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Testing Modern Trademark Law's Theory of Harm

Mark P. McKenna*

ABSTRACT: Modern scholarship takes a decidedly negative view of trademark law. Commentators rail against doctrinal innovations like dilution and initial interest confusion. They clamor for clearer and broader defenses. And they plead for greater First Amendment scrutiny of various applications of trademark law. But beneath all of this criticism lies overwhelming agreement that consumer confusion is harmful. This easy acceptance of the harmfulness of confusion is a problem because it operates at too high a level of generality, ignoring important differences between types of relationships about which consumers might be confused. Failure to differentiate between these different relationships has enabled trademark owners to push the boundaries of trademark protection, as they have been able to characterize virtually every use of their marks in consumer confusion terms.

This Article begins the process of distinguishing types of confusion by focusing on the supposed harms to producers from confusion regarding the source of non-competing goods. More specifically, this Article evaluates the assumptions underlying arguments in favor of protection against non-competing uses in light of the growing marketing literature regarding brand extensions and brand alliances. It demonstrates that non-competitive uses of a mark are unlikely to impact negatively the mark owner's reputation for quality. Consumers, it turns out, are quite adept at compartmentalizing their quality expectations by product category. At the same time, the literature provides some empirical support for the claim that third-party uses of a mark may interfere with a mark owner's ability to expand into new product lines in the future.

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The lessons of the marketing literature raise significant questions about the proper scope of trademark law. In particular, they suggest that arguments about market preemption need to be engaged just as seriously in the trademark context as they are in the patent and copyright contexts. Recognizing interference with a mark owner's ability to expand as a cognizable harm would be a substantial conceptual shift in trademark theory, as market pre-emption does not depend on consumer confusion. If we are not prepared to recognize the market preemption arguments as justification for trademark rights, then consumer interests ought to take on a much greater relative role in shaping the scope of those rights.

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I. INTRODUCTION

Modern scholarship takes a decidedly negative view of the scope of trademark protection. Commentators decry recently developed confusion doctrines like initial interest confusion, which they regard as evidence that trademark law no longer works for the benefit of consumers.¹ Whole conferences convene to address dilution,² the innovation many contend most clearly crystallizes trademark law's over-expansion. And scholars frequently criticize trademark law for its deleterious impact on free speech, focusing most frequently on the outer edges of trademark law.³

Whatever the merits of these criticisms—and many of them do have merit—their focus on dilution and other modern doctrines is hugely

1. See, e.g., Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 781 (2004) (arguing that while the “initial interest confusion” doctrine originally referred to consumer confusion that occurred before the sale, it has changed into a stand-alone doctrine that does not resemble a traditional likelihood of confusion claim); Jennifer Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 108 (2005) (arguing that the “initial interest confusion” doctrine is anti-competitive and “short-changes consumers”); see also Glynn S. Lunney, *Trademark Monopolies*, 48 EMORY L.J. 367, 371 (1999) (arguing that the recent shift in trademark law has changed the question asked from one of probable confusion as to the source of a product to possible confusion over the connection between the senior mark owner and the allegedly infringing use).

2. Santa Clara Law, Trademark Dilution Symposium, <http://www.scu.edu/law/tmdilution/articles-and-presentations.cfm> (last visited Nov. 10, 2009); see also Sonia Katyal et al., *Panel II: Trademark Dilution Revision Act Implications*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1093, 1103 (2006) (discussing how deleterious the elimination of the noncommercial-use exception of trademark law would be); Michigan Law Review First Impressions, *Online Symposium on the Trademark Dilution Revision Act of 2006*, <http://www.michiganlawreview.org/articles/tag/Trademark+Dilution> (last visited Nov. 10, 2009) (offering a forum for discussing the Trademark Dilution Revision Act of 2006).

3. See, e.g., 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*, 17 LOY. L.A. ENT. L.J. 523, 535–36 (1997) (arguing that expansive trademark decisions “protect the property rights of the trademark owner over individual rights of free expression by failing to balance the constitutionally protected rights in property with the constitutionally protected right of freedom to individual expression. . . . instead, giv[ing] property rights precedence over First Amendment right”) (footnotes omitted); Rochelle Cooper Dreyfuss, *Expressive Generosity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 397–98 (1990) (arguing that, while “the Constitution supplies a normative principle favoring public access to the tools of expression, the body of law that has developed under the first amendment provides a surprisingly uncongenial framework for analysis”); William McGeeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 51–52 (2008) (arguing that, while courts frequently reach the right results in speech-related cases, trademark law's fair use doctrines are too uncertain and lead to lengthy and costly litigation, ultimately chilling speech); Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 SMU L. REV. 381, 417 (2008) (“Courts should be wary about labeling all infringing commercial uses of trademarks ‘misleading,’ as this could suppress or chill nonmisleading commercial speech.”).

disproportionate to the practical significance of those doctrines.⁴ More importantly, all of the criticism of these marginally significant doctrines obscures overwhelming acceptance of the most important determinant of the scope of trademark protection—the modern likelihood of confusion standard. As Robert Bone stated succinctly, “No one doubts [that the] central function of protecting trademarks [is to] benefit[] consumers by preventing deceptive and confusing uses of source-identifying marks.”⁵

Bone is certainly right that few have questioned this “central function.” But easy acceptance of the harmfulness of confusion is actually a problem because it operates at too high a level of generality, masking important differences among the types of relationships about which consumers might be confused. In fact, I argue that modern trademark law’s excesses are primarily the results of courts’ failure to differentiate among those different relationships. Mark owners are able to characterize almost every conceivable use of their trademarks in consumer confusion terms, and because courts have simply equated confusion with harm, they have lacked the tools to resist novel confusion claims.

In order to begin the task of identifying meaningful conceptual limits on the scope of trademark protection, this Article disaggregates consumer confusion and focuses on the alleged harms to producers from confusion regarding the source of *non-competing* goods. In particular, it evaluates common arguments about the consequences of this type of confusion for mark owners—arguments which sound in empirical terms but which have

4. Indeed, recent empirical work confirms that dilution claims rarely affect outcomes in practice, at least in decided cases. See Barton Beebe, *The Continuing Debacle of U.S. Antidilution Law: Evidence from the First Year of Trademark Dilution Revision Act Case Law*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 449, 450 (2008) (noting that empirical analysis of dilution cases in the first year following the enactment of the Trademark Dilution Revision Act of 2006 demonstrates that “antidilution law continues to have no appreciable effect on the outcomes of federal trademark cases or the remedies issuing from those outcomes”); Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1031 (2006) (concluding that, as of 2006, federal judicial enforcement of dilution was not robust and eroding over time).

5. Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2100 (2004) (noting that this standard account fails to explain some recent trademark law doctrines, but nevertheless subscribing to the central function); see also Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 722 (2004) (“Confusion among consumers is the grave iniquity against which trademark laws and jurisprudence are intended to guard.”); Christopher Sprigman, *Copyright and the Rule of Reason*, 7 J. TELECOMM. & HIGH TECH. L. 317, 338–39 (“[P]laintiffs [in trademark cases] are required to introduce evidence that consumers actually are confused when presented with a senior mark and a similar junior mark—i.e., *direct evidence of the kind of harm that the trademark law seeks to prevent*.” (emphasis added)). It is not clear whether Sprigman meant to imply that trademark plaintiffs are required to produce evidence of actual, as opposed to likely, confusion, but any such implication is incorrect. Every circuit, to my knowledge, has made clear that evidence of actual confusion, though probative, is not required. See 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:12 (4th ed. 2007) (“Proof of actual confusion is not necessary . . .”).

never been empirically supported—against a growing body of marketing literature dealing with brand extensions and brand alliances.

There are two parts to this framing, both of which deserve some explanation. First, is the focus on cases in which the defendant's goods do not compete with the plaintiff's. Here I mean to differentiate between a claim by Nike, Inc. against another company selling NIKE shoes and a claim against a company using the NIKE mark for other goods or services, and to focus on the latter.⁶ This subset of trademark infringement cases merits specific attention because the harm to producers from confusion about the source of *competing* goods is relatively clear: a competing NIKE shoe company could use consumer confusion to divert customers who otherwise would have bought shoes from Nike, Inc.⁷ But since non-competitive uses do not pose the same risk of trade diversion, trademark protection against those uses requires a different justification. Courts' accommodation of claims against such non-competitive uses therefore reflected not simply a modest expansion of trademark law but a significant conceptual shift. Such an important and radical change deserves closer scrutiny than it has received, particularly because this conceptual change is responsible for most of the competitive and speech costs of modern trademark protection.⁸

Second, is the focus on producer-based justifications for claims against non-competing goods rather than the more conventional consumer-interest justifications.⁹ I focus on producer interests because that was trademark

6. Non-competing goods could span a wide spectrum, ranging from closely related products like athletic clothing to wholly unrelated services like selling securities. Nike, Inc. v. Nike Securities, L.P., No. 97 C 0008, 2000 WL 336524 (N.D. Ill. Mar. 28, 2000) (denying Nike Securities' motion for summary judgment on Nike, Inc.'s trademark infringement and unfair competition claims).

7. See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1841 (2007) (arguing that traditional trademark law focused narrowly on producers' interests in preventing trade diversion).

8. See Mark A. Lemley & Mark P. McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. (forthcoming 2009) (manuscript at 18–20, on file with the Iowa Law Review) (arguing that the majority of extreme trademark infringement cases involve claims of "sponsorship or affiliation" confusion, which exist to accommodate claims against non-competitors).

9. See, e.g., Nicholas S. Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 525–27 (1988) (suggesting that trademarks primarily exist to enhance consumer decisions and create incentives for firms to produce desirable products); William N. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 267 (1988) (arguing that trademark law is best understood as "trying to promote economic efficiency"); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1695–96 (1999) (stating that the single purpose of trademark law is "to enable the public to identify easily a particular product from a particular source"); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 417 (1999) (describing why ownership attached to the consumer). Lunney stated:

Ownership was assigned to the person who adopted the mark for her trade, not because she had created it or its favorable associations, but because such person was conveniently placed and strongly motivated to vindicate the broader public

law's traditional orientation—nineteenth-century trademark law focused on producers' interests in preventing trade diversion¹⁰—and because the case for expanding trademark protection to non-competing goods was based almost entirely on claims about harms to mark owners.¹¹

But this focus on producer interests is not intended to deny the influence of the consumer-interest narrative in shaping modern trademark law. Nor is it intended to deny that, in many cases, consumer and producer interests overlap. Instead, by highlighting the producer-based arguments, I hope to illustrate how commentators' singular focus on consumer search costs fails to capture the complex relationship between the consumer-oriented rhetoric and producer-oriented doctrinal structure that has developed in the last half century. Courts in the mid- to late-twentieth century reasonably understood trademark doctrine as producer-oriented, and they shaped doctrine explicitly in response to producer-oriented arguments.¹² As time went on, however, the consumer interest narrative gained traction, and courts and commentators increasingly layered consumer search cost rhetoric on top of the producer-oriented doctrine. This layering enabled even further trademark expansion, as mark owners successfully mixed producer- and consumer-based arguments in support of their newest claims, often taking one from column A and two from column B, and avoiding rigorous scrutiny of any of the arguments.

interest in a mark's ability to identify accurately the source of the goods to which it was attached.

Id. See also Dogan & Lemley, *supra* note 1, at 778 (arguing that the historical normative goal of trademark law is to foster the flow of information in markets, thereby reducing search costs for consumers); Long, *supra* note 4, at 1033–34 (contrasting dilution protection with traditional trademark protection and arguing that the former is producer-centered while the latter is consumer-centered).

10. See generally McKenna, *supra* note 7 (arguing that traditional trademark law focused narrowly on producers' interests in preventing trade diversion).

11. See *infra* Part III.A (articulating the standard arguments in favor of protection in the context of non-competing goods). Though these arguments embraced a radically more expansive view of the relevant interests, the focus on producer interests was consistent with trademark law's traditional orientation.

12. At a minimum, a mark owner must have some legitimate claim of harm to have standing to bring a claim. Under modern standing doctrine, it is not enough that the producer might be able to vindicate consumer interests. Instead, the “irreducible constitutional minimum of standing” requires: (1) that the plaintiff has suffered an “injury in fact”—an invasion of a legally protected interest which is . . . concrete and particularized” (meaning the injury must affect the plaintiff in a personal and individual way) and “actual or imminent, not ‘conjectural’ or ‘hypothetical;’” (2) “there must be a causal connection between the injury and the conduct complained of—the injury has to be ‘fairly . . . trace[able] to the challenged action of the defendant, and not . . . th[e] result [of] the independent action of some third party not before the court;” and (3) “it must be ‘likely,’ as opposed to merely ‘speculative,’ that the injury will be ‘redressed by a favorable decision.” Lujan v. Defenders of Wildlife, 504 U.S. 555, 560–61 (1992) (citations omitted). Moreover, “the ‘injury in fact’ test requires more than an injury to a cognizable interest. It requires that the party seeking review be himself among the injured.” *Id.* at 563.

This Article separates out the producer-based arguments analytically so that those arguments can be evaluated on their own merits. In particular, it evaluates the assumptions underlying the producer-harm arguments in light of the available evidence from marketing literature regarding brand extensions and alliances. This literature focuses on the effects of certain branding strategies, particularly uses of known brands for new products and joint efforts to produce products or offer services. Because these studies make explicit that the extension or alliance products come from the senior mark owner, they offer valuable insight into the consequences to mark owners *even if* a particular use is likely to cause confusion.

The marketing literature paints a complex and sometimes contradictory picture of consumer evaluation of brand uses. On the whole, however, one thing is clear: no presumption of harm from uses of a mark for non-competing goods is warranted. Indeed the only sense in which one could confidently conclude that mark owners are likely to be “harmed” by uses for non-competing goods is that the later uses may interfere with the mark owner’s ability to expand into new markets. In other words, the literature suggests that, from a producer’s perspective, trademark protection against non-competing goods is analogous to a derivative work right: it serves primarily to protect mark owners’ ability to use their marks in ancillary markets, not because non-competitive uses cause mark owners harm, but because of a sense that those ancillary markets rightfully belong to the senior mark owner.¹³

Market preemption arguments along these lines have long been offered in support of trademark rights against non-competing goods. But because they have generally been articulated as additional support for other primary justifications that focused on quality attribution, and because most modern commentators evaluate trademark law from a consumer search cost perspective, trademark theorists have not been forced to confront squarely the types of incentive-based arguments typically associated with copyright generally, and the derivative work right specifically.¹⁴ This paper suggests

13. I mean to analogize here to the exclusive right to prepare derivative works in copyright. See 17 U.S.C. § 106(2) (2006) (“Subject to section 107 through 122, the owner of copyright under this title has the exclusive right[] . . . (2) to prepare derivative works based upon the copyrighted work.”). The Copyright Act defines a derivative work as “a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.” *Id.* § 101.

14. See *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (noting that a copyright is “intended to motivate the creative activity of authors and inventors by the provision of a special reward”). Most scholars suggest the derivative work right is justifiable as an application of this utilitarian principle. According to Paul Goldstein, for example, the derivative work right “enables prospective copyright owners to proportion their investment in a work’s expression to the returns expected not only from the market in which the copyrighted work is first published, but from other, derivative markets as well.” Paul Goldstein, *Derivative Rights and*

that, given the lack of strong empirical support for quality feedback arguments, market preemption and free-riding arguments need to be taken seriously if producer-based arguments are going to continue to influence the scope of trademark protection.¹⁵

If the market preemption and free-riding arguments are not persuasive, then consumer-based arguments ought to take on much greater relative significance with respect to claims involving non-competing goods. Focusing on consumer interests would not necessarily entail a rejection of all of trademark law's modern expansion, but it would require courts to tailor the scope of trademark rights to legitimate consumer interests. Consumers have an interest, for example, in being able to rely on information about who is responsible for the quality of the goods or services with which a mark is used. Because some uses of a mark for non-competing goods convey this sort of quality information, claims against non-competitive uses are warranted, even if mark owners are not significantly harmed, when the contested use creates confusion about responsibility for quality.¹⁶ Use of a mark that does not suggest control over quality, on the other hand, does not implicate the same consumer interests and therefore should be rejected unless a plaintiff can show the use causes some other form of confusion that materially impacts consumer purchasing decisions.¹⁷

The remainder of this Article proceeds as follows. Part II describes the evolution of trademark law's likelihood of confusion standard from its traditional focus on parties in close competitive proximity to its expansion to accommodate claims against non-competing goods. Part III presents the standard arguments advanced in favor of trademark protection in cases of non-competing goods and attempts to isolate the behavioral assumptions underlying those arguments. Part IV offers background on the brand

Derivative Works in Copyright, 30 J. COPYRIGHT SOC'Y U.S.A. 209, 216 (1983); see also PAUL GOLDSTEIN, COPYRIGHT § 5.3 (2d ed. Supp. 2004) (repeating the analysis). On this theory, the derivative right may increase incentive to create a new work, increase the incentive for owners to invest in new uses of the work, or both. William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 353–57 (1989) (arguing that derivative rights increase the incentive to engage in creative activities, encourage earlier publication of an original work by making it unnecessary to withhold the publication in order to gain a lead time in derivative markets, and reduce transactional costs by concentrating the control over derivative works on the copyright owner). There are some alternative accounts of the derivative right. See, e.g., Michael Abramowicz, *A Theory of Copyright's Derivative Right and Related Doctrines*, 90 MINN. L. REV. 317, 322 (2005) (arguing the derivative right “is best understood not solely as a means of furthering the incentive to create works, but more significantly as a means of providing an author control over the release of adaptations and limiting the production of adaptations that would be close substitutes for one another” and thereby reducing redundancy).

15. It is worth noting that giving serious weight to market preemption and free-riding arguments may well lead to fundamental changes in trademark law's doctrinal structure, as market allocation decisions need not be determined by consumer confusion.

16. Lemley & McKenna, *supra* note 8 (manuscript at 49).

17. *Id.*

extension and brand alliance literature, and Part V evaluates the behavioral assumptions in light of this. Part VI draws together some of the lessons of the marketing literature and attempts to focus courts' attention in non-competing goods cases on representations of responsibility for quality, setting the stage for further elaboration of the scope of protection under such an approach.

II. FRAMING THE MODERN LIKELIHOOD OF CONFUSION STANDARD

A. *TRADITIONAL TRADEMARK LAW'S NARROW FOCUS*¹⁸

Trademark law traditionally sought to prevent illegitimate diversion of a plaintiff's trade.¹⁹ The Supreme Court articulated this purpose particularly clearly in *Delaware & Hudson Canal Co. v. Clark*²⁰:

[I]n all cases where rights to the exclusive use of a trade-mark are invaded, it is invariably held that the essence of the wrong consists in *the sale of the goods of one manufacturer or vendor as those of another*, and that it is only when this false representation is directly or indirectly made that the party who appeals to the court of equity can have relief. This is the doctrine of all the authorities.²¹

Importantly, courts understood trade diversion to be the relevant harm whether the claim at issue was formally considered one for trademark infringement or for unfair competition. As a result, commentators like James Love Hopkins could describe unfair competition in the same language courts used to describe the wrong of trademark infringement: "[u]nfair competition consists in passing off one's goods as the goods of another, or in otherwise *securing patronage that should go to another*, by false representations that lead the patron to believe that he is patronizing another person."²² Indeed, as Hopkins recognized, "The principles involved in trademark cases and tradename cases [were] substantially identical."²³

This protection against trade diversion was intended primarily to vindicate producers' property rights rather than consumers' interests, even though benefits to consumers were welcome byproducts. As one court said,

18. This section is adapted from McKenna, *supra* note 7.

19. See *id.* (explaining that English common-law courts and courts of equity worked to remedy the harm improper diversion of trade caused a producer).

20. *Del. & Hudson Canal Co. v. Clark*, 80 U.S. 311 (1871).

21. *Id.* at 322–23 (emphasis added).

22. JAMES LOVE HOPKINS, *THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION* § 1, at 1 (2d ed. 1905) (emphasis added).

23. *Id.* § 3, at 9; see also *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) ("Th[e] essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement."); *Marsh v. Billings*, 61 Mass. (1 Cush.) 322, 330 (1851) (referring to the close conceptual relationship between trademark infringement and unfair competition).

"The private action [was] given, not for the benefit of the public, although that may [have been] its incidental effect, but because of the invasion by defendant of that which [was] the exclusive property of complainant."²⁴ Courts "interfere[d] solely for the purpose of protecting the owner of a trade or business from a fraudulent invasion of that business by somebody else" not "to prevent the world outside from being misled into anything."²⁵

The property rights courts protected in these cases derived from the natural rights theory that predominated in the eighteenth and nineteenth centuries. In this tradition, property rights were intended to preserve for individuals a zone of free action and the ability to reap the benefits of their own labor or industry.²⁶ At the same time, courts recognized that protecting property rights often conflicted with others' ability to labor productively, and they therefore limited property rights to the extent necessary to respect "the like rights of others."²⁷ In the trademark context, courts frequently noted that, by protecting trademark rights, they were not interfering with legitimate competition but only dishonest attempts to divert trade. As the court said in *Taylor v. Carpenter*,²⁸ trademark protection:

[D]oes not at all trench upon the rights of others, by a course of conduct equally deserving and praiseworthy, to enter the lists of competition, and bear off the palm. But it will not allow them by falsehood, fraud, and forgery, to filch from another his good name, and share it in common with him, or destroy or impair it.²⁹

24. *Am. Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 284 (6th Cir. 1900).

25. *Levy v. Walker*, (1878) 10 A.C. 436, 448 (Ch.D.).

26. This notion of labor giving rise to property is most often associated with John Locke. JOHN LOCKE, *TWO TREATISES OF GOVERNMENT* § 47 (Peter Laslett ed., Cambridge Univ. Press 1988) (1690) ("[E]very one ha[s] a Right (as hath been said) to as much as he could use, and had a Property in all that he could affect with his Labour: all that his Industry could extend to, to alter from the State Nature had put it in, was his."). Locke argued that God gave the world "to the use of the Industrious and Rational," and that one acquires property by mixing his labor with the common. *Id.* § 28, at 288–89, § 34, at 291. Thus, the proper object of the law is to promote "the honest industry of Mankind." *Id.* § 42, at 298.

27. McKenna, *supra* note 7, at 1876–80; see also Eric R. Claeys, *Takings, Regulations, and Natural Property Rights*, 88 CORNELL L. REV. 1549, 1556 (2003). Claeys suggests that:

If one could ask nineteenth-century jurists to reduce the natural-right approach to a slogan, they might say that the object of all property regulation is to secure to every owner an "equal share of freedom of action" over her own property. On this understanding, every owner is entitled to some zone of non-interference in which to use her possessions industriously, productively, and consistent with the health, safety, property, and moral needs of her neighbors.

Id.

28. *Taylor v. Carpenter*, 2 Sand. Ch. 603 (N.Y. Ch. 1846).

29. *Id.* at 617. The U.S. Supreme Court similarly stated:

Rival manufacturers may lawfully compete for the patronage of the public in the quality and price of their goods, in the beauty and tastefulness of their enclosing

Courts did not, under this traditional view, protect trademarks for their own sake. Their goal was instead to secure to a producer the benefits of customer patronage it had earned, and courts therefore enforced a party's trademark rights only when the defendant's use was likely to divert customers who otherwise would have gone to the mark owner. Moreover, mindful of the need to allow robust competition and productive labor by all individuals, courts targeted only diversion achieved through deceptive means. This construct gave mark owners fairly limited rights to use a mark in a particular field of trade—both in the geographical sense and in terms of product markets. Absent direct competition between the parties, a plaintiff could not make a persuasive case that the defendant's use of a mark would divert customers who otherwise would have gone to the plaintiff.

Courts developed this traditional framework at a time when producers offered relatively few products in limited geographic areas, and when advertising was quite limited by modern standards.³⁰ Trademark law's narrow scope made sense in these market conditions, as consumers unaccustomed to brand diversification were not likely to attach any significance to the use of similar marks in unrelated markets. It was, in other words, reasonable to assume that consumers categorized marks in terms of particular products or services because brands rarely transcended product or service categories.

The commercial landscape changed rapidly in the early twentieth century as producers began serving much wider geographic and product markets.³¹ Courts that recognized this changing commercial reality undoubtedly felt pressure to expand the range of uses against which trademark law would respond. Most significantly, mark owners wanted broader trademark rights that would allow them to prevent certain non-competitive uses. But since confusion cannot lead to trade diversion when the parties offer different goods or services, extending protection to non-competitive uses required fairly radical rethinking of trademark law's purposes.

packages, in the extent of their advertising, and in the employment of agents, but they have no right, by imitative devices, to beguile the public into buying their wares under the impression they are buying those of their rivals.

Coats v. Merrick Thread Co., 149 U.S. 562, 566 (1893); *see also* *Hilton v. Hilton*, 104 A. 375, 376 (N.J. 1918) (quoting Vice Chancellor Wood's definition of goodwill in *Churton v. Douglas*, (1859) 70 Eng. Rep. 385, 385 (Ch.), as including every affirmative advantage acquired by a firm in carrying on its business, but not the negative advantage of competitors refraining from carrying on their business).

30. *See* Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill Trademark Law*, 86 B.U. L. REV. 547, 575–79 (2006) (discussing how the growth of national markets and the rise of national advertising changed trademark law).

31. *Id.*

B. A NEW CONCEPTION OF HARM

1. Schechter's Approach

Frank Schechter understood as well as anyone that traditional trademark principles could not accommodate the new economic reality of the twentieth century.³² From Schechter's perspective, trademarks no longer functioned simply as indicators of source; indeed, consumers frequently did not know or care about the ultimate producer of a product.³³ Trademarks instead functioned primarily to sell the goods to which they were attached.³⁴ Schechter focused particularly on marks that were "added to rather than withdrawn from the human vocabulary by their owners, and [which] ha[d], from the very beginning, been associated in the public mind with a particular product."³⁵ KODAK, for example, was a made-up term added to the vocabulary by the Eastman Kodak Company, and from the very beginning KODAK was associated with cameras. BLUE RIBBON, on the other hand, was widely used for many different products and therefore lacked any distinctiveness.³⁶

Distinctive marks like KODAK had particular value, according to Schechter, because they had a unique "identity and hold upon the public mind" attributable to the marks' distinctiveness from other marks.³⁷ "The more distinctive or unique the mark," he argued, "the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used."³⁸ The real injury in cases involving non-

32. See generally Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927) (advocating that trademark law reflect twentieth-century economics).

33. *Id.* at 814 (noting that, because of changes in production and distribution practices, "the source or origin of the goods bearing a well known trademark [was] seldom known to the consumer").

34. *Id.* at 819 ("The mark actually *sells* the goods.").

35. *Id.* at 829.

36. *Id.* at 829–30. Some of Schechter's examples of particularly distinctive marks were not really "added to . . . the human vocabulary by their owners." *Id.* ROLLS-ROYCE, for example, was actually comprised of surnames. See Rolls-Royce: History, <http://www.rolls-royce.com/north-america/history/default.htm> (last visited Nov. 12, 2009) (describing the agreement between Henry Royce and Charles Rolls by which "Royce Limited would manufacture a range of cars to be sold exclusively by CS Rolls & Co." under the name Rolls-Royce). Others, like BLUE GOOSE, had ordinary English meanings. See Encyclopædia Britannica Online, Snow Goose, <http://www.britannica.com/eb/article-9068392/snow-goose> (last visited Nov. 12, 2008) ("The blue goose, with bluish gray body plumage, white head and neck and, sometimes, white breast and belly, was long separated from *C. caeruleus* but is now recognized as a dark-coloured phase of the lesser snow goose."). But Schechter's point was less about whether these terms were "added to the language" than about the fact that consumers associated them only with particular products or services.

37. Schechter, *supra* note 32, at 825.

38. *Id.*

competing goods, Schechter suggested, was “the gradual whittling away or dispersion of [this] identity and hold upon the public mind of the mark or name by its use upon non-competing goods.”³⁹

Schechter’s approach was radical in that it did not conceive of trademarks primarily in terms of source indication. Rather than focusing on a trademark as a referent linking a product and its source, Schechter was concerned about the associations between certain marks and the *products* with which they were used.⁴⁰ Schechter was concerned, for example, that use of KODAK for “bathtubs and cakes” would destroy the “arresting uniqueness” of the KODAK mark, and “hence its selling power.”⁴¹ Importantly, according to Schechter, such uses would cost KODAK its selling power whether or not consumers were confused about the source of KODAK bathtubs or cakes. It followed for Schechter then that liability ought not depend on evidence of source confusion, but should instead be imposed whenever a third party used a mark that was sufficiently similar to the distinctive mark.⁴² Of course, just as courts and commentators have done with respect to the harms they claim result from confusion in the context of non-competing goods, Schechter intuited the harm he described. There was no empirical evidence that KODAK was less effective as a mark for cameras if another company sold KODAK bathtubs or cakes.

2. Expanding “Source” Confusion

Most of Schechter’s contemporaries, even those who saw value in Schechter’s work, took the more pragmatic approach of encouraging courts to expand the scope of infringement through broader construction of source confusion.⁴³ Courts traditionally focused on confusion regarding

39. *Id.*

40. See Sara Stadler, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731, 795–96 (2003) (describing Schechter’s focus on associations between marks and products).

41. Schechter, *supra* note 32, at 830. Schechter also suggested that:

[A]part from the destruction of the uniqueness of a mark by its use on other goods . . . once a mark has come to indicate to the public a constant and uniform source of satisfaction, its owner should be allowed the broadest scope possible for “the natural expansion of his trade” to other lines or fields of enterprise.

Id. at 823.

42. See Stadler, *supra* note 40, at 755. As Stadler notes:

Schechter had defined a new linkage for trademark law: one between a unique, singular trademark and the particular product on which it appeared. Source, the old preoccupation of trademark law, no longer was part of the equation—except, of course, to indicate the party who would reap the benefits of uniqueness.

Id. (footnote omitted).

43. 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, 203 (1927) (advocating for broad construction of the word “related” in the context of the “related goods” inquiry).

source of origin because that type of confusion led to trade diversion, which was the harm courts intended to prevent.⁴⁴ And those courts interpreted “source of origin” quite literally. Operating in a time when consumers were unlikely to believe that unrelated goods came from the same source, 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 the 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. The assumption became increasingly problematic as commercial relationships grew more complex in the early twentieth century. Consumers were becoming accustomed to seeing a wider variety of goods from any particular source, just as they were beginning to understand that companies did not always themselves produce the products that bore their marks. In this emerging marketplace, confusion about actual source was no longer a perfect proxy for trade diversion.

Divergence between the confusion standard and the trade diversion theory provided an opportunity for courts that were no longer sure that trade diversion was trademark law’s only legitimate concern. By continuing to focus on confusion as to source, courts could act as though they were breaking no new ground even as they were finding infringement in cases where there was no risk of trade diversion. In *Aunt Jemima Mills Co. v. Rigney & Co.*,⁴⁵ for example, Aunt Jemima alleged that Rigney’s use of AUNT JEMIMA for flour infringed Aunt Jemima’s rights in the mark, which it had used for syrup.⁴⁶ Aunt Jemima should have lost this case according to traditional trademark principles—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.”⁴⁷ Nevertheless, the court found infringement because, in its view, the products were “so related as to fall within the mischief which equity should prevent.”⁴⁸

Similarly, in *Yale Electric Corp. v. Robertson*,⁴⁹ 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

44. *Coats v. Holbrook*, 7 N.Y. Ch. Ann. 645, 653 (N.Y. Ch. 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]”).

45. *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 409–10 (2d Cir. 1917).

46. *Id.*

47. *Id.* at 409.

48. *Id.* at 409–10.

49. *Yale Elec. Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928).

1905, under which only use of a mark on goods “of the ‘same descriptive properties’” as those of the mark owner could infringe.⁵⁰ But, turning the traditional rule on its head, 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.”⁵¹

The defendants in both *Aunt Jemima* and *Yale Electric Corp.*, used marks that were identical to the plaintiffs’ for goods that were fairly closely related. Thus, consumers who encountered those defendants’ goods might actually have believed the plaintiffs *were* the sources of the 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 complementary nature of those products. Consumers who believed that, of course, still would not have been deceived into buying one when they intended to buy the other. 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 its products.

Advocates for broader protection, however, were not content for courts to find infringement only when consumers might actually have believed that the mark owner was the source of the defendant’s non-competing goods. For one thing, while consumers surely were becoming more accustomed to brand diversification, at that time they still would not frequently have assumed that unrelated products came from the same source simply because they bore the same mark. Some commentators dealt with that inconvenience simply by assuming it away, suggesting consumers were becoming so accustomed to seeing companies offer a wide variety of goods they would always believe goods bearing a recognized mark were made by the same company, even when those goods were quite remote.⁵²

50. *Id.* at 974 (citation omitted).

51. *Id.*

52. Lukens, *supra* note 43, at 204. According to Lukens:

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.*

Id. (emphasis added); see also George W. Goble, *Where and What a Trade-Mark Protects*, 22 U. ILL. L. REV. 379, 388 (1927) (arguing against the requirement that the defendant’s goods be of the “same class” as the plaintiff’s and stating, “It seems reasonable to suppose that ordinarily identity of 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 . . .”).

Most courts were not prepared to be that radical. They were, however, prepared to believe that use of a known mark for unrelated goods might suggest to consumers some sort of relationship between the producers of unrelated goods. Use of the same mark might, for example, suggest that the mark owner sponsored or stood behind the quality of the junior user's goods.⁵³ By redefining the "source" of a product to include related or affiliated parties, courts could capture confusion about these types of relationships while continuing to insist that trademark infringement required confusion as to source.⁵⁴

Importantly, however, even though they were protecting a much broader interest in these cases, courts continued to focus on the harm to producers from confusion about sponsorship or affiliation. According to the court in *Triangle Publications, Inc. v. Rohrlisch*, for example,

[T]he wrong of the defendant [in selling girdles under the name "Miss Seventeen"] consisted in [sic] imposing *upon the plaintiff* [publisher of Seventeen magazine] 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.⁵⁵

In other words, courts continued to focus on harm to mark owners from the defendants' uses; they just were willing to accept as actionable a wider range of potential harms.

3. Accommodating Licensing Arrangements

Courts' interest in accommodating the emerging practice of licensing production of trademarked products also pushed them to expand the concept of source to capture a broader set of commercial relationships. Licensing posed serious conceptual problems in traditional trademark law because courts in that era viewed source literally. When a party who had

53. In *Vogue Co. v. Thompson-Hudson Co.*, 300 F. 509 (6th Cir. 1924), for example, the court found the defendant's use of "The Vogue Hat Company" to sell hats infringed Vogue's rights in the Vogue mark for fashion magazines, and stated:

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.

Id. at 511.

54. Schechter described the process of expansion of unfair competition principles beyond cases where diversion of trade was likely as "one of making exceptions rather than of frank recognition of the true basis of trademark protection." Schechter, *supra* note 32, at 821.

55. *Triangle Publ'ns, Inc. v. Rohrlisch*, 167 F.2d 969, 973 (2d Cir. 1948) (emphasis added).

licensed production of products bearing its marks sought to enforce its trademark rights, courts were faced with two parties, neither of which was the actual source of the products 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. Hence, licensing traditionally was forbidden.⁵⁶

But courts in the early twentieth century increasingly saw licensed production as genuine commercial practice. In order to distinguish legitimate uses by affiliated companies from infringing uses by third parties, courts gradually loosened the restrictions on licensing. They did so primarily by redefining what it meant to be the source of a product: even when a mark owner did not actually produce the products bearing its mark, courts began to hold, it could still be considered the legal source of those products if it exercised sufficient control over their quality.⁵⁷

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.⁵⁸ A "related company" 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."⁵⁹ Thus, in modern terms, the legal source of product products bearing a particular mark is the party that exercises control over the quality of those products, even if that party does not actually produce the products. In fact, the legal source might be related to the actual producer only by contract.

The conceptions of source in these two contexts—licensing and infringement—were intentionally symmetrical. It was no longer necessary that a mark owner actually produce the goods bearing its mark in order to be considered the legal source of those goods. Nor was it necessary in proving infringement that a plaintiff demonstrate the defendant's use of a mark was likely to cause confusion about the actual source of the defendant's goods. Instead, the mark owner could argue that consumers would assume that the defendant, like the mark owner's licensees, operated under the mark owner's control. It was sufficient, in other words, that the

56. See McKenna, *supra* note 7, at 1893–95 (describing the traditional rule against licensing and its theoretical justification).

57. See, e.g., *Keebler Weyl Baking Co. v. J. S. Ivins' Son, Inc.*, 7 F. Supp. 211, 214 (E.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." (citing *Coca-Cola Co. v. State*, 225 S.W. 791, 794 (Tex. Civ. App. 1920))).

58. 15 U.S.C. § 1055 (2006).

59. *Id.* § 1127.

defendant's use might cause confusion about whether the mark owner sponsored or was affiliated with the defendant's use.

III. JUSTIFICATIONS OFFERED BY COURTS AND COMMENTATORS

Expansion of trademark protection to non-competing goods has been so widely accepted that most modern justifications of trademark law do not focus specifically on non-competing goods but instead justify trademark protection by emphasizing the benefits of protecting trademark rights generally.

Professor McCarthy, for example, emphasizes trademark law's role in giving producers incentive to invest in quality:

A certain amount of image differentiation also helps consumers select products of high quality and reliability and motivates producers to maintain adequate quality standards. If there were no brand names and trademarks, the consumer might never be sure who made a product and would have difficulty rewarding through repeat purchases manufacturers who achieve high quality or cater to his or her special tastes The existence of branded goods whose characteristics vary little from week to week makes it possible to have convenient supermarkets and hence to realize the efficiencies of supermarkets.⁶⁰

William Landes and Richard Posner similarly argue that trademark rights encourage mark owners to maintain consistent quality, whereas failure to protect trademark rights would allow imitators who know they will not be held responsible for the quality of their products to cut corners and undermine the incentives for mark owners to maintain quality themselves.⁶¹ These arguments have long roots,⁶² and the Supreme Court frequently

60. 4 MCCARTHY, *supra* note 5, § 2:4 (quoting F.M. SCHERER, *INDUSTRIAL MARKET STRUCTURE AND ECONOMIC PERFORMANCE* 378 (2d ed. 1980)).

61. WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 168, 179 (Harvard Univ. Press 2003) (“[A] firm with a valuable trademark will be reluctant to lower the quality of its brand because it would suffer a capital loss on its investment in the trademark [L]egal protection of trademarks encourages the production of higher-quality products.”); *see also id.* at 203 (arguing that imitators have incentives to produce lower-quality goods). In fact, the junior user's incentive to free ride on the senior user's mark by imitating the mark and cutting quality “will be greater the higher the quality of the underlying good, adjusted for [the junior user's] costs of making the physical good appear equivalent to [the senior user's].” *Id.*

62. Edward Rogers made essentially the same argument in 1949, when he wrote that without trademarks, “[t]here could be no pride of workmanship, no credit for good quality, no responsibility for bad.” Edward S. Rogers, *The Lanham Act and the Social Function of Trademarks*, 14 LAW & CONTEMP. PROBS. 173, 175 (1949).

parrots them in trademark cases.⁶³ Yet those who offer these arguments rarely explain how they apply with respect to non-competing goods.

Those few courts and commentators that focus on the more particular issue of non-competing goods offer a series of related arguments in favor of extending trademark protection to this context. These arguments have several variations, but they can be boiled down to two types: (1) arguments about the reputational consequences for mark owners if the new products disappoint consumers; and (2) market foreclosure and free-riding arguments. George Goble's arguments, which he articulated in 1927, are characteristic.⁶⁴ Focusing on a hypothetical case in which a plaintiff "handles Virgin Cigars and the defendant brings forth Virgin Cigarettes," Goble concluded that "smokers might easily suppose the maker of Virgin Cigars was also the maker of Virgin Cigarettes."⁶⁵ In such a case, according to Goble, the defendant would harm the plaintiff in two ways: "(1) If the defendant's cigarettes are of inferior quality, the plaintiff's reputation as a manufacturer of superior goods is likely to be impaired, and (2) the plaintiff is prevented from extending into the business of manufacturing cigarettes, a field into which he might naturally and readily go."⁶⁶

These arguments have changed very little over time, despite the fact that they were originally based on untested assumptions about consumers' behavior in the face of confusion. Notably, and in contrast to the conventional understanding of trademark law as protection for consumers, these arguments in favor of expanding the scope of trademark protection focused entirely on producer interests.⁶⁷ Yet courts' increasing acceptance of the consumer-oriented justification for trademark law may have affected the arguments regarding non-competing goods in one important respect: the producer-based arguments may not have received the scrutiny they deserved because courts no longer believed evidence of producer harm was required. Indeed, some prominent commentators specifically argued that

63. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 193 (1985) (stating that "trademarks desirably promote competition and the maintenance of product quality"); *see also* *Publ'ns Int'l Ltd. v. Landoll, Inc.*, 164 F.3d 337, 339 (7th Cir. 1998) ("[T]he seller will be able to appropriate the benefits of making a product that consumers like, and so he will have an incentive to make a good product.").

64. Goble, *supra* note 52, at 379.

65. *Id.* at 385.

66. *Id.*; *see also* Lukens, *supra* note 43, at 197 (explaining types of harm similar to those explained by Goble).

67. It is true that consumer confusion is a predicate to these producer harms, and it obviously is possible that consumers are harmed by their confusion in some of these cases as well. The point here is not that there is no overlap between producer and consumer interests. It is instead that advocates for broader protection did not base their arguments on consumer interests, and consumer and producer interests are not obviously coterminous here. For an argument regarding the scope of consumer interests, *see generally* Lemley & McKenna, *supra* note 8.

courts no longer needed evidence of producer harm to find infringement. According to Gobel:

[I]t [was] possible that under the federal trade commission act, sec. 5, it need not [have been] shown that the plaintiff suffered harm as a result of the defendant's conduct to justify an injunction against the defendant. That act provide[d] "if it shall appear . . . that it would be of interest to the public," an order to cease and desist from the practice of an "unfair method of competition" will be proper.⁶⁸

Whatever the reason for their acceptance, these arguments regarding the harm of confusion in the context of non-competing goods satisfied enough judges and commentators that expanding trademark protection beyond cases of direct competition became relatively uncontroversial. But these arguments need to be revisited because more-recent research casts serious doubt on a number of the assumptions on which the arguments were based.

A. REPUTATIONAL DILUTION

The first two arguments in favor of protection against non-competing uses relate to the present consequences to the mark owner of confusion about the source⁶⁹ of the junior user's goods. First is the claim that confusion regarding the source of non-competitive goods can harm a mark owner if the junior user's products are of poor quality. Second is the related claim that, regardless of the present quality of the junior user's goods, mark owners are harmed because they lose control over their reputation when consumers are confused about the source of the junior user's non-competing goods.

It is worth emphasizing that although modern courts and commentators generally regard confusion as entirely distinct from the harm caused by dilution, the arguments articulated here are really about dilution of a brand in a more colloquial sense. These are not arguments about imminent economic loss to a mark owner. They are instead arguments about the ways third-party uses interfere with the meaning of a brand, and how that interference might ultimately cause economic harm by depressing demand for the mark owner's products or services. In other words, future arguments about the harm caused by confusion in the context of non-competing goods differ from arguments about the harm from dilution only in terms of the components of a brand's meaning with which the use

68. Goble, *supra* note 52, at 391 n.41. To be fair, the cases Goble contemplated here were actions by the FTC, not traditional trademark infringement actions by private actors. Nevertheless, Goble made this suggestion in the course of arguing for expansion of the private right to non-competing goods and gave no sense of a distinction between the two contexts.

69. Here I define "source" to include sponsorship or affiliation relationships.

allegedly interferes. While dilution focuses on loss of distinctiveness or on negative associations, confusion cases involving non-competing goods focus on the impact of a third-party use on a brand's quality message. There is irony here in that, while dilution has attracted a huge amount of negative attention from scholars, sponsorship or affiliation confusion has been largely unquestioned, even though it pursues harms that are more similar to those addressed by dilution than those caused by confusion in the case of competing goods.

1. Negative Feedback

According to one common justification of protection against use of a mark on non-competing goods, confusion about the relationship between a known senior user and a junior user or its products is harmful because the quality of the junior user's products might diverge from that of the senior user. Consumers who are disappointed with the junior user's products might hold their negative experience against the senior user, with which they associate the mark. More specifically, consumers who are disappointed in the quality of the junior user's products might then question whether the senior user really makes the quality products they had previously expected.⁷⁰ This will discourage consumers from patronizing the senior user in the future because they will no longer be able to rely on the mark as an indicator of quality. This is one sense in which a third-party use might interfere with the meaning of senior user's mark—by introducing negative quality associations.

But seeing the harm to mark owners this way presents a puzzle: if a mark owner is harmed only when the quality of the junior user's products diverges from its own, why do courts not require plaintiffs to demonstrate the inferiority of the defendant's products or services?⁷¹ One answer,

70. 4 MCCARTHY, *supra* note 5, § 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.").

71. The quality of the defendant's goods or services typically is considered in the likelihood of confusion analysis, but courts regularly note that plaintiffs are not required to demonstrate the inferiority of the defendant's goods in order to prevail. *See, e.g.,* *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986) (suggesting in a case of post-sale confusion that the high quality of the defendant's products might actually "increase the likelihood of confusion as to source"); *Wesley-Jessen Div. of Schering Corp. v. Bausch & Lomb Inc.*, 698 F.2d 862, 867 (7th Cir. 1983) (noting that "[c]ourts 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," and that "[e]ven 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" (citation omitted)); *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) ("The disparity in quality between such wares and anything the plaintiff makes no longer counts, if that be true. The defendant need not permit another to attach to its good will the consequences of trade methods not its own."). Indeed, according to McCarthy, "today, the overwhelming majority view is that it is not

offered by Robert Bone in a recent article, has to do with enforcement costs.⁷² Bone argues that courts do not require mark owners to prove the inferiority of the defendant's products because proving a quality difference is likely to be difficult, making the administrative costs of doing so high. Moreover, "the social costs of a false negative (that is, an erroneous failure to find infringement) greatly exceed the social costs of a false positive (that is, an erroneous infringement finding)."⁷³

To be more precise, Bone argues that the rate of erroneous non-infringement findings (R_N) multiplied by the social cost of an error of this type (S_N) exceeds by more than the amount of administrative costs entailed in a more precise system (A_Q) the value of the rate of erroneous infringement findings (R_I) multiplied by the social cost of such errors (S_I). Represented mathematically, Bone assumes that, in the aggregate:

$$R_N \times S_N > R_I \times S_I + A_Q$$

Bone defines "erroneous decisions" as those that impose liability in the absence of quality differences or refuse to find liability when quality differences exist.⁷⁴ The administrative costs would be the costs of requiring evidence that the defendant's goods are in fact inferior. This is, of course, merely a conceptual representation as all of these variables are likely to be difficult (perhaps even impossible) to quantify in any particular case.

But it is worth highlighting here the assumption on which this analysis depends—the assumption that, as a general matter, mark owners will be harmed if the junior user's products are inferior in quality and courts do not intervene. Bone simply assumes away the possibility that mark owners would not be harmed *even if* consumers are confused about the mark owner's sponsorship or affiliation of the junior party's inferior goods. Again, to be more precise, Bone assumes that the frequency with which a court finds non-infringement despite the fact that consumers are likely to impute bad quality to the mark owner (F_N) multiplied by the social cost of finding non-infringement when the harm is likely to result (C_N), exceeds the product of the cost of finding infringement when harm is unlikely to follow (C_I) and the frequency of such an erroneous conclusion (F_I) by more than the administrative costs of requiring mark owners to prove that such confusion actually harms them in a particular case (A_H). Again, mathematically:

$$F_N \times C_N > F_I \times C_I + A_H$$

necessary for plaintiff to prove that the defendant's non-competing goods are of inferior quality." 4 MCCARTHY, *supra* note 5, § 24:15.

72. Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2150 (2004) (describing this phenomenon as courts focusing on "likelihoods and ignor[ing] harms").

73. *Id.* at 2155.

74. *Id.*

This assumption is more interesting because we can more readily determine whether, and under what circumstances, harm is likely to follow from confusion regarding the source of non-competing goods. In particular, marketing literature can help us determine when consumers who are confused about the source of the defendant's inferior products are likely to hold their disappointment against the mark owner.

Bone's own analysis foreshadows some of the lessons of this literature, which casts doubt on the general assumption that consumers will hold mark owners responsible for the quality of non-competing goods just because they believe there is a relationship between the two uses. Describing the administrative costs of requiring evidence that the junior party's goods are inferior, Bone notes that proving quality divergence is likely to be particularly difficult "when the products do not compete, since the parties can . . . dispute the appropriate quality baseline against which to evaluate the defendant's product."⁷⁵ Put simply, Bone's concern is that fact-finders will not know how to compare the quality of unrelated goods. Yet Bone fails to recognize that consumers may have a similar problem: consumers may not have any clear quality expectations for new products when those products are different from the mark owner's. Even if they do have some vague quality expectations, those expectations are likely provisional, and deviations from them might easily be explained by the difference in goods. In either case—if consumers have no particular quality expectations or if they have tentative expectations that can be altered easily—consumers are unlikely to hold any disappointment with the new products against the senior mark owner.

2. Loss of Control

For some courts and commentators, the answer to Bone's puzzle—why courts do not typically require evidence that the defendant's goods are of inferior quality—is that the present quality of the defendant's goods is irrelevant. Whether or not the defendant's goods put the plaintiff's reputation at risk at any particular point in time, refusing to find infringement when consumers are confused about a mark owner's relationship with non-competitive goods would put the mark owner's reputation in the junior user's hands.⁷⁶

In *Aunt Jemima*, the court found the defendant's use of the AUNT JEMIMA mark for flour infringed the plaintiff's rights in the mark for syrup, even though "no one wanting syrup could possibly be made to take flour."⁷⁷ According to the court:

75. *Id.* at 2152.

76. See 4 MCCARTHY, *supra* note 5, § 24:15 ("[E]ven if defendant's goods are not of inferior quality today, who is to say what they may be like in the future?").

77. *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 409 (2d Cir. 1917).

Syrup and flour are both food products, and food products commonly used together. Obviously the public, or a large part of it, seeing this trade-mark on a syrup, would conclude that it was made by the complainant. Perhaps they might not do so, if it were used for flatirons. In this way *the complainant's reputation is put in the hands of the defendants*.⁷⁸

Judge Learned Hand similarly remarked in *Yale Electric Corp. v. Robertson*⁷⁹:

[A producer's] mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. *If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control.* This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask.⁸⁰

Modern cases strike the same note. In *El Greco Leather Products Co. v. Shoe World, Inc.*,⁸¹ for example, the court wrote that:

One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark. For this purpose the actual quality of the goods is irrelevant; it is the control of quality that a trademark holder is entitled to maintain.⁸²

Implicit in this argument is an assumption that the junior users' products will at some point diverge in quality, at least in some significant number of cases. Legal intervention is therefore warranted even if the risk of divergent quality has not yet materialized. This assumption is justified, according to some scholars, for the same reason it is justified in the context

78. *Id.* (emphasis added).

79. *Yale Elec. Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928).

80. *Id.* at 974 (emphasis added).

81. *El Greco Leather Prod. Co. v. Shoe World, Inc.*, 806 F.2d 392 (2d Cir. 1986).

82. *Id.* at 395 (citations omitted); *see also* *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979) ("The trademark laws are designed not only to prevent consumer confusion but also to protect 'the synonymous right of a trademark owner to control his product's reputation.'"); *Carling Brewing Co. v. Philip Morris, Inc.*, 277 F. Supp. 326, 335 (N.D. Ga. 1967) (discussing the repercussions of trademark infringement on the trademark owner). The court held:

The defendant argues that it has an "untarnished reputation for fair dealing and honesty" and that its products are "noted for their high quality," and on this basis urges that its infringement cannot cause any real or meaningful injury. Granting that the defendant has such a reputation, and that their products have such a quality, the rule remains: "It is not to be disputed that the plaintiff is not required to put its reputation in defendant's hands, no matter how capable those hands may be."

Id. (citations omitted).

of competing goods: because lack of enforcement against non-competitive products would create bad incentives. If trademark rights did not extend to non-competitive goods, a junior user of the mark could—and therefore would—cut corners, knowing that consumers would blame the senior mark owner for any resulting poor quality.⁸³

Whether mark owners' reputations really are vulnerable when they lose control over the quality of the junior user's goods depends, however, not only on the assumption that the junior user will make inferior products, but also on the assumption that consumers would hold the mark owner responsible for any deviation in quality. This argument therefore ultimately depends on the same behavioral assumption that underlies the quality-divergence argument. Yet, as it turns out, mark owners have not been particularly consistent in their claims about the risk of lack of control. In the infringement context, mark owners have argued that lack of control over the quality of the defendants' goods is a great risk to them. At the same time, putative mark owners have argued, at least in the merchandising context, that their previous lack of control over third-party uses did not destroy source significance as long as the others' quality remained relatively consistent.

In *University Bookstore v. University of Wisconsin, Madison*,⁸⁴ for example, the record demonstrated that the University Bookstore and many others in the Madison area had used the WISCONSIN BADGERS mark and Bucky Badger logo for many years, and even long before the University itself made any use of the marks.⁸⁵ Such longstanding uncontrolled use by third parties ordinarily would result in abandonment of rights in a mark⁸⁶—assuming the

83. *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1430 (7th Cir. 1985). The court notes that:

The value of a trademark is in a sense a "hostage" of consumers; if the seller disappoints the consumers, they respond by devaluing the trademark. . . . The similar mark also dilutes the hostage value of the first, because the firm that created the mark may lose business on account of the inferior products of its rival, while the rival may not lose as much business as its own quality dictates because customers mistakenly blame the first firm for the failings of the second.

Id. (footnote omitted); see also, LANDES & POSNER, *supra* note 61, at 203 (arguing that junior users that adopt marks similar to other earlier users for the purpose of confusing consumers are "likely to produce a lower-quality product").

84. *Univ. Bookstore v. Univ. of Wis., Madison*, 33 U.S.P.Q.2d (BNA) 1385 (T.T.A.B. 1994).

85. *Id.* at 1395 (noting, with respect to use of the "Bucky Badger" mascot on clothing, that opposers were selling apparel imprinted with the mascot by the early 1950s and had continued to do so along with many others, while the University did not begin marketing such clothing until, at the earliest, sometime in 1983).

86. See 4 MCCARTHY, *supra* note 5, § 17:8 (noting that a mark can "become[] abandoned to generic usage as a result of the trademark owner's failure to police the mark, so that widespread usage by competitors leads to a generic usage among the relevant public, who see many sellers using the same word or designation").

mark owner ever had any rights.⁸⁷ Yet the University of Wisconsin successfully argued in *University Bookstore* that the longstanding uncontrolled uses of the mark were best understood as impliedly licensed uses, and that the University's failure to police those implied licensees was excusable because "the quality of the apparel imprinted with [the logos] remained at an acceptable level in virtually all instances."⁸⁸

In fact, the Trademark Trial and Appeal Board (the "Board") has ignored the quality-control requirement fairly routinely in abandonment cases in which the purported licensee's products were of reasonable quality. In *Brewski Beer Co. v. Brewski Bros.*,⁸⁹ the Board refused to find abandonment even when there was no evidence of quality control, claiming that "[e]ven if [it] w[as] to assume that [the licensor] exercised no quality control over the operations of [the licensee's] tavern . . . 'the inference of abandonment is not drawn [where] satisfactory quality was maintained, and, hence, no deception of purchasers occurred.'"⁹⁰ And it is not just the Board that has failed consistently to enforce the quality-control requirement. In *Board of Governors of University of North Carolina v. Helpingstine*,⁹¹ the court found that "many manufacturers used [plaintiff University of North Carolina's] marks prior to the licensing program's institution" and made clear it was "dubious of [the University's] contention that it had no actual knowledge of any alleged unauthorized third-party use of its marks."⁹² Nevertheless, the court refused to find the mark abandoned because, it believed, the mark had not lost all significance as a source identifier despite the widespread, uncontrolled use.⁹³

The point here is not that courts always ignore the quality-control requirement—they do not⁹⁴—only that they sometimes do, and at mark

87. Because rights at common law accrue through use, it is not clear why the University should have been regarded as having superior rights in use of the mark for merchandise. To the extent use of the University's logo on merchandise is the type of use sufficient to trigger trademark rights, the University Bookstore and others in the Madison area made use of the mark long before the University. Nevertheless, the Board concluded that the Bookstore acquired no rights through its use because it had only sold apparel and merchandise imprinted with the logo and never used the logo as a mark. *Univ. Bookstore*, 33 U.S.P.Q.2d at 1396. Yet it is not at all clear why, if the Bookstore's use was not sufficient to trigger rights because it merely sold merchandise bearing the logo, the University acquired rights when it made *precisely the same type of use*.

88. *Id.* at 1396.

89. *Brewski Beer Co. v. Brewski Bros.*, 47 U.S.P.Q.2d (BNA) 1281 (T.T.A.B. 1998).

90. *Id.* at 1288.

91. *Bd. of Governors of Univ. of N.C. v. Helpingstine*, 714 F. Supp. 167 (M.D.N.C. 1989).

92. *Id.* at 171.

93. *Id.*

94. See, e.g., *Barcamerica Int'l U.S.A. Trust v. Tyfield Imps., Inc.*, 289 F.3d 589, 597–98 (9th Cir. 2002) (rejecting the licensor's argument that "because [the licensee] makes good wine, the public is not deceived by [the licensee's] use of the [licensed] mark," on the ground that "[w]hether [the licensee's] wine was objectively 'good' or 'bad' is simply irrelevant. What

owners' behest. To put it differently, mark owners opportunistically argue both sides of the issue, sometimes suggesting that lack of control is a great risk and other times acting as though there is little risk. This should give us some reason to question a general assumption that lack of control necessarily puts mark owners at risk. And, as we will see, there are other good reasons to doubt it as a *general* assumption, at least in the context of non-competing goods.

B. PRODUCT-MARKET PREEMPTION

Another argument that courts sometimes have offered relates not to the present harm of third-party uses but to potential *benefits* foreclosed by those uses. According to this argument, a junior use of a mark for non-competitive goods may preclude the senior user from entering into the junior user's field. Thus, for example, even if another party's use of the EXXON mark for cars did not directly affect Exxon Corp.—perhaps because consumers did not hold Exxon Corp. responsible for the quality of EXXON cars—Exxon Corp. still would be harmed because it would not be able to expand into the car market under the EXXON mark.

During the time they were expanding trademark law beyond directly competing goods, courts made this foreclosure argument with respect to both new geographic and new product markets. The traditional geographic and product market limitations were applications of the same general principle: when a third-party use was geographically remote or was in connection with different goods, the defendant's use was unlikely to divert customers who otherwise would have gone to the mark owner. Arguments for expanding protection to geographically remote areas and to non-competitive markets thus focused on harms other than diversion that were purportedly common to both situations. Specifically, advocates of expansion claimed not only that a mark owner would be harmed if the remote user made inferior articles, but also that later uses of the same mark would foreclose market opportunities to the mark owner.

In *Precision Tune, Inc. v. Tune-A-Car, Inc.*,⁹⁵ for example, the court characterized the defendant's use of a confusingly similar mark in a different geographic market as "depriv[ing] [the plaintiff] of an opportunity to expand its market."⁹⁶ As long as the defendant "continue[d] to employ the deceptively similar marks and trade dress, [the mark owner] [could not] attempt to open a franchise because it [could not] guarantee its franchisee's exclusive use of the mark."⁹⁷ Likewise, in finding that the defendant's use of

matters is that [the mark owner] played no meaningful role in holding the wine to a standard of quality—good, bad, or otherwise").

95. *Precision Tune, Inc. v. Tune-A-Car, Inc.*, 611 F. Supp. 360 (W.D. La. 1984).

96. *Id.* at 368.

97. *Id.*

VERA for cosmetics and toiletries infringed the plaintiff's rights in the same mark—which it acquired through use of the mark on women's scarves, sportswear, and linens—the court in *Scarves by Vera, Inc. v. Todo Imports Ltd.*⁹⁸ emphasized the plaintiff's interest in being able to enter a related field at some future time.⁹⁹

These market preemption arguments are difficult to disentangle entirely from pure free-riding arguments because the notion that a mark owner is preempted by a junior user from entering another market operates on a background assumption that the senior user has a superior right to operate in that other market under "its" mark. Specifically, in the context of the Exxon hypothetical above, this argument assumes that any value the EXXON mark has in the car market rightfully belongs to Exxon Corp. and no one else.¹⁰⁰

C. FREE-RIDING

Though not frequently offered as a stand-alone justification for expansive trademark protection, in many cases courts have been moved by their perception that the defendant was free-riding on value created by the senior user of the mark. Free-riding arguments generally do not stand on their own because they do not depend on consumer confusion, which is widely regarded as the touchstone of liability. Courts therefore tend to tack free-riding arguments onto confusion-based arguments.

Nevertheless, courts' concern about free-riding is readily apparent. In *Aunt Jemima*, the court claimed that, not only would confusion put the mark owner's reputation in the hands of the defendant, but "[i]t [would] enable them to get the benefit of the complainant's reputation and advertisement."¹⁰¹

This sense that junior users of a mark are free-riding on another's investment pervades modern trademark cases and frequently gives comfort to courts accepting novel claims of infringement. In *Boston Professional Hockey*, for example, the court found the conclusion "inescapable that,

98. *Scarves by Vera, Inc. v. Todo Imps. Ltd.*, 544 F.2d 1167 (2d Cir. 1976).

99. *Id.* at 1172. The court identified two other relevant interests: the mark owner's interest in "protecting the good reputation associated with his mark from the possibility of [it] being tarnished by inferior merchandise of the junior user," and the "public's interest in not being misled by confusingly similar marks." *Id.*

100. Schechter clearly accepted this proposition. See Schechter, *supra* note 32, at 823. He states:

Quite apart from the destruction of the uniqueness of a mark by its use on other goods, . . . once a mark has come to indicate to the public a constant and uniform source of satisfaction, its owner should be allowed the broadest scope possible for "the natural expansion of his trade" to other lines or fields of enterprise.

Id.

101. *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 410 (2d Cir. 1917).

without plaintiffs' marks, defendant would not have a market for his particular product among ice hockey fans desiring to purchase emblems embroidered with the symbols of their favorite teams."¹⁰² Such "inescapable" conclusions abound in cases that press new boundaries regarding the scope of a mark owner's rights.¹⁰³

Courts are not alone in this regard. Even Professor McCarthy, while careful to note that an investment in goodwill is not enough by itself to create trademark rights, argues that "[t]he creation of value in a trademark requires 'the expenditure of great effort, skill and ability' and a competitor should not be permitted to take a 'free ride' on the trademark owner's good will and reputation."¹⁰⁴

D. SUMMARY OF JUSTIFICATIONS FOR EXPANDED PROTECTION

These quality feedback, market preemption, and free-riding arguments for extending trademark rights to non-competing goods all make assumptions about how consumers will react when they encounter goods that bear a known mark but which differ from those with which the mark had been associated. Yet we need not rely entirely on assumptions here. A growing body of marketing literature focuses on consumer reaction to uses of a mark in new contexts. The following sections describe the relevant bodies of literature and evaluate the common justifications for expanded trademark protection in light of the themes that emerge from that literature.

IV. BACKGROUND ON MODERN MARKETING LITERATURE

A. BACKGROUND AND TERMINOLOGY

Marketing literature focuses on the impact of various practices on *brands*, which are conceptually broader than trademarks. Brands are generally described in terms of their "brand attribute associations," informational nodes that contain the meaning of a brand for consumers and are linked to the brand cue in memory.¹⁰⁵ Marketers use these associations to differentiate, position, and extend brands by suggesting attributes or

102. *Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1011 (5th Cir. 1975).

103. *See, e.g., Warner Bros. v. Gay Toys, Inc.*, 658 F.2d 76, 80 (2d Cir. 1981) ("To deny Warner Bros. injunctive relief would be to enable Gay Toys 'to reap where [i]t has not sown.'" (citation omitted)); *Stork Rest. v. Sahati*, 166 F.2d 348, 356 (9th Cir. 1948) ("The value of the designation is wholly adventitious, brought about by continued, expensive, and spectacular advertising—such as the giving away of one thousand dollar bills. The conclusion is inescapable that the appellees are seeking to capitalize on the publicity that the appellant has built around the name.").

104. 4 MCCARTHY, *supra* note 5, § 2:30.

105. David A. Aaker & Kevin Lane Keller, *Consumer Evaluations of Brand Extensions*, 54 J. MARKETING 27, 28 (1990).

benefits of purchasing or using the specific brand.¹⁰⁶ Trademarks play an important role for a brand because they often serve as the brand cues to which the brand attribute associations are linked. But the brand is a comprehensive concept that encompasses all of its representations and all the associated meaning.

According to David Aaker and Kevin Lane Keller, marketers most frequently use product attributes or characteristics to position a brand.¹⁰⁷ But a brand also can have associations with particular use situations, types of product users, places, and/or product classes.¹⁰⁸ Collectively, the functional and symbolic brand attribute associations comprise brand image, and brand image appears to be largely product-category specific.¹⁰⁹ Brand image, in other words, cannot readily be disentangled from the products or services offered under the brand. Nevertheless, consumers do not always emphasize the same elements of brand image for all brands in the same product category. For example, ROLEX and TIMEX might have different brand image dimensions because ROLEX is associated with prestige and therefore might be stored in memory with other prestige brands in a superordinate concept category.¹¹⁰

The concept of brand attitude is related to, but distinct from, brand image. Brand attitude “is based on certain attributes such as durability, incidence of defects, serviceability, features, performance, or ‘fit and finish.’”¹¹¹ Brand attitude differs from specific brand associations, however, because it contains elements of affect not necessarily linked to a particular attribute or association. Indeed, this affective component of brand attitude may be stored and retrieved in memory separate from the underlying attribute information.¹¹² Several marketing scholars have concluded that brand attitude is a global assessment (like or dislike) that operates at a higher level of abstraction than particular product attributes.¹¹³ Perceived quality, a third concept of consumer brand assessment, is also a global

106. *Id.*

107. *Id.*

108. *Id.* For example, consumers might associate Lowenbrau with relaxing with good friends; Mercedes with wealthy, discriminating people; and Toyota with Japan. *Id.* Brands like Budweiser, Chevrolet, Levi's, and Bank of America also might have strong product-class associations and those product-class associations may themselves have additional associations. *Id.*

109. George S. Low & Charles W. Lamb, Jr., *The Measurement and Dimensionality of Brand Associations*, 9 J. PRODUCT & BRAND MGMT. 350, 352 (2000).

110. C.W. Park, B.J. Jaworski & D.J. MacInnis, *Strategic Brand Concept-Image Management*, 50 J. MARKETING 135, 136 (1986).

111. Aaker & Keller, *supra* note 105, at 29.

112. *Id.*

113. Valarie A. Zeithaml, *Consumer Perceptions of Price, Quality, and Value: A Means-End and Synthesis of Evidence*, 52 J. MARKETING 2 (1988); Aaker & Keller, *supra* note 105, at 29.

assessment of a product's overall excellence or superiority.¹¹⁴ Perceived quality obviously influences brand attitude, but brand attitude is also influenced by consumers' assessments of other brand attributes and the brand's position in the market.

These concepts of brand image, brand attitude, and consumer brand assessment are clearly related, but research suggests that they behave as separate dimensions in at least some circumstances.¹¹⁵ In other words, while brand image, brand attitude, and consumer brand assessment sometimes (perhaps even often) move together—such that changes in brand image impact brand attitude—they can change independently of one another. Moreover, dimensionality appears to vary with familiarity; “well known brands tend to exhibit multi-dimensional brand associations, consistent with the idea that consumers have more developed memory structures for familiar brands.”¹¹⁶

B. THE RELEVANT LITERATURE AND ITS LIMITATIONS

Within the large body of marketing literature, studies focusing on the impact of brand extensions or brand alliances offer particularly relevant insight regarding trademark protection for non-competing goods. Brand extension refers to the practice of introducing new products under existing brands,¹¹⁷ and brand extension studies measure consumer attitudes toward a particular extension and/or toward the extended brand in light of the brand extension. Brand alliances are “partnership[s] between two entities in which efforts are combined for a common interest or to achieve a particular aim.”¹¹⁸ These partnerships can take many forms, but the two most common are joint promotions (McDonald's including toys in its Happy Meals based on the *Kung Fu Panda* movie) and co-branding arrangements (Edy's Loaded Cookie Dough Ice Cream with Nestle Toll House cookie dough). Like the

114. Low & Lamb, *supra* note 109, at 353; Zeithaml, *supra* note 113, at 3.

115. Low & Lamb, *supra* note 109, at 360.

116. *Id.* at 361 (noting that researchers commonly postulate that consumers have more developed memory structures for these brands because they are “willing to expend more energy in processing information regarding familiar brands compared to unfamiliar brands”).

117. Some researchers distinguish between brand extensions and line extensions. In this terminology, new products introduced in the same basic-level category as the parent brand would be line extensions and new products in different basic-level categories would be brand extensions. Barbara Loken & Deborah Roedder John, *Diluting Brand Beliefs: When Do Brand Extensions Have a Negative Impact?*, 57 J. MARKETING 71, 74 n.3 (1993). The “basic” level “is the one most easily recognized and discriminated by consumers.” *Id.* at 74 (citation omitted). Thus, the basic-level category for Coca-Cola might be “soda.” A line extension then would be a new type of soda offered under the COCA-COLA mark, such as Diet Coke. A brand extension would involve introduction of a new juice product under the COCA-COLA mark. Brand extensions, in this terminology, would thus be more remote from the original products than would line extensions.

118. Nicole L. Votolato & H. Rao Unnava, *Spillover of Negative Information on Brand Alliances*, 16 J. CONSUMER PSYCHOL. 196, 196 (2006).

brand extension studies, the brand alliance studies measure consumer attitudes toward the alliance product or service and/or the alliance partners in light of information about the alliance product or one of the partners. The brand extension and brand alliance studies are more useful here than studies dealing specifically with likelihood of confusion because this Article is concerned with the consequences of confusion for mark owners *even when consumers are confused* about the source of non-competing goods that bear the same or a similar mark.

To be clear, the brand extension and brand alliance studies have obvious limitations—both methodologically and in terms of their applicability to legal issues in trademark law. First, the studies frequently involve hypothetical brands, hypothetical extensions (alliances), or both. Since hypothetical brands are unfamiliar to the subjects and therefore lack the associative networks of real brands, the results cannot necessarily be extrapolated to the commercial marketplace. Indeed, some of the studies themselves get different results in tests that involve hypothetical brands than they do in those that involve real brands.¹¹⁹

Second, subjects in these brand extension and brand reliance studies receive limited information about the extensions (alliances) at issue, and they encounter the extensions (alliances) in artificial environments that lack the context consumers ordinarily would use to evaluate a product or service. As one researcher noted, many of these studies attempt to determine the effect of brand extension (alliance) information on subjects' evaluations of the brand extensions (alliances) and parent brands by measuring attitudes before and after subjects' exposures to "semantic brand extension information of product category, brand attributes and sales results in 'Consumer Report' formats."¹²⁰ Constructing exposure in this way may be methodologically necessary, but the subjects may react differently in this

119. See, e.g., Peter A. Dacin & Daniel C. Smith, *The Effect of Brand Portfolio Characteristics on Consumer Evaluations of Brand Extensions*, 31 J. MARKETING RES. 229, 239 (1994) (finding, in a study involving hypothetical brands, that the number of products affiliated with a brand was positively related to confidence and favorability of a brand extension, but failing to find such a result in the context of real brands).

120. Joseph W. Chang, *Will a Family Brand Image Be Diluted by an Unfavorable Brand Extension? A Brand Trial-Based Approach*, 29 ADVANCES IN CONSUMER RES. 299, 299 (2002); cf. Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 529–32 (2008) (describing the problems with extrapolating lab results to the commercial marketplace and noting that, in one well-known study of dilution, "the test environment was itself decontextualizing, depriving subjects of the cues they would ordinarily use to distinguish a dilutive use from a senior mark"). Recent studies of other aspects of consumer behavior have reflected the difficulty of translating lab results to real-world settings. See Ori Heffetz & Moses Shayo, *How Large Are Non-Budget-Constraint Effects of Prices on Demand?* 4–5 (Mar. 19, 2009) (unpublished manuscript, on file with Iowa Law Review) (finding in a lab experiment that prices positively affected stated willingness to pay, but finding no such demand effects in a field experiment and concluding that experimentally detectable price effects on demand may be too small to matter in at least some real-world settings).

context than they would if they encountered the relevant products in the marketplace.

Third, many of the studies measure changes in subjects' attitudes rather than changes in behavior. This raises questions about the practical significance of the studies since research suggests there is little correlation between attitude and behavior toward brands.¹²¹ And while this is a problem generally, the disconnect between attitudes and behavior is particularly acute when the extension (alliance) information comes from an indirect rather than direct product experience, as the information does in virtually all of the brand extension and brand alliance studies.¹²² And even to the extent findings relating to consumer attitudes merit consideration, there is an additional reason to question their significance because the results depend on subjects' predictions of their future feelings about a brand—perhaps at their next purchasing opportunity—and research suggests people are particularly bad at forecasting their feelings.¹²³

Finally, the brand extension and alliance studies record subjects' responses very shortly after they are exposed to new information, even though research suggests post-experience advertising is very likely to affect consumers' memories of the new information.¹²⁴ Specifically, post-experience exposure to marketing messages is likely to cause those exposed to the extension (alliance) information to misremember their earlier experience with the extension (alliance), and to interpret that experience more positively later on than they do immediately after their exposure.¹²⁵

121. Chang, *supra* note 120, at 299 (citing research demonstrating that the attitude-behavior correlation is significant only when the product information comes from direct experience). These findings are also relevant with regard to the purported harms of dilution, since blurring—and especially tarnishment—is based on claims about how certain uses affect consumers' attitudes towards brands.

122. Direct experience here refers to “product use from purchase, direct tests, sampling, and other evaluation behaviors.” *Id.* at 299 n.2. Indirect experiences include “advertising exposure, personal selling presentations, exposure to displays, packages, and point-of-purchase materials, [and] word-of-mouth.” *Id.*

123. See, e.g., Timothy D. Wilson & Daniel T. Gilbert, *Affective Forecasting: Knowing What to Want*, 14 CURRENT DIRECTIONS IN PSYCHOL. SCI. 131, 131 (2005) (discussing various ways in which people mispredict future emotional states, including “the impact bias, whereby people overestimate the intensity and duration of their emotional reactions to future events—even when they know what the future event is likely to entail and they are not in a particularly ‘hot’ or ‘cold’ emotional state at the time of making their forecast” (emphasis omitted)). Some speculation is involved even when studies involve real brands since they tend to use hypothetical extensions, forcing respondents to declare how they would feel about a brand if the extension happened.

124. See, e.g., Kathryn A. Braun-LaTour, Michael S. LaTour, Jacqueline E. Pickrell & Elizabeth F. Loftus, *How and When Advertising Can Influence Memory for Consumer Experience*, 33 J. ADVERTISING 7, 7 (2004) (discussing how advertising influences consumers' memories of their experiences).

125. *Id.*

These are real limitations, and they counsel caution in applying the findings of the brand extension and alliance studies directly to the legal issues in trademark law. Nevertheless, these studies remain the best available evidence regarding the impact of uses of a mark outside its original context. Since the arguments offered in favor of protection against non-competing uses make essentially empirical claims, we should engage the literature and understand its lessons. In doing so, however, we should remember that expansive trademark protection has significant costs, both competitively and in terms of the speech it restricts.¹²⁶ We should therefore demand good evidence that the harms allegedly addressed by this protection are real. Since the marketing literature discussed below is designed to help brand owners enhance the value of their brands, it seems fair to assume that these studies offer the best possible assessment of the impact of non-competitive uses. Indeed, given their orientation toward brand owners—who are generally plaintiffs in trademark lawsuits—any weaknesses in the studies would seem to undermine the claim that these uses have real-world impact and cut against broader protection.

V. LESSONS OF THE MARKETING LITERATURE

A. BRAND EXTENSION

As noted above, brand extension refers to the practice of introducing new products under existing brands. Nike, Inc., for example, may want to capitalize on consumer recognition of its NIKE mark, which the company has used primarily for athletic shoes and apparel, by using the mark in connection with new products or services, such as athletic training services. Brand extension studies measure consumer attitudes toward a particular extension and/or the extended brand in light of information about the extension. Thus, a study might gauge consumer reaction to the hypothetical extension of the NIKE brand to athletic training services by measuring subjects' attitudes toward the new service and/or toward the NIKE brand after they have been exposed to information about the extension.

Because the subjects in the brand extension studies are told the test products are in fact real or proposed extensions of the known brand, the studies offer insight into the consequences of true source confusion, in which consumers believe the defendant's goods actually emanate from the plaintiff. In fact, these studies almost certainly *overstate* the real-world consequences of third-party use of a mark for non-competitive goods: since the respondents in these studies have no doubts about the source of the extensions at issue, the studies simulate one-hundred percent confusion.

126. For examples of the costs, see generally Lemley & McKenna, *supra* note 8, for a discussion of a number of cases in which mark owners asserted extreme claims and the costs of sponsorship or affiliation claims.

Trademark infringement cases almost never involve confusion anywhere near that level.¹²⁷

Two strands of the brand extension literature are relevant to arguments about the harm of non-competitive uses. First are the studies which seek to determine the conditions under which information about the existing “parent” brand transfers to the new product, thereby reducing the costs of entry and increasing the likelihood that consumers will accept the new product or service. These studies attempt to measure *spillover effects*—that is, they focus on the benefits that might accrue to a new product or service by virtue of its being offered under a known brand name. These studies therefore speak most directly to market preemption and free-riding arguments.

A second set of studies focuses on the consequences of brand extension for parent brands. More specifically, these studies attempt to determine whether information about a brand extensions affect consumers’ perceptions of the extended brand. In other words, these studies measure *reciprocal spillover effects* (or *feedback effects*)—running from the extension products back to the parent brand. The feedback studies are most relevant in evaluating arguments that confusion about the source of a defendant’s products will have reputational consequences for the mark owner.

1. Forward Spillover Effects

The first strand of brand extension studies focuses on the conditions under which positive brand associations will transfer to new products. The

127. Courts generally articulate the relevant standard as a question of whether the defendant’s use is likely to cause confusion among “an appreciable number of ordinarily prudent purchasers.” *See, e.g., Int’l Ass’n of Machinists & Aerospace Workers v. Winship Green Nursing Ctr.*, 103 F.3d 196, 201 (1st Cir. 1996) (“[T]he law has long demanded a showing that the allegedly infringing conduct carries with it a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care.”); *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979) (“[A]n appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods.” (quoting *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978))). While there is no absolute quantitative threshold for determining what level of confusion is “appreciable,” courts have generally been persuaded by evidence of fifteen-percent confusion. *See, e.g., Exxon Corp. v. Tex. Motor Exch., Inc.*, 628 F.2d 500, 507 (5th Cir. 1980) (finding “a high possibility of confusion” between TEXON and EXXON where approximately fifteen percent of the individuals surveyed associated the TEXON sign with EXXON, another twenty-three percent associated the sign with gasoline, a gas station, or an oil company, and only seven percent associated the sign with Texas Motor Exchange); *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1061 (2d Cir. 1979) (noting that survey results showing fifteen- to twenty-percent confusion corroborates likelihood of confusion); *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 279 (7th Cir. 1976) (noting that a fifteen-percent level of confusion is neither small nor *de minimis*). In one case, the Second Circuit called evidence of 8.5% confusion “strong evidence.” *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 365 F. Supp. 707, 716 (S.D.N.Y. 1973), *modified*, 523 F.2d 1331 (2d Cir. 1975) (finding 8.5% confusion “strong evidence” of a likelihood of confusion).

most obvious lesson of this literature is that the goodwill associated with a brand does not always transfer to extension of that brand.¹²⁸ Rather, the success of any particular extension is primarily a function of three factors: (1) the perceived quality of the core brand; (2) the similarity or “fit” of the proposed extension with the family (or core) brand; and (3) the perceived credibility of the family brand.¹²⁹ Consumers favorably evaluate extension products when the core brand is high quality and they perceive the extension product as a good fit with existing products.¹³⁰ Conversely, when an extension is not perceived as a good fit, the goodwill associated with the core brand will not lead to favorable evaluations of the extension products.¹³¹

Fit in this context can be measured in terms of complementarity, substitutability, and transferability. Complementarity refers to the extent to which consumers view the extension product and the goods offered by the parent brand as complements.¹³² Products are complementary if both are consumed jointly to satisfy some particular need.¹³³ For example, ski clothing is a complementary extension for the ROSSIGNOL brand, which originally was known for downhill skis.¹³⁴ Substitutability refers to the extent to which consumers view the extension product as a substitute for the goods offered by the parent brand.¹³⁵ Substitute products tend to have common applications and use contexts such that one product could replace the other

128. A quick note about terminology: these studies use “parent” brand, “core” brand, and “family” brand more or less interchangeably. To the extent there is any distinction between these terms it is that a “parent” brand is any brand that is extended (and intended to convey a parent–child relationship); a “core” brand refers to the parent brand in its original context; and a “family” brand is a brand under which more than one product or service is offered. Hence, a “parent” brand could be a “core” brand if, before the extension, the brand is primarily known in the context of a few products or services. A “parent” brand could also be a “family” brand if it had already been applied to multiple products or services. The brand would be considered a “family” brand after the extension since it would now encompass both pre-extension and post-extension products or services. None of the studies, however, differentiates findings on the basis of whether the extended brand is referred to as a “parent,” “core,” or “family” brand.

129. See Kevin Lane Keller & David A. Aaker, *The Effects of Sequential Introduction of Brand Extensions*, 29 J. MARKETING RES. 35, 47 (1992) (discussing the factors that contribute to a successful brand extension).

130. While in one study Aaker and Keller found that extensions from high-quality brands may still be evaluated favorably even when they are somewhat more remote—that is, high-quality core brands “stretch farther”—the relatively dissimilar products in that study were still quite close to those offered under the core brand. See *id.* at 40–44 (testing extensions deemed close, medium, and far from the core brand product, where ice cream was the “far” extension of a brand known for potato chips).

131. *Id.* at 45.

132. See Aaker & Keller, *supra* note 105, at 30.

133. *Id.*

134. *Id.*

135. *Id.*

in usage and satisfy the same needs.¹³⁶ Cross-country skis or ice skates therefore would be substitute extensions for ROSSIGNOL. Finally, transferability relates to the relevance of a brand owner's expertise in the extension product category.¹³⁷ Specifically, transferability depends on the extent to which consumers believe a parent brand owner can use its people, facilities, and skills to make the new product or offer the new service.¹³⁸ Transferability is related to credibility, which is a function of perceived expertise and trustworthiness.¹³⁹

In addition to these global measures of fit, consumer evaluation of an extension product can depend on transfer of particular concrete (involving tangible product characteristics) or abstract (involving intangible image characteristics) brand attribute associations.¹⁴⁰ Extension evaluations will depend primarily on whether the specific attribute or benefit associations for the core brand are viewed as relevant in the extension product category and, if so, how favorable those inferred associations are in the context of the extension product.¹⁴¹ Consumers may value a particular brand association highly in one context but not in another, even when there is fit between the products or services. Despite the similarity between products, for example, consumers may value thickness in tomato-based juices but not in children's fruit-flavored drinks.¹⁴² Likewise, pulp is related to high quality in orange juice but to low quality in apple juice.¹⁴³ The extent to which particular brand attribute associations transfer to the extension product therefore depends "not only on the strength of the association" with the parent brand, but also the "appropriateness of the association" in the new context and "whether cues are present to activate an association."¹⁴⁴

Importantly, these variables of transferability depend substantially on the nature of the respective products and how brand owners position them in the marketplace. Whether global assessments of a parent brand will benefit a new product depends on the nature of the new product and its fit with the parent brand. Product characteristics also frequently determine

136. *Id.*

137. See Aaker & Keller, *supra* note 105, at 30 (discussing the importance of product classes when determining complements).

138. *Id.*

139. *Id.* Perceived expertise and trustworthiness are highly correlated and may depend on the perception of previous extensions. The effect of previous extensions on new extension evaluation appears to depend more on the success of the previous extension than the relative similarity of the intervening extension. Aaker and Keller found no differences in perceived company credibility (and presumably in evaluations of proposed extensions) based on fit between an intervening extension and the core brand. *Id.*

140. *Id.* at 36–37.

141. *Id.*

142. Aaker and Keller, *supra* note 105, at 28.

143. *Id.*; Zeithaml, *supra* note 113, at 7.

144. Aaker and Keller, *supra* note 105, at 29.

whether relevant brand attribute associations—like “thickness”—will transfer to the new product. Thus, while it is undeniably true that modern marketing focuses on brand identity and producers’ ability to create associations with a brand, it is also abundantly clear that the products or services with which a mark has been used are central components of any brand’s meaning.

2. Negative Feedback and Brand Extension

A second, related line of literature deals with potential feedback effects on an extended parent brand. This literature paints a complex picture and offers somewhat contradictory lessons. One thing, however, is clear: no *general* assumption about the effect of using a known mark for non-competitive goods is warranted. As one set of researchers noted, “the data suggest that dilution [of brand attribute beliefs] is a complex phenomenon, emerging for certain types of brand extensions in only some types of situations.”¹⁴⁵

Research on feedback effects focuses on several different types of effects. Some studies address the effect of negative or inconsistent brand information on overall brand image or on global brand assessments like “quality” or “success.”¹⁴⁶ Other studies focus on the effects of new information on specific brand attribute beliefs—such as a belief that Neutrogena products are “mild.”¹⁴⁷ This distinction between global assessments and specific brand attribute beliefs is particularly important here; extension information seems to have little effect on global brand assessments, though inconsistent extension information may, in certain circumstances, affect specific brand attribute beliefs, at least immediately after exposure to such information.

a. Global Brand Assessments

Taking first the issue of a single, isolated extension, studies suggest that consumers generally do not alter global brand assessments in light of extension information. 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 brand before learning about the extension.¹⁴⁸ Keller and Aaker similarly failed to find any difference in core brand evaluations between subjects who received negative information about an extension and others in a control group that had not received any extension information.¹⁴⁹

145. Barbara Loken & Deborah Roedder John, *Diluting Brand Beliefs: When Do Brand Extensions Have a Negative Impact?*, 57 J. MARKETING 71, 79 (1993).

146. Jean B. Romeo, *The Effect of Negative Information on the Evaluations of Brand Extension and the Family Brand*, 18 ADVANCES IN CONSUMER RES. 399, 400 (1991).

147. *Id.*

148. *Id.* at 404–05.

149. Keller & Aaker, *supra* note 129, at 47.

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.¹⁵⁰ In Keller and Aaker's study, successful brand extensions improved evaluations of later extensions and of the core brand itself, at least when the core brand was of average quality.¹⁵¹ 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.¹⁵² 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.¹⁵³ 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.¹⁵⁴

Significantly, even in the few cases in which negative information had an impact on a parent brand, it did so only in an abstract sense. In particular, negative information about an extension did not affect the parent brand's image in the context of the goods the parent previously offered. Thus, for example, Joseph Chang found that the general brand image of the parent brand of Sprite products was diluted by both of two unfavorable extension products: Sprite orangeades and Sprite dish-washing detergent.¹⁵⁵ At the same time, however, neither unfavorable extension damaged the image of Sprite lemonades, the original product offered under the parent brand.¹⁵⁶ Such brand "dilution" can be considered a harm only to the extent it might impact the brand owner's ability to extend its brand in the future.

150. *Id.*

151. *Id.* at 43. Successful extensions had no impact on high-quality core brands. *Id.*

152. *Id.* at 46.

153. *Id.* Notably, even this risk appeared significant only for moderate-quality core brands. Unsuccessful extensions had no impact on evaluation of extensions by high-quality brands. An interesting parallel finding was that an unsuccessful extension, even when it affects credibility and prevents the core brand from expanding to less similar products, does not appear to prevent the core brand from "backtracking" and later introducing a more similar extension. *Id.* at 48.

154. Keller & Aaker, *supra* note 129, at 44–45. In an odd set of additional findings, Keller and Aaker find that evaluations of an average-quality core brand were significantly *lower* when the company had successfully introduced two extensions than when it had successfully introduced one extension, even though perceptions of company credibility and product fit were not significantly lower. *Id.* Conversely, evaluations of high quality core brands seemed relatively unaffected by multiple unsuccessful extensions even though perceptions of company credibility (with respect to further extensions) and fit were lower. *Id.* at 48. The authors suggest these findings might be explained by contextual effects, and that more strongly held attributes about the core brand (which may come from tests of real brands with which consumers had actual experience) can be expected to show more resistance to contextual effects. *Id.*

155. Chang, *supra* note 120, at 302.

156. *Id.*

The few studies that have found some effect on global brand assessments have involved umbrella branding of extremely closely related products. In one study, for example, Tülin Erdem estimated a model using scanner data regarding purchases of toothbrushes and toothpaste offered under the same brand.¹⁵⁷ Erdem concluded that variance in the quality of toothbrushes given away as free samples by a toothpaste brand owner had some cross-category effects (i.e., consumers updated their quality expectations of the toothpaste and bought less of it).¹⁵⁸ But even here the effects were “small in magnitude,”¹⁵⁹ and that was in a study in which the brand owner explicitly tied the extension product to the core product.¹⁶⁰ Thus, the most that can be said regarding the impact of extensions on global brand assessments is that the extension may have feedback effects that are small in magnitude in a few cases in which the extension product is very closely related to the brand owner’s pre-extension product offerings.¹⁶¹

b. Incongruity

In addition to the influence of product categories and the success or failure of the extension, *congruence* between the extension and the parent brand moderates the effect extension information has on the parent brand’s image. Congruence here is defined in terms of keeping with the dominant concept of the brand, which is conceived of as primarily functional,

157. Tülin Erdem, *An Empirical Analysis of Umbrella Branding*, 35 J. MARKETING RES. 339, 347 (1998).

158. *Id.*

159. *Id.*

160. Erdem’s study relied on purchase data after exposure to free toothbrush samples provided explicitly by the brand owner. *Id.* 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.

161. Jean Romeo found in her study that negative information about an extension in the same product category as the parent brand had a marginally significant negative effect on the family brand image, though negative information about extension in a different product category actually improved the parent brand image. Romeo, *supra* note 146, at 404. Romeo claims that brand image might improve in the face of negative information about an extension in a different product category because the negative information is inconsistent with subjects’ preexisting schemas and therefore “can be dismissed as due to temporary situational factors.” *Id.* at 405. In other words, consumers may simply conclude that the skills needed to make the original product would not transfer to the product extension, and negative information about the extension therefore was more reflective of the extension product than the original brand image. *Id.* This explanation might plausibly explain why information about an extension in a different product class would not have a negative impact on brand image, but it does not explain *improvement* in brand image. Moreover, Romeo’s explanation of this unexpected result is oddly inconsistent with her earlier claim that negative information about similar products is remembered precisely because of its inconsistency with the preexisting schema. *See id.* at 401 (“[I]nconsistency which is unambiguous, strong, or evaluative, is even more likely to capture attention and be remembered.”).

symbolic, or experiential.¹⁶² Congruence differs from product-category-related effects in that an extension could be seen as incongruent even when it is in the same product class as the core product. Consumers might regard a new Rolls-Royce economy car as incongruent with the ROLLS-ROYCE brand image, even though the new car is in the same broad category as Rolls-Royce luxury vehicles.

As Helge Thorbjørnsen demonstrates, brand extensions that are congruent with the original brand concept will have a more positive effect on the parent brand than extensions that are not congruent.¹⁶³ In other words, a congruent extension has greater positive feedback effects than an incongruent extension. But it does not follow that *incongruence* between the extension and the parent brand necessarily harms the parent brand. Rather, the effect of incongruence depends on consumers' motivation to process information about the extension, which is primarily a function of familiarity with the parent brand. According to Thorbjørnsen, consumers are less motivated to process information about less familiar brands, and unmotivated consumers tend not to exert the effort necessary to assimilate new information, instead using a "sub-typing" strategy.¹⁶⁴ That is, when a brand extension is atypical, consumers with low motivation are likely to resolve the incongruity by forming a sub-type—storing the information about the extension in a separate cognitive category.¹⁶⁵ When consumers create such sub-types, the parent brand is effectively insulated from feedback.

The feedback effect on highly familiar brands is unclear. Thorbjørnsen argues that consumers are more highly motivated to process information about well-known brands and therefore may process incongruent information more thoroughly and assimilate the new information into the parent brand category.¹⁶⁶ On this theory, incongruent extensions are likely to have greater impact on parent brand image when brand familiarity is high rather than low. Put differently, Thorbjørnsen hypothesizes that feedback effects are a greater concern for strong brands.

But the conclusion that incongruence has negative consequences for a well-known parent brand is in tension with other research showing that unfavorable incongruent extensions did not cause negative evaluations of

162. Helge Thorbjørnsen, *Brand Extensions: Brand Concept Congruency and Feedback Effects Revisited*, 14 J. PRODUCT & BRAND MGMT. 250, 250–51 (2005); see also Henrik Sjödin & Fredrik Törn, *When Communication Challenges Brand Associations: A Framework for Understanding Consumer Responses to Brand Image Incongruity*, 5 J. CONSUMER BEHAV. 32, 38 (2006) (noting that brand image incongruity affects consumers' attitude towards the brand).

163. Thorbjørnsen, *supra* note 162, at 252.

164. *Id.*

165. *Id.*

166. *Id.* at 254–55.

the parent brand.¹⁶⁷ Indeed, after reviewing the relevant literature to distill “main tendencies,” Henrik Sjödin and Fredrik Törn conclude that negative evaluation of incongruent extension information will not affect evaluation of the parent brand.¹⁶⁸ The authors explain this somewhat counterintuitive result by suggesting consumers *generally* use a sub-typing strategy to resolve incongruous information—not only when the parent brand is unfamiliar.¹⁶⁹ But whether or not sub-typing explains the lack of impact on well-known brands, Sjödin and Törn’s conclusion that incongruous information is unlikely to impact parent brands fits more comfortably with other research demonstrating that well-known brands are quite resistant to change.¹⁷⁰ It therefore seems unlikely that incongruence negatively impacts many brands, whether those brands are familiar or not.

It would be odd to focus on a phenomenon that affects, at most, a small number of highly familiar brands to justify claims against non-competing goods generally, particularly because other research suggests that consumers with high levels of involvement are less likely to be confused by uses of a similar mark in the first place—or at least are likely to be confused by different types of similarity than are consumers in low-involvement situations. According to Daniel Howard, Roger Kerin, and Charles Gengler,¹⁷¹ consumers in high-involvement situations¹⁷² are unlikely to be

167. Chang, *supra* note 120, at 302–03.

168. Sjödin & Törn, *supra* note 162, at 35, 38.

169. See *id.* (positing that “although the brand evaluation is not affected by the evaluation of the incongruent element, there may still be an opportunity for brand image to influence brand evaluations”).

170. See Stephen J. Hoch, *Product Experience Is Seductive*, 29 J. CONSUMER RES. 448, 451 (2002) (“Using a simple 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.”). Even Jacob Jacoby, perhaps dilution’s biggest supporter, admits that truly well-known marks are essentially unshakable. 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.”). There is abundant evidence outside the branding context of the robustness of initial judgments. See, e.g., Jon D. Hanson & Douglas A. Kysar, *Taking Behavioralism Seriously: The Problem of Market Manipulation*, 74 N.Y.U. L. REV. 630, 646–54 (1999) (discussing a number of empirical demonstrations of the persistence of initial judgments, even in the face of contradictory or ambiguous hard data). Even conscious consumers who try to reason through additional information are unlikely to change their perceptions; attempts at rationalization may actually serve to increase confidence in a faulty intuitive judgment, a phenomenon known as confirmation bias. See *id.* at 647–50, 660–62; Nicholas Epley & Thomas Gilovich, *The Anchoring-and-Adjustment Heuristic: Why the Adjustments Are Insufficient*, 17 PSYCHOL. SCI. 311, 312 (2006) (“[P]eople evaluate hypotheses by trying to confirm them.”).

171. Daniel J. Howard, Roger A. Kerin & Charles Gengler, *The Effects of Brand Name Similarity on Brand Source Confusion: Implications for Trademark Infringement*, 19 J. PUB. POL’Y & MARKETING 250, 252 (2000).

172. The authors manipulated levels of involvement in two ways. First, participants in the study were told they were going to be entered into a drawing as a reward for their participation.

confused by use of a mark that is similar to the core mark in sight or sound, though relatively more likely to be confused by uses of marks that are similar in meaning.¹⁷³

In fact, the small amount of confusion the authors found was probably *more* than would naturally arise. Howard, Kerin, and Gengler tested confusion by showing participants a variety of goods, including two different brands of drain cleaner and two different brands of car wax.¹⁷⁴ They varied the difference between the two brands such that the second sometimes was similar to the first in meaning (Hurricane vs. Cyclone) and sometimes in sound (Hurricane vs. Hurri-Drain).¹⁷⁵ The authors then measured confusion about common source by telling study participants the following:

The first set of products you reviewed yesterday included a brand of drain cleaner (car wax). The second set of products you just reviewed also included a brand of drain cleaner (car wax). How likely or unlikely is it that those two brands of drain cleaner (car wax) were made by the same company?¹⁷⁶

They then scored the responses on a seven-point scale ranging from “very likely” (1) to “very unlikely” (7).¹⁷⁷ This formulation likely led to higher levels of reported confusion than might have arisen naturally, since the question seems to have primed respondents to consider common source. It is also unclear how much of the confusion that was reported was caused by brand name similarity, since the authors used the same trade dress for all of the test objects (both drain cleaners, for example).¹⁷⁸

Putting this research together with that regarding the effects of incongruity suggests both that consumers are unlikely to be confused by similarity in circumstances of high involvement,¹⁷⁹ when harm is most likely to follow from confusion, and that confusion is unlikely to be harmful in those cases where confusion is more probable.

Id. at 255. High-involvement subjects were told the drawing winners would receive \$50 of any brand drain cleaner or car wax presented in the study. *Id.* Drain cleaner and car wax were the two products tested in the study. *Id.* at 254. Low-involvement subjects were told the drawing would be for \$50 of any brand of carpet spot-stain cleaner used in the study. *Id.* at 255. Second, as a check, participants were asked on the second page of the response booklet to indicate whether “[t]he drain cleaning (car wax) products [were] relevant to [them]/not relevant to [them] and personally involving/not personally involving.” *Id.*

173. *Id.* at 261.

174. *Id.* at 254.

175. *Id.* at 255.

176. Howard, Kerin & Gengler, *supra* note 171, at 255.

177. *Id.*

178. See *id.* at 257–58 (mentioning that the brand name was the only thing altered between like test objects).

179. If Thorbjørnsen is correct that high familiarity correlates with higher involvement, then it seems probable that consumers are less likely to be confused about third-party uses that are similar to familiar brands only in sight or sound.

c. *Specific Brand Beliefs*

While new extension information does not tend to impact global brand attitudes, it can affect specific brand beliefs.¹⁸⁰ An extension, for example, might not affect consumers' overall evaluations of the NEUTROGENA brand, but it may impact their belief that NEUTROGENA products are "mild" (if, for example, NEUTROGENA offered a shampoo product consumers considered "harsh").¹⁸¹ Like in the case of overall assessments, however, any impact on specific brand beliefs tends to be 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' general association of "mildness" with the NEUTROGENA brand, it is unlikely to affect their belief that NEUTROGENA hand lotion is mild. The only sense in which this abstract effect could have any real-world consequences would be in limiting the future extendibility of the brand.

d. *Reasons to Think Feedback Harms Will Be Insignificant*

i. *Studies Regarding Global Assessments Are More Relevant*

It is worth emphasizing here that the majority of studies that show any feedback effects focus on specific brand attributes rather than global evaluations of quality. These studies therefore measure different effects than those typically claimed in support of trademark protection against non-competing goods. The standard feedback arguments focus on consumer assessments of quality, suggesting that the poor quality of the junior user's products or services will be attributed to the parent brand. Even the control arguments focus on *quality* control. Consequently, studies like Aaker and Keller's, which measure perceived quality directly and focus on global brand assessments, are more specifically relevant to the arguments advanced by courts and commentators in favor of trademark protection against non-competing uses.

And it is not simply that these studies are more responsive to the standard arguments. As a matter of fact, though they draw the wrong conclusions, advocates of broader protection are right to focus on global assessments rather than specific attributes. Research suggests that consumers evaluating a new product tend to rely on global attitudes toward a brand rather than attempting to recall and process specific brand attributes.¹⁸²

180. Eva Martínez & José M. Pina, *The Negative Impact of Brand Extensions on Parent Brand Image*, 12 J. PRODUCT & BRAND MGMT. 432, 437–38 (2003) (referring to studies by Keller and Aaker in 1992 and Loken and John in 1993).

181. Barbara Loken & Deborah Roedder John, *Diluting Brand Beliefs: When Do Brand Extensions Have a Negative Impact?*, 57 J. MARKETING 71, 72 (1993).

182. 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) (stating that consumers tend to rely predominately on attitudes

Thus, junior uses that affect consumers' global evaluations of a brand would have a greater impact on a brand owner's ability to expand into other markets than would uses that merely affect particular attribute associations. Yet the research suggests third-party uses are unlikely to impact global brand attitudes.

There is one additional reason to believe Aaker and Keller's study is more relevant than the studies focusing on specific brand attributes. Because they gave the subjects in their study little information about the core brand and the extensions they were testing, Aaker and Keller's findings "are most representative of low involvement consumer decision settings where consumers lack the motivation and/or ability to judge the extension and where source effects have been shown to have an important influence on attitudes."¹⁸³ These low-involvement situations in which consumers are likely to sub-type the extension information are precisely the situations in which consumers are most likely to be confused.

ii. Sub-Branding as a Moderating Factor

Because the brand extension studies seek to measure the impact of extensions of known brands, these studies involve extension products that bear the exact same mark as the parent. This is an important point because many trademark infringement cases do not involve identical marks. Frequently plaintiffs complain about a defendant's use of a somewhat different trademark or a similar mark used in conjunction with other distinguishing features, such as a house mark or distinctive packaging. And it turns out that small changes to a mark or packaging can make a very big difference in how consumers process the new mark.

Several studies have found that differentiating the extension product from the parent brand by adding to or altering the stimulus is effective in preventing any feedback effects on the parent brand.¹⁸⁴ One study, for example, evaluated the impact of information about luxury automobile brand owners' plans to offer lower-priced models on subjects' perceptions of the luxury brands (BMW and ACURA). Though the authors did find some negative feedback when subjects were told only that BMW (ACURA) was introducing a new car, addition of a sub-brand such as "Ultra by BMW" was sufficient to insulate the parent brand from any negative effects.¹⁸⁵ Subjects reacted negatively to the lower-priced extension products, but their perceptions of the parent brand were not affected when the extension

toward a brand when evaluating new products); see also Laura R. Bradford, *Emotion, Dilution, and the Trademark Consumer*, 23 BERKELEY TECH. L.J. 1227, 1260 (2008).

183. Keller & Aaker, *supra* note 129, at 48.

184. See, e.g., Amna Kirmani, Sanjay Sood & Sheri Bridges, *The Ownership Effect in Consumer Responses to Brand Line Stretches*, 63 J. MARKETING 88, 89–90 (1999) (discussing various studies dealing with the effect of brand extension on the parent brand).

185. *Id.* at 94–95.

products were sub-branded. In other words, even though they knew that BMW (ACURA) was in fact the source of the sub-branded extension product,¹⁸⁶ subjects responded to the sub-branding strategy by sub-typing, effectively insulating the parent brand from any feedback effects.¹⁸⁷

This research suggests that consumers are relatively adept at recognizing attempts to differentiate and they are able to categorize brand attitudes finely when they are encouraged to do so. Thus, any risk of negative feedback is even further diminished to the extent the junior use is not identical to the parent mark or accompanied by other signals of differentiation—perhaps through use of a known house mark or a different stylized logo.

iii. Marketing Activities Modulate Memory

Studies that have found a feedback effect measured subjects' reactions very shortly after they were exposed to information about the extension. As a practical matter, it may be impossible to test any other way. But the immediacy of the subjects' responses dilutes the significance of the findings, since consumers' memories of their experiences with brand extensions are very likely to be significantly affected by post-exposure events, including later exposure to marketing information.¹⁸⁸ Particularly with respect to well-established brands—the “strong” brands for which trademark law provides the most protection—the post-exposure events consumers are most likely to encounter will be advertisements for the parent brand. Consumers' memories of their experiences with the extension product are therefore

186. Rebecca Tushnet argues that this research regarding sub-branding suggests that dilution by tarnishment is unlikely because “recognizing an absence of affiliation should allow consumers to avoid penalizing the senior brand.” Tushnet, *supra* note 120, at 544. But the research actually supports an even stronger point: the parent brands in these studies were not diluted even when subjects believed the extension products actually came from the same company. Bradford, *supra* note 182, at 1274 n.230 In other words, these studies suggest that parent brands are not harmed when consumers have reasons to differentiate *whether or not consumers are confused about affiliation*. *Id.*

187. See 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, 119 (1997) (finding that sub-branding may prevent negatively evaluated extensions from harming the parent brand). Bradford suggests that these studies might not adequately account for accrued brand fatigue (or “wearout”), which would take time to develop and would not be captured by the responses to information about particular individual extensions. See Bradford, *supra* note 182. Even if that is true, it is more of an argument for a dilution by blurring claim than one based on a likelihood of confusion.

188. See Elizabeth F. Loftus, *Planting Misinformation in the Human Mind: A 30-Year Investigation of the Malleability of Memory*, 12 LEARNING & MEMORY 361, 364 (2005) (discussing studies which demonstrated subjects could be led to believe they had met Bugs Bunny at a Disney resort—even though Bugs Bunny is a Warner Brothers, and not a Disney, character—by showing the subjects an advertisement that featured Bugs Bunny and inviting them to “Remember the Magic”).

likely to be altered over time, and any effect on a well-known mark is likely to be small and short-lived.

iv. Small Risk of Harm $\times$ Low Likelihood of Confusion

As the foregoing sections detailed, the evidence of harm to a mark owner from a non-competing use is weak. It might be tolerable for courts to enforce rights against non-competing goods in spite of the weakness of this evidence if courts required relatively high levels of confusion to support a claim. But the reality is quite the opposite: courts have sustained claims when the evidence showed remarkably low levels of confusion.¹⁸⁹ Where the risk of feedback harm is small and the likelihood of confusion is low, the probability of harm in a particular case is exceedingly small, and enforcement in these circumstances is very likely wasteful.

3. Potential Benefits of Third-Party Uses

Even if we were prepared to accept that some uses of a mark for non-competitive products could cause harm to a mark owner, that harm must be weighed against any benefits mark owners might derive from such uses. And at least one strand of the literature suggests pretty clearly that, as long as the mark is not used by others in connection with negative images, *any use* of a mark by others actually increases the value of the mark.¹⁹⁰

Specifically in the context of brand extension, Maureen Morrin found that exposure to extension information actually *facilitated* parent brand retrieval by activating the parent brand's associational network.¹⁹¹ While non-dominant brands seemed to benefit more from the facilitation effects of extensions, dominant brands benefited as well.¹⁹² Also, for non-dominant brands, while high-fit extensions had greater facilitating effects than low-fit extensions, even low-fit extensions facilitated matching as compared to pre-exposure levels. For dominant brands, fit did not seem to affect categorization speed, which generally increased after exposure to the extension. This research suggests third-party use of a mark that reminds

189. See *supra* note 127 (listing cases finding infringement based on confusion levels as low as fifteen percent).

190. Trademark infringement claims are not necessary to deal with those that involve uses in connection with negative images, as those are precisely the uses to which the tarnishment branch of dilution law is targeted. See 15 U.S.C. § 1125(c)(2)(C) (2006) (defining "dilution by tarnishment" as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark").

191. Maureen Morrin, *The Impact of Brand Extensions on Parent Brand Memory Structures and Retrieval Processes*, 36 J. MARKETING RES. 517, 520 (1999).

192. *Id.* at 521 (noting that respondents were able to match non-dominant parent brands to categories approximately 641 milliseconds faster after exposure to extension information and dominant parent brands 247 milliseconds faster). Dominance here refers to the extent to which a particular brand is recalled in response to a category cue: a dominant brand, like CREST, is one that tends to be recalled first when prompted with the category cue, like "toothpaste."

consumers of the senior mark facilitates retrieval of the parent mark and makes it more salient.

At the affective level, several studies indicate that mere familiarity with a mark increases its likeability.¹⁹³ There may be rational explanations for this phenomenon—consumers may believe that brands are familiar precisely because they have been around a long time and therefore stand for reliability.¹⁹⁴ But it may also be that individuals simply come to believe that they like what they are familiar with, probably because relying on familiarity saves them cognitive resources. Whatever the reason, third-party use of a mark is likely to increase familiarity to the extent consumers believe the same company is behind both uses, thereby increasing the brand's likability in direct proportion to the extent the use causes confusion.

Finally, consumers may see incongruent extension information as challenging, which may renew their interest in well-known brands that had become boring.¹⁹⁵ Challenging, incongruous information will require additional mental effort to determine how the information fits with the previously established brand image, which may increase the salience of the brand in memory. Such an increase in salience would *enhance* brand attitude.¹⁹⁶

193. See Bradford, *supra* note 182, at 1262–66 (describing the effect of familiarity and noting that consumers' "most common deciding factor is brand familiarity").

194. Some research suggests that highly priced and heavily advertised brands are correlated with consumer perception of quality. See Paul Milgrom & John Roberts, *Price & Advertising Signals of Product Quality*, 94 J. POL. ECON. 796, 799 (1986) (finding that consumers infer product quality from price and advertising volume). It should be noted that this correlation is between highly priced and heavily advertised goods and consumer *perception* of quality, not necessarily actual product quality.

195. See Sjödin & Törn, *supra* note 162, at 38.

196. *Id.* Some have speculated that any affective benefit could eventually become a liability because it causes *over-familiarity* and leads to boredom. See Bradford, *supra* note 182, at 1275. It is unclear from the literature, however, whether such a wearout effect exists at all and, more specifically, the extent to which it affects familiar, as opposed to unfamiliar, brands. See Douglas Scott & Debbie Solomon, *What Is Wearout Anyway?*, 38 J. ADVERTISING RES. 19 (1998). The research that supports a wearout effect focuses on exposure to advertising information, and it is not clear that repeat exposure to the same or a similar mark in different contexts would have the same effect. See Bobby J. Calder & Brian Sternthal, *Television Commercial Wearout*, 17 J. MARKETING RES. 173, 185 (1980) (noting that evaluations of television commercials and advertised products became more negative after multiple repetitions); Margaret C. Campbell & Kevin Lane Keller, *Brand Familiarity and Advertising Repetition*, 30 J. CONSUMER RES. 292 (2003) (arguing that overuse of promotional strategies could lead to wearout because market entrants are more likely to choose those strategies known to produce wearout effects). But even accepting for the sake of argument that wearout is possible, the research suggests the risk comes from *unvaried* exposure. To the extent the junior use varies from the parent brand, even if it is noticeably similar, the wearout risk seems quite small. Finally, at a more conceptual level, the wearout risk, if it exists, has much more to say about a dilution-by-blurring claim, since boredom from repeated exposure seems to have nothing to do with whether consumers attribute the repeated information to the same source. That is, if there is a wearout risk, it could

These conclusions help explain the findings of Subramanian Balachander and Sanjoy Ghose, whose research shows that offering and advertising new products under one brand creates positive reciprocal spillover benefits for other products offered under the parent brand umbrella.¹⁹⁷ That is, the mere existence of the second product, or of information about that new product, activates the informational nodes related to the brand in memory and benefits other products offered under the brand.¹⁹⁸ This positive effect may in some cases be offset by substitution effects; if the new product could be used as a substitute for the old product, introduction of the new product may depress demand for the older product (as a new Jaguar model may depress demand for used models). But such offsetting effects would only arise in cases where the junior product was an acceptable substitute for the senior (i.e., where the junior product is quite similar to the senior). Those are likely to be cases in which the parties are in competition—not the non-competitive uses on which I have focused. Moreover, even when these substitution effects are present, it is not obvious which effect—substitution or spillover—will be stronger.

These benefits obviously do not compel the conclusion that third-party uses should always be allowed. But they do suggest the impact of third-party uses on a mark owner is more complicated than generally presumed. And in combination with the relatively weak evidence of harm to mark owners, they suggest a greater role for consumer interests in the determination of which third-party uses ought to be actionable.

B. BRAND ALLIANCES AND AFFILIATION RELATIONSHIPS

Brand alliances, as previously noted, are “partnership[s] between two entities in which efforts are combined for a common interest or to achieve a particular aim.”¹⁹⁹ The brand alliance studies are therefore particularly relevant to the set of trademark cases involving sponsorship or affiliation confusion—where consumers are not likely to believe the mark owner is the actual source of the defendant’s goods or services but might be confused about a relationship between the parties. And like the brand extension studies, the brand alliance studies can be separated into two strands: those that measure consumer reaction to the alliance product or services, and

arise from unvaried exposure to a mark *regardless* of whether the later use is actionable as trademark infringement.

197. Subramanian Balachander & Sanjoy Ghose, *Reciprocal Spillover Effects: A Strategic Benefit of Brand Extensions*, 67 J. MARKETING 4, 9 (2003).

198. *Id.* at 11. In fact, Balachander and Ghose find that the reciprocal-spillover benefit to the parent brand is stronger than the forward-spillover effect on the junior use, which was not demonstrated in the study in any event. *Id.* This means that the benefits to the senior user from the extension actually exceeded the benefits to the extension product of using a known name. *Id.*

199. Votolato & Unnava, *supra* note 118, at 196.

those that measure consequences for the alliance partners of negative information about the alliance product or an alliance partner (feedback effects). The following sections address these two strands separately.

1. Forward Spillover Effects

Brand alliance studies confirm that certain alliances have synergistic effects, positively influencing consumers' evaluations of the alliance product or service in ways neither alliance partner could on its own. These studies suggest that consumers' evaluations of brand alliances depend on preexisting attitudes towards the alliance partners as individual entities (and particularly their levels of perceived quality) and on the fit of the brands in the alliance.²⁰⁰ Specifically, brands prove beneficial to a brand alliance if they can "signal high quality cues that transfer to the other alliance brand, or provide information on product attributes that benefits the alliance."²⁰¹ Indeed, transfer of perceived quality is enhanced when brands fit together.²⁰²

Fit in the context of brand alliances, like in the brand extension context, can relate to the types of products or services consumers' primarily associate with the alliance partners or to brand personality characteristics.²⁰³ And fit in both senses can enhance consumer evaluations of the alliance product or service. Subjects in one study, for example, had more positive reactions to an alliance between Filofax and Sony to offer an electronic personal organizer than an alliance between Filofax and Calvin Klein to offer the same product.²⁰⁴ At the same time, consumers are likely to react more positively to either of those alliances—Filofax and Sony or Filofax and Calvin Klein—than to an electronic organizer offered jointly by Calvin Klein and Vidal Sassoon, neither of which offers any expertise in electronics.²⁰⁵

In the context of arguments about sponsorship or affiliation confusion, this research suggests some third-party uses that appear to consumers to reflect a brand alliance stand to benefit from that perception where the perceived alliance is viewed as a good fit. Put differently, third-party uses that appear to reflect an alliance with the mark owner may be received more favorably by consumers than they otherwise would have been.

200. A.R. Rao & R.W. Ruekert, *Brand Alliances as Signals of Product Quality*, 36 SLOAN MGMT. REV. 87, 92 (1994); B.L. Simonin & J.A. Ruth, *Is a Company Known by the Company It Keeps? Assessing the Spillover Effects of Brand Alliances on Consumer Brand Attitudes*, 35 J. MARKETING RES. 30, 32 (1998).

201. David O. James, Madge Lyman & Susan K. Foreman, *Does the Tail Wag the Dog? Brand Personality in Brand Alliance Evaluation*, 15 J. PRODUCT & BRAND MGMT. 173, 174 (2006).

202. L.P. Bucklin & S. Sengupta, *Organizing Successful Co-Marketing Alliances*, 57 J. MARKETING 32, 33 (1993).

203. James, Lyman & Foreman, *supra* note 201, at 175.

204. *Id.* at 176.

205. *Id.*

2. Reciprocal Feedback Effects

The most relevant research on potential negative feedback from sponsorship or affiliation relationships comes from studies of the effect of negative information about brand alliance partners. As this research reveals, the case for a general assumption of harm to a mark owner is even weaker in this context than in the cases where consumers might be confused about actual source.

In one study, for example, Nicole Votolato and H. Rao Unnava focused on the consequences to an alliance partner of negative information about a supplier or a celebrity endorser of the partner's products.²⁰⁶ Specifically, the authors sought to measure the effects on consumers' attitudes toward a fictitious clothing company from information that the company's partners had behaved immorally or were incompetent.²⁰⁷ Their conclusion was simple, if remarkable: *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 note:

[A] host brand may generally be quite impervious to negative publicity surrounding its partner brand; the host brand [in the study] 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.²⁰⁸

Recall that this finding comes from a study in which respondents were told explicitly that the host brand had a relationship with the alliance partner about which the negative information was provided. Thus, there was no ambiguity about affiliation; respondents understood that the host brand was affiliated with the partner. What this suggests very clearly is that spillover

206. Votolato & Unnava, *supra* note 118, 196–202.

207. 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 Product: Corporate Associations and Consumer Product Responses*, 61 J. MARKETING 68, 76 (1997) (noting that the more positively a consumer feels about a company offering a mediocre product, the more negatively they will feel about the product); Bogdan Wojciszke, Hanna Brycz & Peter Borkenau, *Effects of Information Content and Evaluative Extremity on Positivity and Negativity Biases*, 64 J. PERSONALITY & SOC. PSYCHOL. 327, 327 (1993) (stating that negative behavior is more informative than positive behavior). 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. Votolato & Unnava, *supra* note 118, at 197.

208. Votolato & Unnava, *supra* note 118, at 201. These findings, as the authors also note, may help explain why spillover effects are not frequently reported in practice. *Id.*

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, as Votolato and Unnava note, "consumers do not routinely blame a host brand for its partner's mistakes."²⁰⁹

VI. IMPLICATIONS OF THE LITERATURE FOR TRADEMARK LAW AND THEORY

Taken as a whole, the brand extension and brand alliance studies fail to support a general presumption of harm to a mark owner from use of the mark by non-competitors. First, the evidence suggests that reputational feedback is unlikely, particularly in terms of consumers' global quality assessments of a brand. There is some chance that a use for noncompeting goods may affect particular brand attribute associations, but the evidence suggests any such feedback will primarily affect the mark owner's ability to extend the brand to new products in the future and will not dilute demand for existing products. To the extent there are exceptions to the general rule that non-competing uses do not impact assessments of the brand, they involve products that, while not identical, are extremely closely related—like toothbrushes and toothpaste. Moreover, the parent brand is generally insulated from any negative feedback that might otherwise arise when the junior mark is not identical to the parent brand or is combined with other matter such as a house mark or a logo. Finally, the literature demonstrates that at least some additional uses of a mark may generate *positive*, rather than negative, feedback for the parent brand. Those positive effects need to be accounted for in determining the net harm caused by uses of a mark for non-competitive goods.

At the same time, the literature offers some support for the claim that a junior user will benefit from the goodwill established by the parent brand in its core market. Some extension products will be evaluated more favorably by consumers because of the associations consumers already have with the parent brand. Likewise, alliances between certain brands can have synergistic effects such that the alliance product is evaluated more favorably than the product would be if it was offered by either alliance partner individually. In both situations—those of brand extensions and brand alliances—the benefits to the new products or services depend in substantial part on the relationship between the new and old products and the associations consumers have with those products.

Framed in terms of the arguments typically offered in support of claims against non-competing goods, the literature supports the view that third-

209. *Id.* at 198. At least some of the benefits discussed above might accrue in the context of uses that suggest some kind of brand alliance. Specifically, such uses seem likely to increase familiarity, which may make the mark owner's brand more likeable and more salient. *See supra* Part V.A.3.

party uses of a mark can, in some cases, interfere with the mark owner's ability to expand in the future. Such uses might preempt directly by occupying the market into which the senior mark owner would like to expand. But it is also possible that the third-party uses will interfere with future use by impacting particular brand attribute associations such that the brand personality no longer is a good fit in the anticipated market.

These conclusions raise obvious normative questions regarding the scope of trademark rights. At a minimum they suggest that courts ought to emphasize the similarity of the goods factor in the likelihood of confusion analysis much more heavily than they do. The brand extension literature suggests that, if quality feedback happens at all, it is only in cases that involve very closely related goods. And even if we accept that market preemption is a legitimate concern, preemption depends heavily on the fit between the junior and senior uses. Yet according to Barton Beebe's empirical research "the similarity of the marks factor is by far the most important factor in the multifactor test," and "a finding of bad faith intent creates, if not in doctrine, then at least in practice, a nearly un-rebuttable presumption of a likelihood of confusion."²¹⁰ This seems, in light of the marketing research, entirely misguided. Clearly there must be some similarity between the plaintiff's and defendant's marks for there to be infringement. But the marketing research tells us that even identity between the marks will not matter unless there is fit between the parties' goods. Similarity of the goods therefore ought to be regarded as a threshold issue, particularly since intent is such a malleable concept and courts have found no systematic way to evaluate similarity of the marks.²¹¹

Putting proximity of the goods at the forefront also would require courts to define that concept in terms of fit, focusing on complementarity, substitutability, and transferability. While Beebe's research suggests a relationship between courts' findings on similarity of goods and likelihood of confusion, it does not disclose courts' methodology for determining similarity of goods.²¹² Anecdotally, we can see courts finding similarity in a variety of ways, including by taking into account whether the junior user's goods are those that might be licensed.²¹³ By defining similarity in such an open-ended way, courts effectively discount the importance of the similarity of goods without being transparent about it.

210. Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1623 (2006).

211. *Id.* at 1625 (describing the similarity analysis as "a frustratingly nebulous and unsystematic inquiry, one that is typically little more than an exercise in abstract formal comparison").

212. *Id.*

213. *Vitarroz Corp. v. Borden, Inc.*, 644 F.2d 960, 967 (2d Cir. 1981) ("[S]ince modern marketing methods tend to unify widely different types of products in the same retail outlets or distribution networks, this factor is not of overriding importance." (citation omitted)).

At a more conceptual level, this literature suggests that if producer interests are to continue to influence the scope of trademark protection, courts must confront squarely market preemption and free-riding arguments, since those arguments have much more empirical support than the reputational feedback arguments. These arguments need to be separated out and evaluated on their own terms as grounds for determining the scope of trademark protection, not least because they push in different directions than do the quality feedback arguments. Specifically, the market preemption and free-riding arguments are arguments about market allocation, and market allocation decisions need not depend on consumer confusion. Indeed, these arguments bear much greater resemblance to the standard justifications for patent and copyright, which focus on the incentives of creators and inventors. Thus, accepting market preemption justifications for trademark law opens the door to radical doctrinal reorientation that de-emphasizes confusion as the defining characteristic.

If we are not prepared to recognize free-riding and market preemption arguments as the basis for determining the scope of trademark protection, then consumer-based arguments ought to take on greater relative significance in the context of non-competing goods. The consumer-based arguments, however, need to focus more clearly than they have on the nature of consumers' interests in avoiding certain types of confusion, because not all confusion actually interferes with consumers' ability to make decisions in the marketplace. On the one hand, uses that cause confusion about responsibility for the quality of particular goods or services are very likely to materially affect consumers' decision-making. Those uses should therefore be actionable, even if they are for goods that do not compete directly with the mark owner's.²¹⁴ Any cases in which the goods or services are sufficiently closely related as to raise the possibility of producer harm in terms of quality feedback will almost certainly fall within this category. Uses that do not cause confusion about quality, on the other hand, do not obviously impact consumers' decision-making such that they should necessarily be actionable. Thus, rather than including all cases involving alleged confusion regarding any type of relationship, trademark doctrine ought to be structured to differentiate between types of confusion. By separating out the consumer interests and evaluating them on their own terms, we have the opportunity to draw the relevant distinctions. And it is long past time that we do so.

214. See Lemley & McKenna, *supra* note 8.