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## A Cause of Action for "Passing Off/Associational Marketing"

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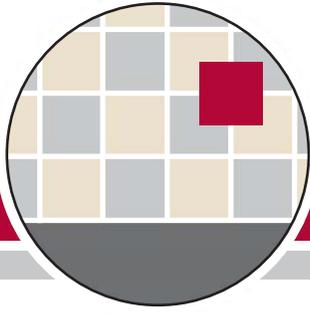
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## A Cause of Action for “Passing Off/Associational Marketing”

Margreth Barrett<sup>†</sup>

The Trademark Scholars Roundtable participants discussed a wide range of approaches to understanding and limiting the ever-increasing sprawl of trademark rights. It was a productive and stimulating discussion. In this essay, I would like to combine some of my own ideas with points and suggestions made by the other participants, to sketch out a possible judicial approach to regulating the sprawl. Before discussing a potential solution, however, it is important to understand the nature of the problem, and some of its primary causes.

Section I will discuss the problem and set the stage for my proposal. Section II will then suggest that courts relegate certain particularly problematic new forms of trademark infringement claims to a “passing off/associational marketing” evaluation. It will anchor this proposal in the historic development of the common law and courts’ construction of the Lanham Act, and then explore some of the rules, presumptions and defenses that might cabin this more limited cause of action.

### I. The Problem

The courts developed trademark law to serve a limited purpose: to facilitate efficient competition by enabling merchants to adopt a particular word or symbol to identify their goods, and prevent other merchants from using a confusingly similar word or symbol to identify their own goods, when doing so would be likely to cause mistaken purchases. These limited rights in words and symbols ensure that consumers can easily and quickly identify and distinguish the goods of competing producers and effectively exercise their purchasing preferences. This reduces consumer search costs and enables consumers to reward quality through repeat patronage. The potential for repeat patronage, in turn, enables producers to benefit from investment in product quality, and thus encourages them to strive for quality.

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I would like to thank Prof. Graeme Dinwoodie, the DePaul University College of Law’s Center for Intellectual Property Law and Information Technology, Prof. Mark D. Janis, and the Indiana University Maurer School of Law for making the Roundtable possible. Thanks, too, to Vadim Shifrin, Esq., Assistant Director of DePaul’s Center for Intellectual Property Law & Information Technology for his flawless planning and coordination.

Thanks, as well, to Rebecca Tushnet, who took comprehensive notes of the Roundtable discussions and posted them to her blog. (They were a great help, as I managed to lose my own notes at the airport on my way home.) Finally, my thanks to all the Roundtable participants for the stimulating discussion and ideas.

However, courts recognized that overprotection of marks can actually undercut marketplace competition and efficiency by enabling mark owners to interfere unnecessarily with the flow of useful marketplace information to consumers. Overly broad rights in marks may prevent competing producers from effectively communicating the nature, qualities and characteristics of their own products to interested consumers, or prevent competitors, consumers or the media from engaging in critical product critiques and commentary. Overly broad protection of marks may prevent or unnecessarily complicate development of new digital technologies that assist consumers and promote competition by enhancing or aggregating available product information. Overly broad protection of marks may enable mark owners to prevent competitors from selling similar unpatented products and erect other barriers to market entry. Moreover, rights in marks may intrude impermissibly on the public's First Amendment interests in freedom of speech. To ensure that harmful overprotection would not occur, courts built a number of limiting doctrines into the infringement cause of action, and have invoked a range of external limitations as well.

Thus, trademark law is best understood as a careful balance of competing marketplace interests. Nonetheless, over the years, the scope of trademark protection has gradually but steadily expanded. Under modern marketing practices, marks have grown from symbols to enable consumers to differentiate products to sophisticated selling tools, the subject of tremendous investment and careful, expert sculpting. Mark owners have come to view marks as vital business assets in themselves—"brands" that encompass and convey not just source, but a whole construct of compelling imagery, prestige, personality, and hooks to facilitate consumer self-identification with the product and thus cement brand loyalty.

Where investment goes, an inherent sense of property right tends to follow, regardless of what black-letter law has to say about it. The notion of property arises from a deep-seated (if perhaps misguided) sense of morality: if a person invests, then he should reap the full benefit of the investment. To many people, it seems intrinsically unfair for others to siphon off benefit, even when doing so may promote the overall public good. Free riding feels uncomfortably like theft. So as marks take on psychological attributes of property (by virtue of their owners' investment), additional notions of actionable harm come to the fore. As Mark Lemley succinctly put it: If any value that arises from use or reference to a mark should belong to the mark owner, then the mark owner is "harmed" whenever someone else derives value from the use or reference without paying for a license. Never mind that the use caused no consumers to make mistaken purchases, and may actually have promoted consumer interests in price and quality competition, or constituted First Amendment protected expression.

Mark owners communicate their attitudes about investment and property to courts and the public: Investments need to be protected, and perhaps more harm, beyond undercutting consumer reliance interests and deprivation of license revenue, arises from unauthorized use of marks. Others' unauthorized use or reference to the mark may create new, unwanted consumer associations with the mark, may distort or diminish the carefully cultivated brand

identity, may undercut the carefully honed aura of exclusivity and uniqueness. To protect their investment, many mark owners would like *complete* control over use of their word or symbol. Concerns arise: if mark owners can't have the desired control over their marks, they may not invest in brand differentiation, or even in innovative new products and services.

The complicating factor, of course, is that such expansive property rights in words and symbols is likely to cause the serious competition, technological development, and First Amendment harms identified above in the discussion of overprotection. Moreover, as Ralph Brown explained in 1948, all we really need in order to have an efficient, competitive market is "information as to source," so that consumers can assign good will or blame to the proper producer and repeat satisfactory purchases. All the additional hype and imagery of a "brand" is of questionable public benefit.<sup>1</sup> And as the Supreme Court has repeatedly stressed, Congress designed the patent and copyright laws, *not* trademark law, to provide economic incentives to invest in creative endeavors.<sup>2</sup> Overly broad construction of trademark law can actually undercut the effectiveness of Congress' innovation and investment-inducing strategies under the Patent and Copyright Acts.

Notwithstanding such practical considerations, however, the inherent, emotionally resonant sense of property has slowly but steadily influenced (and continues to influence) courts' decision-making process in trademark infringement cases. It has lead courts repeatedly to extend the scope of actionable "likelihood of confusion."

Initially, the only actionable confusion was confusion about product source, which could lead consumers to buy the defendant's product, thinking it was the plaintiff's. Clearly such confusion is harmful, as it undercuts consumers' ability to rely on marks for information about product source (which in turn enables them to infer product quality and characteristics), and thus intelligently exercise their purchasing preferences. And the resulting inability of purchasers to repeat satisfying purchases undercuts mark owners' incentive to invest in product quality. Courts later extended infringement liability to uses of marks that created a likelihood of consumer confusion about whether the mark owner *sponsored* the defendant's product or whether the parties were *affiliated*. As Mark McKenna and Mark Lemley point out,<sup>3</sup> there is some practical justification for this: as producers began to grow and diversify, and license or franchise others to produce related products under their marks, a defendant's unauthorized use of the mark might cause consumers mistakenly to predict that the defendant's product has quality or characteristics they associate with the mark owner, and mistakenly purchase a product that lacks those attributes. This harms consumers, and, to the extent that consumers

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1. Ralph Brown, *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L. J. 1165, 1180–81 (1948).

2. *See, e.g., Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33–34 (2003), *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2001).

3. Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010).

hold the mark owner responsible for the defendant's unsatisfactory quality and characteristics, this may injure the mark owner's reputation and undercut its incentive to invest in product quality.

However, a mistaken belief about "sponsorship" or "affiliation" is only harmful from a societal standpoint if consumers rely on it to make assumptions about product quality or characteristics. Absent reliance for such quality-related information, confusion about the existence of a license agreement, in particular, causes none of the harm that trademark law traditionally has undertaken to address. Courts have nonetheless imposed infringement liability for confusion about "sponsorship" or "affiliation" well beyond settings in which consumers might rely on mistaken assumptions about relationship for substantive information about product quality or characteristics. For example, courts have repeatedly relied on possible consumer confusion about the existence of a license agreement to permit sports teams to enjoin others' replication of their marks on the fronts of tee shirts and hats. It is unlikely that consumers consider the possibility of a team license in evaluating the quality of the shirt or hat. However, since good will for the sports team creates demand for the shirts, courts have enabled the team mark owners (through their licensees) to monopolize the market for the shirts and hats bearing team emblems, depriving consumers of the benefits of price competition.<sup>4</sup>

Another example of the "property right" influence arises when mark owners seek to impose infringement liability on movie producers, for film scenes depicting products that bear identifiable marks.<sup>5</sup> Mark owners often pay movie producers to depict their products and marks in films. Does possible confusion about whether that happened in a particular movie justify prohibiting movie producers from including an identifiable product in a scene absent a license? Surely consumers will not rely on the presence of "Caterpillar" on a tractor depicted in an action scene to assess the quality or characteristics of the film, or mistakenly buy theater tickets based on the assumption that the tractor mark owner oversaw and controlled the quality of the film. However, many mark owners are motivated to try to control all depictions of their mark. A movie's depiction of a "Caterpillar" tractor destroying pristine rain forest may be inconsistent with the image the mark owner wants the mark to convey. It may thus undercut the mark owner's investment. Never mind the film producer's and the public's First Amendment interests in free artistic expression.

Courts have also expanded the scope of actionable consumer confusion by imposing liability for "initial interest confusion"—temporary confusion about whether the defendant is related to the mark owner, that is cleared up prior to any purchase transaction. There are no mistaken purchases, because the temporarily confused consumers do not rely on the mark for

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4. *See, e.g.*, *Boston Athletic Assn. v. Sullivan*, 867 F.2d 22 (1st Cir. 1989); *Boston Prof'l Hockey Assn., Inc. v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975).

5. *See, e.g.*, *Caterpillar, Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913 (C.D. Ill. 2003); *Wham-O, Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254 (N.D. Cal. 2003).

information about the quality or characteristics of the product they ultimately buy. But the notion of “property” in marks has influenced courts to impose liability because the defendant harnessed the mark owner’s good will briefly to bring consumers to its doorstep, and give it the opportunity to make its own sales pitch. This constitutes free riding on the mark’s good will. Courts have also based infringement liability on “post-sale confusion,” where the purchaser knows exactly what she is buying, but persons encountering the product after the purchase might confuse the defendant’s product with the mark owner’s. Such confusion may possibly mislead the post-sale observers about the qualities and characteristics of the mark owner’s products, and influence their purchase decisions at some uncertain point in the future. But perhaps more importantly, if prospective purchasers observe too many rank and file persons seemingly in possession of the mark owner’s expensive product, this may undercut the mark owner’s investment in creating an aura of mark prestige and exclusivity.

Apart from expanding what consumers may be confused about, and the relevant timing of their confusion, courts have often strained to justify a finding of likelihood of consumer confusion on exceedingly sparse and questionable evidence.<sup>6</sup> Courts have held that an infringement plaintiff may successfully demonstrate an actionable likelihood of confusion through survey evidence demonstrating that 10-15% of prospective purchasers may be confused.<sup>7</sup> Some decisions appear to find that *no* real likelihood of confusion need be demonstrated at all, if the defendant’s reference to the plaintiff’s mark might divert potential sales.<sup>8</sup>

Further impacting the traditional balance of competing interests, courts have lost sight of the “trademark use” requirement, which traditionally served as a limitation on the reach of mark owners’ rights. At common law, the infringement plaintiff was required to demonstrate that the defendant used its allegedly infringing word or symbol “as a mark,” to indicate the source of its own goods or services, before the issue of likelihood of confusion could be reached. (Use “as a mark” entailed closely, directly associating the mark with the defendant’s goods or services, in a manner that was perceptible to consumers and that consumers would likely understand to indicate the source of those goods or services.)<sup>9</sup> This requirement limited the infringement cause of action to commercial speech (which enjoys less First Amendment protection) in most cases, and tended to limit infringement remedies to cases in which the potential harm to consumer reliance interests justified the expenditure of judicial resources to undertake further investigation into likely consumer confusion. However, with the advent of the Internet, courts have whittled down the “use” limitation to little more than a requirement that the defendant use the mark in a commercial context. They have imposed infringement

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6. *See, e.g.,* Anheuser-Busch, Inc. v. Balducci Publ’ns, 28 F.3d 769 (8th Cir. 1994), *cert. denied*, 513 U.S. 1112 (1995); Mutual of Omaha Ins. Co. v. Novack, 836 F.2d 397 (8th Cir. 1987), *cert. denied*, 488 U.S. 933 (1988).

7. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 23:2 (2010).

8. *See, e.g.,* Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp., 174 F.3d 1036 (9th Cir. 1999).

9. *See* Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses “In the Manner of a Mark,”* 43 WAKE FOREST L. REV. 893 (2008).

liability on defendants who neither offer nor advertise products or services, and against references to marks that are completely hidden from consumers, so that *any* meaningful consumer reliance would be impossible.<sup>10</sup>

Other traditional limitations to the infringement cause of action have been gradually undermined because courts have linked them to the ever-expanding likelihood of confusion determination. For example, several Circuit Courts of Appeal held that the descriptive fair use defense, codified in the Lanham Act § 33(b)(4),<sup>11</sup> was available only when the defendant's use caused no likelihood of confusion.<sup>12</sup> While the Supreme Court ultimately rejected this construction,<sup>13</sup> lower courts have continued to consider the likelihood of confusion as an important factor in evaluating whether the defendant's use was descriptive and therefore fair.<sup>14</sup> Likewise, some courts have tied the concept of permissive nominative fair use to the absence of consumer confusion.<sup>15</sup> The issue of likely consumer confusion is also entangled in determining the lawfulness of using marks in comparative advertising<sup>16</sup> and expressive works,<sup>17</sup> and in applying the doctrine of exhaustion.<sup>18</sup>

The highly subjective nature of the likelihood of confusion determination itself, combined with this weakening of traditional limitations and defenses, makes it difficult for infringement defendants to dismiss meritless claims early in litigation. The prospect of expensive and protracted litigation of the confusion issue leads many (if not most) defendants to settle overreaching infringement claims, rather than contest them. This further reinforces trademark owners' control. Mark owners vigilantly send out cease and desist letters to persons making unauthorized reference to their marks. While most mark owners undoubtedly believe that the claims they assert in these letters are viable under modern trademark precedent, the

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10. *See, e.g.*, *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009); *PETA v. Doughney*, 262 F.3d 359 (4th Cir. 2001); *Jews for Jesus v. Brodsky*, 993 F.Supp. 282 (D.N.J. 1998), *aff'd*, 159 F.3d 1351 (3d Cir. 1998).

11. 15 U.S.C. § 1115(b)(4)

12. *See, e.g.*, *PACCAR, Inc. v. Tile Scan Techs., LLC*, 319 F.3d 243, 256 (6th Cir. 2003); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2003), *vacated*, 543 U.S. 111 (2004); *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 796 (5th Cir. 1983).

13. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

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

15. *See, e.g.*, *Bd. of Supervisors for L.A. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 488–89 (5th Cir. 2008), *cert. denied*, 129 S.Ct. 2759 (2009); *Bros. Records, Inc. v. Jardine*, 318 F.3d 900, 908 n.5 (9th Cir. 2003), *cert. denied*, 540 U.S. 824 (2003); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F.Supp.2d 402, 413–14 (S.D.N.Y. 2006).

16. *Charles of the Ritz Grp., Ltd. v. Quality King Distribs., Inc.*, 832 F.2d 1317 (2d Cir. 1987); *Smith v. Chanel, Inc.*, 402 F.2d 562, 569 (9th Cir. 1968).

17. *Cliff Notes, Inc. v. Bantam Doubleday Dell Publ'g Grp., Inc.*, 886 F.2d 490 (2d Cir. 1989).

18. *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947). In a recent case, the Ninth Circuit rejected a doctrine of first sale defense on the ground that the defendant's resale of plaintiff's goods might cause a likelihood of post-sale confusion. *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 603 F.3d 1133 (9th Cir. 2010).

letters and threat of expensive, protracted litigation undoubtedly chill many non-infringing, pro-competitive, and First Amendment-protected uses of words and symbols, making the actual, real-world footprint of trademark protection even larger than that defined by case precedent. And as Eric Goldman pointed out in the course of Roundtable discussion, the business community's understanding of the limits of "safe" (non-letter inducing) use of marks informs the private policies governing use and reference to trademarks that media and Internet service providers such as Google, eBay, and Twitter adopt and impose on their users as "private law."

We are left with a "feedback loop," which a number of Roundtable participants have discussed at one time or another. The broader the rights trademark owners assert, the broader consumers believe the rights to be. And the broader consumers believe the rights to be, the more likely they will *assume* that third-party uses and references are licensed (as they are "required" to be). This leads courts to find that unauthorized uses and references to marks mislead consumers (by causing them to think that the mark owner must have licensed them when it has not). Courts accordingly impose liability, which leads mark owners to assert even broader rights, which leads consumers to think even more uses must be licensed, which leads courts to find even more actionable consumer confusion.

As Barton Beebe noted at the Roundtable, we are losing sight of the purpose of protecting trademarks: we have come to see likelihood of confusion, in itself, as the harm to be addressed. But likelihood of confusion is only *evidence* of other possible harm, which should be fully identified and weighed relative to competing interests. How can we escape this cycle, which seems relentlessly to lead to increasingly stronger trademark rights, at the expense of competition, First Amendment, and technological development interests? I advance the following proposal as one possible approach.

## II. A Proposed Cause of Action for "Passing Off/Associational Marketing"

I would look to the historical development of trademark law for inspiration, and suggest that courts revive and stress the distinction, long understood in both the common law and the Lanham Act, between *rights in* trademarks and *rights against* unfair competition, or passing off. Laws recognizing rights in trademarks and rights against false advertising both branched off from the passing off cause of action, and are essentially specialized forms or subclasses of that older body of law.<sup>19</sup> The cause of action for passing off (outside of the specific law of trademark, trade name, and trade dress infringement) does not focus on the existence of

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19. For more information about the historical development and relationship of these causes of action, see *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28–30 (2003); *Blinded Veterans Assn. v. Blinded Am. Veterans Found.*, 872 F.2d 1035 (D.C. Cir. 1989); *Nat'l Bank of Commerce v. Shaklee Corp.*, 503 F. Supp. 533 (W.D. Tex. 1980); RESTATEMENT OF TORTS ch. 35, Introductory Note, §§ 712 cmt. a, and 761 cmt. a (1938); RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 2 cmt b, 4 cmt. b (1995).

affirmative rights in words or symbols. It focuses strictly on the defendant's conduct and the potential marketplace harm it may cause.

Four classes of infringement cases clearly fall *outside* the traditional boundaries of trademark law and cause most of our current "sprawl-related" problems: 1) cases claiming only confusion about sponsorship or a license agreement, where consumers are unlikely to rely on sponsorship or affiliation for information about product quality or characteristics; 2) cases in which the defendant has not made a "trademark use" of the plaintiff's mark; 3) cases involving initial interest confusion or post-sale confusion; and 4) cases alleging infringement through non-commercial speech. I suggest that courts evaluate these cases not as infringement claims, but as a different category of passing off. This might serve to focus the evaluation on factors *other than* the plaintiff's ownership interest in an indication of origin, invite a more careful evaluation of the actual nature and magnitude of harm the defendant's acts pose to the marketplace, and minimize the inherent urge to simply protect the plaintiff's investment. This would also afford an opportunity to impose limits on liability that may not be needed in more traditional infringement contexts. To emphasize the distinction, one might simply characterize these non-traditional trademark claims as "passing off" claims. However, since trademark infringement is generally viewed as a part of the larger cause of action for passing off, it might be more useful to devise a new name for these claims, to emphasize that they are a separate and distinct subclass of the passing off group, apart from trademark infringement and false advertising. I would propose the name "associational marketing" for the new class of passing off claims.

#### A. A Template in the Restatements

The *Restatement of Torts* and the *Restatement (Third) of Unfair Competition*, which are generally understood to restate the common law as it existed at the time of their publication, provide a rough template for my proposal. They each recognize a residual category of "passing off" claims that fall *outside the boundaries* of trademark, trade name, and trademark infringement. They both impose greater limitations on these residual "passing off" causes of action than they impose on infringement claims.

The *Restatement of Torts*, published in 1938, devoted Chapter 35, entitled "Confusion of Source," to the topic at hand. It divided the chapter into three distinct subtopics: 1) "Fraudulent Marketing;" 2) "Infringement of Trade-Mark and Trade Name;" and 3) "Imitation of Appearance of Goods." The Introductory Note explained that while all three subtopics had their foundation in the historical concept of "passing off," the American Law Institute (ALI) differentiated them because "[t]he protection given to the interest in trade-marks and trade names, and, under certain conditions, to the interest in the physical appearance of goods *transcends that given under the narrower conception of "passing off."*"<sup>20</sup> Trademark, trade

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20. RESTATEMENT OF TORTS, *supra* note 19, Introductory Note to ch. 35, 535–42 (emphasis added).

dress, and trade name protection are premised on affirmative, albeit limited, ownership rights in words or symbols. At the time the *Restatement of Torts* was drafted, there was general consensus that the plaintiff should no longer be required to demonstrate the defendant's fraudulent intent in trademark, trade name, and trade dress infringement cases.<sup>21</sup> However, the ALI recognized that the fraudulent intent requirement should remain in place for claims of passing off that did not constitute infringement of protected indications of origin. The *Restatement* denominated this residual category of passing off claims "fraudulent marketing."

The *Restatement* defined "fraudulent marketing" as making a "fraudulent statement" that the speaker is another person, or is the other person's agent or successor, or that the goods or services the speaker is marketing were produced, processed, designed, or distributed by the other.<sup>22</sup> The accompanying comments elaborated that an actionable fraudulent misrepresentation could take any form and be made in any manner "calculated to communicate its meaning."<sup>23</sup> No use of a protected trademark, trade name, or trade dress was required. Liability for fraudulent marketing required that the speaker act for the purpose of inducing persons to purchase his goods or services, and that the circumstances be such that consumers would likely rely on the misstatement to the commercial detriment of the plaintiff.<sup>24</sup> This requirement of likely consumer reliance was essentially a requirement that the misrepresentation be material to consumer purchase decisions.<sup>25</sup>

In 1995, when the ALI undertook to draft the *Restatement (Third) of Unfair Competition*, the law had further evolved to the point that fraudulent intent was no longer viewed as an appropriate prerequisite even for this residual category of passing off cases that the *Restatement of Torts* had identified as "Fraudulent Marketing."<sup>26</sup> The *Restatement of Unfair Competition* retained the residual category, but dropped the "Fraudulent Marketing" title and designated the category as a form of "deceptive marketing." It stressed the distinction between "deceptive marketing" and infringement of protected indications of origin, emphasizing that even though infringement claims might literally fall under the definition of "deceptive marketing," they should be brought pursuant to the sections specifically dealing with trademark, trade name, and trade dress infringement, and *not* under the rules set forth for deceptive marketing.<sup>27</sup>

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21. See Margreth Barrett, *Reconciling Fair Use and Trademark Use*, 28 CARDOZO ARTS & ENT. L.J. 1 (2010).

22. RESTATEMENT OF TORTS, *supra* note 19, § 712.

23. *Id.* at cmt. d.

24. *Id.* § 712 (emphasis added).

25. Section 712 defined actionable harm, or "commercial detriment," to include direct diversion of sales, when the parties compete. It explained that when the parties did not compete, actionable harm took the form of injury to the business reputation of the plaintiff's goods: "If the persons likely to rely on the actor's misrepresentation are also likely to deal with the [plaintiff] or to purchase his goods, they may be dissuaded from doing so if their experience with the actor's goods is unpleasant." *Id.* at cmt. g.

26. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, *supra* note 19, § 2 cmt. f, § 4 cmt. d.

27. *Id.* at § 4 cmt. b.

The ALI categorized false advertising, passing off, and reverse passing off together, as specific forms of “deceptive marketing,” in their own chapter.<sup>28</sup> In doing so, it characterized the residual passing off cause of action as more nearly akin to the cause of action for false advertising (which was now more generally accepted than it had been in 1938) than to trademark, trade name or trade dress infringement. The *Restatement (Third) of Unfair Competition’s* “Deceptive Marketing” chapter provides “general principles” applicable to all the delineated forms of deceptive marketing in §§ 2 and 3, then addresses special subcategories of deceptive marketing, including passing off, in § 4 and reverse passing off, in § 5.

Section 2 defines “deceptive marketing” as making a representation relating to goods, services, or commercial activities, in the course of marketing them, that is likely to deceive or mislead prospective purchasers to the likely commercial detriment of another. The comments stress that the cause of action for deceptive marketing only applies to commercial speech,<sup>29</sup> and that liability may only be imposed if the deception is “to the likely commercial detriment” of the person seeking relief.”<sup>30</sup> Section 3 provides that a misrepresentation will be “to the likely commercial detriment of” the person seeking relief if it is *material* (is likely to “affect the conduct of prospective purchasers”), and there is a reasonable basis for believing that the representation has caused or is likely to cause a diversion of trade from the plaintiff or harm the plaintiff’s reputation or good will. Comment b adds that “[R]epresentations that concern matters that are trivial or of little or no significance to prospective purchasers are not material.”<sup>31</sup>

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28. *Id.* ch. 2. The *Restatement of Torts* recognized a very limited cause of action for false advertising in § 761, which was grouped in a category of torts labeled “Miscellaneous Trade Practices.”

29. *Id.* § 2, cmt. a. According to the comment, “[d]etermining the likelihood that a representation will deceive or mislead is closely analogous to determining the likelihood of confusion under the rule governing the infringement of trademarks.”

30. *Id.* at cmt. d (emphasis added).

31. The passing off form of deceptive marketing primarily focused on a defendant’s misrepresentation about the *source* of its product or service. *Id.*, at § 4. In describing the passing off cause of action, *Restatement* § 4 and its comments note that misrepresentations relating to *source* clearly lead to mistaken purchases and injury to the plaintiff’s business reputation, *id.* cmt. f, so that one can be assured that the requisite “commercial detriment” or harm necessary to constitute deceptive marketing occurs. *Id.* For this reason, “independent proof of likely commercial detriment should not be necessary in order to establish liability.” *Id.* cmt. a. This comment should not be construed to mean that “likely commercial detriment” and its “materiality” component are *unnecessary* to the passing off cause of action—only that they can be *assumed* in passing off cases when the defendant’s misrepresentation relates to product or service *source*. If the defendant’s misrepresentation is *not* about source, or likely to communicate the information inherent in “source” (quality or characteristics of the defendant’s products), then the presumed harm (mistaken purchases, injury to reputation) is not certain to occur, and the misrepresentation cannot be assumed to cause “commercial detriment,” as defined in § 3. For example, if a defendant’s misrepresentation only went to the existence of a license between producers of very different goods or services (and therefore did not communicate information about product quality or characteristics), independent proof of commercial detriment/materiality *should* be required (or at the least, the defendant should be permitted to demonstrate the *absence* of commercial detriment and materiality of the misrepresentation).

The *Restatement (Third) of Unfair Competition* thus should be understood as providing a cause of action for “residual” passing off claims that do not turn on infringement of valid trademark, trade name, or trade dress rights and impose liability on a more conservative basis—requiring a specific demonstration of commercial detriment (and materiality), at least when the defendant’s misrepresentation does not communicate that the plaintiff is the *source* of the defendant’s goods or services (or the information inherent in the source—that the defendant’s goods have the quality or characteristics of the plaintiff’s).

### B. A Statutory Niche

Courts have specifically construed Lanham Act § 43(a)<sup>32</sup> to incorporate not only the common-law cause of action for infringement of unregistered trademarks, trade names, and trade dress, *but also* the “residual” common-law cause of action for passing off, as described in the *Restatement of Torts* and *The Restatement (Third) of Unfair Competition*.<sup>33</sup> In *Dastar Corp. v. Twentieth Century Fox Film Corp.*, the Supreme Court explained that § 43(a) goes “beyond trademark infringement” to redress other forms of “false designation of origin, false or misleading description of fact, or false or misleading representation of fact which . . . is likely to cause confusion . . . as to the origin . . . of . . . goods or services.”<sup>34</sup> The Court cautioned that “§ 43(a) does not have boundless application as a remedy for unfair trade practices.” Rather, § 43(a) “prohibits actions like trademark infringement that deceive consumers and impair a producer’s goodwill.” The Court noted that the Lanham Act should be read “in accordance with the Act’s common-law foundations,” and (consistent with the *Restatement’s* “commercial detriment”/materiality requirement) stressed that “the words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to consumers.”<sup>35</sup> The *Dastar* Court also made it clear that the residual passing off cause of action should be applied carefully, in a manner that accommodates competing interests in free competition, constitutional limitations, and public policy.

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This understanding in § 4 is reinforced in the following section, which addresses misrepresentations constituting reverse passing off. In the case of claims for reverse passing off, the Restatement expressly provides that the *plaintiff should bear the burden of proving commercial detriment* (including materiality). *Id.* § 5. The comments explain that the threat of harm to the plaintiff’s commercial interests in such cases is less immediate and “less clearly injurious,” than in the case of passing off, because the defendant is selling the plaintiff’s product as its own, rather than its own product as plaintiff’s. *Id.* cmt. c. Reverse passing off only creates a likelihood of a future diversion of trade due to consumers’ inability to attribute the plaintiff’s goods to the plaintiff. Thus, the defendant should only be subjected to liability if the plaintiff can establish both the fact of a misrepresentation and commercial detriment. *Id.* cmt. f.

32. 15 U.S.C. § 1125(a).

33. *See, e.g.*, *Blinded Veterans Assn. v. Blinded Am. Veterans Found.*, 872 F.2d 1035, 1042–48 (D.C. Cir. 1989); *Allen v. Nat’l Video, Inc.*, 610 F. Supp. 612, 625 (S.D. N.Y. 1985). *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION, *supra* note 19, at § 2, Introductory Note, § 4 cmt. b.

34. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 29, 31 (2003) (quoting 15 U.S.C. § 1125(a)).

35. *Id.* at 29–37.

Cases denominated “passing off” under modern common law and Lanham Act § 43(a) do not focus on the plaintiff’s proprietary rights in a mark or other indication of origin, or on the defendant’s use of protected words or symbols, as such. Rather, they focus on determining whether the defendant’s actions, under the specific circumstances of the case, will have the impact of misrepresenting the source, sponsorship or affiliation of its products or services and thus confusing consumers. For example, a number of “passing off” cases have addressed situations in which the defendant uses the same generic word as the plaintiff to identify its product or service. They have held that use of the same *generic word*, in itself, will not constitute passing off, but a showing of additional acts or omissions on the defendant’s part may. For example, if the defendant is a later entrant to the field, courts may find that it has an affirmative obligation to enable consumers to distinguish its goods from the plaintiff’s—by clearly labeling its products, adding additional, distinguishing words or symbols, adopting dissimilar packaging or marketing materials, or by providing disclaimers. Or courts may enjoin the later-using defendant from taking affirmative actions that aggravate the likelihood of confusion created through use of the same generic words or symbols, such as referring to its products as “genuine,” or “the original,” or duplicating the plaintiff’s catalog or style numbers.<sup>36</sup>

In other cases courts have found actionable passing off when the defendant misrepresented itself as the plaintiff’s agent, thereby causing a likelihood of confusion about the plaintiff’s “affiliation with the defendant, or its sponsorship, or approval of the defendant’s business activities.”<sup>37</sup> In another example, a court found that the plaintiff (who advertised its product heavily on television) stated a § 43(a) passing off claim against a defendant (who did little television advertising), when the defendant promoted its competing product “as advertised on TV.”<sup>38</sup> Courts have relied on Lanham Act § 43(a) to find actionable passing off when a defendant reproduced non-trademark aspects of the plaintiff’s personal identity in marketing its products or services—a form of false representation of endorsement.<sup>39</sup> In addition, they have found that substitution cases (where the customer orders plaintiff’s brand, but the defendant silently supplies defendant’s product instead) can constitute “passing off” under § 43(a).<sup>40</sup>

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36. For examples, see *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938); *Blinded Veterans Assn.*, 872 F.2d 1035, 1042–48; *Liquid Controls Corp. v. Liquid Control Corp.*, 802 F.2d 934 (7th Cir. 1986); *Murphy Door Bed Co., Inc. v. Interior Sleep Systems, Inc.*, 874 F.2d 95 (2d Cir. 1989); *Midwest Plastics Corp. v. Protective Closures Co.*, 285 F.2d 747 (10th Cir. 1960); *Pa. State Univ. v. Univ. Orthopedics, Ltd*, 706 A.2d 863 (Pa. Super. Ct. 1998).

37. *See, e.g.*, *Schlotsky’s, Ltd. v. Sterling Purchasing & Nat’l Distrib. Co.*, 502 F.3d 393 (5th Cir. 2008).

38. *Popeil Bros., Inc. v. Morris*, 176 U.S.P.Q. 353 (D.N.J. 1972).

39. *See, e.g.*, *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093 (9th Cir. 1992), *cert. denied*, 506 U.S. 1080 (1993); *Alan v. Nat’l Video, Inc.*, 610 F. Supp. 612 (S.D.N.Y. 1985); *Am. Ventures Inc. v. Post, Buckley, Schuh & Jernigan, Inc.*, 1993 W.L. 468643 (W.D. Wash. 1993); *Nat’l Bank of Commerce v. Shaklee Corp.*, 503 F. Supp. 533 (W.D. Tex. 1980).

40. *See, e.g.*, *PIC Design Corp. v. Bearings Specialty Co.*, 436 F.2d 804 (1st Cir. 1971).

Thus, just as in the *Restatements*, Lanham Act § 43(a) provides *both* a cause of action for infringement of unregistered indications of origin *and* a cause of action for a residual category of “passing off” claims (that do *not* involve use of protected indications of origin). As in common law, “residual” passing off no longer requires that the defendant act with fraudulent intent. Many of the decisions do not expressly discuss the issue of materiality. In most cases, it is unnecessary to do so, because the alleged misrepresentation suggests that the plaintiff is the *source* of the defendant’s product or service, and materiality can be assumed. The Supreme Court’s decision in the *Dastar* case nonetheless suggests that materiality remains a highly relevant element in evaluating claims that deviate from that traditional scenario. And there is precedent, in addition to the *Restatements*, for imposing an express materiality requirement. For example, in *King v. Ames*,<sup>41</sup> the Court of Appeals for the Fifth Circuit rejected a § 43(a) passing off claim on the ground that the alleged misrepresentation would not be material to purchasers. In *King*, the daughter of a deceased blues singer sued the defendant, who had falsely named himself as “producer” on the back of CDs of the blues singer’s live recordings. In rejecting the reverse passing off claim the Fifth Circuit expressly required that the defendant’s misrepresentation be material—tend to influence consumers’ purchase decisions—as a precondition to passing off liability.

### C. My Proposed Cause of Action for Passing Off/Associational Marketing

As noted *supra*, I would relegate four classes of claims now brought and evaluated as “trademark infringement” to evaluation as a form of residual passing off claim, pursuant to Lanham Act § 43(a). For efficiency, I would call these claims “passing off/associational marketing” claims. They include:

1. Infringement claims involving *confusion over the existence of a licensing or other relationship between the parties, when consumers are unlikely to look to the supposed relationship for concrete information about product quality or characteristics*. This category of cases would look much like the category of cases that Mark Lemley and Mark McKenna describe in their “Irrelevant Confusion” article,<sup>42</sup> and for which they advocate application of a materiality prerequisite to recovery.

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41. *King v. Ames*, 179 F.3d 370, 373–75 (5th Cir. 1999). *See also* *Silverman v. CBS*, 870 F.2d 40, 49 (2d Cir. 1989).

42. Lemley & McKenna, *supra* note 3. Lemley and McKenna propose to eliminate the “sponsorship or affiliation” terminology in trademark infringement cases, and reframe the infringement issue as whether the defendant’s use of a similar mark is likely to cause consumer confusion about who is responsible for the quality of the defendant’s goods. *Id.* at 415, 427. They would relegate trademark claims not falling into this category to be dealt with, if at all, through a cause of action “analogous to false advertising.” *Id.* at 427. This suggestion is consistent with mine, except I would avail myself of the existing “passing off” cause of action, include a wider range of infringement claims in the category, and introduce a wider range of limitations and defenses, beyond materiality.

2. Infringement claims in which the *defendant has not used an allegedly infringing word or symbol “as a trademark” to identify the source of goods or services that it is marketing.* This would include Internet infringement cases in which the defendant has made a hidden reference to the plaintiff’s mark (for example, in web site metatags or as a key word to trigger advertising), to which consumers are not exposed. It would also include cases in which the defendant does not closely associate the allegedly infringing word or symbol with goods or services that it is marketing, so that consumers are unlikely to understand the use as indicating the source of the defendant’s goods or services—for example Internet cases in which the defendant incorporates the plaintiff’s mark into its domain name, or features the mark on its web site, but does not sell or advertise goods or services on the web site.

3. Infringement claims in which the *plaintiff relies on a theory of initial interest confusion or post-sale confusion.*

4. Claims alleging *infringement through use of the plaintiff’s mark in non-commercial speech.* For this purpose I would stress that the term “commercial speech” does not encompass all speech made in a commercial context, or that has some connection with other speech that is commercial.<sup>43</sup> Rather, this category of claims would include any case in which the defendant’s referral to the plaintiff’s mark does *more* than merely propose a commercial transaction, as defined in the Supreme Court’s First Amendment jurisprudence.<sup>44</sup>

These four classes of infringement claims all exceed the traditional scope of rights that trademark owners have in words or symbols, and have all been criticized as going well beyond what is necessary to fulfill the purposes of trademark protection. These cases generally do not threaten the kinds of marketplace harm that trademark law was created to prevent. Rather, they have generally arisen through misplaced notions of property rights arising from the fact of investment. While the actions targeted in these cases may enable free riding in some instances, or undermine the mark owner’s ability to control the unique “identity” and image it has constructed for its brand, they generally do not pose meaningful harm to consumers, or consumers’ reliance interests in marks, or threaten direct diversion of trade through mistaken purchases.

At the same time, enforcing rights in these four classes of cases may pose a significant impairment of societal interests in marketplace competition, development of new market

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43. *See, e.g.*, PETA v. Doughney, 263 F.3d 359 (4th Cir. 2001); Planned Parenthood Fed’n of Am. v. Bucci, No. 97 Civ. 0629 (KMW), 1997 W.L. 133313 (S.D.N.Y. Mar. 24, 1997), *aff’d*, 152 F.3d 920 (2d Cir. 1998), *cert. denied*, 525 U.S. 834 (1998).

44. Bolger v. Youngs Drug Prods. Corp., 463 U.S. 60, 66 (1983); City of Cincinnati v. Discovery Network, 507 U.S. 410, 422 (1993). *See* Margreth Barrett, *Domain Names, Trademarks and the First Amendment: Searching for Meaningful Boundaries*, 39 CONN. L. REV. 973 (2007). I would include in this “passing off/associated marketing” category not just uses of marks in “core” commercial speech, but also uses of marks in “mixed speech.”

related digital technologies, and First Amendment interests.<sup>45</sup> Because they threaten to upset the proper balance of competing interests, they need a good, hard looking-over, beyond what is normally required for more “traditional” trademark infringement cases, before relief is granted.

Because these four classes of claims assert rights that exceed those generally necessary to protect societal interests in avoiding confusion, and may impair other, competing societal interests, they should be considered *outside the framework of ownership rights in words or symbols*, like residual passing off claims that don’t allude to marks or that only entail use of similar generic words or symbols. Evaluating them as passing off claims, rather than infringement claims, would hopefully downplay the influence of ownership and investment and focus the courts instead on the *practical impact* of the defendant’s actions. Outside of the infringement context, courts should focus more critically on the nature and magnitude of likely harm arising from the defendant’s actions, in light of the surrounding circumstances. In this less routine evaluation, courts might be encouraged to put the defendant’s actions into a larger context, and evaluate them in light of overall competition interests, their impact on the parties’ and the public’s First Amendment interests, and on developing technologies. These classes of claims are also better evaluated as “passing off” claims because there is more precedent and flexibility to recognize and apply *additional filtering presumptions, defenses, and other limitations*, beyond those imposed in trademark infringement cases. I will discuss these filtering presumptions, defenses, and other limitations further in the next subsection.

Michael Grynberg has expressed concerns that courts may refuse to take the initiative to make reforms of this nature, due to trends toward judicial formalism and textualism.<sup>46</sup> This would be most unfortunate. Because the Lanham Act was intended to codify the common law, courts have played a particularly important role in shaping the causes of action the Act provides.<sup>47</sup> Congress has tended to follow the courts’ lead. Many of Congress’ amendments to the Lanham Act have simply codified interpretations and defenses already created by the courts.<sup>48</sup> Thus, it seems appropriate and well-precedented for courts to undertake reform of the kind I suggest. Indeed, when Congress amended Lanham Act § 43(a) in 1988 to codify the interpretation that courts had given to that provision, the Senate Report accompanying the amendment expressly stated an expectation that “the courts [will] continue to interpret the section.”<sup>49</sup>

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45. I have discussed these impairments elsewhere, so I will not reiterate them here. See Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. DAVIS L. REV. 371 (2006).

46. Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a “Formalist” Age*, 24 BERKELEY TECH. L.J. 897, 927 (2009). But see Graeme B. Dinwoodie, *Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99 (2009).

47. Pierre N. Leval, *Trademark: Champion of Free Speech*, 27 COLUM. J.L. & ARTS 187, 198–99 (2004).

48. See, e.g., Pub. L. No. 105-330 § 201(a)(2), 112 Stat. 3064 (1998)(codifying court-developed functionality doctrine).

49. S. Rep. No. 515, 100th Cong., 2d Sess., 1988 U.S.C.C.A.N. 5577, 5603 (1988).

When protection of marks poses special threats to competition or free speech interests, courts have not hesitated to respond with special rules and defenses. For example, in *Wal-Mart Stores, Inc. v. Samara Bros.*,<sup>50</sup> the Supreme Court responded to competition concerns by ruling categorically that product feature trade dress cannot be deemed inherently distinctive, but must be demonstrated to have acquired secondary meaning as a prerequisite to protection. For the same reasons, several of the Circuits have fashioned special standards for determining likelihood of confusion in product feature infringement cases.<sup>51</sup> In light of First Amendment concerns, the Court of Appeals for the Fourth Circuit declined to extend the doctrine of initial interest confusion in Internet cases.<sup>52</sup> Several Circuit Courts of Appeals have adopted special balancing tests to be applied in infringement claims involving the titles of expressive works.<sup>53</sup> Both the Ninth and the Third Circuits have adopted express rules or defenses to enable nominative uses of marks.<sup>54</sup> Courts should continue to recognize and accept this responsibility to maintain the proper balance of interests in Lanham Act cases. With regard to my proposal, many of the necessary mechanisms are already in place.

Most mark owners who file suit alleging Lanham Act § 32(1)(a) infringement of registered marks also allege violation of § 43(a) as a back-up, recognizing that § 43(a) covers a wider array of passing off claims. Nothing in the Lanham Act's statutory language itself would prohibit courts from evaluating the four identified classes of infringement claims as causes of action for passing off under Lanham Act § 43(a), even if the claims allege infringement of a registered mark.

As originally enacted, Lanham Act § 32(1)(a)<sup>55</sup> provided for infringement liability when a defendant's use of a registered mark was "likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services".<sup>56</sup> In 1962, Congress amended this language to delete the words "purchasers as to the source of origin of such goods or services,"<sup>57</sup> thus seeming to delete the specific requirement that "purchasers" be confused about the "source" of goods or services. This amendment might be construed to *authorize* courts to impose liability in cases of alleged confusion over "sponsorship" or "affiliation,"

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50. *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000).

51. *See, e.g., Sunbeam Products, Inc. v. West Bend Co.*, 123 F.3d 246 (5th Cir. 1997), *cert. denied*, 523 U.S. 1118 (1998); *Dorr-Oliver, Inc., v. Fluid-Quip, Inc.*, 94 F.3d 376, 381, 383–84 (7th Cir. 1996); *Versa Products Co. v. Bifold Co. Mfg.*, 50 F.3d 189, 202-07 (3d Cir. 1995), *cert. denied*, 516 U.S. 808 (1995).

52. *Lamparello v. Falwell*, 420 F.3d 309, 316 (4th Cir. 2005), *cert. denied*, 547 U.S. 1069 (2006).

53. *See, e.g., Parks v. LaFace Records*, 329 F.3d 437 (6th Cir. 2003), *cert. denied*, 540 U.S. 1074 (2003); *Mattel, Inc. v. Universal Music Int'l*, 296 F.3d 894 (9th Cir. 2002), *cert. denied*, 537 U.S. 1171 (2003); *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).

54. *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211 (3rd Cir. 2005); *New Kids on the Block v. News Am. Publ'g*, 971 F.2d 302 (9th Cir. 1992).

55. 15 U.S.C. § 1114(1)(a).

56. Pub. L. No. 498 § 32(1)(a), 79th Cong., 2d Sess. (1946), 60 Stat. 427, 437.

57. Pub. L. No. 772 § 17, § 32, 87th Cong., 2d Sess. (1962), 76 Stat. 769, 773.

or in cases of post-sale or initial interest confusion, but it *imposes no affirmative obligation* on courts to do so.<sup>58</sup>

In 1988, Congress amended Lanham Act § 43(a) expressly to impose liability on persons who use (in connection with goods or services) a false designation of origin, false or misleading description of fact, or false or misleading representation of fact which “is likely to cause confusion, or to cause mistake, or to deceive *as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.*”<sup>59</sup> Congress undertook this general rewriting of the § 43(a) language “to codify the interpretation it ha[d] been given by the courts.”<sup>60</sup> The language makes it clear that claims of confusion about “affiliation” or “association” (a license or endorsement), for example, *are* appropriately litigated under § 43(a).

Prior to the 1988 amendments, Lanham Act § 45 defined a “trademark” as “any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods, including a unique product, from those manufactured or sold by others and to indicate the *source* of the goods, even if that source is unknown.”<sup>61</sup> While the 1988 bill amended the definition of a trademark to accommodate the new “intent to use” registration procedures,<sup>62</sup> it did not undertake to track the changes it made to the language of § 43(a)—that is, it did not redefine a *trademark* as indicating source or affiliation, connection, association, sponsorship, or approval. This might support an argument that Congress intended that claims about licenses, endorsements, and other party relationships

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58. The legislative history provides little information about Congress’ intent in deleting that statutory language. It only suggests that the deletion was made to make the language of § 32(1)(a) “parallel to a similar change made in § 2(d).” S. Rep. No. 2107, 87th Cong., 2d Sess. (1962), 1962 U.S.C.C.A.N. 2844, 2851, which codifies the common-law’s “first in time, first in right” rule of priority for purposes of mark registration. Prior to the 1962 amendments, § 2(d) prohibited registration of a mark that was likely “to cause confusion or mistake or to deceive purchasers.” The amendments deleted the word “purchasers,” and the accompanying Senate Report explained that Congress deleted the word to avoid misconstruction, “since the provision actually relates to potential purchasers as well as to actual purchasers.” *Id.*, 1962 U.S.C.C.A.N. at 2847.

59. Pub. L. No. 667, § 43, 100th Cong., 2d Sess. (1988), 102 Stat. 3935, 3946.

60. S. Rep. No. 515, 100th Cong., 2d Sess. (1988), 1988 U.S.C.C.A.N. 5577, 5603. The Senate Report elaborated: “As written, §43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law of unfair competition.” The Report added that “[b]ecause §43(a) . . . fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section.” *Id.*

61. 15 U.S.C. § 1127 (emphasis added). This definition was added in 1984, Pub. L. 620, §103, 98th Cong., 2d Sess. (1984), 98 Stat. 3335. The original Lanham definition of a trademark was “any word, name, symbol, or device, or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.” Pub. L. No. 489 § 45, 79th Cong., 2d Sess. (1946), 60 Stat. 427, 443.

62. Pub. L. No. 667.

that do not communicate source, product quality or characteristics be litigated as passing off claims under § 43(a), rather than as registered or unregistered trademark infringement.

Courts could certainly find statutory language, legislative history, and case law to justify relegating infringement cases to a “passing off” evaluation when the defendant made no “trademark use.”<sup>63</sup> Moreover, while there is no statutory language expressly limiting infringement claims to commercial speech or point-of-sale confusion, there is likewise no express language requiring such claims to be litigated as “infringement” rather than passing off. Courts expanded the infringement cause of action to encompass such claims and they should be able to re-classify them as passing off claims.

#### D. Limitations and Defenses on “Passing Off/Associational Marketing” Claims

Having channeled the cases identified in the prior section into a § 43(a) “passing off/associational marketing” evaluation, we can focus on the evaluation process itself. These categories of cases—1) cases alleging confusion over the existence of sponsorship or affiliation (a licensing agreement), where consumers are unlikely to look to the license for information about product quality; 2) cases in which the defendant did not make a “trademark use”; 3) cases relying on initial interest or post-sale confusion; and 4) cases asserting claims against statements made in non-commercial speech—assert harms to mark owners that are more indirect and indefinite and less central to the core purposes of trademark law, and pose questionable harm to consumers. For this reason, they are less likely to justify the potential impairment they pose to competing interests in marketplace competition, First Amendment interests, and the interest in unfettered development of new digital marketing tools. They should be more carefully scrutinized and subjected to additional limitations and defenses beyond those imposed against trademark uses in commercial speech that threaten point-of-sale source/quality confusion. The following subsections discuss particular kinds of limitations or defenses that should be considered. They draw liberally from ideas expressed by some of the other Roundtable participants. Some of them overlap with others.

Michael Grynberg has raised the point that Lanham Act § 33(b)<sup>64</sup> may be construed to limit infringement defenses to those it expressly lists.<sup>65</sup> He has also cited precedent suggesting that traditional defenses to trademark infringement, such as abandonment, may not be found to extend to residual passing off claims.<sup>66</sup> I would make lemonade of these concerns. To the extent that § 33(b) limits courts’ ability to augment defenses to *infringement liability*, its prohibition should not extend to a claim for residual passing off, where the liability does not turn on the plaintiff’s ownership of valid trademark rights. Section 33(b) concerns itself

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63. See Barrett, *supra* note 9, at 943–60.

64. 15 U.S.C. § 1115(b).

65. Grynberg, *supra* note 46, at 945–47.

66. *Id.* at 916–17.

strictly with rights in trademarks. It limits challenges to “the validity of the registered mark,” “the registration of the mark,” “the registrant’s ownership of the mark,” and “the registrant’s exclusive right to use the registered mark in commerce.” Since the residual passing off cause of action provides rights beyond those afforded through trademark ownership or registration, the ownership, registration, or validity of the plaintiff’s mark is essentially irrelevant. Moreover, even if courts are disinclined to extend trademark infringement-specific defenses (such as abandonment) to residual passing off claims, that does not prevent them from developing a specially tailored set of defenses to passing off/ associational marketing claims.

### 1. Materiality Requirement

Rebecca Tushnet, Mark Lemley, Mark McKenna, Michael Grynberg, and others have advocated imposing a materiality requirement in at least some infringement causes of action, and this is a sound suggestion. As the *Restatement (Third) of Unfair Competition* suggests, materiality might be assumed in infringement actions when a competitor or producer of related goods uses a mark in a manner that is likely to confuse consumers about product *source* (and by implication, about the product’s quality and characteristics). Indeed, the early common law imposed an inherent materiality requirement by limiting the infringement cause of action to cases involving similar or related products and confusion about source.<sup>67</sup> However, courts’ subsequent expansion of actionable confusion has left that built-in assurance of materiality along the wayside. When the likely consumer confusion is not about source or responsibility for product quality, only occurs at times other than the point of purchase, or is not made in direct, perceptible reference to a product or service that the defendant is marketing (as in the non-trademark use cases), materiality is not self-evident, and the defendant should be required to prove it. As Bob Bone stressed in the course of the Roundtable, without a showing of materiality (that is, that the alleged misrepresentation about source, sponsorship, or affiliation would be a substantial factor in consumers’ purchase decision), there is no harm from a societal standpoint. Yet a likelihood of harm clearly is a prerequisite to a Lanham Act cause of action.<sup>68</sup>

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67. As noted earlier, there is some case precedent for imposing a materiality requirement in passing off cases. See *supra* note 41. Rebecca Tushnet has pointed out that limiting the likelihood of confusion evaluation to “relevant” consumers (those who might be interested in buying the parties’ products) is also a “*sub rosa* application” of the materiality concept. See Rebecca Tushnet, *Running the Gamut from A to B: Federal Trademark and False Advertising Law 25* (unpublished manuscript) (on file with author).

68. See, e.g., *King v. Ames*, 179 F.3d 370, 374 (5th Cir. 1999). Rebecca Tushnet points out that while neither the § 43(a)(1)(A) nor the § 43(a)(1)(B) language refers expressly to materiality, courts have implied a materiality requirement in false advertising cases. This adds legitimacy to the suggestion that they imply a materiality requirement on passing off cases, as well. Tushnet, *supra* note 67, at 29. Michael Grynberg reasons that applying a materiality requirement “would not suffer from a legitimacy objection” under a textualist regime because it could be deemed a part of the likelihood of confusion evaluation, which is not defined in the statutory text. Grynberg, *supra* note 46, at 963-64.

Imposing a materiality requirement in passing off/associational marketing cases may prove problematic, however. Materiality is generally a matter of consumer perception, much like the likelihood of confusion inquiry. Undertaking to assess the materiality of misrepresentations to consumers could augment the length, cost, and complexity of litigation, and thus further increase the chilling effect that threats of litigation have on competition and First Amendment interests. Moreover, we may encounter the same kind of feed-back loop with materiality that we experience in the likelihood of confusion context. Just as mark owners have convinced consumers that all third-party uses of marks must be licensed (leading consumers to assume that any third-party use they encounter therefore *is* licensed), mark owners may convince consumers that the existence of a license agreement provides material information about quality (after all, rules regarding mark abandonment essentially require that mark owners oversee the quality of their licensee’s goods,<sup>69</sup> even if that requirement is rarely enforced). Mark owners may also argue for an expansive understanding of “materiality”—for example, that the misrepresentation that a licensing relationship exists is material to consumers because it imparts the licensor’s prestige and “personality” to the licensed goods—a valuable psychological boost to the image-conscious consumer.

One response to these potential problems might be to define materiality in a prescriptive, rather than a descriptive way—that is, make some legal conclusions about what should and should not be deemed material by consumers: quality factors may be material, but prestige factors may not. Or a specific-seeming *product endorsement* by a particular person or organization may be material, while a more general suggestion of *association with* the same person or organization may not. In initial-interest confusion cases, materiality might be judged not by the substance of the misrepresentation (since the consumer knows the truth by the time any purchase is made), but by the effort the consumer must undergo to leave the defendant’s site and find the plaintiff’s. If all the consumer needs to do is click the “back” button on his computer and return to his search result, then it might be assumed that he will expend that effort if the misrepresented source or affiliation is material to him.

## 2. Proximate Cause

To some extent, the issue of proximate cause is related to the materiality issue, and could be assumed in more traditional infringement contexts. (The defendant’s use of the mark causes consumers to be confused and make mistaken purchase decisions, which harms both the consumers and the mark owner). However, some of the recent Internet cases that dispense with any meaningful “trademark use” requirement suggest that more conscious consideration of proximate cause might be in order. For example, when a defendant makes a *hidden application* of a mark—deep in proprietary software, so that consumers are never exposed to or aware of it—it is hard to see how that hidden use itself causes either confusion or any of the harm that

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69. See 15 U.S.C. §§ 1055, 1127 (definition of “related company”).

confusion might bring. In such cases it is the *screen display* generated as the result of the hidden application that should be deemed the proximate cause of any subsequent consumer confusion and harm. To put it another way, the application of the mark is merely a means of getting a message to consumers. It is the message itself that has the capacity to confuse them. In the Internet context, this distinction may be particularly important, as different entities may control the means and the message.<sup>70</sup> Imposing a proximate cause limitation may enable Internet service providers to use marks to efficiently aggregate and index market information for consumers, free from the chilling effect of mark owner threats of suit.<sup>71</sup>

Of course, if courts succeed in turning their focus away from the defendant's application of the plaintiff's mark (with all its attendant property and free riding implications) in the passing off context, and concentrate instead on the larger overall message that is conveyed to consumers, that should also help to fix liability on the proximate cause of any injurious confusion.

### 3. The Likelihood of Confusion Determination

Courts should also consider adjusting their likelihood of confusion evaluation in these "associational marketing" cases, given their more tangential relationship to the core concerns of trademark law. Again, the Roundtable participants discussed some useful approaches.

One approach would be to raise the necessary showing of likely confusion beyond what has been required in more mainstream "trademark use in commercial speech causing a likelihood of point-of-sale confusion about source/quality" cases. Instead of accepting survey evidence demonstrating that 10-15% of consumers may be confused, impose a higher threshold, such as a *majority* of consumers. This would be justified, given that the potential harm caused by the confusion is more questionable, and the potential damage caused by overprotection is greater by comparison.

Another approach might embrace a more prescriptive (as opposed to descriptive) standard for measuring likelihood of consumer confusion. Courts could create presumptions that certain pro-competitive or expressive actions are unlikely to cause confusion.<sup>72</sup> Over time,

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70. Examples of the kinds of situations in which proximate cause may be problematic can be found in *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009); *Brookfield Commc'ns, Inc., v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999). For an interesting example of a similar proximate cause issue in a non-digital setting, see *Heartland Recreational Vehicles, LLC v. Forest River, Inc.*, 2009 W.L. 418079 (N.D. Ind. 2009).

71. Stacey Dogan and Mark Lemley would address this problem through the distinction between the direct and indirect infringement causes of action. See Stacey L. Dogan, *Beyond Trademark Use*, 8 J. TELECOMM. & HIGH TECH. L. 135 (2010); Stacey L. Dogan & Mark Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004).

72. This is essentially what the Ninth Circuit's nominative fair use procedure was originally meant to do. See *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992).

such presumptions may assist to shape consumer perceptions, so that they are less likely to rely on those presumptively non-confusing actions for material information. Bill McGeveran has advocated creating statutory “safe harbors” that would simply exempt certain uses of marks from liability, regardless of likelihood of confusion.<sup>73</sup> Other Roundtable members expressed concern that carving out specific exceptions or defenses to infringement may lead to further doctrinal creep, encouraging courts to find actionable all uses that are *not* within the stated scope of the exception or defense. Counterbalancing these concerns, express carve-outs would reduce the cost and length of litigation and might discourage chilling threats of litigation in cases in which the defendant’s actions arguably fall within the carve-out. I would advocate a judicially created irrebuttable presumption that actions consisting of non-commercial speech cause no actionable likelihood of confusion. As McGeveran notes, the harm that relief would pose to free speech interests would almost always outweigh the harm the allegedly infringing speech poses to trademark interests. And to the extent that there are exceptions to this general rule, the administrative costs of finding them will outweigh the value of doing so. During Roundtable discussions, Rebecca Tushnet emphasized how defamation and false advertising law tolerate false speech. Adopting a per se rule that occasionally permits such false speech in the associational marketing cases seems equally acceptable in the interest of promoting First Amendment values.<sup>74</sup>

Perhaps more central to my own proposal in this article, courts should not focus on the similarity of the parties’ marks when evaluating likelihood of consumer confusion in passing off/associational marketing cases. The emphasis should not be on the defendant’s use of “the plaintiff’s” word or symbol, because the claim seeks relief beyond the scope of rights afforded by trademark ownership—it asserts rights in the absence of the defendant’s trademark use, or for kinds of confusion that are not central to the core concerns of trademark law, or do not directly lead to mistaken purchases. Rather, courts should consider the total context in which consumers receive the defendant’s alleged misrepresentation. In particular, if the defendant’s product has other source indicators associated with it, courts should consider the ameliorating effect that their presence might have. Courts should also consider any other confusion-enhancing or mitigating influences, such as product packaging, or a descriptive or nominative context. If it appears that the defendant was attempting merely to describe its own goods, compare them to the plaintiff’s, or explain how they might be used with the plaintiff’s, for example, that should give rise to a presumption that the defendant succeeded in communicating that non-actionable message to consumers (much as courts have routinely presumed that if the defendant undertook to confuse consumers it succeeded in doing so). Particularly in cases lacking traditional “trademark use” by the defendant, courts should consider how likely

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73. McGeveran proposes a series of specific carve-outs for non-commercial speech in infringement cases. William McGeveran, *The Trademark Fair Use Reform Act*, BOSTON UNIV. L. REV. (forthcoming 2010).

74. The *Restatement (3d) of Unfair Competition* would limit “passing off” deceptive marketing claims to commercial speech. *Id.* § 2 cmt. a. Congress has expressly excepted all commercial speech from the causes of action for false advertising, 15 U.S.C. § 1125(a)(1)(B), and trademark dilution, 15 U.S.C. § 1125(c)(3)(C).

consumers are to associate the defendant's actions with products or services the defendant is marketing, or to rely on them for information about product source or affiliation. And if consumers encounter the defendant's reference to the mark in non-commercial speech, courts should critically evaluate the likelihood that they will understand that reference to identify the source or affiliation of the defendant's products or services.

It would also be very helpful to draw courts' attention to literature describing the results of cognitive behavior and literary theory research regarding how consumers actually react to marks in various settings. Some of the Roundtable participants have already made good use of this new source of information.<sup>75</sup> These studies may counteract some of the more extreme concerns of trademark owners.

#### 4. Limited Remedies

Finally, courts should cultivate more limited remedies in associational marketing cases, and avoid outright injunctions against all use of confusing words and symbols. As several of the Roundtable participants remarked, threats of litigation made through cease and desist letters may pose greater harm to competition and free speech interests than do the results in litigated cases. If mark owners are less certain of fully enjoining unauthorized uses of their marks, they may be less inclined to litigate, and thus less likely to challenge such uses through cease and desist letters.

In many cases, a disclaimer should be sufficient to protect consumer reliance interests. As Laura Heyman has noted,<sup>76</sup> it is unclear why courts have been hesitant to rely on disclaimers to address Lanham Act harms, given how much reliance the law places on disclaimers and warnings in other contexts, such as product liability cases. Particularly when potential confusion harm is indirect or relatively minor, requiring a disclaimer, in lieu of prohibiting the defendant's use, may provide a beneficial compromise of competing interests. There is certainly precedent for this approach.<sup>77</sup>

### III. Conclusion

I propose treating claims for the newer, more extreme extensions of trademark protection as claims for passing off, in an attempt to counteract the influence of inherent but inappropriate "property" instincts that seem to arise when mark owners assert affirmative

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75. See, e.g., Laura A. Heymann, *Reading the Product: Warnings, Disclaimers, and Literary Theory*, 22 *YALE J. L. & HUMAN.* 393 (2010); Lemley & McKenna, *supra* note 3; Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Sciences*, 86 *TEX. L. REV.* 507 (2008).

76. Heymann, *supra* note 75.

77. See, e.g., *Blinded Veterans Assn. v. Blinded Am. Veterans Found.*, 872 F.2d 1035 (2d Cir. 1989). For more on this suggestion, see Lemley & McKenna, *supra* note 3, at 447; Tushnet, *supra* note 67, at 32.

rights in marks and emphasize their investment in converting “marks” into “brands.” Focusing on *rights against* passing off, in lieu of *rights in* trademarks may encourage courts to give greater weight to consumer interests and concerns, and to more actively consider and weigh the purported harm posed by many unauthorized uses of marks. A passing off context provides greater leeway to consider the collective impact of all the circumstances surrounding the defendant’s alleged misrepresentation, to introduce limiting doctrines of materiality and proximate cause, and to consider more demanding standards of likely consumer confusion, that better reflect the magnitude of potential harm in such cases and the potential for damage to competing marketplace interests.

While courts may be more focused on a textual analysis of Lanham Act claims today than they have been in the past, my proposal may provide courts some comfort through its consistency with the Act’s statutory language and its fit within a long-accepted common law “residual” category of passing off claims. It reminds us that the Lanham Act has never been solely focused on ownership of marks, and that when passing off is at issue, rather than a traditional trademark infringement claim, there is historical precedent for more careful scrutiny.

The proposed “passing off/associational marketing” cause of action is no panacea: it would be far better if the infringement cause of action had not expanded to such a point that it requires drastic counteraction. Judicial-driven reforms are messy and inconsistent, and there is no guarantee that negative reactions to “free riding” won’t find their way into courts’ passing off analysis, as they have in infringement claims.<sup>78</sup> But the danger of that seems less severe than in the “trademark right” context, and the passing off cause of action should prove flexible enough to bring in countervailing concerns to moderate the anti-free-riding instincts. Courts might encounter the most difficult issue, from a litigation standpoint, in making the initial cut—deciding which claims fall into the delineated categories of “associational marketing” claims, and thus should be channeled into a passing off analysis. My own preference would be to over-include, rather than under-include. Meritorious claims are likely to prevail, even if they are subject to the more rigorous scrutiny of the proposed passing off cause of action. ■

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78. See, e.g., *Blinded Veterans*, 872 F.2d at 1046.