

# **TOLERATING CONFUSION ABOUT CONFUSION: TRADEMARK POLICIES AND FAIR USE**

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*This Article suggests that the role played by the “ordinarily prudent consumer” in trademark law should be more carefully scrutinized. Trademark infringement law’s “straightforward story,” which typically justifies trademark rights in terms of protecting consumers from the harms of likely confusion and dilution, does not adequately accommodate countervailing principles and policies. This Article argues that recognizing the incapacity of the likelihood of confusion and dilution analyses to capture the empirical reality of the consumer experience should lead to assigning greater weight to countervailing policies and principles.*

*Trademark “fair use” doctrine provides a useful context in which to explore these ideas. The U.S. Supreme Court’s approach to fair use in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.* risks valorizing consumer confusion in a context in which it should be downplayed. Moreover, the Court’s holding risks constraining the analytical space available in trademark law for expression and development of policy concerns other than those that underlie trademark’s straightforward story.*

## **INTRODUCTION**

A straightforward explanation of trademark law might go something like this: trademark law prohibits unauthorized uses of trademarks to protect against the likelihood<sup>1</sup> that “ordinarily prudent” consumers will be confused about the

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1. See, e.g., *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986) (actual confusion need not be shown).

source of products and services by misleading uses of others' trademarks.<sup>2</sup> Consequently, trademark law protects firms against the misappropriation of the goodwill that their trademarks represent.<sup>3</sup> Protection of trademarks encourages firms to maintain, and preferably enhance, their goodwill.<sup>4</sup> This provides firms with an incentive to compete, and as a result consumers get better products and services.<sup>5</sup>

Anti-dilution statutes<sup>6</sup> protect trademark owners against unwanted changes to consumers' impressions of their marks. In particular, these laws protect against other firms' marks coming to mind when consumers think about the senior user's mark in ways that alter consumers' impressions of the senior mark. A

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2. As Professor Robert Bone explains, moral arguments provide another set of explanations for protecting trademark rights, including prohibiting "lying or intentional deception" and "unjust enrichment," and protecting "consumer autonomy." Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2105-11 (2004) (discussing the "standard policy arguments" supporting protecting trademark rights). Whereas these kinds of moral concerns once featured more prominently in Anglo-American trademark and unfair competition doctrine, *see, e.g.*, *Thomson v. Winchester*, 36 Mass. 214, 217 (1837) (showing of "fraud" required in trademark infringement actions), economic rationales now tend to dominate, *see, e.g.*, *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995); *Ty Inc. v. Perryman*, 306 F.3d 509, 510 (7th Cir. 2002); *see also infra* Part I.

3. This rationale has a long history. In *McLean v. Fleming*, 96 U.S. 245, 252 (1877), the Supreme Court said:

[T]he court proceeds on the ground that the complainant has a valuable interest in the good-will of his trade or business, and, having adopted a particular label, sign, or trade-mark, indicating to his customers that the article bearing it is made or sold by him or by his authority, or that he carries on business at a particular place, he is entitled to protection against one who attempts to deprive him of his trade or customers by using such labels, signs, or trade-mark without his knowledge or consent.

*Id.* Justice Story once characterized the harm in a trademark infringement case as follows: "designed infringement of the rights of the plaintiffs, for the purpose of defrauding the public and taking from the plaintiffs the fair earnings of their skill, labor and enterprise." *Taylor v. Carpenter*, 23 F. Cas. 742, 744 (C.C.D. Mass. 1844). On the historical development of trademark law, see Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007).

4. *See, e.g.*, WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 168 (2003).

5. The Supreme Court has observed that federal trademark law: provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.

*Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985) (citations omitted).

6. The federal anti-dilution statute is codified at 15 U.S.C. § 1125(c) (2006) (establishing the availability of injunctive relief against another whose conduct is likely to cause dilution "regardless of the presence or absence of actual or likely confusion."). *See also* *RESTATEMENT (THIRD) OF UNFAIR COMPETITION* § 25(1) (1995) (dilution provides a cause of action for use of a trademark "without proof of a likelihood of confusion").

consumer protection rationale has also been advanced for anti-dilution laws: these laws protect consumers against incurring “imagination cost[s].”<sup>7</sup> Without prohibitions against dilution, consumers would incur the “cost” of having to filter from their minds a wide variety of different uses of the same trademark. Apparently, this is a problem.<sup>8</sup>

If this were all there was to it, trademark law—or, more specifically, the law of trademark infringement<sup>9</sup>—would be quite simple indeed. Primarily “fact based,”<sup>10</sup> it would involve courts determining whether a junior use of a mark was likely to confuse consumers—or, in the dilution context, whether the junior use of the mark would likely<sup>11</sup> change consumers’ impressions of the senior user’s mark in prohibited ways. But beyond the most obvious case of trademark piracy, or, in the dilution context, flagrant unauthorized use of famous marks, this is an incomplete description of trademark infringement principles. “Likelihood of consumer confusion” and “changed impressions of trademarks” provide analytical

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7. *Ty Inc.*, 306 F.3d at 511.

8. Some commentators liken the imagination costs that anti-dilution protections apparently spare consumers to the consumer search costs rationale underlying traditional trademark infringement. See Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 493 (2005) (“[P]roperly understood, dilution is targeted at reducing consumer search costs, just as traditional trademark law is.”). On the consumer search costs rationale, see *infra* Part I. For a contrasting perspective, see Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOK. L. REV. 827, 895 (2004) (questioning whether, even assuming consumers incur imagination costs from dilutive uses of trademarks, these costs should be considered harmful), Rebecca Tushnet, *Gone in 60 Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507 (2008) (questioning whether assumed and claimed harms of dilution are consistent with insights about human mental processes provided by cognitive science), and David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 541–43 (1991) (questioning whether firms actually suffer harm through dilution).

9. “Trademark law” of course concerns many more issues than “infringement.”

10. To the extent that trademark infringement cases are regarded as primarily fact-based, summary judgment is disfavored. See, e.g., *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 608 (9th Cir. 2005) (citing *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1265 (9th Cir. 2001)). Summary judgment may be appropriate, however, where the evidence is clear and tilts heavily in favor of a likelihood of confusion. See *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1019 (9th Cir. 2004) (affirming summary judgment where the marks were “legally identical,” the goods at issue were related, and the marketing channels overlapped). And the Supreme Court has emphasized the importance of the availability of summary judgment in an analogous context. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213–14 (2000) (rejecting the applicability of the test articulated in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342 (C.C.P.A. 1977), for determining whether product design is inherently distinctive, partly on the ground that the test would reduce the opportunities for summary disposition).

11. See *infra* Part II.A for a discussion of the Trademark Dilution Revision Act (TDRA) of 2006, which provides that “likelihood” is actionable. In this aspect, the TDRA overturns the Supreme Court’s judgment in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433–34 (2003) (holding that only *actual* dilution, not *likelihood* of dilution, is actionable under the Lanham Act), *superseded by statute*, Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, § 2, 120 Stat. 1730, 1730.

starting points. However, the straightforward explanation fails to capture the role that other principles and policies play, and ought to play, in determining the scope of trademark rights.

Recourse to these additional policies and principles is needed because the key concepts governing trademark infringement, “likelihood of consumer confusion” and “dilution,” do not provide sufficiently coherent controls on parties’ rights and obligations.<sup>12</sup> One reason for this is that a finding of likelihood of confusion is not an unassailable empirical truth. Courts invariably ascertain likely consumer responses to the defendant’s unauthorized use of a mark through the filter of a legal test that involves application of a number of “likelihood of confusion factors.”<sup>13</sup> There is considerable uncertainty about some of the key questions that are germane to the factual inquiry at the heart of the likelihood of confusion analysis. Often courts do not get close to ascertaining the actual responses of real consumers. This is at times due to the quality of the evidence. Additionally, when a plaintiff seeks a preliminary injunction, there may be insufficient time to gather more information about consumer responses. As a result, empiricism in trademark law can only ever be “inchoate.” Similar, perhaps more acute, problems arise in the trademark dilution context.<sup>14</sup>

A second reason why trademark rights cannot simply be determined by “factual analyses” of the likelihood of consumer confusion or the dilution of famous trademarks is that the worldview of consumers seems to be vulnerable to manipulation. This is usually called “marketing.” The efforts of marketing experts enable firms to “grow” their marks, thereby changing consumer expectations associated with the marks.<sup>15</sup> This is good for firms: their trademarks come to occupy more market space and, as a result, their bundles of property rights get bigger. Whatever the benefits that accrue to firms, however, only the most enthusiastic member of the invisible hand club would think that absolutely everything that is good for business is good for society.<sup>16</sup> A purely fact-based analysis of the likelihood of consumer confusion or of changed impressions of trademarks would not provide sturdy impediments against the trespass of trademark rights on other important legal and social policies—policies that, in some circumstances, might outweigh the interests firms have in protection of their goodwill. Accordingly, rights in a trademark do not, and should not, protect firms against everything other firms might do that would be likely to cause confusion or change consumers’ impressions of their trademarks.

In this Article, I suggest that courts might look a little harder at the role played by the “ordinarily prudent consumer” in trademark law. Protecting consumers from confusion or dilution of trademarks may be a *necessary* component in trademark law, but it may not necessarily be *sufficient*. The law of

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12. See generally, Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020 (2005).

13. See Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581 (2006).

14. See *infra* Part II.B.

15. See McKenna, *supra* note 3, at 1899.

16. See *infra* Part I.

trademark infringement must also contend with a range of different policies that do, and should, supplement the straightforward story. Once this is acknowledged, such policies may achieve a more secure place in the development of trademark doctrine. Furthermore, acknowledging the inchoate quality of the empiricism of the likelihood of confusion and dilution analyses may lead to a greater willingness to weigh countervailing policies and principles more heavily.

The U.S. Supreme Court's most recent foray into trademark infringement doctrine, *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*,<sup>17</sup> provides a useful context in which to explore these ideas. *KP Permanent* concerned trademark fair use, a defense to trademark infringement that applies when a party makes descriptive use of another's trademark. While the Court held that a defendant did not bear the burden of showing that no likelihood of confusion would follow from its descriptive use, it reasoned nevertheless that the degree of likely confusion may be relevant to whether the defendant's actions were "fair," and thus protected by the defense.<sup>18</sup> The Court's approach to fair use tolerates some consumer confusion where the defendant has used the mark fairly to describe its products or services, but it also risks valorizing consumer confusion in a context in which it should be downplayed; moreover, the Court's holding risks constraining the analytical space available in trademark law for expression and development of policy concerns other than those that underlie trademark infringement's straightforward story.

## I. CONSUMERS ARE NECESSARY . . .

We usually try to find utilitarian rationales for property rights.<sup>19</sup> We don't like free-riding very much,<sup>20</sup> but we also recognize that "preventing free-riding" is usually an insufficiently robust concept to justify creating and enforcing property

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17. 543 U.S. 111 (2004). In 2007, the Supreme Court did hand down a decision on antitrust law that had important consequences for trademark law. *Leegin Creative Leather Prods., Inc. v. PSKS, Inc.*, 127 S. Ct. 2705, 2725 (2007) (overruling the rule finding vertical minimum price agreements per se violations of the Sherman Act and adopting in its place a rule of reason).

18. 543 U.S. at 123.

19. As Professor Carol Rose explains, "[a]t the root of . . . economic analyses [of property entitlements] lies the perception that it costs something to establish clear entitlements to things, and we won't bother to undertake the task of removing goods from an ownerless 'commons' unless it is worth it to us to do so." Carol M. Rose, *Crystals and Mud in Property Law*, 40 STAN. L. REV. 577, 578 (1988). For a detailed examination of this point in the context of trademark law, see William P. Kratzke, *Normative Economic Analysis of Trademark Law*, 21 MEMPHIS ST. U. L. REV. 199 (1991). See also Pope Automatic Merch. Co. v. McCrum-Howell Co., 191 F. 979, 981-82 (7th Cir. 1911) (noting dangers of allowing unfair competition suits to protect new products unless a patent right is secured); U.S. Shoe Corp. v. Brown Group, Inc., 740 F. Supp. 196, 198 (S.D.N.Y.) ("In general, the law disfavors the grant of exclusive monopoly rights. Exceptions exist, however, where the grant of monopoly rights results in substantial benefits to society."), aff'd, 923 F.2d 844 (2d Cir. 1990).

20. David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117, 118 (2004); see also Austin, *supra* note 8, at 845 (exploring ways that concerns about "commercial morality" influence the scope of trademark rights).

rights.<sup>21</sup> Indeed, a lot of free-riding is necessary for society to function. Much of our culture is, of course, passed on for “free.”<sup>22</sup> In commercial contexts, “free-riding” is often just another term for “competition.” As a result, copying is the rule, and intellectual property is the exception.<sup>23</sup> Consequently, we tend to require appropriate *justifications* for the creation of property rights whose enforcement inhibits firms from competing with each other on price. Protecting the consumer is central to the utilitarian rationales for trademark law that dominate today.<sup>24</sup>

A more elaborate, consumer-focused version of the “straightforward story” might be as follows: Assume trademark *x* symbolizes the goodwill of firm *x* in certain goods. Absent protections for *x*’s rights in the *x* mark, firms *y*, *z*, *a*, and *b* could also use trademark *x* for *their* goods in a manner that confused consumers into thinking that their goods also came from firm *x*. Providing trademark protections lowers consumers’ search costs, by reducing source confusion thereby helping consumers to find firm *x*’s goods more easily than would be the case if other firms could use the *x* mark.<sup>25</sup> It also stops firm *x* from losing sales to firms *y*, *z*, *a*, and *b*. Everyone wins<sup>26</sup> (except, of course, firms *y*, *z*, *a*, and *b*). To be sure, consumers might pay more for the information trademarks provide—through the premium above marginal cost of goods and services that can be charged by firms with reliable trademarks—but the increased price seems to be good value for money. For consumers, the premium paid for the mark is presumably considered to be cheaper (on average) than searches would otherwise cost. The protections firms get for their marks encourage them to produce goods or services of a sufficient quality so that consumers *want* to find them—for trademarks can, of course, also

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21. See generally Mark A. Lemley, *Property, Intellectual Property and Free Riding*, 83 TEX. L. REV. 1031 (2005).

22. Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149, 167 (1992) (characterizing a “stand-alone prohibition on free riding” as “drastically overbroad,” and observing that “[a] culture could not exist if all free riding were prohibited within it”).

23. The Supreme Court has recently explained: “In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying.” *TraffFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001).

24. “Consumers rather than producers are the object of the law’s solicitude.” *Bretford Mfg., Inc. v. Smith Sys. Mfg. Corp.*, 419 F.3d 576, 581 (7th Cir. 2005); *see also* Bone, *supra* note 2. See generally Daniel M. McClure, *Trademarks and Competition: The Recent History*, 59 LAW & CONTEMP. PROBS. 13 (1996).

25. The Supreme Court appeared to endorse the search costs rationale for trademark protection in *Qualitex Co. v. Jacobson Prods. Co.*:

In principle, trademark law, by preventing others from copying a source-identifying mark, “reduce[s] the customer’s costs of shopping and making purchasing decisions,” for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past.

514 U.S. 159, 163–64 (1995) (citation omitted). It also appeared to do so in its 1942 decision in *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.”).

26. See generally Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960 (1993).

help consumers to avoid goods and services they don't like. But without trademark rights, other firms could brand their goods "x," and firm x would be unable to sufficiently internalize its investment in the quality of its x branded goods.<sup>27</sup> Guarantees of consistent—or, better still, enhanced—quality of goods and services are also good for consumers. Protection of trademarks is thus "win/win."<sup>28</sup>

For a trademark to symbolize a firm's goodwill in goods or services, it is usually necessary for the mark to have impacted consumers' minds.<sup>29</sup> Through use in commerce,<sup>30</sup> the mark needs to have come to designate the source of a firm's goods or services. What goes on in consumers' minds is crucial to both the creation of trademarks, and, in the infringement context, to the scope of trademark rights. Before consumers can be confused about the source of goods or services as a result of a defendant's use of a trademark, consumers need to *recognize* the mark as a symbol for the source of the goods or services. In a crowded marketplace, branding messages sometimes need to be quite strong to achieve this kind of recognition, particularly if a firm selects a trademark that is not particularly distinctive.<sup>31</sup> Likewise, before a defendant's use of a mark can be dilutive, and change consumers' impressions of the plaintiff's mark, the plaintiff's mark needs

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27. The Supreme Court has made similar observations on a number of occasions. For example, in *McLean v. Fleming* the Court said:

Equity gives relief in such a case, upon the ground that one man is not allowed to offer his goods for sale, representing them to be the manufacture of another trader in the same commodity. Suppose the latter has obtained celebrity in his manufacture, he is entitled to all the advantages of that celebrity, whether resulting from the greater demand for his goods or from the higher price the public are willing to give for the article, rather than for the goods of the other manufacturer, whose reputation is not so high as a manufacturer.

96 U.S. 245, 251 (1877). In *Qualitex*, the Court likewise said:

[T]he law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby "encourage[s] the production of quality products," and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale.

514 U.S. at 164 (citations omitted).

28. It might even be "win/win/win" if we take account of the additional income streams that licensing opportunities provide firms that own valuable trademarks.

29. Kratzke, *supra* note 19, at 205 ("Until a word, name, symbol or device plays some informational or identificatory role with respect to a product, it has no value.").

30. The Trademark Law Revision Act of 1988 amended the Lanham Act to allow priority of trademark rights to be achieved through filing documentation establishing "a bona fide *intention*" to use a mark. Pub. L. No. 100-667, § 103, 102 Stat. 3935 (codified as amended at 15 U.S.C. § 1051(b) (2006)) (emphasis added). The rights in the trademark are perfected on actual use, however. 15 U.S.C. § 1051(b)(3).

31. See, e.g., *Nabisco v. Warner-Lambert Co.*, 32 F. Supp. 2d 690, 697-98 (S.D.N.Y. 1999) (identifying the vulnerability of a weak, but suggestive, mark to being "out shouted" by other similar marks already in the marketplace).

to have already conveyed a message<sup>32</sup> to consumers about the connection between the mark and the plaintiff's goodwill.

If protecting consumers' interests provides the principal justification for trademark rights, we might expect to see the scope of those rights limited<sup>33</sup> by reference to that purpose.<sup>34</sup> Indeed, a number of dicta and some key parts of trademark doctrine suggest that there does exist an important connection between the scope of trademark rights and the policy of protecting consumer welfare. We see this most clearly when courts refer to the "limited" nature of the property in a trademark.<sup>35</sup> "A trade-mark confers no monopoly whatever in a proper sense," announced the U.S. Supreme Court in 1918; "[it] is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol—a commercial signature—upon the merchandise or the package in which it is sold."<sup>36</sup> Thus, there is no "property" in the trademark except to the extent that the mark symbolizes a firm's goodwill in particular types of goods and/or services.<sup>37</sup>

An important doctrinal corollary of all of this is that the same word or device—let's say the word mark, SPARROW—can, when used as a trademark, mean different things in different marketing contexts. SPARROW used in the marketing of breakfast cereal is a different trademark from SPARROW when used in the marketing of electronic goods. Assuming the SPARROW mark is not sufficiently famous to benefit from anti-dilution prohibitions, the scope of the property rights in the mark is determined by what consumers consider "SPARROW" to mean in the relevant market or markets. Because consumers would presumably not consider a firm that sells SPARROW breakfast cereal also to market SPARROW electronic goods, the rights of the former firm in the SPARROW mark do not extend into the electronic goods market. Put another way, even if SPARROW had first been used for breakfast cereal, consumers would not

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32. Federal trademark dilution law now protects only nationally "famous" trademarks. 15 U.S.C. § 1125(c)(1).

33. Cf. Graeme B. Dinwoodie, *The Rational Limits of Trademark Law*, in U.S. INTELLECTUAL PROPERTY LAW AND POLICY 59, 60 (Hugh C. Hansen ed., 2002) (making a normative argument supporting affirmation of "the classic avoidance of consumer confusion rationale" as a key organizing principle for trademark law). *But see* Beebe, *supra* note 12 (noting the absence of principled limits to the scope of trademark rights).

34. For example, see *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992), where Judge Kozinski characterized trademark use that "does not implicate the source-identification function that is the purpose of trademark" as "not constitut[ing] unfair competition." Also see *Peaceable Planet, Inc. v. Ty, Inc.*, 362 F.3d 986 (7th Cir. 2004), where the Seventh Circuit, in a case involving a contest over trademarks used in the soft toy market, loosened former limitations on trademark rights by overturning the district court's application of the traditional rule that names are descriptive and require secondary meaning to function as trademarks.

35. *But cf.* Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 875 (9th Cir. 1999). In *Avery Denison Corp.*, the Ninth Circuit characterized prohibitions against trademark dilution as coming "very close to granting 'rights in gross' in a trademark." *Id.* (citations omitted).

36. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 98 (1918).

37. *Id.*

be confused by seeing the same word subsequently used for totally different kinds of goods. A consumer's "search" for the right breakfast food is not made any more costly by the use of the SPARROW mark by a different trader in the electronic goods market. The two SPARROW trademarks are thus different property rights. One firm's initial adoption and use of SPARROW in the breakfast cereal market does not necessarily give that firm any rights in the SPARROW mark that extend into other consumer markets.

It is not quite so easy to rationalize dilution doctrine by reference to consumer welfare. But some leading theorists have tried quite hard to do so, notwithstanding the Supreme Court's acknowledgement that anti-dilution statutes are not animated by a consumer protection rationale.<sup>38</sup> Dilution protects the potency of branding messages in contexts where confusion-based liability theories cannot be relied upon to provide all the protections of the mark that firms desire. So, if the SPARROW mark for breakfast cereal were sufficiently famous, legal prohibitions against dilution may give its owner a remedy against a junior user that used the SPARROW mark in a remote marketing context, even if there was no likelihood that any consumers would be confused into thinking that, say, SPARROW brand electronic goods were from the same source as SPARROW brand breakfast cereal. Dilution doctrine protects the potency of the mark, and can be invoked to stop trademarks from becoming weaker as a result of use by other firms in remote market contexts that alter consumers' mental impressions of the mark.

Commentators' suspicion of dilution doctrine largely comes down to one question: what's in it for consumers?<sup>39</sup> Why should state and federal governments enlarge the bundle of property rights in trademarks rights if the protections consumers need against confusion are already provided by the traditional "likelihood of confusion" form of liability? One answer has been essayed by Judge Posner in the Seventh Circuit. According to Judge Posner, dilution doctrine might spare consumers the imagination costs they would otherwise incur if diluting conduct were permitted.<sup>40</sup> Consumers would have to think harder, for example, if,

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38. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 429–30 (2003), *superseded by statute*, Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, § 2, 120 Stat. 1730, 1730.

39. *See generally* Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1037 (2006) ("The harm of dilution is . . . elusive because it is not clear from the face of the statute whom the law is trying to protect."). Much criticism of dilution doctrine has suggested that it may be harmful to consumer and societal welfare. Wendy J. Gordon, *Introduction*, *Symposium, Ralph Sharp Brown, Intellectual Property, and the Public Interest*, 108 YALE L.J. 1611, 1614–15 (1999) (discussing in the context of dilution doctrine the problem of identifying any increase in the net social product created by the doctrine); Franklyn, *supra* note 20, at 118 (noting that dilution doctrine marks a shift in trademark law toward a property regime, but supporting dilution principles on the basis of preventing certain forms of free-riding); Paul Heald, *Sunbeam Prods., Inc. v. The West Bend Co.: Exposing the Malign Application of the Federal Dilution Statute to Product Configurations*, 5 J. INTELL. PROP. L. 415, 416–17 (1998) (noting that, in the product configuration context, anti-dilution statutes cut across the checks and balances of federal patent law).

40. *Ty Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002); *see also* Dogan & Lemley, *supra* note 8.

when they were confronted by SPARROW branded breakfast cereal, another firm's SPARROW branded electronic goods also came to mind. When shopping for breakfast cereal, a consumer need not expend cognitive resources banishing other SPARROW branded goods from his or her consciousness. Legal prohibitions against dilution ensure that our passage down supermarket aisles is not impeded by consumers who pause to think, or perhaps worse, exclaim, "Get thee behind me, SPARROW branded electronic goods!" as they struggle to keep the original branding messages in the cereal context clear in their minds. And, presumably, consumers make productive use of the time, energy, and cognitive resources that anti-dilution statutes save them, the cumulative effect of which must be a significant boon to any economy with lawmakers wise enough to enact such laws.

The attempt to answer the "what's in it for consumers?" question in terms of consumer welfare—an attempt, no less, by one of the nation's leading jurists—does seem to underscore the current importance of rationalizing trademark rights in terms of consumer welfare.<sup>41</sup> The centrality of consumer welfare to rationales for trademark rights is also suggested by asking what trademark law would be like if consumer welfare did not provide the principal rationale for the existence of trademark rights. If consumer welfare were not necessary to trademark rights, a firm's rights in its marks would come close to being a right simply to *reproduce* the mark.<sup>42</sup> One might limit the contexts in which the right might be enforced, perhaps with reference to constitutional concepts (uses "in commerce"), or more narrowly (uses "on or in conjunction with goods and/or services"). However, without some consumer-focused limitation, such as preventing consumers from being confused or incurring imagination costs, rights in a trademark might come close to being simply a reproduction right, albeit perhaps a narrowly tailored one.<sup>43</sup>

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41. Much of the controversy that surrounds more exotic versions of trademark infringement—such as initial interest confusion, and post-sale confusion—may be provoked by skepticism as to whether these forms of liability do very much to enhance consumer welfare. Indeed, initial interest confusion, which needs to be invoked only because no likelihood of actual point of purchase confusion exists, might *harm* consumers. In a case of initial interest confusion the defendants often, albeit perhaps in the context of free-riding on the senior users' goodwill, add to the information consumers have prior to purchase. Initially, the consumer may be confused, but by the time the consumer makes the purchase, she will have information about at least one other firm's goods or services. The doctrine of initial interest confusion therefore risks amplifying the rights firms have in their brands, without offering any obvious enhancement to consumer welfare. If preventing free-riding were a sufficient justification for trademark rights, little of this would be a problem.

42. Copyright Office regulations provide that a claim to copyright cannot be registered in a print or label consisting "solely of trademark subject matter and lacking copyrightable matter." 37 C.F.R. § 202.10(b) (2007). The regulations also characterize "[w]ords and short phrases such as names, titles, and slogans" and "familiar symbols or designs" as "works not subject to copyright." *Id.* § 202.1(a). The Court of Appeals for the Seventh Circuit in *Ty Inc. v. Perryman* rejected a theory of federal dilution law that would extend the concept of dilution to allow trademark proprietors to bring a dilution claim against a party that used a trademark in a dictionary in a non-trademark sense. 306 F.3d at 514.

43. *But see S.F. Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522, 537–39 (1987) (suggesting that Congress may, consistent with the Constitution, rationally conclude that a statutory grant of exclusive rights in the word "Olympic" appropriately

In addition, even if it were possible to adopt arbitrary rules as to when rights in trademarks come into existence without reference to consumers, by, for example, only protecting marks on registration, accurate assessment of the strength of the mark in any dispute would be difficult without some reference to consumers' impressions. Assessing the strength of a mark necessarily involves some kind of inquiry into how consumers respond to the messages about the trademark that its proprietor has conveyed, mostly through branding and promotion. Similarly, a firm achieves sufficient "fame" for the purposes of dilution doctrine when the trademark has sufficiently penetrated consumers' consciousness. Proxies are sometimes used in the course of this inquiry: courts might focus on how long the mark has been used in a particular marketing sector, or how many promotion and advertising dollars have been spent on it.<sup>44</sup> Generally, though, these more objective factors are used to assess how much of an impact the mark has made on consumers' minds.

Support for the centrality of consumer welfare to trademark rights, particularly the *federal* law on the topic, may perhaps also be grounded in constitutional principles. The Supreme Court's narrow ruling in *The Trade-Mark Cases*<sup>45</sup> of 1879 was that the scope of the Commerce Clause, as it was then understood, did not empower criminal prohibitions against unauthorized intrastate trademark use. But the Court also held that Congress was not empowered to enact trademark laws under the Patent and Copyright Clause. The adoption and use of a trademark, the Court reasoned, did not manifest the inventiveness required for a patented invention; nor were trademarks original works of authorship of the kind that Congress is empowered to protect with copyright. This suggests that there may be a negative proscription in *The Trade-Mark Cases*: without *invention* or *original authorship* Congress is simply not empowered to create property rights in what we might call "expressive material." Some other justification is thus required. Politically, "consumer welfare" may provide a more attractive rationale for empowering a federal law of trademarks (and perhaps also to limit the scope of federal intervention) than the claim that protecting established trademark proprietors' goodwill for its own sake is sufficiently related to interstate commerce to be constitutional under the Commerce Clause.

Preemption<sup>46</sup> in the intellectual property context is an increasingly complex subject,<sup>47</sup> and the precise delineation between the Patent and Copyright

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reward the efforts of a particular entity, even if such rights can be enforced absent any showing of likely confusion).

44. See, e.g., *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 795 (5th Cir. 1983).

45. 100 U.S. 82, 96–97 (1879).

46. "Preemption" here is a marker for a broader inquiry into the structural relationship between the Commerce Clause and the Patent and Copyright Clause and any limitations on Congressional power that that relationship might impose. See generally Thomas Nachbar, *Intellectual Property and Constitutional Norms*, 104 COLUM. L. REV. 272 (2004). As the Supreme Court noted in *Eldred v. Ashcroft*, preemption, strictly understood, and the scope of congressional choices under the articles of the Constitution that provide Congress with its repository of power, raise different issues. 537 U.S. 186, 199–205 (2003). Referring to *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), the *Eldred* Court

Clause and federal or state trademark law is still emerging.<sup>48</sup> Nonetheless, it is arguable that protecting consumers against confusion (or, perhaps, imagination burdens) is what enables legislatures to avoid thwarting the policies inherent in the prerequisites for granting patents and copyrights.<sup>49</sup>

## II. . . . BUT ARE THEY SUFFICIENT?

Consumer welfare may provide a *necessary* rationale for trademark rights, as well as a set of arguments about the appropriate scope of trademark rights. The role of trademark rights in protecting consumer welfare may also support the case for federal intervention in this field. But do preventing confusion and saving consumers from incurring imagination costs provide *sufficient* bases for delineating trademark rights? For at least two reasons, the answer should be “no.” The first has to do with how the legal system apprehends the consumer worldview. Second, consumers’ worldviews change over time.

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said: “A decision . . . rooted in the Supremacy Clause cannot be turned around to shrink congressional choices.” *Eldred*, 537 U.S. at 202 n.8.

47. *Compare* United States v. Martignon, 492 F.3d 140, 149 (2d Cir. 2007) (noting that Commerce Clause does not empower enactment of criminal statute prohibiting sale of bootlegged recordings where the statute is both “copyright law” and inconsistent with the Copyright Clause), *with* United States v. Moghadam, 175 F.3d 1269, 1280 (11th Cir. 1999) (holding the Copyright Clause does not prevent Congress from extending similar protection under the Commerce Clause to works which may not constitute a “writing”), *and* Kiss Catalog v. Passport Int’l Prods., 405 F. Supp. 2d 1169, 1177 (C.D. Cal. 2005) (same).

48. In *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, the Court declined to engage the issue of whether the Patent Clause “of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection.” 532 U.S. 23, 35 (2001). *But see* Vornado Air Circulation Sys., Inc. v. Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995), *cert. denied*, 516 U.S. 1067 (1996). In *Vornado*, a case decided before *TrafFix*, the relationship between the Commerce and Patent Clauses appeared to influence the Tenth Circuit’s holding that trade dress protection should be withheld from a product configuration that is a “described, significant inventive aspect of [a patented] invention.” *Vornado Air Circulation Sys., Inc.*, 53 F.3d at 1510. At least one court has, however, relied on the *Trade-Mark Cases*, 100 U.S. 82 (1879), as authority for the proposition that “legislation which would not be permitted under the Copyright Clause *could* nonetheless be permitted under the Commerce Clause, provided that the independent requirements of the latter are met.” *Moghadam*, 175 F.3d at 1277–78.

49. The division between copyright law and trademark law is occasionally policed quite vigorously. For example, see *Comedy III Productions, Inc. v. New Line Cinema*, 200 F.3d 593 (9th Cir. 2000), in which the Ninth Circuit declined to entertain a trademark claim based on unauthorized use of a public domain movie depicting the comedy group known as the Three Stooges partly on the ground that the court would not “entertain this expedition of trademark protection squarely into the dominion of copyright law.” *Id.* at 596. In some cases, however, courts have found overlap of trademark and copyright protection. *E.g.*, *Frederick Warne & Co. v. Book Sales Inc.*, 481 F. Supp. 1191, 1196–97 (S.D.N.Y. 1979) (“pictorial representations of characters” used to “distinguish[] goods and services”).

#### *A. Knowing Consumers*

The “ordinarily prudent consumer,” whom trademark law protects against the likelihood of confusion and against changes to mental impressions of famous brands, is not a real person. She is both a legal construct and a conglomeration of judicial impressions and theories about how actual consumers behave. Sometimes, courts do find out about the mental impressions of real people—through consumer surveys and the like. This can provide valuable information that may, in some circumstances, provide a counterweight to some of the assumptions courts sometimes make about consumer responses.<sup>50</sup> Even so, while the likelihood of confusion inquiry is invariably characterized as principally consumer focused and context dependent,<sup>51</sup> it is usually quite difficult for courts to really “know” consumers; that is, to know very much about their vulnerability to harm as a result of defendants’ uses of trademarks.

Courts give detail and depth to the picture by analyzing a number of “factors”—such as the strength of the plaintiff’s mark and its similarity to the mark used by the defendant. The Court of Appeals for the Third Circuit applies a typical list of factors: (1) the degree of similarity between the owner’s mark and the alleged infringing mark; (2) the strength of the owner’s mark; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time the defendant has used the mark without evidence of actual confusion; (5) intent of the defendant in adopting the mark; (6) evidence of actual confusion; (7) whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties’ sales efforts are the same; (9) the relationship of the goods in the minds of consumers because of the similarity of function; and (10) other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant’s market or that he is likely to expand into that market.<sup>52</sup>

Testing for likelihood of confusion is hardly a model of analytical rigor. Not all factors are necessarily relevant in every case, and, in some contexts, particular factors may be given more weight than others. Courts may also consider other matters. And, as the Ninth Circuit put the point: “The list of factors is not a score-card—whether a party ‘wins’ a majority of the factors is not the point. Nor should [t]he factors . . . be rigidly weighed; we do not count beans.”<sup>53</sup> There is also an incommensurability issue. How, for example, does one assess the likelihood of confusion where the plaintiff’s mark is strong, but there is little similarity between it and the defendant’s mark? Or where the plaintiff’s mark is weak, and the defendant’s mark is quite similar to it, but the goods and services are sold in quite different marketing contexts, with only a little cross-over in a few instances? The test itself doesn’t tell legal actors which should matter more. In

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50. See generally Austin, *supra* note 8, at 917.

51. Long, *supra* note 39, at 1034.

52. In the Third Circuit, these are known as the “Lapp” factors, after *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983).

53. *Thane Int’l Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 901 (9th Cir. 2002) (quoting *Dreamwerks Prod. Group v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998)).

addition, many of the underlying premises in the analysis are often matters of judicial discretion, as is perhaps generally the case with “totality of the circumstances” tests. How many consumers are we talking about? About what exactly need they be confused? How likely need the confusion be? How confused need they be? And how smart are the consumers to begin with—that is, how reasonable and prudent *are* they?<sup>54</sup>

As Professor Barton Beebe has demonstrated in an exhaustive analysis of the thirteen circuits’ application of the “likelihood of confusion factors,”<sup>55</sup> it is possible to discern patterns in the way that different courts apply the factors, enabling some factors to be characterized as “core” and others as “non-core.”<sup>56</sup> It may thus be possible, following the kind of detailed empirical analyses of judicial practice exemplified by Professor Beebe’s recent work, to achieve greater predictability in application of the test. That said, the very need for the kind of path-breaking analysis undertaken by Professor Beebe is itself revealing in that a significant amount of analysis and effort is required to achieve this predictability. Moreover, even with more information about how the test has been applied historically, there remains an information gap as to the connection between each factor and likely consumer responses. For instance, knowing that courts accord particular weight to the similarity of plaintiffs’ and defendants’ marks in the likelihood of confusion analysis provides important, if not crucial, information for litigants. But weighing similarities between the marks more heavily doesn’t tell us how to determine real consumers’ responses to such similarities. “Likelihood of confusion” is not something “out there”—a matter of fact that we necessarily get closer to through analysis of the circumstantial evidence scrutinized via the factors.

All of this accounts for the inchoate quality of the empiricism of the likelihood of confusion test. To be sure, analysis of likelihood of confusion can involve *some* empirical analysis of consumers’ likely responses, particularly when evidence is made available through consumer surveys, which can themselves exhibit differing degrees of reliability. But analysis of the likelihood of consumer confusion is also a *theory* or collection of theories about the likelihood that consumer confusion will result from the presence or absence of certain factors, given the particular circumstances of the dispute. Of course, the idea of an “ordinarily prudent consumer” is itself a theory about consumer behavior, one that is often belied by some consumers’ impassioned, irrational, and imprudent

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54. With respect to this last question, one leading U.S. law commentator has suggested that “a cynic” would say that if a court wishes to find infringement, consumers will be characterized as susceptible to being confused; but if a court wishes to find no infringement, consumers will be characterized as careful and discriminating. 4 J. THOMAS McCARTHY, McCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:92 (4th ed. Supp. 2004) (footnotes omitted).

55. Beebe, *supra* note 13.

56. *Id.* at 1589–90. Professor Beebe’s data show, for instance, that the similarity of the marks is “by far” the most important factor. *Id.* at 1600, 1623.

responses to brands—the kinds of responses that are so important to “brand capital.”<sup>57</sup>

Prior to the Trademark Dilution Revision Act (TDRA) of 2006,<sup>58</sup> the Supreme Court’s holding in *Moseley v. V Secret Catalogue Inc.*, that federal dilution law requires a showing of “actual” dilution rather than a “likelihood” of dilution,<sup>59</sup> appeared to avoid such issues in the dilution context. The *Moseley* holding indicated that courts must ascertain whether dilution really has occurred.<sup>60</sup> Because the Court’s holding emphasized ascertainable fact, rather than speculation about the likelihood of the occurrence of a fact, the holding seemed, at least at first blush, to require trial courts in dilution cases to get closer to the minds of real consumers than may be required when ascertaining “likelihood” of confusion. But the *Moseley* Court also stated that empirical evidence will not always be needed to establish dilution, observing that circumstantial evidence may reliably prove dilution in some instances. The Court noted that “the obvious case is one where the junior and senior marks are identical.”<sup>61</sup> Given the difficulties with ascertaining whether dilution has or has not actually occurred, it is not surprising that some lower courts appeared to welcome the suggestion that use of a trademark that is identical to the plaintiff’s mark may provide a critical piece of circumstantial evidence<sup>62</sup>—or may even support a *prima facie* case<sup>63</sup>—relevant to determining if dilution has actually occurred.

Before the 2006 amendments, the Lanham Act defined dilution as “the lessening of the *capacity* of a famous mark to identify and distinguish goods or services.”<sup>64</sup> Thus, after *Moseley*, *likelihood* of the lessening of the *capacity* to distinguish was out, and *actual* lessening of the *capacity* to distinguish was in.

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57. Not necessarily all, however. *See Austin, supra* note 8, at 904–20 (exploring the significance for trademark doctrine of marketing strategies that rely on consumers’ discriminating and intelligent responses to branding signals).

58. Pub. L. No. 109-312, § 2, 120 Stat. 1730, 1730 (codified at 15 U.S.C. § 1125(c) (2006)).

59. 537 U.S. 418, 433–34 (2003), *superseded by statute*, Trademark Dilution Revision Act § 2.

60. The TRDA overturns this aspect of *Moseley*, and provides that likelihood of dilution is actionable. *See* 15 U.S.C. § 1125(c).

61. *Moseley*, 537 U.S. at 434.

62. *GMC v. Autovation Techs., Inc.*, 317 F. Supp. 2d 756, 764 (E.D. Mich. 2004) (“GM’s evidence establishes actual dilution in that Defendant has used marks that are identical to the world-famous GM Trademarks.”).

63. *See, e.g., Savin Corp. v. Savin Group*, 391 F.3d 439, 452 (2d Cir. 2004) (surveying case law on this point, and concluding that defendant’s use of an identical trademark provides *per se* evidence of actual dilution). The fact that defendant’s use of plaintiff’s mark was “in commerce” and that the use followed plaintiff’s were not at issue. *Id.* at 449 n.4. It may be useful to compare this observation with the discussion above of the problems associated with characterizing trademark rights as encompassing a right to “reproduce” the mark. *See supra* notes 34–37 and accompanying text. A *per se* presumption in favor of liability grounded in the identity of the defendant’s mark to the plaintiff’s mark would seem to come close to a right of reproduction.

64. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (codified as amended at 15 U.S.C. §§ 1125, 1127 (2000)).

Moreover, as Justice Kennedy noted in his *Moseley* concurrence, injunctions to prevent future harms remained available in dilution cases, notwithstanding the Court's holding about actual dilution.<sup>65</sup> Trademark proprietors who feared that another's actions would cause dilution did not need to wait until dilution actually occurred before seeking an injunction.<sup>66</sup> Accordingly, *Moseley* might only have served to replace "fear of likelihood of the lessening of the *capacity* to distinguish" with "fear of *actual* lessening of the *capacity* to distinguish" as the test for dilution—hardly a momentous contribution to doctrinal clarification.

As Professor McCarthy points out, even after *Moseley*, dilution was understood to mean the *gradual* diminution or whittling away of the value of a famous mark by blurring uses by others: "Like being stung by a hundred bees, significant injury is caused by the cumulative effect, not by just one."<sup>67</sup> The passage of the TDRA, making "likelihood of dilution" the test, may simply have made explicit that the harm in a dilution case almost invariably involves a "likely" future occurrence: the collective harm of the "swarm."

The opacity of this doctrine makes it quite difficult to substantiate the claim that a realistic consumer protection rationale animates dilution doctrine. Perhaps the group of consumers who know both the SPARROW branded electronic goods and the SPARROW branded breakfast cereal might *eventually* need protection against changes to their collective worldview, but this will be because of the actions of other firms that might use the trademark in diverse contexts. Until the mark is used in such ways, it is difficult to know what, as an empirical matter, dilution means for any group of consumers at any particular time, if liability can be based on the risk that the capacity of the brand to "distinguish" will diminish *if such behavior becomes widespread*. If we wanted to inquire into the world view of consumers who are *currently* exposed to SPARROW brand electronic goods, what would we ask? The concept of "likely dilution" does not tell us if there are any limits to the number of hypothetical "stings" that consumers of products marketed under a famous brand might eventually endure. Presumably, though, the inquiry is meant to go something like this: "we understand that you don't currently think differently of SPARROW brand breakfast cereal because of your exposure to SPARROW brand electronic goods, but *would* you, do you suppose, if you were also exposed to SPARROW brand bicycles, SPARROW brand garden hoses, SPARROW brand bath salts, and SPARROW brand cement mix?" If we focus on *this* group of consumers, currently subjected to *this* defendant's use of the trademark, the empirical inquiry begins to look decidedly abstract.

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65. *Mosley*, 537 U.S. at 436 (Kennedy, J., concurring) ("A holder of a famous mark threatened with diminishment of the mark's capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded.").

66. *Id.*

67. *GMC*, 317 F. Supp. 2d at 764 (citing 4 MCCARTHY, *supra* note 54, § 24:120 (footnote omitted)).

Added to this, the TDRA provides that dilution by “blurring” is to be tested by a “factored” analysis.<sup>68</sup> The new dilution statute provides that:

In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following: (i) The degree of similarity between the mark or trade name and the famous mark; (ii) The degree of inherent or acquired distinctiveness of the famous mark; (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) The degree of recognition of the famous mark; (v) Whether the user of the mark or trade name intended to create an association with the famous mark; (vi) Any actual association between the mark or trade name and the famous mark.<sup>69</sup>

The TDRA confirms that the focus will (mostly) be on circumstantial evidence. As with the approach to “likelihood of confusion,” testing for dilution by these kinds of “factors” may loosen the inquiry from the worldview of actual consumers even more.

### ***B. Growing Brands***

Let’s assume, however, that the law of trademark infringement is much more interested in, and successful at, finding out what happens in the minds of real consumers than it probably is or ever can be. Assuming courts can, and want to, understand what goes on in consumers’ minds, does the concept of “harm” to consumers (whether through confusion or dilution) provide a coherent basis for delimiting rights in trademarks?

One problem with that proposition is that the consumer worldview no doubt changes as a result of marketers’ efforts and firms’ investments in growing their brands.<sup>70</sup> If rights in marks depend on what consumers think of them, trademark proprietors have every motivation to enhance the power of brands through advertising and promotion.<sup>71</sup> Of course, other things can change consumers’ impressions of brands,<sup>72</sup> but marketers typically want to control the

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68. The TDRA defines “dilution by tarnishment” as “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” 15 U.S.C. § 1125(c)(2)(C) (2006). The statute does not explain how reputational harm is to be assessed or analyzed.

69. *Id.* § 1125(c)(2)(B).

70. In the likelihood of confusion analysis, there is ample scope for taking account of the overall marketing context. For example, of the ten factors applied by the Third Circuit, the final one, “other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant’s market,” recognizes that the marketing context may affect consumer responses to brands. *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983); *see supra* note 52 and accompanying text.

71. *See generally* Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621 (2004) (discussing how trademark rights come to occupy increasing amounts of conceptual and marketplace space).

72. *See, e.g.*, JULIET B. SCHOR, THE OVERSPENT AMERICAN: UPSCALING, DOWNSHIFTING, AND THE NEW CONSUMER 69 (1998) (citing Susan Fournier & Michael

branding message as much as they can. The overall marketing context may be relevant to the extent of consumer confusion, as appears to be recognized in the tenth factor in the Third Circuit's iteration of the likelihood of confusion factors, which references "other factors" impacting consumers' impressions.<sup>73</sup> Through innovative and persistent branding strategies, marketers amplify consumers' expectations about the meaning and scope of trademarks. As a result, trademarks come to occupy more societal and cognitive "space." This is not limited to geographic space,<sup>74</sup> achieving greater conceptual and marketplace "space" means that more things get to be sponsored or endorsed.<sup>75</sup> When trademarks are "used" in many different ways, consumers may more easily be assumed to expect such uses to be authorized. The logical corollary seems to be that consumers will be confused if they are not. If consumer impressions were fully delineating of the rights in a trademark, the metes and bounds of trademark rights could be largely determined by the genius of marketers and the resources firms have available to promote their brands.

For the most part, trademark law has increased the repertoire of legally cognizable things about which consumers can be confused.<sup>76</sup> Doctrines such as

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Guiry, *A Look into the World of Consumption, Dreams, Fantasies, and Aspirations* (Univ. of Fla., Research Report, Dec. 1991)) (noting that goods friends and family have purchased provide powerful stimulators of consumer desires).

73. *Lapp, Inc.*, 721 F.2d at 463 (The tenth factor is "other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market, or that he is likely to expand into that market."); *see supra* note 52 and accompanying text.

74. The seminal cases on the geographic space occupied by trademarks are *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) (describing law before enactment of the Lanham Act), and *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918) (same).

75. *See generally* NAOMI KLEIN, *NO LOGO: NO SPACE, NO CHOICE, NO JOBS* (2002).

76. In *Two Pesos, Inc. v. Taco Cabana, Inc.*, Justice Stevens explained: "Over time, the Circuits have expanded the categories of 'false designation of origin' and 'false description or representation.'" 505 U.S. 763, 779 (1992) (Stevens, J., concurring). Justice Stevens cited with approval the following observation by the Third Circuit in *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3d. Cir. 1954):

We find nothing in the legislative history of the Lanham Act to justify the view that [§ 43(a)] is merely declarative of existing law . . . . It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts.

*Two Pesos*, 505 U.S. at 779 (alterations in original). Justice Stevens concluded that this expansion is "consistent with the general purposes of the [Lanham] Act." *Id.* at 781.

Amendments to § 43(a) have expanded the repertoire of legally cognizable things about which consumers can be confused. The statute now makes actionable likelihood of confusion as to "any word, term, name, symbol, or device, or any combination thereof" that is "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." 15 U.S.C. § 1125(a) (2006); *see also* Wal-Mart Stores, Inc. v. Samara Bros., 529

post-sale confusion, initial interest confusion, and the various phenomena that the Lanham Act says consumers can get confused about, such as sponsorship and endorsement, all bolster the rights of trademark proprietors and encourage the efforts of marketers. We have a typical chicken-and-egg problem here: do brands expand as a result of the efforts of marketers, or do changes in the law encourage marketers to think of new ways of expanding brands? And there is also an important normative aspect to all of this: *should* the law fall into step with marketers' innovations, and bolster their activities with legal rights to match? Professor Graeme Dinwoodie captures part of what is at stake very well when he asks: “[S]hould trademark law be structured *reactively* to protect whatever consumer understandings of producer goodwill develops, or should it proactively seek to shape the ways in which consumers shop and producers sell or seek to acquire rights, thus ordering how the economy functions?”<sup>77</sup> To the extent that trademark law bolsters branding and marketing strategies implicated in consumerism, any normative inquiry into trademark law surely must also engage with the new economics of “happiness,”<sup>78</sup> and with commentary that is skeptical about connections between consumerism and societal welfare.<sup>79</sup>

Even without engaging with these broader normative concerns, concerns that strike at the heart of some forms of market capitalism, it is clear that once trademark rights expand past a certain point they have the potential to trespass on important legal policies, such as preserving scope for other firms' legitimate commercial activities and protecting citizens' expressive freedom. Accordingly, 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. Of course, there's nothing very special about trademarks here. Similar things occur with other property rights. Landowners usually can't make more land, but they can certainly enhance the value of what's on the land—constructing tall buildings, factories, condos, running businesses, and so on. Eventually, these activities might impact others' rights and

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U.S. 205, 209 (2000) (noting “[t]he breadth of . . . the confusion-producing elements . . . actionable [under] § 43(a)”). The breadth of the types of legally cognizable confusion can be dispositive, as is illustrated by the following dictum in *Star Industries, Inc. v. Bacardi & Co.*, 412 F.3d 373, 390 (2d Cir. 2005), where the plaintiff alleged that defendant's use on an orange flavored rum product of a mark that was similar to that used by the plaintiff on its orange flavored vodka product infringed plaintiff's trade dress. The Second Circuit responded to defendant's argument that consumers are sufficiently astute to distinguish between rum and vodka as follows: “As we noted above, [plaintiff] asserts associational confusion, not direct confusion, and so it is irrelevant whether consumers are capable of distinguishing rum from vodka.” *Id.* at 390.

77. Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 Hous. L. Rev. 885, 889–90 (2004) (emphasis added); see also Graeme B. Dinwoodie, *Trademark Law and Social Norms* 4 (Oxford Intellectual Prop. Research Ctr., Working Paper, Spring 2007), <http://www.oiprc.ox.ac.uk/documents/EJWP0207.pdf>.

78. See, e.g., RICHARD LAYARD, *HAPPINESS: LESSONS FROM A NEW SCIENCE* (2005).

79. See, e.g., TIM KASSER, *THE HIGH PRICE OF MATERIALISM* (2002).

interests, and legal doctrines such as nuisance and other environmental laws can be invoked to curb exorbitant assertions of property rights.

“Fair use” provides a potentially very useful vehicle for shaping trademark rights according to the demands of other legal policies and economic agenda. Fair use preserves other firms’ ability to use others’ trademarks descriptively.<sup>80</sup> Fair use can also protect the development of some after-markets.<sup>81</sup> These are important economic and social policies that are, in some respects, external to trademark law’s dominant concern with protecting firms against misappropriation of their goodwill, and protecting consumers against whatever harms confusion and dilution cause. Unfortunately, in *KP Permanent* the Court ducked an opportunity to provide much needed guidance on the relationship between protecting consumers and other policy agendas that need to contribute to the shape of trademark law. The following Part suggests that the Supreme Court’s analysis in *KP Permanent* leans too heavily on “likelihood of confusion” and, in so doing, accords insufficient weight to the policies that the fair use defense was meant to further. More generally, the Court’s approach to fair use illustrates a broader problem of courts providing insufficient analytical space for policies *other than* the consumer welfare ends served by the “straightforward” explanation for trademark infringement doctrine to shape the development of trademark jurisprudence.

### III. TOLERATING CONFUSION: FAIR USE

Fair use is one of a number of trademark doctrines that further policies that are different from the policies that provide the basis for trademark law’s “straightforward story.”<sup>82</sup> For example, if functional aspects of products have achieved secondary meaning then courts may withhold protection from such badges of origin, even if there may be some likelihood of consumer confusion.<sup>83</sup> Similarly, in cases involving generic terms that have achieved some “de facto secondary meaning,” courts may deny all protection of the term,<sup>84</sup> or may sometimes engage in a more searching inquiry into the cause of any consumer

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80. See *infra* Part III.

81. See *infra* notes 89–91 and accompanying text.

82. Doctrines of this kind do not, of course, exhaust the opportunities for courts to tailor trademark analysis to further broader societal policies. The emerging doctrine on trademark use, which can immunize from liability some uses of marks that are not “trademark” uses, provides another important example. See Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1599–1600 (2007).

83. See, e.g., *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 81 (2d Cir. 1990) (stating that plaintiff may not exclude competitors from using functional design elements necessary to compete in the market, “whatever secondary meaning [plaintiff’s design] may have acquired”), *cert. denied*, 499 U.S. 976 (1991).

84. See, e.g., *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (“[N]o matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product the right to call an article by its name.”).

confusion before providing injunctive relief.<sup>85</sup> In the first instance, some confusion may be tolerated to further the legal policies of allowing firms to compete on price in functional goods markets unless the product is protected by some other intellectual property (typically a patent). The second set of doctrines aims at ensuring that firms do not gain proprietary rights in words that name the relevant goods or services. Both policies aim at avoiding anticompetitive effects. As the Supreme Court confirmed in *KP Permanent*, the Lanham Act's statutory fair use defense also requires consumer confusion to be tolerated sometimes in order to allow firms to make descriptive uses of otherwise-protected marks. Curtailing the trademark monopoly on descriptive words facilitates competition; it may also protect after-markets for such things as secondhand goods, sundries, and repairs services. Nominative fair use, a doctrine first described as such by the Ninth Circuit,<sup>86</sup> may serve to protect First Amendment values by enabling firms to use others' trademarks in certain expressive contexts.

A key reason for tolerating consumer confusion as a matter of formal doctrine is that even "fair descriptive uses" could be quite easily found to be infringing on a traditional likelihood of confusion analysis. Assume that the defendant uses descriptively an identical mark to that owned by the plaintiff in the same, or at least a very similar, context as the plaintiff.<sup>87</sup> Assume also that the plaintiff's mark was "strong;" that consumers typically purchase the relevant category of goods casually, rather than carefully; that the channels of trade are identical and both plaintiff and defendant target their goods to the same market segments; and that the goods have the same function. Under the Third Circuit's test for likelihood of confusion as summarized above,<sup>88</sup> factors (1), (2), (3), (6), (7) and (9) would likely weigh in the plaintiff's favor, with the result that other firms might be denied the opportunity to use the trademark in descriptive contexts. Consequently, it may not be possible always to rely on the likelihood of confusion test as a means to limit the scope of trademark rights to further the important legal policies that animate fair use doctrine.

The susceptibility of consumer perceptions to alteration by changes in the marketing context provides another reason in support of having a separate defense for fair use. Some uses that were once non-confusing could become so as a result of changes in the marketing context. In a case from the 1960s, *Volkswagenwerk*

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85. See *Blinded Veterans Ass'n. v. Blinded Am. Veterans Found.*, 872 F.2d 1035, 1043–46 (D.C. Cir. 1989) (drawing on the analysis of the Supreme Court in *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111 (1938)).

86. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992). "Nominative fair use" gained statutory recognition in the Trademark Dilution Revision Act of 2006, which includes in its exclusion section, "[a]ny fair use, including a nominative or descriptive fair use, or facilitation of such fair use." Pub. L. No. 109-312, § 2, 120 Stat. 1730, 1731 (codified at 15 U.S.C. § 1125(c)(3)(A) (2006)).

87. See, e.g., *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 224 (3d Cir. 2005). The Third Circuit recently acknowledged that unthinking application of the factors could lead to a finding for the plaintiff where no confusion exists. The Third Circuit attempted to solve this problem by amending the factor analysis in nominative fair use cases. *Id.* at 224–26.

88. See *supra* note 52 and accompanying text.

*Aktiengesellschaft v. Church*, the Ninth Circuit upheld a finding of non-infringement in favor of a firm that styled itself as an “Independent” Volkswagen repair shop.<sup>89</sup> The defendant used only the Volkswagen name in its business, not the characteristic VW logo. Two key findings supported this holding. First: the court found it “clear” that “there is a widespread practice, at least in southern California, among businesses that service Volkswagen vehicles, to identify those that are part of the plaintiff’s organization, by the use of the word ‘Authorized,’ and also by liberal use of the encircled VW emblem;” conversely, businesses that “are not part of plaintiff’s organization, . . . use of the word ‘Independent.’”<sup>90</sup> Second: “[p]laintiff requires a remarkable degree of uniformity from its dealers, with regard to the construction and layout of their facilities, size, location and colors of their signs, and the style of lettering for their signs and printed advertising of all kinds.” This, the court reasoned, made it “easier to distinguish plaintiff’s dealers from those not connected with the plaintiff.”<sup>91</sup> The outcome thus depended on the court’s perception of what consumers understood already about the use of the VOLKSWAGEN mark in the repair shop market in southern California at the relevant time.

But what if there had not been an established practice of denoting the plaintiff’s own shops as “authorized,” or if there had been greater diversity in the layout and trade dress of the “authorized” repair shops? The use of the VOLKSWAGEN mark might then have meant something different for consumers in the relevant market, and it might have been easier for a court to have reached the opposite conclusion—that prominent use of the VOLKSWAGEN mark in the advertising of the services of a repair shop might have indeed suggested sponsorship or endorsement. Here, the changed marketing context might lead to a weighing of the factors in favor of the plaintiff. As a result, competition in an important after-market could have been significantly curtailed.

A third reason supporting the need for a fair use defense is that without formal doctrinal or statutory protections of fair use, the assertion of trademark rights could curtail expressive freedoms.<sup>92</sup> This is particularly important for nominative fair use, which treats as non-infringing some uses of a trademark simply as a “name.” In a nominative fair use case, the trademark is being used because it is the most efficient way to identify some other firm or party, even if the defendant’s ultimate aim is to describe its own goods or services. *New Kids on the Block v. News America Publishing, Inc.*,<sup>93</sup> the leading Ninth Circuit decision on

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89. Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350, 352 (9th Cir. 1969) (upholding the district court’s analysis and applying a “not clearly erroneous” standard).

90. Volkswagenwerk Aktiengesellschaft v. Church, 256 F. Supp. 626, 630 (S.D. Cal. 1966), *aff’d*, 411 F.2d 350 (9th Cir. 1969).

91. *Id.* at 630–31.

92. Justice Brennan, dissenting, described the relationship between the statutory fair use defense and expressive freedoms in *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Committee*. “The fair-use defense also prevents the award of a trademark from regulating a substantial amount of noncommercial speech.” *S.F. Arts & Athletics, Inc.*, 483 U.S. 522, 565 (1987) (Brennan, J., dissenting).

93. 971 F.2d 302 (9th Cir. 1992).

nominative fair use, illustrates the lengths to which some courts can go to preserve expressive freedoms, even where the factual context might plausibly have supported a finding of likely confusion, or, at least, raised a factual issue requiring the matter to go to trial. *New Kids* was a suit brought by the eponymous “boy band” from the 1990s against two newspapers that both solicited calls to 900 numbers in response to newspaper “polls” that assessed the popularity with their readers of individual members of the band. Defendants’ readers were invited to telephone these numbers to answer questions such as, “who is the most popular” New Kid?; “Which of the five is your fave? Or are they a turn off?;” and “Now which kid is the sexiest?” The essence of the New Kids’ complaint was that the use by the newspaper of the “New Kids” trademark “implied that the New Kids were sponsoring the polls.”<sup>94</sup>

On the newspaper defendants’ summary judgment motion, neither the district court nor the Court of Appeals for the Ninth Circuit considered that “implied” endorsement was a sufficient basis for trademark infringement. The district court had reasoned that the newspapers’ First Amendment rights outweighed whatever damage might have been done to the trademark by an implication of endorsement.<sup>95</sup> The Ninth Circuit approached the question in a different way, holding that in a nominative fair use case such as this, where the most efficient way to refer to this particular boy band was to use its name, even if the name was also a trademark, a new three-step test should replace the likelihood of confusion analysis. According to the Ninth Circuit, to successfully assert the nominative fair use defense, the alleged infringer must show that: (1) the product in question is not readily identifiable without use of the trademark; (2) only so much of the mark is used as reasonably necessary to identify the product; and (3) the user of the mark did nothing that would suggest sponsorship by the trademark holder.<sup>96</sup> On its face, the third factor would seem to invite some empirical inquiry into whether the defendant’s actions did, in fact, “suggest” sponsorship. After all, likely confusion as to sponsorship is one of the specific bases upon which a party may be liable for trademark infringement and unfair competition under the Lanham Act.<sup>97</sup> The Ninth Circuit held, however, that in *New Kids* there had not even been implied endorsement, relying on one of the newspaper’s question as to whether the band members were “a turn off;” but even the other newspaper, which had been more effusive had, in the Court of Appeals’ view, said “nothing that expressly or by fair implication connotes endorsement or joint sponsorship on the part of the New Kids.”<sup>98</sup> Also supporting this holding were the connections that the newspapers made between the 900 “survey” and other editorial material, such as a review of a New Kid’s televised concert.

From a purely doctrinal perspective, the holding in *New Kids* that there existed no material issue of fact on the question of consumer confusion is problematic. By the time of the litigation, New Kids had used its mark on some

94. *Id.* at 308.

95. *New Kids on the Block v. News Am. Publ’g, Inc.*, 745 F. Supp. 1540, 1545 (C.D. Cal. 1990), *aff’d*, 971 F.2d 302 (9th Cir. 1992).

96. *New Kids on the Block*, 971 F.2d at 308.

97. 15 U.S.C. § 1125(a) (2006).

98. *New Kids on the Block*, 971 F.2d at 309 (emphasis added).

five-hundred products and services, and two authorized 900 “hotlines” were being marketed under the “New Kids” trademark. Given that the likely target audience for the defendants’ 900 surveys might include at least some teenage fans of boy bands (a group hardly renowned for its careful reading of newspapers), the conclusion that there was no material issue of fact as to consumers’ beliefs about endorsement seems like quite a close call. It is precisely because factual questions of this kind are so difficult to answer that courts generally consider trademark infringement cases to be ill-suited to summary disposition.<sup>99</sup>

Detailed consideration of the likely apprehension of the defendants’ use of the “New Kids” mark was conspicuously absent from the Ninth Circuit’s analysis. No consideration, for instance, was given to the possibility that, given that there had already been substantial authorized uses of the mark in a wide variety of contexts, including the use of 900 numbers, the defendants’ use of the “New Kids” was *in itself* sufficient to signal a connection—of at least the sponsorship or endorsement variety—between the defendants and the trademark owner. Had the owner of the New Kids trademark, through its prior marketing practices, “taught” the relevant group of consumers that such uses are typically authorized—indeed, had *other* owners of trademarks for popular entertainment groups taught consumers of popular music the same lesson—this may have created an expectation that other like uses would also be authorized.

This is not to suggest that the New Kids’ use of the mark in conjunction with 500 different products and services and with its own hotlines was necessarily enough to generate this kind of assumption. Even so, whether New Kids might have done so surely warranted further discussion. Judge Kozinski’s conclusions on the trademark and unfair competition claims do seem decidedly truncated: “[s]ummary judgment was proper,” the court reasoned, because “all [claims] hinge on a theory of implied endorsement; there was none here as the uses in question were purely nominative.”<sup>100</sup> The court avoided engaging with an alternative possibility: uses that are “nominative” might nevertheless imply endorsement. Instead, it seems, if a use is characterized as nominative, any implication of endorsement can be assumed away.

While the *New Kids* court specifically eschewed reliance on the First Amendment (the principal basis for the district court’s analysis), its holding and parts of its reasoning are certainly *consistent* with the policy of carving out from trademark rights sufficient “space” for communication using another’s trademark. The following passage warrants quoting at length:

While the New Kids have a limited property right in their name, that right does not entitle them to control their fans’ use of their own money. Where, as here, the use does not imply sponsorship or endorsement, the fact that it is carried on for profit and in competition with the trademark holder’s business is beside the point. Voting for their favorite New Kid may be, as plaintiffs point out, a way for fans to articulate their loyalty to the group, and this may diminish the resources available for products and services

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99. See *supra* note 10.

100. *New Kids on the Block*, 971 F.2d at 309.

they sponsor. But the trademark laws do not give the New Kids the right to channel their fans' enthusiasm (and dollars) only into items licensed or authorized by them. The New Kids could not use the trademark laws to prevent the publication of an unauthorized group biography or to censor all parodies or satires which use their name. We fail to see a material difference between these examples and the use here.<sup>101</sup>

Two of these protected uses—magazine copy and an unauthorized biography—are “expressive.” A further example cited in a footnote to this passage—satirical use—also involves a type of expressive use of a trademark.<sup>102</sup> Likewise, in *International Order of Job’s Daughters v. Lindeburg & Co.*, the court concluded that the depiction of a fraternal organization’s trademark in the form of pins and rings was not use of the trademark to denote the goodwill in the products themselves; instead, the defendant was selling the mark “in itself.”<sup>103</sup> The holding of no infringement for unauthorized rings and pins protected their wearers’ ability to express their affiliation with a particular organization without having to pay the (presumably higher) prices that would be charged if the trademark proprietor’s rights extended into this market.<sup>104</sup>

With this kind of analysis, consumers seem to drop out of the picture—that is to say, consumers as they are predominantly understood by trademark law: marketplace actors who are vulnerable to confusion (or incurring imagination costs) in the course of their purchasing decisions. In cases such as *New Kids* and *Volkswagenwerk*, courts try to, and often can, have it both ways. Consumers are not confused—in *New Kids* because the defendant’s use was “nominative,” and in *Volkswagenwerk*, because of the prior practice of designating repair shops as “authorized” and controlling the trade dress—and the holdings can achieve consistency with other values and agenda, such as protecting aftermarkets and freedom of expression. A more realistic take on these decisions is that the courts are creating “space” to give expression to other important policies, such as protection of aftermarkets and First Amendment values.<sup>105</sup>

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101. *Id.* (citations omitted).

102. The footnote reads:

Consider, for example, a cartoon which appeared in a recent edition of a humor magazine: The top panel depicts a man in medieval garb hanging a poster announcing a performance of “The New Kids on the Block” to an excited group of onlookers. The lower panel shows the five New Kids, drawn in caricature, hands tied behind their backs, kneeling before “The Chopping Block” awaiting execution. *Cracked* # 17 (inside back cover) (Aug. 1992). Cruel? No doubt—but easily within the realm of satire and parody.

*Id.* at 309 n.9.

103. 633 F.2d 912, 920 (9th Cir. 1980).

104. For an alternative analysis, upholding trademark rights in merchandising material, see *Boston Professional Hockey Ass’n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir. 1975). See also *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062 (9th Cir. 2006).

105. For discussion of other issues that may have been at stake in the *New Kids* decision, see *Dinwoodie & Janis, supra* note 82, at 1620–21.

But what about cases where the tension between “trademark” policies and other legal policies cannot be so easily avoided—where, for example, there is a likelihood of consumer confusion, yet a decision for the trademark proprietor would thwart other important policies or values? This was the issue that engaged the Supreme Court in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*<sup>106</sup>

#### ***A. KP Permanent and the Continued Relevance of Consumer Confusion***

*KP Permanent* involved two competitors in the permanent make-up market. Lasting Impression I, Inc. held a federal registration for MICRO COLORS that became incontestable in 1999. KP Permanent, which claimed to have used the term “microcolor” in its advertising materials since the early 1990s, initially sought a declaratory judgment that its use of the term did not infringe Lasting’s trademark. On Lasting’s counterclaim for trademark infringement, the District Court for the Central District of California held for KP Permanent on its summary judgment motion, on the ground that KP Permanent’s descriptive use of the term enabled it to rely on the statutory fair use defense.<sup>107</sup> The Ninth Circuit reversed and remanded.<sup>108</sup> Resolving a circuit split,<sup>109</sup> the Supreme Court held that a party relying on the affirmative statutory defense of fair use in section 33(b)(4) of the Lanham Act<sup>110</sup> was not required to disprove the likelihood of confusion as a prerequisite for relying on the defense.<sup>111</sup>

“Starting from . . . textual fixed points,”<sup>112</sup> the Court first analyzed the relationship between the wording of the fair use defense in the Lanham Act and the sections describing liability for various forms of trademark infringement. It

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106. 543 U.S. 111 (2004).

107. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, No. SA CV 00-276GLT, 2001 WL 34900932, at \*4 (C.D. Cal. May 16, 2001) (citing 15 U.S.C. § 1115(b)(4) (2006)), *rev’d*, 328 F.3d 1061 (9th Cir. 2003), *vacated*, 543 U.S. 111 (2004).

108. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1073 (9th Cir. 2003), *vacated*, 543 U.S. 111 (2004). Specifically, the Ninth Circuit considered that as there were material questions of fact relating to the likelihood of confusion, the district court erred in its holding on fair use grounds in favor of the counterclaim defendant’s motion for summary judgment. *Id.* at 1072.

109. *Compare id.* at 1072 (requiring likelihood of confusion as part of analysis for classic, as opposed to nominative, fair use), *PACCAR Inc. v. TeleScan Techs., L.L.C.*, 319 F.3d 243, 255–56 (6th Cir. 2003) (describing likelihood of confusion as the “touchstone,” even in the fair use context), *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984) (fair use defense unavailable if likelihood of confusion has been shown), and *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 796 (5th Cir. 1983) (stating that fair use defense enables use of words contained in a trademark “in their ordinary, descriptive sense, so long as such use [does] not tend to confuse customers as to the source of goods”), *with Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 28, 30–31 (2d Cir. 1997) (fair use defense may succeed even if there is likelihood of confusion), *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997) (“[A] determination of likely confusion [does not] preclude[] considering the fairness of use.”), and *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995) (likelihood of confusion does not preclude the fair use defense).

110. 15 U.S.C. § 1115(b)(4).

111. *KP Permanent*, 543 U.S. at 124.

112. *Id.* at 118.

reasoned that Congress was unlikely to have meant the same thing when it used the phrase “likely to cause confusion, or to cause mistake, or to deceive,” in the section describing trademark infringement<sup>113</sup> and “used fairly”<sup>114</sup> in the section providing for the fair use defense.<sup>115</sup> Additionally, the Court pointed out that it was illogical to require the party asserting the defense to disprove confusion, where a showing of likelihood of confusion is part of the trademark owner’s case: “[I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant.”<sup>116</sup> The Court then engaged with the broader policy issues implicated by the statutory fair use defense: “The common law’s tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first.”<sup>117</sup>

In these passages, the Court comes very close to articulating a policy agenda in favor of competitive use of descriptive terms in a non-trademark sense that “trumps” the policy concerns described at the beginning of this chapter as providing the bases for the “straightforward” explanation for trademark infringement.<sup>118</sup> Indeed, immediately following these passages, the Court cited a Second Circuit opinion for the proposition that, “[i]f any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase,”<sup>119</sup> implying that the law must “tolerate[] some degree of confusion from a descriptive use of words contained in another person’s trademark.”<sup>120</sup> While some ambiguity is created by the juxtaposition of “any” and “some,” this seems to be a fairly strong endorsement of the importance of policies *other* than protecting consumers from confusion.

But the Supreme Court ultimately shied away from trumping the putatively empirical issue of confusion with the policies underlying the fair use

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113. 15 U.S.C. § 1114.

114. *KP Permanent*, 543 U.S. at 118.

115. 15 U.S.C. § 1115(b)(4).

116. *KP Permanent*, 543 U.S. at 120 (quoting *Shakespeare Co. v. Silstar Corp.*, 110 F.3d 234, 243 (4th Cir. 1997)). On remand, the Court of Appeals for the Ninth Circuit took the hint: “KP’s motion raises essentially issues that are defenses to an infringement action.” *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 602 (9th Cir. 2005). “The fair use defense only comes into play once the party alleging infringement has shown by a preponderance of the evidence that confusion is likely.” *Id.* at 608–09.

117. *KP Permanent*, 543 U.S. at 122.

118. Leading U.S. trademark commentator Professor J. Thomas McCarthy has adopted the opposite view, using similar terminology. “Because the paramount goal of the law of trademarks is to prevent likely confusion, a showing of likely confusion should trump a ‘fair use.’” 2 MCCARTHY, *supra* note 54, § 11:47, *cited with approval in PACCAR Inc. v. TeleScan Techns, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003).

119. *KP Permanent*, 543 U.S. at 122 (emphasis added) (quoting *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997)).

120. *See id.* at 119 (“[T]he common law of unfair competition also tolerated some degree of confusion from a descriptive use of words contained in another person’s trademark.” (citing *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924))).

defense. The Court's endorsement of the Second Circuit's analysis underscored the importance of the fair use defense, but the Court *also* reasoned that it would be "improvident to go further" than recognizing that mere risk of consumer confusion will not rule out fair use,<sup>121</sup> and then specified that its holding "does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair."<sup>122</sup>

Some key implications of the Court's analysis are suggested by the approach of the Ninth Circuit on remand. Denying the counterclaim defendant's summary judgment motion on the fair use issue, the Ninth Circuit reasoned:

Summary judgment on the defense of fair use is also improper. There are genuine issues of fact that are appropriate for the fact finder to determine in order to find that the defense of fair use has been established. Among the relevant factors for consideration by the jury in determining the fairness of the use are the degree of likely confusion, the strength of the trademark, the descriptive nature of the term for the product or service being offered by KP and the availability of alternate descriptive terms, the extent of the use of the term prior to the registration of the trademark, and any differences among the times and contexts in which KP has used the term.<sup>123</sup>

In other words, a party relying on the fair use defense not only has to satisfy the requirements of the statute; it may also be required to marshal evidence about the likelihood of confusion, with the possible result that summary judgment on the fair use issue may be much less easily secured by defendants confronting infringement allegations, even when their use of the trademark is descriptive. The risk for defendants, as the Ninth Circuit's approach attests, is that "fair use" will

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121. *Id.* at 123.

122. *Id.* Here, the Court's analysis seemed to echo an exchange between Justice O'Connor and Petitioner's counsel in oral argument:

JUSTICE O'CONNOR: In this case, did the plaintiff offer any evidence of confusion, consumer confusion?

MR. MACHAT: This was a motion for summary judgement [sic].

JUSTICE O'CONNOR: And was there anything in the affidavits or attachments that have to do with consumer confusion on behalf of the plaintiff?

MR. MACHAT: Yeah, actually, the record does contain some references to confusion. The—in this case, the respondent, they were claiming that they did have some people that actually were confused. And when that happens, you need to look at what is causing the confusion. And essentially—

JUSTICE O'CONNOR: Well, it might make it necessary for a defendant in such a situation, in order to avoid some kind of summary judgement, [sic] to also offer evidence on consumer confusion to try to show there wasn't any.

Transcript of Oral Argument at \*3, *KP Permanent*, 543 U.S. 111 (No. 03-409), available at 2004 WL 2340185.

123. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 609 (9th Cir. 2005).

become one of those questions considered to be “intensely factual.” While summary judgment is not generally favored in trademark infringement actions, the Supreme Court has emphasized its importance in other areas of trademark law.<sup>124</sup> In the terms used earlier in this article, there is a risk that likelihood of confusion will become pretty much all there is to it. As the following sub-Part discusses, this may poorly serve the policies underlying the fair use defense, and it may also serve to make litigation more complex and expensive.

### ***B. The Wrong Way to Develop Trademark Law***

Even on the statutory interpretation grounds with which the Supreme Court began its analysis, where the Court carefully *distinguished* the concept of “fair use” from “likelihood of confusion,” it seems strange, to say the least, to read back into the fair use statute a requirement that the defendant make a showing on the “extent” of confusion. In section 33(b)(4), the concept of likelihood of confusion is conspicuously absent. The Court’s analysis also masks a substantive shift: insisting on the continued relevance of likelihood of confusion may limit opportunities for summary adjudication where the fair use defense is raised, a result likely to favor proprietors of trademarks that are susceptible to others’ descriptive uses. Substantively, this approach risks weighing the policies underlying trademark protection more heavily than those that would permit competitors to use descriptive marks. There is no clue in the Lanham Act that this was intended.

More generally, *KP Permanent* illustrates the wrong way to develop trademark law. The holding tells us almost nothing about how much confusion is tolerable, other than to say that the fair use defense will not be defeated by a “mere risk” of consumer confusion.<sup>125</sup> And the Court doesn’t explain how to balance or negotiate between the different policy concerns that underlie the likelihood of confusion and fair use questions. By folding the fair use question back into the analysis of “likelihood of confusion,” the *KP Permanent* Court forces the latter concept to do too much. “Likelihood of confusion” risks becoming the single yardstick by which the facts of any case implicating the fair use defense will be assessed. Moreover, this is to occur in a legal environment in which the Court has provided almost no guidance on the relative importance of avoiding consumer confusion, on the one hand, and permitting firms to use trademarks descriptively, on the other. One step toward achieving greater coherence in the development of trademark law and policy would be for appellate courts to look harder at how findings of the presence or absence of likelihood of confusion really come about, and to acknowledge inchoate quality of the empiricism of the analysis. Where

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124. *See supra* note 10. Other aspects of the Ninth Circuit’s analysis also appear questionable. The party relying on 15 U.S.C. § 1115(b)(4) (2006) must establish that the term is used “fairly,” “in good faith,” and “otherwise than as a mark,” but the Ninth Circuit’s analysis appears to import an additional requirement, or, at least, to make relevant, that the mark was the only, or one among a few, descriptive terms available. *See KP Permanent*, 408 F.3d at 609; *supra* note 123 and accompanying text. facially, § 1115(b)(4) requires merely that the term be used in its “descriptive” sense, “only to describe the [defendant’s] goods or services.”

125. *KP Permanent*, 543 U.S. at 123.

relevant, the uncertainties associated with testing for dilution should provoke a similar type of inquiry.

Some Circuit Courts of Appeal have provided much-needed guidance as to how to best shape the likelihood of confusion analysis where other important policies are at issue. The Ninth Circuit did some of this in *New Kids*—even if it meant slipping quickly over important factual questions. Other courts have adapted the likelihood of confusion analysis to tailor it better to fair use cases.<sup>126</sup> However, trademark law continues to exist in a legal environment where different forms of legally cognizable confusion keep being added to the legal repertoire. Moreover, in the current marketing environment, brands constantly compete to occupy increasing amounts of social and cognitive space. As a result, the increasing range of things about which consumers might likely be confused may lead to an accompanying reduction in the scope for the fair use defense. For our highest appellate court to offer no guidance on whether or not this is a good thing bespeaks, at the very least, a lack of engagement with this important area of unfair competition and economic policy.

In this aspect, *KP Permanent* recalls a position adopted by the Court in *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Committee*,<sup>127</sup> a case involving assertions of First Amendment protections against special rights in the “Olympic” mark. There, Justice Brennan observed: “the danger of substantial regulation of noncommercial speech is diminished by denying enforcement of a trademark against uses of words that are not likely ‘to cause confusion, to cause mistake, or to deceive.’”<sup>128</sup> In other words, we need be less concerned than we might otherwise be about property rights existing in expressive material because it will be only those trademarks that are likely to cause “confusion” or “mistake” or which will “deceive” that will be enjoined; moreover, marks will be privatized only to the extent that the property rights in marks protect consumers against such things. Implying that the First Amendment is safe from trademark law because trademark law prohibits only those uses of marks that are likely to cause confusion puts enormous faith in tests for trademark infringement, faith that might not always be warranted.<sup>129</sup> It takes no account of the reality that changes in marketing practices and in the scope of legal rights can affect the amount of speech that can be privatized. Nor does this analysis contend with the problem of determining whether, as the scope of trademark rights changes, the current law provides an appropriate trade-off between expressive freedoms and trademark rights.<sup>130</sup> And,

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126. *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 225–26 (3d Cir. 2005).

127. 483 U.S. 522 (1987).

128. *Id.* at 564 (Brennan, J., dissenting) (citation omitted).

129. A number of distinguished commentators have urged that more attention should be given to keeping expressive freedoms safe from trademark law. Professor Dreyfuss provides one of the leading discussions of these issues. Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397 (1990).

130. For a recent exploration of the relationship between intellectual property rights and expressive freedoms, see Sonia K. Katyal, *Semiotic Disobedience*, 84 WASH. U. L. REV. 489 (2006).

most seriously, the analysis does not acknowledge that the method by which likelihood of consumer confusion is ascertained will often fail to produce a durable division between uses of marks that will or won't cause legally relevant consumer harms.

Perhaps if the *KP Permanent* Court had been more cognizant of the character of the "likelihood of confusion" analysis, it would not have so readily concluded that tolerating "some" confusion does not foreclose the relevance of the extent of consumer confusion to a finding of fair use, a conclusion that subsequently allowed the Ninth Circuit to withhold summary judgment on the ground that there existed a material issue of fact as to the degree of consumer confusion likely to be caused by *KP Permanent*'s use of "micro colors" in its promotional material.

Cognizance of the uncertainties and contingencies associated with testing for infringement in U.S. trademark supports an acknowledgement that "likelihood of confusion" and "dilution" are not, or at least not entirely, pre-legal phenomena. Once this is recognized, appellate courts might engage with the kind of question that the *KP Permanent* Court side-stepped. What matters more: avoiding whatever it is that is established by tests for trademark infringement, on the one hand, or allowing firm's descriptive use of words that happen also to be trademarks owned by other firms, on the other? Recognizing that these are potentially competing *policy* concerns may lead to a more orderly development of trademark doctrine, and more rigorous judicial engagement with the wide variety of policy questions that trademark law distills. Certainly, trademark doctrine should not weigh something less heavily in the policy balance because something else is traditionally understood as involving an inquiry into matters of "fact."

If the absence or presence of confusion is to remain relevant to fair use, it would be more useful to see courts engaging in the same kind of analysis that sometimes occurs in analogous contexts. For example, in what is still one of the leading opinions on the functionality doctrine, the Court of Customs and Patent Appeals in *In re Morton-Norwich Products, Inc.*,<sup>131</sup> characterized the required judicial analysis as follows:

Given, then, that we must strike a balance between the 'right to copy' and the right to protect one's method of trade identification, what weights do we set upon each side of the scale? That is . . . what facts do we look to in determining whether the 'consuming public' has an interest in making use of [one's design], superior to [one's] interest in being [its] sole vendor?<sup>132</sup>

This kind of approach engages more directly with what is at stake in those parts of trademark law in which "likelihood of confusion" cannot be the sole determinant of parties' rights and obligations. The public still has an interest in not being confused, but it also has an interest in firms being able to copy non-patented functional aspects of products. Consumers have an interest, in other words, in a thriving marketplace in which firms can compete freely on price for aspects of

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131. 671 F.2d 1332 (C.C.P.A. 1982).

132. *Id.* at 1340 (citations omitted).

products that are unpatented and “non-reputation-related.”<sup>133</sup> In *Morton-Norwich*, the countervailing principles at stake in the functionality context<sup>134</sup> prompted a detailed and searching analysis of the kinds of factors that might be analyzed and weighed to determine whether an aspect of a product genuinely is to be characterized as “functional.”

This approach provides a helpful analytical starting point, because it articulates the policy concerns at stake, and attempts to shape the doctrine in the light of those concerns. To some extent, the *KP Permanent* Court was cognizant of the policies animating the fair use defense, particularly with its references to the reasons why the common law tolerated confusion caused by descriptive uses of trademarks. But in *all* contexts where countervailing principles require consumer confusion or other consumer harms to be tolerated, it would also be helpful for courts to recognize that there are risks accompanying according too much weight to the consumer harms caused by trademark infringement (and to those apparently caused by dilution). Given the uncertainties and contingencies associated with establishing whether likelihood of confusion exists, and the increasing array of things about which consumers can be confused, it is not at all clear that consumers will always get a good deal when firms are prevented from making descriptive use of others’ trademarks. Protection of trademark rights helps protect the integrity of the valuable information trademarks provide to consumers, but there is also value in facilitating accurate descriptions of other firms’ goods and services. Consumers benefit when the law ensures that the privatization of terms that can be used descriptively does not impede competition. In sum, consumers may not get a good deal when they are protected against everything that trademark law considers harmful. In the fair use context, and in other parts of trademark doctrine, it is time for courts to start engaging with that possibility.

## CONCLUSION

The *KP Permanent* Court’s approach to fair use risks valorizing likelihood of confusion, and perceptions of consumer harm generally, at the expense of other important social values and economic policies. To be sure, *KP Permanent* helpfully confirmed that toleration of some consumer confusion is required by the fair use defense. However, other parts of the Court’s analysis, specifically its conviction that likelihood of confusion was nevertheless *relevant* to whether the fair use grounds are established and its refusal to engage with the issue of how much confusion is tolerable, add little to the coherence of this part of trademark doctrine.

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133. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995) (“This Court . . . has explained that, ‘[i]n general terms, a product feature is functional,’ and cannot serve as a trademark, ‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,’ that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.” (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982))).

134. See generally Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 IOWA L. REV. 611 (1999) (providing an exhaustive analysis of the countervailing principles at stake in functionality doctrine).

*KP Permanent* perpetuates a problem that permeates so much trademark law: the idea that likelihood of consumer confusion is a pre-legal phenomenon, something “out there,” able to be ascertained as a matter of unassailably empirical fact.<sup>135</sup> As a result, in a number of contexts apparent empiricism continues to trump policy. Given the problems that exist with ascertaining “facts” about consumers in trademark law, *and* the vulnerability of consumers’ worldviews to manipulation, the Court’s apparent faith in empirical analysis of likelihood of confusion may not always be warranted. At the risk of putting the point too epigrammatically, *KP Permanent* seems mostly to tolerate confusion about confusion.

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135. Of course, this problem is not confined to trademark law but is endemic in legal analysis, as the Realists (amongst others) emphasized. *See, e.g.*, Felix S. Cohen, *Transcendental Nonsense and the Functional Approach*, 35 COLUM. L. REV. 809 (1935). In *KP Permanent*, this mindset was also apparent in the oral argument. Justice O’Connor commented: “[I]t might make it necessary for a defendant in such a situation, in order to avoid some kind of summary judgement [sic], to also offer evidence on consumer confusion to try to show there wasn’t any.” Transcript of Oral Argument, *supra* note 122, at \*3.

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