Running the Gamut from A to B: Federal Trademark and False Advertising Law

Rebecca Tushnet, Georgetown University

Available at: https://works.bepress.com/rebecca_tushnet/9/
Running the Gamut from A to B: Federal Trademark and False Advertising Law

Rebecca Tushnet*

Abstract:

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

* Professor, Georgetown University Law Center. Thanks to Graeme Dinwoodie, Mark Lemley, Jennifer Rothman, and the George Mason Faculty Workshop, as well as to Mara Gassmann and Emin Akopyan for research assistance.
Running the Gamut from A to B: Federal Trademark and False Advertising Law

CONTENTS
I. The Lanham Act ................................................................................................................................... 4
II. What Does That Mean? Implication and the Lanham Act............................................................... 7
   A. Trademark’s Overexpansiveness ................................................................................................. 7
   B. Implication in False Advertising Cases: Pragmatics and Doctrinal Categories....................... 11
   C. A More Persuasive Role for Implications in Trademark .......................................................... 17
      1. Similar Treatment for all Lanham Act Claims ........................................................................ 17
      2. The Explicit/Implicit Divide as a Pragmatic Error-Avoidance Rule ................................... 19
      3. Other Costs of Protecting Consumers .................................................................................. 23
   D. A More Persuasive Role for Implications in False Advertising ............................................. 24
III. What Trademark Should Learn from False Advertising: Materiality ............................................ 29
   A. False Advertising Precedents ..................................................................................................... 30
   B. Materiality in Trademark ........................................................................................................... 36
   C. Ending the Materiality Divide ..................................................................................................... 41
      1. The Difference Materiality Makes in Practice ................................................................. 41
      2. Restoring Materiality to Rationalize the Law ..................................................................... 44
      3. Implementing Materiality in Trademark .............................................................................. 46
IV. What False Advertising Should Learn from Trademark: Competition ......................................... 50
   A. In Trademark ............................................................................................................................ 50
   B. False Advertising’s Wrong Turn ............................................................................................ 51
V. Conclusion ........................................................................................................................................ 56

McDonald’s advertises a Monopoly-themed contest with millions of dollars’ worth of high-value prizes, as well as millions more in small prizes. In fact, however, perfidious contractors conspire to allocate the high-value prizes to people they choose, meaning that ordinary consumers have no chance to win. A class of Burger King franchisees, alleging substantial lost business as a result of the contest, sues McDonald’s for false advertising, but loses a motion to dismiss on the pleadings because the court concludes, without hearing any evidence, that it would be too hard for the class to show the precise extent to which it had been harmed.¹

¹ Phoenix of Broward, Inc. v. McDonald’s Corp., 489 F.3d 1156, 1173 (11th Cir. 2007).
McDonald's sues a dentist's office, McDental, for causing confusion about whether McDonald’s approved or endorsed the dental office. McDonald’s wins without having to provide evidence that consumers cared about any affiliation or any evidence that it had been harmed, even though the office had been in existence for nearly a decade. Now add in one more fact: in both cases, the same federal law was the basis for suit. How can this be?

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

As their designations indicate, these provisions are next to one another in the U.S. Code. Their wording is nearly identical. Language in both provisions bars “any word, term, name, symbol, or device, . . . or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact” that either is likely to cause confusion about the origin or sponsorship of the defendant’s goods or services (trademark) or misrepresents the nature, characteristics, qualities, or geographic origin of anyone’s goods or services (false advertising). For certain issues—mainly preliminary relief, remedies, and survey evidence—courts have drawn freely on false advertising precedents to decide trademark cases, and vice versa. But in other important areas of the law, doctrine has proceeded as if they were two entirely separate bodies of law, despite their common heritage.


3 See, e.g., Lorillard Tobacco Co. v. Amouri’s Grand Foods, Inc., 453 F.3d 377, 382 (6th Cir. 2006) (holding that presumption of irreparable injury is the same for both); S.C. Johnson & Son, Inc. v. Clorox Co., 241 F.3d 232, 239-40 (2d Cir. 2001) (same); Abbott Labs. v. Mead Johnson & Co., 971 F.2d 6, 16 (7th Cir. 1992) (same); Johnson & Johnson * Merck Consumer Pharmaceuticals Co. v. Smithkline Beecham Corp., 960 F.2d 294, 300 (2d Cir. 1992) (using survey precedent interchangeably); Rexall Sundown, Inc. v. Perrigo Co., 2010 WL 1438789 (E.D.N.Y. Apr. 12, 2010) (holding that damages should be evaluated the same for both); Bracco Diagnostics, Inc. v. Amersham Health, Inc., 627 F. Supp. 2d 384, 479 (D.N.J. 2009) (“Trademark case law applies to the remedies sought in this [false advertising] action: Congress amended the Lanham Act to expressly make all trademark remedies available in false advertising cases, and numerous courts have since applied trademark precedent to false advertising damages claims.”) (citation omitted); J. Thomas McCarthy, 5 McCarthy on Trademarks and Unfair Competition § 32:193 (4th ed. 2008) (discussing equal applicability of survey precedent and citing cases).

4 This article covers several major such doctrines. Pockets of disagreement also emerge seemingly at random. See Balance Dynamics Corp. v. Schmitt Indus., Inc., 204 F.3d 683, 695 n.6 (6th Cir. 2000) (distinguishing false
This article challenges that separation. It argues in particular that false advertising law, though vastly undertheorized compared to trademark law, has several important lessons for trademark. Right now, trademark doctrine is in a state of flux. Instead of reinventing the wheel (and sending it down the wrong track), trademark should reclaim a few ideas from advertising law about the importance of implications and of materiality. Reciprocally, false advertising doctrines could benefit from trademark law’s greater flexibility and clearer ideas about the values that might counterbalance a plaintiff’s claim to be acting in the interests of deceived consumers.

I. THE LANHAM ACT

A bit of history is essential to understanding the problem. The Lanham Act was conceived of as a federal trademark statute, protecting marketplace participants against unfair competition.\(^5\) Trademark infringement is a type of false advertising: a confusing use of a trademark is a false claim of origin, or perhaps a false claim about product characteristics. Consumers are generally presumed to care about the origin or the brand-specific characteristics of a product. A Snickers is not just any chocolate-peanut-nougat confection, and a buyer is entitled to get a genuine Snickers bar if she wants one, not a counterfeit.

From the beginning, the Lanham Act prohibited certain false claims in language that extended beyond trademark. Some circuits initially limited the scope of the Act to cases in which an advertiser made false statements about its own products, by analogy to situations in which the advertiser used an infringing mark to identify its own products.\(^6\) False statements about a


competitor’s product, in those circuits, were the province of state trade libel and product defamation law. In 1988, Congress amended the Lanham Act to make clear that false statements about anyone’s products or services were actionable.

While courts limited the false advertising provisions of the Lanham Act, they were interpreting trademark law expansively, including construing infringement as a strict liability cause of action. Intent to confuse could justify an inference that consumer confusion was likely, but even innocent intent would not save a defendant whose use was likely to cause confusion. Courts generally construed the Lanham Act to follow common-law concepts of infringement, and so it was with intent. When courts confronted non-trademark Lanham Act claims, then, they imposed strict liability for false advertising as well, without much debate.

Gilbert Weil, “an early advocate of expansive recovery for false advertising under §43(a), . . . predicted that false advertisers eventually would be held to the standards that governed trademark infringers.” Thus, Weil wrote, once falsity was established, courts would use the same tools to assess materiality and likely injury that they used to evaluate likely confusion in a trademark case. For example, courts could readily reason that an advertiser wouldn’t spend

---

7 See, e.g., Bernard Food Indus., Inc. v. Dietene Co., 415 F.2d 1279, 1283-84 (7th Cir. 1969) (“False advertising or representations made by a defendant about a plaintiff’s product are not covered by section 43(a).”); Samson Crane Co. v. Union Nat’l Sales, Inc., 87 F. Supp. 218, 222 (D. Mass. 1949) (“[Section 43(a)] should be construed to include only such false descriptions or representations as are of substantially the same economic nature as those which involve infringement or other improper use of trademarks.”), aff’d per curiam, 180 F.2d 896 (1st Cir. 1950).

8 TRADEMARK LAW REVISION ACT OF 1988, S. REP. NO. 515, at 40-41 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5603-04 (“[Some] courts have held that Section 43(a) applies only to misrepresentations about one’s own products or services .... The committee agrees that this effect is illogical on both practical and public policy levels and that the public policy of deterring acts of unfair competition will be served if Section 43(a) is amended to make clear that misrepresentations about another's products are as actionable as misrepresentations about one's own.”) (citation omitted).

9 See, e.g., Tisch Hotels, Inc. v. Americana Inn, Inc., 350 F.2d 609, 613 (7th Cir.1965); Fleischmann Distilling Corp. v. Maier Brewing Co., 314 F.2d 149, 157-58 (9th Cir. 1963); Safeway Stores, Inc. v. Rudner, 246 F.2d 826, 829 (9th Cir. 1957); Lane Bryant, Inc. v. Maternity Lane Ltd., 173 F.2d 559, 564 (9th Cir. 1949); J.S. Tyree, Chemist, Inc., v. Thymo Borine Lab., 151 F.2d 621, 623 (7th Cir. 1945); United Drug Co. v. Obear-Nester Glass Co., 111 F.2d 997, 999 (8th Cir. 1940).


11 See, e.g., POM Wonderful LLC v. Purely Juice, Inc., No. 08-56375, 2009 WL 5184233, at *1 (9th Cir. Dec. 28, 2009) (“It is settled that intent is not an element of a Lanham Act false advertising claim”) (citing McCarthy, supra note 3, § 27:51).

money making a claim unless it thought the claim would affect sales, thus presuming materiality. Likewise, once a plaintiff showed that an ad was literally false, it would not need to provide evidence that consumers were actually deceived, any more than a trademark plaintiff needed to show actual confusion to prevail. Unlike the common law, section 43(a) does not require evidence of specific harm to obtain injunctive relief—a “mere likelihood of deception will suffice.” And so it proved as Lanham Act false advertising caselaw accumulated.

Lillian BeVier, writing nearly twenty years ago, criticized these developments as unwarranted expansions of the common law with respect to false advertising. I think BeVier understated the importance of near-identical statutory language, which reinforced the relationship between trademark infringement and other types of false advertising under federal law. Moreover, once one accepts that the Lanham Act provides a cause of action for more than trademark infringement, then we have left the common law—in which competitors, as opposed to consumers, rarely had fraud claims against lying advertisers—behind.

Treating trademark infringement as a specialized type of false advertising makes sense, not only because of the statutory language but also because of the logical affinity between the concepts. The drafters of the Restatement (Third) of Unfair Competition observed that infringement claims fell within the literal scope of “deceptive marketing” but recommended that they be brought under the section specifically dealing with trademark infringement. Still, their

13 See Weil, supra note 12, at 537.

14 See, e.g., Balance Dynamics Corp. v. Schmitt Indus., Inc., 204 F.3d 683, 694 (6th Cir. 2000) (false advertising case citing Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1407 (9th Cir. 1993), a trademark case holding that proof of actual confusion can be difficult to obtain, and thus isn’t required); Am. Brands, Inc. v. R.J. Reynolds Tobacco Co., 413 F. Supp. 1352, 1356 (S.D.N.Y. 1976). At this point in the development of the doctrine, courts often confine themselves to citing false advertising precedents without explicit mention of trademark precedents. See, e.g., Pizza Hut, Inc. v. Papa John’s Int’l, Inc., 227 F.3d 489, 497 (5th Cir. 2000) (holding that “when the statements of fact at issue are shown to be literally false, the plaintiff need not introduce evidence on the issue of the impact the statements had on consumers”).


16 1A Louis Altman, Callmann on Unfair Competition, Trademarks and Monopolies § 5.5, at 5-38 (4th ed. 2007) (deeming this change one of the great improvements over the common law); see also McCarthy, supra note 3, at 27-54.

17 See BeVier, supra note 12, at 40 (“[W]hen courts began entertaining competitor suits for false advertising under section 43(a), they decided instead [of analogizing to the tort of deceit] to incorporate trademark law’s standard of strict liability. In doing so, however, they neither built upon nor eschewed a consciously made choice of the common law. Instead, their choice seems to have been a product of serendipitous statutory drafting coupled with their own failure to recognize the important differences between the two kinds of cases.”) (footnotes omitted).

common foundation largely justified common treatment. Roger Schecter summarized the situation at the end of the twentieth century:

The current judicial approach to false advertising cases under the Lanham Act largely parallels the trademark rules. The advertising plaintiff need not show that the defendant promulgated the false ad deliberately. Similarly, like the trademark plaintiff, the advertising plaintiff need not show any actual harm flowing from the advertisement, unless seeking money damages. To obtain an injunction, the plaintiff must demonstrate only that the defendant’s ad is false and that the plaintiff is ‘likely’ to be injured by the defendant’s conduct.19

As the following sections will explore, this summary is incomplete. Among other things, trademark uses a context-specific multifactor test for evaluating infringement claims while false advertising has a more rigid yes-or-no structure. Moreover, trademark decisions have become increasingly indifferent to whether consumers actually care about trademarks, while false advertising doctrine is quite attentive to materiality. Yet, the areas of divergence have not developed as the result of any particular theory of trademark and false advertising. This article proposes that the two bodies of law should be brought back closer together because of their fundamental similarities as regulations of how advertisers communicate messages to consumers.

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

A. TRADEMARK’S OVEREXPANSIVENESS

In trademark, likely confusion is generally assessed by a multifactor test, covering (among other things) the strength of the plaintiff’s mark, the similarity of the parties’ goods and services, the similarity of the parties’ marks, the channels in which the goods and services travel, the defendant’s good faith, consumer sophistication, and evidence of actual confusion.20 Because courts have interpreted the Lanham Act broadly, almost any association between a trademark owner and a defendant may be interpreted as confusing, especially when questions of endorsement, affiliation, or sponsorship arise. Courts are willing to enjoin uses that they conclude indicate a trademark owner’s mere approval of a defendant’s product or service.

For example, a district court enjoined a movie titled Dairy Queens (later released as Drop Dead Gorgeous) for fear that it would be associated with the Dairy Queen restaurant chain.21


20 E.g., SquirtCo. v. Seven-Up Co., 628 F.2d 1086, 1090-91 (8th Cir. 1980); AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979), abrogated in part on other grounds by Mattel, Inc. v. Walking Mountain Prods., 353 F.3d 792, 810 n.19 (9th Cir. 2003).

Another court affirmed an injunction against a parody T-shirt for “Mutant of Omaha,” offering nuclear holocaust insurance, because consumers might believe that the insurer Mutual of Omaha “went along with” the message on the shirts.\(^{22}\) Given that there are a number of lucrative and highly visible product placement deals, such as Coca-Cola’s relationship with American Idol, consumers might conclude that a brand’s presence is an indication of endorsement (though notice that, unlike the litigated examples, product placement involves the presence of the actual brand, including its distinctive fonts and other specific indicia, rather than a reference that alters or simply evokes the brand).

In recent years, expansive trademark claims, often in situations implicating anticompetitive conduct or free speech values, have led courts and commentators to propose rules that will end cases quickly.\(^{23}\) In certain recurring situations, a defendant should not be required to engage in an expensive battle to defend its use. The critical move, then, is to find a way to avoid a factual inquiry into whether a particular use of a trademark is likely to confuse reasonable consumers.

One often-litigated situation involves factual statements about a trademark owner, often used to communicate an expressive or competitive message. In a case about whether \textit{USA Today} could run a for-profit phone poll without the permission of the subjects of the poll, the music group New Kids on the Block, the Ninth Circuit generalized a class of cases categorically outside the scope of trademark law, which it called “nominative fair uses.”\(^{24}\) A nominative fair use is a use that is necessary to identify the subject (you can’t talk about the New Kids, at least not in a normal way, without using their name), is no greater than necessary (a requirement that generally prevents use of a trademark owner’s distinctive fonts and logos unless there’s a good reason), and does nothing else to suggest source or sponsorship.\(^{25}\)


\(^{23}\) \textit{See Rogers v. Grimaldi}, 875 F.2d 994, 999-1000 (2d Cir. 1989) (holding the Lanham Act not to apply to claims about an allegedly misleading use of a celebrity’s name in the title of an artistic work, unless the work has no artistic value or the use of the name is explicitly misleading about the source of the work); \textit{see generally} Stacey L. Dogan & Mark A. Lemley, \textit{Grounding Trademark Law Through Trademark Use}, 92 IOWA L. REV. 1669 (2007) (discussing trademark use doctrine as a way to limit expansive trademark claims in Internet age); Mark A. Lemley & Mark McKenna, \textit{Irrelevant Confusion}, 62 STAN. L. REV. 413 (2010) (proposing a materiality requirement to rein in trademark claims); William McGeveran, \textit{Rethinking Trademark Fair Use}, 94 IOWA L. REV. 49 (2008) (arguing for the creation of simple affirmative defenses to trademark claims because complex fair use doctrines deter legitimate uses).

\(^{24}\) \textit{New Kids on the Block v. News Am. Publ’g}, 971 F.2d 302, 307-08 (9th Cir. 1992).

\(^{25}\) \textit{Id.} at 308 & n.7. The Third Circuit has devised its own approach to nominative fair use cases. Its two-step method requires the plaintiff to demonstrate likely confusion as an initial matter. If the plaintiff is successful, the burden then shifts to the defendant to show the necessity in using the plaintiff’s mark, that no more was used than required, and that the relationship between the plaintiff’s and defendant’s goods was accurately represented by the defendant. \textit{Century 21 Real Estate Corp. v. Lendingtree, Inc.}, 425 F.3d 211, 219-22 (3d Cir. 2005).
If a defendant establishes these elements, the Ninth Circuit held, its use is not confusing as a matter of law.26 At the same time as it treated nominative fair use as a legal conclusion, the court also made an empirical claim: consumers can’t be confused by a truthful statement.27 This is a fairly common move in nominative fair use and other speech-protective cases,28 and understandably so. Such a rationale conveniently denies the existence of a possible harm (confusion) that might otherwise need to be balanced against the defendant’s claim of free speech. I should emphasize that I think dismissal before any factual inquiry is often the right result. But that doesn’t mean that truthful statements can’t be confusing. The real problem, as I take up below, is that any such confusion is almost certainly immaterial to consumers.

The empirical claim about the unlikelihood of confusion makes a conceptual mistake – it neglects implicature, a fundamental part of human communication.29 Here’s an example from Richard Craswell30: you ask me for the nearest gas station. I give you an address. Because we assume that I’m being truthful, complete, and helpful, my answer implies that I believe, and have at least some reason to believe, that the station there is actually open. Unless you have specified otherwise I ought to infer that you would like to buy some gas for your car. If I know the station is closed, I am speaking in bad faith when I provide its address and you would have a legitimate grievance against me when you ran out of gas while looking for another place to fill up.

26 See New Kids, 971 F.2d at 306-08; see also Cairns v. Franklin Mint Co., 292 F.3d 1139, 1150-51 (9th Cir. 2002) (nominative fair use replaces traditional confusion analysis, and is available even when the standard multifactor test would find a likelihood of confusion); cf. Rogers v. Grimaldi, 875 F.2d 994, 999 (2d Cir. 1989) (holding that the Lanham Act does not in general apply to titles of expressive works unless the title has no artistic relevance or explicitly misleads as to source or content, a test that also apparently replaces the multifactor test).

27 New Kids, 971 F.2d at 307-08 (“[W]e may generalize a class of cases where the use of the trademark does not attempt to capitalize on consumer confusion . . . . ‘When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth.’”) (quoting Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924) (Holmes, J.)).

28 See, e.g., Hensley Mfg. v. ProPride, Inc., 579 F.3d 603, 610, 611-12 (6th Cir. 2009) (both fair use and lack of confusion were established as a matter of law); Cairns, 292 F.3d at 1155 n.14 & n.12 (stating that there was no likelihood of confusion where the use was nominative); Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 545-46 (5th Cir. 1998) (nominative fair use creates no likelihood of confusion).

29 See PAUL GRICE, STUDIES IN THE WAY OF WORDS 24-40 (1989). Implicature is sometimes identified as a function of speaker’s intent, but—especially in the context of advertising, where the advertiser is communicating to many consumers in a fixed manner—intent should not be taken to mean anything subjective. Cf. KENT BACH, THE TOP 10 MISCONCEPTIONS ABOUT IMPLICATURE 4 (2005), available at http://userwww.sfsu.edu/~kbach/TopTen.pdf (arguing that, the more general the knowledge required to decode the implicature, the less we need to talk about the speaker’s intention; “it makes sense, without considering actual speakers’ intentions, to talk about what is likely to be implicated when a certain sentence is uttered”). Deception by implication does not require any intent to deceive, only deceptive effect.

More generally, reasonable audiences presume that information provided them is relevant and useful, in the absence of reason to do otherwise. If a prospectus advertises that a piece of property is five miles from the waterfront, readers will have good cause to cry foul if in fact there are no roads between the property and the waterfront and any roads to be built in the future would take a path far longer than five miles. In the absence of further disclosure, the statement “five miles from the waterfront” implies that humans might traverse the distance with roughly the same directness as the crow flies, because the information would be irrelevant and unhelpful otherwise. If Kraft advertises that its cheese slices are made with five ounces of milk, an ordinary consumer will assume that the benefits of those five ounces—especially the calcium, milk’s best-known nutrient—are retained in the slices, not dissipated in processing. Otherwise the information about the number of ounces involved isn’t important to an ordinary purchasing decision. Although there are good reasons to deny the relevance of some implications, it is analytically insufficient to stop at the dictionary meanings of a string of words.

In fact, the Ninth Circuit quickly retreated from the logical results of its nominative fair use test when confronted with a traditional 30-second television ad that formally satisfied the elements of *New Kids*. In the ad, General Motors compared its vehicles with the historic records set by a basketball player, Lew Alcindor, presently known as Kareem Abdul-Jabbar. The use of Alcindor’s name was necessary to identify him; GM did no more than necessary to identify him (GM went a step further by using a name with which he was not currently publicly associated); and GM did nothing else to suggest sponsorship or affiliation. Nothing else, that is, but put the reference in a conventional advertising format. Unlike a telephone poll, the court concluded, a conventional ad is likely to lead consumers to expect that a celebrity appearance is an endorsement. As a result, GM could not use nominative fair use as a defense. “Nothing else” turns into something more than a negative requirement; it is a contextual inquiry using background knowledge to determine what counts as nominative use.

---

31 BACH, supra note 29, at 6 (“[Gricean maxims] are better construed as presumptions about utterances, presumptions that we as listeners rely on and as speakers exploit. As listeners, we presume that the speaker is being cooperative (at least insofar as he is trying to make his communicative intention evident) and is speaking truthfully, informatively, relevantly, and otherwise appropriately. If an utterance superficially appears not to conform to any of these presumptions, the listener looks for a way of taking it so that it does conform. He does so partly on the supposition that he is intended to. As speakers, in trying to choose words to make our communicative intentions evident, we exploit the fact that our listeners presume these things.”).

32 See Lustiger v. United States, 386 F.2d 132, 136 (9th Cir. 1967).

33 See Kraft, Inc v. FTC, 970 F.2d 311, 314-16 (7th Cir. 1992) (affirming FTC decision that Kraft’s ads made a misleading and material claim); see also Craswell, supra note 30, at 602-03.


35 Note that one could debate whether the use of Abdul-Jabbar’s name in this fashion really approximates a conventional celebrity endorsement, which would usually involve at least an image of the celebrity, not to mention the use of his or her current name. The fact that the court limited the reach of *New Kids* when the celebrity’s appearance was in a sufficiently ad-like context has led to uncertainty that will likely only increase as new forms of promotion outside the conventional 30-second ad spot become more common. See, e.g., Yeager v. Cingular
In fact, the average trademark use is not an explicit claim in the conventional sense. It indicates source not by a full syllogistic statement, but by implication, relying on consumers’ knowledge about how source and sponsorship get communicated. That is, vanishingly few products say “This is a bottle of Coca-Cola” or something similar. The presence of the name itself, in a distinctive font and given the most prominent position on the label, necessarily implies the source claim to a culturally competent modern consumer. Necessary implication is a recognized doctrine in false advertising law, as I will discuss in the next section, and makes sense in the core example of “Coca-Cola” used on a bottle of soda. But trademark has also been willing to find the implication of source to exist in some strange places, like being the subject of a newspaper poll or the title of a film, which is why it has seemed necessary to create new doctrines like nominative fair use to protect expression and competition. Without a better understanding of implicature, courts are likely to continue to struggle with uncomfortable results from the existing tests.

B. IMPLICATION IN FALSE ADVERTISING CASES: PRAGMATICS AND DOCTRINAL CATEGORIES

While courts have granted trademark law greater flexibility to address new situations, false advertising law often seems to flounder around rigid doctrinal categories—explicit falsity, implicit falsity, puffery—without thereby becoming any more predictable. False advertising doctrine has even occasionally flirted with the idea that truthful claims simply can’t be misleading. In Mead Johnson v. Abbott Laboratories, the Seventh Circuit said that an infant formula’s claim to be the “#1 Choice of Doctors” couldn’t be misleading. The #1 Choice claim was only true with respect to the subset who did have such a preference. Consumer survey evidence, however, established that consumers received a message that most doctors preferred the defendant’s product. Because the statement was literally true, though, the court reasoned that it couldn’t mislead (even if consumers didn’t understand math). Notably, although Mead Johnson attracted a fair amount of attention —relative to other false advertising cases,

Wireless, 627 F. Supp. 2d 1170 (E.D. Cal. 2008) (holding that New Kids did not excuse the use of Chuck Yeager’s name in a press release referencing the fact that he broke the sound barrier as part of a comparison with Cingular’s new service), further proceedings at 673 F. Supp. 2d 1089, 1103 (E.D. Cal. 2009) (“Where a celebrity’s name is used in a commercial, there are triable issues of fact regarding whether such use implies endorsement.”).

36 See Thomas R. Lee et al., Abercrombie Unveiled: A Theoretical and Empirical and Consumer Psychology Analysis of Trademark Distinctiveness, 41 ARIZ. ST. L.J. 1033, 1040- & n.35, 1051-54 (2009) (finding that, empirically, consumers perceive descriptive terms as marks if they are presented in the ways marks typically are on packaging).

37 201 F.3d 883, 884 modified by 209 F.3d 1032 (7th Cir. 2000).

anyway—most subsequent false advertising cases have not applied that holding, sometimes with fairly transparent evasions. The vast majority of false advertising cases have instead recognized that literally true statements can mislead. In false advertising law, an oft-cited formulation is that, if only false statements were actionable, “clever use of innuendo, indirect intimations, and ambiguous suggestions could shield the advertisement from scrutiny precisely when protection against such sophisticated deception is most needed.” For example, an ad may be misleading if it makes unqualified claims of advantages that are present only in extreme or unusual circumstances, because consumers may believe that the advantages are often or usually present. For example, one court ruled that ads claiming natural gas was more economical and efficient than oil for

39 But see Pernod Ricard USA LLC v. Bacardi U.S.A., Inc., -- F. Supp. 2d --, 2010 WL 1348241 (D. Del. Apr. 6, 2010) (relying on Mead Johnson to hold that “Havana Club” rum could not be misleading as to its geographic origin because the bottle also stated that the rum was made in Puerto Rico).

40 In Clorox Co. P.R. v. Proctor & Gamble Commercial Co., 228 F.3d 24 (1st Cir. 2000), for example, the defendant argued that its message (that its detergent did a better job of whitening clothes) limited its comparison to other detergents, so that even if consumers actually received the allegedly false message that its detergent outperformed chlorine bleach, Mead Johnson protected it from liability. Id. at 37-38. The First Circuit disagreed because the claim was “an integral part of a television commercial with substantial text and images. There is a fundamental difference between a slogan on a can label that communicates its meaning to consumers solely through the printed text, and a tag line shown on the screen at the end of a television commercial that communicates its message to consumers through a combination of audio-visual and textual media.” Id. at 38. As usual, bad law breeds further bad distinctions: there is no conceptual difference between packaging and television advertising, and it is evident that the Mead Johnson court would have reached the same result if the “# 1 Choice of Doctors” slogan had appeared at the end of a television commercial. The First Circuit, unlike the Seventh, recognized that consumers could interpret a supposedly objective claim as conveying a broader false message, and the court correctly looked to consumer reaction to gauge the deceptiveness of the claim. See also, e.g., McNeil-PPC, Inc. v. Pfizer Inc., 351 F. Supp. 2d 226, 254 (S.D.N.Y. 2005) (distinguishing Mead Johnson because the claim at issue was less nebulous and the survey at issue was not used to determine the meaning of words); Healthpoint, Ltd. v. Ethex Corp., No. SA-01-CA-646-OG, 2004 WL 2359420, at *16 (W.D. Tex. Jul 14, 2004) (suggesting that Mead Johnson was limited to its facts and noting that the plaintiff before it (like the plaintiff in Mead Johnson) had a survey purportedly showing consumer confusion). Courts that cite Mead Johnson tend to rely on other, more persuasive grounds for their ultimate holdings. See, e.g., Am. Italian Pasta Co. v. New World Pasta Co., 371 F.3d 387, 393-94 (8th Cir. 2004) (using Mead Johnson to uphold finding that “America’s Favorite Pasta” was puffery); Haymond v. Lundy, No. 99-5048, 2001 WL 15956, at *4-5 & n.4 (E.D. Pa. Jan. 5, 2001) (citing Mead Johnson in support of holding that no reasonable consumer could have been misled by statement that lawyer “supervised” cases to believe that lawyer was himself taking depositions, trying cases, signing pleadings, or making court appearances; noting that only one client of many suggested any possible misunderstanding); First Health Group Corp. v. United Payors & United Providers, Inc., 95 F. Supp. 2d 845, 849 (N.D. Ill. 2000) (citing Mead Johnson in course of determining that allegedly false term was true in light of industry practice, that highly sophisticated hospitals could not reasonably have been misled, and that confusion was minimal).

41 Am. Home Prods. Corp. v. Johnson & Johnson, 577 F.2d 160, 165 (2d Cir. 1978) (affirming injunction where ads were neither literally nor grammatically untrue, but falsely implied superiority of one analgesic over another).
heating were misleading when the ads failed to disclose that this was true only when compared to older oil equipment.\textsuperscript{42}

Unfortunately, however, §43(a)(1)(B) false advertising cases have created an artificially rigorous distinction between false statements and misleading statements, which generates problems of its own. False statements violate the Lanham Act without further proof of consumer deception: courts presume that consumers receive them. Literally true statements must be shown by extrinsic evidence to mislead consumers.\textsuperscript{43} The concern is that consumers might not be receiving the same implication as the challenger takes from the ad, so the challenger must first show that a substantial number receive a false message. This almost always requires a consumer survey, which usually adds six figures to the cost of a false advertising case, imposing a significant practical barrier to suit. An explicit claim, in other words, is much easier to challenge than an implicit claim, even when they are the same claim from the consumer’s standpoint.

This result is troubling because there are numerous cases in which a claim, though technically or denotationally implicit, is quite obviously as clearly stated as if it were explicit. This too is a feature of ordinary human communication, which regularly relies on implication, as in the gas station example in the previous section. But we need not rely on common knowledge alone; research has confirmed the power of implication in ads. Implication is especially useful for advertisers because consumers end up with stronger beliefs when they do some of the persuading for themselves by following implications to their natural conclusions.\textsuperscript{44} Even without

---


\textsuperscript{43} See, e.g., BASF Corp. v. Old World Trading Co., 41 F.3d 1081, 1089 (7th Cir. 1994); Johnson & Johnson v. SmithKline Beecham Corp., 960 F.2d 294, 297 (2d Cir. 1992); Malaco Leaf, A.B. v. Promotion in Motion, Inc., 287 F. Supp. 2d 355, 379 (S.D.N.Y. 2003) (“When an advertisement is not literally false, but rather is ambiguous or implicitly false, a plaintiff can only establish a claim of false advertising through a survey.”). Some courts recognize direct evidence of intentional efforts to deceive as a substitute for consumer reaction evidence, but this avenue to victory is rarely successful. See, e.g., Johnson & Johnson Vision Care, Inc. v. Ciba Vision Corp., 348 F. Supp. 2d 165, 184 (S.D.N.Y. 2004) (granting Rule 52(c) motion for judgment on implicit falsity claim because there was no extrinsic consumer reaction evidence and no evidence of intentional attempt to deceive in an “egregious fashion”).

\textsuperscript{44} See, e.g., Alan G. Sawyer, \textit{Can There Be Effective Advertising Without Explicit Conclusions? Decide for Yourself}, in \textit{NONVERBAL COMMUNICATION IN ADVERTISING} 159-61 (Sidney Hecker & David W. Stewart eds., 1988) (arguing that ads that don’t directly tell consumers what to think can be more effective); see also Frank R. Kardes, \textit{Spontaneous Inference Processes in Advertising: The Effects of Conclusion Omissions and Involvement on Persuasion}, 15 J. CONSUMER RES. 225, 226, 231-32 (1988); Frank Stajano & Paul Wilson, \textit{UNIV. OF CAMBRIDGE TECHNICAL REPORT, UNDERSTANDING SCAM VICTIMS: SEVEN PRINCIPLES FOR SYSTEMS SECURITY} 15 (Aug. 2009), available at http://www.cl.cam.ac.uk/techreports/UCAM-CL-TR-754.pdf (“[P]eople accept their own ideas and thoughts more readily than ideas presented to them by others. Through scams [inducing the victim’s inference that he stands to profit greatly from an offer], we understand how hustlers can lead a mark to a conclusion.”). Invited inference doesn’t always work, but it can be a very powerful technique for persuading consumers. See Kardes, supra, at 231-32 (“[R]elatively simple manipulations performed within the text of an ad can influence the processing objectives of consumers. Highlighting the personal relevance of the message and emphasizing that the brands within a product category vary on an important dimension can induce effortful information processing. If consumers can be induced to form brand attitudes through an effortful process, they will spontaneously draw inferences about omitted attitude-relevant information and form strong, accessible attitudes.”);
that extra persuasive power, consumers routinely and automatically draw inferences from ads, because they expect ads—like all forms of communication—to contain implicit information. Consumers even remember clear implicit claims as if they’d been explicitly stated. Overall, there is a “robust” tendency for consumers to remember implied claims in stronger forms than they were stated. The conceptual basis for the implicit/explicit divide is unsound, and

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

Julie A. Edell, Nonverbal Effects in Ads: A Review and Synthesis, in NONVERBAL COMMUNICATION IN ADVERTISING 11, 13 (Sidney Hecker & David W. Stewart eds., 1988) (finding that, “when asked to form beliefs about a brand, subjects take whatever data they have been given and make inferences about what those data could mean for that brand”—thus, tissue advertised with a picture of a kitten gets high ratings for softness, even higher than tissue advertised with the words “Brand I Facial Tissues Are Soft”).

See, e.g., Richard J. Harris, Comprehension of Pragmatic Implications in Advertising, 62 J. APPLIED PSYCHOL. 603, 607 (1977) (“[S]ubjects process and remember pragmatic implications very much like direct assertions. This failure to discriminate is also reflected in the purchase decision data.”); Richard J. Harris & Gregory E. Monaco, Psychology of Pragmatic Implication: Information Processing Between the Lines, 107 J. EXPERIMENTAL PSYCHOL.: GENERAL 1, 18 (1978) (reporting that studies “have shown [that] people remember implied material as asserted”; in tests of memory and comprehension of radio ads, “subjects did not distinguish between asserted and pragmatically implied claims.”); Richard J. Harris et al., Memory for Implied Versus Directly Stated Advertising Claims, 6 PSYCHOL. & MARKETING 87, 88 (1989) (“People tend to go beyond what is directly stated in an advertisement to infer stronger interpretations from relatively weaker claims that merely imply some attribute about the product. . . . [S]tudies have found this effect using both real world and imaginary product names and with both a written text of the advertisement and an oral presentation.”) (citations omitted).

Harris et al., supra note 46, at 93.

As Charlotte Taylor wrote in the context of First Amendment law, “there is no easy generalizable connection between expressness and the other central concerns that are implicated in the regulation of speech: primarily the value of the speech, as well as the potential harm it might cause to the community and the culpability of the speaker. It is not the case that when we focus on the express meaning of speech we protect the most valuable speech while punishing the most harmful utterances made by the most culpable speakers.” Charlotte Taylor, Free Expression and Expressness, 33 N.Y.U. REV. L. & SOC. CHANGE 375, 381 (2009). Taylor notes that one of the strongest arguments for an implicit/express distinction is to constrain enforcers’ discretion and avoid chilling effects, see id. at 383, but even those potential benefits are limited for false advertising law, for two main reasons. First, other regulators, including the Federal Trade Commission and the National Advertising Division of the Better Business Bureau, which engages in private regulation of national advertising, don’t adhere to an implicit/explicit distinction. They use their own judgment to figure out what claims an ad is making, so advertisers cannot reliably protect themselves against challenge by only making implicit claims. See infra n.33. Second, as noted, implicit claims can be challenged under the Lanham Act with survey evidence in hand, so advertisers can’t even get certainty under the Lanham Act.
advertisers can arbitrage the doctrine, making implicit claims that they could not make explicitly, while still producing the same, or greater, effect on consumers.\textsuperscript{49}

In recent years, courts have reacted to the doctrinal rigidity of the explicit/implicit divide, accepting that some misleading implications are better treated like literally false claims. The resulting doctrine is known as “falsity by necessary implication.” The standard is as follows: “A claim is conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated.”\textsuperscript{50} Thus, an advertisement claiming “longer engine life and better engine protection” without explicitly mentioning what competitors it was “longer” and “better” than made a comparison to major competitors by necessary implication.\textsuperscript{51}

Courts have found falsity by necessary implication where an ad’s claims would make no sense without the necessarily implied claim. In \textit{Cuisinarts, Inc. v. Robot-Coupe Int’l Corp.},\textsuperscript{52} the defendant claimed that professional kitchens in France used its mixer, not the plaintiff’s. The necessary implication was that the plaintiff made a professional-strength mixer. Otherwise, there could be no comparison because the plaintiff did not make a product that the kitchens could have rejected. Because the plaintiff did not, in fact, make a professional-strength mixer, the necessary implication was false.\textsuperscript{53}

The Second Circuit adopted the doctrine of necessary implication in \textit{Time Warner Cable, Inc. v. DirecTV, Inc.}, allowing liability without evidence of consumer reaction and without an explicitly false assertion “if the words or images, considered in context, necessarily and unambiguously imply a false message.”\textsuperscript{54} DirecTV ran an amusing ad featuring William Shatner as Captain Kirk, who praised the “amazing picture quality” of DirecTV and told viewers, “With what Starfleet just ponied up for this big screen TV, settling for cable would be illogical.” Though there was no explicit claim that cable’s HD picture quality was worse, in context

\textsuperscript{49} Harris et al., \textit{supra} note 46, at 94 (“[A]dvertising may mislead the public with minimal legal vulnerability to the advertiser. A claim may be stated in weak (implied) form but may be remembered then in the stronger (asserted) fashion. Thus, a consumer may falsely infer and subsequently believe not only that a product does more than it in fact does but they may believe that it does more than the ad even said it did.”); Sawyer, \textit{supra} note 44, at 170 (“Research also offers strong evidence that audience members will spontaneously strive to make inferences and conclusions under certain conditions. . . . [A]dvertising audiences are also very likely to ‘complete’ ambiguous advertising statements or claims. Under conditions resembling low involvement, . . . subjects tended to make false conclusions . . . which, if the advertiser could or should be considered as the cause of the incorrect conclusion, would be judged deceptive.”).

\textsuperscript{50} See \textit{Clorox Co. P.R. v. Proctor & Gamble Commercial Co.}, 228 F.3d 24, 35 (1st Cir. 2000).

\textsuperscript{51} \textit{Castrol, Inc. v. Pennzoil Co.}, 987 F.2d 939, 941, 946 (3d Cir. 1993).

\textsuperscript{52} No. 81 Civ. 731-CSH, 1982 WL 121559 (S.D.N.Y. June 9, 1982).

\textsuperscript{53} See \textit{id.} at *1-2.

\textsuperscript{54} 497 F.3d 144, 148, 158 (2nd Cir. 2007).
“illogical” had to mean picture quality. Because cable’s HD picture quality was in fact identical, the ads violated the Lanham Act.

Necessary implication is fundamentally social. It depends on general expectations, not necessarily on what’s within the four corners of an ad. In *Southland Sod Farms v. Stover Seed Co.*, an advertisement claimed superiority for a certain breed of grass: “less mowing,” “reduced costs,” “less clippings,” and “slower growth,” basing its claims and charts on a study of grass growth in springtime. According to a competitor, however, there was no superiority if one took the entire year into account. Although the advertisements always stated that they were based on a springtime study, the Ninth Circuit found that a jury could conclude that the ads were literally false in context, because the claim that the grass saved time and money “would be nonsensical if the bar chart were only intended to represent the turf’s growth characteristics during the spring months.”

In *Playskool, Inc. v. Product Development Group, Inc.*, a toy manufacturer argued that a competitor’s claim that its components for play structures “attach[ed]” to the manufacturer’s components was false because a structure made from elements of both parties’ products would be unstable and unsafe. The court found that the claim might be “literally true” in the sense that “defendant’s pieces can in fact be joined or connected to plaintiff’s pieces.” Nonetheless, the “clear implication” of the claim was that the components would attach safely. “On a box of toys for preschool children the statement can have no other reasonable meaning.” The statement would be useless to consumers without the necessary implication of safety. Background assumptions structure interpretation, even when they remain unstated.

55 108 F.3d 1134 (9th Cir. 1997).

56 *Id.* at 1144.


59 The FTC has also succeeded on a necessary implication theory. See *FTC v. Medlab, Inc.*, 615 F. Supp. 2d 1068, 1078 (N.D. Cal. 2009) (“[E]ven if the representations were implied, these advertisements are capable of only one interpretation. The FTC does not need to present consumer survey data in order to prove what is obvious to any rational reader . . . .”).

60 The social construction of implied meaning creates difficult problems in certain areas, such as prescription drugs and supplements. Does the presence of a drug on the market imply that the FDA has found it safe and effective? See *Mut. Pharm. Co. v. Watson Pharm., Inc.*, No. 09-5421, 2010 WL 446132 (D.N.J. Feb. 8, 2010) (holding that plaintiff would be allowed a chance to prove this claim). Studies show that consumers expect the FDA to be looking out for them, approving only ads for the safest and most effective drugs, see, e.g., S.W. Wolfe, *Direct-to-Consumer Advertising-Education or Emotion Promotion?* 346 NEJM 524 (2002), even though a number of drugs are grandfathered out of current safety and efficacy requirements.
Falsity by necessary implication is a way for courts to relieve plaintiffs of the burden of an expensive (and likely extensively litigated) consumer survey when a false message in an ad is obvious, even if not stated in full syllogistic form. The doctrine alleviates some of the pressure caused by a rigid explicit/implicit division, bringing false advertising slightly closer to trademark, which generally does not require a consumer survey from a plaintiff to prove likely confusion. In the absence of explicit falsity or necessary implication, however, false advertising currently requires evidence of actual consumer perception, even though an ad’s implications may be obvious.

C. A MORE PERSUASIVE ROLE FOR IMPLICATIONS IN TRADEMARK

1. SIMILAR TREATMENT FOR ALL LANHAM ACT CLAIMS

False advertising is too rigid with respect to implications and trademark too flexible, because neither have fully accepted the role implications play pragmatically in human communication. We draw ordinary implications, but not extraordinary ones, unless we are signaled to do so. An example of such signaling would be a response to the question “Is he a nice guy?” on the order of “He’s very tall.” Blatantly refusing to answer the question asked is a violation of the ordinary cooperative rules of communication, and provides the implied answer: No, he’s not a nice guy. Context is vital in implication—it’s the question that gives the response its pragmatic meaning, over and above its semantic meaning. So how should we think about implications? With greater flexibility in false advertising, and greater attention to consumer significance in trademark.

Trademark’s multifactor test has led courts to discount too heavily the need for evidence about actual consumers, especially in marginal cases. Especially when a plaintiff doesn’t make a very strong showing on other factors such as the similarity of the parties’ marks and the similarity of their products or services, the absence of actual confusion should weigh heavily against a finding of likely confusion.

Courts have at times held the absence of a survey against

61 See BACH, THE TOP 10 MISCONCEPTIONS ABOUT IMPLICATURE, supra note 29, at 3 (“[I]n different situations one can utter a given unambiguous sentence and implicate different things. For example, you could say “John’s command of English is excellent” to implicate, depending on the situation, that John is a mediocre student, that he would make a fine translator, that he understood something he heard, or that he had no excuse for the sloppy paper he wrote.”).

62 Occasionally courts in the Second Circuit do weigh failure to provide a survey against the plaintiff, though they make it clear that the absence of a survey is only one factor. See, e.g., Star Industries, Inc. v. Bacardi & Co. Ltd., 412 F.3d 373, 388 (2d Cir. 2005) (“Star’s failure to present its own consumer survey [to counter defendant’s survey finding no confusion] weighs against a finding of consumer confusion.”); Braun Inc. v. Dynamics Corp., 975 F.2d 815, 828 (Fed. Cir. 1992) (applying Second Circuit law to hold that failure to provide actual confusion evidence “suggests that the public is not likely to be confused”); Medici Classics Productions LLC v. Medici Group LLC, 590 F. Supp. 2d 548, 556 (S.D.N.Y. 2008) (“[T]he ‘absence of surveys is evidence that actual confusion cannot be
wealthy plaintiffs, and they have also held the absence of confusion evidence against plaintiffs whose products have coexisted with defendants’ for a long time. When a trademark owner is stretching its rights in terms of similarity of marks or relatedness of products, courts should likewise require more in the way of real-world evidence of confusion.

Once we break down the trademark/false advertising division, it should become clearer that not all implications that companies litigate involve the kinds of inferences consumers are likely to make, particularly on the trademark side. In particular, judges should be hesitant to find infringement without evidence of consumer perceptions when the presence of a trademark is not the primary identifier of the defendant’s product or service. In such cases, consumers have a prominent source-identifier distinct from the plaintiff’s mark, and so extra evidence of confusion should be required. Likewise, other factual claims may be unclear on the face of an ad. Sometimes a survey should be required before a plaintiff can win its false advertising claim. False endorsement claims, which often draw from both trademark and false advertising concepts, provide an example of the difficulty with implications. Some celebrity references are clearly endorsements—a picture of a smiling celebrity using the product in a traditional advertising format—but others aren’t. How should courts decide such cases?

shown,’ and while anecdotal evidence may in some cases be sufficient, the evidence must be more than de

See, e.g., Charles Jacquin et Cie, Inc. v. Destileria Serralles, Inc., 921 F.2d 467, 475 (3d Cir. 1990) (finding that a financially able plaintiff’s failure to conduct a confusion survey weighed against it, justifying an inference “that the plaintiff believes the results of the survey will be unfavorable”); Cairns v. Franklin Mint Co., 24 F. Supp. 2d 1013, 1041-42 (C.D. Cal. 1998) (“Survey evidence is not required to establish likelihood of confusion, but it is often the most persuasive evidence. Consequently, a plaintiff’s failure to conduct a consumer survey, assuming it has the financial resources to do so, may lead to an inference that the results of such a survey would be unfavorable. Here, plaintiffs had ample opportunity to conduct their own survey, and their failure to do so undermines their position that the advertisements at issue are likely to confuse consumers as to plaintiffs’ endorsement.”) (citations omitted).

Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 228 (2d Cir. 1999) (holding that lapse of time is a “powerful indication” of no meaningful likelihood of confusion); Brookfield Communications, Inc. v. West Coast Entm’t Corp., 174 F.3d 1036, 1050 (9th Cir. 1999) (“We cannot think of more persuasive evidence that there is no likelihood of confusion between these two marks than the fact that they have been simultaneously used for five years without causing any consumers to be confused as to who makes what.”); Versa Prods., Inc. v. Bifold Co., 50 F.3d 189, 205 (3d Cir. 1995) (“If a defendant’s product has been sold for an appreciable period of time without evidence of actual confusion, one can infer that continued marketing will not lead to consumer confusion in the future. The longer the challenged product has been in use, the stronger the inference will be.”); Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366, 377 (1st Cir. 1980) (holding that, where parties coexisted for 3½ years, plaintiff was “required” to show actual confusion to prevail); Barre-National, Inc. v. Barr Labs., Inc., 773 F. Supp. 735, 744 (D.N.J. 1991) (“Use of similar marks for a substantial period of time with no confusion among consumers may create a presumption that there is little likelihood of confusion.”).

Though even there, uncertainty is possible. Recently, a coatmaker used a Times Square billboard showing President Obama wearing its jacket, contending that people wouldn’t perceive any endorsement—a sitting president is just so unlikely to serve as an endorser. See Stephanie Clifford, Unauthorized Times Square Obama Ad Draws
In *Seale v. Gramercy Pictures*, Bobby Seale sued the producers of a movie about his participation in the Black Panthers, arguing that consumers would be confused about his relationship to and endorsement of the resulting film. The court rejected his claim, distinguishing between obvious endorsements and less clear situations: “If the defendant’s use does not on its face contain a clear message of endorsement, [the] plaintiff must produce evidence, usually in the form of market research or consumer surveys, showing exactly what message customers received from [the] defendant’s ad. Once that message is ascertained, plaintiff must then prove the second element, that [the] message is false or misleading.” Because Seale couldn’t provide evidence that consumers perceived an endorsement message, he lost.

More recently, however, the Third Circuit rejected this approach in false endorsement cases, holding that the explicit/implicit distinction only applies to §43(a)(1)(B). The result is that plaintiffs who allege that evoking a celebrity constitutes an implicit endorsement need not show with consumer reaction evidence that consumers perceive an endorsement. By contrast, plaintiffs alleging any other implicit message must show consumer reaction evidence demonstrating that consumers received that message. The court reached this result because the statutory language “likely to cause confusion” is only part of §43(a)(1)(A). But this is a logical error; “likely to cause confusion” says nothing about implicit versus explicit any more than §43(a)(1)(B)’s reference to “misrepresent[ation]” does. The disparate treatment of similar language in the two provisions forced the court to make artificial distinctions; it would have been better to recognize that both §43(a)(1)(A) and §43(a)(1)(B) can be interpreted flexibly, so that consumer survey evidence would be persuasive but not necessarily required simply because of the semantic form in which a claim appears.

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

Currently, courts have not given a fully articulated justification for either a rigid explicit/implicit division or an abandonment of any requirement of consumer perception evidence. As noted above, the explicit/implicit division has proven attractive to limit seemingly infinite expansions of trademark law, especially in cases raising free speech concerns. In *Rogers Attention*, N.Y. TIMES, Jan. 6, 2010, [http://mediadecoder.blogs.nytimes.com/2010/01/06/unauthorized-times-square-obama-ad-draws-attention/](http://mediadecoder.blogs.nytimes.com/2010/01/06/unauthorized-times-square-obama-ad-draws-attention/).


67 Id. at 930-31.

68 Id.; see also J. THOMAS MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY § 5:21 (2d ed. 2007) (“In the context of an unpermitted use of a person’s identity in an advertisement on a product, this requires that the plaintiff prove two discrete elements: (1) the context of the use contains a message of the plaintiff’s endorsement, approval or affiliation; and (2) that message is false or misleading.”); id. at § 3:12 (“In the context of an unpermitted use of a person’s identity to draw attention to an advertisement or commercial use, this requires that plaintiff prove that the context contains a message of the plaintiff’s endorsement of defendant’s product and that the message is false.”).

v. Grimaldi, for example, Ginger Rogers argued that the Fellini movie *Fred & Ginger* violated her trademark rights in her name. The Second Circuit held that there is no Lanham Act liability for a title unless the title is explicitly misleading, for example a false claim to be an “official” or “authorized” biography. Nominative fair use reasons similarly.

Trademark owners increasingly make claims that their presence in expressive works like movies implies an affiliation between the moviemaker and the trademark owner. After all, product placement is so common these days that consumers may well assume that products appear as a result of a deal. So the makers of the Slip-N-Slide sued the studio behind *Dickie Roberts, Former Child Star* over a scene in which the protagonist suffers greatly from misusing a Slip-N-Slide, and the makers of Caterpillar tractors sued Disney over a scene in *George of the Jungle* in which the bad guys use Caterpillar tractors to threaten the existence of the jungle. A firmly enforced explicit/implicit line makes clear that these cases ought to be tossed out immediately on a motion to dismiss, and ideally would deter them from being brought in the first place.

But if we are going to use explicit claims about affiliation as a dividing line, we need to recognize the conceptual weakness behind the distinction, and defend the line on pragmatic grounds. Otherwise, we are always vulnerable to the trademark owner’s claim that the rule at issue depends on the (presumed) absence of confusion, and thus if the trademark owner can show likely confusion in some particular case the rule must not apply.

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

Given that plaintiffs always have the burden of showing likely confusion, a burden-shifting rule makes the nominative fair use defense worse than useless, unless read carefully: The...
nominative fair use test has three elements, none of which appear in the traditional multifactor confusion test. It could reasonably be the defendant’s burden to satisfy each element, including the final element that the defendant must do nothing else that explicitly misleads as to source. Once that is done, the defendant has shown that confusion is unlikely as a matter of law. This interpretation preserves the force of *New Kids.* Because of the test’s continued references to confusion, however, not all courts have understood how it should work. Judge Kozinski has recently tried again, concluding that under recent Supreme Court precedent, a defendant “need only show that it used the mark to refer to the trademarked good,” after which the burden “reverts” to the plaintiff to show that the use was not nominative.

All this back-and-forth can be traced to the insistence that nominative uses are not and never will be confusing as a matter of empirical reality, which persists in Judge Kozinski’s current reasoning and leads him to some convoluted formulations. Conflation of the normative (this is not the kind of confusion worth stopping, even if it exists) and the descriptive (this is not confusing) makes nominative fair use difficult to navigate. We would be better off abandoning the descriptive account in favor of error-cost and free speech grounds.

In fact, a rule that limits trademark suits against expressive works to explicit misrepresentations is fully defensible on such grounds, especially given the chilling effect of

---

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


77 Among these were the equation of the burden of showing that a use was not nominative with the burden of showing that the use was confusing, see id. at *7, which is in tension with the decision’s statement that the nominative use test replaces the standard multifactor confusion test and cannot be used with it sequentially, see id. Apparently a trademark plaintiff has to show that the use is likely to confuse by showing that the use, while nominative, uses more of the mark than necessary and/or suggests source or sponsorship. This raises two significant questions. First, why should we believe that using more of a mark than necessary is likely to cause confusion? Notably, Judge Kozinski stated that doing so “might” cause confusion, a lower standard than “likely” confusion, and yet he still seemingly presumed that flunking the nominative fair use made confusion likely. See id. at *6 (“[U]se of the stylized Lexus mark and ‘Lexus L’ logo was more use of the mark than necessary and suggested sponsorship or endorsement by Toyota....[T]he visual cues might lead some consumers to believe they were dealing with an authorized Toyota affiliate.”). Second, if the nominative fair use test replaces the standard multifactor confusion test, how is a court supposed to analyze whether a nominative use suggests source or sponsorship? The *Tabari* court made clear that something less than explicit claims of officialness would satisfy the third factor. With respect to domain names, the court explained that “naked” use of a trademark, or a trademark plus a geographic indicator, as a domain name would not be nominative fair use. Though the opinion didn’t use the term, the reasoning is apparently that the necessary implication of trademark.com, e-trademark.com, trademark-usa.com and the like is that the site comes from the trademark owner, whereas no such necessary implication comes from more contextually ambiguous domain names such as trademarkdealer.com. See id. at *4.
threats and the expense of judicial determinations.\textsuperscript{78} If implicit messages are usually not deceptive, then even if courts get each individual case correct most of the time, there will be too many false positives and judicial intervention will on balance be bad for the overall level of truth in the system.

The Supreme Court relied on this cost-benefit reasoning in its decision in \textit{Wal-Mart}, a trademark case holding that product design could only be protected under trademark law upon a showing of secondary meaning.\textsuperscript{79} That is, claimants could not produce a striking design and then immediately claim trademark protection for it on the theory that consumers would automatically assume that two similar striking designs came from the same source, the way they’d automatically assume that two products branded “Zyrtec” come from the same source. The latter—immediate communication of source-identifying significance even for a consumer who hasn’t ever encountered the mark before—is called “inherent distinctiveness.”

Although there might exist some product designs that are inherently distinctive, the Court thought that this was highly unlikely and that the average case would not involve an inherently distinctive design. To understand the underlying rationale, consider why universal screening for rare conditions may be cost-unjustified even with a very sensitive test:

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

Why? Because, as Bayes’ Theorem explains, the reliability of any observation depends on both the accuracy of the test itself and the rate at which the measured event occurs in the world. … [V]ery few Americans, about one in 3000, are infected with the HIV virus. Therefore, even if only 0.2% of the uninfected people register as false positives, those false positives will far outnumber the true positives; of the people who test positive for HIV, only 14.8% actually have the disease. … The test is both very accurate and very unreliable.\textsuperscript{80}


\textsuperscript{80} Brent S. Mitchell, Book Note, \textit{Judging Science: Scientific Knowledge and the Federal Courts}, by Kenneth R. Foster & Peter W. Huber, 11 Harv. J.L. & Tech. 269, 272 (1997) (citations and footnotes omitted); see also Boaz Sangero & Mordechai Halpert, \textit{Why a Conviction Should Not Be Based on a Single Piece of Evidence: A Proposal for Reform}, 48 Jurimetrics J. 43, 50 (2007) (“Our initial—very mistaken—intuition that, since the [example] test’s accuracy is 99.9\%, there is only a 0.1\% probability that Mr. Smith is not a carrier (whereas the actual probability of error, 10/11, is about 910 times greater), derives from what is referred to in psychological literature as the ‘base rate fallacy’ or ‘base rate neglect.’”) (footnotes omitted); see also Edward M. Chen et al., \textit{Common Law Privacy: A Limit
Product designs, according to the Court, are unlikely to be inherently distinctive. Were it possible for a plaintiff to allege that its design was one of those few without being prepared to face the more difficult and expensive hurdle of showing secondary meaning, the threat of suit would deter competitors from copying designs that were in fact free for them to use. This is so even if we believe that courts are very good at sorting designs that are inherently distinctive from designs that aren’t, and even if defendants are rational risk-takers who are good at predicting outcomes. Like the HIV test given universally, the judicial system can be “very accurate and very unreliable.” The low base rate means that there will be more false positives than true positives, so that the average plaintiff’s victory will be erroneous. The result of allowing lawsuits in this circumstance would be harm to competition without significant additional protection against deception. The game, the Supreme Court concluded, wasn’t worth the candle. 81

The same base rate analysis also provides a justification for refusing to entertain claims that certain statements are implicitly misleading or confusing. If statements about a trademark are on their face true, or nonfalsifiable (it was neither true nor false that Caterpillar tractors menaced the fictional jungle), and we believe consumers are unlikely to read more into them, then individualized confusion inquiries will produce more mistaken decisions than a blanket rule denying trademark owners the possibility of relief. 82

3. OTHER COSTS OF PROTECTING CONSUMERS

A related reason to choose an explicit/implicit line for trademark references is that a statement may be informative to enough people, and difficult to express in any other, less misleading way, so that the information benefits outweigh the costs, even if we acknowledge the existence of those costs. 83 Consider nominative fair use again: it would be difficult to talk about the Chicago Bulls truthfully without calling them the Bulls. The explicit/implicit divide preserves the ability to make explicitly truthful statements about trademarked products and

---

81 See also Bone, supra note 79, at 2125-34.

82 See Pharmacia Corp. v. Alcon Labs., Inc., 201 F. Supp. 2d 335, 358-59 (D.N.J. 2002) (rejecting a statistical model with 93% accuracy as a means of predicting trademark confusion because low base rates meant that predicted confusion would be a false positive over 99% of the time); McGeveran, supra note 23, at 114 (“[W]e can identify certain recurring types of expressive uses where a finding of no confusion is very likely overall . . . . An occasional false negative – that is, an erroneous finding of no liability for an expressive use that did cause some amount of consumer confusion – would be tolerable if it happened fairly infrequently and the degree of confusion were acceptably small.”).

83 See Craswell, supra note 30, at 594.
services without awkward and unnatural workarounds. By contrast, a statement about one’s food processors can almost certainly be reworded in a variety of ways that are not misleading.

This consideration of the benefits of a message to those who are not misled is an instance of a larger point: there are policies that compete with consumer protection. These include free competition, preservation of the freedom to copy guaranteed by the copyright and patent laws, and free expression. Because of these policies, not all types of consumer confusion are worth guarding against. Graeme Austin argues that nominative fair use simply removes potentially confused consumers from the analysis in the service of other policy goals. The same is true, though in slightly different fashion, of descriptive fair use, which allows sellers to use terms that are trademarked for their dictionary meaning, such as “sweet-tart” to describe the taste of a cranberry drink despite the existence of trademarked SweeTarts candy. The Supreme Court held in KP Permanent that the policy of promoting free competition required the law to tolerate a higher level of consumer confusion from a descriptive fair use than would otherwise be allowed.

Once these considerations are on the table, we can formulate a better account of why trademark law should refuse to consider alleged consumer confusion in particular circumstances. Pretending that explicit falsity is the only kind of falsity that can mislead consumers, by contrast, is dishonest and, because of its dishonesty, vulnerable to empirical disproof by clever trademark owners. More explicit attention to policies that compete with the desire to protect consumers from any kind of confusion, ever, also invites us to examine more carefully trademark owners’ confusion claims: confusion over what? And with what harm? The next section argues that trademark cases would benefit from greater attention to materiality, a concept that has been heavily litigated in false advertising law.

D. A MORE PERSUASIVE ROLE FOR IMPLICATIONS IN FALSE ADVERTISING

False advertising law has maintained a formal distinction between implicit and explicit falsity. In cases of implicit falsity, the plaintiff must prove consumer deception with consumer perception evidence, which almost necessarily means an expensive, hotly contested survey. In

84 See, e.g., Boston Duck Tours, LP v. Super Duck Tours, LLC, 531 F.3d 1, 25 (1st Cir. 2008) (confusion stemming from use of a generic term isn’t the type of confusion against which trademark law should protect).


86 Sunmark, Inc. v. Ocean Spray Cranberries, Inc., 64 F.3d 1055 (7th Cir. 1995).


cases of explicit falsity, deception is presumed. False advertising’s rigid distinction is moderated somewhat by the doctrines of puffery and falsity by necessary implication, the former of which allows courts to dismiss explicit falsity claims when the advertisement at issue is too unbelievable\footnote{See, e.g., Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144, 160-61 (2d Cir. 2007); Pizza Hut, Inc. v. Papa John’s Int’l, Inc., 227 F.3d 489, 496-97 (5th Cir. 2000) (“[N]on-actionable ‘puffery’ comes in at least two possible forms: (1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.”); Gillette Co. v. Norelco Consumer Prods. Co., 946 F. Supp. 115, 131 (D. Mass. 1996) (finding that exaggerations about pain from using competitor’s shaver were puffery); Am. Express Travel Related Servs. Co. v. Master Card Int’l Inc., 776 F. Supp. 787, 790 (S.D.N.Y. 1991) (finding that exaggerations about difficulty of finding ATM machine that accepted competitor’s bank card were puffery); Tylka v. Gerber Prods. Co., No. 96 C 1647, 1999 WL 495126, at *8 (N.D. Ill. July 1, 1999) (holding that claims that baby food was “most nutritious” available were puffing because they were general, vague, and all-encompassing; “nutrition” was a nebulous concept; and the claims addressed such a large market that they should put a reasonable consumer on notice that the claims were meaningless sales patter).} and the latter of which allows courts to treat implicit claims as if they were explicit, relieving plaintiffs of the burden of showing actual consumer deception. Puffery and necessary implication mitigate the harsh false/misleading divide on both sides, but add unpredictability and occasionally lead courts to ignore actual confusion evidence.

It would be more coherent to adopt the trademark rule that surveys are helpful but not required where other factors strongly counsel a finding of likely confusion.\footnote{See Goldman, supra note 5, at 521-22 (footnotes omitted):}

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

\cite{Taylor, supra note 49, at 399-400 (“Once an expressness requirement no longer tracks the distinction between high-and low-value speech in even a crude manner, it comes to seem disturbingly arbitrary. . . . If we cease to believe that an expressness requirement tracks value or allows us to prevent a reasonable portion of the relevant harm, we may find ourselves unwilling to make the compromises it entails, no matter how much we care about constraining government discretion and providing adequate notice to speakers.”).}
meaning of a claim or term. When a false message is likely to be received, courts should be able to act even without a survey in hand, just as the FTC and the National Advertising Division of the Better Business Bureau do. If cellphone ads consistently use white space on a map to denote areas of no coverage, and an advertiser changes that practice so that it colors large areas of its competitor’s coverage area white, for example, a court should be able to find deception in context even without a consumer survey, even if the advertiser notes the change in fine print. Likewise, if a beverage maker advertises as a central product benefit that its drink has added calcium and magnesium and its competitor doesn’t, and if the amounts added are actually so small as to have no effect, then a court should be able to find falsity rather than holding that the ad is literally true, albeit “meaningless,” and can’t be enjoined without a survey.

One reason that the explicit/implicit divide doesn’t work well is that surveys are not a great way of ensuring accuracy in false advertising cases. As trademark cases recognize, consumer surveys are expensive, putting relief from truly misleading claims out of the reach of smaller businesses. When surveys are present, courts often disparage them as imperfect and

---

92 Cf. United States v. Farinella, 558 F.3d 695, 700 (7th Cir. 2009) (in order to prove fraudulent misrepresentation, at least for purposes of establishing misbranding under the FDCA, “a jury must be given evidence about the meaning (unless obvious) of the representation claimed to be fraudulent”).

93 See, e.g., In re Kraft, 114 F.T.C. 40, 105 (1991) (“Whether implied claims . . . are deceptive may be determined by the Commission relying on its own expertise…. If the Commission is confident that the language of an ad contains an implied claim, it will rely upon its own interpretation, and it has often done so; otherwise, it looks to extrinsic evidence to confirm that its reading of the ad is reasonable . . . .”) (citations omitted); Arthur Best, Controlling False Advertising: A Comparative Study of Public Regulation, Industry Self-Policing, And Private Litigation, 20 GA. L. REV. 1, 14 & n.55 (1985).


96 See, e.g., Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2nd Cir. 1999) (“[C]onsumer surveys ... are expensive, time-consuming and not immune to manipulation.”); Johnson v. Revenue Mgmt. Corp., 169 F.3d 1057, 1063 (7th Cir. 1999) (Eschbach, J., concurring) (“survey evidence in trademark and trade dress cases can be very costly”); Lon Tai Shing Co., Ltd. v. Koch + Lowy, 1990 U.S. Dist. LEXIS 19123, 58 n.15 (S.D.N.Y. 1990) (stating that the 1990 cost of conducting a proper consumer survey in a trademark dispute could reach $65,000); Robert C. Bird, The Impact of the Moseley Decision on Trademark Dilution Law, 26 J. PUB. POL’Y & MARKETING 102, 104 (2007) (noting that surveys can cost as much as $100,000 to administer); Jane Shay Wald, Look Before You Leap: Some Considerations Before Filing a Trademark Suit, 1009 PLI/Pat 297, 299 (2010) (“Trademark litigation is expensive and getting more so. Costs of survey experts alone can approach six figures, depending on the scope of the survey.”); cf. Castrol, Inc. v. Penzoil Co., 987 F.2d 939, 951 (3d Cir. 1993) (noting, in the course of holding that literal falsity obviates the need for a survey, that obtaining surveys is a “time consuming and expensive task”).
It is inconsistent for judges who distrust actual surveys to elevate them to arbiters of truth in their absence. Jennifer Mnookin has pointed out that abstract reverence for scientific method often leads courts to discount actual science, which is inevitably messier and more imperfect than the ideal, even though it meets scientific standards for reliability.

Abandoning a survey requirement would also improve consistency in the law. False endorsement cases under the Lanham Act, which involve claims by a celebrity that he or she has falsely been made to appear to endorse a particular product, straddle the line between false designations of sponsorship or affiliation (trademark) and false representations of fact (false advertising). Some courts have held plaintiffs to the false advertising rules, requiring consumer survey or other evidence of deception in cases of false implication, while others have followed the trademark rule that such evidence is helpful, but not mandatory. This confusion would be resolved by harmonizing the two sections of the Lanham Act, using survey evidence flexibly. A celebrity’s image shown using a product in a standard advertising format communicates an

---

97 See, e.g., Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd. P’ship, 34 F.3d 410, 416 (7th Cir. 1994) (disparaging the “survey researcher’s black arts”); Facenda v. N.F.L. Films, Inc., 488 F. Supp. 2d 491, 513 (E.D.Pa. 2007) (“[P]utting together and executing a survey is an expensive and dubious proposition. . . . Further, just as . . . anecdotal evidence of confusion is ‘frequently discounted as unclear or insubstantial,’ the same is true for surveys. The expense that a survey entails will go all for nothing if the court will not accept its methodology. . . . Because it would have been difficult, cost-preclusive, and risky for Facenda to have obtained evidence of actual confusion, I cannot weigh the lack of this evidence too heavily against him.”) (citation omitted), aff’d in part, 542 F.3d 1007 (3d Cir. 2008); L&F Products v. Procter & Gamble, 845 F. Supp. 984, 995-996 (S.D.N.Y. 1994) (noting that survey experts “possess technical and linguistic skills” that can “structure the language and methodology of a survey to produce the most favorable possible results for a client”), aff’d, 45 F.3d 709 (2d Cir. 1995); Am. Home Prods. Corp. v. Johnson & Johnson, 654 F. Supp. 568, 582 (S.D.N.Y. 1987) (“It is difficult to believe that it was a mere coincidence that when each party retained a supposedly independent and objective survey organization, it ended up with survey questions which were virtually certain to produce the particular results it sought. This strongly suggests that those who drafted the survey questions were more likely knaves than fools.”); cf. Bandag, Inc. v. Al Bolser’s Tire Stores, Inc., 750 F.2d 903, 914 (Fed. Cir. 1984) (“[B]ecause evidence of actual confusion is difficult to produce and frequently discounted as unclear or insubstantial, . . . this factor is weighed heavily only when there is evidence of past confusion, or perhaps, when the particular circumstances indicate such evidence should have been available.”) (citation omitted).

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


endorsement message, while other, more ambiguous situations could require survey evidence before liability could be imposed.

Lanham Act precedent accepts different types of evidence to prove a contested point in other areas. \(^{101}\) Most significantly, descriptive marks such as “American” for airlines signal some characteristic, and in order to protect competition they are only protected as trademarks upon proof that consumers perceive them as indications of source, rather than as product information—secondary meaning. \(^{102}\) This proof can come from surveys, but it need not; other types of circumstantial evidence are well-established as ways to show secondary meaning. \(^{103}\) Marks that are deemed inherently distinctive need provide no evidence of secondary meaning at all. \(^{104}\) Falling into the categories of suggestive (only somewhat related to the underlying good or service at issue), arbitrary (unrelated to the good or service at issue, like Apple for computers), or fanciful (made up, like Viagra) is equivalent to unrebuttable evidence that consumers are likely to perceive a symbol as a mark rather than as something that doesn’t indicate source; in a way, these semantic categories are the ultimate in circumstantial evidence.

\(^{101}\) See Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2nd Cir. 1999) (“Plaintiffs are ordinarily free to make their case through circumstantial evidence that will justify an ultimate inference of injury. ‘[C]ontextual factors’ have long been used to establish infringement. We see no reason why they should not be used to prove dilution.”). The specific holding in Nabisco that the federal dilution law did not require a showing of actual dilution was rejected by the Supreme Court in Victoria’s Secret, and subsequently restored by congressional amendment in the Trademark Dilution Revision Act. The point is simply that circumstantial evidence is well-accepted in other areas of the Lanham Act.

\(^{102}\) Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976) (setting out the “Abercrombie spectrum” of marks from descriptive to arbitrary and fanciful).

\(^{103}\) See, e.g., Frosty Treats Inc. v. Sony Computer Entm’t Am. Inc., 426 F.3d 1001, 1005-06 (8th Cir. 2005) (“Although direct evidence such as consumer testimony or surveys are most probative of secondary meaning, it can also be proven by circumstantial evidence. Circumstantial evidence such as the exclusivity, length and manner of use of the mark; the amount and manner of advertising; the amount of sales and number of customers; the plaintiff’s established place in the market; and the existence of intentional copying could also establish secondary meaning.”) (citation omitted).

\(^{104}\) See, e.g., Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 776 (1992) (holding that a finding of inherent distinctiveness removes any need to show secondary meaning); Ford Motor Co. v. Summit Motor Products, Inc., 930 F.2d 277, 291 & n.25 (3rd Cir. 1991) (“Where a mark has not been federally registered or has not achieved incontestability, validity depends on proof of secondary meaning, unless the unregistered or contestable mark is inherently distinctive…. Had the jury determined that the Ghosted GT was inherently distinctive, secondary meaning would be presumed.”).
Even with pure false advertising, the survey requirement is hardly dictated by text, structure or history. Older cases didn’t divide so rigidly between false and misleading claims. As they were in the past, courts should be more willing to use common sense in finding deceptiveness, without so much attention to the semantics of “necessary implication.” In 1982, before doctrinal rigidity had set in, the Second Circuit recognized the real task before a court in a false advertising case: rather than engaging in “semantic” analysis of advertisements, which “deals with meaning in the strict sense,” to use “pragmatic” analysis, which “aims to explain ‘how it is that speakers of any language can use the sentences of that language to convey messages which do not bear any necessary relation to the linguistic content of the sentence used.” In performing this task, many sources of evidence, from expert testimony to consumer surveys, can provide guidance.

The existing false/misleading divide has been a frustrating, expensive, and not particularly productive doctrinal development. False advertising law could benefit from trademark’s stance towards direct evidence of confusion: helpful but not dispositive.

III. WHAT TRADEMARK SHOULD LEARN FROM FALSE ADVERTISING: MATERIALITY

The previous section criticized some shortcuts found in trademark law, though ultimately concluded that they could be justified coherently. To the extent that I supported trademark expansionism by arguing that implicit messages can lead to confusion in the right circumstances, I will now take it all back and then some. Regardless of what message consumers receive from the words and images in an ad, a far more important issue is what messages affect their decisions in identifiable ways. This is a much smaller set of claims. While false advertising recognizes this distinction, trademark law largely does not, to its great detriment.

105 See, e.g., Ragold, Inc. v. Ferrero, U.S.A., Inc., 506 F. Supp. 117, 125 (N.D. Ill. 1980) (“[I]t is the reaction of the group to which the advertisement is directed that is dispositive. . . . [T]his does not mean that the trial judge is bound by the conclusions of market analysts or other expert witnesses.”) (citation omitted); McNeilab, Inc. v. Am. Home Prods. Corp., 501 F. Supp. 517, 525 (S.D.N.Y. 1980) (“Though the court’s own reaction to the advertisements is not determinative, as finder of fact it is obliged to judge for itself whether the evidence of record establishes that others are likely to be misled or confused. In doing so, the court must, of course, rely on its own experience and understanding of human nature in drawing reasonable inferences about the reactions of consumers to the challenged advertising.”).

106 A nice example of a court reasoning more pragmatically is Pacheco Ross Architects, P.C. v. Mitchell Assoc. Architects, No. 1:08-CV-0466, 2009 WL 1606066, at *2 (N.D.N.Y. June 8, 2009), in which the court held that deceptiveness could be proved with survey evidence, evidence of actual confusion, or “argument based on an inference arising from a judicial comparison of the claims and the context of their use in the marketplace.”

A. False Advertising Precedents

To be actionable under §43(a)(1)(B), a falsehood must be “material”: it must be likely to affect a reasonable consumer’s purchasing decision. The materiality requirement is based on the premise that not all deceptions affect consumer decisions. Materiality, among other concepts, allows courts to bless certain ad claims on their face as nonactionable “puffery,” because consumers allegedly don’t rely on general superiority claims or other puffing. As an empirical matter, puffing works, but it is the law that consumers are irrebuttably presumed not to rely on sufficiently vague or exaggerated claims.

The materiality requirement seems to have been obvious to courts applying the false advertising component of the Lanham Act even before §43(a) was amended to separate it into (a)(1)(A) and (a)(1)(B). The older test for false advertising was much simpler than current doctrine: a plaintiff only needed to show falsity plus harm to prevail. Materiality is, intuitively, part of harm, because harm only comes when there is a causal link between the falsehood and consumers’ behavior. Materiality is now generally split out into a separate requirement in the more elaborate modern multifactor test for false advertising. Some courts applying the Lanham Act have expressed the materiality requirement by demanding a showing that an

---


109 North Am. Med. Corp., 522 F.3d at 1226 (quoting Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc., 299 F.3d 1242, 1250 (11th Cir. 2002)).

110 See, e.g., Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144, 159-60 (2d Cir. 2007).


112 In 1984, for example, a district court found a five-part test for false advertising, including materiality, “well established” in the law. Borden, Inc. v. Kraft, Inc., No. 84 C 5295, 1984 WL 1458, at *12 (N.D. Ill. Sept. 28, 1984) (citations omitted).

113 See Restatement (Third) of Unfair Competition § 3 (1995) (stating that a misrepresentation will be “to the likely commercial detriment of” the plaintiff if it is likely to “affect the conduct of prospective purchasers,” that is, if it is material, and if there is a reasonable basis for believing that the misrepresentation would likely divert trade from the plaintiff or harm its reputation or good will).

114 E.g., B. Sanfield, Inc. v. Finlay Fine Jewelry Corp., 168 F.3d 967, 971 (7th Cir. 1999) (“[T]he plaintiff must show that the defendant (1) made a false or misleading statement, (2) that actually deceives or is likely to deceive a substantial segment of the advertisement’s audience, (3) on a subject material to the decision to purchase the goods, (4) touting goods entering interstate commerce, (5) and that results in actual or probable injury to the plaintiff.”). At one point, materiality was only a separate element when a claim was misleading, as opposed to false, in the formulations used by some courts. See Sandoz Pharm. Corp. v. Richardson-Vicks, Inc., 735 F. Supp. 597, 600 (D. Del. 1989).
advertiser “misrepresented an ‘inherent quality or characteristic’” of a product or service, but they have made clear that this requirement is equivalent to materiality.

Given the variety of products and services on the market, the number of possible material claims is almost infinite. A few litigated examples: a mixer’s speed and efficiency; a tax preparer’s claim to offer instant “refunds” rather than instant loans against anticipated refunds; and a representation that a product was EPA-approved. Still, not every divergence between claim and reality is material: courts have denied false advertising claims based on overstatements of the number of the defendant’s real estate transactions by 4%; statements about technical aspects of a product whose technical aspects were not generally understood by, and were not a significant concern of, purchasers; statements that reimbursement would be “two and a half times faster” than competitors’ reimbursement; statements that sports scores were updated

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

116 See Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d 841, 855 (2d Cir. 1997) (explaining that the Second Circuit standard is equivalent to “materiality”) (citation omitted).


120 See In re Century 21-RE/MAX Real Estate Adver. Claims Litig., 882 F. Supp. 915, 928 (C.D. Cal. 1994); see also Black & Decker (U.S.) Inc. v. Pro-Tech Power Inc., 26 F. Supp. 2d 834, 863 (E.D. Va. 1998) (a claim that a miter saw offered “4,000 RPM” was not false because, although a test found the actual speed to be 3,650 RPM, this was “an acceptable variance speed”); Borden, Inc. v. Kraft, Inc., No. 84 C 5295, 1984 WL 1458, at *12 (N.D. Ill. Sept. 28, 1984) (finding difference between 4.6 ounces and advertised 5.0 ounces of milk used to make some cheese food slices immaterial where majority of defendant’s slices were made with 5.0 ounces of milk).

121 Allen Organ Co. v. Galanti Organ Builders Inc., 798 F. Supp. 1162, 1168 (E.D. Pa. 1992), aff’d, 27 U.S.P.Q.2d 1398 (3d Cir. 1993); see also Lasermaster Corp. v. Sentinel Imaging, 931 F. Supp. 628, 634 (D. Minn. 1996) (claim that the defendant’s inks provided “perfect color matching” to the plaintiff’s inks was not false because a normal person could not tell the difference from ten feet away, even though there might be differences if images were examined very closely); Compaq Computer Corp. v. Procom Tech., Inc., 908 F. Supp. 1409, 1427 (S.D. Tex. 1995) (claims that a product was “100% compatible” and “fully compatible” with the plaintiff’s products were not false, even though the advertiser’s products would give premature warnings at different times than the manufacturer’s products and were slightly different physically, because the core claim of functionality when used with the plaintiff’s products was true); Weight Watchers Int’l, Inc. v. Stouffer Corp., 744 F. Supp. 1259, 1278 (S.D.N.Y. 1990) (Stouffer’s claim that its frozen meals “fit into” the Weight Watchers dieting system of counting food “exchanges” was not false, because the system was not exact, and “minor discrepancies” did not “materially affect” consumers’ ability to fit Stouffer’s products into a Weight Watchers regimen).

“from the arena” when they actually were taken from simultaneous broadcasts;\footnote{See Nat’l Basketball Ass’n v. Sports Team Analysis & Tracking Sys., Inc., 939 F. Supp. 1071, 1110 (S.D.N.Y. 1996), aff’d in relevant part sub nom. Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d 841, 855 (2d Cir. 1997).} and a letter that warned of three lawsuits against a competitor’s product when there were only two lawsuits.\footnote{See William H. Morris Co. v. Group W, Inc., 66 F.3d 255, 257 (9th Cir. 1995).}

Materiality can also be used more indirectly, to evaluate the relevance of survey evidence that allegedly shows a likelihood of consumer confusion. When a survey question is sufficiently distant from the types of questions consumers are likely to ask themselves in real marketplace contexts, a court may decide that the meaninglessness of the question renders the answers unreliable, and thus disregard the survey.\footnote{E.g., Procter & Gamble Co. v. Kimberly-Clark Corp., 569 F. Supp. 2d 796, 804-05, (E.D. Wis. 2008) (holding that a survey asking which of the parties’ diapers had a more “natural fit” asked an epistemological question that could not be answered by survey evidence).} Likewise, statements can be of such marginal value to consumers that they are not false. One court found that an idiosyncratic “formula” concocted by a vacuum cleaner manufacturer to measure the cleaning power of its vacuum cleaners was unhelpful to consumers, but not false in that all the components of the rating were accurate.\footnote{See Royal Appliance Mfg. Co. v. Hoover Co., 845 F. Supp. 469, 480-83 (N.D. Ohio 1994).}

In general, courts have evaluated materiality by inquiring whether, as a matter of common sense and the intended uses of the product or service, a claim is likely to be relevant to a purchasing decision.\footnote{See, e.g., Nat’l Basketball Ass’n, 939 F. Supp. at 1110 (“The statements as to the particular origin of game updates constitute nothing more than minutiae about SportsTrax, a reality demonstrated by their lack of prominence in the advertisements. . . . The insignificance of the statement ‘from the arena’ is illustrated further by omitting it entirely from the clause in which it is found. If that clause simply stated, ‘Nationwide game updates,’ I find it difficult to envision (and NBA has not shown otherwise) that consumers suddenly would reassess their decisions to purchase SportsTrax.”), aff’d in relevant part sub nom. Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d at 855 (noting that, if plaintiff offered a competing service with faster updates, “from the arena” claim might become materially misleading).} Cases have often taken materiality for granted, especially when a claim is central to an advertising campaign or relates to health or safety. Courts have also developed various doctrines allowing them to presume materiality in cases of outright falsity or bad intent.\footnote{See, e.g., Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1146 (9th Cir. 1997) (“[P]ublication of deliberately false comparative claims gives rise to a presumption of actual deception and reliance.”) (citation omitted); Johnson & Johnson v. GAC Int’l, Inc., 862 F.2d 975, 977 (2d Cir. 1988) (presuming materiality for literally false statements); U-Haul Int’l, Inc. v. Jartran, Inc., 793 F.2d 1034, 1040-41 (9th Cir. 1986) (presuming...
In rare cases, courts have used materiality to express uncertainty about the effects of advertising writ large: one court thought that a cough syrup’s claim to work instantly was not likely to be material because “[p]arents buy what their pediatrician or their own experience tells them is most effective.” More common, however, is the use of materiality to uphold requirements of truthtelling even when consumers might apply a general discount to factual claims. In a case involving prepaid phone cards—an industry fraught with misleading advertising—a court rejected survey evidence that most respondents didn’t pay attention to ad claims about the number of minutes available on a card, relying instead on the number of minutes “actually delivered” by the card (presumably divined through experience). In the court’s opinion, factual statements about the number of minutes available went “so clearly to the purpose of the product” that they were material as a matter of law.

Materiality can also help explain an otherwise puzzling and misguided line of cases, which began in the “#1 Choice of Doctors” case, Mead Johnson, when the Seventh Circuit distinguished between claims that are “misleading” and claims that are merely “misunderstood” by consumers. Only the former, the court ruled, can be found to violate the Lanham Act. One way to read this is that the Lanham Act requires intentional falsity; “misleading” can imply a knowing misstatement, whereas a consumer might misunderstand an innocent, well-meant claim. This distinction would be consistent with Mead Johnson’s initial use of the language of intent, though the court later amended the opinion to remove that language. The amended opinion thus simply stated that “‘[m]isleading’ is not a synonym for ‘misunderstood,’” without offering guidance on how to distinguish the two.

A better way to think about the difference between “misunderstood” and “misleading” claims is to focus on materiality. One may misunderstand a fact in the abstract: I could be wrong about how big a computer’s hard drive is. If I am misled, however, I am led: induced, or at least potentially induced, to change my position by my misunderstanding, as when I am more likely to

material deception because an advertiser expended “substantial funds in an effort to deceive consumers and influence their purchasing decisions.”); cf. Federal Trade Comm’n, supra note 60, at 175 n.5.

131 Mead Johnson & Co. v. Abbott Labs., 201 F.3d 883, 884, modified by 209 F.3d 1032 (7th Cir. 2000); see also Register.com, Inc. v. Verio, Inc., 356 F.3d 393, 442 & n. 65 (2d Cir. 2004) (“To be actionable, Verio’s solicitations must have included misleading descriptions or representations of fact that are ‘calculated to be misunderstood’ in a manner that causes a likelihood of confusion ….”) (citing BLACK’S LAW DICTIONARY 1015 (7th ed.1999)).
133 Mead Johnson, 209 F.3d at 1034.
buy the computer because of my misunderstanding. It is the combination of misunderstanding and likelihood of action—materiality—that produces misleadingness. Understood in that way, Mead Johnson’s distinction makes perfect sense (though one would still want to ask whether consumers cared about the difference between an infant formula being preferred by a majority of doctors and an infant formula being preferred by a majority of doctors who had a preference, which might depend on the size of the cohort that had no preference). Without materiality, by contrast, there are only falsehoods a court is willing to enjoin and falsehoods it isn’t, leading to unpredictable and unprincipled results.\footnote{Compare, e.g., AT&T v. Verizon Transcript, at 69-70 (distinguishing between misleading and misunderstood, without explaining the difference, and denying injunction against ad that consumers admittedly misunderstand as providing a false message about the cell coverage offered by AT&T, despite that the court had “[no] doubt that a lot of people who have watched these ads have misunderstood” and despite that coverage was a key product feature), \textit{with McNeil-PPC, Inc. v. Pfizer Inc.}, 351 F. Supp. 2d 226, 254 (S.D.N.Y. 2005) (rejecting Mead Johnson’s distinction as inapplicable on the basis of consumer confusion surveys showing the same type of consumer misconception as in AT&T).}

The Seventh Circuit’s attempt to focus on materiality in this somewhat confusing way is consistent with a general judicial trend of greater attention to materiality, albeit without a standardized vocabulary. The Fifth Circuit suggested that survey evidence of materiality was required in a false advertising case over the Papa John’s slogan “Better Ingredients. Better Pizza.” The court of appeals reasoned that the slogan was only misleading, not false on its face.\footnote{\textit{Pizza Hut, Inc. v. Papa John’s Int’l, Inc.}, 227 F.3d 489, 503 (5th Cir. 2000).} The court confused material and misleading claims. The rule it mangled was the implicit/explicit distinction that claims that are ambiguous on their face require evidence that consumers actually receive the false implied message, whereas literally false claims are presumed to have been received.\footnote{See id. at 502-03 & n.13 (citing numerous cases about misleading claims as support for conclusions about materiality).}

Though survey evidence of materiality is unlikely to be required in other cases,\footnote{See \textit{JTH Tax, Inc. v. H & R Block Eastern Tax Servs., Inc.}, 128 F. Supp. 2d 926, 939 n.8 (E.D. Va. 2001) (noting that Pizza Hut conflated deceptiveness and materiality, and declining to adopt requirement of survey evidence to prove materiality; reasoning that Pizza Hut ultimately required only “probative” evidence of materiality).} the Papa John’s case and others like it show an increased attention to particularized evidence of materiality, such as statements from consumers that they care about a specific product claim. Thus, in a case involving “100% pomegranate” juice that was actually made mostly of other juices and added coloring, the court carefully went through evidence that consumers cared that a product whose name was “100% Pomegranate Juice” actually contained pomegranate juice.\footnote{\textit{POM Wonderful LLC v. Purely Juice, Inc.}, No. CV-07-02633, 2008 WL 4222045, at *9, 11-12 (C.D. Cal. July 17, 2008).}

The common sense that consumers care about health, safety, and/or explicit product claims that...
are the focus of advertising is no longer enough to guarantee a victory for a plaintiff, though it
will often suffice if unchallenged.

Despite this demand for greater particularity, materiality remains a matter of subjective
consumer preference.139 “The public is entitled to get what it chooses, though the choice may be
dictated by caprice or by fashion or perhaps by ignorance.”140 Trademark law reasons similarly.
Confusion over the source of goods, even if the defendant’s goods are of high quality and there is
no objective difference between the products, interferes with consumers’ ability to make
decisions based on experience with the trademark and to get their goods from a particular source
of their choosing.141 “[P]eople like to get what they think they are getting, and courts have
steadfastly refused in this class of cases to demand justification for their preferences. Shoddy and
petty motives may control those preferences; but if the buyers wish to be snobs, the law will
protect them in their snobbery.”142

The Supreme Court, in a 1965 case brought by the Federal Trade Commission, explicitly
linked trademark law to false advertising through the concept of subjective materiality:

In each [case] the seller has used a misrepresentation to break down what he regards to be
an annoying or irrational habit of the buying public – the preference for particular
manufacturers or known brands regardless of a product’s actual qualities, the prejudice
against reprocessed goods, and the desire for verification of a product claim. In each case
the seller reasons that when the habit is broken the buyer will be satisfied with the
performance of the product he receives. Yet, a misrepresentation has been used to break
the habit and . . . a misrepresentation for such an end is not permitted.143

---

139 See Am. Tel. & Tel. Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1428 n.9 (3d Cir. 1994)
(materiality is assessed from the consumer’s perspective); Fed. Express Corp. v. U.S. Postal Serv., 40 F. Supp. 2d
943, 953 (W.D. Tenn. 1999) (finding that question of whether claims to be a “company” and to offer “worldwide”
service were material required further factual development regarding consumer perceptions); Oil Heat Inst. v. Nw.
Natural Gas, 708 F. Supp. 1118, 1123 (D. Or. 1988) (holding that jury could reasonably conclude that claims
regarding amount of maintenance required by natural gas equipment were material).

92 F.3d 67, 73 (2d Cir. 1996) (holding that, as applied to commercial speech, mere consumer interest was not a
substantial government interest justifying mandatory disclosure without a tie to a health, safety, or similar concern).

York law, public has right not to be misled as to goods’ source), vacated on other grounds, 800 F.2d 256 (2d Cir.
1986).

142 Benton Announcements v. FTC, 130 F.2d 254, 255 (1942) (per curiam).

143 FTC v. Colgate-Palmolive Co., 380 U.S. 374, 389 (1965); see also Mishawaka Rubber & Woolen Mfg. Co. v. S.S.
Kresse 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.”); FTC v. Royal Milling Co., 288 U.S. 212, 216
(1933) (“[I]f consumers or dealers prefer to purchase a given article because it was made by a particular
B. MATERIALLY IN TRADEMARK

Over forty years ago, the Supreme Court was confident that an infringing use of a mark would actually change consumer behavior by breaking consumers’ ingrained habits. Infringement was, by definition, material. And courts occasionally made this connection between materiality and entitlement to relief explicit.144 Unfortunately, this is no longer the case. Now, a likelihood of confusion about source, sponsorship, affiliation, or distant relationship between a plaintiff and a defendant regularly results in injunctive relief, without any evidence that consumers care one whit about the relationship between the parties. It’s hard to imagine that consumers consider Dairy Queen’s involvement in a movie about Midwestern beauty queens to be a reason either to see the movie or to choose a different restaurant.

The basic problem is that “likely confusion,” in the abstract, is a terrible measure of how far trademark rights should extend, because that does not address whether the confusion is over anything that matters.145 Confusion over whether a trademark owner allowed or approved a particular use, for example, too readily leads to a finding of infringement even though there is no reason to think that such confusion would ever change consumer behavior with respect to either the plaintiff or the defendant.146 So, for example, an ad parody showing cans of “Michelob Oily,” with the theme that pollution had contaminated water supplies, was enjoined because of the “distinct possibility, accepted by the district court, ‘that a superficial observer might believe that the ad parody was approved by Anheuser-Busch.’”147 Notable here is that the court didn’t require any showing of the effect that such perceived approval would have on consumer decisionmaking. One might argue that there would be a subconscious impact on consumers who would feel a vague unease with the brand, but that kind of effect would squarely be categorized as (negative) puffery in false advertising doctrine.

manufacturer or class of manufacturers, they have a right to do so, and this right cannot be satisfied by imposing upon them an exactly similar article, or one equally as good, but having a different origin.”).

144 See, e.g., Univ. of Pittsburgh v. Champion Prods., Inc., 566 F. Supp. 711, 720-21 (W.D. Pa. 1983) (“There is no evidence that the consumer cares who has made the soft goods or whether they were made under license.”). As James Gibson explains, courts stopped considering materiality in part because it was conflated with other concepts, particularly functionality. When the Supreme Court linked functionality to practical utility, “the materiality principle lost its place in formal trademark analysis.” James Gibson, Risk Aversion and Rights Accretion in Intellectual Property Law, 116 Yale L.J. 882, 950 n.260 (2007) (citing Gay Toys II, 724 F.2d 327, 330-33 (2d Cir. 1983), which disregarded evidence that consumers didn’t care about any association between the defendant’s product and the plaintiff trademark owner).


What is worse, the abandonment of materiality has had feedback effects on the expansion of infringement liability. This is so because courts have generally reasoned that consumers are more careful, and thus less likely to be confused, when they are making decisions that are important to them. But remove the role of the decision (as opposed to a consumer abstractly contemplating whether two entities have any link between them), and consumers become less careful.\textsuperscript{148} Why should they care about immaterialities? Then, trademark doctrine tells us that less careful consumers are more likely to be confused. The consequence is that the standard multifactor test is automatically more likely to find confusion over sponsorship or affiliation precisely because consumers are less likely to care about it.\textsuperscript{149} Likewise, other elements of the standard confusion test are sensible as applied to confusion over source or responsibility for quality, but incapable of providing rational limits when applied to find any type of confusion whatsoever.\textsuperscript{150}

The doctrine of initial interest confusion, which holds that trademark infringement can occur when consumers’ attention is caught by use of a confusingly similar mark, is another example. Even if there is no confusion beyond a moment of uncertainty, some courts have found liability, and some have gone further, holding defendants liable apparently for using another’s mark to gain attention.\textsuperscript{151} The doctrine’s roots in the prohibition on bait-and-switch advertising

\textsuperscript{148} See Daniel J. Howard et al., \textit{The Effects of Brand Name Similarity on Brand Source Confusion: Implications for Trademark Infringement}, 19 J. PUB. POL’Y & MARKETING 250, 261 (2000) (finding that in situations of high involvement, as when a purchase actually turns on a decision, consumers process more brand-related information than when they are just looking at ads); Thomas R. Lee et al., \textit{Trademarks, Consumer Psychology, and the Sophisticated Consumer}, 57 EMORY L.J. 575, 586-87, 590-93 (2008) (noting that, “if an individual lacks either motivation or ability to expend cognitive effort while making the source-identification judgment, she will perform the task in a haphazard and offhand manner, resulting in an increased likelihood of confusion”; motivation comes from having a reason to care).

\textsuperscript{149} See \textit{King of the Mountain Sports, Inc. v. Chrysler Corp.}, 185 F.3d 1084, 1092 (10th Cir. 1999) (consumer care “rarely reduces the risk of sponsorship confusion,” given that “[t]he care with which consumers select a product does not impact the association they may make regarding the sponsorship of an event”); see also \textit{Thermo-Scan, Inc. v. Thermoscan, Inc.}, 295 F.3d 623, 638 (6th Cir. 2002) (consumer care of “minimal” value in avoiding confusion about affiliation or sponsorship) (citing \textit{Daddy’s Junky Music Stores v. Big Daddy’s Music Ctrl.}, 109 F.3d 275, 285–86 (6th Cir. 1997)).

\textsuperscript{150} See Lemley & McKenna, \textit{supra} note 23, at 440-41 (“[S]ponsorship and affiliation cases may be more likely to reach the wrong result than other types of trademark infringement cases. … [Multifactor likelihood of confusion] tests were designed to deal with cases . . . in which consumers might believe that the plaintiff is responsible for quality, and few of the factors make much sense when the issue is confusion about some unspecified sponsorship or affiliation relationship.”) (footnotes omitted); Mark P. McKenna, \textit{Trademark Use and the Problem of Source in Trademark Law}, 2009 U. ILL. L. REV. 773, 823-24 (2009) (“‘Sponsorship’ and ‘affiliation’ are broad enough concepts to encompass virtually any imaginable relationship between entities … And because modern trademark law regards confusion itself as the relevant harm, it has no principled way to distinguish confusion regarding different relationships.”).

\textsuperscript{151} See, e.g., \textit{Brookfield Communications, Inc. v. West Coast Entertainment Corp.}, 174 F.3d 1036, 1061-66 (9th Cir. 1999).
make sense—there are reasons that a consumer, once drawn into a decisionmaking process, might not back out even when the product or service on offer turns out to be not what she expected—but courts have gone well beyond that core.\footnote{See, e.g., Jennifer Rothman, \textit{Initial Interest Confusion: Standing at the Crossroads of Trademark Law}, 27 \textit{Cardozo L. Rev.} 106 (2005); Priya Singh, Note, \textit{Abolish Trademark Law’s Initial Interest Confusion and Permit Manipulative Search Practices}, 3 \textit{J. Bus. Entrepreneurship \& L.} 15, 16 (2009) (”Initial interest confusion is a doctrine that is flawed because it does not require a showing of likelihood of confusion, it is superfluous and inefficient, and it is also unnecessary in the Internet context; thus, courts should not utilize it in evaluating trademark infringement.”). \textsuperscript{152}

Materiality should be something more than but-for causation; if all uses of others’ marks to get attention were deemed to cause initial interest confusion, then standard practices like comparative advertising and selling used goods would be banned. Merely getting a consumer to contemplate entering into a transaction should be insufficient, especially online, where backing out of a bait-and-switch is much easier.

Even without initial interest confusion, sad stories of overclaiming by trademark owners abound.\footnote{See, e.g., McGeveran, \textit{supra} note 23, at 63-66, 70-71 (providing examples showing how current trademark law makes mark holders aggressive, even when their claims are frivolous; leaves platforms for expression such as Google and Second Life risk-averse; and saddles defendants with enormous litigation costs, a huge deterrent to speaking at all); Lemley \& McKenna, \textit{Irrelevant Confusion}, \textit{supra} note 23, at 416-18 (describing Little League teams, among others, as defendants in trademark infringement suits). \textsuperscript{153}} One example, coming from the false endorsement context, encapsulates the perverse effects of trademark’s abandonment of materiality. In \textit{Facenda v. N.F.L. Films, Inc.},\footnote{542 F.3d 1007 (3rd Cir. 2008). \textsuperscript{154}} the estate of John Facenda, a legendary sportscaster, sued NFL Films over a cable TV show, \textit{The Making of Madden NFL 06}, which promoted the videogame Madden NFL 06. The show used 13 seconds’ worth of Facenda’s voice reading the following statements: “Pro Football, the game for the ear and the eye”; “This sport is more than spectacle, it is a game for all seasons”; and “X’s and O’s on the blackboard are translated into aggression on the field.”\footnote{Id. at 1012. \textsuperscript{155}}

The Third Circuit, where the estate brought its claim, treats false endorsement as a violation of §43(a)(1)(A). The problem is that false endorsement claims are a terrible fit with the usual multifactor likelihood-of-confusion test, which prioritizes considerations such as the relatedness of the parties’ goods and services. An endorser can endorse just about anything—as Tiger Woods and many other celebrities have demonstrated.\footnote{See, e.g., \textit{id.} at 1019 (”Rather than protecting its mark with respect to a particular product, the Estate seeks to reserve the exclusive right to grant or deny permission to those who wish to use Facenda’s voice to promote unspecified products in the future.”). \textsuperscript{156}} Rather than adopt a §43(a)(1)(B)-type analysis, which would have included materiality, the \textit{Facenda} court decided to “tailor” a new false endorsement test focusing on the plaintiff’s fame, the relatedness of the fame to the
defendant’s product, the similarity of the defendant’s use to the plaintiff’s likeness, and other factors.157

Treating false endorsement as a variation of trademark infringement also meant that the estate wasn’t required to show any evidence of likely confusion. The court noted that survey evidence is “expensive and difficult to obtain,” and didn’t want to penalize plaintiffs for its absence.158 Thus, without any evidence of actual confusion over whether Facenda (who was, of course, dead) endorsed the TV show—much less the videogame—and without any evidence that Facenda’s (estate’s) endorsement would matter to consumers, the plaintiff was able to extract a payment from the NFL (a payment based on the NFL’s use of recordings to which it held the copyright). The absence of a materiality inquiry snowballed into a finding of likely confusion over endorsement.

Only occasionally do traces of materiality resurface in trademark cases. In Dastar v. Twentieth Century Fox, involving a defendant that copied a film series in the public domain and put its own name on the series, the Supreme Court pronounced that “[t]he words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers.”159 In that case, the Court considered the definition of “origin” in the statute and reasoned that consumers typically do not care about the source of the idea or formula underlying a product, treating materiality at a very high level of generality. In more exotic cases, especially those involving expressive works, courts also sometimes use lack of materiality as an extra reason justifying a decision. In a case finding abandonment of the Amos ’n Andy marks, for example, the court reasoned that patrons of Broadway shows based on Amos ’n Andy were unlikely to care about who produced the original radio plays. Any confusion over source or sponsorship would thus be immaterial.160

Other than that, materiality is a sport, popping up almost randomly to bolster noninfringement findings. In one trade dress case, the plaintiff argued that it was error to ignore testimony from a consumer who testified that she was confused about the source of the

157 Id. at 1019-20.

158 Id. at 1020. Note that, by contrast, courts apparently do want to penalize false advertising plaintiffs in cases of misleading advertising. See, e.g., Johnson & Johnson v. SmithKline Beecham Corp., 960 F.2d 294, 297-98 (2d Cir. 1992); Goldman, supra note 5, at 519.


160 Silverman v. CBS, Inc., 870 F.2d 40, 48-49 (2d Cir. 1989) (“The interests of CBS, and the public, in avoiding public confusion . . . [are] also somewhat diminished in the context of this case. . . . [M]ost theater-goers have sufficient awareness that the quality of a musical depends so heavily on a combination of circumstances, including script, score, lyrics, cast, and direction, that they are not likely to be significantly influenced in their ticket-purchasing decision by an erroneous belief that the musical emanated from the same production source as the underlying work.”). See also Univ. of Ala. Board of Trustees. v. New Life Art Inc., No. 05-UNAS-PT-585-W (N.D. Ala. filed Nov. 2, 2009) (noting that artist’s talent and reputation, rather than University of Alabama’s trade dress in its football uniforms, drove sales of artist’s paintings of football games); Caterpillar Inc. v. Walt Disney Co., 287 F. Supp. 2d 913, 920 (C.D. Ill. 2003).
defendant’s products. But that consumer also testified that she usually didn’t pay attention to brands. Relying on a treatise, rather than on any marketplace evidence, the court held that such brand-indifferent consumers are “few” and unrepresentative. As a matter of law, their responses don’t count in the likelihood of confusion inquiry, since they won’t act on their confusion.\textsuperscript{161}

In one respect, materiality retains some force when it comes to products or services with limited customer bases. Courts routinely demand a showing of confusion among “relevant” consumers. People who are simply unlikely to make any purchasing decision at all about a product or service may be confused, but their confusion has no impact on anything, and therefore they are disregarded.\textsuperscript{162} This is a sub rosa application of materiality concepts,\textsuperscript{163} and is about as much play as materiality gets outside of cases involving expressive works.

As a final irony, materiality does matter when the Patent and Trademark Office assesses whether to register a trademark. Even if the trademark makes a false factual claim, that will only bar registration if the falsity is material.\textsuperscript{164} This result is consistent with false advertising law, and makes registration—which provides trademark owners with a number of benefits—easier. As part of the NAFTA amendments, Congress attempted to remove materiality in one particular respect, making it impossible to register marks containing nonmaterial but nonetheless false indications of geographic origin. In response, the Federal Circuit read the Lanham Act to contain a presumption favoring registration so strong that the new statutory language ended up making it easier to register deceptively geographically misdescriptive marks such as “California Innovations” for products not made or designed in California.\textsuperscript{165} The only case in which

\begin{flushleft}
\textsuperscript{161} McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC, 511 F.3d 350, 366 (3d Cir. 2007); cf. Lee et al., supra note 149, at 583 (“[A] consumer who believes that ‘all ketchup is the same’ is unlikely to bother making a source-identification judgment when purchasing ketchup. Furthermore, if the consumer believes that product quality can be fully and easily judged, a shortcut for product evaluation is not useful to the consumer, so she is unlikely to perform the source-identification judgment.”).

\textsuperscript{162} See, e.g., Custom Mfg. v. Midway Servs., Inc., 508 F.3d 641, 650-51 (11th Cir. 2007) (though potentially confused repair technicians and fire marshals might open water meters and see modified circuit boards, they were not likely consumers of the circuit boards and therefore there was no relevant confusion); see also, e.g., Universal City Studios, Inc. v. Nintendo Co. Ltd., 746 F.2d 112, 118 (2d Cir. 1984) (current video game owners were not an acceptable universe for a survey because they weren’t asked whether they were likely to make future purchases).

\textsuperscript{163} See Michael Grynberg, Things Are Worse Than We Think: Trademark Defenses in a “Formalist” Age, 24 BERKELEY TECH. L.J. 897, 963-64 (2009).

\textsuperscript{164} See In re Budge Mfg. Co., 857 F.2d 773, 775, 8 U.S.P.Q.2d 1259, 1260 (Fed. Cir. 1988) (focusing on whether the misdescription is likely to affect the decision to purchase); see also In re Spirits Int’l, N.V., 563 F.3d 1347, 1353 (Fed. Cir. 2009) (holding a “substantial portion” of relevant consuming public must be likely to be deceived in order to bar registration).

\textsuperscript{165} In re Cal. Innovations, Inc., 329 F.3d 1334, 1340 (Fed. Cir. 2003) (holding that the new absolute ban on the registration of geographically deceptively misdescriptive marks, as opposed to the prior rule allowing registration upon a showing of secondary meaning, meant that the PTO would now have to show that the mark was materially deceptive in order to impose the heavy sanction of complete nonregistrability). The decision has received compelling criticism. See, e.g., Mary LaFrance, Innovations Palpitations: The Confusing Status of Geographically
materiality doesn’t matter in registration is if a trademark owner alleges that an applicant’s mark is likely to cause confusion with its preexisting mark. Trademarks that are misleading in that one respect cannot be registered at all, without any consideration of materiality. The Federal Circuit’s solicitude for trademark owners, though inconsistent with Congress’s intent in the particular instance of geographically deceptively misdescriptive trademarks, thus fits the overall theme: trademarks are to be protected even if that doesn’t protect consumers.

C. ENDING THE MATERIALITY DIVIDE

As Graeme Austin recently argued, “as a legal policy matter, equating trademark rights with what consumers might become confused about cannot be sufficient. Trademark rights need to be shaped by other legal principles, values, and agendas.”¹⁶⁶ Materiality offers a significant opportunity to force courts to consider why (or when) confusion is a bad thing. Even from the perspective of the trademark owner/competitor, materiality is an indication of when a falsehood is doing the kind of harm targeted by the law, as opposed to insulting the competitor or, in the case of trademark, free riding on the trademark owner’s existence.

¹. THE DIFFERENCE MATERIALITY MAKES IN PRACTICE

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

False credit claims, where a plaintiff argues that credit for a product or service has been misallocated to the plaintiff’s detriment, provide a natural experiment illustrating the importance of materiality in cabining expansive trademark claims. False advertising plaintiffs do badly with mere credit claims, which are rarely material to the purchasing public. For example, when an advertiser copied a picture of a competitor’s component and overlaid its own logo on the picture, the court found no likelihood of deception because the components were quite similar and the photo was insufficiently detailed to reveal the actual differences.¹⁶⁷ When a creative plaintiff alleged that failure to credit him as the source of an idea constituted false advertising, another court found that the failure was immaterial because there was no evidence that customers cared

---

¹⁶⁶ Austin, supra note 88, at 175.

at all who originated the idea. Likewise, falsely marketing a product as patented has been held to be immaterial to consumers.

Plaintiffs therefore were well-advised to bring materiality-free trademark claims in such circumstances, and often did. As noted above, however, the Supreme Court in the *Dastar* case largely cut off the trademark branch of Lanham Act liability for false attribution, holding that “origin” in the Lanham Act referred to physical origin, not to the origin of ideas or expression contained in a product or service. The Supreme Court held out the prospect that some false attributions could be successfully attacked as false advertising. Nonetheless, lower courts have applied *Dastar* aggressively, even in cases not involving copyrighted works, precluding many types of false attribution claims. In the end, very few false attribution claims have successfully been maintained under the head of false advertising, and materiality is a significant barrier. It is often quite difficult to allege with any plausibility that the presence or absence of

---


169 *Appliance Recycling Centers of America, Inc. v. JACO Environmental, Inc.*, 2010 WL 1767313 (9th Cir.) (allegedly false statements about defendant’s claims to have patented a method were not material and thus could not have caused actionable injury to the plaintiff); *Forest Group, Inc. v. Bon Tool Co.*, No. H-05-4127, 2008 WL 2962206, at *7-8 (S.D. Tex. July 29, 2008), vacated in part on other grounds, 590 F.3d 1295 (Fed. Cir. 2009).

170 See e.g., *Smith v. Montoro*, 648 F.2d 602, 606-07 (9th Cir. 1982); *Gilliam v. Am. Broad. Co.*, 538 F.2d 14, 24-25 (2d Cir. 1976).

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


attribution to a particular, but usually not well-known, person would influence a consumer to purchase the product or service at issue.

Materiality is also a vital factor in protecting comparative advertising. Trademark channeled challenges to comparative advertising—“this product is as good as Brand Name product”—into false advertising long ago, refusing to allow trademark owners to argue infringement when the comparison between the parties’ products was clear. European law, by contrast, takes a different view: despite some liberalization in Continental Europe, comparative advertising is still easily ruled an illegal exploitation of the value of a trademark. The United States, however, has generally taken the position that when trademark’s scope reaches beyond deception to attention, consumers lose valuable and relevant information. The rule that comparisons are actionable only when materially false preserves competition and helps prevent trademark rights from becoming full-scale property rights in reputation.

One recent case further demonstrates the power of materiality as applied to what might have been a standard trademark case. In Green Bullion Financial Services, LLC v. Money4Gold Holdings, Inc., the plaintiff had built a substantial business as Cash4Gold. Money4Gold’s 174

---


175 Calvin Klein Cosmetics Corp. v. Lenox Labs., Inc., 815 F.2d 500, 503-04 (8th Cir. 1987); Smith v. Chanel, Inc., 402 F.2d 562, 563 (9th Cir. 1968); Sykes Lab., Inc. v. Kalvin, 610 F. Supp. 849, 854 (C.D. Cal. 1986); see generally Mark P. McKenna, An Alternate Approach to Channeling, 51 WM. & MARY L. REV. 873 (2009) (discussing the need to establish and police the boundaries between different types of intellectual property claims). Relatedly, attention to channeling, such that invocation of §43(a)(1)(A) or §43(a)(1)(B) would lead to the same result, might have helped the court in Tiffany v. eBay. In that case, the Second Circuit ruled that eBay couldn’t be held liable for encouraging trademark infringement by sellers of counterfeit Tiffany jewelry, but the court also ruled that eBay’s use of “Tiffany” in ads could be false advertising, even though eBay did offer legitimate Tiffany jewelry. Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 109, 114 (2nd Cir. 2010). eBay’s business model, that is, was wholly legitimate, but it might not be able to advertise anyway. This confusing ruling likely added hundreds of thousands of dollars to the parties’ legal bills, but doesn’t seem to offer extra benefit to consumers.


177 639 F. Supp. 2d 1356 (S.D. Fla. 2009).
internet ads took Cash4Gold’s advertising efforts and brand and attributed them to Money4Gold. For example, one Money4Gold ad on Google asked whether consumers had seen Money4Gold’s Superbowl commercial—except that Cash4Gold had run that ad. “Other websites placed by Defendant’s sub-affiliates directly stole Plaintiff’s operating name and logo. Clicking on these sites would direct consumers to Defendant’s website.”

Cash4Gold’s trademark claims failed because it couldn’t show that it had protectable secondary meaning at the time of Money4Gold’s ads, when it was a much newer business. Cash4Gold tried to get around the trademark problem by pleading false advertising. The court easily held that the “See our Super Bowl Ad?” ads were literally false, as were the ads containing Cash4Gold’s name, because they “impl[ied]” (necessarily) that plaintiff was the operator of the advertised sites. And because of the literal falsity, consumer deception could be presumed. The barrier was materiality. Because the court assumed that materiality would have come only from secondary meaning—a consumer’s expectation of doing business with the entity known as Cash4Gold—failure to show secondary meaning left plaintiff with no evidence of materiality.

2. **RESTORING MATERIALITY TO RATIONALIZE THE LAW**

It is time to return materiality to the role it played earlier in trademark’s development, when it was implicit in courts’ holdings. Materiality has some advantages over other proposals to cabin the irrational and anticompetitive expansion of trademark liability. For example, some scholars have appealed to a nascent doctrine of “trademark use” to limit anticompetitive and speech-suppressing claims. I generally support this endeavor as a practical matter, but as Mark McKenna has argued, asking whether a defendant is using a term “as a mark” can too readily be

---

178 Id. at 1359.
179 See id. at 1364-65.
180 Id. at 1366. This was probably a mistake, since consumers could well be harmed by the confusion. “As Seen on TV” has been found to be material in other cases, though secondary meaning was not separately litigated. Telebrands Corp. v. Wilton Indus., Inc., 983 F. Supp. 471, 475 (S.D.N.Y. 1997); Project Strategies Corp. v. Nat’l Commc’ns Corp., No. CV-94-4925, 1995 WL 669655, at *4 (E.D.N.Y. Oct. 27, 1995) (finding statement material because it was likely to cause consumers to identify defendant’s product with plaintiff’s, which actually had been advertised on television). “As seen on TV” may be material in itself because it indicates a sort of reproductive fitness: this company is successful enough to advertise on TV, and thus is not a fly-by-night operation. See, e.g., BeVier, supra note 12, at 10 (explaining the economic theory according to which advertisers use the high costs of advertising to signal consumers that their products are good and successful); Jean Wegman Burns, Confused Jurisprudence: False Advertising Under the Lanham Act, 79 B.U. L. REV. 807, 827 & n.88 (1999) (same). Indeed, the Green Bullion court noted in its recitation of the facts how unusual it is for a new company to be able to afford a Superbowl ad. See Green Bullion, 639 F. Supp. 2d at 1360.
collapsed into a question of whether consumers are confused. If consumers think that a particular appearance of a mark is an indication of source or sponsorship, then they think that the defendant is using a term as a mark—even if the defendant is only using it as a reference point.\footnote{182} Materiality offers a way to cut some of the loops of this Gordian knot by asking the separate question of whether consumers care whether a particular use of a trademark is made with the permission of the trademark owner. Often, they do not.\footnote{183}

Materiality already has a substantial history, as well as a current presence, in the jurisprudence of the Lanham Act. The language of both §43(a)(1)(A) and §43(a)(1)(B) speaks of confusion and deception, not materiality. If courts imply a materiality requirement for false advertising, they should do so for trademark.\footnote{184} Presumptions for and against materiality would be similar to other distinctions that courts—including the Supreme Court—have made on many occasions when interpreting the Lanham Act.\footnote{185} Such interpretive moves would also fit well with the historical practice of adding common-law glosses to other competition-related statutes, most notably the Sherman Act.\footnote{186} It would also conform trademark law with other regulations of

\footnote{182} McKenna, supra note 151, at 775-76, 816-19; see Graeme B. Dinwoodie & Mark D. Janis, Confusion Over Use: Contextualism in Trademark Law, 92 Iowa L. Rev. 1597 (2007). This point has been pushed too far by trademark plaintiffs: Believing that a defendant has permission from a trademark owner to use a mark is not the same as believing that the trademark owner endorses or sponsors the defendant, though courts have sometimes treated all these concepts as interchangeable.

\footnote{183} Gibson, Risk Aversion and Rights Accretion, supra note 145, at 949 (footnotes omitted):

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

\footnote{184} See Lemley & McKenna, supra note 23, at 450 (“[C]ourts have already had to engage in similar legerdemain in interpreting subsection (B) but not (A) of the Act to require materiality; they could easily require it in some subsection (A) cases as well.”) (footnote omitted).

\footnote{185} See Lemley & McKenna, supra note 23, at 449 (noting that courts have made similar distinctions not specifically set out in the Lanham Act, such as setting specific requirements for trade dress and for misrepresentations about authorship).

\footnote{186} Cf. Daniel A. Farber & Brett H. McDonnell, “Is There a Text in This Class?” The Conflict Between Textualism and Antitrust, 14 J. CONTEMP. LEGAL ISSUES 619, 620-22, 624-27 (2005) (describing how antitrust law has been largely developed by courts and economists based on policy rather than the text of the Sherman Act, Clayton Act, and other competition statutes); David McGowan, Innovation, Uncertainty, and Stability in Antitrust Law, 16
Deceptive conduct in the marketplace, most notably securities law and its materiality requirement.  

Deception over an immaterial factual matter is simply not actionable under present caselaw, unless that immaterial matter involves a trademark. This is illogical, inconsistent, and—not incidentally—damaging to free speech and free competition. Asking courts to routinely consider materiality using the common-sense heuristics they have regularly used in false advertising cases would be a major step to rein in trademark claims that do not promote consumer welfare. Among other things, materiality would provide courts a gauge of when consumer survey evidence or other evidence of confusion ought to be disregarded. As noted above, courts in false advertising cases sometimes use materiality to determine when a claim is so baffling or irrelevant to consumers that, even if their responses indicate confusion, the only harm that occurs is misunderstanding, not any effect on the external world. In such cases, false advertising claims fail. Trademark claims should be treated similarly.

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

3. IMPLEMENTING MATERIALITY IN TRADEMARK

Proof of materiality would differ from proof of likely confusion. From a marketing perspective, one might ask whether more consumers would buy, or consumers would generally pay more for, a product or service in the belief that there is an affiliation, endorsement, or source


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

188 See Lemley & McKenna, supra note 23, at 428, 432 (arguing that confusion over sponsorship or affiliation is only significant to consumers under certain circumstances, such as the McDonald’s example); McKenna, supra note 151, at 827-28 (pointing out that broad definitions of “source or sponsorship” sometimes do comport with consumer expectations).
relationship with the trademark owner.\textsuperscript{189} A well-controlled analysis could capture effects that consumers were themselves unaware of, testing marketers’ theories that branding provides their products with an edge in the consumer’s subconscious. Willingness to pay for the difference between the product with the accused use of the mark and the product without would be strong evidence of materiality, as would the ability to capture greater market share (the latter measure would be particularly helpful in cases where prices are fairly standardized, such as the market for soda, but it is still possible for one competitor to take market share from another). If almost all consumers were indifferent to the alleged affiliation, that would be good evidence of immateriality.

Courts should not require specific evidence of the materiality of a particular mark in every case. The primary brand indicating the direct source of a product or service should be presumed material, perhaps irrebuttably so.\textsuperscript{190} Likewise, evidence of materiality should be reasonably general: evidence that an explicit celebrity endorsement generally matters to consumers, for example, should suffice rather than evidence that a particular celebrity’s endorsement matters.\textsuperscript{191}

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


\textsuperscript{190} The Restatement (Third) of Unfair Competition states a reasonable rule, albeit one that courts have overgeneralized with respect to all types of trademark claims. Misrepresentations relating to source are inherently likely to lead to mistaken purchases and harm the plaintiff’s reputation, which means that “independent proof of likely commercial detriment should not be necessary in order to establish liability.” RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 4 cmt. a (1995). Where the primary trademark on a product is causing confusion over who stands behind the product, this logic makes sense. In tort, however, the majority rule does not automatically link licensing with some sort of relevant “standing behind” a product. Katya Assaf, Brand Fetishism, CONN. L. REV. (forthcoming) (manuscript at 35-36, available at \url{http://ssrn.com/abstract=1470614}). Liability exists when a trademark licensor induces a consumer to believe that it controls the quality of the goods bearing the mark. Gizzi v. Texaco, Inc., 437 F.2d 308, 310 (3d Cir. 1971); Kennedy v. Guess, Inc., 806 N.E.2d 776, 786 (Ind. 2004); Assaf, supra, manuscript at 38; cf. Brandimarti v. Caterpillar Tractor Co., 364 Pa. Super. 26, 36-37 (Pa. Super. Ct. 1987) (reasoning that the consumer who purchases a ‘Caterpillar’ tractor relies on the skill and the reputation associated with ‘Caterpillar,’ and thus Caterpillar is liable for defects).

presence, or even of a trademark owner’s permission, are equivalent to perceptions of endorsement. There is simply no evidence that this is generally or even regularly true, and thus no justification for any presumption of materiality in permission confusion-type cases. The challenge for courts will be to go beyond accepting the maximalist intuition: marketers naturally want to believe that the power of their brands is such that any reference will affect purchases. But given that, among other things, significant numbers of ads have no effect at all on consumers—they are not even processed at a level detectable by brain scans—such assumptions of all-consuming power should not be our guide.

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

A trademark owner could respond that a false perception of connection could damage the value of its brands, even if the perceived connection wouldn’t influence consumers’ decisions to purchase the defendant’s product in the first place. This is essentially a tarnishment rationale, but it has been incorporated into confusion doctrine for a long time. This position has a striking empirical weakness: courts have never been offered any evidence that consumers punish actual licensor brands in this way, and consumer research on brand extensions suggests that it’s

---

192 See Tushnet, supra note 147, at 547 (“[N]ew neuroscience studies provide evidence for advertisers’ long-held belief that much advertising is completely useless. In MRI studies, ‘a third to a half of commercials do not generate any brain reaction at all.’”) (footnote omitted).

193 Cf. Bd. of Governors of Univ. of N.C. v. Helpingstine, 11 U.S.P.Q.2d 1506, 1511 (M.D.N.C. 1989) (explaining that most consumers were indifferent to the existence of a license from the university-trademark claimant and thus couldn’t be relevantly confused about it).

194 See Lemley & McKenna, supra note 23, at 445-46 (arguing that confusion over source should be presumed material, as should confusion over sponsorship or affiliation when and only when consumers believe that the trademark owner controls the quality of the product or service); McKenna, supra note 147, at 828.


196 See generally Gerard N. Magliocca, One and Inseparable: Dilution and Infringement in Trademark Law, 85 MINN. L. REV. 949 (2001) (discussing the ways in which confusion doctrine has expanded to cover many things that previously would have been dealt with, if at all, as dilution). This leads me to a cautionary note: materiality wouldn’t provide a limit on dilution claims explicitly made as such.
unlikely in most circumstances, especially the circumstances that lead to endorsement or permission cases.  

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

Courts nervous about the potential dilution harms of “sponsorship confusion” could minimize those harms, without unduly constraining competition or free speech, by awarding limited remedies. In the absence of proof of materiality to a consumption decision about the defendant’s product, plaintiffs would at most only be entitled to a disclaimer remedy, which would come closer to matching the only harm that could exist in the absence of any effect on consumer decisions: the false perception of connection that might somehow, someday, affect brand value.

A practical objection to this proposal is that materiality wouldn’t solve the *in terrorem* effects of trademark lawsuits, or threats to sue, on legitimate uses, because materiality could often be alleged with sufficient credibility to survive summary judgment. It’s true that sufficiently aggressive trademark owners could continue to make threats under practically any trademark regime, but there’s something to be said for signaling. Once judges get the message, trademark owners may follow along. The results of cases after *Dastar* and *Wal-Mart*, for example, though they can’t tell us anything about threat letters, suggest that courts are vigorously enforcing limits on trademark law articulated by the Supreme Court, thus affecting any reasonable lawyer’s decision calculus. The threat of fee awards to prevailing defendants, which

197 See Tushnet, *supra* note 147, at 543-44; McKenna, *supra* note 151, at 825-27.


199 See McKenna, *supra* note 151, at 827 (“If . . . it appears in a particular case that consumers’ purchasing decisions are affected by confusion about actual source, but not by confusion regarding a potential licensing relationship, then courts could adequately prevent material confusion in that case without enjoining the defendant’s use altogether – perhaps simply by requiring clear labeling of the actual source.”).

200 A disclaimer would deal with both the fear of an unwarranted advantage for the defendant as well as the fear of hitching the plaintiff’s reputation to the defendant’s. Evidence from the branding literature makes clear that even the smallest of distinctions is enough to keep a bad brand extension from harming the value of a core brand, and that’s when consumers are flat-out told that the core brand is the source of the brand extension—in other words, when “confusion” is 100%. See *supra* note 198 & accompanying text.

201 Grynberg, *Worse Than We Think*, *supra* note 164, at 968-69.
in cases involving Barney the purple dinosaur and the Barbie doll have been substantial, might also be a deterrent to overreaching. While America’s litigation culture is likely to remain aggressive, changing the outcomes of litigated cases would be a significant improvement.

IV. WHAT FALSE ADVERTISING SHOULD LEARN FROM TRADEMARK: COMPETITION

Though false advertising has a better grasp on the effects of implication and materiality than trademark law does, not all is well in §43(a)(1)(B). The major problem is the increasing rigidity of a judicially created standing doctrine borrowed from antitrust law, which is depriving any plaintiff but a market leader of the ability to challenge false advertising. This has obvious consequences both for the level of falsity in a market and for the risk that false advertising (and false advertising law) might be used anticompetitively, to squelch new entrants. Standing in trademark is, as is normal for trademark, much more relaxed.

A. IN TRADEMARK

Competition historically was required in trademark law. The classic formulation was: If a man stamps a lion on iron, he is entitled to stop anyone else from stamping a lion on iron, but not to stop anyone else from stamping a lion on linen. Confusion simply could not hurt the

---

202 Lyons P’ship v. Giannoulas, 179 F.3d 384, 388 n.5 (5th Cir. 1999).


204 Initial interest confusion might be another barrier to using materiality to move trademark law in a positive direction. The doctrine of initial interest confusion finds liability when confusion attracts a consumer’s attention, even if the confusion has been dispelled by the time of an actual purchase. As applied to competitors engaged in bait and switch advertising, this is a reasonable application of trademark law. Ross D. Petty, Initial Interest Confusion Versus Consumer Sovereignty: A Consumer Protection Perspective on Trademark Infringement, 98 TRADEMARK REPORTER 757, 786 (2008) (defending initial interest confusion limited to cases in which deception is costly to avoid or bait and switch takes place). Unfortunately, initial interest confusion has been extended far beyond bait and switch to parties selling unrelated goods and services and to activities that give consumers more information, on the order of traditional comparative advertising. See id. at 785. The FTC has looked at contextual factors—how hard it is for the consumer to retreat from the initial confusion and find the product she really wanted. This is a useful way of determining whether confusion was material to an overall transaction, and it harmonizes trademark with the general interest in preventing unfair competition and abuses of consumer trust. See id. at 779; id. at 788.

ironmaker, because no one in the market for iron would buy linen instead. As modern conglomerates began to produce more and more items, and modern consumers became accustomed to impersonal relationships with large companies whose inner workings were mysterious, courts slowly abandoned the competition requirement as obsolete. Confusion took its place: if consumers were confused about who produced Aunt Jemima pancake flour, then the owners of Aunt Jemima pancake syrup had a remedy, even though sales of one were unlikely to substitute for sales of the other.

Consistent with this development, trademark also abandoned the presumption of fraudulent intent and confusion in cases of use of the same or confusingly similar marks on competing goods, substituting a multifactor test regardless of the degree of competition between the parties. Requiring a finding of likely confusion in each case, while apparently limiting trademark in the core case of competitive products, actually promoted its expansion. Courts began to engage in confusion inquiries in any situation rather than relying on older rules focusing on the use of identical or similar marks on competing products. Today, then, a maker of ice cream cones can halt the distribution of a movie on the basis of likely confusion.

B. FALSE ADVERTISING’S WRONG TURN

Lanham Act false advertising law, by contrast, has been undergoing a significant contraction under the rubric of standing. Despite the breadth of the language in the Lanham Act, which provides for a cause of action for “any person who believes that he or she is or is likely to be damaged” by a violation of §43(a), courts have never given those words a literal

207 McKenna, supra note 206, at 1896-97, 1899-1900.
209 See Barrett, supra note 182, at 919 (noting that courts used to incorporate the presumptions of fraudulent intent and consumer confusion into technical trademark infringement); Beebe, supra note 10, at 1587-90 (summarizing the history of the multifactor test for trademark infringement and explaining why the factors differ across every circuit).
210 See McKenna, supra note 206, at 1902-04.
reading. At first, courts simply excluded consumers from the class protected by the law, allowing only competitors to sue.\(^{214}\)

More recently, the *Conte Brothers/Phoenix of Broward* test\(^{215}\) has been gaining increasing traction.\(^{216}\) Borrowing from antitrust precedents, this line of cases evaluates prudential standing in Lanham Act false advertising cases by balancing five factors: (1) Is the injury of a type that Congress sought to redress in providing a private remedy for violations of the Lanham Act? (2) How direct or indirect is the asserted injury? (3) Is the plaintiff proximate to or remote from the allegedly harmful conduct? (4) How speculative is the damage claim? (5) What are the risks of duplicative damages or complexity in apportioning damages?\(^{217}\) *Conte Brothers* involved a noncompetitor plaintiff—a party in a different position on the distribution/retail chain than the defendant—and arguably should have been decided against the plaintiff on that ground, at least if identifiable direct competitors were in a position to sue. Instead, while saying that it was preserving the possibility of noncompetitor suits, the Third Circuit (via then-Judge Alito) fashioned a test that cuts off many competitors’ rights to sue.

Though courts borrowed antitrust precedents to create this new standing test, antitrust does not have the same aim as false advertising law.\(^{218}\) the Lanham Act aims to protect competitors along with competition. We let competitors sue, and not consumers, under §43(a)(1)(B) because we think competitors have their own interests to protect. Thus, the Lanham Act is “primarily intended to protect commercial interests. A competitor in a Lanham Act suit does not act as a vicarious avenger of the public’s right to be protected against false advertising.”\(^{219}\) The statute itself lists both competitor and consumer interests as its object: “The

\(^{214}\) See, *e.g.*, Barrus v. Sylvania, 55 F.3d 468 (9th Cir. 1995); McCarthy, *supra* note 3, §27:25, at 27-47 (noting that the cases teach that consumer interests “must be invoked by a competitor of the defendant, not by a buyer from the defendant”).

\(^{215}\) *Phoenix of Broward, Inc.* v. McDonald’s Corp., 489 F.3d 1156, 1163-64 (11th Cir. 2007) (relying on *Conte Bros. Auto., Inc.* v. Quaker State-Slick 50, Inc., 165 F.3d 221 (3d Cir. 1998)).


\(^{217}\) The court reasoned that a multifactor test “is designed to determine whether the injury alleged is the type of injury that the Lanham Act was designed to redress—harm to the plaintiff’s ‘ability to compete’ in the marketplace and erosion of the plaintiff’s ‘good will and reputation’ that has been directly and proximately caused by the defendant’s false advertising.” *Phoenix of Broward*, 489 F.3d at 1167. All the work here is being done by “directly and proximately caused”—that is, questions of materiality and effect on consumers that should be addressed at a stage at which evidence can be considered, rather than by judges’ hunches about what consumers think and do.


\(^{219}\) Sandoz Pharm. Corp. v. Richardson-Vicks, Inc., 902 F.2d 222, 230-31 (3d Cir. 1990) (citations and internal quotations omitted).
intent of this chapter is . . . to protect persons engaged in such commerce against unfair
competition; [and] to prevent fraud and deception in such commerce . . ..”

As the result of this extension of standing doctrine, it is no longer enough to compete in
order to bring a claim. One must be a dominant competitor. In a non-duopoly market, there will
always be some uncertainty about the amount of damages and the extent of business diverted
from the plaintiff instead of other businesses. Thus, in Phoenix of Broward, due to fraud and
theft by a McDonald’s subcontractor, at least $20 million in large-ticket prizes for McDonald’s
contests were diverted and customers did not in fact have an equal chance at winning them.
McDonald’s allegedly knew there were problems with the games, but continued to advertise
them as if all consumers had equal chances to win. The resulting consumer class actions were
settled in 2002 for $15 million in new prizes. A group of Burger King franchisees sued for false
advertising. The class of Burger King franchisees was held to have an insufficient interest to
maintain a Lanham Act claim against McDonald’s, because they were only a subset of the fast
food market and thus it would be hard to figure out whether McDonald’s false advertising took
business from them instead of others, and hard to apportion damages. In other words, because the
market for fast food is unconcentrated—one might call it competitive—McDonald’s is
essentially immune from competitor false advertising claims.

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

221 See cases cited supra note 6.
222 See cases cited supra note 7.
223 Furniture “R” Us, for example, found indirectness because defendant promoted its own services, and it was not
possible to tell whether customers were diverted from plaintiff or diverted from some other third party. Furniture
“R” Us, Inc., 2008 WL 4444007, at *3. In Phoenix of Broward, as well, the court found an attenuated causal
relationship between McDonald’s false advertising about the availability of high-value prizes and business at Burger
King. The court broke down the causal chain as follows: “(1) McDonald’s advertisements falsely represented that
customers had a fair and equal chance to win one of the ‘rare’ high-value prizes . . . ; (2) as a direct result of the
misrepresentation regarding the high-value prizes, McDonald’s lured customers who would have eaten at Burger
King (as opposed to one of numerous other fast food competitors), causing Burger King to lose sales; and (3) but for
this misrepresentation, these customers would have eaten at Burger King, even though the chances of winning one
of the ‘rare’ high-value prizes would have been minute had there been no theft, even though only ‘certain’ high-
value prizes were stolen, and even though these customers still had a fair and equal opportunity to win all of the
other prizes.” Phoenix of Broward, 489 F.3d at 1169 (emphasis in original). Note that (2) and (3) are the same thing,
just restated—that the falsehood diverted customers from Burger King to McDonald’s. Moreover, (3) makes a
prudential standing claims are evaluated on a motion to dismiss, before relevant evidence about harm, materiality, and other elements of a claim is available, even though courts then proceed to make decisions based on speculation about harm and materiality.\textsuperscript{224}

The court in \textit{Phoenix of Broward}, for example, cautioned that its analysis might differ “if, for example, the facts were such that McDonald’s had falsely advertised the odds of winning all of its prizes (low-, mid-, and high-value), \textit{or} if McDonald’s were only giving away a single prize and falsely represented the odds of winning. . . .”\textsuperscript{225} These hypotheticals have very little to do with the factors that supposedly counseled against standing, especially the two damages factors. The court is relying on its fact-free view of materiality, which notably conflicts with ordinary presumptions that claims central to an ad (here, the prospect of winning high-value prizes) are material to consumers.

The problem is likely to worsen as courts apply the Supreme Court’s new interpretation of the pleading standard under \textit{Bell Atlantic v. Twombly}\textsuperscript{226} and \textit{Ashcroft v. Iqbal}\textsuperscript{227}, which encourages them to assess pleadings for plausibility and dismiss claims when the judge believes that the facts alleged are more likely to be consistent with lawful conduct than with unlawful conduct. The prudential standing test provides numerous opportunities to courts to opine on the merits of a case in advance of factfinding, and courts are doing so. In \textit{Vexcon Chemicals, Inc. v. CureCrete Chemical Co., Inc.}\textsuperscript{228} for example, the parties sold concrete curing products of different types. The court held that the plaintiff didn’t have standing because, among other things, it couldn’t show that the defendant’s statements were false—thus, it wasn’t harmed.\textsuperscript{229} This line of logic demonstrates that recent developments in standing are fundamentally about dismissing cases before they get to a jury or even to discovery. The result is that false advertising diverges even further from trademark, where plaintiffs get the benefit of the doubt and then

\begin{footnotesize}
\begin{enumerate}
\item[224] See \textit{Furniture “R” Us, Inc.}, 2008 WL 4444007, at *3 (explicitly equating factor (2) with materiality).
\item[225] \textit{Phoenix of Broward}, 489 F.3d at 1173 (emphasis in original). For further discussion of this, see Apgar, supra note 213, at 2420 & n.310, 2426-27.
\item[229] \textit{Id.} at *3-6.
\end{enumerate}
\end{footnotesize}
In both cases, relaxation of a central focus on competition led to major changes in the law even as applied to competitors, but in trademark the result was expansion and in false advertising the consequence has been contraction.

The current trend in prudential standing is a bad idea, not just because it abandons the historical roots of the statute, but because false boasts can be very damaging to the market of information.\textsuperscript{231} The harms may be diffuse, affecting many competitors, but that means that a competitor who challenges such claims is conferring a positive externality on other competitors and should not be discouraged from doing so—in fact, the competitor’s own assessment that its interests are significant enough to make a false boast worth challenging most likely deserves some judicial deference, at least when competition is direct.

As a matter of internal doctrinal consistency, too, the new standing rules fall far short. Section 43(a)(1)(B) regulates false statements in “commercial advertising or promotion.” In part to make sure that the Lanham Act covers only commercial speech that can be regulated consistent with the First Amendment, courts have consistently defined “commercial advertising or promotion” to include a competition requirement.\textsuperscript{232} Under the Conte Bros./Phoenix of Broward approach, it appears that a plaintiff could have prudential standing while failing to challenge anything that counted as “commercial advertising or promotion” with respect to that plaintiff.\textsuperscript{233}

False advertising law should recognize standing where there is competition and a plausible case for harm.\textsuperscript{234} If the Conte Bros./Phoenix of Broward test is to be used, it should only be a supplemental test for the unusual case in which a noncompetitor brings a Lanham Act false advertising claim, rather than a general test applied to competitors as well. Whereas

\textsuperscript{230} Some courts, deepening the confusion, are beginning to apply Conte Bros. to trademark cases. By their nature trademark plaintiffs are more likely to survive the test than false advertising plaintiffs, albeit after some wheelspinning by the courts. \textit{See Trump Plaza of the Palm Beaches Condo. Ass’n, Inc. v. Rosenthal}, No. 08-80408-CIV, 2009 WL 1812743, at *4-5 (S.D. Fla. June 24, 2009) (applying Conte Bros. test to trademark infringement case); \textit{AFL Philadelphia LLC v. Krause}, 639 F. Supp. 2d 512, 523 (E.D. Pa. 2009) (treating §43(a)(1)(A) and §43(a)(1)(B) standing requirements the same).

\textsuperscript{231} \textit{See} George A. Akerlof, \textit{The Market for Lemons} in \textit{EXPLORATIONS IN PRAGMATIC ECONOMICS: SELECTED PAPERS OF GEORGE A. AKERLOF 27, 33-34 (2005); cf. Schering-Plough Healthcare Products, Inc. v. Neutrogena Corp.}, 2010 WL 2788240 (D. Del.) (holding that, precisely because it would be “extremely difficult to prove monetary damages in the majority of cases where more than two competitors are locked in a struggle for consumers,” a presumption of harm was appropriate in literal falsity cases).


\textsuperscript{233} \textit{ZL Techs., Inc. v. Gartner, Inc.}, No. CV 09-02393, 2009 WL 3706821, at *4 & n.2 (N.D. Cal. Nov. 4, 2009) (noting this inconsistency); \textit{cf. Nemet Chevrolet, Ltd. v. Consumeraffairs.com, Inc.}, 564 F. Supp. 2d 544, 551-53, 554-55 (E.D. Va. 2008) (finding lack of standing because the parties didn’t compete, and also finding that therefore defendant hadn’t engaged in actionable “advertising or promotion”).

\textsuperscript{234} \textit{See} Apgar, supra note 213, at 2421-27 (accepting Phoenix of Broward test but arguing that harm to direct competitor satisfies that test).
trademark has gone too far in hypothesizing harm, false advertising law has gone too far in ignoring it. A standard that cuts off all false laudatory claims in a multi-competitor market and denies plaintiffs a chance to offer proof of deception is inappropriate. Courts in false advertising cases should turn away from Conte Bros. and Phoenix of Broward in favor of a focus on competitive harm.

V. CONCLUSION

Trademark has used too many shortcuts. False advertising—increasingly—uses too few, or the wrong ones, detaching false advertising claims from their actual commercial context. By failing to think about the pragmatics of communication, the costs of establishing a fact in court, and the risks of error, Lanham Act doctrine has avoided any consistent theory about how messages are communicated and how consumers make decisions. On top of that, the cases have not generally considered how to deal with the inevitability of error, both in underprotecting consumers and in overprotecting them.

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

The topics covered in this article—implications, materiality, competition—are all vital components of advertising law regulation. The Lanham Act was enacted to improve the quality of information available to consumers and to protect the legitimate interests of competitors. It could do its job much better with renewed attention to those aims. Right now, courts make their best guesses about whether a challenged use is misleading in trademark cases, but they don’t pay enough attention to whether any misleadingness matters to the supposedly deceived consumers. In false advertising, by contrast, courts have allowed doctrinal categories to override a context-sensitive evaluation, using the best evidence available, of how consumers react to non-trademark claims and how competitors are affected. The result is overextension of trademark rights and underprotection of consumers against other kinds of deceptions. No fundamental change in the law is necessary to fix these problems. Each branch of §43, in fact, offers precisely the tools needed to bring the other one back on track.

Michael Grynberg has expressed skepticism that defenses developed through common-law interpretive techniques can cabin the expansion of trademark law, because, he argues, courts are increasingly reluctant to make such moves with respect to statutes, including the Lanham Act.235 One key teaching of §43(a)(1)(B), right next to §43(a)(1)(A), is that common-law

235 Grynberg, Worse Than We Think, surpa note 164, at 925-45. But see id. at 963-64 (suggesting that materiality might be an attractive limit on trademark liability that could be implied); cf. Graeme B. Dinwoodie, The Common Law and Trade Marks in an Age of Statutes, in The Common Law of Intellectual Property: Essays in
refinements and glosses remain vital to Lanham Act jurisprudence—more significant, in many cases, than any words actually present in the statute. Some of the limits courts have imposed on false advertising plaintiffs are unjustified, as I have attempted to show. But the interpretive process that produced these doctrines is not itself illegitimate, and it is a promising tactic for fixing some of what’s gone wrong with trademark. False advertising and general trademark law have much to learn from one another.

Honour of Professor David Vaver (Lionel Bently et al. eds., 2010) (forthcoming), manuscript at 3, available at http://ssrn.com/abstract=1502282 (“[D]espite substantial legislative intervention, both Congress and the Supreme Court appear content that the development of trademark and unfair competition law in the United States remain heavily dependent on common law lawmaking by the courts.”); id. at 9 (“[T]he approach of courts since the Lanham Act has suggested no radical revision to the proposition that courts were to continue to develop the substantive principles of trademark and unfair competition law.”) (footnote omitted).