Irrelevant Confusion[1]

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In 2006, thousands of soccer fans showed up to the World Cup game between the Netherlands and the Ivory Coast wearing pants in the colors of the Dutch national team. The pants had been given out as promotional gifts by a beer company. FIFA, the governing body of international soccer, objected. It owned the trademarks for the team colors, and giving out pants in those colors was in FIFA's view "ambush marketing" that was likely to confuse those who saw (or even those who wore) the pants into thinking that the soccer team had sponsored the pants. And in FIFA's view, not only was giving out the pants illegal, but individuals wearing them were falsely suggesting some affiliation with the Dutch national team. Prohibited from wearing the pants into the stadium, more than one thousand fans dutifully took their pants off and cheered the Dutch team to victory in their underwear.[4] (This was Europe, after all, and it was an important match).

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We thank Dick Craswell, Stacey Dogan, Rose Hagan, David McGowan, Joe Miller, Lisa Ramsey, Rebecca Tushnet and participants at a workshop at Stanford Law School for helpful conversations on this topic or comments on an earlier draft and Zaiba Baig and Brandon Marsh for research assistance.
[4] *See* Heather Smith, *Goal Tending*, IP LAW & BUS., Aug. 2006, at 28.

Trademark law centers its analysis on consumer confusion. With some significant exceptions, the basic rule of trademark law is that a defendant's use of a mark is illegal if it confuses a substantial number of consumers and not otherwise.

As a general matter, this is the right rule. When it works well, trademark law facilitates the workings of modern markets by permitting producers to accurately communicate information about the quality of their products to buyers, thereby encouraging them to invest in making quality products, particularly in circumstances in which that quality wouldn't otherwise be apparent. If competitors can falsely mimic that information, they will confuse consumers, who won't know whether they are in fact getting a high quality product. Indeed, some consumers will be stuck with lemons.[5]

Unfortunately, as the FIFA case illustrates, trademark law has taken the concept of confusion too far. Over the middle part of the twentieth century, courts expanded the range of actionable confusion beyond confusion over the actual source of a product – trademark law's traditional concern – to include claims against uses that might confuse consumers about whether the trademark owner sponsors or is affiliated with the defendant's goods. This expansion began for plausible reasons: consumers might be confused to their detriment in at least some cases in which the plaintiff and the defendant do not actually compete directly. But sponsorship and affiliation confusion has taken on a life of its own, resulting in a large number of cases in which companies or individuals are prevented from doing things that might conceivably confuse consumers,

[5] Because of this uncertainty, consumers won't be willing to pay as much for that quality. *See, e.g.,* George A. Akerlof, *The Market For Lemons: Quality Uncertainty and the Market Mechanism*, in **An Economic Theorist's Book of Tales** 7 (1984). We won't pay as much for an iPod if we think there is a chance it is a cheap knock-off masquerading as an iPod.

but which do not confuse consumers in any way that harms their decision-making process. In Part I, we offer a number of examples of "confusion" that courts have found actionable even in circumstances in which that confusion was unlikely to matter to the operation of the market. Part II explains how we arrived at this unfortunate pass.

We suggest in Part III that trademark law should focus its attention on confusion that is actually relevant to purchasing decisions. It can do so by anchoring once again to the core case of confusion regarding the actual source of a defendant's product or service, the type of confusion most obviously related to consumer decision-making. Most cases of confusion regarding actual source will involve competitive goods, but consumers may also mistakenly believe a mark owner is the actual source of non-competitive products that are closely related to the mark owner's.

Some cases now thought of as sponsorship or affiliation cases raise concerns analogous to those of source confusion, particularly uses that are likely to cause consumers to believe that the trademark owner stands behind or guarantees the quality of the defendant's goods or services. Even if consumers understand that individual franchisees, rather than the McDonald's Corporation, actually make their hamburgers, they are likely to expect that McDonald's stands behind whatever quality that brand represents. But in those cases it is the fact that consumers believe the brand owner guarantees the quality of the product that leads to consumer harm if that belief is misguided. We therefore would define the category of trademark infringement to include cases involving confusion as to whether the plaintiff is responsible for the quality of the defendant's goods or services in addition to cases involving actual source confusion. And because we believe these types of confusion will impact consumer decision-making with sufficient regularity, we argue that courts should presume materiality in cases that fit in the trademark infringement category.

Cases that involve allegations of other forms of confusion, many of which are now lumped into the "sponsorship or affiliation" category, should not be regarded as trademark infringement cases. This does not mean, however, that no other forms of confusion should ever be actionable. The law should regulate some statements that create confusion regarding other types of relationships, but claims directed to this other type of confusion should be analogized to false advertising claims. False advertising law, like trademark law, is designed to protect the integrity of markets by allowing consumers to rely on statements made by sellers. While trademark law prevents competitors from misrepresenting the source of their products by mimicking another's brand name, logo, or trade dress, the law of false advertising prevents false or misleading statements about the nature or qualities of one's own or a competitor's products. We think uses that do not cause confusion about control over quality are more like the statements regulated by false advertising law than those traditionally regulated by trademark law, and that those statements should be treated more like false advertising.

We address the scope of such false advertising-like claims in Part IV. Importantly, proof of a false advertising claim requires the plaintiff to demonstrate that the misrepresentation is of a particular type,[6] and that it is *material* – that it is likely to affect consumers'purchasing decisions. We think requiring proof of harm is desirable in the absence of confusion regarding responsibility for quality, both because confusion regarding other types of relationships is less likely to impact consumer purchasing decisions and because these claims create so much of the cost of trademark law. . We continue the discussion in Part V, which explores some of the implications of distinguishing between different types of confusion and conceiving of some claims as false advertising rather than the trademark infringement claims, and discusses how to handle some close cases.

I. This Is Not My Beautiful Mark[7]

Pantsless soccer fans (and those sitting next to them) are far from the only victims of the broad modern conception of confusion as to affiliation or sponsorship. In 2008, Major League Baseball began to crack down on the longstanding practice by local Little Leagues of naming kids' baseball teams after major league counterparts. MLB's theory was that people watching the 12 year olds play for the Tinley Park Cubs would wrongly assume that the Chicago Cubs had granted permission or otherwise sponsored

[6] Indeed, the statute specifies the sorts of misrepresentations that are forbidden. 15 U.S.C. § 1125(a)(1)(B) (forbidding misrepresentations as to the "nature, characteristics, qualities, or geographic origin" of goods or services).
[7] With apologies to the Talking Heads and to anyone who hates cute heading titles.

the use of their name by their eponymous Little League counterparts. Faced with the prospect of suit, Little League teams everywhere began renaming their teams.[8]

In 2006, back when it was good, NBC's hit show Heroes depicted an indestructible cheerleader sticking her hand down a kitchen garbage disposal and mangling it (the hand quickly regenerated). It was an Insinkerator brand garbage disposal, though you might have had to watch the show in slow motion to notice; the brand name was visible for only a couple of seconds. Emerson Electric, makers of the Insinkerator, sued NBC, alleging that the depiction of their product in an unsavory light was both an act of trademark dilution and was likely to cause consumers to believe Emerson had permitted the use. NBC denied any wrongdoing, but it obscured the Insinkerator name when it released the DVD and Web versions of the episode.[9] And not just TV shows but also movies have provoked the ire of trademark owners; Caterpillar sued the makers of the movie *Tarzan* on the theory that the use of Caterpillar tractors in the movie to bulldoze the forest would cause consumers to think Caterpillar was actually anti-environment,[10] and the makers of *Dickie Roberts: Former Child Star* were sued for trademark infringement for suggesting that the star of the absurdist comedy was injured in a Slip-N-Slide accident.[11] Ride the Ducks, an amphibious tour company in

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[8] *See, e.g.,* http://www.suburbanchicagonews.com/heraldnews/news/971947,4_1_JO27_LOGOS_S1.article ; *See also* http://www.techdirt.com/articles/20080312/013742509.shtml (discussing a similar claim brought by MLB against the amateur Cape Cod League); Katie Thomas, *In Cape Cod League, It's Tradition vs. Trademark*, **N.Y. Times**, Oct. 24, 2008 (same).

[9] *See* http://money.cnn.com/2006/10/17/commentary/mediabiz/index.htm

[10] Caterpillar Inc. v. Walt Disney Co., 287 F. Supp. 2d 913 (N.D. Ill. 2003).

[11] Wham-O, Inc. v. Paramount Pictures Corp., 286 F. Supp. 2d 1254 (C.D. Cal. 2003).

San Francisco that gives out duck-call kazoos to its clients, sued Bay Quackers, a competing duck-tour company that also facilitated quacking by its clients.[12]

Most of these examples involve threats of suit, and they could be dismissed simply as overreaching by a few overly aggressive trademark owners. But these threats were not isolated incidents, and they shouldn't be quickly ignored. The recipients of all of these threats, like many others who receive similar objections,[13] knew well that they had to take the asserted claims seriously because courts have sometimes been persuaded to shut down very similar uses. In 1998, for instance, New Line Cinema was set to release a comedy about a beauty pageant in Minnesota that took place at a farm-related fair. They called the movie "Dairy Queens," but were forced to change the name to "Drop Dead Gorgeous" after the Dairy Queen restaurant franchise obtained a preliminary injunction.[14] The owners of a restaurant called the "Velvet Elvis" were forced to change its name after the estate of Elvis Presley sued for trademark

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[12] Jesse McKinley, *A Quacking Kazoo Sets Off a Squabble*, **N.Y. Times**, June 3, 2009, at A15.

[13] The Chilling Effects Clearinghouse collects letters from trademark owners that make aggressive assertions of trademark (and other intellectual property) rights. See http://www.chillingeffects.org. As of February 25, 2009, the Chilling Effects database contained 378 such letters. Among the many specious objections are an objection from the National Pork Board (owner of the trademark "THE OTHER WHITE MEAT" to the operator of a breastfeeding advocacy site called The Lactivist for selling t-shirts with the slogan "The Other White Milk" (http://www.chillingeffects.org/trademark/notice.cgi?NoticeID=6418); from Kellogg to the registrant of the domain name "evilpoptarts.com" (http://www.chillingeffects.org/acpa/notice.cgi?NoticeID=4377); from Nextel to the registrants of the domain name www.nextpimp.com (http://www.chillingeffects.org/acpa/notice.cgi?NoticeID=2322); and from the owners of the Marco Beach Ocean Resort to the operators of the web site www.urinal.net (a web site that collects pictures of urinals in various public places) for depicting urinals at the Resort and identifying them as urinals at the Resort. http://www.chillingeffects.org/trademark/notice.cgi?NoticeID=1576).

[14] *American Dairy Queen Corp. v. New Line Cinema*, 35 F. Supp. 2d 727 (D. Minn. 1998).

infringement.[15] A humor magazine called "Snicker" was forced to pull a parody "ad" for a mythical product called "Michelob Oily," not because people thought Michelob was actually selling such a beer (only 6% did[16]), but because a majority of consumers surveyed thought that the magazine needed to receive permission from Anheuser-Busch to run the ad.[17] And "Snicker" might face more trouble than that; a court has enjoined a furniture delivery company from painting its truck to look like a famous candy bar.[18] The Mutual of Omaha company persuaded a court to prevent Franklyn Novak from selling t-shirts and other merchandise bearing the phrase "Mutant of Omaha" and depicting a side view of a feather-bonneted, emaciated human head.[19] No one who saw Novak's shirts reasonably could have believed Mutual of Omaha sold the shirts, but the court was persuaded by evidence that "approximately ten percent of all the persons surveyed thought that Mutual '[went] along' with Novak's product."[20] The creators of Godzilla successfully prevented the author of a book about Godzilla from titling the book "Godzilla," despite clear indications on the both the front and back cover that the book was not authorized by the company.[21] A legitimate reseller of dietary supplements lost its motion for summary judgment in a suit by the supplements'

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[15] Elvis Presley Ents. v. Capece, 141 F.3d 188 (5th Cir. 1998).
[16] That any consumers were confused was remarkable, and perhaps a statement about the reliability of consumer confusion surveys rather than about the stupidity of 6% of the population.
[17] Anheuser-Busch Inc. v. Balducci Ents., 28 F.3d 769 (8th Cir. 1994).
[18] Hershey v. Art Van Furniture, 2008 WL 4724756 (E.D. Mich. Oct. 24, 2008). Hershey has also sued Reese's Nursery. Hershey Co. v. Reese's Nursery and Landscaping, No. 3:09-CV-00017-JPB (N.D.W.Va. filed March 19, 2009), available at http://www.scribd.com/doc/13460197/Complaint-Reeses-Nursery.
[19] *Mutual of Omaha Ins. Co. v. Novak,* 836 F.2d 397 (8th Cir.1987)
[20] *Id*. at 400.
[21] *See* Toho Co. v. William Morrow & Co., 46 U.S.P.Q.2d 1801 (C.D. Cal. 1998).

brand owner because the court concluded that the reseller might have confused consumers into thinking it was affiliated with the brand owner by purchasing ad space on Google to truthfully advertise the availability of the resold supplements.[22] The sellers of "Rainbow Snow" sno-cones lost a trademark case to Amoco, which operated "Rainbo" gas stations, on the theory that consumers might have believed that Amoco had sponsored the sno-cone shops simply because the sno-cones were sold in the same area as Rainbo gas stations.[23] The National Football League successfully sued the state of Delaware for running a lottery that was based on football games.[24] The owners of a Texas golf course that replicated famous golf holes from around the world were forced to change their course because one of the holes was, in the view of the court, too similar to the corresponding South Carolina golf hole it mimicked.[25] And a sportswear company was ordered to stop selling t-shirts with university colors and oblique references to those universities' football teams because the designs created "a link in the consumer's mind between the t-shirts and the Universities" and demonstrated that the sportswear company "intend[ed] to directly profit [from that link.]"[26]

What unifies all of these cases is that the courts found actionable confusion notwithstanding the fact that consumers couldn't possibly have been confused about the actual source of the defendants' products. No one could think a (probably) dead Elvis Presley was running a kitsch bar in Texas, that Dairy Queen had produced a beauty

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[22] *Standard Process, Inc. v. Total Health Discount, Inc.*, __ F. Supp. __ (E.D. Wi. June 6, 2008).
[23] Amoco Oil Co. v. Rainbow Snow, 748 F.2d 556, 559 (10th Cir. 1984).
[24] NFL v. Governor of Delaware, 435 F. Supp. 1372, 1380-81 (D. Del. 1977).
[25] Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526 (5th Cir. 1998).
[26] Board of Supervisors for Louisiana State University Agricultural and Mechanical College v. Smack Apparel Co., 550 F.3d 465, 483-84 (5th Cir. 2008)

pageant comedy film, that the Chicago Cubs were playing Little League baseball, or that the coastal golf course they played in South Carolina had moved to the Texas plains. And while it is possible that consumers would think that a soccer team was selling pants with a beer logo on them, that the makers of Godzilla had written a book about him, that Michelob was making a new beer called "Oily," that the South Carolina golf course had opened a new branch in Texas in cooperation with the 17 other golf courses also mimicked, or that Louisiana State University was selling t-shirts that read "Beat Oklahoma" and "Bring it Back to the Bayou!" (but not the LSU name or logo), the plaintiffs in those cases either couldn't or didn't try to prove any such source confusion. And under modern law, they didn't have to.

The actionable confusion, according to these courts, was not confusion that would have led consumers to buy the wrong product, or even to wrongly think that they were buying from the trademark owner. Rather, the theory in all these cases was that consumers would think there was some relationship between the trademark owner and the defendant based on the use of the trademark. The problem with this formulation is that it fails to specify the types of relationships about which confusion is relevant or the harm that supposedly flows from confusion about those relationships. It is therefore impossible to establish meaningful limits on what sorts of confusion are actionable. In Part III, we address the possible harms that might flow from confusion as to sponsorship or affiliation, as well as the harm that results from expanding trademark law to cover such beliefs.

First, though, we pause to consider how trademark law came to deem confusion actionable even when it is entirely unrelated to the source of the products. We do this because understanding why courts felt the need to expand the scope of trademark law gives a context against which to evaluate modern standards. It also helps us to see more clearly where the doctrine went off track.

II. Well, How Did We Get Here?[27]

Trademark law traditionally aimed to prevent competitors from diverting consumers who, but for the deception, would have purchased from the trademark owner.[28] Because they could only be confident that the confused consumers otherwise would have gone to the senior user when the defendant offered the same goods or services, courts in this era focused on uses of a trademark by direct competitors. And courts put heavy emphasis on the *direct* part of this formulation. In one prototypical case, *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*,[29] the court denied relief to the plaintiff, which sold milk and related products under the Borden name, against the defendant's use of the Borden name for ice cream.[30] The court acknowledged that simultaneous use of the Borden mark for these related goods might confuse consumers, but it nevertheless denied the claim because the plaintiff could not show the

[27] OK, we said we were sorry before, but now we really are.
[28] See Coats v. Holbrook, 7 N.Y. Ch. Ann. 713, 717 (1845) (noting trademark law's purpose of preventing a defendant from "attract[ing] to himself the patronage that without such deceptive use of such names . . . would have inured to the benefit of [the plaintiff]"). For a longer discussion of traditional trademark law principles, see generally, Mark P McKenna, The Normative Foundations of Trademark Law, 82 Notre Dame L. Rev. 1839 (2007).
[29] 201 F. 510 (7th Cir. 1912).
[30] Id. at _.

defendant's use of the same mark for noncompetitive products would divert consumers who otherwise would have gone to the plaintiff.

Cases like *Borden* seem anachronistic by modern lights, but the results in these cases were a function of the limited purposes of early American trademark law and the economic climate in which courts developed traditional doctrine Specifically, because producers in the nineteenth and early twentieth century sold relatively few products in limited geographic markets,[31] focusing on trade diversion naturally led courts to confine rights to uses by parties in close competitive and geographic proximity. Doctrinally, courts maintained these limits by finding infringement only when the defendant caused confusion about the "source of origin" of its products, and they interpreted "source of origin" quite literally. Accustomed to encountering a limited range of products from any particular producer, consumers were unlikely to believe that unrelated goods – even ones bearing the same or a similar mark – came from the same source. Thus a liability standard that required evidence of confusion as to source of origin was essentially equivalent to asking whether confusion would result in trade diversion.

But this tight fit between the requirement of source confusion and the focus on trade diversion depended critically on the assumption that consumers would not think unrelated goods came from the same source. That assumption became increasingly problematic in the early to mid twentieth century as producers began serving much wider markets, both geographically and in terms of the products and services they

[31] See Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill Trademark Law*, 86 B.U. L. Rev. 547, 575-79 (2006).

offered.[32] Consumers were more frequently exposed to producers selling a variety of goods (or at least a wider variety) just as they were beginning to understand that companies didn't always themselves produce the products that bore their marks.

These new dynamics put significant pressure on the traditional doctrinal structure, because confusion about source of origin was no longer a perfect proxy for trade diversion if consumers believed producers made a variety of products. But the tension also presented an opportunity for trademark owners who wanted protection of their marks against non-competitive goods and services so they could expand into new markets. Beginning around 1920 courts started to respond to the pressure to expand the scope of trademark protection. In *Aunt Jemima Mills Co. v. Rigney & Co.*,[33] for example, plaintiff Aunt Jemima alleged that the defendant's use of the same mark for flour infringed the former company's rights in the Aunt Jemima mark, which it had used for syrup. Under traditional principles Aunt Jemima should have lost this case because the defendant was not diverting customers who were trying to purchase syrup. Indeed, the court acknowledged that "no one wanting syrup could possibly be made to take flour."[34] Nevertheless, the court found infringement on the ground the products were "so related as to fall within the mischief which equity should prevent" as consumers could conceivably have believed that Aunt Jemima flour and Aunt Jemima syrup came from the same company.[35]

[32] *Id*.
[33] 247 F. 407, 409-10 (2d Cir. 1917)
[34] Id at _.
[35] Id.

Similarly in *Yale Electric Corp. v. Robertson*,[36] the court refused to allow registration of YALE for flashlights and batteries in light of the plaintiff's prior use of the YALE mark for locks. The court acknowledged that the decision "[did] some violence" to the language of the [Trademark Act of 1905]," which defined as infringing uses of a mark on goods "of the same descriptive properties."[37] But the court claimed "it ha[d] come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful."[38]

Both of these cases involved defendants using marks identical to the plaintiffs' on fairly closely related goods. Thus, consumers in these cases might reasonably have believed that the plaintiffs were the actual sources of origin of the defendants' goods, even if the plaintiffs did not in fact sell those goods. Consumers might, for example, have actually believed that Aunt Jemima sold both flour and syrup, given the complementarity of those products. Consumers who believed that, of course, still would not have been deceived into buying flour when they intended to buy syrup. But as a purely doctrinal matter, a court could plausibly conclude that the junior user of the Aunt Jemima mark confused at least some consumers about the "source of origin" of the defendant's products.

This approach to expanding the scope of trademark rights by interpreting "source" confusion more broadly was pragmatic, particularly as compared to the radical

[36] 26 F.2d 972 (2d Cir. 1928)
[37] Id at _.
[38] Id.

reconceptualization Frank Schechter had proposed.[39] By continuing to focus on confusion as to source rather than adopting an entirely new conceptual framework, courts could act as though they were breaking no new ground, even as they were finding infringement when there was no risk of trade diversion.[40] But while effective in capturing cases like *Aunt Jemima* in which consumers might have believed that the mark owner was the actual source of the defendant's non-competing goods, the doctrinal formulations courts adopted were divorced from trademark law's traditionally limited purposes and have turned out to be almost infinitely pliable. .

The openness of this new confusion standard was perhaps intentional. Limiting rights to uses that caused confusion about actual source may not have been acceptable to mark owners who wanted courts to protect their ability to enter new geographic or product markets.[41] While it surely was true that consumers were becoming more

[39] Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927) (arguing that unique marks deserved property-like protection against any use in any context); *cf.* Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 Iowa L. Rev. 731 (2003) (arguing that an implication of Schechter's theory is that companies that sell many types of products have diluted their own marks).

[40] *See, e.g.*, Edward C. Lukens, *The Application of the Principles of Unfair Competition to Cases of Dissimilar Products*, 75 U. PA. L. REV. 197 (1927).

[41] Expansion of the notion of source to cover different relationships between parties also was driven by courts' interest in accommodating the emerging practice of mark owners licensing production of products that bore their marks. Licensing posed serious conceptual problems in traditional trademark law because courts in that era viewed "source" literally. When plaintiffs who had licensed production of products bearing their marks sought to enforce their trademark rights, courts were faced with two parties, neither of which was the actual source of the products bearing the mark at issue. It was difficult for courts in these cases to see how a mark owner deserved relief when it arguably was engaging in the same type of deception as the accused infringer. It was also difficult to see how the defendant's use diverted consumers who otherwise would have gone to the mark owner when the mark owner was not, in fact, the source of the products. For this reason, licensing traditionally was forbidden. *See* McKenna, *supra* note 5, at 1893-95. But courts in the early twentieth century increasingly had difficulty accepting that production of products by a mark owner's affiliates or licensees was illegitimate.

accustomed to seeing marks used on a wider variety of products, many consumers at this time still would not necessarily have assumed that different products bearing the same mark came from the same source, particularly when the defendant's products were very different from the plaintiff's.[42] Thus, a strict insistence that the plaintiff demonstrate confusion regarding the actual source of the defendant's goods may not have allowed for much expansion in the scope of trademark rights.

To capture a somewhat broader range of conduct, courts began to find actionable confusion that caused consumers to think *either* (1) that the plaintiff actually

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In order to distinguish these uses by affiliated companies from infringing uses by third parties, courts gradually loosened the restrictions on licensing. They did so primarily by reconceptualizing what it meant to be the "source" of a product. Even when it did not actually produce the products bearing its mark, courts began to hold, a mark owner could be considered the "source" of that product if it exercised sufficient control over the quality of products sold under its mark. *See, e.g.*, Keebler Weyl Baking Co. v. Son, 7 F. Supp. 211, 214 (D. Pa. 1934) ("An article need not be actually manufactured by the owner of the trade-mark it being enough that it is manufactured under his supervision and according to his directions thus securing both the right of the owner and the right of the public."). Congress later codified this understanding of source in § 1055 of the Lanham Act, which provides that use of a mark by "related companies" inures to the benefit of the mark owner. 15 U.S.C. § 1055. A "related company" in this context is one "whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of goods or services on or in connection with which the mark is used." Id. at § 1127. Thus, in modern terms, the legal source of a product is not necessarily the actual producer of a product but instead the entity exercising control over the quality of products bearing a particular mark. That entity might be related to the actual producer only by contract..

[42] Some commentators simply assumed away this problem. Lukens, supra note 40 at 204 ("As commercial organization becomes more complex, it is becoming more usual for a corporation to manufacture or sell a wide variety of products. Many companies produce articles that have no similarity, nor any relationship beyond the fact that they are so produced. Such a concern frequently applies the same trade-name to all its products in the hope that the good-will of the older products will attach to the newer ones. *The public has become so accustomed to the idea of dissimilar articles being produced by the same company that it is hardly surprised at any combination whatever*.") (emphasis added). See also, George W. Goble, *Where and What a Trademark Protects*, 22 Ill. L. Rev. 379 (1927) (arguing against the requirement that the defendant's goods be of the "same class" as the plaintiff's: "It seems reasonable to suppose that ordinarily the identity of the trade name or mark in itself would sufficiently relate them to cause mental association as to the manufacture or origin of the goods, dissimilar and unrelated though the goods may otherwise be.").

produced the defendant's goods *or* (2) that the plaintiff somehow sponsored the defendant's goods or was affiliated with their producer. In *Vogue Co v. Thompson-Hudson Co.*,[43] the court found the defendant's use of "The Vogue Hat Company" to sell hats infringed Vogue's rights in the Vogue mark for magazines: "There is no reason to doubt that this course of conduct by the defendant manufacturer and its retailers created a very common alternative impression- first, that these hats were manufactured by the plaintiff; or, second, that, although some knew that plaintiff was not manufacturing, yet these hats were in some way vouched for or sponsored or approved by the plaintiff."[44]

Courts sometimes acknowledged that, by recognizing confusion regarding sponsorship or affiliation, they were broadening the scope of unfair competition law.[45]

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[43] 300 F. 509 (6th Cir. 1924).

[44] Id. at 511. For reasons not entirely clear to us, many of the early sponsorship or affiliation cases involved the use of a mark previously known as the title of a magazine. See, e.g., Esquire, Inc. v. Esquire Bar, 37 F.Supp 875 (S.D.Fla. 1941) (finding the defendant's use of Esquire for a bar infringing of the magazine publisher's rights: "The Court finds from the evidence that the defendant's use of plaintiff's name 'Esquire' is calculated to, and does, cause the public (not otherwise fully informed) to believe there is some connection between the two, either that the plaintiff owns or controls the business of the defendant, or sponsors it, or has given leave to conduct the business under some contract, and that the defendant's business has the approval of plaintiff, or that the defendant's business is in some manner related to the plaintiff's business, Esquire, Inc., and thereby constitutes unfair competition in violation of plaintiff's rights."); Triangle Publ'ns, Inc. v. Rohrlich, 167 F.2d 969, 972 (2d Cir. 1948) (finding defendant's use of "Miss Seventeen Foundations Co." as the partnership name to make and sell girdles, and "Miss Seventeen" as the trademark for the girdles infringing of the magazine publisher's rights: "…the defendants' use of 'Seventeen' created a likelihood that the public would erroneously believe that defendants' dresses were advertised in or sponsored by the magazine and that the plaintiff's reputation and good will would thereby be injured."). That remains true today to some extent. *See, e.g.,* PRL USA Holdings, Inc. v. U.S. Polo Ass'n, Inc., 520 F.3d 109 (2d Cir. 2008); Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658 (5th Cir. 2000); Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135 (9th Cir. 2002).

[45] In *Radio Corp of Am. v. R.C.A. Rubber Co.,* for example, the court conceded that, in a case involving non-competing goods, "[s]trictly speaking, we are not dealing with unfair competition, in the usual sense of that term." 114 F. Supp 162, 164 (E.D. Ohio 1953).

Yet most courts and commentators appear to have regarded that expansion as unremarkable; precious few cases or articles expressed significant reservations about expanding trademark law in this way.[46] This was, however, unmistakably a significant change, and it was this change that set in motion the current crisis.

III. **Material and Immaterial Confusion**

As we have seen, the move to prevent confusion as to sponsorship and affiliation began with cases involving related goods that consumers might reasonably assume the trademark owner actually made, expanded to include products that were not made by the trademark owner directly but that consumers might reasonably assume the trademark owner stood behind or guaranteed, and ultimately expanded to include cases in which there is at most a business relationship between the trademark owner and the product maker but no belief whatsoever of a relationship between the trademark owner and the defendant's goods.

We think the concept of sponsorship or affiliation, introduced to accommodate these broader claims, is to blame for much of what ails modern trademark law. This is not to say that *all* of trademark law's expansion beyond competing products was unjustified. To the contrary, we think, as we explain further below, that trademark rights ought to extend far enough to cover uses that confuse consumers about who is

[46] Most courts simply assumed that the harm from confusion regarding sponsorship or affiliation was the same as that caused by confusion regarding actual source. See, e.g., *Triangle Publications, Inc. v. Rohrlich*, 167 F.2d 969, 973 (2d Cir. 1948) ("…the wrong of the defendant consisted in imposing upon the plaintiff a risk that the defendant's goods would be associated by the public with the plaintiff, and it can make no difference whether that association is based upon attributing defendant's goods to plaintiff or to a sponsorship by the latter when it has been determined that plaintiff had a right to protection of its trade name.").

ultimately responsible for the quality of the defendant's goods or services. Some of those cases will be situations where consumers may not believe the plaintiff actually produced the goods or services at issue but nevertheless believe the plaintiff has played a role in guaranteeing quality. But we also believe it is precisely the vagueness of "sponsorship" and "affiliation" that has led to the problems we described in the introduction. "Sponsorship" or "affiliation" relationships could refer to virtually any relationship, and courts have been fairly aggressive about construing the terms broadly.[47] But confusion about some relationships simply shouldn't matter because it doesn't affect consumers' decision-making with respect to the defendant's goods or service. More importantly, because "sponsorship or affiliation" is much too vague to allow for any limiting principles, continuing to rely on that formulation threatens ultimately to swallow up all uses of another's mark.

We therefore propose to do away with the "sponsorship or affiliation" terminology altogether and to reframe the trademark infringement question in terms of whether the defendant's use is likely to confuse consumers about who is responsible for the quality of the defendant's goods or services. Uses that cause such confusion should be deemed trademark infringement; those that don't cause confusion about

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[47] See Adolph Kastor & Bros. v. Fed. Trade Comm'n, 138 F.2d 824, 825 (2d Cir. 1943) ("At the outset we hold therefore that the word, 'Scout,' when applied to a boy's pocket knife, suggests, if indeed it does not actually indicate, that the knife is *in some way sponsored by* the Boy Scouts of America.") (emphasis added); Copacabana, Inc. v. Breslauer, 101 U.S.P.Q. 467, 468 (Com'r Pat. & Trademarks 1954) (rejecting application to register Copacabana for cosmetics in light of prior use of Copacabana for nightclub and restaurant despite finding that cosmetics are "entirely different" from the nightclub and restaurant because customers may assume that the cologne was "made by, sponsored by, or *in some way connected with*" Copacabana, Inc.) (emphasis added).

responsibility for quality should be dealt with, if at all, through something analogous to a false advertising claim.

A. Justifications for Expanding Confusion

At the core of trademark infringement are, and always have been, cases in which consumers are confused about who actually produced and/or is offering the defendant's product or service – confused, that is, about the actual source of the defendant's products or services. These are most frequently cases in which the plaintiff and defendant sell the same type of goods, but this category now might also include cases in which the defendant sells goods closely related to those of the plaintiff – cases like *Borden.* Somewhat further afield, but in our view still justifiably included within trademark infringement, are cases in which consumers are likely to think, not that the plaintiff actually supplied the defendant's product, but that the plaintiff somehow guarantees the quality of the defendant's products or services. The clearest example involves franchising. Franchise trademark owners generally do not themselves make the products sold under their brands, and we suspect that a significant portion of the public understands as much. But consumers nevertheless understand the franchisors to stand behind the products sold by its franchisees, and we think it is reasonable for them to do so. It is reasonable for a consumer to assume that the Baskin-Robbins ice cream cone they have today in Denver will be similar to the one they had last week in Seattle, and that if it isn't it is the national company, not the Denver producer, who is ultimately to blame.[48]

In both of these cases – those in which consumers actually believe that the plaintiff produced the defendant's goods and those in which consumers understand that the plaintiff did not produce the goods but nevertheless believe the plaintiff assures their quality – consumers derive important information from the defendant's use of the mark, and failure to regulate such uses would have serious negative consequences in the commercial marketplace. If Borden sells ice cream, but not other milk products, the use by a defendant of the Borden mark on, say, condensed milk won't actually cause Borden's to lose a sale; they don't sell condensed milk.[49] But it is quite plausible that consumers will assume that the Borden's that makes condensed milk is the same Borden's that makes ice cream.

Two arguments conventionally have been used to support the view that trademark law should prevent parties from creating such misimpressions. First is a quality feedback argument: Borden will be harmed if consumers attribute the ice cream to the same company that makes the condensed milk and the ice cream turns out not to

[48] Indeed, that assumption is so strong that one commentator has argued that it is the trademark owner, not the local franchisee, that should bear responsibility for torts committed by the franchisee. Lynn M. Lopucki, *Toward a Trademark-Based Liability System*, 49 **UCLA L. Rev.** 1099 (2002). Lopucki reasons that consumers attribute local franchisee behavior to the national chain, and since the chain intentionally benefits from that attribution, it should also bear the costs of that relationship.

[49] This was the conclusion of the court a century ago in denying the trademark owner relief. Borden Ice Cream v. Borden's Condensed Milk Co., 201 F. 510 (7th Cir. 1912). There is no doubt that that case would come out differently today, however.

meet consumers' quality expectations.[50] Second is the claim that consumers will be harmed because their belief that the same company stands behind both products might have induced some to purchase the ice cream expecting something more than they received.[51]

We think the evidence supporting the first argument is pretty underwhelming. Producers simply aren't likely to be harmed directly by non-competitive uses except in unusual circumstances. Consumers, on the other hand, do have strong interests at stake in at least some non-competing goods cases.

1. Consumers, Producers, and the Quality of Unrelated Goods

Research regarding brand extensions suggests, somewhat surprisingly (to us, at least), that producers aren't often harmed by consumers' mistaken association of unrelated products with them,. Specifically, the research suggests that consumers generally do not alter their global evaluations of brands (i.e., their assessments of the brand's quality) when they encounter negative information about related products offered under the same mark.[52] They may think badly of the related products, but that

[50] See MCCARTHY, supra note _ § 24:15 ("If, for example, the infringer's V-8 vitamin pills make the purchaser's child sick, she may well carry over an unfavorable reaction to plaintiff's V-8 vegetable juice."). A related argument focuses on the mark owner's control over its reputation, regardless of the current quality of the third party's goods or services. See, e.g., Wesley-Jessen Div. of Schering Corp. v. Bausch & Lomb Inc., 698 F.2d 862, 867 (7th Cir. 1983) ("Courts readily find irreparable harm in trademark infringement cases because of the victim's inability to control the nature and quality of the infringer's goods, not because the infringer's goods are necessarily inferior. Even if the infringer's goods are of high quality, the victim has the right to insist that its reputation not be imperiled by another's actions.").

[51] For a detailed discussion of the relevant marketing literature, see Mark P. McKenna, Testing Modern Trademark Law's Theory of Harm, 95 Iowa L. Rev. _ (forthcoming 2009) (http://ssrn.com/abstract=1348746).

[52] In one study by Jean Romeo, for example, negative information about a brand extension had no effect on subjects' evaluations of the family brand as compared to their evaluations of the

negative view generally doesn't alter the positive view they had of the core product.[53] Indeed the only studies that show any feedback effects involve products that are extremely closely related - such as toothbrushes and toothpaste – and which are explicitly tied together in the market.[54] Consumers, in other words, are smart enough to distinguish different products and hold different impressions of them.[55]

Importantly, even when negative information does impact brand image, it does so only in a global sense. Negative information about an extension appears not to impact consumers' assessments of the parent brand in the context of the goods the

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brand before learning about the extension. Jean B. Romeo, *The Effect of Negative Information on the Evaluations of Brand Extension and the Family Brand*, 18 ADVANCES IN CONSUMER RES. 399 (1991). Keller and Aaker similarly failed to find any difference between the core brand evaluations of subjects who received negative information about an extension and a control group that had not received any extension information. *See* Kevin Lane Keller & David A. Aaker, *The Effects of Sequential Introduction of Brand Extensions*, 29 J. MARKETING RES. 35, 47 (1992). A "core" brand is the original brand in its original context – what other studies refer to as the "parent" brand.

[53] The situation is somewhat more complicated with respect to multiple or successive extensions, but the lesson is largely the same: extension information is unlikely to affect global assessments of a core brand. In Keller and Aaker's study, successful brand extensions increased evaluations of later extensions and of the core brand itself, at least when the core brand was of average quality. Id. Unsuccessful intervening extensions led to lower evaluations of later proposed extensions, but they did not affect evaluations of the core brand, regardless of the core brand's quality level. Id. Thus, the only apparent risk to a core brand from failed extension is that consumers will evaluate *future* extensions more negatively than they otherwise might have. Moreover, subjects tended to find the core brand owner equally credible even after receiving information about a brand extension they regarded as a bad fit.

[54] See Tulin Erdem, *An Empirical Analysis of Umbrella Branding*, 35 J. MARKETING RES. 339 (1998) (finding that variance in the quality of toothbrushes given away as free samples from the owner of a known toothpaste brand had some cross-category effects (i.e., consumers updated their quality expectations of the toothpaste and bought less of it), but that those effects were "small in magnitude"). Erdem's study relied on purchase data after exposure to free toothbrush samples provided explicitly by the brand owner. Thus, not only was there no doubt regarding the source of the toothbrushes, the brand owner aggressively tied the two products together. Whether the same results would have ensued if consumers found the similarly branded toothbrushes on their own is an open question.

[55] *Cf.* Thomas R. Lee et al., *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, 57 **Emory L.J.** 575 (2008) (finding that consumers are more sophisticated about purchasing decisions than trademark law generally assumes).

parent previously offered. Thus, for example, Joseph Chang found that both of two unfavorable extensions (Sprite orangeades and Sprite dish-washing detergent) affected consumers' attitudes towards the overall Sprite brand. [56] At the same time, however, neither unfavorable extension diluted the image of the original brand of Sprite lemonades.[57] Whatever impact the unfavorable extensions had was much more theoretical than practically significant.[58]

Even incongruence between the extension product and the core brand is unlikely to negatively impact the brand.[59] After reviewing the relevant literature to distill "main tendencies," Henrik Sjodin and Fredrik Torn concluded that negative evaluation of incongruent extension information will not affect evaluation of the parent brand.[60]

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[56] Joseph W. Chang, *Will A Family Brand Image Be Diluted By an Unfavorable Brand Extension? A Brand Trial-Based Approach*, 29 ADV. IN CONSUMER RESEARCH, 299, 302 (2002). Dish-washing detergent? Sprite? No, we don't know what they were thinking either.

[57] Id. Positive evaluations of Sprite orangeades, on the other hand, enhanced consumers' attitudes towards Sprite lemonades.

[58] Separate from its impact on global brand attitudes, extension information can affect specific brand beliefs. An extension, for example, might not affect consumers' overall evaluations of the Neutrogena brand, but it may impact their view of Neutrogena products as "mild" (if, for example, Neutrogena offered sandpaper). But just as with respect to overall assessments, the research suggests that any effects on specific brand beliefs are likely limited to the parent brand generally; there is little or no impact on the brand in the context of particular products. Thus, even if an extension affects consumers' association of "mild" with Neutrogena, it is unlikely to affect consumers' views of Nutrogena hand lotion as mild.

[59] Incongruity here refers to use of the brand for products that do not fit with one or more specific brand associations. Use of Neutrogena for sandpaper, for example, would be incongruous with the belief that Neugrogena is "mild." Helge Thorbjornsen, *Brand Extensions: Brand Concept Congruency and Feedback Effects Revisited*, 14 J. PRODUCT & BRAND MGMT. 250, 250-51 (2005). *See also* Henrik Sjodin & Fredrik Torn, *When Communication Challenges Brand Associations: A Framework for Understanding Consumer Responses to Brand Image Incongruity*, 5 J. CONSUMER BEHAV. 32, 38 (2006)

[60] Henrik Sjodin & Fredrik Torn, *When Communication Challenges Brand Associations: A Framework for Understanding Consumer Responses to Brand Image Incongruity*, 5 J. CONSUMER BEHAV. 32, 38 (2006). The authors explain this somewhat counterintuitive result by suggesting consumers generally use a sub-typing strategy to resolve incongruous information. That is, when a brand extension is atypical, consumers are likely to resolve the incongruity by storing

Even if it did, evaluations of specific brand beliefs tend not to impact consumers' decisions: research suggests that consumers evaluating a new product tend to rely on global attitudes towards a brand rather than attempting to recall and process specific brand attributes.[61]

Combined with the evidence we reported earlier regarding unsuccessful brand extensions, this may mean that companies who are perceived as having failed at brand extension in the past will not suffer a harm in their core market, but may get less of a brand boost for extensions in the future. This is a potential injury to trademark owners if they are in fact likely to enter a new market, though the case that consumers are injured even in that circumstance is more tenuous.

In short, the evidence suggests that producers aren't likely to be harmed in a direct way by the sale of unrelated products bearing their trademark.[62] Certainly

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the information about the extension in a separate cognitive category. When consumers create such sub-types, the parent brand is effectively insulated from feedback..Id. But whatever the explanation, the conclusion that incongruous information will not affect consumer understanding is consistent with other research demonstrating that that well-known brands are quite resistant to change. *See* Stephen J. Hoch, *Product Experience is Seductive*, 29 J. CONSUMER RES. 448, 451 (2002) ("Using a simply associative learning procedure, [the authors] showed that, in a few trials, people learn brand associations that later block the learning of new predictive attribute associations."); Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for an Elusive Concept*, 19 J. PUB. POL'Y & MARKETING 265, 274 (2000) ("It appears that very strong brands are immune to dilution because their memory connections are so strong that it is difficult for consumers to alter them or create new ones with the same brand name.").

[61] *See* Girish N. Punj & Clayton L. Hillyer, *A Cognitive Model of Consumer-Based Brand Equity for Frequently Purchased Products: Conceptual Framework and Empirical Results*, 14 J. CONSUMER PSYCHOL. 124, 125 (2004); *see also*, Laura R. Bradford, *The Brand Signal: Trademarks, Emotion and Dilution* 28 (draft of August 24, 2008 on file with author).

[62] A different argument that producers are harmed by uses of the same mark for non-competitive goods might focus on the costs the producer would be required to incur in re-educating consumers about the quality of its goods if and when it entered the same market as the junior user. If, for example, Borden was unable to prevent another company from using the

producers are not likely to be harmed frequently enough to justify a rule that assumes harm whenever there is confusion in a non-competing goods case. The only plausible case of injury involves likely entry into a market using the same brand.

2. Uses That Confuse Consumers About Quality

Despite the lack of a compelling producer interest in trademark protection against non-competing goods, we think consumers have a strong interest in trademark protection in those cases in which the defendant's use of a mark suggests the plaintiff controls the quality of the defendant's products or services. The ability to rely on statements of quality is critical to consumers' ability to evaluate products or services. In cases of this sort, consumers are getting real information that affects their decisions about which products or services to buy. In the franchising context, for example, even if consumers understand that McDonald's Corporation is not the actual source of their hamburgers, trademark enforcement allows consumers to connect a brand name to product quality by modulating the reputation of the company ultimately responsible for controlling the quality of that product.[63] Likewise consumers are likely to derive important information from use of the APPLE mark in conjunction with the iPhone, information that affects their evaluation of the quality of the iPhone.

Borden name for ice cream and was forced to enter the ice cream market under a different name (since the other company would have established priority in the ice cream market),

[63] On the organizational choices associated with franchise relationships, see ,e.g., Mira Wilkins, *The Neglected Intangible Asset: The Influence of the Trademark on the Rise of the Modern Corporation*, 34 **Bus. & Hist.** 66, 87-88 (1992); James A. Brickley & Frederick H. Dark, *The Choice of Organizational Form: The Case of Franchising*, 18 **J. Fin. Econ.** 401, 403-07 (1987); Paul H. Rubin, *The Theory of the Firm and the Structure of the Franchise Contract*, 21 **J. L. & Econ.** 223 (1978).

Consequently, even if the harm to mark owners in the context of non-competing goods is uncertain, quality-related messages are important enough to consumers' ability to evaluate products or services that uses of a mark which cause confusion about responsibility for quality ought to be actionable as trademark infringement.[64] Moreover, we think confusion about responsibility for quality affects buying decisions frequently enough that such confusion ought to be actionable without any need for evidence of impact on consumers' decision-making. In other words, confusion regarding responsibility for quality ought to be presumed material.

Even here, it is worth distinguishing between cases in which consumers really will be confused about who is responsible for quality despite the unrelated character of the goods and cases in which differences between the goods or the brand may dispel any such confusion. For example, producers often distinguish their goods with a house mark, a product-specific brand, a logo, a slogan, product packaging and perhaps product color or configuration all at once. [65] Confusion is less likely in the case of unrelated goods when a defendant copies only one (or some) of these elements rather than all of them.[66] It is important to remember that confusion is to be judged not based on

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[64] *See, e.g.,* Scholotzsky's, Ltd. v. Sterling Purchasing & Nat'l Distrib. Co., 520 F.3d 393 (5th Cir. 2008) (misrepresentations by distributor as to nature of relationship with franchisor sufficient to state a Lanham Act claim).

[65] *See, e.g.,* Bristol-Myers Squibb Co. v. McNeil-PPC, Inc., 973 F.2d 1033 (2d Cir. 1992). That case involved a lawsuit by makers of "Excedrin PM" nighttime pain reliever against makers of "Tylenol PM" nighttime pain reliever. The court separately analyzed the house brands ("Excedrin" vs. "Tylenol," the mark "TM," the color of the lettering, and the color of the packaging; the pills themselves were also differently colored. The court found no confusion because of the prominence and difference between "Excedrin" and "Tylenol," despite the similarity of the trade dress and the identity of the "PM" marks.

[66] *See* Lisa P. Ramsey, *Intellectual Property Rights in Advertising*, 12 **Mich. Telecomm. & Tech. L. Rev.** 189, 251-52 (2006) (making this point in the context of slogans).

abstract notions of similarity, but in the context in which consumers actually see the brands. This is particularly important to keep in mind because only confusion about responsibility for quality, rather than more generalized forms of confusion, can give rise to trademark infringement claims.

It is also worth emphasizing that consumer, rather than producer, interests are driving protection in these cases. Producers serve as an imperfect proxy for consumers here because they are motivated to sue in ways that consumers aren't.[67] But the fact that it is consumers we are primarily protecting in cases involving confusion regarding quality, and not producers, means that trademark law should eschew rules that undermine consumer quality expectations. For example, producers that are nominally protecting consumer interests in quality should not be able to undermine those interests by licensing their mark without quality control.[68] Whatever the justifications for the general rule against assignments of trademarks "in gross" or naked licensing,[69] it seems to have particular force here. Indeed, we think it is a significant virtue of focusing trademark infringement on responsibility for quality that it would harmonize the

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[67] *Cf.* Lillian BeVier, *Competitor Suits for False Advertising Under Section 43(a) of the Lanham Act: A Puzzle in the Law of Deception,* 78 **Va. L. Rev.** 1, 2-3 (1992) (arguing that "competitors' incentives to sue are not correlated with the likelihood of consumer harm."); Ross D. Petty, *Supplanting Government Regulation With Competitor Lawsuits: The Case of Controlling False Advertising*, 25 **Ind. L. Rev.** 351 (1991).

[68] *But see* Irene Calboli, *The Sunset of "Quality Control" in Modern Trademark Licensing*, 57 **Am. U. L. Rev.** 341 (2007) (arguing that trademark owners should not be required to control the quality of their licensed products).

[69] On this issue, compare Irene Calboli, *Trademark Assignment "With Goodwill": A Concept Whose Time Has Gone,* 57 **Fla. L. Rev.** 771 (2005); Irene Calboli, *What If, After All, Trademarks Were "Traded In Gross"?,* 2008 **Mich. St. L. Rev.** 345; and Allison Sell McDade, *Trading in Trademarks: Why the Anti-Assignment in Gross Doctrine Should be Abolished When Trademarks Are Used as Collateral,* 77 **Tex. L. Rev.** 465 (1998) (arguing in favor of unrestricted licensing and sale of trademarks) *with* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 **Yale L.J.** 1687, 1709-10 (1999) (defending the rule against naked licensing).

infringement standard with the requirement that licensors exercise quality control in order to claim the benefits of licensed uses.[70]

3. Consumer Perceptions in Pure Sponsorship Cases

In contrast to the types of cases we put in the trademark infringement category, consumers get no quality-related information from the defendant's use of a mark in cases that involve confusion about other types of relationships that might exist between the plaintiff and defendant. Consumers, for example, might believe the presence of Coca-Cola cups in front of the American Idol hosts suggests some kind of product placement agreement between Coca-Cola and the producers of American Idol, but no reasonable person thinks Coke controls the quality of the American Idol television show.[71]

[70] See 15 U.S.C. § 1055 (providing that use of a mark by "related companies" inures to the benefit of the mark owner). A "related company" in this context is one "whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of goods or services on or in connection with which the mark is used." Id. at § 1127.

[71] Perhaps we're wrong about this and consumers, increasingly familiar with product placement and the complicated arrangements between advertisers and content creators, *do* in fact derive quality-related information from the presence of Coca-Cola cups, though what exactly that information might be is hard to imagine. Economists have argued that the fact that a company is willing to spend money advertising is itself a signal of quality, see I.P.L. Png & David Reitman, *Why Are Some Products Branded and Others Not?,* 38 **J.L. & Econ.** 207 (1995); Phillip Nelson, *Advertising as Information,* 82 **J. Pol. Econ.** 729,730 (1974), though one of the authors has elsewhere explained the self-limiting nature of this claim. *See* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 **Yale L.J.** 1687, 1692 (1999). But even consumers assume that Coke guarantees the quality of American Idol, the general point holds: some uses that now are included in sponsorship or affiliation confusion convey qualitatively different kinds of information than those that suggest responsibility for quality. And our formulation doesn't require guessing about whether a particular use conveys quality-related information or not – the plaintiff always has the opportunity to prove it.

This is not to deny that consumers obtain some kind of information from these uses – they may conclude, for example, that Coca-Cola is "cool" because it is associated with a popular show (or, conceivably, that American Idol is cool because it is associated with Coke). But this is qualitatively different information than consumers derive from quality-related messages, and we believe the benefits from protecting such information are lower and the costs of protecting it higher. [72]

On the benefits side, it seems clear to us that the producer-side arguments for claims in the context of these other relationships are particularly weak. The marketing literature dealing with brand alliances is instructive here. Brand alliances, as defined in this literature, are "partnerships between two entities in which efforts are combined for a common interest or to achieve a particular aim."[73] These partnerships can take many forms, but the two most common forms are joint promotions (McDonald's using Kung Fu Panda toys in its Happy Meals) and co-branding arrangements (Edy's® Loaded Cookie Dough Ice Cream with Nestle Toll House® cookie dough). The lesson of this literature is clear, if somewhat counter-intuitive: consumers do not routinely blame a host brand for its partner's mistakes.[74]

[72] Nonetheless, some courts have concluded that the fact of assumed permission is itself an actionable trademark harm. Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 544 (5th Cir. 1998) ("For a party to suggest to the public, through its use of another's mark or a similar mark, that it has received permission to use the mark on its goods or services suggests approval, and even endorsement, of the party's product or service and is a kind of confusion the Lanham Act prohibits."). In that case, the evidence of endorsement was merely based on similarity of the golf course layouts, and was not based on any affirmative representation by the defendant.
[73] Nicole L. Votolato & H. Rao Unnava, Spillover of Negative Information on Brand Alliances, 16 J. Cons. Psych. 196 (2006).
[74] Id. at 198.

In one significant study, the authors focused on the consequences to a clothing company of negative information about its supplier and a celebrity endorser of the clothing company's products.[75] More specifically, the authors attempted to measure the change in consumers' attitudes towards the fictitious clothing company from information that the company's partners had behaved immorally or had been incompetent.[76] There wasn't any. Putting their finding in context with other research on brand associations, the authors concluded that negative information does not have any feedback effect on the partner absent some additional information about the partner's culpability for the failing, regardless of whether the information relates to competence or moral failings and regardless of whether the information is about another company or a person with which the partner is associated. As the authors noted, "a host brand may generally be quite impervious to negative publicity surrounding its partner brand; the host brand was only affected when participants were led to believe that the host *knew of and condoned* the partner's behavior. Spillover from the partner brand to the host brand did not occur unless this condition was present."[77]

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[75] Id.

[76] Previous research suggested to the authors that consumers might react differently to different types of negative information – information about competence, on the one hand, and moral misdeeds on the other. See id. at 197; T. J. Brown & P.A. Dacin, *The Company and the Proudct: Corporate Associations and Consumer Product Responses*, 61 **J. Mktg.** 68 (1997); Wojciszke, Brycz & Borkenau, *Effects of Information Content and Evaluative Extremity on Positivity and Negativity Biases*, 64 **J. Pers. And Soc. Psych.** 327 (1993). Specifically, this earlier research suggested that consumers react more negatively to competence-based information than moral failures when the target of the information is a company; just the reverse is true when the target of the information is a person. See Votolato & Unnava at 197.

[77] Votolato & Unnava, at 201. (emphasis added). These findings, as the authors also note, may help explain why spillover effects are not frequently reported in practice. Id.

Recall that this finding comes from a study in which respondents were told explicitly that the partner had a relationship with the third party about which the negative information was provided. Thus, there was no ambiguity about affiliation – respondents understood that the partner was affiliated with the third party. What this suggests very clearly is that spillover is unlikely to occur absent some information – additional information, beyond the mere fact of association – demonstrating the host brand's specific culpability. In other words, *consumers generally do not impute responsibility based solely on the fact of association*. The important implication here is that consumers generally do not view these types of alliance relationships as indicative of partners' control.

These studies suggest that any harm to producers from confusion about sponsorship or affiliation is quite attenuated: producers suffer no lost sales and they are unlikely to suffer any reputational consequences absent additional information suggesting control over the partner. If a mall cookie vendor advertises that its cookies contain M&Ms, for example, consumers might or might not assume that Mars had entered into a deal with the cookie company, but whether they do or not they are unlikely to blame Mars if they don't like the cookies. The only sense, then, in which a mark owner is harmed by third party uses that suggest sponsorship or affiliation is that third party uses might interfere with the mark owner's own ability to develop and derive value from such relationships. In other words, the only likely loss to trademark owners from affiliation confusion is the loss of revenue the trademark owner could have made by licensing the mark to the putative affiliate. This is a claim to market control, not a claim to harm resulting from confusion or even an injury to consumers at all.[78] We think this circular claim to licensing revenue is insufficient to justify trademark protection, particularly in light of the significant costs such protection entails.[79]

The marketing literature has implications for merchandising right claims as well. Merchandising cases involve the use of brands not to identify the source or quality of goods, but instead as desirable products in and of themselves. The sale of brands qua brands on T-shirts, hats, and the like presents difficult problems for trademark theory.[80] There is no obvious source relationship between, say, a university or a professional sports team and T-shirts or hats that feature the logo of that university of team. There might be a presumed franchising-type quality relationship; universities and sports teams today do license the manufacture of clothing featuring their logos, and it is possible that consumers both assume that the mark owner is serving as a guarantor of the quality of those clothes and that any clothing featuring the school or team name is in fact licensed by the university and is therefore of the assumed quality. There may also be a "snob goods" communicative function served by the mark that is lost if outsiders can falsely suggest that they too have paid $35,000 for a watch. On the other hand, those

[78] *See* **J. Thomas McCarthy, Trademarks and Unfair Competition** sec. 24:9 (2007 ed.) (discussing the circularity problem that occurs when consumer perception drives licensing law but licensing law drives consumer perception). For criticism of property-based market allocation claims in IP more generally, see, e.g., Yochai Benkler, *Some Economics of Wireless Communications,* 16 **Harv. J. L. & Tech.** 25, 25-26 (2002); Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 **Tex. L. Rev.** 1031 (2005).

[79] We evaluate such claims in more detail in a separate paper. *See* Mark McKenna & Mark A. Lemley , *Owning Markets? Trademark Law and Market Foreclosure* (vaporware 2009).

[80] *See* Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory of Fait Accompli?* 54 **Emory L.J.** 461, 465 (2005) (detailing these cases and analyzing them under trademark principles); **Robert P. Merges et al., Intellectual Property in the New Technological Age** 754-58 (rev. 4th ed. 2007) (same).

consumer assumptions will not be present in every case. Outside the school and sports context, and perhaps a few others (Nike, say), it is not clear to us that consumers assume that any T-shirt with a trademark on it is necessarily licensed, much less quality-guaranteed, by the brand owner.

In each of these cases, our point is not that consumers can never be harmed by confusion. Rather, the point is that the sort of attenuated confusion at issue in sponsorship and affiliation cases does not *necessarily* or even often harm consumers or the market for quality products. The benefits of expanding confusion law to this class of cases are correspondingly smaller.

B. Costs of Expanding Confusion

The costs of this protection, on the other hand, are high. We see at least four potential types of costs to extending trademark rights to cover any perceived relationship unrelated to the quality guarantee.

First, the expansion of trademark infringement to include any claim of affiliation or relationship necessarily expands the rights of all mark owners beyond the goods and geographic regions in which they sell or into which they are likely to expand. As a result, it produces any number of conflicts between legitimate mark owners that have coexisted for years under traditional trademark rules, but who cannot share a mark without some risk that someone will think the identity of the marks implies that they are somehow related or affiliated. Dell the bookseller predates Dell the computer company,[81] but if the lack of relationship between the products is no longer to matter – as it increasingly does not under the broad form of sponsorship or affiliation confusion – then whether those two marks should be allowed to coexist will depend on what a court concludes about the percentage of people who think they are related. The same is true of United the airline company and United the moving company, of Apple the computer and electronics company and Apple the travel agency, and thousands of others.[82] Whether or not the trademark owners will sue in these cases (and it is far from clear which would sue the other), the fact is that consumers are likely just as "confused" in these cases as in the ones in which they do sue. Taking mark similarity in different markets to imply sponsorship or affiliation, as many courts have done, means that only one company should be allowed to use any given term (or indeed any term too close to that term). Either we should be awash in lawsuits, or we are not really taking seriously the idea that confusion as to sponsorship or affiliation matters.

Second, and related, is the problem of coddling consumers. Consumers are generally pretty good in most circumstances in figuring out what they want to buy.[83] But their perceptions are shaped by the environment in which they find themselves. If they see trademarks that overlap, they will adapt and deal with that environment. And as long as legal claims remain available against explicitly misleading statements ("Coca-

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[81] Bantam Dell, the book publisher, was established in 1945. http://www.lights.ca/publisher/db/8/1628.html. Dell Computer was established much later.

[82] Dilution raises similar problems, but at least dilution law is (at least in theory) cabined to truly famous marks. 15 U.S.C. § 1125(c)(2)(A).

[83] For a detailed discussion of the evidence on all sides, see Thomas R. Lee, *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, 57 **Emory L.J.** 575 (2008). *Cf.* Barton Beebe, *Search and Persuasion in Trademark Law*, 103 **Mich. L. Rev.** 2020 (2005).

Cola is the official sponsor of American Idol") there is every reason to believe that consumers will be able to do so relatively easily.[84] But if they become used to a world in which only one company has any right to refer to a brand for any reason, they may well become confused by uses that would otherwise seem perfectly reasonable. Expanding trademark law to prevent remote prospects of confusion will change consumer expectations in ways that may make confusion on the basis of remote connections more likely, and therefore make still further expansion of trademark law necessary to stop critics, parodies, or gripe site Web pages from funding themselves with online ads or selling T-shirts. Put another way, unless we are able to identify more specifically the types of relationships that could give rise to actionable confusion, there is no logical stopping point for trademark protection.

To see this point, consider a seemingly extreme example.[85] Most everyone would presumably agree that a grocery store should be allowed to locate generic colas on a shelf next to Coca-Cola. But why? One would say, perhaps, that such uses do not confuse consumers into thinking that Coke licenses the placement or sponsors the

[84] Several studies have determined that use of a sub-brand or other mechanism for differentiating an extension from the parent brand is effective in preventing any feedback effects on the parent brand. See, e.g., *See, e.g.*, Amna Kirmani, Sanjay Sood & Sheri Bridges, *The Ownership Effect in Consumer Responses to Brand Line Stretches*, 63 J. MARKETING 88 (1999) (finding sub-brands effective in preventing negative feedback from extension to parent brand); Sandra J. Milberg, C. Whan Park & Michael S. McCarthy, *Managing Negative Feedback Effects Associated With Brand Extensions: The Impact of Alternative Branding Strategies*, 6 J. CONSUMER PSYCHOL. 119 (1997) (sub-branding may prevent negatively evaluated extensions from harming the parent brand). This research suggests that consumers are relatively adept at recognizing attempts to differentiate, and that they are able to categorize brand attitudes finely when they have reason to differentiate. Thus, any risk of confusion is attenuated to the extent the use accompanies signals of differentiation.

[85] Portions of this paragraph are adapted from Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 **Iowa L. Rev.** 1669 (2007).

generic colas. But if consumers are not confused about sponsorship, it is only because the law has long permitted such uses, and so consumers accept and understand them. That is not an inevitable result, however. Had the courts said at the outset that trademark owners could sue to prevent such placement—reasoning that consumers might think that proximity implied association and diverted sales, as evidenced by the fact that product sellers pay grocery store owners for shelf placement—one can imagine a world in which grocery stores had to separate like products to avoid any risk of association. Further, even if a finding of confusion seemed unlikely, many companies would agree to change their behavior or take a license rather than pay to litigate a case all the way to trial and risk losing. This, in turn, would mean that consumers would not be used to seeing all the colas grouped together and would make it harder for anyone else to make such a use because, over time, the placement of generic cola beside Coke would be more surprising to consumers. And if no one else is putting generic colas next to Coke, it is an easy mental step to conclude that a grocer that does so is free riding on Coke's interest in being insulated from nearby competitors, particularly if the grocer is making money directly or indirectly from the placement or sales of generic colas.[86]

Arguably, something similar has already happened with t-shirts bearing university and sports logos. A use that originally confused no one came, over time, to confuse consumers as a few courts held that such uses were illegal. These rulings led to widespread licensing, which made consumers assume that such t-shirts came only from

86. For a more detailed analysis of the retailer issue and an argument that Internet intermediaries play the same role for trademark purposes as retailers, see Eric Goldman, *Brand Spillovers,* 23 Harvard J. L. & Tech. __ (forthcoming 2009). .

licensed vendors.[87] As a result, it may be that today the law must enforce the claims of universities and sports teams to be the only ones to sell merchandise bearing the team logos, though that conclusion is certainly contested.[88] But if so, it is not because doing so was the only way to prevent confusion. It is the law itself that will have created that confusion.

Third, sponsorship and affiliation cases may be more likely to reach the wrong result than other types of trademark infringement cases. Trademark infringement has developed a multi-factor likelihood of consumer confusion test to try to identify the circumstances in which plaintiffs should win trademark cases.[89] But those factors were designed to deal with cases like *Borden* in which consumers might believe that the plaintiff is responsible for quality, and few of those factors make much sense when the issue is confusion about some unspecified sponsorship or affiliation relationship.[90] Factors such as marketing channels, likelihood of expansion, and even consumer sophistication have little relevance to evaluating Coke's claim to be the exclusive soft drink associated in the minds of consumers with "American Idol." The result is that more and more attention is focused on factors – notably the court's assessment of the defendant's intent and survey evidence – that are easily malleable and may tend to shift

87. *See* Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory of Fait Accompli?* 54 **Emory L.J.** 461, 465 (2005) (detailing this history).

88 *Id*.

89 *See, e.g.,* AMF Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979); Polaroid Corp. v. Polarad Elecs. Corp., 287 F2d 492, 495 (2d Cir. 1961).

90 *See, e.g.,* King of the Mountain Sports, Inc. v. Chrysler Corp., 185 F.3d 1084, 1090 (10th Cir. 1999) ("in the rare, pure sponsorship action, other factors [than similarity] – such as the relation in use and the manner of marketing between the goods or services and the degree of care likely to be exercised by purchasers – have little importance.").

with the quality of the lawyers or experts arguing rather than the strength of the case.[91] In *Balducci*, for instance, the court's (insupportable) conclusion that a parody of a Michelob ad was infringing was driven by spurious survey evidence; in that case, the survey asked a question (whether the defendant should have to get permission to publish the parody) that misstated the law. It may be that trademark law has worked out a set of rules that effectively distinguish confusing from non-confusing uses in the run-of-the-mill trademark case. But those rules don't apply to sponsorship cases, and the factors we substitute may be more prone to produce erroneous findings on confusion because the tools we have don't work well for determining whether this kind of confusion is likely. Barton Beebe's work has shown that courts tend to fall back on their assessment of a defendant's intent in deciding whether consumer confusion is likely.[92] Perhaps this is acceptable if the intent in question is intent to confuse consumers into buying the defendant's goods instead of the plaintiff's. But when the relevant intent is more amorphous – some sort of free riding – the fact that courts rely so heavily on intent becomes problematic, because the concept of free riding is ultimately empty.[93]

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[91] Barton Beebe's analysis of the case law suggests that we may have this problem even with product confusion cases, because outcomes tend to be driven by the court's focus on intent. Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 **Cal. L. Rev.** 1581 (2006). If causation in fact runs in the direction this suggests, all of trademark infringement analysis may be fundamentally flawed.

[92] *Id.*

[93] *See, e.g.,* Ty, Inc. v. Perryman, 306 F.3d 509 (7th Cir. 2002) (Posner, J.) (rejecting sponsorship dilution claim because "in that attenuated sense of free riding, almost everyone in business is free riding.").

Finally, sponsorship and affiliation confusion claims pose particular risks to free expression. Many of the examples we discussed in Part I involve, not the sale of commercial products, but the use of a mark as part of protected speech on issues of social relevance.[94] With the importance of brand image in today's economy, trademarks "form an important part of the public dialog on economic and social issues."[95] As Judge Kozinski has noted: "Much useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark."[96]

No one can talk about Barbie dolls and the role they play in popular culture without using the term "Barbie," and often the dolls themselves. Nor can they effectively make fun of trademark owners without using their marks.[97] And as many commentators have noted, modern expression frequently requires the use of trademarks in their role as social referents, whether or not the product itself is being

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[94] *See* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 **Yale L.J.** 1687, 1711-12 (1999) (documenting numerous examples in addition to the ones we discuss here).

95. 5 MCCARTHY, *supra* note __, § 31:146, at 31-213 *see also* L.L. Bean v. Drake Publishers, 811 F.2d 26, 30 (1st Cir. 1987) ("'[T]rademarks offer a particularly powerful means of conjuring up the image of their owners, and thus become an important, perhaps at times indispensable, part of the public vocabulary.'" (quoting Robert C. Denicola, *Trademarks As Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 **Wis. L. Rev.** 158, 195-96).

96. New Kids on the Block v. News Am. Publ'g, 971 F.2d 302, 307 (9th Cir. 1992); *see also* Yankee Publ'g v. News Am. Publ'g, 809 F. Supp. 267, 275-76 (S.D.N.Y. 1992) (holding that the First Amendment is implicated by expressive, rather than commercial, uses of a trademark); Denicola, *supra* note __, at 194-96.

[97] And some trademark owners undoubtedly deserve to be made fun of.

discussed directly.[98] Even satire or comment on unrelated political issues may need to refer to advertisements to make a clear point in a culture in which advertising is ubiquitous.[99] Nor is the need for iconic brands limited to satire or criticism; adulation may well prompt imitation (which is, after all, the sincerest form of flattery). Try to go a day without encountering an ad for Obama memorabilia, for instance.

Restricting that speech is harmful to society. It is likely also unconstitutional.[100] And while all aspects of trademark law can pose First Amendment threats, we think it is no accident that the worst problems don't come from traditional suits against the sale of competing products, but claims that try to stretch the concept of confusion to cover unrelated parody products or pure speech by using the rubric of sponsorship or

98. *See* Keith Aoki, *How the World Dreams Itself To Be American: Reflections on the Relationship Between the Expanding Scope of Trademark Protection and Free Speech Norms*, 3 LOY. L.A. ENT. L.J. 523, 528 (1997); Denicola, *supra* note __, at 195-96; Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks As Language in the Pepsi Generation*, 65 **Notre Dame L. Rev.** 397, 397-98 (1990); Mira Wilkins, *The Neglected Intangible Asset: The Influence of the Trade Mark on the Rise of the Modern Corporation*, BUS. HIST., Jan. 1992, at 66, 87-88 (1992); Steven M. Cordero, Note, *Cocaine-Cola, the Velvet Elvis, and Anti-Barbie: Defending the Trademark and Publicity Rights to Cultural Icons*, 8 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 599, 601-03 (1998); Tara J. Goldsmith, Note, *What's Wrong with This Picture? When the Lanham Act Clashes with Artistic Expression*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 821, 877-78 (1997). There is a significant sociological literature on the process by which consumers "recode" products and brands, imbuing them with independent social significance in a way frequently not intended by the trademark owner. For a discussion, see Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 CAL. L. REV. 125, 140 (1993).

99. In Mastercard Int'l Inc. v. Nader 2000 Primary Committee, 70 U.S.P.Q.2d 1046 (S.D.N.Y. 2004), for example, Ralph Nader used a parody of the Mastercard "priceless" advertising campaign to attract viewer attention and make a political point.

100. For constitutional arguments, see Denicola, *supra* note __, at 158; Wendy J. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533, 1537 (1993); Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 171-78 (1999); Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 **SMU L. Rev.** 381, 417, 424 (2008).

affiliation.[101] Even if those restrictions don't succeed, the mere fact that the suits are brought may distort the use of trademarks as cultural referents, changing the nature of the social conversation about things,[102] as when trademark owners demand that brands be removed from pictures or movies depicting places in which they actually appear.[103]

C. Weighing Costs and Benefits

None of the costs we have identified is sufficient, alone or together, to defeat the rationale for trademark protection generally, or even with respect to uses that suggest responsibility for quality. Trademark law as a whole has benefits that far outweigh its costs. But it is significant – and not accidental – that the extreme form of the sponsorship theory of confusion produces the fewest benefits and causes the most harm. Trademark law works best when stays close to its traditional core. As trademark doctrine expands further afield from that core, it imposes more costs on society and accordingly requires more justification.[104] But as we have seen, many of those expansions have less benefit, not more.

[101] A variety of "defenses" and limitations exist within trademark law that attempt to soften the impact on First Amendment values, but their indeterminateness has been the subject of much recent discussion. See, e.g., William McGeveran, *Rethinking Trademark Fair Use*, 94 Iowa L. Rev. 49 (2008) (arguing that, while most cases raising these free speech issues have been decided in favor of speech, the procedural structure of trademark law's various "fair use" doctrines generate excessive ambiguity and prolong litigation, thereby discouraging speakers from using trademarks expressively in the first place, creating a classic chilling effect.).

[102] *See, e.g.,* Katya Assaf, *The Dilution of Culture and the Law of Trademarks*, 49 **Idea** 1, 77-79 (2008).

[103] *See, e.g., Slumdog Millionaire throws product placement into reverse*, **Variety,** Oct. 30, 2008, http://weblogs.variety.com/hal/2008/10/slumdog-million.html (documenting the efforts to which trademark owners went to require that their marks be removed from the background of Slumdog Millionaire).

[104] *See* Jessica Litman, *Breakfast With Batman: The Public Interest in the Advertising Age*, 108 **Yale L.J.** 1717, 1729-30 (1999).

What we need, then, is balance. Trademark law must extend beyond pure source confusion in some cases, or it can't effectively serve its purposes. But if it extends too far, it does more harm than good. In the parts that follow, we apply these lessons to trademark doctrine.

IV. Distinguishing Trademark Infringement From False Advertising

We believe that the best way to achieve balance in cases that do not involve confusion about responsibility for quality is not to try to fit them within the traditional trademark framework at all, but instead to think of them as akin to cases of false advertising. False advertising law coexists in the Lanham Act with trademark law, and both are directed at misrepresentations in the marketplace. But while trademark law has traditionally aimed at protecting against the use of the plaintiff's mark to misidentify the source of the defendant's goods, false advertising law targets a broader range of false or misleading statements about either the plaintiff, the defendant, or the plaintiff's or the defendant's goods or services.[105]

False advertising law's broader scope, however, is counterbalanced by limitations that do not apply in trademark infringement cases. Most notably for our purposes,[106] while trademark law presumes actionable harm from proof of consumer

[105] 15 U.S.C. § 1125(a)(1)(B); Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134 (9th cir. 1997).

The definition of falsity is itself surprisingly malleable. For examples, see, e.g., Rebecca Tushnet, *It Depends on What the Meaning of "False" Is: Falsity and Misleadingness in Commercial Speech Doctrine*, 41 **Loy. (L.A.) L. Rev.** 227, 231-48 (2007);

[106] One significant limitation on the scope of false advertising claims is the requirement that a plaintiff be in competition with the defendant to have standing to assert a claim. See, e.g., Barrus v. Sylvania, 55 F.3d 468 (9th Cir. 1995); Serbin v. Ziebart Int'l Corp., 11 F.3d 1163 (3d Cir.

confusion, entitling plaintiffs to an injunction,[107] false advertising is actionable only if the representations made by the defendant materially affect consumer purchasing decisions.[108] In other words, false or misleading statements may or may not cause harm, depending on how people perceive those statements. Imagine, for example, that the defendant falsely states that the plaintiff has 11,500 employees, when in fact they have 11,600. The claim is one of fact, and it is provably false, but it is hard to imagine that the difference would matter to consumers at all. False advertising law accordingly treats it as not material.[109]

We think that logically trademark law can be conceived as a specialized subset of false advertising law. False advertising law covers a broad range of misrepresentations, not all of which are actionable. Trademark law focuses on a subset of these misrepresentations – those that involve using the plaintiff's trademark or a simulacrum thereof to brand the defendant's goods. Because of the centrality of those

1993). For criticism of this rule, see Lillian R. BeVier, *Competitor Suits for False Advertising Under Section 43(a) of the Lanham Act: A Puzzle in the Law of Deception*, 78 **Va. L. Rev.** 1, 2-3 (1992).

[107] 15 U.S.C. § 1116. The Eleventh Circuit has read the Supreme Court decision in *eBay, Inc. v. MercExchange*, 126 S. Ct. 1837 (2006), as requiring proof of irreparable harm and balancing the hardships before enjoining infringement. North Am. Med. Corp. v. Axiom Worldwide, Inc., 522 F.3d 1211 (11th Cir. 2008). But we think that where a plaintiff has proven that the defendant's use is likely to confuse consumers, it makes no sense to award damages but allow the defendant to keep confusing consumers. Injunctions should almost always be appropriate in trademark cases.

[108] *See, e.g.,* Johnson & Johnson * Merck Consumer Pharmaceuticals Co. v. Smithkline Beecham Corp., 960 F.2d 294 (2d Cir. 1992) (requiring proof of materiality); Johnson & Johnson v. GAC Int'l, Inc., 862 F.2d 975, 977 (2d. Cir. 1988) (materiality is presumed if statements are literally false, but must otherwise be proven); Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave., 284 F.3d 402 (1st Cir. 2002) (literally false statement that a sweater was cashmere was presumed to confuse consumers).

[109] Cf. In re Century 21-RE/MAX Real Estate Advertising Claims Litig., 882 F. Supp. 915, 928 (C.D. Cal. 1994) (holding that an overstatement of 25,308 real estate transactions completed in 1992 (out of more than 600,000 transactions) was not likely to influence the purchasing decision of any consumer).

representations, courts in trademark cases have not required proof of materiality of confusion. Rather, they have presumed it.

That presumption makes sense in the context of traditional trademark infringement: if consumers are confused by the defendant's mark or logo into thinking its goods are the plaintiff's, it is logical to think that that confusion will be likely to materially affect consumer purchasing decisions. We think the same can be said of uses that cause confusion about responsibility for quality. But the expansion of trademark law to cover confusion about other types of relationships stretches the general presumption too far. Confusion of the type we discussed in Part I may or may not affect consumer purchasing decisions; for the reasons we explained in Part II, in most cases we think it unlikely that affiliation confusion will harm consumer interests or affect their purchasing decisions.

The solution, we think, is simple: not to categorically rule out cases involving those other forms of confusion, but to limit those claims so as to increase the benefits of those still actionable and decrease their costs. The easiest way to do so would be to import into trademark law the materiality requirement courts have created in the false advertising context and apply it in the context of any claim based on confusion that does not relate to source or control over quality.[110] Plaintiffs bringing cases then would face

[110] For suggestions along somewhat similar lines, see, e.g., James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 **Yale L.J.** 882, 949 (2007) (suggesting that courts impose a materiality requirement in sponsorship or affiliation confusion cases); Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 **N.Y.U. L. Rev.** 60 (2008). Grynberg would go further than we do, making materiality an element of every trademark case. While he is undoubtedly correct that enforcing trademarks can harm non-confused consumers, we think

a choice: (1) bring a trademark infringement claim and be required to prove confusion regarding responsibility for the quality of the defendant's goods or services; or (2) bring a false advertising-type claim alleging that the use causes other forms of confusion and be required to prove confusion about some other relationship and that such confusion materially affects consumers' decisions whether to purchase defendant's goods or services.[111]

This formulation has an obvious analogue in antitrust law and its distinction between conduct deemed per se anticompetitive and conduct judged according to the rule of reason. Courts in antitrust cases have identified certain conduct as the type of conduct experience has shown harms competition in most cases, including conspiring to fix prices, rig bids, or divide markets.[112] Courts impose liability whenever a plaintiff shows that the defendant intentionally engaged in conduct of this type, and the plaintiff does not have to prove that the defendant's conduct harmed competition. Instead

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the law strikes the right balance in presuming materiality from actual confusion as to source or quality.

[111] Sometimes the plaintiff's claim is neither a lost sale of their own goods nor confusion about defendant's goods that materially affects the decision to purchase the defendant's goods, but instead a claim of injury to the plaintiff's mark based on some harm other than confusion. These claims fit under the dilution rubric, and we think they fit neither within the trademark infringement framework nor the false advertising framework, but instead in their own category. *See* 15 U.S.C. § 1125(c). Commentators can and have disagreed over how much, if anything, belongs in that box, *compare* Jerre B. Swann & Theodore H. Davis, Jr., *Dilution, An Idea Whose Time Has Gone: Brand Equity as Protectable Property, The Old/New Paradigm,* 1 **J. Intell. Prop. L.** 219 (1994); Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 85 **Trademark Rep.** 525 (1995); Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 **Emory L.J.** 461 (2005); Rebecca Tushnet, *Gone in Sixty Seconds: Trademark Law and Cognitive Science,* 86 **Tex. L. Rev.** 507 (2008), but analytically the box exists.

[112] See N. Pac. Ry. Co. v. United States, 356 U.S. 1, 5 (1958) (identifying price fixing, division of markets, group boycotts, and tying arrangements as unlawful activities "in and of themselves"); Verizon Commc'ns Inc. v. Law Offices of Curtis V. Trinko, LLP, 540 U.S. 398, 408 (2004) (identifying collusion for purposes such as price fixing as the "supreme evil of antitrust").

harm is conclusively presumed.[113] Conduct with ambiguous effects on competition, on the other hand, is evaluated by a court more carefully, and plaintiffs alleging such conduct are required to demonstrate that the conduct at issue in fact harms competition.[114] What we propose for trademark law is much the same. True source confusion and confusion regarding responsibility for quality should actionable and should be presumed to materially affect consumers' decisions. Other forms of confusion have more ambiguous effects on consumers, however, and those forms of confusion should only be actionable when they can be proven material to consumers' decisions in particular cases.[115]

Requiring materiality may have other benefits as well. Because materiality is a sliding scale, not an all-or-nothing inquiry, courts could plausibly find some conduct to be material to purchasing decisions of only a few customers. In false advertising cases, the strength of the materiality finding is related to the remedy; the more problematic the deception the more willing the courts are to act.[116] This makes sense as a matter of cost-benefit analysis; thinking about sponsorship cases in these terms may permit courts

[113] *N. Pac. Ry. Co.*, 356 U.S. at 5 ("[T]here are certain agreements or practices which because of their pernicious effect on competition and lack of any redeeming virtue are *conclusively presumed to be unreasonable and therefore illegal* without elaborate inquiry as to the precise harm they have caused or the business excuse for their use.) (emphasis added)

[114] *See, e.g.,* Mark A. Lemley & Christopher R. Leslie, *Categorical Analysis in Antitrust Jurisprudence*, 83 **Iowa L. Rev.** 1207 (2008).

[115] For a similar proposal for differentiating between different types of derivative works and treating some as presumptively harmful while requiring evidence of harmfulness for other uses, see Christopher Sprigman, Copyright and the Rule of Reason, 7 J. Telecomm. & High Tech. L. (2009). *See also* Christina Bohannan and Herbert Hovenkamp, *IP and Antitrust: Errands in the Wilderness* (working paper 2009) (proposing to import the "antitrust injury" doctrine into IP law, though not specifically trademark law).

[116] *See, e.g.,* Richard Craswell, *Taking Information Seriously: Misrepresentation and Nondisclosure in Contract Law and Elsewhere*, 92 **Va. L. Rev.** 565, 594-601 (2006).

to do the same sort of balancing of remedies here, for example requiring disclaimers as as the cure for certain minor types of trademark harm.[117]

One objection to our proposal is that information about sponsorship or affiliation may be material in some respects to consumer perceptions or to the trademark owner's reputation without actually having any impact on consumer purchasing decisions. Trademark owners enter into sponsorship relationships because they think that the goodwill those relationships create will ultimately translate into purchases made by happy consumers, but we can imagine situations in which consumer perceptions of a brand are affected, but to too small an extent to change purchasing decisions. 7-11 sponsors the Chicago White Sox, which has agreed to start all its games at 7:11 pm.[118] The linkage between the two may mean that when the White Sox have a bad year, or if one of their players takes steroids, 7-11's image suffers a bit too. We recognize this possibility, but we don't think it should deter courts from requiring materiality. The relationship between 7-11 and the White Sox gives some information to consumers regarding the brands "personalities," and may impact consumers' affective responses to those brands. But if the information is really important to consumers, it shouldbe reflected in the final analysis in purchasing decisions. If the information does not influence purchasing decisions, any harm a trademark owner might suffer is de minimus, and is likely to be outweighed by the harms of expanding protection we detailed above. To put it plainly, attempting to protect these other forms of information through

[117] *Cf.* Grynberg, *supra* note ___ (calling for greater attention to the interests of non-confused consumers as well as confused ones).

[118] http://sports.espn.go.com/mlb/news/story?id=2621231.

trademark infringement claims will ultimately eviscerate any meaningful limits on the scope of trademark rights. We should be extremely confident of real harm in these cases before we go down that road.

V. **Implementation**

Recategorizing some of what are currently brought as sponsorship and affiliation claims from trademark law into false advertising-type claims would not necessarily require a change to the statute. Trademark law did not originally extend to sponsorship claims involving unrelated goods. It was courts, not Congress, that expanded the scope of trademark law, and courts presumably could undo that expansion.

While the seemingly simple approach would be to treat sponsorship and affiliation claims as false advertising claims, we can't actually push these claims into the false advertising system wholesale. The problem is that false advertising claims require proof that the plaintiff and the defendant are competitors.[119] Such a requirement would eliminate sponsorship and affiliation claims, which by definition involve unrelated goods. Nevertheless, we think the principle of false advertising – that companies should not deceive consumers in ways that materially affect their purchasing decisions – applies with full force to implicit or explicit assertions about sponsorship or affiliation that do not imply responsibility for quality. Those assertions should be actionable if, but only if, they are (1) false or misleading and (2) materially affect consumer decisions.

[119] *See, e.g.,* Barrus v. Sylvania, 55 F.3d 468 (9th Cir. 1995); Serbin v. Ziebart Int'l Corp., 11 F.3d 1163 (3d Cir. 1993).

The challenge, then, is to interpret the trademark infringement provisions of the Lanham Act to distinguish between cases involving confusion regarding responsibility for quality on the one hand, and cases involving confusion regarding other types of relationships on the other. Just as the Supreme Court has read distinctions into the statute in the context of trade dress[120] and reasonable distinctions into other statutes,[121] we think courts could distinguish between different types of alleged confusion and require evidence of materiality where the alleged confusion relates not to responsibility for quality, but to some other form of relationship. This particular distinction, we acknowledge, would be easier to reconcile with the text of the statute in the case of § 32 claims for registered trademarks, since that section lacks specificity about the nature of the relevant confusion.[122] Because § 43(a) specifically refers to confusion regarding "the origin, sponsorship, or approval" of the defendant's goods,[123] courts would have to distinguish between different cases of confusion regarding sponsorship or approval, requiring evidence of materiality where the alleged confusion of this sort did not imply responsibility for quality. But some courts already seem willing to do this, evaluating evidence of actual confusion based on whether that

[120] See Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205 (2000) (requiring evidence of secondary meaning for product configuration trade dress, as opposed to product packaging, which can be inherently distinctive); compare Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992).

[121] In antitrust, for instance, "any restraint of trade" has long been read to distinguish between reasonable and unreasonable restraints of trade.

[122] 15 U.S.C. § 1114(1)(a) ("Any person who shall, without the consent of the registrant … use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.").

[123] 15 U.S.C. § 1125(a)(1)(A).

confusion is actually relevant to a consumer purchasing decision.[124] And courts have already had to engage in similar legerdemain in interpreting subsection (B) of the Act to require materiality;[125] they could easily require it in some subsection (A) cases as well.

We do not think this type of distinction is inconsistent with the Lanham Act, or that it is a qualitatively different kind of distinction than the distinction between product configuration and product packaging (neither of which is specifically referenced in the statute). Given how entrenched the current understanding of trademark law has become over the last several decades, however, it may actually be easier to achieve this reform in Congress.

Whether courts or Congress are the actors, the change we propose is straightforward: the law should require that trademark owners claiming infringement based on confusion regarding anything other than source or responsibility for quality must demonstrate the materiality of that confusion to consumer purchasing decisions. That is, we should not presume social harm from likely confusion regarding other types of relationships, as we do with confusion as to the source of products. Instead, plaintiffs should have to prove that harm, as they do in false advertising cases.

Thus, the structure of trademark claims under approach will look something like this: traditional trademark claims about source confusion among

[124] *See, e.g.,* Riverbank, Inc. v. River Bank, No. 07-12354-WGY (D. Mass. June 12, 2009). We think the definition of material confusion the judge used there is likely too broad, but the fact that materiality was important at all shows a path to the goal we would like to reach in existing law.

[125] *See, e.g.,* Jean Wegman Burns, *Confused Jurisprudence: False Advertising Under the Lanham Act*, 79 **B.U. L. Rev.** 807, 871-74 (1999) (parsing the weak legislative support for a materiality requirement in false advertising).

competitors will be subject to the traditional rules, which presume harm to the plaintiff upon evidence of likely consumer confusion. So too will certain classes of confusion that don't strictly involve competitors: plaintiffs who are thought by consumers to guarantee the quality of the defendant's products (franchisors, for example), and plaintiffs who have not yet entered an adjacent market but are sufficiently likely to do so that consumers regard them as quality guarantors.[126] Owners of famous marks that can show likely harm to the mark in its core market from tarnishment or blurring can assert a dilution claim. Trademark owners who cannot satisfy any of these criteria can still bring a claim for confusion as to sponsorship or affiliation, but only if they can demonstrate that the defendant's false or misleading representations as to sponsorship or affiliation are actually likely to affect consumer purchasing decisions.

Cases subject to this materiality criterion would include not only the sports team and media cases we discussed in Part I, but also cases involving the so-called "merchandising right."[127] Indeed, the approach we advocate might actually offer a reasonable middle ground in the debate over the merchandising right, giving trademark owners control over the sale of T-shirts, hats, and other memorabilia if but only if consumers are actually influenced in their purchasing decisions by the belief that the trademark owner sponsored the works.[128] We expect it is unlikely that the Dutch soccer

[126] The harm in this latter case is not a traditional form of trademark harm, but instead a market foreclosure harm. On market foreclosure as a trademark harm, see Mark McKenna & Mark A. Lemley , *Owning Markets? Trademark Law and Market Foreclosure* (vaporware 2009).
[127] On the dubious legal provenance of the merchandising right, see, e.g., Dogan & Lemley, *Merchandising Right*, *supra* note __at __.
[128] *Compare* Boston Athletic Ass'n v. Sullivan, 867 F.2d 22 (1st Cir. 1989) (dispensing with proof of likely confusion in case involving Boston Marathon T-shirts); Au-Tomotive Gold, Inc. v.

fans we mentioned in our introduction actually took the pants from a beer company only because they thought there was a sponsorship relationship, but we concede it's possible. FIFA should have an opportunity to prove that they did, but we certainly shouldn't assume such a connection without evidence.

We think our approach also would ameliorate the problems with celebrity endorsement cases,[129] which also should require proof of materiality. And it may even provide a way to think about trademark use in virtual worlds.[130]

Volkswagen of Am., Inc., 457 F.3d 1062 (9th Cir. 2006) (assuming confusion from similarity of marks in case in which defendant sold car logo keychains, notwithstanding clear disclaimer) *with* WCVB-TV v. Boston Athletic Ass'n, 926 F.2d 42 (1st Cir. 1991) (requiring proof of likely confusion in case involving unauthorized TV broadcast of the Boston Marathon). Tom McCarthy refers to the question as a circular one, because if consumers think a particular use requires authorization then it will require authorization. **J. Thomas McCarthy, Trademarks and Unfair Competition** § 24:9. And if courts take the Jacoby view that we need only ask consumers what they think the law ought to be, see Jacob Jacoby, *Sense and Nonsense in Measuring Sponsorship Confusion,* 24 **Cardozo Arts & Ent. L.J.** 63 (2006), confusion analysis will be circular indeed. But this is a problem largely endemic to trademark law. Requiring proof that a representation is likely to affect consumer purchasing decisions would reduce the circularity problem, since it is not just expressed consumer belief about the law, but actual consumer behavior, that plaintiffs would have to show.

[129] See, e.g., *Abdul-Jabbar v. General Motors Corp.,* 85 F.3d 407 (9th Cir. 1996); Waits v. Frito-Lay, Inc., 978 F.2d 1093 (9th Cir. 1992).

[130] *See* Ben Quarmby, *Pirates Among the Second Life Islands – Why You Should Monitor the Misuse of your Intellectual Property in Online Virtual Words*, 26 **Cardozo Arts & Ent. L.J.** 667, 678-80 (2009) (documenting cases in which virtual world vendors sell branded "goods" without authorization). The sale of virtual goods is a bit of an edge case. There is no real good here for which the trademark owner might stand as a guarantor of quality. So we think in the ordinary case any trademark injury in such a transaction involves an assumption about affiliation or sponsorship between the trademark owner and the virtual world.

We can imagine, however, that over time circumstances might arise in which the quality or source of the virtual good is itself at issue. If Gucci virtual purses last longer or have features that other purses don't, selling a non-Gucci purse without those features as a Gucci purse would create the sort of harm trademark law has traditionally sought to prevent. If that happens, it shouldn't matter that the good is virtual rather than real. *See, e.g.,* Brendan James Gilbert, *The Second Life of Intellectual Property*, http://ssrn.com/abstract=1409091 (documenting trademark dispute between two virtual retailers on second life, SLART Gallery and SLART Garden).

To be sure, there is some risk under our approach that plaintiffs will be unable to prove in court harm they did in fact suffer. But we think there are ways to mitigate that risk. For example, courts could draw inferences or create presumptions of materiality for certain classes of explicit statements like "Coke is the official drink of American Idol," just as false advertising law currently treats literal falsity more harshly than literally true but allegedly misleading representations.[131] And the opposite risk – that plaintiffs will prove materiality by dubious evidence – can be reduced by demanding a logical causal chain showing injury to the trademark owner.[132] In any event, the risk of false negatives

[131] *See, e.g.,* Johnson & Johnson * Merck Consumer Pharmaceuticals Co. v. Smithkline Beecham Corp., 960 F.2d 294 (2d Cir. 1992); Johnson & Johnson v. GAC Int'l, Inc., 862 F.2d 975, 977 (2d. Cir. 1988) (materiality is presumed if statements are literally false, but must otherwise be proven).

[132] An example from a false advertising case is instructive. Pom Wonderful LLC v. Purely Juice, Inc. 2008 WL 4222045 (C.D. Cal., July 17, 2008), in which the court finds the false representation to be material. The court noted:

> 63. Plaintiff presented credible evidence that consumers send questions to both plaintiff and Purely Juice [Exhibits 223 and 177], which make clear that consumers are extremely concerned about product ingredients (including sugar) and how those ingredients will either improve or hinder their health.
> 64. Plaintiff's internal market research further shows that the primary reason that its customers drink POM Wonderful is for the health benefits. [Exhibit 178].
> 65. Accordingly, this Court finds that consumers are likely to base their purchasing decisions upon precisely the kinds of false statements contained in Purely Juice's marketing, particularly the untrue statements about its products consisting of "100% pomegranate juice" and containing "no sugar added."
> Consumer inquiries to Purely Juice establish materiality of Purely Juice's false statements. Purely Juice routinely received inquiries about the health benefits of its pomegranate juice, as well as its purity. [Exhibit 223]. These consumers also attach a great deal of importance to whether pomegranate juice contains added sugar. These consumer inquiries are consistent with plaintiff's own internal marketing research which shows that the primary reason that its customers drink pomegranate juice is for the health benefits..
> c. Purely Juice's president and founder testified Purely Juice would lose its position in the marketplace if it could not label or advertise its product as "100% pomegranate juice" with "No sugar added." This evidence firmly establishes the materiality of the false and misleading statements.

must be balanced against the costs of sponsorship and affiliation litigation, which as we suggested in Part II are substantial.

VI. Conclusion

Trademark law has expanded dramatically in the last century, to the point where it now prohibits conduct by companies that seems unlikely to confuse consumers in any material way. The result is a long series of seemingly absurd decisions. We think the problem is that courts have presumed that if consumers are confused at all, that confusion is problematic. That presumption that makes sense when the plaintiff and defendant are competitors and consumers are confused about the source or the quality of the products they are buying. But the same presumption makes no sense in cases of sponsorship or affiliation confusion, because the evidence suggests that most such confusion does not in fact affect consumer purchasing decisions.

We suggest that trademark law can best deal with sponsorship or affiliation claims by taking a page from history and returning this subset of cases to its roots in false advertising law. Believe consumers have been injured because a little league team uses your professional sports team name, because soccer fans are wearing your team colors without your permission, or because a TV show uses your soda in it? Our rule is simple: prove it.