empirically, consumers perceive even descriptive terms as source identifiers if they are presented in the ways marks typically appear on packaging); cf. *Reckitt Benckiser Inc. v. Motomco Ltd.*, No. 10-6228, 2011 WL 180779, at \*6-7 (S.D.N.Y. Jan. 19, 2011) (finding that the defendant's use of government agency names at the top and bottom of messages constituted literally false claims that the messages originated from the agencies).

such as explicit falsity, implicit falsity, and puffery—without gaining greater predictability. False advertising doctrine has even occasionally flirted with the idea that truthful claims simply can't be misleading. In *Mead Johnson & Co. v. Abbott Laboratories*, the Seventh Circuit allowed a manufacturer to claim its infant formula was the “1st Choice of Doctors,” even though the claim was true with respect only to the subset of doctors who had such a preference, and a substantial number of doctors didn't.<sup>49</sup> Consumer surveys, however, established that consumers received a message that *most* doctors preferred the defendant's product.<sup>50</sup> Nonetheless, because the “1st Choice” claim was literally true, the court reasoned that it couldn't mislead, even if many consumers didn't understand the math.<sup>51</sup> Notably, although *Mead Johnson* attracted a fair amount of attention<sup>52</sup>—relative to other false advertising cases—most subsequent false advertising cases have not applied its holding,<sup>53</sup> sometimes with fairly transparent evasions.<sup>54</sup>

---

<sup>49</sup> 201 F.3d 883, 884 (7th Cir.), *amended on denial of reh'g*, 209 F.3d 1032, 1034 (7th Cir. 2000) (per curiam).

<sup>50</sup> *Id.* at 885.

<sup>51</sup> *Id.* at 886.

<sup>52</sup> See, e.g., Richard J. Leighton, *Making Puffery Determinations in Lanham Act False Advertising Cases: Surveys, Dictionaries, Judicial Edicts and Materiality Tests*, 95 TRADEMARK REP. 615, 620-22 (2005) (discussing *Mead Johnson's* preference for dictionaries over consumer surveys when deciding whether a claim is misleading); Thomas W. Edman, Note, *Lies, Damn Lies, and Misleading Advertising: The Role of Consumer Surveys in the Wake of Mead Johnson v. Abbott Labs*, 43 WM. & MARY L. REV. 417, 420 (2001) (applauding *Mead Johnson's* “common sense” approach to limiting use of consumer surveys in misleading advertising claims).

<sup>53</sup> *But see* Pernod Ricard USA LLC v. Bacardi U.S.A., Inc., 702 F. Supp. 2d 238, 250-51 (D. Del. 2010) (relying on *Mead Johnson* to hold that Havana Club rum could not be deceptive as to its geographic origin because the label also stated that the rum was made in Puerto Rico).

<sup>54</sup> In *Clorox Co. Puerto Rico v. Proctor & Gamble Commercial Co.*, for example, the defendant argued that its message—that its detergent did a better job of whitening clothes—limited its comparison to other detergents, so that even if consumers actually believed that its detergent outperformed chlorine bleach, *Mead Johnson* protected it from liability. 228 F.3d 24, 37-38 (1st Cir. 2000). The First Circuit disagreed, distinguishing the short, printed slogan at issue in *Mead Johnson* with the television commercial launched by defendants in *Clorox*, which “communicates its message to consumers through a combination of audio-visual and textual media.” *Id.* at 38. As usual, bad law breeds bad distinctions: there is no conceptual difference between packaging and television advertising, and the *Mead Johnson* court certainly would have reached the same result if the “1st Choice of Doctors” slogan had appeared at the end of a television commercial, rather than on a baby-formula label. The First Circuit, unlike the Seventh, recognized that consumers could interpret a supposedly objective claim as conveying a broader false message, and the court correctly looked to consumer reaction to gauge the deceptiveness of the claim. See *id.* at 33; see also *McNeil-PPC, Inc. v. Pfizer Inc.*, 351 F. Supp. 2d 226, 254 (S.D.N.Y. 2005) (distinguishing *Mead Johnson* because the claim at

The vast majority of false advertising cases have instead recognized that literally true statements can mislead. In false advertising law, an oft-cited formulation is that, if only false statements were actionable, “clever use of innuendo, indirect intimations, and ambiguous suggestions could shield the advertisement from scrutiny precisely when protection against such sophisticated deception is most needed.”<sup>55</sup> For example, an ad may be misleading if it makes unqualified claims of advantages present only in extreme or unusual circumstances, because consumers may believe that the advantages are often or usually present. One court thus ruled that ads claiming natural gas was more economical and efficient than oil for heating could be misleading since the ads failed to disclose that this was true only when comparing modern gas equipment with older oil equipment.<sup>56</sup>

Unfortunately, however, section 43(a)(1)(B) false advertising cases have created an artificially rigid distinction between false statements and misleading statements when it comes to the necessary evidentiary showing. False statements violate the Lanham Act without further proof of consumer deception: courts presume that consumers receive the false messages. Literally true statements must be shown to mislead consumers with extrinsic evidence.<sup>57</sup> The concern is that consumers

issue was “less nebulous” and the survey at issue was not used “to determine the meaning of words” (quoting *Mead Johnson*, 201 F.3d at 886); *Healthpoint, Ltd. v. Ethex Corp.*, No. 01-0646, 2004 WL 2359420, at \*16 (W.D. Tex. July 14, 2004) (suggesting that *Mead Johnson* was limited to its facts and noting that the present plaintiff, like the one in *Mead Johnson*, had a survey purportedly showing consumer confusion).

Courts that cite *Mead Johnson* tend to rely on other, more persuasive grounds for their ultimate holdings. See, e.g., *Am. Italian Pasta Co. v. New World Pasta Co.*, 371 F.3d 387, 393-94 (8th Cir. 2004) (using *Mead Johnson* to uphold finding that “America’s Favorite Pasta” was neither true nor false but merely puffery); *Haymond v. Lundy*, No. 99-5048, 2001 WL 15956, at \*4-5 & n.4 (E.D. Pa. Jan. 5, 2001) (citing *Mead Johnson* to support its holding that no reasonable consumer could have been misled by a statement that a named lawyer “supervised” cases to believe that the lawyer was himself taking depositions, trying cases, signing pleadings, or making court appearances, and noting that only one client among many suggested any possible misunderstanding), *subsequent determination sub nom.* *Haymond v. Haymond*, No. 99-5048, 2001 WL 74630 (E.D. Pa. Jan. 29, 2001), *aff’d sub nom.* *Lundy v. Hochberg*, 79 F. App’x 503 (3d Cir. 2003); *First Health Grp. Corp. v. United Payors & United Providers, Inc.*, 95 F. Supp. 2d 845, 849, 851 (N.D. Ill. 2000) (citing *Mead Johnson* in the course of determining that the allegedly false term was true in light of industry practice, that highly sophisticated hospitals could not reasonably have been misled, and that confusion was minimal).

<sup>55</sup> *Am. Home Prods. Corp. v. Johnson & Johnson*, 577 F.2d 160, 165 (2d Cir. 1978).

<sup>56</sup> *Oil Heat Inst. of Or. v. Nw. Natural Gas*, 708 F. Supp. 1118, 1125-26 (D. Or. 1988).

<sup>57</sup> See, e.g., *BASF Corp. v. Old World Trading Co.*, 41 F.3d 1081, 1088-89 (7th Cir. 1994) (requiring demonstration of “actual customer confusion” (citing *Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 13 (7th Cir. 1992))); *Johnson & Johnson \* Merck*



might not be receiving the same implication from the ad that the challenger does, so the challenger must first show that a substantial number of consumers receive a false message. This requires a consumer survey, which usually adds hundreds of thousands of dollars to the cost of a false advertising case, imposing a significant practical barrier to suit. An explicit claim, in other words, is much easier to challenge than an implicit claim, even when both are the same claim from the consumer's standpoint.

This result is troubling because there are numerous cases in which a claim, though technically or denotationally implicit, is as clearly stated as if it were explicit. This too is a feature of ordinary human communication, which regularly relies on implicature, as in the gas station example in the previous Section.<sup>58</sup> But we need not rely on common knowledge alone; research has confirmed the power of implication in ads.<sup>59</sup> Implication is especially useful for advertisers be-

---

Consumer Pharm. Co. v. Smithkline Beecham Corp., 960 F.2d 294, 297 (2d Cir. 1992) (“Where, as here, a plaintiff’s theory of recovery is premised upon a claim of implied falsehood, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse consumers.”); *Malaco Leaf, AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355, 379 (S.D.N.Y. 2003) (“When an advertisement is not literally false, but rather is ambiguous or implicitly false, a plaintiff can only establish a claim of false advertising through a survey.”). Some courts recognize direct evidence of intentional efforts to deceive as a substitute for consumer reaction evidence, but this avenue to victory is rarely successful. *See, e.g., Johnson & Johnson Vision Care, Inc. v. CIBA Vision Corp.*, 348 F. Supp. 2d 165, 184 (S.D.N.Y. 2004) (granting a Rule 52(c) motion for judgment on the implicit falsity claim because there was no “extrinsic evidence of consumer reaction” and no evidence of an intentional attempt to deceive in an “egregious fashion”).

<sup>58</sup> *See supra* text accompanying note 39.

<sup>59</sup> Even the ad context itself carries important implications. *See Debra Trampe et al., The Self-Activation Effect of Advertisements: Ads Can Affect Whether and How Consumers Think About the Self*, 37 J. CONSUMER RES. 1030, 1042 (2011) (showing that people responded differently to images of beauty-enhancing products when they saw brand information or were told that the products had appeared in an ad campaign than when they were not given ad cues). “[A]n advertisement itself may constitute an implicature[,] . . . which . . . may cause dramatic changes in the effects these products exert on their perceivers.” *Id.* at 1031; *see also* Barbara J. Phillips, *Thinking into It: Consumer Interpretation of Complex Advertising Images*, J. ADVERTISING, Summer 1997, at 77, 82 (“[I]nformants used advertising knowledge to determine the meanings of the ads. Consistent with the belief that consumers know advertisers make only positive statements about their brands, informants were clearly inclined to draw only positive implicatures.”); *cf. Valerie S. Folkes, Presidential Address, Is Consumer Behavior Different?*, 29 ADVANCES CONSUMER RES. 1, 1 (2002) (“[W]hen situational cues lead people to perceive themselves as customers, they then interpret the world differently than when they do not perceive themselves as customers . . .”).

cause consumers develop stronger beliefs when they persuade themselves by following implications to their natural conclusions.<sup>60</sup>

Even without that extra persuasive power, consumers routinely and automatically draw inferences from ads because they expect ads—like all forms of communication—to contain implicit information.<sup>61</sup> Consumers even remember clear implicit claims as if they'd been explicitly presented.<sup>62</sup> Overall, there is a “robust” tendency for consum-

<sup>60</sup> See, e.g., Alan G. Sawyer, *Can There Be Effective Advertising Without Explicit Conclusions? Decide for Yourself* (arguing that ads that don't directly tell consumers what to think can be more effective), in *NONVERBAL COMMUNICATION IN ADVERTISING* 159, 160-61 (Sidney Hecker & David W. Stewart eds., 1988); see also FRANK STAJANO & PAUL WILSON, *UNDERSTANDING SCAM VICTIMS: SEVEN PRINCIPLES FOR SYSTEMS SECURITY* 15 (Univ. of Cambridge Computer Lab., Technical Report No. 754, 2009), available at <http://www.cl.cam.ac.uk/techreports/UCAM-CL-TR-754.pdf> (“[P]eople accept their own ideas and thoughts more readily than ideas presented to them by others. Through scams [inducing the victim's inference that he stands to profit greatly from an offer], we understand how hustlers can lead a mark to a conclusion.”); Frank R. Kardes, *Spontaneous Inference Processes in Advertising: The Effects of Conclusion Omission and Involvement on Persuasion*, 15 J. CONSUMER RES. 225, 226, 231-32 (1988) (explaining that a “hard sell” can backfire but that “[t]his boomerang effect is much less likely to occur . . . when subtle soft sell tactics are employed” and presenting empirical evidence that omission was an effective persuasion technique). Invited inference doesn't always work, but it can be a very powerful technique for persuading consumers.

[R]elatively simple manipulations performed within the text of an ad can influence the processing objectives of consumers. Highlighting the personal relevance of the message and emphasizing that the brands within a product category vary on an important dimension can induce effortful information processing. If consumers can be induced to form brand attitudes through an effortful process, they will spontaneously draw inferences about omitted attitude-relevant information and form strong, accessible attitudes.

Kardes, *supra*, at 231-32; see also Sawyer, *supra*, at 161-62, 165-66 (arguing that in situations of higher involvement, when viewers are capable of and interested in drawing conclusions, implicit arguments are more persuasive than explicit ones and summarizing research that ads leaving something to the viewer's imagination can be more effective than explicit statements).

<sup>61</sup> See Julie A. Edell, *Nonverbal Effects in Ads: A Review and Synthesis* (finding that, “when asked to form beliefs about a brand, subjects take whatever data they have been given and make inferences about what those data could mean for that brand”—thus, tissue advertised with a picture of a kitten gets high ratings for softness, even higher than tissue advertised with the words “Brand I Facial Tissues Are Soft”), in *NONVERBAL COMMUNICATION IN ADVERTISING*, *supra* note 60, at 11, 13.

<sup>62</sup> See, e.g., Richard J. Harris, *Comprehension of Pragmatic Implications in Advertising*, 62 J. APPLIED PSYCHOL. 603, 607 (1977) (“[S]ubjects process and remember pragmatic implications very much like direct assertions. This failure to discriminate is also reflected in the purchase decision data.” (citation omitted)); Richard J. Harris et al., *Memory for Implied Versus Directly Stated Advertising Claims*, 6 PSYCHOL. & MARKETING 87, 88 (1989) (“People tend to go beyond what is directly stated in an advertisement to infer stronger interpretations from relatively weaker claims that merely imply some attribute about the product. . . . [S]tudies have found this effect using both real world and im-

ers to remember implied claims in stronger forms than they were delivered.<sup>63</sup> Terence Shimp, for example, tested incomplete comparatives such as “Mennen E goes on *warmer and drier*.”<sup>64</sup> Warmer and drier than what? It could be warmer and drier than yogurt, but high percentages of respondents interpreted the claim to mean that Mennen E goes on warmer and drier “than any other deodorant on the market.”<sup>65</sup> When Shimp asked whether such implications were “Directly Stated” or “Intended but Not Stated,” subjects often picked “Directly Stated,” even though as a matter of formal logic they were not.<sup>66</sup>

The conceptual basis for the implicit/explicit divide is unsound,<sup>67</sup> and advertisers can arbitrage the doctrine, making implicit claims that

aginary product names and with both a written text of the advertisement and an oral presentation.”); Richard J. Harris & Gregory E. Monaco, *Psychology of Pragmatic Implication: Information Processing Between the Lines*, 107 J. EXPERIMENTAL PSYCHOL.: GEN. 1, 18 (1978) (reporting that studies “have shown[] [that] people remember implied material as asserted” and that in tests of memory and comprehension of radio ads, “subjects did not distinguish between asserted and pragmatically implied claims”).

<sup>63</sup> Harris et al., *supra* note 62, at 93.

<sup>64</sup> See Terence A. Shimp, *Do Incomplete Comparisons Mislead?*, J. ADVERTISING RES., Dec. 1978, at 21, 22.

<sup>65</sup> *Id.* at 26.

<sup>66</sup> See *id.* (listing fifty-five percent as responding “Directly Stated” and thirty-eight percent as “Intended but Not Stated”).

<sup>67</sup> As Charlotte Taylor wrote in the context of First Amendment law,

there is no easy generalizable connection between expressness and the other central concerns that are implicated in the regulation of speech: primarily the value of the speech, as well as the potential harm it might cause to the community and the culpability of the speaker. It is not the case that when we focus on the express meaning of speech we protect the most valuable speech while punishing the most harmful utterances made by the most culpable speakers.

Charlotte Taylor, *Free Expression and Expressness*, 33 N.Y.U. REV. L. & SOC. CHANGE 375, 381 (2009). Taylor notes that one of the strongest arguments for an implicit/explicit distinction is to constrain enforcers’ discretion and avoid chilling effects. *Id.* at 383. However, Lanham Act doctrine cannot provide those potential benefits for two main reasons. First, other regulators, including the Federal Trade Commission (FTC) and the National Advertising Division of the Better Business Bureau (which engages in private regulation of national advertising) don’t adhere to an implicit/explicit distinction. They use their own judgment to figure out what claims an ad is making, so advertisers cannot reliably protect themselves against challenge by only making implicit claims. See, e.g., *Kraft, Inc. v. FTC*, 970 F.2d 311, 319 (7th Cir. 1992) (“[T]he Commission may rely on its own reasoned analysis to determine what claims, including implied ones, are conveyed in a challenged advertisement, so long as those claims are reasonably clear from the face of an advertisement.”); see also *infra* note 135 and accompanying text (discussing how these two regulators normally act without survey evidence to combat deception). Second, as noted, implicit claims can be challenged under the Lanham Act with survey evidence in hand, so advertisers can’t even gain certainty from the Lanham Act. See *supra* note 57 and accompanying text.

they could not make explicitly, while still producing the same, or greater, effect on consumers.<sup>68</sup> “Warmer and drier,” for example, might well be dismissed by a court as mere puffery because the comparison is incomplete, without understanding that consumers are likely to use ordinary rules of communication to complete the claim and turn it into a testable, falsifiable empirical claim.<sup>69</sup>

In recent years, courts have reacted to the doctrinal rigidity of the explicit/implicit divide by accepting that some misleading implications are better treated as literally false claims. The resulting doctrine is known as “falsity by necessary implication.” The standard is as follows: “A claim is conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated.”<sup>70</sup> Thus, an advertisement claiming “longer engine life and better engine protection,” without explicitly mentioning what competitors it was “longer” and “better” than, made a comparison to major competitors by necessary implication.<sup>71</sup>

---

<sup>68</sup> See Harris et al., *supra* note 62, at 94 (“[A]dvertising may mislead the public with minimal legal vulnerability to the advertiser. A claim may be stated in weak (implied) form but may be remembered then in the stronger (asserted) fashion. Thus, a consumer may falsely infer . . . that [the product] does more than the ad even said it did.”); Edward F. McQuarrie & Barbara J. Phillips, *Indirect Persuasion in Advertising: How Consumers Process Metaphors Presented in Pictures and Words*, J. ADVERTISING, Summer 2005, at 7, 17 (“If advertisers wish consumers to generate multiple positive inferences, to some degree spontaneously, then it is obvious why they might rely more and more on indirect persuasion, especially in pictures.”). Alan Sawyer also argues in favor of indirect claims in advertising.

Research also offers strong evidence that audience members will spontaneously strive to make inferences and conclusions under certain conditions. . . . [A]dvertising audiences are also very likely to “complete” ambiguous advertising statements or claims. Under conditions resembling low involvement, . . . subjects tended to make false conclusions . . . which, if the advertiser could or should be considered as the cause of the incorrect conclusion, would be judged deceptive.

Sawyer, *supra* note 60, at 170.

<sup>69</sup> See Ivan L. Preston, *Puffery and Other “Loophole” Claims: How the Law’s “Don’t Ask, Don’t Tell” Policy Condones Fraudulent Falsity in Advertising*, 18 J.L. & COM. 49, 81-82 (1998) (documenting studies in which consumers given “incomplete comparatives” would imply completions).

<sup>70</sup> *Clorox Co. P.R. v. Proctor & Gamble Commercial Co.*, 228 F.3d 24, 35 (1st Cir. 2000); cf. *FTC v. Medlab, Inc.*, 615 F. Supp. 2d 1068, 1078 (N.D. Cal. 2009) (“[E]ven if the representations were implied, these advertisements are capable of only one interpretation. The FTC does not need to present consumer survey data in order to prove what is obvious to any rational reader . . .”).

<sup>71</sup> *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 941, 946-47 (3d Cir. 1993).

Courts have found falsity by necessary implication where an ad's explicit claims would make no sense without the necessarily implied claim. In *Cuisinarts, Inc. v. Robot-Coupe International Corp.*, the defendant claimed that professional kitchens in France used its mixer, not the plaintiff's.<sup>72</sup> The necessary implication was that the plaintiff made a professional-strength mixer.<sup>73</sup> Otherwise, if the plaintiff had not made a product that the kitchens could have rejected, there would not have been a comparison. Because the plaintiff did not, in fact, make a professional-strength mixer, the necessary implication was false.<sup>74</sup> This reasoning accords with the rules of implicature; the ad exploited reasonable consumers' beliefs that information is only provided when relevant.

Research has confirmed the effectiveness of exploiting the expectation of relevance. Some ads focus on irrelevant product attributes, such as the statement "our instant coffee has flaked crystals," when flaking does not affect the final brewed product.<sup>75</sup> Consumers showed greater preference for those products shown in ads touting both relevant and irrelevant attributes as opposed to ads touting only relevant attributes.<sup>76</sup> Preference ratings increased even when consumers were told that the irrelevant attribute was irrelevant.<sup>77</sup> The general rules of conversational implicature took precedence over more specific information.<sup>78</sup> Richard Craswell identified the same dynamic at work in *Gillette Co. v. Wilkinson Sword, Inc.*, in which the advertiser claimed that the metal strip on its razor was six times smoother than the competition's; while this was true, there was no evidence that the smoothness of the strip bore any relation to the smoothness of the shave.<sup>79</sup> The court found that consumers would nonetheless receive a claim about the smoothness of the shave, a conclusion that again depends on consumers' expectations that information in ads is meaningful to them.<sup>80</sup>

The Second Circuit adopted the doctrine of necessary implication in *Time Warner Cable, Inc. v. DirecTV, Inc.*, allowing liability without evi-

<sup>72</sup> No. 81-0731, 1982 WL 121559, at \*1-2 (S.D.N.Y. June 9, 1982).

<sup>73</sup> *Id.* at \*2.

<sup>74</sup> *Id.*

<sup>75</sup> Gregory S. Carpenter et al., *Meaningful Brands from Meaningless Differentiation: The Dependence on Irrelevant Attributes*, 31 J. MARKETING RES. 339, 339-40 (1994).

<sup>76</sup> *Id.* at 343-44.

<sup>77</sup> *Id.*

<sup>78</sup> *Id.* at 344.

<sup>79</sup> No. 89-3586, 1989 WL 82453, at \*1-2 (S.D.N.Y. July 6, 1989).

<sup>80</sup> See Richard Craswell, "Compared to What?": *The Use of Control Ads in Deceptive Advertising Litigation*, 65 ANTITRUST L.J. 757, 786-87 (1997).

dence of consumer reaction and without an explicitly false assertion “if the words or images, considered in context, necessarily imply a false message.”<sup>81</sup> DirecTV ran an ad featuring William Shatner as Captain Kirk, who praised the “amazing picture clarity” of DirecTV and told viewers, “With what Starfleet just ponied up for this big screen TV, settling for cable would be illogical.”<sup>82</sup> Though there was no explicit claim that cable’s high-definition (HD) picture quality was worse, in the context of the ad, “illogical” had to be referring to picture quality. Because cable’s HD picture quality was in fact identical, the court held that the ads violated the Lanham Act.<sup>83</sup>

In *Southland Sod Farms v. Stover Seed Co.*, an ad claimed superiority for a certain breed of grass through “less mowing,” “reduced costs,” “less clippings,” and “slower growth,” basing its claims and charts on a study of grass growth in the spring.<sup>84</sup> According to a competitor, however, there was no superiority if one took the entire year into account; the defendant’s product lost its advantages in a year-round assessment.<sup>85</sup> Although the advertisements always stated that they were based on a study conducted in the spring, the Ninth Circuit found that a jury could conclude that the ads were literally false in context because the claim that the grass saved time and money “would be nonsensical if the bar chart were only intended to represent the turf’s growth characteristics during the spring months.”<sup>86</sup>

Necessary implication is fundamentally social. It depends on general expectations, not necessarily on what is within the four corners of an ad. In *Playskool, Inc. v. Product Development Group, Inc.*, a toy manufacturer argued that a competitor’s claim that its components for play structures “attache[d]” to the manufacturer’s components was false because a structure made of elements from both parties’ products would be unstable and unsafe.<sup>87</sup> The court found that the claim might be “literally true” in the sense that “defendant’s pieces can in fact be joined or connected to plaintiff’s pieces.”<sup>88</sup> Nonetheless, the “clear implication” of the claim was that the components would attach *safely*.<sup>89</sup>

---

<sup>81</sup> 497 F.3d 144, 148, 158 (2d Cir. 2007).

<sup>82</sup> *Id.* at 150.

<sup>83</sup> *Id.* at 158.

<sup>84</sup> 108 F.3d 1134, 1137, 1144 (9th Cir. 1997).

<sup>85</sup> *Id.* at 1138.

<sup>86</sup> *Id.* at 1144.

<sup>87</sup> 699 F. Supp. 1056, 1058-60 (E.D.N.Y. 1988).

<sup>88</sup> *Id.* at 1060.

<sup>89</sup> *Id.*

“On a box of toys for preschool children the statement can have no other reasonable meaning.”<sup>90</sup> Background assumptions thus structure interpretation, even when they remain unstated.<sup>91</sup>

Falsity by necessary implication is a way for courts to relieve plaintiffs of the burden of an expensive (and likely extensively litigated) consumer survey when a false message in an ad is obvious, even if not stated in full syllogistic form. The doctrine alleviates some of the pressure caused by a rigid explicit/implicit division and brings false advertising slightly closer to trademark, which generally does not require a consumer survey from a plaintiff to prove likely confusion. In the absence of explicit falsity or necessary implication, however, false advertising currently requires evidence of actual consumer perception, even though an ad’s implications may be obvious. As the next Section will argue, courts should pay less attention to labels in this area and more to pragmatics.

### C. A More Persuasive Role for Implications in Trademark

#### 1. Similar Treatment for All Lanham Act Claims

False advertising is too rigid and trademark is too flexible with respect to implications because neither have fully accepted the role implications play in human communication. We draw ordinary implications, but not extraordinary ones, unless we are signaled to do so. An example of such signaling would be responding to the question, “Is he

---

<sup>90</sup> *Id.*; see also *S.C. Johnson & Son, Inc. v. Clorox Co.*, 930 F. Supp. 753, 781 (E.D.N.Y. 1996) (citing *Playskool* as example of falsity by necessary implication); cf. Letter from James C. Miller III, Chairman, FTC, to John D. Dingell, Chairman, Comm. on Energy & Commerce, House of Representatives (Oct. 14, 1983) [hereinafter FTC Policy Statement on Deception] (stating that all advertisements implicitly claim their advertised goods are fit for their intended purpose), reprinted in *In re Cliffdale Assocs., Inc.*, 103 F.T.C. 110 app. at 177 (1984).

<sup>91</sup> The social construction of implied meaning creates challenges in certain areas, such as prescription drugs and supplements. Does the presence of a drug on the market imply that the Food and Drug Administration (FDA) has found it safe and effective? See *Mut. Pharm. Co. v. Watson Pharm., Inc.*, No. 09-5421, 2010 WL 446132, at \*5 (D.N.J. Feb. 8, 2010) (denying a motion to dismiss based on this question). Studies show that consumers expect the FDA to look out for them, approving only ads for the safest and most effective drugs, even though a number of drugs are grandfathered out of current safety and efficacy requirements. See, e.g., Sidney M. Wolfe, Editorial, *Direct-to-Consumer Advertising—Education or Emotion Promotion?*, 346 NEW ENG. J. MED. 524, 525 (2002) (“According to one study, a substantial proportion of people incorrectly believed that only the safest and most effective drugs could be advertised directly to consumers and that the FDA required that it be allowed to review advertisements before they were published.”).

a nice guy?” with, “He’s very tall.” Blatantly refusing to answer the question is a violation of the ordinary cooperative rules of communication and provides an implied answer: No, he’s not a nice guy. Context is vital in implication—the question gives the response its pragmatic meaning, over and above its semantic meaning.<sup>92</sup>

Trademark’s multifactor test for likelihood of confusion has led courts to discount too heavily the need for evidence about actual consumers, especially in marginal cases. When a plaintiff doesn’t make a very strong showing on other factors, such as the similarity of the parties’ marks or the similarity of their products or services, the absence of actual-confusion evidence should weigh heavily against a finding of likely confusion.<sup>93</sup> Courts have at times held the absence of a survey against wealthy plaintiffs,<sup>94</sup> and they have also held the absence of confusion evidence against plaintiffs whose products have coexisted with defendants’ for a long time.<sup>95</sup> When a trademark owner is stretching

<sup>92</sup> See Bach, *supra* note 38, at 22 (“[I]n different situations one can utter a given unambiguous sentence and implicate different things. For example, you could say ‘John’s command of English is excellent’ to implicate, depending on the situation, that John is a mediocre student, that he would make a fine translator, that he understood something he heard, or that he had no excuse for the sloppy paper he wrote.”).

<sup>93</sup> Occasionally the Second Circuit does weigh failure to provide a survey against the plaintiff, though it makes clear that the absence of a survey is only one factor. See, e.g., *Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 388 (2d Cir. 2005) (“Star’s failure to present its own consumer survey [to counter the defendant’s survey that found no confusion,] weighs against a finding of consumer confusion.”); *Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 828 (Fed. Cir. 1992) (applying Second Circuit law to hold that failure to provide actual confusion evidence “suggests that the public is not likely to be confused”); *Medici Classics Prods. LLC v. Medici Grp. LLC*, 590 F. Supp. 2d 548, 556 (S.D.N.Y. 2008) (“[T]he ‘absence of surveys is evidence that actual confusion cannot be shown,’ and while anecdotal evidence may in some cases be sufficient, the evidence must be more than *de minimis*.” (citation omitted) (quoting *Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 964 (2d Cir. 1996))).

<sup>94</sup> See, e.g., *Charles Jacquinet Cie, Inc. v. Destileria Serralles, Inc.*, 921 F.2d 467, 475 (3d Cir. 1990) (finding that a financially able plaintiff’s failure to conduct a confusion survey justified an inference “that the plaintiff believes the results of the survey will be unfavorable”). This sentiment was reiterated in *Cairns v. Franklin Mint Co.*

Survey evidence is not required to establish likelihood of confusion, but it is often the most persuasive evidence. Consequently, a plaintiff’s failure to conduct a consumer survey, assuming it has the financial resources to do so, may lead to an inference that the results of such a survey would be unfavorable. Here, plaintiffs had ample opportunity to conduct their own survey, and their failure to do so undermines their position that the advertisements at issue are likely to confuse consumers as to plaintiffs’ endorsement.

24 F. Supp. 2d 1013, 1041-42 (C.D. Cal. 1998) (citations omitted).

<sup>95</sup> See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 228 (2d Cir. 1999) (holding that lapse of time is a “powerful indication” of no “meaningful likelihood of confusion”),



its rights in terms of marks that are only somewhat similar or products that are not highly related, courts should likewise require more in the way of real-world evidence of confusion, instead of the regular practice of allowing plaintiffs to prevail without evidence from actual confused consumers or from surveys.<sup>96</sup>

More broadly, once we deconstruct the trademark/false advertising dichotomy, it should be clear that not all litigation involves the kinds of inferences consumers are likely to make, particularly regarding trademarks. Thus, when the presence of a trademark is not the primary identifier of the defendant's product or service, judges should be hesitant to find infringement without evidence of consumer perceptions. For example, when the trademark appears as the trade dress of a product bearing its own word mark, as part of an expressive work, or as an ingredient (e.g., the local scoop shop's homemade Oreo ice cream), consumers have a prominent source identifier distinct from the plaintiff's mark, and so extra evidence of confusion should be required.

Likewise, other factual claims may be unclear on the face of an ad. Sometimes a court *should* require evidence of actual confusion before a plaintiff can win its false advertising claim. False endorsement claims, which often draw from both trademark and false advertising concepts, provide an example of the difficulty with implications. Some celebrity references are clearly endorsements—a picture of a smiling celebrity using the product in a traditional advertising format<sup>97</sup>—but others aren't. How should courts decide such cases?

---

*abrogated on other grounds by* Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003); Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1050 (9th Cir. 1999) (“We cannot think of more persuasive evidence that there is no likelihood of confusion between these two marks than the fact that they have been simultaneously used for five years without causing any consumers to be confused as to who makes what.” (emphasis omitted)); Versa Prods. Co. v. Bifold Co. (Mfg.) Ltd., 50 F.3d 189, 205 (3d Cir. 1995) (“If a defendant's product has been sold for an appreciable period of time without evidence of actual confusion, one can infer that continued marketing will not lead to consumer confusion in the future. The longer the challenged product has been in use, the stronger this inference will be.”); Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366, 377 (1st Cir. 1980) (holding that, where parties' marks coexisted for three-and-a-half years, plaintiff was “required to show proof of actual consumer confusion” to prevail), *overruled on other grounds by* Miller Brewing Co. v. Falstaff Brewing Corp., 655 F.2d 5 (1st Cir. 1981); Barre-Nat'l, Inc. v. Barr Labs., Inc., 773 F. Supp. 735, 744 (D.N.J. 1991) (“Use of similar marks for a substantial period of time with no confusion among consumers may create a presumption that there is little likelihood of confusion.”).

<sup>96</sup> See Beebe, *supra* note 17, at 1641-42 (finding that surveys are rare in reported trademark cases).

<sup>97</sup> Even in those typical situations, uncertainty is possible. Recently, a coatmaker used a Times Square billboard showing President Obama wearing its jacket, contend-

In *Seale v. Gramercy Pictures*, Bobby Seale sued the producers of a movie about his participation in the Black Panthers, arguing that consumers would be confused about his relationship to and endorsement of the resulting film.<sup>98</sup> The court rejected his claim, distinguishing between obvious endorsements and less clear situations.

“If the defendant’s use does not on its face contain a clear message of endorsement, [the] plaintiff must produce evidence, usually in the form of market research or consumer surveys, showing exactly what message customers received from [the] defendant’s ad. Once that message is ascertained, plaintiff must then prove the second element, that [the] message is false or misleading.”<sup>99</sup>

Because Seale couldn’t provide evidence that consumers perceived an endorsement message, as opposed to the truthful message that he was the subject of the film, he lost.<sup>100</sup>

More recently, however, the Third Circuit rejected this approach in false endorsement cases, holding that the explicit/implicit distinction only applies to section 43(a)(1)(B).<sup>101</sup> The result is that celebrity plaintiffs alleging a false implicit endorsement need not show that consumers perceive an endorsement. By contrast, plaintiffs alleging any other false implicit message must show evidence demonstrating that consumers received that message. The court reached this result because the statutory language “likely to cause confusion” is only part of section 43(a)(1)(A).<sup>102</sup> But this is an error in logic; “likely to cause confusion” says nothing about implicit versus explicit any more than

---

ing that people would not perceive it as an endorsement—a sitting president is just so unlikely to serve as an endorser. See Stephanie Clifford, *Unauthorized Times Square Obama Ad Draws Attention*, NYTIMES.COM MEDIA DECODER BLOG (Jan. 6, 2010, 2:56 PM), <http://mediadecoder.blogs.nytimes.com/2010/01/06/unauthorized-times-square-obama-ad-draws-attention> (“We’re not saying President Obama endorses Weatherproof apparel.”).

<sup>98</sup> 964 F. Supp. 918, 919 (E.D. Pa. 1997), *aff’d*, 156 F.3d 1225 (3d Cir. 1998) (unpublished table decision).

<sup>99</sup> *Id.* at 930 (alterations in original) (quoting 1 J. THOMAS MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY § 5.4[B][2] (1998)).

<sup>100</sup> *Id.* at 931; see also 1 J. THOMAS MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY § 3:12 (2d ed. 2010) (“In the context of an unpermitted use of a person’s identity to draw attention to an advertisement or commercial use, this requires that plaintiff prove that the context contains a message of the plaintiff’s endorsement of defendant’s product and that this message is false.”).

<sup>101</sup> See *Facenda v. N.F.L. Films, Inc.*, 542 F.3d 1007, 1021 (3d Cir. 2008) (“We decline the NFL’s invitation to muddle the two separate bodies of law that have developed under the separate subsections of § 43(a).”).

<sup>102</sup> *Id.*; 15 U.S.C. § 1125(a)(1)(A) (2006).

section 43(a)(1)(B)'s reference to "misrepresent[ation]" does.<sup>103</sup> The disparate treatment of similar language in the two provisions forced the court to make artificial distinctions. It would have been better to recognize that one can interpret both section 43(a)(1)(A) and section 43(a)(1)(B) flexibly, so that consumer survey evidence would be persuasive but not necessarily required simply because of the semantic form in which a claim appears.

## 2. The Explicit/Implicit Divide as a Pragmatic Error-Avoidance Rule

Currently, courts have not given a fully articulated justification for either a rigid explicit/implicit division or an abandonment of any requirement of consumer perception evidence. As noted above, the explicit/implicit division has proven attractive to limit seemingly infinite expansions of trademark law, especially in cases raising free speech concerns. In *Rogers v. Grimaldi*, for example, Ginger Rogers argued that the Fellini movie, *Ginger and Fred*, violated her trademark rights in her name.<sup>104</sup> The Second Circuit held that there is no Lanham Act liability for an artistically relevant title unless the title is explicitly misleading, such as a false claim to be an "authorized" biography.<sup>105</sup> Nominative fair use reasons similarly that there can be no liability without an express misrepresentation.

Trademark owners increasingly make claims that their mark's presence in expressive works, such as movies, implies an affiliation between the movie maker and the trademark owner. After all, the reasoning goes, product placement is so common these days that consumers may well assume that products appear as a result of a deal. So the makers of the Slip 'N Slide sued the studio behind *Dickie Roberts: Former Child Star* over a scene in which the protagonist suffers greatly from misusing a Slip 'N Slide,<sup>106</sup> and the makers of Caterpillar tractors sued Disney over a scene in *George of the Jungle* in which the villains use Caterpillar tractors to threaten the existence of the jungle.<sup>107</sup> A firmly enforced explicit/implicit line makes clear that courts ought to toss

---

<sup>103</sup> 15 U.S.C. § 1125(a)(1)(B).

<sup>104</sup> 875 F.2d 994, 996 (2d Cir. 1989).

<sup>105</sup> *Id.* at 999.

<sup>106</sup> *Wham-O, Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 1257-58 (N.D. Cal. 2003).

<sup>107</sup> *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 916-17 (C.D. Ill. 2003).

out these cases immediately on a motion to dismiss, which ideally would deter plaintiffs from bringing such cases in the first place.

But if courts are going to use explicit claims about affiliation as a dividing line, they need to recognize the conceptual weakness behind the distinction and defend the line on pragmatic grounds. Otherwise, defendants will always be vulnerable to the trademark owner's argument that the rule at issue depends on the (presumed) absence of confusion, and that if the trademark owner can convince the court that confusion is likely in some particular case, the rule must not apply.<sup>108</sup> Such circumstances occurred in the *Abdul-Jabbar* case discussed in Section II.A.

As a result of this empirical wobbliness, the Ninth Circuit has demonstrated substantial incoherence in applying nominative fair use, at times apparently putting the burden on defendants to show absence of confusion—surely a perverse result given the doctrine's expression-protecting origins. One panel has said, for example, that “whereas plaintiff carries the burden of persuasion in a trademark infringement claim to show likelihood of confusion, the nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion.”<sup>109</sup>

Given that plaintiffs always have the burden of showing likely confusion,<sup>110</sup> a burden-shifting rule makes the nominative fair use defense worse than useless unless read carefully: the nominative fair use test has three elements, none of which appear in the traditional multifactor confusion test. It could reasonably be the defendant's burden to satisfy each element, including the final element that the defendant must do nothing else that *explicitly* misleads as to source. Once the defendant satisfies each element, the defendant has shown that confusion is unlikely as a matter of law. This interpretation preserves the

---

<sup>108</sup> Cf. *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 801 (9th Cir. 2003) (noting that, in a copyright case, Mattel offered a survey into evidence that purported to show that the majority of the public did not perceive a parodic message in the defendant's depictions of Barbie). The *Mattel* court rejected reliance on a survey for purposes of determining a fair use defense to copyright infringement, *id.*, but courts are less likely to do so in trademark cases. See, e.g., *Mut. of Omaha Ins. Co. v. Novak*, 648 F. Supp. 905, 911 (D. Neb. 1986) (“[T]he Court finds the survey to be credible evidence of a likelihood of confusion . . .”).

<sup>109</sup> *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 909 n.5 (9th Cir. 2003) (citation omitted); see also *Abdul-Jabbar v. Gen. Motors Corp.*, 85 F.3d 407, 412-13 (9th Cir. 1996) (noting the difficulty of applying nominative fair use to a traditional thirty-second television ad that mentions a celebrity's name).

<sup>110</sup> See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118-21 (2004).

force of *New Kids*.<sup>111</sup> Because of the test's continued references to confusion, however, not all courts have understood how it should work.<sup>112</sup> Judge Kozinski has recently tried again, concluding that under recent Supreme Court precedent, a defendant "need only show that it used the mark to refer to the trademarked good," after which the burden "reverts" to the plaintiff to show that the use was not nominative.<sup>113</sup>

One can trace this back and forth in the analysis to the insistence that nominative uses are not and never will be confusing as a matter of empirical reality, which persists in Judge Kozinski's current reasoning and leads him to some convoluted formulations.<sup>114</sup> Conflating the normative (this is not the kind of confusion worth stopping, even if it exists) and the descriptive (this is not confusing) makes nominative

<sup>111</sup> See *supra* Section II.A for further discussion of this case.

<sup>112</sup> See, e.g., *Chambers v. Time Warner*, No. 00-2839, 2003 WL 749422, at \*3 (S.D.N.Y. Mar. 5, 2003) (asserting that the third element of the nominative fair use defense requires that the use of the trademark not create a likelihood of confusion as to the markholder's sponsorship, endorsement, or affiliation); cf. *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222-31 (3d Cir. 2005) (revising nominative fair use because of this conceptual lack of clarity); *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc.*, 634 F. Supp. 2d 1226, 1241 (D. Colo. 2009) (criticizing the Ninth Circuit's test for putting the burden on the defendant).

<sup>113</sup> *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1183 (9th Cir. 2010).

<sup>114</sup> Among these formulations was equating the burden of showing that a use was not nominative with the burden of showing that the use was confusing. See *id.* at 1182-83. This equation creates a tension with the decision's statement that the nominative use test replaces the standard multifactor confusion test and cannot be used with it sequentially. See *id.* at 1182. Apparently a trademark plaintiff must show that the use is likely to confuse by showing that the use, while nominative, uses more of the mark than necessary or suggests source or sponsorship. This raises two significant questions. First, why should we believe that using more of a mark than necessary is likely to cause confusion? Notably, Judge Kozinski stated that doing so "might" cause confusion, a lower standard than "likely" confusion, and yet he still seemingly presumed that flunking the nominative fair use test made confusion likely. See *id.* at 1181 ("[U]se of the stylized Lexus mark and 'Lexus L' logo was more use of the mark than necessary and suggested sponsorship or endorsement by Toyota . . . [T]hose visual cues might lead some consumers to believe they were dealing with an authorized Toyota affiliate."). Second, if the nominative fair use test replaces the standard multifactor confusion test, how is a court supposed to analyze whether a nominative use suggests source or sponsorship? The *Tabari* court made clear that something less than explicit claims of officialness would satisfy the third factor. With respect to domain names, the court explained that "naked" use of a trademark, or a trademark plus a geographic indicator, as a domain name would not be nominative fair use. *Id.* at 1177-79. Though the opinion didn't use the term, the reasoning is apparently that the necessary implication of domain names such as trademark.com, e-trademark.com, and trademark-usa.com is that the site comes from the trademark owner, whereas no such necessary implication comes from more contextually ambiguous domain names such as trademarkdealer.com. See *id.* ("Because the official Lexus site is almost certain to be found at *lexus.com* . . . it's far less likely to be found at other sites containing the word Lexus.").

fair use difficult to navigate. We would be better off abandoning the descriptive basis in favor of error-cost and free speech grounds.

In fact, a rule that limits trademark suits against expressive works to explicit misrepresentations is fully defensible on such grounds, especially given the chilling effect of threats and the expense of judicial determinations.<sup>115</sup> If implicit messages are usually not deceptive, then even if courts decide individual cases correctly most of the time, there will be too many false positives and judicial intervention will on balance be bad for the overall level of truth in the system.

The Supreme Court relied on this cost-benefit reasoning in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, a trademark case holding that product design could only be protected under trademark law upon a showing of secondary meaning.<sup>116</sup> In other words, plaintiffs could not produce a striking design and then immediately claim trademark protection, on the theory that consumers would automatically assume that two similar striking designs came from the same source. Word marks do allow such immediate protection. For example, consumers would automatically assume that two products branded “Zyrtec” come from the same source, even if they were otherwise unfamiliar with the term. This phenomenon—immediate communication of source-identifying significance even for a consumer who has never encountered the mark before—is called “inherent distinctiveness.”<sup>117</sup>

Although some product designs might be inherently distinctive, the Court thought that this was highly unlikely and that the average case would not involve an inherently distinctive design.<sup>118</sup> To understand the underlying rationale, consider why universal screening for rare conditions may not be cost-justified even with a very good test:

Bayes’ Theorem explains problems that trip up the uninitiated, such as whether to trust the result of a Human Immunodeficiency Virus (“HIV”) test that correctly detects the virus in 98% of infected people while producing false-positives for only 0.2% of uninfected people. The HIV test is said to have a sensitivity of 98% and a specificity of 99.8%, far better than most medical tests. Juries convict defendants beyond a reasonable doubt on weaker evidence. Yet no doctor should rely on this test to determine that a patient has HIV.

---

<sup>115</sup> See Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2123-43 (2004) (exploring the structuring role of enforcement costs in trademark law).

<sup>116</sup> 529 U.S. 205, 216 (2000).

<sup>117</sup> *Id.* at 210-11.

<sup>118</sup> *Id.* at 214.

Why? Because, as Bayes' Theorem explains, the reliability of any observation depends on both the accuracy of the test itself and the rate at which the measured event occurs in the world. . . . [V]ery few Americans, about one in 3000, are infected with the HIV virus. Therefore, even if only 0.2% of the uninfected people register as false positives, those false positives will far outnumber the true positives; of the people who test positive for HIV, only 14.8% actually have the disease. . . . [T]he test is both very accurate and very unreliable.<sup>119</sup>

Product designs, according to the Court, are unlikely to be inherently distinctive.<sup>120</sup> Were it possible for a plaintiff to allege that its design was one of the few that are inherently distinctive without facing the more difficult and expensive hurdle of showing secondary meaning, the threat of suit would deter competitors from copying designs that were in fact available to use. This is so even if courts are skilled at sorting designs that are inherently distinctive from designs that aren't and even if defendants are rational risk-takers who predict outcomes successfully. Like the HIV test discussed above, the judicial system can be "very accurate and very unreliable." The low base rate of inherent distinctiveness in the relevant population means that there will be more false positives than true positives, such that the average plaintiff's victory will be erroneous. Allowing lawsuits in this circumstance would harm

---

<sup>119</sup> Brent S. Mitchell, Book Note, 11 HARV. J.L. & TECH. 269, 272 (1997) (reviewing KENNETH R. FOSTER & PETER W. HUBER, *JUDGING SCIENCE: SCIENTIFIC KNOWLEDGE AND THE FEDERAL COURTS* (1997)) (citations and footnote omitted); see also Edward M. Chen et al., *Common Law Privacy: A Limit on an Employer's Power to Test for Drugs*, 12 GEO. MASON L. REV. 651, 688-89 (1990) ("Accepted statistical theory (Bayes' Theorem) holds that the proportion of false positives will be high when the prevalence of drug use in the tested population is low. . . . When applied to a population in which only five percent use drugs, the predictive value [of a ninety-five percent accurate drug test] drops to fifty percent—i.e., fully half of the positive tests reported will be false."); Boaz Sangero & Mordechai Halpert, *Why a Conviction Should Not Be Based on a Single Piece of Evidence: A Proposal for Reform*, 48 JURIMETRICS J. 43, 50 (2007) ("Our initial—very mistaken—intuition that, since the [example] test's accuracy is 99.9%, there is only a 0.1% probability that Mr. Smith is not a carrier . . . derives from what is referred to in psychological literature as the 'base rate fallacy' or 'base rate neglect.'").

<sup>120</sup> Underlying the Court's reasoning may have been the intuition that, as word marks are generally available to indicate source, consumers turn to word marks first when trying to find a source identifier on a product. Empirical research supports this premise. See, e.g., Lee et al., *supra* note 48, at 1075-78 (finding that consumers tend to perceive words prominently placed on products as trademarks). The availability of word marks also decreases the cost of error: if the Court is wrong and product designs routinely do serve as inherently distinctive indicators of source, the word marks on the products will help correct consumers' misimpressions.

competition without adding significant protections against deception. The game, the Supreme Court concluded, “wasn’t worth the candle.”<sup>121</sup>

The same base-rate analysis also provides a justification for refusing to entertain claims that certain statements are implicitly misleading or confusing. If statements about a trademark are on their face true or nonfalsifiable—it was neither true nor false that Caterpillar tractors menaced the fictional jungle—and we believe consumers are unlikely to read more into them, then individualized confusion inquiries will produce more mistaken decisions than a blanket rule denying trademark owners the possibility of relief.<sup>122</sup>

### 3. Other Costs of Protecting Consumers

A related reason to choose an explicit/implicit line for trademark references is that a statement may be informative to enough people, and difficult to express in a less misleading way, such that the informational benefits outweigh the costs of any confusion.<sup>123</sup> Consider nominative fair use again: it would be difficult to talk about the Chicago Bulls truthfully without using the word “Bulls.” The explicit/implicit divide preserves the ability to make truthful statements about trademarked products and services without awkward and unnatural workarounds. By contrast, a statement about one’s food processor can almost certainly be reworded in a variety of nonmisleading ways.

This consideration of the benefits of a message to those nonconfused consumers is an instance of a larger point: other policies compete with protecting consumers against deception. These policies include free competition, preservation of the freedom to copy uncopyrighted and unpatented articles guaranteed by the copyright and pa-

---

<sup>121</sup> *Wal-mart*, 529 U.S. at 214; see also Bone, *supra* note 115, at 2130-33 (suggesting that a presumption of secondary meaning with respect to inherently distinctive marks can be justified by its cost-reducing effect on litigation).

<sup>122</sup> See *Pharmacia Corp. v. Alcon Labs., Inc.*, 201 F. Supp. 2d 335, 358-59 (D.N.J. 2002) (rejecting a statistical model with ninety-three percent accuracy as a means of predicting trademark confusion because low base rates meant that predicted confusion would be a false positive over ninety-nine percent of the time); McGeeveran, *supra* note 32, at 114 (“[W]e can identify certain recurring types of expressive uses where a finding of no confusion is very likely overall . . . . An occasional false negative—that is, an erroneous finding of no liability for an expressive use that did cause some amount of consumer confusion—would be tolerable if it happened fairly infrequently and the degree of confusion were acceptably small.”).

<sup>123</sup> See Craswell, *supra* note 39, at 594 (discussing the “subtle costs” of “eliminating misrepresentation,” namely, the loss of truthful and useful information).



patent laws, and free expression.<sup>124</sup> Because of these policies, not all types of consumer confusion are worth guarding against.<sup>125</sup> Graeme Austin argues that nominative fair use simply removes potentially confused consumers from the analysis in the service of other policy goals.<sup>126</sup> In a slightly different fashion, the same can be said of descriptive fair use, which allows sellers to use trademarked terms for their dictionary meaning; for example, “sweet-tart” can be used to describe the taste of a cranberry drink, despite the existence of trademarked SweetTarts candy.<sup>127</sup> The Supreme Court held in *KP Permanent* that the policy of promoting free competition required the law to tolerate a higher level of consumer confusion from descriptive fair use than the law would otherwise allow.<sup>128</sup>

Once these considerations are in the open, we can formulate a better account of why trademark law should refuse to consider alleged consumer confusion in particular circumstances. Pretending that explicit falsity is the only kind of falsity that can mislead consumers, by contrast, is dishonest and vulnerable to empirical disproof by clever trademark owners. Giving more attention to policies that compete with the desire to protect consumers from all kinds of confusion also invites us to examine more carefully trademark owners’ confusion claims: Confusion over what? And with what harm? This Article takes up these questions below, after discussing how false advertising doctrine should deal with implications.

#### D. A More Persuasive Role for Implications in False Advertising

As explained in Section II.B, in cases of implicit falsity, a false advertising plaintiff must prove consumer deception with consumer perception evidence, which almost necessarily means an expensive, hotly contested survey.<sup>129</sup> In cases of explicit falsity, deception is presumed.

<sup>124</sup> See, e.g., *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33 (2003).

<sup>125</sup> See, e.g., *Bos. Duck Tours, LP v. Super Duck Tours, LLC*, 531 F.3d 1, 25 (1st Cir. 2008) (holding that confusion stemming from use of a generic term isn’t the type of confusion against which trademark law should protect).

<sup>126</sup> See Graeme W. Austin, *Tolerating Confusion About Confusion: Trademark Policies and Fair Use*, 50 ARIZ. L. REV. 157, 175 (2008).

<sup>127</sup> See *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1058-59 (7th Cir. 1995).

<sup>128</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 119, 121-22 (2004).

<sup>129</sup> See cases cited *supra* note 57; see also *Oscar Mayer Foods Corp. v. Bryan Foods, Inc.*, No. 89-0364, 1989 WL 164358, at \*2 (N.D. Ga. July 20, 1989) (finding that sales

False advertising's rigid distinction is mitigated somewhat by the doctrines of puffery and falsity by necessary implication, the former of which allows courts to dismiss explicit falsity claims when the advertisement at issue is too unbelievable,<sup>130</sup> and the latter of which allows courts to treat implicit claims as if they were explicit.<sup>131</sup> Although these doctrines have moderating effects, because they are not part of a coherent understanding of implication, they add unpredictability and occasionally lead courts to ignore actual confusion evidence.

It would be more coherent to adopt the trademark rule that surveys are helpful, but not required, when other factors strongly favor a finding of likely confusion.<sup>132</sup> Given that communication is routinely

representatives' testimony was "of little significance in a false advertising case" because confusion "must be proven by relevant market research and consumer surveys"). Non-survey evidence of actual deception can be hard to find because consumers are unlikely to complain in a way that leaves discoverable records. *Cf. Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1050 (9th Cir. 1999) ("[D]ifficulties in gathering evidence of actual confusion make its absence generally unnoteworthy.").

<sup>130</sup> *See, e.g., Time Warner Cable, Inc. v. DirectTV, Inc.*, 497 F.3d 144, 160-61 (2d Cir. 2007) (finding that DirecTV's commercial depiction of its competitors' cable television service qualified as puffery because, although it was "inaccurate," it was "not even remotely realistic"); *Pizza Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 497 (5th Cir. 2000) ("[N]on-actionable '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."); *Tylka v. Gerber Prods. Co.*, No. 96-1647, 1999 WL 495126, at \*8 (N.D. Ill. July 1, 1999) (holding that claims that Gerber's baby food was the "most nutritious" available were "meaningless sales patter" because they were general, vague, and all-encompassing); *Gillette Co. v. Norelco Consumer Prods. Co.*, 946 F. Supp. 115, 131 (D. Mass. 1996) (finding that exaggerations about pain from using competitor's razor were puffery); *Am. Express Travel Related Servs. Co. v. MasterCard Int'l Inc.*, 776 F. Supp. 787, 790 (S.D.N.Y. 1991) (finding that exaggerations about difficulty of finding an ATM machine that accepted competitor's bank card were puffery).

<sup>131</sup> *See supra* text accompanying note 70.

<sup>132</sup> Lee Goldman bases his support for this view in the expertise of judges.

The unwillingness to allow judges to interpret advertisements for themselves demeans judicial expertise and experience. Courts are well-trained in interpreting language and its effects. Contract interpretation and statutory construction regularly require judges to finely parse language. In the field of libel, "trial courts have a significant role in establishing the meaning of challenged communications." In trademark cases under section 43(a) of the Lanham Act, courts routinely find a likelihood of confusion without considering survey evidence.

Goldman, *supra* note 12, at 521-22 (footnote omitted) (quoting Arthur Best, *Controlling False Advertising: A Comparative Study of Public Regulation, Industry Self-Policing, and Private Litigation*, 20 GA. L. REV. 1, 43 (1985)).

implicit, and that—as advertisers well know—consumers draw predictable inferences from nonexplicit statements, we should reconceive the implicit/explicit dichotomy as a continuum.<sup>133</sup> In other areas of the law, factfinders can look at context, including expert testimony or any other relevant evidence that would help establish the meaning of a claim or term.<sup>134</sup> When a consumer is likely to receive a false message, a court should be able to act even without a survey in hand, just as the Federal Trade Commission (FTC) and the National Advertising Division of the Better Business Bureau do in evaluating challenged ads.<sup>135</sup> If cell phone ads consistently use white space on a map to denote areas of

---

Gregory Klass, as part of a taxonomy of the law of information, argues that interpretive methods using ordinary rules of communication and implicature can be used to determine whether claims are false. Gregory Klass, *Meaning, Purpose and Cause in the Law of Information*, 100 GEO. L. J. (forthcoming Jan. 2012) (manuscript at 28), available at <http://ssrn.com/abstract=1756831>. By contrast, empirical techniques examining probalistic responses among large groups are suited to regulations where consumers' reactions are counter- or nonintuitive. *Id.* (manuscript at 37-38). Klass suggests that courts' endorsement of survey requirements in Lanham Act cases represents an acknowledgement that the latter, "causal-predictive" empiricist approaches can be appropriate in the Lanham Act context, *id.* (manuscript at 50), but does not argue that the explicit/implicit divide is the best way to operationalize a balance between interpretive and causal-predictive methods, *id.* (manuscript at 54).

<sup>133</sup> Charlotte Taylor explains a similar dilemma in the context of the expressness requirement in First Amendment incitement doctrine.

Once an expressness requirement no longer tracks the distinction between high- and low-value speech in even a crude manner, it comes to seem disturbingly arbitrary.

. . . If we cease to believe that an expressness requirement tracks value or allows us to prevent a reasonable portion of the relevant harm, we may find ourselves unwilling to make the compromises it entails, no matter how much we care about constraining government discretion and providing adequate notice to speakers.

Taylor, *supra* note 67, at 399-400.

<sup>134</sup> See, e.g., *United States v. Farinella*, 558 F.3d 695, 700 (7th Cir. 2009) (concluding that to prove fraudulent misrepresentation for the purposes of establishing misbranding under the Federal Food, Drug, and Cosmetic Act § 301(a), 21 U.S.C. § 331(a) (2006), amended by Pub. L. No. 111-353, § 102, 124 Stat. 3885, 3888 (2010), "a jury must be given evidence about the meaning (unless obvious) of the representation claimed to be fraudulent").

<sup>135</sup> See, e.g., *In re Kraft, Inc.*, 114 F.T.C. 40, 105 (1991) ("Whether implied claims . . . are deceptive may be determined by the Commission relying on its own expertise. . . . If the Commission is confident that the language of an ad contains an implied claim, it will rely upon its own interpretation, and it has often done so; otherwise, it looks to extrinsic evidence to confirm that its reading of the ad is reasonable . . . ."); Best, *supra* note 132, at 15 & n.55 (comparing enforcement standards under the Lanham Act with those of the FTC and the Better Business Bureau); see also *supra* note 67 (discussing the discretionary judgment of these regulators).

no coverage, and an advertiser colors large areas of its competitor's coverage area white, for example, a court should be able to find deception in context even without a consumer survey and even if the advertiser notes what it means in fine print.<sup>136</sup> Likewise, if a beverage maker advertises as a central product benefit that its drink has added calcium and magnesium and its competitor's doesn't, and if the amounts added are actually so small as to have no effect, then a court should be able to find likely deception rather than holding that the ad is literally true, albeit "meaningless," and can't be enjoined without a survey.<sup>137</sup>

The empirical failings of the explicit/implicit divide are compounded by the problems it creates for litigators. Surveys are not an ideal way of ensuring accuracy in false advertising cases. As trademark cases recognize, consumer surveys are expensive,<sup>138</sup> putting relief from truly misleading claims out of the reach of smaller businesses. When surveys are present, courts often disparage them as imperfect and biased.<sup>139</sup> Jennifer Mnookin has pointed out that abstract reverence

<sup>136</sup> See Transcript of Temporary Restraining Order Proceedings at 36-40, AT&T Mobility, LLC v. Cellco P'ship, No. 09-3057 (N.D. Ga. Nov. 18, 2009), ECF No. 27 (explaining confusion caused by white space in mobile-phone ads and arguing that the ads should be enjoined).

<sup>137</sup> See *Stokely-Van Camp, Inc. v. Coca-Cola Co.*, 646 F. Supp. 2d 510, 527 (S.D.N.Y. 2009) (holding that the plaintiff must show evidence that the defendant's sports drink ads were misleading consumers).

<sup>138</sup> See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999) ("[C]onsumer surveys[] . . . are expensive, time-consuming and not immune to manipulation."), *abrogated on other grounds by Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *Johnson v. Revenue Mgmt. Corp.*, 169 F.3d 1057, 1063 (7th Cir. 1999) (Eschbach, J., concurring) ("[S]urvey evidence in trademark and trade dress cases can be very costly."); *Lon Tai Shing Co. v. Koch + Lowy*, No. 90-4464, 1990 U.S. Dist. LEXIS 19123, at \*58 n.15 (S.D.N.Y. 1990) (stating that the 1990 cost of conducting a proper consumer survey in a trademark dispute could reach \$65,000); Robert C. Bird, *The Impact of the Moseley Decision on Trademark Dilution Law*, 26 J. PUB. POL'Y & MARKETING 102, 104 (2007) (noting that surveys can cost as much as \$100,000 to administer); Jane Shay Wald, *Look Before You Leap: Some Considerations Before Filing a Trademark Suit* ("Trademark litigation is expensive and getting more so. Costs of survey experts alone can approach six figures, depending on the scope of the survey."), in UNDERSTANDING TRADEMARK LAW 2010, at 297, 299 (PLI Intellectual Prop., Course Handbook Series No. G-1009, 2010); cf. *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 951 (3d Cir. 1993) (noting, in the course of holding that literal falsity obviates the need for a survey, that obtaining surveys is a "time consuming and expensive task").

<sup>139</sup> See, e.g., *Indianapolis Colts, Inc. v. Metro. Balt. Football Club Ltd. P'ship*, 34 F.3d 410, 416 (7th Cir. 1994) (disparaging the "survey researcher's black arts"); *Facenda v. N.F.L. Films, Inc.*, 488 F. Supp. 2d 491, 513 (E.D. Pa. 2007) ("[P]utting together and executing a survey is an expensive and dubious proposition. . . . Further, just as . . . anecdotal evidence of confusion is 'frequently discounted as unclear or insubstantial,' the same is true for surveys. The expense that a survey entails will go all for nothing if the court will not accept its methodology. . . . Because it would have been

for the scientific method often leads courts to discount actual science, which is inevitably messier and more imperfect than the ideal, even though such methods may meet scientific standards for reliability.<sup>140</sup> In advertising law, courts' abstract reverence for survey evidence cuts off factfinding when surveys are absent but savages those surveys when they're present. Even, and perhaps especially, if the latter reaction is correct, refusing to assess likely deception using nonsurvey contextual factors makes little sense. Requiring or heavily weighting surveys makes sense when there is good reason to fear overreaching by plaintiffs; a survey requirement is in many ways a deterrent to bringing a claim in the first place. Now, however, we require surveys in false advertising cases even though the explicit/implicit divide isn't a helpful guide to anticompetitive or otherwise unwarranted claims, given the role of implication in communicating meaning generally.

Abandoning a bright-line survey requirement would also improve consistency in the law. As noted above, false endorsement cases under the Lanham Act, which involve claims by a celebrity that she has falsely been made to appear to endorse a particular product, straddle the line between false designations of sponsorship or affiliation (trademark) and false representations of fact (false advertising).<sup>141</sup> The flexible use

---

difficult, cost-preclusive, and risky for Facenda to have obtained evidence of actual confusion, I cannot weigh the lack of this evidence too heavily against him." (quoting *R.L. Polk & Co. v. InfoUSA, Inc.*, 230 F. Supp. 2d 780, 791 (E.D. Mich. 2002))), *aff'd in part*, 542 F.3d 1007 (3d Cir. 2008); *L & F Prods. v. Procter & Gamble Co.*, 845 F. Supp. 984, 995 (S.D.N.Y. 1994) (noting that survey experts "possess technical and linguistic skills that can . . . structure the language and methodology of a survey to produce the most favorable possible results for a client"), *aff'd*, 45 F.3d 709 (2d Cir. 1995); *Am. Home Prods. Corp. v. Johnson & Johnson*, 654 F. Supp. 568, 582 (S.D.N.Y. 1987) ("It is difficult to believe that it was a mere coincidence that when each party retained a supposedly independent and objective survey organization, it ended up with survey questions which were virtually certain to produce the particular results it sought. This strongly suggests that those who drafted the survey questions were more likely knaves than fools."); *cf. Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 914 (Fed. Cir. 1984) ("[B]ecause evidence of actual confusion is difficult to produce and frequently discounted as unclear or insubstantial, 'this factor is weighed heavily only when there is evidence of past confusion, or perhaps, when the particular circumstances indicate such evidence should have been available.'" (citation omitted) (quoting *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 353 (9th Cir. 1979))).

<sup>140</sup> See Jennifer L. Mnookin, *Idealizing Science and Demonizing Experts: An Intellectual History of Expert Evidence*, 52 VILL. L. REV. 763, 767 (2007) ("Our desire to idealize science runs, I fear, rather deep; we do not actually want science to be muddy, complex, pragmatic, methodologically imperfect and messy. When the science offered in court is all of these things, as it so often is, we therefore tend to blame the science itself, rather than our own unrealistic desires.").

<sup>141</sup> *Compare Miramax Films Corp. v. Columbia Pictures Entm't, Inc.*, 996 F. Supp. 294, 295 (S.D.N.Y. 1998) (applying the literally false/misleading distinction to a sec-

of survey evidence would harmonize the two sections of the Lanham Act. A celebrity shown using a product in a standard advertising format presumably communicates an endorsement message, while other, more ambiguous situations should require consumer deception evidence before liability could be imposed.

Lanham Act precedent accepts different types of evidence to prove a contested point in other areas.<sup>142</sup> Most significantly, descriptive marks, such as “American” for airlines, signal some characteristic of the product or service; in order to promote competition, they are protected as trademarks only upon proof that consumers perceive them as indications of source, rather than as product information. This source-identification function is known as secondary meaning.<sup>143</sup> Proof of secondary meaning can come from surveys, but it need not. Other types of circumstantial evidence are well established as sufficient in appropriate cases.<sup>144</sup> Marks deemed inherently distinctive don’t require evidence of secondary meaning at all.<sup>145</sup> Falling into the categories of sug-

tion 43(a)(1)(A) claim) (order vacated on June 18, 1998), *with* *Allen v. Nat’l Video, Inc.*, 610 F. Supp. 612, 619 n.3, 628 (S.D.N.Y. 1985) (applying the trademark rule and citing prior cases doing the same).

<sup>142</sup> See *Nabisco*, 191 F.3d at 224 (“Plaintiffs are ordinarily free to make their case through circumstantial evidence that will justify an ultimate inference of injury. ‘[C]ontextual factors’ have long been used to establish infringement. We see no reason why they should not be used to prove dilution.” (alteration in original)). The specific holding in *Nabisco* that the federal dilution law did not require a showing of actual dilution was rejected by the Supreme Court in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), and subsequently restored by congressional amendment in the Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, § 2(1), 120 Stat. 1730, 1730-32 (codified at 15 U.S.C. § 1125(c) (2006)). However, this case still illustrates that circumstantial evidence is well accepted in other areas of the Lanham Act.

<sup>143</sup> See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2d Cir. 1976) (setting out the now-standard distinctiveness spectrum of marks from generic to arbitrary and fanciful).

<sup>144</sup> The Eighth Circuit in *Frosty Treats, Inc. v. Sony Computer Entertainment America, Inc.* succinctly captured the ways in which secondary meaning could be shown.

Although direct evidence such as consumer testimony or surveys are most probative of secondary meaning, it can also be proven by circumstantial evidence. Circumstantial evidence such as the exclusivity, length and manner of use of the mark; the amount and manner of advertising; the amount of sales and number of customers; the plaintiff’s established place in the market; and the existence of intentional copying could also establish secondary meaning.

426 F.3d 1001, 1005-06 (8th Cir. 2005) (citation omitted).

<sup>145</sup> See, e.g., *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776 (1992) (holding that a finding of inherent distinctiveness of trade dress removes any need to show secondary meaning); *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 291 (3d Cir. 1991) (“Where a mark has not been federally registered or has not achieved

gestive (only related to the underlying good or service at issue with the exercise of some imagination, like Venus for beauty salons), arbitrary (unrelated to the good or service at issue, like Apple for computers), or fanciful (made up, like Viagra) is equivalent to un rebuttable evidence that consumers are likely to perceive a symbol as a mark. In a way, these semantic categories are the ultimate in circumstantial evidence.

Even with pure false advertising, text, structure, or history hardly dictate the survey requirement. Older cases didn't divide so rigidly between false and misleading claims.<sup>146</sup> Courts should be more willing to use common sense in finding deceptiveness, as they were in the past.<sup>147</sup> In 1982, before doctrinal rigidity set in, the Third Circuit recognized that the real task before a court in a false advertising case was to use "pragmatic analysis," which "aims to explain 'how it is that speakers of any language can use the sentences of that language to convey messages which do not bear any necessary relation to the linguistic content of the sentence used.'"<sup>148</sup> In performing this task, many sources of evidence, from expert testimony to consumer surveys, can provide guidance.

The existing false/misleading divide has been a frustrating, expensive, and not particularly productive doctrinal development. False

incontestability, validity depends on proof of secondary meaning, unless the unregistered or contestable mark is inherently distinctive.")

<sup>146</sup> The Southern District of New York case of *McNeilab, Inc. v. American Home Products Corp.* typifies this lack of rigidity.

Though the court's *own* reaction to the advertisements is not determinative, as finder of fact it is obliged to judge for itself whether the evidence of record establishes that *others* are likely to be misled or confused. In doing so, the court must, of course, rely on its own experience and understanding of human nature in drawing reasonable inferences about the reactions of consumers to the challenged advertising.

501 F. Supp. 517, 525 (S.D.N.Y. 1980); *see also* *Ragold, Inc. v. Ferrero, U.S.A., Inc.*, 506 F. Supp. 117, 125 (N.D. Ill. 1980) ("[I]t is the reaction of the group to which the advertisement is directed that is dispositive. . . . [T]his does not mean that the trial judge is bound by the conclusions of market analysts or other expert witnesses . . ." (citation omitted)).

<sup>147</sup> A nice example of a court reasoning more pragmatically is *Pacheco Ross Architects, P.C. v. Mitchell Associates Architects*, in which the court held that plaintiffs could prove deceptiveness with survey evidence, evidence of actual confusion, or "argument based on an inference arising from a judicial comparison of the claims and the context of their use in the marketplace." No. 08-0466, 2009 WL 1606066, at \*2 (N.D.N.Y. June 8, 2009); *see also* *Energy Four, Inc. v. Dornier Med. Sys., Inc.*, 765 F. Supp. 724, 729-30 (N.D. Ga. 1991) (accepting testimony from experts in the field about the meaning that medical professionals attached to "catastrophic failure" and finding that the advertiser's claim that the competitor's product had suffered "catastrophic failure" was literally false even though a technical engineering definition of the phrase was literally true).

<sup>148</sup> *Am. Home Prods. Corp. v. FTC*, 695 F.2d 681, 689 n.13 (3d Cir. 1982) (quoting RUTH M. KEMPSON, *SEMANTIC THEORY* 68 (1977)).

advertising law could benefit from trademark's stance towards direct evidence of confusion: a recognition that this evidence is helpful but not dispositive.

### III. WHAT TRADEMARK SHOULD LEARN FROM FALSE ADVERTISING: MATERIALITY

The previous Part criticized some shortcuts found in trademark law, but ultimately concluded that they could be justified on different grounds. To the extent that this Article might have been taken to support trademark expansionism by arguing that implicit messages can lead to confusion in the right circumstances, I will now vigorously reject any such implication. Regardless of what message consumers receive from the words and images in an ad, a far more important issue is what messages affect their decisions in identifiable ways. While false advertising recognizes this distinction, trademark law largely does not, to the great detriment of the latter.

#### A. *False Advertising Precedents*

To be actionable under section 43(a)(1)(B), a falsehood must be "material": it must be likely to affect a reasonable consumer's purchasing decision.<sup>149</sup> "The materiality requirement is based on the premise that not all deceptions affect consumer decisions."<sup>150</sup> Materiality, among other concepts, allows courts to bless certain ad claims on their face as nonactionable puffery.<sup>151</sup> As an empirical matter, puff-

---

<sup>149</sup> See, e.g., *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1226 (11th Cir. 2008) (holding that plaintiffs met their burden of showing that deception influenced their decision to purchase medical equipment, because the manufacturer's claims, if they had been true, could have been used to attract patients); *William H. Morris Co. v. Grp. W, Inc.*, 66 F.3d 255, 258 (9th Cir.) (holding that a letter from the distributor of a dietary supplement did not affect purchasing decisions because only three percent of pharmacists interviewed interpreted the letter as referring to plaintiff's product), *supplemented by* 67 F.3d 310 (9th Cir. 1995) (unpublished table decision); *U.S. Healthcare, Inc. v. Blue Cross of Greater Phila.*, 898 F.2d 914, 922 (3d Cir. 1990) (requiring that misrepresentations in ads be "likely to influence the purchasing decision[s]" of the public to satisfy the materiality requirement (quoting *Toro Co. v. Textron, Inc.*, 499 F. Supp. 241, 251 (D. Del. 1980))).

<sup>150</sup> *N. Am. Med. Corp.*, 522 F.3d at 1226 (quoting *Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*, 299 F.3d 1242, 1250 (11th Cir. 2002)).

<sup>151</sup> See, e.g., *Time Warner Cable, Inc. v. DirecTV, Inc.*, 497 F.3d 144, 159-60 (2d Cir. 2007) (discussing acceptable puffery, which includes statements of an advertised product's superiority that are too vague to prove).



ing works,<sup>152</sup> but it is the law that consumers are irrebuttably presumed not to rely on sufficiently vague or exaggerated claims.

The materiality requirement seems to have been obvious to courts applying the false advertising component of the Lanham Act, even before section 43(a) was amended to separate it into subsections (a)(1)(A) and (a)(1)(B).<sup>153</sup> The older test for false advertising was much simpler than the current doctrine: a plaintiff only needed to show falsity plus harm to prevail.<sup>154</sup> Materiality is an intuitive part of harm, because harm only comes when there is a causal link between the falsehood and consumers' behavior.<sup>155</sup> Materiality is now generally enumerated as a separate requirement in the more elaborate modern multifactor test for false advertising.<sup>156</sup> Some courts applying the Lan-

<sup>152</sup> See IVAN L. PRESTON, *THE GREAT AMERICAN BLOW-UP: PUFFERY IN ADVERTISING AND SELLING* 26, 181-84 (rev ed. 1996).

<sup>153</sup> In 1984, for example, a district court found a five-part test for false advertising, which included materiality as a factor, to be "well established" in the law. *Borden, Inc. v. Kraft, Inc.*, No. 84-5295, 1984 WL 1458, at \*12 (N.D. Ill. Sept. 28, 1984).

<sup>154</sup> See, e.g., *Ames Publ'g Co. v. Walker-Davis Publ'ns, Inc.*, 372 F. Supp. 1, 10-13 (E.D. Pa. 1974) (requiring plaintiff to show only falsity and likely damage).

<sup>155</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 3 (1995) (stating that a misrepresentation will be "to the likely commercial detriment of" the plaintiff if it is material (i.e., if "it is likely to affect the conduct of prospective purchasers") and if a reasonable basis exists for believing that the misrepresentation would likely divert trade from the plaintiff or harm its reputation or good will). The European Union has also recognized the relationship between materiality and consumer protection. In *Pall Corp. v. P.J. Dahlhausen & Co.*, the Court of Justice of the European Communities (now of the European Union) applied a version of materiality in holding that policies of protecting consumers against confusion couldn't justify a ban on the use of the "®" symbol where the trademark at issue was not registered in the country in which the product was sold. See Case C-238/89, *Pall Corp. v. P.J. Dahlhausen & Co.*, 1990 E.C.R. I-4827, I-4849 ("[E]ven assuming that consumers, or some of them, might be misled on that point, such a risk cannot justify so considerable an obstacle to the free movement of goods, since consumers are more interested in the qualities of a product than in the place of registration of the trade mark.").

<sup>156</sup> See, e.g., *B. Sanfield, Inc. v. Finlay Fine Jewelry Corp.*, 168 F.3d 967, 971 (7th Cir. 1999) ("[T]he plaintiff must show that the defendant (1) made a false or misleading statement, (2) that actually deceives or is likely to deceive a substantial segment of the advertisement's audience, (3) on a subject material to the decision to purchase the goods, (4) touting goods entering interstate commerce, (5) and that results in actual or probable injury to the plaintiff."), *aff'd*, 258 F.3d 578 (7th Cir. 2001). At one point, materiality was only a separate element when a claim was misleading, as opposed to false, in the formulations some courts used. See *Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 735 F. Supp. 597, 600 (D. Del. 1989) ("If the challenged claim is literally true, to prove that it is therefore deceptive or misleading . . . , plaintiff must prove the following: 1) that the statement is material because it is likely to influence purchasing decisions and 2) that the misrepresentation has a tendency to deceive the consumer."), *aff'd*, 902 F.2d 222 (3d Cir. 1990).

ham Act, including the Second Circuit, demand a showing that an advertiser “misrepresented an ‘inherent quality or characteristic’” of a product or service,<sup>157</sup> which is equivalent to materiality.<sup>158</sup>

Given the variety of products and services on the market, the number of possible material claims is almost infinite. A few litigated examples include a stand mixer’s speed and efficiency,<sup>159</sup> a tax preparer’s claim to offer instant “refunds” rather than instant loans against anticipated refunds,<sup>160</sup> and a representation that a product was EPA-approved.<sup>161</sup> Still, not every divergence between claim and reality is material. Courts have denied false advertising claims that were not central to an ad’s impact. Examples include overstatements of the number of the defendant’s real estate transactions by four percent;<sup>162</sup> statements about technical aspects of a product where those aspects were not generally understood by, nor were a significant concern of, purchasers;<sup>163</sup> statements that sports scores were updated “from the

<sup>157</sup> Nat’l Ass’n of Pharm. Mfrs., Inc. v. Ayerst Labs., 850 F.2d 904, 917 (2d Cir. 1988) (quoting Vidal Sassoon, Inc. v. Bristol-Myers Co., 661 F.2d 272, 278 (2d Cir. 1981)).

<sup>158</sup> See Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d 841, 855 (2d Cir. 1997).

<sup>159</sup> Hobart Corp. v. Welbilt Corp., No. 89-1726, 1989 WL 449696, at \*11 (N.D. Ohio Oct. 4, 1989).

<sup>160</sup> JTH Tax, Inc. v. H&R Block E. Tax Servs., Inc., 128 F. Supp. 2d 926, 940 (E.D. Va. 2001), *vacated in part on other grounds*, 28 F. App’x 207 (4th Cir. 2002).

<sup>161</sup> Performance Indus. Inc. v. Koos Inc., No. 90-6435, 1990 WL 161253, at \*3 (E.D. Pa. Oct. 17, 1990).

<sup>162</sup> *In re Century 21-RE/MAX Real Estate Adver. Claims Litig.*, 882 F. Supp. 915, 928 (C.D. Cal. 1994); *see also* Black & Decker (U.S.) Inc. v. Pro-Tech Power Inc., 26 F. Supp. 2d 834, 863 (E.D. Va. 1998) (finding that a claim that a miter saw operated at “4,000 RPM” was not false because, although a test clocked the actual speed at 3650 RPM, this was “an acceptable variance speed”); Borden, Inc. v. Kraft, Inc., No. 84-5295, 1984 WL 1458, at \*12 (N.D. Ill. Sept. 28, 1984) (finding immaterial the difference between the actual 4.6 ounces of milk used to make some cheese food slices and the advertised 5.0 ounces where the majority of the defendant’s slices were made with 5.0 ounces of milk).

<sup>163</sup> *See* Allen Organ Co. v. Galanti Organ Builders Inc., 798 F. Supp. 1162, 1168-70 (E.D. Pa. 1992) (electronic church-organ manufacturers), *aff’d*, 995 F.2d 215 (3d Cir. 1993) (unpublished table decision); *see also* Lasermaster Corp. v. Sentinel Imaging, 931 F. Supp. 628, 634 (D. Minn. 1996) (holding that a claim that the defendant’s inks provided “perfect color matching” to the plaintiff’s inks was not false because a normal person could not tell the difference from ten feet away, even though there might be differences if the images were examined very closely); Compaq Computer Corp. v. Procom Tech., Inc., 908 F. Supp. 1409, 1427 (S.D. Tex. 1995) (finding that claims that a product was “100% compatible” and “fully compatible” with the plaintiff’s products were not false, even though the advertiser’s products were slightly different, because the core claim of functionality between the products was true); Weight Watchers Int’l, Inc. v. Stouffer Corp., 744 F. Supp. 1259, 1278 (S.D.N.Y. 1990) (ruling that Stouffer’s claim that its frozen meals “fit into” the Weight Watchers dieting system of counting “food exchanges” was not false because the system was not exact and “minor discre-

arena” when they actually were taken from simultaneous broadcasts;<sup>164</sup> and a letter that warned of three lawsuits against a competitor’s product when there were only two lawsuits.<sup>165</sup>

Materiality can also be used more indirectly to evaluate the relevance of survey evidence that allegedly shows a likelihood of consumer confusion. When a survey question is sufficiently distant from the types of questions consumers are likely to ask themselves in real marketplace contexts, a court may decide that the meaninglessness of the question renders the answers unreliable and thus disregard the survey.<sup>166</sup> Likewise, statements can be of such marginal value to consumers that they are not false. One court found that an idiosyncratic “formula” that a vacuum cleaner manufacturer concocted to measure the cleaning power of its vacuums was completely unhelpful to consumers, but not false.<sup>167</sup>

In general, courts have evaluated materiality by inquiring whether, as a matter of common sense and the intended uses of the product or service, a claim is likely to be relevant to a purchasing decision.<sup>168</sup>

pancies” did not “materially affect” consumers’ abilities to fit Stouffer’s products into a Weight Watchers regimen).

<sup>164</sup> Nat’l Basketball Ass’n v. Sports Team Analysis & Tracking Sys., Inc., 939 F. Supp. 1071, 1110 (S.D.N.Y. 1996), *aff’d in part sub nom.* Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d 841 (2d Cir. 1997).

<sup>165</sup> William H. Morris Co. v. Grp. W, Inc., 66 F.3d 255, 257 (9th Cir. 1995), *supplemented by* 66 F.3d 310 (9th Cir. 1995).

<sup>166</sup> *See, e.g.*, Procter & Gamble Co. v. Kimberly-Clark Corp., 569 F. Supp. 2d 796, 804-05 (E.D. Wis. 2008) (concluding that a survey asking which of the parties’ diapers had a more “natural fit” posed an epistemological question that survey evidence could not satisfactorily answer).

<sup>167</sup> Royal Appliance Mfg. Co. v. Hoover Co., 845 F. Supp. 469, 480-83 (N.D. Ohio 1994).

<sup>168</sup> The Southern District of New York, for instance, displayed this commonsensical approach to materiality in its *National Basketball Ass’n* decision.

The statements as to the particular origin of game updates constitute nothing more than minutiae about SportsTrax, a reality demonstrated by their lack of prominence in the advertisements.

... The insignificance of the statement “from the arena” is illustrated further by omitting it entirely from the clause in which it is found. If that clause simply stated, “Nationwide game updates,” I find it difficult to envision (and NBA has not shown otherwise) that consumers suddenly would reassess their decisions to purchase SportsTrax.

939 F. Supp. at 1110, *aff’d in relevant part sub nom.* Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d at 855.

The FTC also has a developed law of materiality. A material claim is “important to a consumer’s decision to buy or use the product.” *Advertising Frequently Asked Questions: Answers for Small Business*, FTC, 3 (Apr. 2001), <http://business.ftc.gov/sites/default/>

Courts have often taken materiality for granted, especially when a claim is central to an advertising campaign or relates to health or safety. They have also developed various doctrines allowing them to presume materiality in cases of outright falsity or bad intent.<sup>169</sup>

In rare cases, courts have used materiality to express uncertainty about the effects of advertising writ large: one court thought that a cough syrup's claim to work instantly was not likely to be material because "[p]arents buy what their pediatrician or their own experience tells them is most effective."<sup>170</sup> More common, however, is the use of materiality to uphold requirements of truth-telling even when consumers might apply a general discount to factual claims. In a case involving prepaid phone cards—an industry fraught with misleading advertising—a court rejected survey evidence that most respondents didn't pay attention to ad claims about the number of minutes available on a card, presumably because they'd been burned many times before.<sup>171</sup> Despite the fraud-saturated market, the court ruled, factual statements about the number of minutes available went "so clearly to the purpose of the product" that they were material as a matter of law.<sup>172</sup>

Materiality can also help explain an otherwise puzzling and misguided line of cases, which began in the "1st Choice of Doctors" case, *Mead Johnson*, when the Seventh Circuit distinguished between claims that are "misleading" and claims that are merely "misunderstood" by consumers.<sup>173</sup> Only the former, the court ruled, can be found to violate the Lanham Act.<sup>174</sup> One way to read this holding is that the Lanham Act requires intentional falsity; "misleading" can imply a knowing

files/pdf/bus35-advertising-faqs-guide-small-business.pdf. "Examples of material claims are representations about a product's performance, features, safety, price, or effectiveness." *Id.* at 5.

<sup>169</sup> See, e.g., *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1146 (9th Cir. 1997) ("[P]ublication of deliberately false comparative claims gives rise to a presumption of actual deception and reliance." (quoting *U-Haul Int'l, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1040-41 (9th Cir. 1986))); *Johnson & Johnson v. GAC Int'l, Inc.*, 862 F.2d 975, 977 (2d Cir. 1988) (presuming materiality for literally false statements); *U-Haul Int'l*, 793 F.2d at 1040-41 (presuming material deception because an advertiser expended "substantial funds in an effort to deceive consumers and influence their purchasing decisions"); cf. FTC Policy Statement on Deception, *supra* note 90, at 175 n.5.

<sup>170</sup> *Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 735 F. Supp. 597, 601 (D. Del. 1989).

<sup>171</sup> *IDT Telecom, Inc. v. CVT Prepaid Solutions, Inc.*, No. 07-1076, 2009 WL 5205968, at \*9 (D.N.J. Dec. 28, 2009).

<sup>172</sup> *Id.*

<sup>173</sup> *Mead Johnson & Co. v. Abbott Labs.*, 201 F.3d 883, 886-87 (7th Cir.), *amended on denial of reh'g*, 209 F.3d 1032 (7th Cir. 2000) (per curiam).

<sup>174</sup> *Id.*

misstatement, whereas a consumer might misunderstand an innocent, well-meant claim. This distinction would be consistent with *Mead Johnson's* initial use of the language of intent,<sup>175</sup> though the court later amended the opinion to remove that language.<sup>176</sup> The amended opinion simply stated that “[m]isleading’ is not a synonym for ‘misunderstood,’”<sup>177</sup> without offering guidance on how to distinguish the two.

A better way to think about the difference between “misunderstood” and “misleading” claims is to focus on materiality. One may misunderstand a fact in the abstract: I could be wrong about the size of a computer’s hard drive. If I am misled, however, I am being *led*: induced, or at least potentially induced, to change my position based on my misunderstanding, as when I am more likely to buy the computer because of my belief about the size of its hard drive. It is the combination of misunderstanding and likelihood of action—materiality—that produces misleadingness. Understood in that way, *Mead Johnson's* distinction makes perfect sense (though one would still want to ask whether consumers cared about the difference between an infant formula preferred by a majority of doctors and an infant formula preferred by a majority of doctors who had a preference, since the difference might depend on the size of the cohort that had no preference). Without materiality, by contrast, there are only falsehoods a court is willing to enjoin and falsehoods it isn’t, leading to unpredictable and unprincipled results based on what a particular judge thinks is reasonable.<sup>178</sup>

---

<sup>175</sup> See *id.* at 886 (“A ‘misunderstood’ statement is not the same as one designed to mislead.”); see also *Register.com, Inc. v. Verio, Inc.*, 356 F.3d 393, 442 (2d Cir. 2004) (“To be actionable, Verio’s solicitations must have included *misleading* descriptions or representations of fact that are ‘calculated to be misunderstood’ in a manner that causes a likelihood of confusion . . .” (quoting BLACK’S LAW DICTIONARY 1015 (7th ed. 1999))).

<sup>176</sup> 209 F.3d at 1034. Not all later courts noticed the amendment; several courts have cited the omitted language. See, e.g., *Pernod Ricard USA LLC v. Bacardi U.S.A., Inc.*, 702 F. Supp. 2d 238, 251 (D. Del. 2010); *Merisant Co. v. McNeil Nutritionals, LLC*, 515 F. Supp. 2d 509, 527-28 (E.D. Pa. 2007); *McNeil-PPC, Inc. v. Pfizer Inc.*, 351 F. Supp. 2d 226, 254 (S.D.N.Y. 2005); *Hill’s Pet Nutrition, Inc. v. Nutro Prods., Inc.*, 258 F. Supp. 2d 1197, 1210 (D. Kan. 2003).

<sup>177</sup> *Mead Johnson*, 209 F.3d at 1034.

<sup>178</sup> In *AT&T Mobility, LLC v. Cellco Partnership*, the court denied an injunction against an ad that provided a false message about the cell coverage AT&T offered, even though coverage was a key product feature, because the court had “[no] doubt that a lot of people who have watched these ads have misunderstood.” Transcript of Temporary Restraining Order Proceedings, *supra* note 136, at 69-70. In contrast, the court in *McNeil-PPC, Inc. v. Pfizer Inc.* rejected *Mead Johnson's* distinction as inapplicable on the basis of consumer confusion surveys showing the same type of consumer miscomprehension as in *AT&T. McNeil-PPC, Inc.*, 351 F. Supp. 2d 226, 254 (S.D.N.Y. 2005).

The Seventh Circuit's attempt to focus on materiality in this somewhat confusing way is consistent with a general judicial trend of greater attention to materiality, albeit without a standardized vocabulary. The Fifth Circuit suggested that survey evidence of materiality was required in a false advertising case over the Papa John's slogan "Better Ingredients. Better Pizza."<sup>179</sup> The court confused material and misleading claims and mangled the implicit/explicit distinction that facially ambiguous claims require evidence that consumers actually *receive* the false implied message, whereas literally false claims are presumed to have been received.<sup>180</sup>

Though survey evidence of materiality is unlikely to be required in other cases,<sup>181</sup> *Pizza Hut* and cases like it show an increased attention to particularized evidence of materiality, such as statements from consumers that they care about a specific product claim.<sup>182</sup> Thus, in a case involving "100% pomegranate juice" that was in fact made mostly of other juices and added coloring, the court carefully went through evidence that consumers cared that a product whose name was "100% pomegranate juice" actually contained pomegranate juice.<sup>183</sup> Currently, clothes dryer manufacturers Whirlpool and LG are fighting a resource-intensive battle over whether consumers care about the difference between hot vapor injected into a dryer drum (steam) and cold water injected into a hot dryer drum (possibly steam or possibly something else).<sup>184</sup> The common sense that consumers care about health, safety, and prominent product claims in advertising is no longer enough to guarantee a victory for a plaintiff, though it will often suffice.<sup>185</sup>

<sup>179</sup> *Pizza Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 503-04 (5th Cir. 2000).

<sup>180</sup> *See id.* at 502-03 & n.13 (citing numerous cases about misleading claims as support for conclusions about materiality).

<sup>181</sup> *See LG Elecs. U.S.A., Inc. v. Whirlpool Corp.*, No. 08-0242, 2010 WL 3397358, at \*13 n.2 (N.D. Ill. Aug. 24, 2010) (citing cases showing that courts have not required expert testimony, much less survey evidence, on materiality); *JTH Tax, Inc. v. H&R Block E. Tax Servs., Inc.*, 128 F. Supp. 2d 926, 939 n.8 (E.D. Va. 2001) (noting that *Pizza Hut* conflated deceptiveness and materiality, declining to adopt a requirement of survey evidence to prove materiality, and reasoning that *Pizza Hut* ultimately required only "probative" evidence of materiality, rather than survey evidence), *vacated in part on other grounds*, 28 F. App'x 207 (4th Cir. 2002).

<sup>182</sup> *See LG Elecs. U.S.A.*, 2010 WL 2921633, at \*4-5 (allowing a materiality survey to contest a falsity survey).

<sup>183</sup> *POM Wonderful LLC v. Purely Juice, Inc.*, No. 07-02633, 2008 WL 4222045, at \*9, \*11-12 (C.D. Cal. July 17, 2008), *aff'd*, 362 F. App'x 577 (9th Cir. 2009).

<sup>184</sup> *LG Elecs. U.S.A.*, 2010 WL 3397358, at \*1.

<sup>185</sup> *See, e.g., Osmose, Inc. v. Viance, LLC*, 612 F.3d 1298, 1319 (11th Cir. 2010) (affirming the district court's conclusion that the materiality of claims about safety and efficacy of construction materials, as well as claims that a well-regarded independent

Despite this demand for greater particularity, materiality remains a matter of subjective consumer preference.<sup>186</sup> “[T]he public is entitled to get what it chooses, though the choice may be dictated by caprice or by fashion or perhaps by ignorance.”<sup>187</sup> Trademark law uses similar reasoning. Confusion over the source of goods, even if the defendant’s goods are of high quality and there is no objective difference between the products, interferes with consumers’ ability to make decisions based on experience with the trademark and to get their goods from a particular source of their choosing.<sup>188</sup> The Second Circuit has stated that

people like to get what they think they are getting, and courts have steadfastly refused in this class of cases to demand justification for their preferences. Shoddy and petty motives may control those preferences; but if the buyers wish to be snobs, the law will protect them in their snobbery.<sup>189</sup>

The Supreme Court, in a 1965 case brought by the FTC, explicitly linked trademark law to false advertising through the concept of subjective materiality.

In each [case] the seller has used a misrepresentation to break down what he regards to be an annoying or irrational habit of the buying public—

---

testing agency had verified those claims, was “self-evident”); *Aristotle Int’l, Inc. v. NGP Software, Inc.*, 714 F. Supp. 2d 1, 9-10 (D.D.C. 2010) (finding a material issue of fact as to materiality with regard to claims about partisanship due to testimony that political partisanship was important to customers of a political software firm, even though no customers identified partisanship as key).

<sup>186</sup> See *AT&T Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1428 n.9 (3d Cir. 1994) (holding that materiality should be assessed from the consumer’s perspective); *Fed. Express Corp. v. U.S. Postal Serv.*, 40 F. Supp. 2d 943, 952-53 (W.D. Tenn. 1999) (finding that the questions of whether claims to be a “company” and to offer delivery service “around the world” were material and required further factual development regarding consumer perceptions); *Oil Heat Inst. v. Nw. Natural Gas*, 708 F. Supp. 1118, 1123 (D. Or. 1988) (holding that a jury could reasonably conclude that claims regarding the amount of maintenance required by natural gas equipment were material).

<sup>187</sup> *FTC v. Algoma Lumber Co.*, 291 U.S. 67, 78 (1934). But see *Int’l Dairy Foods Ass’n v. Amestoy*, 92 F.3d 67, 73 (2d Cir. 1996) (holding that, as applied to commercial speech, mere consumer interest was not a substantial government interest justifying mandatory disclosure without a tie to health, safety, or a similar concern).

<sup>188</sup> See, e.g., *N.Y. Style Bagel Chip Co. v. That’s Entm’t, Inc.*, No. 90-7759, 1992 WL 46854, at \*10 (E.D. Pa. Mar. 9, 1992) (“[Q]uality generally is not an issue in a trademark infringement case. Even if the allegedly infringing product is far superior in quality and other desirable characteristics, the holder of a mark is entitled to stop the infringing action in order to protect consumer interests, that is, to protect consumers from confusion.”); *Gemveto Jewelry Co. v. Jeff Cooper, Inc.*, 613 F. Supp. 1052, 1064 (S.D.N.Y. 1985) (finding that, under New York law, the public has the right to accurate information as to a good’s source), *vacated on other grounds*, 800 F.2d 256 (Fed. Cir. 1986).

<sup>189</sup> *Benton Announcements, Inc. v. FTC*, 130 F.2d 254, 255 (2d Cir. 1942) (per curiam).

the preference for particular manufacturers or known brands regardless of a product's actual qualities, the prejudice against reprocessed goods, and the desire for verification of a product claim. In each case the seller reasons that when the habit is broken the buyer will be satisfied with the performance of the product he receives. Yet, a misrepresentation has been used to break the habit and[] . . . a misrepresentation for such an end is not permitted.<sup>190</sup>

### B. *Materiality in Trademark*

Forty-five years ago, the Supreme Court was confident that an infringing use of a mark would actually change consumer behavior by breaking consumers' ingrained habits. Infringement was, by definition, material. Courts occasionally made this connection between materiality and entitlement to relief explicit.<sup>191</sup> Unfortunately, this is no longer the case. Now, a likelihood of confusion about source, sponsorship, affiliation, or distant relationship between a plaintiff and a defendant regularly results in injunctive relief without any evidence that consumers care one whit about the relationship between the parties.<sup>192</sup> It's hard to imagine that consumers mistaken about Dairy Queen's involvement with a movie about midwestern beauty queens would consider that involvement a reason either to see the movie or to choose a different restaurant.

---

<sup>190</sup> *FTC v. Colgate-Palmolive Co.*, 380 U.S. 374, 389 (1965); *see also* *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942) ("A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants."), *superseded by statute in part on other grounds*, Act of July 5, 1946 (Lanham Act), ch. 540, § 35, 60 Stat. 427, 439-40 (codified as amended at 15 U.S.C. § 1117 (2006)); *FTC v. Royal Milling Co.*, 288 U.S. 212, 216 (1933) ("[I]f consumers or dealers prefer to purchase a given article because it was made by a particular manufacturer . . . they have a right to do so, and this right cannot be satisfied by imposing upon them an exactly similar article, or one equally as good, but having a different origin.").

<sup>191</sup> *See, e.g.*, *Univ. of Pittsburgh v. Champion Prods., Inc.*, 566 F. Supp. 711, 721 (W.D. Pa. 1983) ("There is no evidence that the consumer cares who has made the soft goods or whether they were made under license."). As James Gibson explains, courts stopped considering materiality in part because it was conflated with other concepts, particularly functionality. "When the Supreme Court later linked functionality to practical utility, the materiality principle lost its place in formal trademark analysis." James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 *YALE L.J.* 882, 950 n.260 (2007) (citation omitted) (citing *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 330-33 (2d Cir. 1983)).

<sup>192</sup> *See, e.g.*, *Am. Dairy Queen Corp. v. New Line Prods., Inc.*, 35 F. Supp. 2d 727, 732 (D. Minn. 1998) (requiring no evidence of actual consumer confusion before granting an injunction).



The basic problem is that likely confusion, in the abstract, is a terrible measure of how far trademark rights should extend, because it does not address whether the confusion is over anything that matters.<sup>193</sup> Confusion over whether a trademark owner allowed or approved a particular use, for example, too readily leads to a finding of infringement even though there is no reason to think that such confusion would ever change consumer behavior with respect to either the plaintiff or the defendant.<sup>194</sup> So, for example, a court enjoined an ad parody showing cans of “Michelob Oily,” with the theme that pollution had contaminated water supplies, because of the “distinct possibility, accepted by the district court, ‘that a superficial observer might believe that the ad parody was approved by Anheuser-Busch.’”<sup>195</sup> Notably, the court required no showing of the effect that such perceived approval would have on consumers’ decisions to buy Michelob beer. One might argue that the ad would have a subconscious impact on consumers who would feel a vague unease with the brand, but under false advertising law, courts would squarely categorize that kind of emotional effect as unbelievable and exaggerated puffery since no reasonable consumer would believe that Michelob was advertising that its beer contained oil. Any persuasive effects of such nonfactual claims should be actionable, if at all, only as trademark dilution.

What is worse, the abandonment of materiality has had feedback effects on the expansion of infringement liability. Courts have generally reasoned that consumers are more careful, and thus less likely to be confused, when they are making decisions that are important to them. But remove the role of the *decision* (as opposed to a consumer abstractly contemplating whether two entities have any link), and matters

---

<sup>193</sup> See Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 481 (1999) (arguing that courts shouldn’t “foreclose careful consideration of whether the confusion present is a type of confusion that . . . justif[ies] a legal prohibition”).

<sup>194</sup> See Lemley & McKenna, *supra* note 32, at 429-32, 436-37 (reporting that producers are often unharmed when consumers mistakenly associate them with unrelated products); Mark P. McKenna, *Testing Modern Trademark Law’s Theory of Harm*, 95 IOWA L. REV. 63, 70-71 (2009) (arguing that uses of a mark by noncompeting goods don’t warrant a presumption of harm); Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 543 (2008) (“[B]rand-extension research suggests that dilution by tarnishment through the use of a similar mark on a shoddy product is unlikely in the absence of source confusion because consumers have robust mental concepts of strong brands.”).

<sup>195</sup> *Anheuser-Busch, Inc. v. Balducci Publ’ns*, 28 F.3d 769, 771, 775 (8th Cir. 1994) (quoting *Anheuser-Busch, Inc. v. Balducci Publ’ns*, 814 F. Supp. 791, 797 (E.D. Mo. 1993)).

change.<sup>196</sup> People aren't careful when they don't care—that is, when the existence or nonexistence of a relationship is immaterial to them. Trademark doctrine tells us that less careful consumers are more likely to be confused. The consequence is that the standard multifactor test is automatically more likely to find confusion over sponsorship or affiliation precisely because consumers are less likely to care about it.<sup>197</sup> Likewise, other elements of the standard confusion test are sensible as applied to confusion over source or responsibility for quality, but they are incapable of providing rational limits when applied to find any type of confusion whatsoever.<sup>198</sup>

The doctrine of initial interest confusion, which holds that trademark infringement can occur when use of a confusingly similar mark catches consumers' attention, is another example of expansion of rights unconnected to identifiable harms. Some courts have found liability even if there is no confusion beyond a moment of uncertainty, and some have gone even further, holding defendants liable apparently

---

<sup>196</sup> Motivation comes from having a reason to care. See Daniel J. Howard et al., *The Effects of Brand Name Similarity on Brand Source Confusion: Implications for Trademark Infringement*, 19 J. PUB. POLY & MARKETING 250, 261 (2000) (finding that in situations of high involvement, as when a purchase actually turns on a decision, consumers process more brand-related information than when they are just looking at ads); Thomas R. Lee et al., *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, 57 EMORY L.J. 575, 587 (2008) (“[I]f an individual lacks either motivation or ability to expend cognitive effort while making the source-identification judgment, she will perform the task in a haphazard and offhand manner, resulting in an increased likelihood of confusion.”).

<sup>197</sup> See *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1092 (10th Cir. 1999) (remarking that consumer care “rarely reduces the risk of sponsorship confusion,” given that “[t]he care with which consumers select a product does not impact the association they may make regarding the sponsorship of an event”); see also *Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 638 (6th Cir. 2002) (deeming consumer care of “minimal” value in avoiding confusion about affiliation or sponsorship (citing *Daddy’s Junky Music Stores, Inc. v. Big Daddy’s Family Music Ctr.*, 109 F.3d 275, 285-86 (6th Cir. 1997))); cf. *Ohio State Univ. v. Thomas*, 738 F. Supp. 2d 743, 754-55 (S.D. Ohio 2010) (holding that consumers are more likely to be confused about the source of free online news about college sports because they won’t exercise much source-related care in searching for that news).

<sup>198</sup> See Lemley & McKenna, *supra* note 32, at 440-41 (“[S]ponsorship and affiliation cases may be more likely to reach the wrong result than other types of trademark infringement cases. . . . [Multifactor likelihood-of-confusion] tests were designed to deal with cases . . . in which consumers might believe that the plaintiff is responsible for quality, and few of the factors make much sense when the issue is confusion about some unspecified sponsorship or affiliation relationship.”); Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 823-24 (“‘Sponsorship’ and ‘affiliation’ are broad enough concepts to encompass virtually any imaginable relationship between entities . . . . And because modern trademark law regards confusion itself as the relevant harm, it has no principled way to distinguish confusion regarding different relationships.”).

for using another's mark to gain *attention*.<sup>199</sup> The doctrine's roots in the prohibition on bait-and-switch advertising make sense—there are reasons that a consumer, once drawn into a decisionmaking process, might not back out even when the offered product or service turns out not to be what she expected—but courts have gone well beyond that core understanding.<sup>200</sup> Materiality should be something more than but-for causation; if all uses of others' marks to get attention were deemed to cause initial interest confusion, then standard practices such as comparative advertising and selling used goods would be banned. Merely getting a consumer to contemplate entering into a transaction should not be equated to actionable confusion, especially online, where backing out of a bait-and-switch is much easier.

Even without initial interest confusion, sad stories of overclaiming by trademark owners abound.<sup>201</sup> One example from the false endorsement context encapsulates the perverse effects of trademark's abandonment of materiality. In *Facenda v. N.F.L. Films, Inc.*, the estate of John Facenda, a legendary sportscaster, sued NFL Films over a cable TV show, *The Making of Madden NFL 06*, which promoted the video game Madden NFL 06.<sup>202</sup> The show used thirteen seconds of Facenda's voice reading the following statements: "Pro Football, the game for the ear and the eye"; "This sport is more than spectacle, it is a

<sup>199</sup> See, e.g., *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1062-63 (9th Cir. 1999) (holding the defendant liable for creating "initial interest confusion" by using the plaintiff's website in its metatag terms and by diverting people to its website through confusion about the domain name).

<sup>200</sup> See, e.g., Ross D. Petty, *Initial Interest Confusion Versus Consumer Sovereignty: A Consumer Protection Perspective on Trademark Infringement*, 98 TRADEMARK REP. 757, 786-87 (2008) (defending an initial interest confusion doctrine limited to cases in which deception is costly to avoid or bait-and-switch takes place but critiquing its use in other, increasingly common situations); Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 121-22 (2005) (critiquing courts' expansive use of initial interest confusion where there's no likely confusion); Priya Singh, Note, *Abolish Trademark Law's Initial Interest Confusion and Permit Manipulative Internet Search Practices*, 3 J. BUS. ENTREPRENEURSHIP & L. 15, 16 (2009) ("Initial interest confusion is a doctrine that is flawed because it does not require a showing of likelihood of confusion, it is superfluous and inefficient, and it is also unnecessary in the Internet context; thus, courts should not utilize it in evaluating trademark infringement.").

<sup>201</sup> See, e.g., Lemley & McKenna, *supra* note 32, at 416-18 (describing Little League teams, among others, as recipients of cease and desist letters); McGeveran, *supra* note 32, at 63-66, 70-71 (providing examples showing how current trademark law makes markholders aggressive even with frivolous claims, encourages platforms for expression such as Google and Second Life to be risk averse, and saddles defendants with enormous speech-detering litigation costs).

<sup>202</sup> 542 F.3d 1007, 1011 (3d Cir. 2008).

game for all seasons”; and “X’s and O’s on the blackboard are translated into aggression on the field.”<sup>203</sup>

The Third Circuit, where the estate brought its claim, treats false endorsement as a violation of section 43(a)(1)(A).<sup>204</sup> The problem is that false endorsement claims are a terrible fit with the usual multi-factor likelihood-of-confusion test, which prioritizes considerations such as the relatedness of the parties’ goods and services. An endorser can endorse just about anything—as Tiger Woods and many other celebrities have demonstrated.<sup>205</sup> Rather than use section 43(a)(1)(B) analysis, which would have included materiality, the *Facenda* court decided to “tailor[]” a new false endorsement test focusing on the plaintiff’s fame, the relatedness of the fame to the defendant’s product, and the similarity of the defendant’s use to the plaintiff’s likeness, among other factors.<sup>206</sup>

Treating false endorsement as a variation of trademark infringement also meant that the estate wasn’t required to show evidence of likely confusion. The court noted that survey evidence is “expensive and difficult to obtain” and didn’t want to penalize plaintiffs for its absence.<sup>207</sup> Thus, without any evidence of actual confusion over whether *Facenda* (who was, of course, dead) endorsed the TV show—much less the video game—and without any evidence that *Facenda*’s (estate’s) endorsement would matter to consumers, the plaintiff was able to extract a payment from the National Football League (NFL) based on the NFL’s use of recordings to which it held the copyright. The absence of a materiality inquiry snowballed into a finding of likely confusion over endorsement.

Only occasionally do traces of materiality resurface in trademark cases. In *Dastar Corp. v. Twentieth Century Fox Film Corp.*, involving a defendant that copied a film series in the public domain and put its own name on the series, the Supreme Court provided a foundation for restoring materiality when it pronounced that “[t]he words of the Lanham Act should not be stretched to cover matters that are typically of

---

<sup>203</sup> *Id.* at 1012.

<sup>204</sup> *Id.* at 1014.

<sup>205</sup> *See id.* at 1019 (“Rather than protecting its mark with respect to a particular product, the Estate seeks to reserve the exclusive right to grant or deny permission to those who wish to use *Facenda*’s voice to promote unspecified products in the future.”).

<sup>206</sup> *Id.* at 1019-20.

<sup>207</sup> *Id.* at 1020. By contrast, courts apparently do want to penalize false advertising plaintiffs in cases of misleading advertising for a lack of survey data. *See supra* note 129 and accompanying text.

no consequence to purchasers.”<sup>208</sup> In that case, the Court considered the definition of “origin” in the statute and reasoned that consumers typically do not care about the source of the idea or formula underlying a product, treating materiality at a very high level of generality.<sup>209</sup> In more exotic cases, especially those involving expressive works, courts also sometimes use lack of materiality as an extra reason to justify a decision. In a case finding abandonment of the *Amos ‘n’ Andy* marks, for example, the court reasoned that patrons of Broadway shows based on *Amos ‘n’ Andy* were unlikely to care about who produced the original radio plays.<sup>210</sup> Any confusion over source or sponsorship in a situation where consumers just want the expressive product would thus be immaterial.<sup>211</sup>

In early 2011, the Ninth Circuit revitalized an earlier case, *International Order of Job’s Daughters v. Lindeburg & Co.*, which found that trademarks were not being used as marks, but were aesthetically functional, in instances where consumers wanted to display the marks as

---

<sup>208</sup> 539 U.S. 23, 26-27, 32-33 (2003).

<sup>209</sup> *Id.* at 31-32.

<sup>210</sup> *Silverman v. CBS, Inc.*, 870 F.2d 40, 48-49 (2d Cir. 1989). The court further explained,

The interest of CBS, and the public, in avoiding public confusion . . . [is] also somewhat diminished in the context of this case. . . . [M]ost theater-goers have sufficient awareness that the quality of a musical depends so heavily on a combination of circumstances, including script, score, lyrics, cast, and direction, that they are not likely to be significantly influenced in their ticket-purchasing decision by an erroneous belief that the musical emanated from the same production source as the underlying work.

*Id.*

<sup>211</sup> *See, e.g.*, *King v. Ames*, 179 F.3d 370, 372, 374-75 (5th Cir. 1999) (holding that false identification of the defendant as a producer on the back of blues CDs was not actionable because it was not material to consumers); *WCVB-TV v. Bos. Athletic Ass’n*, 926 F.2d 42, 45-46 (1st Cir. 1991) (rejecting the Boston Marathon’s false endorsement claim based on a television station’s broadcast of the marathon because “one would ordinarily believe that television viewers (unlike sports fans who might want to buy an official t-shirt with the name of a favorite event, team or player) wish to see the event and do not particularly care about the relation of station to event-promoter”); *Univ. of Ala. Bd. of Trs. v. New Life Art Inc.*, 677 F. Supp. 2d 1238, 1246, 1250 (N.D. Ala. 2009) (concluding that the artist’s talent and reputation, rather than University of Alabama’s trade dress in its football uniforms, drove sales of the artist’s paintings of football games); *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 920 (C.D. Ill. 2003) (finding it unlikely that consumers are more apt to watch or buy a movie because of a mistaken belief as to sponsorship); *cf. Rogers v. Grimaldi*, 875 F.2d 994, 1000 (2d Cir. 1989) (holding that consumers “do not regard titles of artistic works in the same way as the names of ordinary commercial products,” so that confusion engendered by a title is less weighty than confusion engendered by an ordinary product name).

signs of allegiance rather than as indicators of source.<sup>212</sup> The new case, *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, reached the same conclusion with respect to T-shirts and similar items featuring the image of Betty Boop.<sup>213</sup> The court in *Job's Daughters* determined that a product feature is functional when the feature is what consumers want to purchase, regardless of its source.<sup>214</sup> One way of thinking about aesthetic functionality is thus that, for functional features, the source is not material to a reasonable consumer as a matter of law.<sup>215</sup> In *Fleischer*, images of Betty Boop incorporated into the products were functional given that the products sold because they featured images of Betty Boop, regardless of source.<sup>216</sup> Notably, the court cited *Dastar*, with its materiality reasoning, in support of its conclusion.<sup>217</sup>

Other than that, materiality is a sport, popping up almost randomly to bolster noninfringement findings. In one trade dress case, the plaintiff argued that it was error to ignore testimony from a consumer who testified that she was confused about the source of the defendant's products.<sup>218</sup> But that consumer also testified that she usually didn't pay attention to brands.<sup>219</sup> Relying on a treatise, rather than on any marketplace evidence, the court held that such brand-indifferent consumers are "few" and unrepresentative.<sup>220</sup> As a matter of law, their

<sup>212</sup> 633 F.2d 912, 920 (9th Cir. 1980).

<sup>213</sup> No. 09-56317, 2011 WL 631449, at \*7 (9th Cir. Feb. 23, 2011).

<sup>214</sup> See *Job's Daughters*, 633 F.2d at 917 ("Trademark law does not prevent a person from copying so-called 'functional' features of a product which constitute the actual benefit that the consumer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product.")

<sup>215</sup> The court explained that the jewelry was being sold for its innate value rather than as a source designator.

We commonly identify ourselves by displaying emblems expressing allegiances. Our jewelry, clothing, and cars are emblazoned with inscriptions showing the organizations we belong to, the schools we attend, the landmarks we have visited, the sports teams we support, the beverages we imbibe. Although these inscriptions frequently include names and emblems that are also used as collective marks or trademarks, it would be naive to conclude that the name or emblem is desired *because* consumers believe that the product somehow originated with or was sponsored by the organization the name or emblem signifies.

*Id.* at 918 (emphasis added).

<sup>216</sup> 2011 WL 631449, at \*7.

<sup>217</sup> *Id.* at \*7-8.

<sup>218</sup> *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC*, 511 F.3d 350, 366 (3d Cir. 2007).

<sup>219</sup> *Id.*

<sup>220</sup> *Id.*

responses don't count in the likelihood-of-confusion inquiry, since they won't act on their confusion.<sup>221</sup>

In one respect, materiality retains some force when it comes to products or services with limited customer bases. Courts routinely demand a showing of confusion among "relevant" consumers.<sup>222</sup> People who are simply unlikely to make any purchasing decision at all about a product or service may be confused, but their confusion has no impact, and therefore courts disregard their opinions.<sup>223</sup> This is a sub rosa application of materiality concepts<sup>224</sup> and the extent of the attention paid to materiality outside of cases involving expressive works.

As a final irony, materiality *does* matter when the Patent and Trademark Office (PTO) assesses whether to register a trademark. Even if the trademark makes a false factual claim, that will only bar registration if the falsity is material.<sup>225</sup> This result is consistent with false advertising law and makes registration—which provides trademark owners with a number of benefits—easier. As part of the North American Free Trade Agreement (NAFTA) amendments, Congress attempted to remove materiality in one particular respect, making it impossible to register marks containing nonmaterial but nonetheless

<sup>221</sup> *Id.*; cf. Lee et al., *supra* note 196, at 584 (“[A] consumer who believes that ‘all ketchup is the same’ is unlikely to bother making a source-identification judgment when purchasing ketchup. Furthermore, if the consumer believes that product quality can be fully and easily judged, a shortcut for product evaluation is not useful to the consumer, so she is unlikely to perform the source-identification judgment.”).

<sup>222</sup> See, e.g., *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 131-32 (2d Cir. 2000); *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F. Supp. 1259, 1272-73 (S.D.N.Y. 1990); *Frisch's Rest., Inc. v. Elby's Big Boy of Steubenville, Inc.*, 661 F. Supp. 971, 982 (S.D. Ohio 1987), *aff'd*, 849 F.2d 1012 (6th Cir. 1988).

<sup>223</sup> See, e.g., *Custom Mfg. & Eng'g, Inc. v. Midway Servs., Inc.*, 508 F.3d 641, 650-51 (11th Cir. 2007) (finding that although repair technicians and fire marshals might open water meters and mistake the origin of circuit boards' manufacture, they were not likely consumers of the circuit boards and therefore their confusion was irrelevant); *Universal City Studios, Inc. v. Nintendo Co.*, 746 F.2d 112, 118 (2d Cir. 1984) (concluding that current video game owners were not an acceptable population for a survey because they weren't asked whether they were likely to make future purchases); *Bracco Diagnostics, Inc. v. Amersham Health, Inc.*, 627 F. Supp. 2d 384, 447 (D.N.J. 2009) (striking testimony and survey data because survey responses from those not responsible for purchasing decisions were not relevant).

<sup>224</sup> See Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a "Formalist" Age*, 24 BERKELEY TECH. L.J. 897, 964 (2009) (“We worry about whether ‘reasonably prudent purchasers exercising ordinary care’ would be confused in part because theirs is the confusion that has a marketplace impact.” (footnote omitted)).

<sup>225</sup> See *In re Budge Mfg. Co.*, 857 F.2d 773, 775 (Fed. Cir. 1988) (focusing on whether the misdescription is likely to affect the decision to purchase); see also *In re Spirits Int'l, N.V.*, 563 F.3d 1347, 1353 (Fed. Cir. 2009) (holding that a “substantial portion” of the relevant consuming public must be likely to be deceived to bar registration).

false indications of geographic origin.<sup>226</sup> In response, the Federal Circuit read the Lanham Act to contain a presumption favoring registration so strongly that the new statutory language ended up making it *easier* than it had been before the amendments to register geographically deceptively misdescriptive marks, such as “California Innovations” for products not made or designed in California.<sup>227</sup>

The only case in which materiality doesn’t matter in registration is when a trademark owner alleges that an applicant’s mark is likely to cause confusion with the trademark owner’s preexisting mark. Trademarks misleading in this one respect cannot be registered at all, regardless of materiality. The Federal Circuit’s solicitude for trademark owners, though inconsistent with Congress’s intent in the particular instance of geographically deceptively misdescriptive trademarks, thus fits the overall theme: trademarks are to be protected even if such protection doesn’t protect consumers.

### C. *Ending the Materiality Divide*

As Graeme Austin recently argued, “as a legal policy matter, equating trademark rights with what consumers might become confused about cannot be sufficient. Trademark rights need to be shaped by other legal principles, values, and agendas.”<sup>228</sup> A restored materiality requirement would require courts to consider why (or when) confusion is harmful. Even from the perspective of the trademark owner or competitor, materiality indicates when a falsehood creates the kind of harm targeted by the law, as opposed to merely insulting the competitor or, in the case of trademark, free-riding on the trademark owner’s existence.

---

<sup>226</sup> North American Free Trade Agreement art. 1712, *done* Dec. 17, 1992, 32 I.L.M. 605 (1993); North American Free Trade Agreement Implementation Act, Pub. L. No. 103-182, § 333, 107 Stat. 2057, 2114 (1993) (codified as amended at 15 U.S.C. §§ 1052, 1091 (2006)).

<sup>227</sup> See *In re* Cal. Innovations, Inc., 329 F.3d 1334, 1340 (Fed. Cir. 2003) (holding that the new absolute ban on the registration of geographically deceptively misdescriptive marks, as opposed to the prior rule allowing registration upon a showing of secondary meaning, meant that the PTO would now have to show that the mark was materially deceptive to impose the heavy sanction of complete nonregistrability). The decision has received compelling criticism. See, e.g., Mary LaFrance, *Innovations Palpitations: The Confusing Status of Geographically Misdescriptive Trademarks*, 12 J. INTELL. PROP. L. 125, 141-47 (2004) (arguing that the court’s holding was inconsistent with both the text and the legislative history of the NAFTA registration amendments).

<sup>228</sup> Austin, *supra* note 126, at 175.



## 1. The Difference Materiality Makes in Practice

There are several clear examples of the powerful effect a materiality requirement has on trademark or trademark-like claims, limiting them to cases in which consumers are actually harmed. This subsection discusses false credit, comparative advertising, and an unusual recent case highlighting just how much more expansive trademark law has become compared to false advertising law.

False credit claims, in which a plaintiff argues that credit for a product or service has been misallocated to the plaintiff's detriment, provide a natural experiment illustrating the importance of materiality in cabining expansive trademark claims. False advertising plaintiffs do badly with mere credit claims, which are rarely material to the purchasing public. For example, when an advertiser copied a picture of a competitor's component and overlaid its own logo on the picture, the court found no likelihood of deception because the components were quite similar and the photo was insufficiently detailed to reveal the actual differences.<sup>229</sup> When a creative plaintiff alleged that failure to credit him as the source of an idea constituted false advertising, another court found that the failure was immaterial because there was no evidence that customers cared at all about who originated the idea.<sup>230</sup> Likewise, falsely marketing a product as patented has sometimes been immaterial to consumers.<sup>231</sup>

Plaintiffs were therefore well advised to bring materiality-free trademark claims in such circumstances, and often did.<sup>232</sup> As noted

---

<sup>229</sup> *Compaq Computer Corp. v. Procom Tech, Inc.*, 908 F. Supp. 1409, 1426-27 (S.D. Tex. 1995). Under other circumstances, using a picture of a competitor's product to advertise one's own product is usually prohibited as "passing off," a trademark concept. *See, e.g., Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1216 (8th Cir. 1976) (finding a false designation of origin actionable under the Lanham Act).

<sup>230</sup> *See Brown v. Armstrong*, 957 F. Supp. 1293, 1303 (D. Mass. 1997) ("Plaintiffs have presented no evidence that customers cared at all who the originator was, let alone that anyone based or would base their purchasing decision on such belief.").

<sup>231</sup> *See Appliance Recycling Ctrs. of Am., Inc. v. JACO Envtl., Inc.*, 378 F. App'x 652, 655 (9th Cir. 2010) (concluding that allegedly false statements about the defendant's claims to have patented a method were not material and thus could not have caused actionable injury to the plaintiff); *Forest Grp., Inc. v. Bon Tool Co.*, No. 05-4127, 2008 WL 2962206, at \*7-8 (S.D. Tex. July 29, 2008) (holding that falsely marketing a product as patented without making comparisons to a competitor's product does not warrant a presumption of harm), *vacated in part on other grounds*, 590 F.3d 1295 (Fed. Cir. 2009).

<sup>232</sup> *See, e.g., Smith v. Montoro*, 648 F.2d 602, 606-07 (9th Cir. 1981) (focusing on the deprivation of the advertising value that would stem from public knowledge of the

above, however, the Supreme Court in the *Dastar* case largely cut off the trademark branch of Lanham Act liability for false attribution, holding that “origin” in the Lanham Act referred to physical origin, not to the origin of ideas or expression contained in a product or service.<sup>233</sup> The Supreme Court also held out the prospect that some false attributions could be successfully attacked as false advertising.<sup>234</sup> Nonetheless, lower courts have applied *Dastar* aggressively,<sup>235</sup> even in cases that do not involve copyrighted works,<sup>236</sup> precluding many types of false attribution claims. In the end, very few plaintiffs have successfully maintained false attribution claims under the head of false advertis-

good instead of materiality); Gilliam v. ABC, 538 F.2d 14, 24-25 (2d Cir. 1976) (focusing on the impairment of appellant’s work instead of materiality).

<sup>233</sup> When the *Dastar* Court reasoned that the origin of ideas or expression is not typically material to consumers of ordinary goods or services, it did so even though plaintiffs usually brought false attribution claims over expressive goods like movies and books, and even though it acknowledged that consumers are more likely to care about the intangible “source” of such goods. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32-37 (2003).

<sup>234</sup> See *id.* at 38 (“If, moreover, the producer of a video that substantially copied [the work] were, in advertising or promotion, to give purchasers the impression that [the work] was quite different from [that work], then one or more of the respondents might have a cause of action . . . for misrepresentation under . . . § 43(a) (1) (B).”).

<sup>235</sup> See Jane C. Ginsburg, *The Right to Claim Authorship in U.S. Copyright and Trademarks Law*, 41 HOUS. L. REV. 263, 268 n.17 (2004) (“Federal district court decisions subsequent to *Dastar* have declined to limit that decision’s impact to copyright-expired works.”); see also, e.g., *Broughel v. Battery Conservancy*, No. 07-7755, 2010 WL 1028171, at \*3 (S.D.N.Y. Mar. 16, 2010) (“[N]o claim for false advertising will stand where the statements of which a plaintiff complains is directed at the authorship of a work.”); *Lapine v. Seinfeld*, No. 08-0128, 2009 WL 2902584, at \*15 (S.D.N.Y. Sept. 10, 2009) (barring a false advertising claim over misattribution of source as to the ideas and the expression in a cookbook), *aff’d*, 375 F. App’x 81 (2d Cir. 2010); *Antidote Int’l Films, Inc. v. Bloomsbury Publ’g, PLC*, 467 F. Supp. 2d 394, 398-99 (S.D.N.Y. 2006) (rejecting a Lanham Act false advertising cause of action for false claims about who wrote a book and that person’s biographical background).

<sup>236</sup> See, e.g., *Baden Sports, Inc. v. Molten USA, Inc.*, 556 F.3d 1300, 1306-08 (Fed. Cir. 2009) (barring claims based on representations that technology was “exclusive,” “proprietary,” and “innovative” because such claims relate to the nature of the products themselves and not their creators); *Robert Bosch LLC v. Pylon Mfg. Corp.*, No. 08-0542, 2009 WL 3366967, at \*1 (D. Del. Oct. 19, 2009) (rejecting claims based on statements that defendant’s “expertise” was the source of “new and improved” technology, when in fact plaintiff developed the technology); *Richardson v. Stanley Works, Inc.*, No. 08-1040, 2008 WL 4838708, at \*2 (D. Ariz. Nov. 6, 2008) (refusing to entertain claims for reverse passing off based on statements about ownership of patented product design because such claim is not one of bodily appropriation); *Invista S.A.R.L. v. E.I. Du Pont de Nemours & Co.*, No. 08-7270, 2008 WL 4865208, at \*4 (S.D.N.Y. Nov. 3, 2008) (barring claims based on alleged origin of technical process because they do not relate to the qualities of the process itself); *Thomas Publ’g Co. v. Tech. Evaluation Ctrs., Inc.*, No. 06-14212, 2007 WL 2193964, at \*3 (S.D.N.Y. July 27, 2007) (dismissing claims based on alleged origin of services).

ing, and materiality is a significant barrier.<sup>237</sup> It is often quite difficult to allege with any plausibility that the presence or absence of attribution to a particular, but usually not well-known, person would influence a consumer to purchase the product or service at issue.

Materiality is also a vital factor in protecting comparative advertising. Trademark doctrine channeled challenges to comparative advertising—“this product is as good as Brand Name product”—into false advertising law long ago, refusing to allow trademark owners to argue infringement when the comparison between the parties’ products was clear.<sup>238</sup> As long as the comparison is not materially false, it is legiti-

<sup>237</sup> See, e.g., *Forest Grp., Inc. v. Bon Tool Co.*, No. 05-4127, 2008 WL 2962206, at \*7-8 (S.D. Tex. July 29, 2008) (holding that plaintiff failed to establish materiality and granting judgment to defendant even though plaintiff had established that defendant’s statements in advertising were false), *vacated in part on other grounds*, 590 F.3d 1295 (Fed. Cir. 2009); *Wilchcombe v. TeeVee Toons, Inc.*, 515 F. Supp. 2d 1297, 1306 (N.D. Ga. 2007) (enumerating the deficiencies in plaintiff’s claim, including the lack of evidence of materiality), *aff’d*, 555 F.3d 949 (11th Cir. 2009). The other barriers to successfully maintaining a false advertising claim are standing, discussed *infra* Part IV, and the statutory requirement that a false statement be made in “commercial advertising or promotion” in order to fall within section 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B) (2006). Even when a plaintiff might be able to show materiality, an attribution claim often fails on one of these other elements. See, e.g., *Ott v. Ingenix, Inc.*, No. 07-0201, 2008 WL 4459411, at \*1-2 (E.D. Wash. Sept. 30, 2008) (standing), *aff’d*, 333 F. App’x 342 (9th Cir. 2009); *Landrau v. Solis-Betancourt*, 554 F. Supp. 2d 117, 123-24 (D.P.R. 2008) (commercial advertising or promotion); *Wilchcombe*, 515 F. Supp. 2d at 1306-07 (standing, commercial advertising or promotion, and damage, in addition to materiality). For a rare successful claim of false advertising in designating creative origin, see *Societe Civile Succession Richard Guino v. Beseder Inc.*, No. 03-1310, 2007 WL 3238703, at \*4-7 (D. Ariz. Oct. 31, 2007), *aff’d sub nom.* *Societe Civile Succession Richard Guino v. Renoir*, 305 F. App’x 334 (9th Cir. 2008), involving the works of a famous sculptor.

<sup>238</sup> See, e.g., *Calvin Klein Cosmetics Corp. v. Lenox Labs., Inc.*, 815 F.2d 500, 503-04 (8th Cir. 1987) (holding that an imitator may use an originator’s trademark as long as it is not likely to create confusion); *Smith v. Chanel, Inc.*, 402 F.2d 562, 563 (9th Cir. 1968) (holding that one can use the trademark of an unpatented product to identify her own copy of the unpatented product); *Sykes Lab., Inc. v. Kalvin*, 610 F. Supp. 849, 854 (C.D. Cal. 1985) (reiterating the rule that one who duplicates an unpatented product sold under a trademark can use that trademark to advertise the copy). See generally Mark P. McKenna, *An Alternate Approach to Channeling?*, 51 WM. & MARY L. REV. 873 (2009) (discussing the need to establish and police the boundaries between different types of intellectual property claims). Relatedly, attention to channeling, such that invocation of section 43(a)(1)(A) or section 43(a)(1)(B) would lead to the same result, might have helped the court in *Tiffany (NJ) Inc. v. eBay Inc.* In that case, the Second Circuit ruled that eBay couldn’t be held contributorily liable for encouraging trademark infringement by sellers of counterfeit Tiffany jewelry, but, in remanding the case, the court also ruled that eBay’s use of “Tiffany” in ads could be false advertising, even though eBay did offer authentic Tiffany jewelry. 600 F.3d 93, 109, 114 (2d Cir. 2010). Despite having a wholly legitimate business model, eBay still might not be able to advertise. This confusing ruling likely added hundreds of thousands of dollars to the parties’ legal bills, but doesn’t seem to offer an extra benefit to consumers. Tiffany

mate. European law takes a different view. Despite some liberalization in continental Europe, courts still easily find that comparative advertising is an illegal exploitation of the value of a trademark.<sup>239</sup> The United States, however, has generally taken the position that when a trademark's scope reaches beyond deception to attention, consumers lose valuable and relevant information.<sup>240</sup> The rule that comparisons are actionable only when they constitute materially false claims preserves competition and helps prevent trademark rights from becoming full-scale property rights in reputation.

One recent case further demonstrates the power of materiality as applied to what might have been a standard trademark case. In *Green Bullion Financial Services, LLC v. Money4Gold Holdings, Inc.*, the plaintiff had built a substantial business as Cash4Gold.<sup>241</sup> Money4Gold's internet ads took Cash4Gold's advertising efforts and brand and attributed them to Money4Gold.<sup>242</sup> For example, one Money4Gold ad on Google asked whether consumers had seen Money4Gold's Super Bowl commercial, failing to note that Cash4Gold had run that ad.<sup>243</sup> The court explained that "other websites placed by Defendant's sub-affiliates directly stole Plaintiff's operating name and logo. Clicking on these sites would direct consumers to Defendant's website."<sup>244</sup>

Cash4Gold's trademark claims failed because it couldn't show that its trademark had acquired protectable secondary meaning at the time of Money4Gold's ads.<sup>245</sup> Cash4Gold tried to get around the trademark problem by pleading false advertising.<sup>246</sup> The court easily held that the "See our Super Bowl Ad?" ads were literally false, as were the ads containing Cash4Gold's name, because they "impl[ied]" (necessarily) that plaintiff was the operator of the advertised sites.<sup>247</sup> The court also

(NJ) Inc. v. eBay, Inc., No. 04-4607, 2010 WL 3733894, at \*4 (S.D.N.Y. Sept. 13, 2010) (finding that Tiffany failed to prove that eBay's ads were false or misleading about the availability of authentic Tiffany jewelry on the site).

<sup>239</sup> See Charlotte J. Romano, *Comparative Advertising in the United States and in France*, 25 NW. J. INT'L L. & BUS. 371, 399-400 (2005) (discussing the extra caution necessary on behalf of advertisers in France because of strict rules regarding comparative advertising campaigns).

<sup>240</sup> See *id.* (comparing U.S. and French law regarding trademark exploitation).

<sup>241</sup> 639 F. Supp. 2d 1356, 1359 (S.D. Fla. 2009).

<sup>242</sup> *Id.*

<sup>243</sup> *Id.*

<sup>244</sup> *Id.*

<sup>245</sup> See *id.* at 1364-65.

<sup>246</sup> *Id.* at 1365.

<sup>247</sup> *Id.* at 1366.

found that, because of the literal falsity, consumer deception could be presumed.<sup>248</sup> The barrier was materiality. The court apparently assumed that materiality would have come only from secondary meaning—a consumer’s expectation of doing business with the entity known as Cash4Gold—and thus concluded that failure to show secondary meaning left the plaintiff with no evidence of materiality.<sup>249</sup>

## 2. Restoring Materiality to Rationalize the Law

It is time to return materiality to the role it played in trademark’s earlier development, when it was implicit in court holdings. As a matter of doctrine, courts could revitalize materiality by relying on the Supreme Court’s statement in *Dastar* that the Lanham Act shouldn’t be stretched to cover matters of no consequence to consumers and by pulling together the other remaining strands of materiality (including the requirement that surveys look at the reactions of likely purchasers) discussed in Section III.B above.

Materiality has some advantages over other proposals that seek to cabin the irrational and anticompetitive expansion of trademark liability. For example, some scholars have appealed to a nascent doctrine of “trademark use” to limit anticompetitive and speech-suppressing claims.<sup>250</sup> I generally support this endeavor as a practical matter. But

---

<sup>248</sup> *Id.*

<sup>249</sup> *Id.* This was probably a mistake, since consumers could well be harmed by the confusion. Some courts have found “As Seen on TV” to be material, though in such cases secondary meaning was not separately litigated. See, e.g., *Telebrands Corp. v. Wilton Indus., Inc.*, 983 F. Supp. 471, 475-76 (S.D.N.Y. 1997) (“It is television advertising that actually creates the desire for the product in the mind of the consumer.”); *Project Strategies Corp. v. Nat’l Commc’ns Corp.*, No. 94-4925, 1995 WL 669655, at \*4 (E.D.N.Y. Oct. 27, 1995) (finding the statement in question to be material because it was likely to cause consumers to identify the defendant’s product with the plaintiff’s, which actually had been advertised on television). “As Seen on TV” may be material in itself because it indicates a sort of reproductive fitness: this company is successful enough to advertise on TV and thus is not a fly-by-night operation. See, e.g., *BeVier*, *supra* note 19, at 10 (explaining the economic theory according to which advertisers use the high costs of advertising to signal to consumers that their products are good and successful); Jean Wegman Burns, *Confused Jurisprudence: False Advertising Under the Lanham Act*, 79 B.U. L. REV. 807, 826 & n.88 (1999) (same). Indeed, the *Green Bullion* court noted in its recitation of the facts how unusual it is for a new company to be able to afford a Super Bowl ad. See *Green Bullion*, 639 F. Supp. 2d at 1360 (“In fact, Plaintiff was the only company of its kind to advertise in a nationally broadcast commercial in this year’s Super Bowl, an achievement recognized as stunning . . .”).

<sup>250</sup> See generally Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses “in the Manner of a Mark,”* 43 WAKE FOREST L. REV. 893 (2008); Dogan & Lemley, *supra* note 32; Stacey L. Dogan & Mark A. Lemley,

as Mark McKenna has argued, asking whether a defendant is using a term “as a mark” can too readily be collapsed into a question of whether consumers are confused.<sup>251</sup> If consumers think that a particular instance of a mark is an indication of source or sponsorship, then, by definition, they think that the defendant is using a term as a mark—even if the defendant is only using it as a reference point.<sup>252</sup> Materiality offers a way to cut some of the loops of this Gordian knot by asking the separate question of whether consumers *care* whether a particular use of a trademark is made with the permission of the trademark owner. Often, they do not.<sup>253</sup>

Materiality already has a substantial history, as well as a current presence, in the jurisprudence of the Lanham Act, and there is no reason to confine it to false advertising. The language of both section 43(a)(1)(A) and section 43(a)(1)(B) speaks of confusion and deception, not materiality. If courts imply a materiality requirement for false advertising, they should do so for trademark as well.<sup>254</sup> Presumptions for and against materiality would be similar to other distinctions

*The Trademark Use Requirement in Dilution Cases*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 541 (2008).

<sup>251</sup> See McKenna, *supra* note 198, at 775-76.

<sup>252</sup> *Id.* at 816-19. Trademark plaintiffs have pushed this point too far: believing that a defendant has *permission* from a trademark owner to use a mark is not the same as believing that the trademark owner endorses or sponsors the defendant, though courts have sometimes treated all these concepts as interchangeable.

<sup>253</sup> James Gibson agrees with this view of consumer preference as to sponsorship or affiliation:

No one watches the Olympics simply because Xerox happens to be the sponsor. And few people (if any) select the movies they see or television programs they watch based on what products appear in them, even if they assume that the appearances are licensed. . . . [F]ailure to emphasize the “official” nature of the endorsed products would suggest that the endorsement provides little market advantage. Likewise, when the endorsement is highlighted but sales nonetheless reflect no premium for “official” merchandise, the endorsement would seem immaterial to purchasing decisions.

Gibson, *supra* note 191, at 949; see also Lunney, *supra* note 193, at 397-98 (“[C]onsumers will likely place little value on that information in making a decision whether to purchase . . . .”); Gerald T. Tschura, *Likelihood of Confusion and Expressive Functionality: A Fresh Look at the Ornamental Use of Institutional Colors, Names and Emblems on Apparel and Other Goods*, 53 WAYNE L. REV. 873, 885 (2007) (arguing that consumers’ opinions on whether permission is required are generally immaterial to purchases and should be disregarded unless material).

<sup>254</sup> See Lemley & McKenna, *supra* note 32, at 450 (“[C]ourts have already had to engage in similar legerdemain in interpreting subsection (B) but not (A) of the Act to require materiality; they could easily require it in some subsection (A) cases as well.” (footnote omitted)).

that courts—including the Supreme Court—have made on many occasions when interpreting the Lanham Act.<sup>255</sup> Such interpretive moves would fit well with the historical practice of adding common law glosses to other competition-related statutes, such as the Sherman Act.<sup>256</sup> Requiring materiality would also conform trademark law with other regulations of deceptive conduct in the marketplace, most notably securities law.<sup>257</sup>

Deception over immaterial factual matter is simply not actionable under present case law unless that immaterial matter involves a trademark. This is illogical, inconsistent, and—not incidentally—damaging to free speech and free competition. Asking courts to routinely consider materiality using the common-sense heuristics and marketplace evidence on which they have regularly relied in false advertising cases would be a major step to rein in trademark claims that do not promote consumer welfare. Among other things, materiality would provide courts with a gauge of when they ought to disregard consumer survey evidence or other evidence of confusion. As noted above, courts in false advertising cases sometimes use materiality to determine when a claim is so baffling or irrelevant to consumers that, even if their responses indicate confusion, the only result is misunderstanding, with no effect on the external world. In such cases, false advertising claims fail. We should treat trademark claims similarly.<sup>258</sup>

---

<sup>255</sup> See Margreth Barrett, *A Cause of Action for “Passing Off/Associational Marketing.”* 1 IP THEORY 1 (2010), <http://scholarworks.iu.edu/journals/index.php/ipt/article/view/846> (arguing that adding limits on trademark claims is consistent with case law and legislative history); Lemley & McKenna, *supra* note 32, at 449 (noting that courts have made similar distinctions not specifically set out in the Lanham Act, such as setting specific requirements for trade dress and for misrepresentations about authorship).

<sup>256</sup> Cf. Daniel A. Farber & Brett H. McDonnell, “*Is There a Text in This Class?*” *The Conflict Between Textualism and Antitrust*, 14 J. CONTEMP. LEGAL ISSUES 619, 620-22, 624-27 (2005) (describing how courts’ and economists’ policy concerns have largely driven antitrust law, rather than the text of the Sherman Act, Clayton Act, and other competition statutes); David McGowan, *Innovation, Uncertainty, and Stability in Antitrust Law*, 16 BERKELEY TECH. L.J. 729, 739, 741-42, 753-55 (2001) (“Judges have long concluded that the Sherman Act gives them common-law authority to interpret the statute in a dynamic manner, taking changes in economic practices and understanding into account.”).

<sup>257</sup> See *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976) (holding that a “fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote”).

<sup>258</sup> Though trademark theorists often speak in terms of “search costs,” the harm at issue in Lanham Act cases involves distorted *decisions*, not mere mistaken or distracted mental operations. We lack any coherent idea of what harm consumers suffer from “thinking harder” about some decision if their ultimate actions remain the same or change because, having thought harder, they decide that they have different preferences. See Tushnet, *supra* note 194, at 529 & n.106, 559-60.

Materiality would also allow courts to consider when sponsorships or licensing arrangements are important to consumers. Franchising relationships offer an easy example: though individual franchises—like many fast food restaurants—may be separately owned, the brand is promoted as a unitary entity. The trademark owner exercises quality control over the franchisees, and consumers want the food at a McDonald's in Florida to be the same as the food at a McDonald's in California. The individual franchisee's authorization to use the mark is therefore material to a purchasing decision, most obviously to a consumer's decision whether to patronize a McDonald's that she has never before visited.<sup>259</sup> Unsurprisingly, "McDonald's" is the primary and most prominent mark used at a given location, and a franchisee is unlikely to display its own name in any particularly obvious way (and the franchisor may even constrain its ability to do so in order to avoid sharing any of its goodwill with the franchisee). But mere permissive or incidental uses of trademarks in many other litigated contexts have none of that logic supporting a materiality conclusion.

### 3. Details of Implementation

Proof of materiality would differ from proof of likely confusion. From a marketing perspective, one might ask whether more consumers would buy, or would generally pay more for, a product or service based on the belief that there is an affiliation, endorsement, or source relationship with the trademark owner.<sup>260</sup> A well-controlled analysis could capture effects of which consumers were unaware, testing marketers' theories that branding provides their products with an advantage in the consumer's subconscious. Willingness to pay more for the product with the accused use of the mark than the product without such use would be strong evidence of materiality,<sup>261</sup> as would the ability to capture greater market share. The latter measure would be particularly helpful in cases where prices are fairly standardized but where it is still possible

---

<sup>259</sup> See Lemley & McKenna, *supra* note 32, at 428, 432 (arguing that confusion over sponsorship or affiliation is only significant to consumers under certain circumstances, such as the McDonald's example); McKenna, *supra* note 198, at 827-28 (pointing out that broad definitions of "source" or "sponsorship" sometimes do comport with consumer expectations).

<sup>260</sup> See, e.g., Christoph Breidert et al., *A Review of Methods for Measuring Willingness-to-Pay*, 2 INNOVATIVE MARKETING, no. 4, 2006, at 8, 8-9 (discussing and evaluating the various methods for determining potential customers' willingness to pay for any given product and noting the importance of such willingness in estimating "brand equity").

<sup>261</sup> The test would have to use an acceptable control so that consumers would not be confronted with strange blank spaces in or on the product without the accused mark.



for one competitor to take market share from another, such as the market for soda. In addition, sponsorship or affiliation cases should focus on the materiality of sponsorship or affiliation: if the allegation is that consumers falsely believe that the Chicago Bulls authorized a T-shirt, then the proper materiality inquiry is not whether those consumers would pay more for a Chicago Bulls T-shirt than for a blank T-shirt, but whether they would pay more for an authorized Chicago Bulls T-shirt than for an unauthorized one. If almost all consumers were indifferent to the alleged affiliation, that would be good evidence of immateriality.

Courts should not require specific evidence of the materiality of a particular mark in every case. The primary brand indicating the direct source of a product or service should be presumed material, perhaps irrebuttably so.<sup>262</sup> This would, of course, require factfinders to determine what counted as the primary brand of a product or service, but that inquiry should be fairly straightforward in most cases. Likewise, evidence of materiality can be reasonably general: evidence that an explicit celebrity endorsement generally matters to consumers, for example, should suffice to satisfy a celebrity plaintiff's burden even in the absence of evidence that her *particular* endorsement matters,

---

<sup>262</sup> The *Restatement* provides a reasonable rule, albeit one that courts have overgeneralized with respect to all types of trademark claims. Misrepresentations relating to source are inherently likely to lead to mistaken purchases and harm the plaintiff's reputation, which means that "independent proof of likely commercial detriment . . . is unnecessary in order to establish liability." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 4 cmt. a (1995). Where the primary trademark on a product is causing confusion over who stands behind the product, this logic makes sense. In torts, however, the majority rule does not automatically find that licensing amounts to "standing behind" a product. See Katya Assaf, *Brand Fetishism*, 43 CONN. L. REV. 83, 116-18 (2010) (summarizing the majority view of basing a licensor's tort liability on its involvement in the manufacturing process). Liability exists when a trademark licensor induces a consumer to believe that it controls the quality of the goods bearing the mark. See *Gizzi v. Texaco, Inc.*, 437 F.2d 308, 310 (3d Cir. 1971) (holding that evidence of Texaco's trademark instilling a sense of confidence in the consumer's mind as to the quality of its products was enough to vacate a directed verdict); *Kennedy v. Guess, Inc.*, 806 N.E.2d 776, 786 (Ind. 2004) (holding that licensors are liable for product defects only to the extent that they played a role in design, advertising, manufacture, and distribution); Assaf, *supra*, at 119 ("[T]ort liability is imposed on trademark licensors . . . when the trademark licensor induces the consumer to believe that he approved the quality of the goods bearing his mark."); cf. *Brandimarti v. Caterpillar Tractor Co.*, 527 A.2d 134, 139-40 (Pa. Super. Ct. 1987) (reasoning that the consumer buying a Caterpillar tractor relies on the Caterpillar brand's reputation and skill, and thus Caterpillar is liable for defects).

though defendants should also be able to present general and specific evidence to the contrary.<sup>263</sup>

Margreth Barrett suggests that materiality could be defined prescriptively, using rules of thumb about what consumers should care about,<sup>264</sup> just as false advertising cases use rules of thumb that consumers care about health, safety, and prominent explicit claims. In initial interest confusion cases, “materiality might be judged not by the substance of the misrepresentation (since the consumer knows the truth by the time any purchase is made), but by the effort the consumer must undergo” to correct an initial error—if all a consumer needs to do is click the “back” button, and the consumer doesn’t care enough to do so, then the initial mistake was unlikely to have been material.<sup>265</sup>

The only caution, and a vital one, would be to distinguish endorsement from affiliation or other less well-defined types of association. If consumers aren’t receiving an endorsement message, but only a message of some sort of relationship or affiliation, then *that* is the message whose materiality should be assessed. Moreover, the empirical evidence that something weaker than endorsement matters to consumers is lacking. While the endorsement of a person, or even an expert institution, might routinely be relevant, trademarks are neither people nor institutions, and this difference points to the relevant issue: whether consumer perceptions of a trademark’s *presence*, or even of a trademark

<sup>263</sup> See, e.g., Jagdish Agrawal & Wagner A. Kamakura, *The Economic Worth of Celebrity Endorsers: An Event Study Analysis*, 59 J. MARKETING 56, 60 (1995) (reviewing empirical data and concluding that marketing managers and investors generally view celebrity endorsements as a worthwhile component of advertising strategies). But see *Celebrity Advertisements: Exposing A Myth of Advertising Effectiveness*, ACE METRIX, 1 (2010), <http://mktg.acemetrix.com/acton/fs/blocks/showLandingPage/a/563/p/p-001d/t/page/fm/0> (“Our study of more than 2,600 ads found that—contrary to popular wisdom—celebrity ads do not perform any better than non-celebrity ads, and in some cases they perform much worse. In our data, whether or not a celebrity endorses a product was *unimportant* in determining whether an ad resonated with viewers.”). The FTC guidelines recognize that endorsements can be so important that paid endorsers must adhere to the same substantiation and nondeception requirements that the advertisers backing them must follow. See *Guides Concerning Use of Endorsements and Testimonials in Advertising*, 16 C.F.R. §§ 255.0–.5 (2010) (providing rules and explanatory examples of endorsement guidelines).

<sup>264</sup> See Barrett, *supra* note 255, at 20 (suggesting that “quality” factors or a product endorsement by a particular person may be material, but “prestige” factors or only a bare association with the same person may not be material).

<sup>265</sup> *Id.*; see also Petty, *supra* note 200, at 779, 788 (arguing that courts applying initial interest confusion should follow the FTC’s approach of examining contextual factors, such as how hard it is for the consumer to retreat from the initial confusion and find the product she really wanted, and should only find actionable confusion when consumers are trapped into making a purchase).

owner's *permission*, are equivalent to perceptions of *endorsement*. Trademark owners have provided no evidence that this is generally, regularly, or even occasionally true, and thus there is no justification for any presumption of materiality in permission-confusion-type cases.

The challenge for courts will be to go beyond accepting the maximalist intuition: marketers naturally want to believe that the power of their brands is such that any reference will affect purchases. But given that, among other things, significant numbers of ads have *no effect at all* on consumers—they are not even processed at a level detectable by brain scans<sup>266</sup>—such assumptions of all-consuming power should not be our guide.

If consumers do not think that the trademark owner controls or guarantees the quality of a product (such as when a trademarked product appears in a film), then there is no basis for infringement liability because the trademark owner's reputation is not driving sales.<sup>267</sup> As Mark Lemley and Mark McKenna have suggested, confusion over actual source should therefore be presumed material, while confusion over sponsorship, affiliation, or—most crucially—permission should be presumed immaterial.<sup>268</sup> So, for example, Insinkerator's claim that the NBC show *Heroes* caused actionable confusion by showing Insinkerator's garbage disposal in an important scene should be obviously wrong, so obviously that Insinkerator would risk an award of fees for proceeding on such a claim.<sup>269</sup>

A trademark owner could respond that a false perception of connection could damage the value of its brand, even if the perceived

<sup>266</sup> See Tushnet, *supra* note 194, at 547 (“[N]ew neuroscience studies provide evidence for advertisers’ long-held belief that much advertising is completely useless. In MRI studies, ‘a third to a half of commercials do not generate any brain reaction at all.’” (quoting Kenneth Chang, *Entlusting Science’s Lessons to Entice More Shoppers to Spend More*, N.Y. TIMES, Sept. 19, 2006, at F3)).

<sup>267</sup> *Cf.* Bd. of Governors v. Helpingstine, 714 F. Supp. 167, 173 (M.D.N.C. 1989) (explaining that most consumers were indifferent to the existence of a license from the university trademark claimant and thus could not be relevantly confused about it).

<sup>268</sup> See Lemley & McKenna, *supra* note 32, at 445-46 (arguing that confusion over source should be presumed material, as should confusion over sponsorship or affiliation, when and only when consumers believe that the trademark owner controls the quality of the product or service); McKenna, *supra* note 198, at 828 (suggesting an approach under which “confusion about anything other than actual source would be presumptively irrelevant”).

<sup>269</sup> See *Cheerleader-Mangling Disposal Makers vs. ‘Heroes’: Now with Pictures!*, GAWKER (Oct. 5, 2006, 2:39 PM), <http://gawker.com/#!205559/cheerleader-mangling-disposal-makers-vs-heroes-now-with-pictures> (noting that NBC claimed the suit had no merit but that the network planned to remove another scene from a future episode to insulate itself from “further frivolous lawsuits”).

connection wouldn't influence consumers' decisions to purchase the defendant's product in the first place. This is essentially a tarnishment rationale, but courts have long incorporated it into confusion doctrine.<sup>270</sup> This position has a striking empirical weakness: parties have never offered courts any evidence that consumers punish actual licensor brands in this way, and consumer research on brand extensions suggests that it's unlikely in most circumstances, especially the circumstances that lead to endorsement or permission cases.<sup>271</sup>

If we forced trademark owners to make their harm stories concrete rather than allowing them to rest on doctrinal shibboleths, we would see just how badly this rationale for liability fits modern sponsorship and permission claims. Consider an expensively litigated example: even if people believe that Google needs GEICO's permission to run targeted ads for insurance in response to a search for "GEICO," and even if those people become disillusioned with Google's performance as a search engine, it would be bizarre for them to conclude that there was something wrong with GEICO.<sup>272</sup> Without materiality, there is no space in which to recognize the fallacies in the causal chain beginning with alleged confusion over permission.

Courts nervous about the potential dilution harms of "sponsorship confusion" could minimize those harms, without unduly constraining competition or free speech, by awarding limited remedies.<sup>273</sup> Plaintiffs would at most be entitled to a disclaimer remedy without proof of materiality as to a consumption decision about defendant's product. A

---

<sup>270</sup> See generally Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 1008-16 (2001) (discussing the ways in which confusion doctrine has expanded to cover many things that previously would have been dealt with, if at all, as dilution). This leads me to a cautionary note: materiality would not provide a limit on dilution claims explicitly made as such.

<sup>271</sup> See McKenna, *supra* note 198, at 825-27 (noting the lack of certainty about what consumers consider to be material); Tushnet, *supra* note 194, at 543-44 (discussing tarnishment and concluding that "strong marks have little to fear from unauthorized tarnishment").

<sup>272</sup> See *Gov't Emps. Ins. Co. v. Google, Inc.*, No. 04-0507, 2005 WL 1903128, at \*7 (E.D. Va. Aug. 8, 2005) (finding that GEICO failed to establish a likelihood of confusion stemming from Google keywords but acknowledging possible confusion as to sponsored links); *Gov't Emps. Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703-04 (E.D. Va. 2004) (framing the issue as whether keyword placement unfairly free rides on well-known marks' fame).

<sup>273</sup> See McKenna, *supra* note 198, at 827 ("If . . . it appears in a particular case that consumers' purchasing decisions are affected by confusion about actual source, but not by confusion regarding a potential licensing relationship, then courts could adequately prevent material confusion in that case without enjoining the defendant's use altogether—perhaps simply by requiring clear labeling of the actual source.").

disclaimer would come closer to addressing the only harm that could exist in the absence of any effect on consumer decisions: the false perception of connection that might somehow, someday, affect brand value.<sup>274</sup>

A practical objection to this proposal is that materiality wouldn't solve the in *terrorem* effects of trademark lawsuits, or threats to sue on legitimate uses, because materiality could often be alleged with sufficient credibility to survive summary judgment.<sup>275</sup> It's true that sufficiently aggressive trademark owners could continue to make threats under practically any trademark regime, but there's something to be said for signaling. Once judges get the message, trademark owners may follow along. The results of cases after *Dastar* and *Wal-Mart*, for example, can't tell us anything about threat letters but suggest that courts are vigorously enforcing limits on trademark law articulated by the Supreme Court and thus affecting any reasonable lawyer's decision calculus. The threat of fee awards to prevailing defendants—which in cases involving speech-suppressing claims by the owners of Barney the purple dinosaur<sup>276</sup> and the Barbie doll<sup>277</sup> have been substantial—might also deter overreaching. While America's litigious culture is likely to remain aggressive, changing the outcomes of litigated cases would be a significant improvement.<sup>278</sup>

---

<sup>274</sup> A disclaimer would deal with both the fear of an unwarranted advantage for the defendant as well as the fear of hitching the plaintiff's reputation to the defendant's. Evidence from the branding literature makes clear that even the smallest of distinctions is enough to keep a bad brand extension from harming the value of a core brand, and that is when consumers are flat-out told that the core brand is the source of the brand extension—in other words, when "confusion" is one hundred percent. See *supra* note 271 and accompanying text.

<sup>275</sup> See Grynberg, *supra* note 224, at 968-69 (arguing that a materiality requirement would not allow defendants to dispose of many claims in the early stages of litigation, even if plaintiffs are ultimately unsuccessful).

<sup>276</sup> See *Lyons P' ship v. Giannoulas*, 179 F.3d 384, 388 n.5 (5th Cir. 1999) (affirming the district court's award of attorneys' fees to the defendant).

<sup>277</sup> See *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 816 (9th Cir. 2003) (affirming the district court's award of attorneys' fees); *Mattel, Inc. v. Walking Mountain Prods.*, No. 99-8543, 2004 WL 1454100, at \*4 (C.D. Cal. June 21, 2004) (awarding defendants nearly \$1.6 million in attorneys' fees and nearly \$250,000 in costs).

<sup>278</sup> Initial interest confusion might be another barrier to using materiality to move trademark law in a positive direction, but a type of materiality analysis could mitigate this problem. See *supra* note 264 and accompanying text.

#### IV. WHAT FALSE ADVERTISING SHOULD LEARN FROM TRADEMARK: COMPETITION

Although false advertising has a better grasp on the effects of implication and materiality than trademark law does, not all is well in section 43(a)(1)(B). The major problem is the increasing rigidity of a judicially created standing doctrine borrowed from antitrust law, which deprives any plaintiff other than a market leader of the ability to challenge false advertising. This has obvious consequences both for the amount of falsity in a market and for the risk of false advertising (and false advertising law) being used anticompetitively to squelch new entrants. Standing in trademark is, characteristically, much more relaxed.

##### A. *In Trademark*

Trademark law historically required competition in order to state a claim. Under the classic formulation, if a man stamps a lion on iron, he is entitled to stop anyone else from stamping a lion on iron but not to stop anyone else from stamping a lion on linen.<sup>279</sup> Confusion simply could not hurt the blacksmith, because no one in the market for iron would buy linen instead.<sup>280</sup> As modern conglomerates began to produce more and more items and modern consumers became accustomed to impersonal relationships with large companies with mysterious inner workings, courts slowly abandoned the competition requirement as obsolete.<sup>281</sup> Confusion took its place: if consumers were confused about who produced Aunt Jemima pancake flour, then the owners of Aunt Jemima pancake syrup had a remedy, even though sales of one were unlikely to substitute for sales of the other.<sup>282</sup>

Consistent with this development, trademark also abandoned the presumption of fraudulent intent and confusion in cases of use of the same or confusingly similar marks on competing goods, substituting a multifactor test regardless of the degree of competition between the

---

<sup>279</sup> See, e.g., *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413-14 (1916) (reciting the lion-linen formulation (quoting *Ainsworth v. Walmsley*, (1866) 1 L.R.Eq. 518, 524 (M.R.))); Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1888-89 (2007) (same (quoting *Hanover*, 240 U.S. at 414)).

<sup>280</sup> See, e.g., *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510, 513-14 (7th Cir. 1912) (asserting that deception alone is not enough to create liability).

<sup>281</sup> See McKenna, *supra* note 279, at 1896-97, 1899-900 (describing the movement toward a confusion standard).

<sup>282</sup> See *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 409-10, 412 (2d Cir. 1917) (ruling that the use of a trademark on a complementary product was still a wrongful taking and evidence of bad intentions).

parties.<sup>283</sup> Requiring a finding of likely confusion in each case, while apparently limiting trademark in the core case of competitive products, actually promoted its expansion.<sup>284</sup> Courts began to engage in confusion inquiries in any situation rather than relying on older rules focusing on the use of identical or similar marks on competing products. Today, then, a maker of ice cream cones can halt the distribution of a movie on the basis of likely confusion.<sup>285</sup>

### B. *False Advertising's Wrong Turn*

Lanham Act false advertising law, by contrast, has been significantly contracting under the rubric of standing.<sup>286</sup> Despite the breadth of the language in the Lanham Act, which provides a cause of action to “any person who believes that he or she is or is likely to be damaged”<sup>287</sup> by a violation of section 43(a), courts have never given those words a literal reading. At first, courts simply excluded consumers from the class the law protected, allowing only competitors to sue.<sup>288</sup>

More recently, the *Conte Bros./Phoenix of Broward* test<sup>289</sup> has been gaining traction.<sup>290</sup> Borrowing from antitrust precedents, this line of

<sup>283</sup> See Barrett, *supra* note 250, at 919 (noting that courts previously incorporated the presumptions of fraudulent intent and consumer confusion into technical trademark infringement); Beebe, *supra* note 17, at 1587-90 (summarizing the history of the multifactor test for trademark infringement and explaining why the factors differ across every circuit).

<sup>284</sup> See McKenna, *supra* note 279, at 1902-04 (discussing the consequences of “unplugg[ing] trademark and unfair competition law from the requirement of competition”).

<sup>285</sup> See *Am. Dairy Queen Corp. v. New Line Prods.*, 35 F. Supp. 2d 727, 732, 735 (D. Minn. 1998).

<sup>286</sup> See, e.g., Peter S. Massaro, III, *Filtering Through a Mess: A Proposal to Reduce the Confusion Surrounding the Requirements for Standing in False Advertising Claims Brought Under Section 43(a) of the Lanham Act*, 65 WASH. & LEE L. REV. 1673, 1705 (2008) (describing standing jurisprudence as “in a state of disarray”); Gregory Apgar, Note, *Prudential Standing Limitations on Lanham Act False Advertising Claims*, 76 FORDHAM L. REV. 2389, 2408-21 (2008) (surveying federal court treatment of standing under section 43(a)).

<sup>287</sup> 15 U.S.C. § 1125(a) (2006).

<sup>288</sup> See, e.g., *Barrus v. Sylvania*, 55 F.3d 468, 470 (9th Cir. 1995) (affirming a dismissal for failure to state a false advertising claim under the Lanham because the consumer plaintiffs lacked standing); 5 MCCARTHY, *supra* note 10, § 27:25 (noting that cases teach that consumer interests “must be invoked by a competitor of the defendant, not by a buyer from the defendant”).

<sup>289</sup> See *Phoenix of Broward, Inc. v. McDonald's Corp.*, 489 F.3d 1156, 1163-64 (11th Cir. 2007) (adopting the five-factor test articulated in *Conte Bros. Automotive, Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221, 233 (3d Cir. 1998)).

<sup>290</sup> See, e.g., *Furniture “R” Us, Inc. v. Leath Furniture, LLC*, No. 07-23321, 2008 WL 4444007, at \*2 (S.D. Fla. Sept. 26, 2008) (adopting the test).

cases evaluates prudential standing in Lanham Act false advertising cases by balancing five factors: (1) Is the injury of a type that Congress sought to redress in providing a private remedy for violations of the Lanham Act? (2) How direct or indirect is the asserted injury? (3) Is the plaintiff proximate to or remote from the allegedly harmful conduct? (4) How speculative is the damage claim? (5) What are the risks of duplicative damages or complexity in apportioning damages?<sup>291</sup>

Initially, it is worth noting that this borrowing from antitrust does not include intent to harm the plaintiff, which is part of the antitrust standing test articulated by the Supreme Court.<sup>292</sup> Because the Lanham Act does not require intent, this element is obviously inappropriate, which should have been a warning. In order to get back up to five factors, the *Conte Bros.* test splits the Supreme Court's fifth factor—whether the claim involves speculative harm, duplicative recovery, or a complex apportionment of damages—into two different factors. Not incidentally, this change makes it easier for courts to determine that multiple factors weigh against Lanham Act standing.

Even more significantly, even if this test is appropriate for antitrust,<sup>293</sup> antitrust does not have the same aim as false advertising law<sup>294</sup>:

<sup>291</sup> The *Phoenix of Broward* court reasoned that a multifactor 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 and reputation' that has been directly and proximately caused by the defendant's false advertising.

*Phoenix of Broward*, 489 F.3d at 1167. The phrase, "directly and proximately caused," is doing all the work here—that is, questions of materiality and effect on consumers that should be addressed at a stage at which evidence can be considered, rather than by judges' hunches about what consumers think and do.

<sup>292</sup> See *Associated Gen. Contractors of Cal., Inc. v. Cal. State Council of Carpenters*, 459 U.S. 519, 537 (1983) (noting that improper motive "may support a plaintiff's damages claim under § 4" of the Clayton Act).

<sup>293</sup> The antitrust standing test has been subjected to significant criticism. See, e.g., Joseph P. Bauer, *The Stealth Assault on Antitrust Enforcement: Raising the Barriers for Antitrust Injury and Standing*, 62 U. PITT. L. REV. 437, 443 (2001) (arguing that the test is unduly restrictive and leads to suboptimal enforcement); Ronald W. Davis, *Standing on Shaky Ground: The Strangely Elusive Doctrine of Antitrust Injury*, 70 ANTITRUST L.J. 697, 765 (2003) (criticizing the inconsistency of lower courts' application of the Supreme Court's antitrust standing jurisprudence); C. Douglas Floyd, *Antitrust Victims Without Antitrust Remedies: The Narrowing of Standing in Private Antitrust Actions*, 82 MINN. L. REV. 1, 71 (1997) ("A limitation on antitrust standing only to consumers and competitors in the market restricted by the defendant's conduct . . . lacks any principled basis."). Additionally, the unguided flexibility of the balancing test leads to "disguised decisions on the merits by courts hostile to certain types of antitrust claims or plaintiffs." See Floyd, *supra*, at 40. Courts can use balancing to deny standing to plaintiffs who meet the in-



while it is cliché to say that antitrust law protects competition, not competitors, the Lanham Act aims to protect both. The statute itself lists both competitor and consumer interests as its object: “The intent of this chapter is . . . to protect *persons engaged in such commerce* against unfair competition; [and] to prevent fraud and deception in such commerce . . . .”<sup>295</sup> We let competitors sue, and not consumers, under section 43(a)(1)(B) because we think competitors have their own interests to protect. Thus, the Lanham Act is “primarily intended to protect commercial interests. A competitor in a Lanham Act suit does not act as a ‘vicarious avenger of the public’s right to be protected against false advertising.’”<sup>296</sup> This different aim makes wholesale borrowing of antitrust precedents inappropriate.

*Conte Bros.* involved a noncompetitor plaintiff—a party in a different position on the distribution and retail chain than the defendant—and arguably should have been decided against the plaintiff on that ground, at least if identifiable direct competitors were in a position to sue.<sup>297</sup> Instead, while saying that it was preserving the possibility of noncompetitor suits, the Third Circuit (via then-Judge Alito) fashioned a test that, as applied, cuts off many *competitors’* rights to sue.

In fact, the application of *Conte Bros.* has enhanced the power of the largest firm in a field while weakening smaller competitors’ ability to fight false advertising. Outside the Second Circuit, the only circuit to reject *Conte Bros.* explicitly,<sup>298</sup> it is no longer enough to compete in order to bring a claim. One may need to be a dominant competitor. In a multiplayer market, there will always be some uncertainty about the amount of damages and the extent to which business was diverted

jury and directness requirements. See *Davis, supra*, at 715 (citing *Associated Gen. Contractors*, 459 U.S. at 540).

<sup>294</sup> Cf. Christina Bohannon, *IP Misuse as Foreclosure*, 96 IOWA L. REV. 475, 476 (2011) (criticizing untheorized borrowing from antitrust doctrine to define copyright misuse and finding that the antitrust standard “is less faithful to the core IP values of promoting innovation and protecting access to the public domain”).

<sup>295</sup> 15 U.S.C. § 1127 (2006) (emphasis added).

<sup>296</sup> *Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222, 230 (3d Cir. 1990) (citations omitted) (internal quotation marks omitted) (quoting *Am. Home Prods. Corp. v. Johnson & Johnson*, 672 F. Supp. 135, 145 (S.D.N.Y. 1987)).

<sup>297</sup> See *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221, 234 (3d Cir. 1998) (concluding that while the plaintiffs “alleged a commercial interest, they have not alleged competitive harm”).

<sup>298</sup> See *Famous Horse Inc. v. 5th Ave. Photo Inc.*, 624 F.3d 106, 113 (2d Cir. 2010) (applying the “reasonable interest” approach, which views “competition as a strong indication of why the plaintiff has a reasonable basis for believing that its interest will be damaged by the alleged false ad”).

from the plaintiff instead of from other businesses. Thus, in *Phoenix of Broward*, a McDonald's subcontractor fraudulently diverted at least \$20 million in large-ticket prizes for McDonald's contests and that customers did not in fact have an equal chance at winning them.<sup>299</sup> McDonald's allegedly knew there were problems with the games but continued to advertise them as if all consumers had equal chances to win.<sup>300</sup> The resulting consumer class actions were settled in 2002 for \$15 million in new prizes.<sup>301</sup> A group of Burger King franchisees sued for false advertising.<sup>302</sup> The court held that the class of Burger King franchisees had an insufficient interest to maintain a Lanham Act claim against McDonald's because they were only a subset of the fast food market; thus, it would be difficult to determine whether McDonald's false advertising took business from the class instead of others and to apportion damages.<sup>303</sup> In other words, because the market for fast food is unconcentrated—one might call it competitive—McDonald's is essentially immune from competitors' false advertising claims.

Here, we see modern standing doctrine turning the Lanham Act's false advertising provisions on their heads. As noted in Part I, the Lanham Act originally was unquestionably understood to cover statements about the advertiser's own product.<sup>304</sup> In some circuits, false statements about competitors were thought to be the proper province of state product disparagement law<sup>305</sup> such that amendment was required to confirm the federal availability of that type of claim. But under this new interpretation of standing, it's much *harder* to proceed against a false statement about the advertiser's own product because the connection between the advertiser's self-promotion and the plaintiff's loss will almost always be less direct than the connection between an attack on the plaintiff and plaintiff's loss.<sup>306</sup> This is especially impor-

---

<sup>299</sup> See *Phoenix of Broward, Inc. v. McDonald's Corp.*, 489 F.3d 1156, 1160 (11th Cir. 2007).

<sup>300</sup> *Id.*

<sup>301</sup> *Id.*

<sup>302</sup> *Id.*

<sup>303</sup> See *id.* at 1173 (“[O]n balance, Phoenix does not have prudential standing to bring its claim against McDonald's.”).

<sup>304</sup> See cases cited *supra* note 13.

<sup>305</sup> See cases cited *supra* note 14.

<sup>306</sup> *Furniture “R” Us*, for example, found indirectness because the defendant promoted its own services and it was not possible to tell whether customers were diverted from the plaintiff or diverted from some other third party. *Furniture “R” Us, Inc. v. Leath Furniture, LLC*, No. 07-23321, 2008 WL 4444007, at \*3 (S.D. Fla. Sept. 26, 2008). In *Phoenix of Broward*, as well, the court found an attenuated causal relationship be-

tant because prudential standing claims are evaluated on a motion to dismiss—before relevant evidence about harm, materiality, and other elements of a claim is available—even though courts then proceed to make decisions based on speculation about harm and materiality.<sup>307</sup>

The court in *Phoenix of Broward*, for example, cautioned that its analysis might differ “if, for example, the facts were such that McDonald’s had falsely advertised the odds of winning all of its prizes (low-, mid-, and high-value), or if McDonald’s were only giving away a single prize and falsely represented the odds of winning.”<sup>308</sup> These hypotheticals have little to do with the factors that supposedly counseled against standing, especially the two damages factors. The court was relying on its fact-free view of materiality, which notably conflicts with ordinary presumptions that claims central to an ad (here, the prospect of winning high-value prizes) are material to consumers.

The problem is likely to worsen as courts apply the Supreme Court’s new interpretation of the pleading standard under *Bell Atlantic Corp. v. Twombly*<sup>309</sup> and *Ashcroft v. Iqbal*.<sup>310</sup> This standard encourages

tween McDonald’s false advertising about the availability of high-value prizes and business at Burger King. The court broke down the causal chain as follows:

- (1) McDonald’s advertisements falsely represented that customers had a fair and equal chance to win one of the “rare” high-value prizes . . . ; (2) as a direct result of the misrepresentation regarding the high-value prizes, McDonald’s lured customers who would have eaten at *Burger King* (as opposed to one of numerous other fast food competitors), causing Burger King to lose sales; and (3) but for this misrepresentation, these customers would have eaten at *Burger King*, even though the chances of winning one of the “rare” high-value prizes would have been minute had there been no theft, even though only “certain” high-value prizes were stolen, and even though these customers still had a fair and equal opportunity to win all of the other prizes.

*Phoenix of Broward*, 489 F.3d at 1169. Note that (2) and (3) are the same thing, just restated—that the falsehood diverted customers from Burger King to McDonald’s. Moreover, (3) makes a number of questionable assumptions. Consumers surely know that the chance of winning the big-ticket prizes is low (though they expect it’s fair), but as the lottery ads say, you can’t win if you don’t play. Lotteries are good evidence that people are willing to incur costs for small chances at big payouts. Finally, advertising law generally presumes that overt claims central to ads are material to consumers, and the ads here promoted the big-ticket prizes. Nevertheless, the court concluded that “the causal chain linking McDonald’s alleged misrepresentations about one aspect of its promotional games to a decrease in *Burger King*’s sales is tenuous, to say the least.” *Id.*

<sup>307</sup> See *Furniture “R” Us*, 2008 WL 4444007, at \*3 (explicitly equating factor (2) with materiality).

<sup>308</sup> *Phoenix of Broward*, 489 F.3d at 1173. For further discussion of the Eleventh Circuit’s analysis, see Apgar, *supra* note 286, at 2420 & n.310, 2426-27.

<sup>309</sup> 550 U.S. 544, 557-58, 563 (2007).

<sup>310</sup> 129 S. Ct. 1937, 1949-50 (2009).

courts to assess pleadings for plausibility and dismiss claims when the facts alleged are more likely to be consistent with lawful conduct than with unlawful conduct. The prudential standing test provides numerous opportunities for courts to opine on the merits of a case in advance of factfinding,<sup>311</sup> and courts are doing so. In *Vexcon Chemicals, Inc. v. CureCrete Chemical Co.*, for example, the parties sold concrete-curing products of different types.<sup>312</sup> The court held that the plaintiff didn't have standing because, among other things, it couldn't show that the defendant's statements were false.<sup>313</sup> Thus, the plaintiff wasn't harmed. Reasoning similarly, another court expressed doubt that the target of direct comparative advertising—specifically named in the ad as inferior to the advertiser—had prudential standing.<sup>314</sup> These cases show that recent developments in standing are fundamentally about dismissing cases before they get to a jury—or even to discovery. The result is that false advertising law diverges even further from trademark, where plaintiffs get the benefit of the doubt and then some.<sup>315</sup> In both cases, relaxation of a central focus on competition led to major changes in the law even as applied to competitors, but in trademark the result has been expansion, while in false advertising it has been contraction.<sup>316</sup>

---

<sup>311</sup> See *Holy Cross Hosp., Inc. v. Baskot*, No. 10-62133, 2010 WL 5418999, at \*3 (S.D. Fla. Dec. 23, 2010) (“[T]he merits nature of Defendants’ argument regarding lack of standing is due to the overlap between the test for prudential standing under Section 43(a) and the injury element of such Section 43(a) claims.”); cf. 2A PHILLIP E. AREEDA ET AL., *ANTITRUST LAW* ¶ 335f (3d ed. 2007) (noting that an increasing number of courts hold that there is no antitrust standing when they actually mean that no violation has occurred).

<sup>312</sup> No. 07-0943, 2008 WL 834392, at \*1 (E.D. Pa. Mar. 28, 2008).

<sup>313</sup> *Id.* at \*5-6.

<sup>314</sup> *Intertape Polymer Corp. v. Inspired Techs., Inc.*, 725 F. Supp. 2d 1319, 1332 n.25 (M.D. Fla. 2010).

<sup>315</sup> Some courts, deepening the confusion, are beginning to apply *Conte Bros.* to trademark cases. By their nature, trademark plaintiffs are more likely to survive the test than false advertising plaintiffs, albeit after some wheel spinning by the courts. See *Trump Plaza of the Palm Beaches Condo. Ass’n, Inc. v. Rosenthal*, No. 08-80408, 2009 WL 1812743, at \*4-5 (S.D. Fla. June 24, 2009); *AFL Phila. LLC v. Krause*, 639 F. Supp. 2d 512, 522 (E.D. Pa. 2009).

<sup>316</sup> A recent Second Circuit case, while appearing to construe section 43(a)(1)(B) standing broadly, actually demonstrates the greater scope given to trademark claims. The panel refused to adopt *Conte Bros.*, though it suggested that its own test for standing operated similarly. See *Famous Horse Inc. v. 5th Ave. Photo Inc.*, 624 F.3d 106, 115 n.3 (2d Cir. 2010) (reasoning that *Conte Bros.* “complicates the inquiry[] . . . without clarifying the result,” but stating that the court’s own analysis produced the same result as *Conte Bros.*). The majority held that allegations that the defendant engaged in trademark counterfeiting, which harmed the competitor’s reputation for cheap but genuine goods, were sufficient to provide standing to the competitor to sue for false advertising—even though the competitor was *not* the trademark owner. See *id.* at 115. Traditionally, only

The current trend in prudential standing is ill-advised, not just because it abandons the historical roots of the statute, but because false boasts can be very damaging to the market of information.<sup>317</sup> The harms may be diffuse, affecting many competitors, but that means a competitor who challenges such claims confers a positive externality on other competitors and should not be discouraged from doing so. In fact, the competitor's assessment that its interests are significant enough to make a false boast worth challenging most likely deserves some judicial deference, at least when competition is direct.

Also, as a matter of internal doctrinal consistency, the new standing rules fall far short. Section 43(a)(1)(B) regulates false statements in "commercial advertising or promotion." In part to make sure that the Lanham Act covers only commercial speech that can be regulated consistently with the First Amendment, courts have repeatedly defined "commercial advertising or promotion" to include a competition requirement.<sup>318</sup> Under the *Conte Bros./Phoenix of Broward* approach, it appears that a plaintiff could have prudential standing while failing to challenge anything that counted as "commercial advertising or promotion" with respect to that plaintiff.<sup>319</sup>

One recent case from the Fifth Circuit recognized some of the excesses of the *Conte Bros./Phoenix of Broward* standard. In *Harold H.*

trademark owners have standing to sue for infringement. *See, e.g., Kam Lee Yuen Trading Co. v. Hocean, Inc.*, No. 10-0455, 2010 WL 3155812, at \*2 (N.D. Cal. Aug. 9, 2010) ("To establish standing to sue for trademark infringement under the Lanham Act, a plaintiff must show that he or she is either (1) the owner of a federal mark registration, (2) the owner of an unregistered mark, or (3) a nonowner with a cognizable interest in the allegedly infringed trademark." (quoting *Halicki Films, LLC v. Sanderson Sales & Mktg.*, 547 F.3d 1213, 1225 (9th Cir. 2008))).

<sup>317</sup> *See* GEORGE A. AKERLOF, *The Market for 'Lemons': Quality Uncertainty and the Market Mechanism* ("The cost of dishonesty . . . lies not only in the amount by which the purchaser is cheated; the cost also must include the loss incurred from driving legitimate business out of existence."), in *EXPLORATIONS IN PRAGMATIC ECONOMICS* 27, 33 (2005); *cf. Schering-Plough Healthcare Prods., Inc. v. Neutrogena Corp.*, No. 09-0642, 2010 WL 2788240, at \*3 (D. Del. July 15, 2010) (holding that, precisely because it would be "extremely difficult to prove monetary damages in the majority of cases where more than two competitors are locked in a struggle for consumers," a presumption of harm was appropriate in literal falsity cases).

<sup>318</sup> *See, e.g., Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics*, 859 F. Supp. 1521, 1533 (S.D.N.Y. 1994) ("Suit may be brought only by a commercial plaintiff who can prove that its interests have been harmed by a competitor's false advertising.").

<sup>319</sup> *See ZL Techs., Inc. v. Gartner, Inc.*, No. 09-02393, 2009 WL 3706821, at \*4 & n.2 (N.D. Cal. Nov. 4, 2009) (noting this inconsistency); *cf. Nemet Chevrolet, Ltd. v. Consumeraffairs.com, Inc.*, 564 F. Supp. 2d 544, 551, 554 (E.D. Va. 2008) (finding a lack of standing because the parties didn't compete and so the defendant hadn't engaged in actionable "advertising or promotion"), *aff'd*, 591 F.3d 250 (4th Cir. 2009).

*Huggins Realty, Inc. v. FNC, Inc.*, the court found standing where defendant made the allegedly false statements to the plaintiffs in their capacities as customers, who thus shared confidential information with the defendant, enabling it to begin directly competing with them.<sup>320</sup> The court cautioned that this situation fell “just within the outer limits of the zone of interests protected by the Lanham Act,” but its reasoning also rejected extreme applications of standing limitations.<sup>321</sup> Among other things, the court acknowledged the internal redundancy of the *Conte Bros.* standard (which makes weighing multiple factors against plaintiffs too easy), rejected the district court’s method of taking into account at the motion to dismiss stage an assessment of whether plaintiff could prove liability at trial (a mistake the *Phoenix of Broward* court also made), and directly rejected *Phoenix of Broward*’s bias against competitive markets.<sup>322</sup> Where *Phoenix of Broward* had denied standing in significant part because there were many competitors, *Huggins* held that the number of market participants in the same competitive position as the plaintiff is not important:

This factor does not weigh against standing merely because the defendant competes in a crowded market in which its false advertisements might cause injury to multiple—or even numerous—direct competitors. As long as each plaintiff has suffered a distinct economic injury, we need not inquire into how many other similarly situated persons might also have prudential standing.<sup>323</sup>

False advertising law should go further than *Huggins* and recognize standing where there is competition and a plausible case for harm.<sup>324</sup> If courts are to use the *Conte Bros./Phoenix of Broward* test, it should only be used as supplemental test for the unusual case in which a noncompetitor brings a Lanham Act false advertising claim, rather than as a general test also applied to competitors.

Whereas trademark has gone too far in hypothesizing harm, false advertising law has gone too far in ignoring it. A standard that cuts off all false laudatory claims in a multicompetitor market and denies plaintiffs a chance to offer proof of deception is inappropriate. Courts in false advertising cases should turn away from *Conte Bros.* and *Phoenix of Broward* in favor of a focus on competitive harm.

---

<sup>320</sup> No. 09-60804, 2011 WL 651892, at \*10 (5th Cir. Feb. 24, 2011).

<sup>321</sup> *Id.*

<sup>322</sup> *Id.* at \*3, \*6-8.

<sup>323</sup> *Id.* at \*8.

<sup>324</sup> See Appgar, *supra* note 286, at 2425-27 (accepting the *Phoenix of Broward* test but arguing that harm to a direct competitor satisfies that test).

## CONCLUSION

Trademark has used too many shortcuts. False advertising increasingly uses too few, or the wrong ones, detaching false advertising claims from their actual commercial context. The playing field in Lanham Act cases thus tilts in favor of trademark plaintiffs and against false advertising plaintiffs. This can even be seen in courts' discussions of fee awards for prevailing defendants: courts are less likely to see the pursuit of a losing trademark claim as extraordinary conduct justifying a fee award. This is true because a trademark plaintiff can usually find some factors in the multifactor confusion balancing test that favor it, whereas a false advertising plaintiff must satisfy each of the "rigid" false advertising elements and therefore risks being deemed a bad-faith litigant for failing to satisfy one of those elements.<sup>325</sup>

By failing to consider the pragmatics of communication, Lanham Act doctrine has avoided any consistent theory about how messages are communicated and how consumers make decisions. Additionally, the cases have not generally dealt with the inevitability of error, both in underprotecting consumers and in overprotecting them, and the costs of establishing a fact in court.

The rationale behind the Supreme Court's decision in *Wal-Mart* was that because of the risks of harassing litigation and the unlikelihood that product designs are distinctive to consumers such that copying them would mislead the public, special evidence of acquired distinctiveness would be required to proceed with such a lawsuit. This type of practical reasoning needs further application and could be the foundation for restoring materiality and standing to their appropriate places in the law, as well as providing a guide to when courts should require consumer survey evidence of deception.

Michael Grynberg has expressed skepticism that defenses developed through common law interpretive techniques can cabin the expansion of trademark law, because, he argues, courts are increasingly reluctant to make such moves with respect to statutes, including the Lanham Act.<sup>326</sup> One key teaching of section 43(a)(1)(B), which sits

---

<sup>325</sup> See *Atl. Nat'l Bank v. Atl. S. Bank*, No. 208-147, 2010 WL 5067412, at \*2 (S.D. Ga. Nov. 23, 2010) (contrasting the seven-factor trademark balancing test with the "rigid" five-element false advertising test by noting that the latter "measur[es] the likelihood of consumer confusion[] . . . [and] no single factor is necessarily dispositive").

<sup>326</sup> Grynberg, *supra* note 224, at 925-26. *But see id.* at 963-64 (suggesting that materiality might be an attractive implied limit on trademark liability); *cf.* Graeme B. Dinwoodie, *The Common Law and Trade Marks in an Age of Statutes* ("[D]espite substantial legislative intervention, both Congress and the Supreme Court appear content that the

right next to section 43(a)(1)(A), is that common law refinements and glosses remain vital to Lanham Act jurisprudence—more significant, in many cases, than any words actually present in the statute. Some of the limits courts have imposed on false advertising plaintiffs are unjustified, as I have attempted to show. But the interpretive process that produced these doctrines is not itself illegitimate, and it is a promising tactic for fixing some of what’s gone wrong with trademark.

The topics this Article covers—implications, materiality, and competition—are all vital components of advertising law regulation. The Lanham Act was enacted to improve the quality of information available to consumers and to protect the legitimate interests of competitors. It could do its job much better with renewed attention to those aims. Right now, courts make their best guesses about whether a challenged use is misleading in trademark cases, but they do not pay attention to whether any misleadingness *matters* to the supposedly deceived consumers. In false advertising, by contrast, courts have allowed doctrinal categories to override a context-sensitive evaluation of the best evidence available on how consumers react to nontrademark claims and how competitors are affected. The result is an overextension of trademark rights and underprotection of consumers against other kinds of deceptions.

No fundamental change in the Lanham Act is necessary to fix these problems. Each branch of section 43(a)(1), in fact, offers precisely the tools needed to bring the other one back on track. Reopening the dialogue between these near twins would benefit both false advertising law and trademark law.

---

development of trade mark and unfair competition law in the United States remain heavily dependent on common law law-making by the courts.”), in *THE COMMON LAW OF INTELLECTUAL PROPERTY* 331, 333 (Catherine W. Ng et al. eds., 2010); *id.* at 341 (“[T]he approach of courts since the Lanham Act has suggested no radical revision of the proposition that courts were to continue developing the substantive principles of trade mark and unfair competition law.”).