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MARKS, MORALS, AND MARKETS

Jeremy N. Sheff*

The prevailing justification for trademark law depends on economic arguments that cannot account for much of the law's recent development, nor for mounting empirical evidence that consumer decisionmaking is inconsistent with assumptions of rational choice. But the only extant theoretical alternative to economic analysis is a Lockean "natural rights" theory that scholars have found even more unsatisfying. This Article proposes a third option. I analyze the law of trademarks and unfair competition as a system of moral obligations between producers and consumers. Drawing on the contractualist tradition in moral philosophy, I develop and apply a new theoretical framework to evaluate trademark doctrine. I argue that this contractualist theory holds great promise not only as a descriptive and prescriptive theory of trademark law, but as a framework for normative analysis in consumer protection law generally.

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* Associate Professor of Law, St. John's University. This Article has benefited from comments, critiques, and suggestions from Bob Bone, Marc DeGirolami, Justin Hughes, Michael Kenneally, Paul Kirgis, Mark Lemley, Jason Mazzone, Larry Solum, Rebecca Tushnet, Molly Shaffer Van Houweling, Adam Zimmerman, and participants at the 11th Annual Intellectual Property Scholars Conference (DePaul Law School), the Second Annual Tri-State Area Intellectual Property Workshop (Fordham Law School), the faculty colloquia at Brooklyn Law School and Temple Law School, and the Intellectual Property Scholarship Seminar at the University of California, Berkeley School of Law (with particular thanks to Rob Merges and Pam Samuelson). All errors are the author's alone.

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INTRODUCTION

The word property as applied to trade-marks . . . is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith.

—Justice Oliver Wendell Holmes, Jr.¹

The law of trademarks and unfair competition is at once both overtheorized and undertheorized. Countless commentators, myself included, have devoted considerable energies to fleshing out and critiquing the dominant law and economics model of trademarks. While this model is theoretically rigorous and intuitively appealing, it has obvious descriptive failings in its predictions of consumer and producer behavior. Moreover, the expansion of trademark doctrine over the past half century has led to the creation of new trademark rights and remedies that find little justification in economic theory—and in some cases are arguably inconsistent with that theory. Trademark law is thus overtheorized to the extent that we view it through the lens of a theory that fails to accurately describe the world in which the law is developed and applied.

But the absence of equally rigorous and developed theoretical models to compete with the law and economics model has led to an inverse problem of undertheorization. To be sure, alternatives to the law and economics model exist. Most notably, Lockean theories of “natural rights” or “moral rights,” so common in theoretical discussions of property and intellectual property generally, have been brought to bear on trademark doctrine. In general, though, such theories have been found unpersuasive by the scholars who develop them, largely on grounds that they lack intelligible limiting principles. The result is that trademark doctrine depends for its justification on one of two unsatisfactory theoretical alternatives—the Lockean account that offers little guidance for shaping doctrine, or the economic account that rests on mistaken assumptions about the behavior that doctrine purports to regulate.

What all these theories have in common is their understanding of trademarks as instruments for conveying meaning between producers and consumers. Trademark law’s focus on regulating the invocation and manipulation of symbols’ meanings can be understood as not just a legal concern, but also a moral one. Indeed, the law and economics framework and the Lockean framework map directly to the two great schools of moral philosophy: consequentialism and deontology. These two schools famously clash over the sources and content of moral obligations, and the trademark literature has been no exception. But the Lockean framework—inasmuch as it focuses on the moral claims

1. *E.I. du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917).

of labor as a justification for property rights—has always seemed better suited to copyright or patent than to trademark, which has often, throughout its history, chafed against the analogy to property. Lockean theory is thus a poor deontological foil for the economic theory of trademark law. To the extent that the economic theory is found wanting, then, we lack a suitable theoretical alternative to help understand and shape trademark doctrine. In this Article, I hope to remedy that deficiency. I propose to examine trademark law by analogy not to property, nor even to its other historical analogue, tort, but rather to contract. In so doing, I will introduce a new deontological framework for the analysis of trademark law based on the Kantian, rather than the Lockean, tradition.

The interactions that the trademark system governs are first and foremost *commercial* interactions—between and among buyers and sellers in a competitive market. To be sure, trademark law deals with the regulation of information, just as copyright and patent law do. But trademark law is less about incentivizing the laborious creation and dispersal of *new* information (which then itself becomes the subject of commercial exchange, as in copyright and patent) than it is about regulating the flow of information that *already exists*, as an aid to the completion of consumer transactions in goods and services *other than* the information in question. Locke has less to say about this latter type of interaction than he does about the former.

For a deontological moral theory that addresses the world of trademark law, I propose we look to Immanuel Kant and his successors in the contractualist school. I use the term “contractualist” here to refer to the strain of social contract theory beginning with Kant’s effort to rationally derive abstract and universal moral principles, and proceeding through contemporary philosophers who purport to derive moral principles from hypothetical reason giving and consensus, the common thread being the ideal of the social contract and the underlying assumptions of equality and mutual respect among moral agents.² Scholars have already applied contractualist analysis to other types of markets—commercial markets and securities markets, for example—but such analysis is curiously absent from the literature on consumer markets of the type that trademark law regulates. This is a significant omission, as the contractualist

2. My definition of “contractualist” is broader than the typical definition in contemporary philosophy—where the term is used to refer to a particular subset of my definition—but also distinct from the older (and previously more encompassing) “contractarian” label, now reserved for the Hobbesian line of social contract thought that purports to derive moral content from the implications of mutual rational self-interest (which I would not include within my definition of contractualism). I use the term “contractualist” here to align as closely as possible with contemporary philosophical usage, notwithstanding the tendency in the legal academic literature (and other nonspecialist literatures) to subsume all social contract theories under the heading “contractarian.” For an overview of the distinction between what is now known as contractarianism and what has come to be known as contractualism within the moral philosophy literature, and the relationship of both to Kant’s moral philosophy, see Elizabeth Ashford & Tim Mulgan, *Contractualism*, STAN. ENCYCLOPEDIA PHIL. (Fall 2012 ed.), <http://plato.stanford.edu/archives/fall2012/entries/contractualism>.

tradition has at least as much relevance to the atomized consumer marketplace as it does to the sophisticated and highly institutionalized spheres of commercial and financial markets. This Article will attempt to construct a new contractualist approach to trademark law and to test the resulting theoretical structure by reference to various controversial trademark doctrines. I hope to show that contractualist analysis has considerable promise as both a descriptive and a prescriptive theory of trademark law.

This Article proceeds as follows. Part I outlines the various extant approaches to the moral dimension of trademark law, identifying a large gap in the literature—dealing with relationships between producers and consumers—that calls out for a new deontological approach. Part II reviews a body of deontological theory that might fill this gap—contractualist moral philosophy. Part III then explores the differences between these theories' approaches to legal doctrine in two areas that, like trademark law, regulate the conduct of parties engaged in market exchange: contract and securities law. This analysis shows that the conflict between consequentialist and contractualist theories with respect to information transfers in the course of market exchange reflects a difference in priorities: where consequentialist theories place the highest importance on the efficient creation and distribution of information about the subject of exchange, contractualist theories subjugate that concern to an overriding duty of moral agents engaged in market interactions to respect one another's autonomy.

Part IV applies the features of contractualist moral theory identified in Parts II and III to a sampling of trademark law doctrines that implicate the competing priorities of consequentialism and contractualism in governing the relationships between sellers and buyers. In so doing, it argues that the contractualist principles outlined in Part II do a better job than consequentialism in justifying the traditional core doctrines of trademark law in terms of consumer rather than producer interests. It then goes on to examine areas of trademark law that present the conflict of priorities identified in Part III, finding that contractualism's response to such conflicts depends on competing normative arguments about the proper scope of individual autonomy. I conclude Part IV by bringing these arguments about the scope of autonomy to bear on novel and controversial doctrines in trademark law, demonstrating some of the implications and the limits of the new contractualist theory I develop in this Article. In doing so, I defend the theory as a potentially superior mode of analysis to the currently dominant law and economics approach, which unsatisfyingly elides fundamental normative questions by replacing them with unanswerable empirical questions.

I conclude the Article by suggesting some implications of my contractualist framework for other areas of unfair competition and consumer protection law.

I. MORAL THEORIES OF TRADEMARK LAW³A. *Consequentialism: The Chicago School*⁴

The dominant theoretical account of trademark law today comes from the law and economics movement of the Chicago School.⁵ The economic justification for trademark protection, as described in the models of Chicago School commentators, is twofold. First, it is argued that trademark protection lowers consumer search costs, thereby facilitating welfare-increasing transactions. The mechanism by which trademarks accomplish this feat is by shifting search costs from buyers—who face high costs of obtaining product information—to sellers, who face far lower information costs. As Nicholas Economides explains:

In many markets, sellers have much better information as to the unobservable features of a commodity for sale than the buyers. . . . Unobservable features, valued by the consumer, may be crucial determinants of the total value of the good. . . . [I]f there is a way to identify the unobservable qualities, the consumer's choice becomes clear

The economic role of the trademark is to help the consumer identify the unobservable features of the trademarked product. This information is not provided to the consumer in an analytic form, such as an indication of size or a listing of ingredients, but rather in summary form, through a symbol which the consumer identifies with a specific combination of features.⁶

Of course, as William Landes and Judge Richard Posner note, “[t]o perform its economizing function a trademark . . . must not be duplicated,” and therefore “the benefits of trademarks in lowering consumer search costs presuppose legal protection of trademarks.”⁷ Put another way, legal enforcement of trademark rights allows trademarks to perform their economizing function. Where such enforcement is present, we expect that producers will assume the costs of disseminating information about the unobservable qualities of their

3. This Part expands on ideas first suggested in an essay I wrote for a symposium hosted by the *Fordham Intellectual Property, Media & Entertainment Law Journal*, and portions of this Part borrow from that earlier essay. See Jeremy N. Sheff, *The Ethics of Unbranding*, 21 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 983 (2011) [hereinafter Sheff, *Unbranding*].

4. The discussion in this Subpart incorporates and adapts some material from my earlier article, Jeremy N. Sheff, *Biasing Brands*, 32 *CARDOZO L. REV.* 1245, 1249-50 (2011) [hereinafter Sheff, *Biasing Brands*].

5. The definitive statement of this economic model of trademark law is William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 *J.L. & ECON.* 265 (1987). A more theoretically rich, but less mathematically and doctrinally rigorous, treatment is Nicholas S. Economides, *The Economics of Trademarks*, 78 *TRADEMARK REP.* 523 (1988).

6. Economides, *supra* note 5, at 526-27; see also Landes & Posner, *supra* note 5, at 275-80 (outlining the formal economic model of trademark protection, centered on the tradeoff between consumer search costs and the informative content of trademarks, the cost of which is borne by producers).

7. Landes & Posner, *supra* note 5, at 269-70.

products through promotion of their trademarks, with the understanding that consumers will associate that information with the products bearing the producer's trademark and the investment in promoting those trademarks will thus redound to the producer's benefit.

This reputational benefit, in turn, is argued to generate additional salutary incentives that constitute the second justification for trademark protection. Specifically, giving individual producers an exclusive right to access the consumer goodwill that attaches to a particular word or symbol is said to provide those producers with an incentive to maximize the value of that goodwill. In order to maximize that value, it is argued, producers will make investments to produce products of a high and consistent quality that they would not otherwise make.⁸ Again, legal protection is essential to this phenomenon: if just anyone could free ride on the goodwill embodied in a trademark that signified high quality, the incentive to make investments in quality would be diminished or eliminated.⁹ Thus, the Chicago School theory of trademark law is that it both promotes the development of markets for high-quality goods and promotes efficiency in those markets by incentivizing consistency of product quality and facilitating the creation and dissemination of reliable product information.

Two features of the Chicago School account of trademark law bear special mention. First, like the law and economics movement from which it sprang, the Chicago School theory of trademark law works within a particular approach to welfare economics, a normative system that takes the maximization of aggregate individual welfare as its guiding principle.¹⁰ In the taxonomy of moral philosophy, Chicago School theory is *consequentialist* in approach—a descendant of the utilitarian moral theories of philosophers like Jeremy Bentham and John Stuart Mill.¹¹ As such, it assesses the goodness or badness of actions or rules based on the desirability of the *effects* they produce¹²—in this case, the effects of the rules of trademark law on the aggregate welfare of buyers and sellers in the consumer marketplace.

Second, with its two separate justifications for trademark rights, the Chicago School approach provides a moral account of two sets of relationships implicated by trademark law. The first is the relationship between seller and buyer—where the shifting of search costs confers a mutual benefit that it would be

8. See *id.* at 269-70.

9. See *id.* at 270; cf. George A. Akerlof, *The Market for "Lemons": Quality Uncertainty and the Market Mechanism*, 84 Q.J. ECON. 488, 489-91, 499-500 (1970) (describing the market failure that results when producers are unable to credibly convey accurate information about product quality).

10. See Louis Kaplow & Steven Shavell, *Fairness Versus Welfare*, 114 HARV. L. REV. 961, 976-99 (2001).

11. See generally JEREMY BENTHAM, AN INTRODUCTION TO THE PRINCIPLES OF MORALS AND LEGISLATION (J.H. Burns & H.L.A. Hart eds., Oxford Univ. Press 1996) (1789); JOHN STUART MILL, UTILITARIANISM (Roger Crisp ed., Oxford Univ. Press 1998) (1863).

12. See, e.g., Walter Sinnott-Armstrong, *Consequentialism*, STAN. ENCYCLOPEDIA PHIL. (Winter 2012 ed.), <http://plato.stanford.edu/archives/win2012/entries/consequentialism>.

morally wrong to interfere with (because interference would generate undesirable consequences, such as substitution of a good that fails to satisfy a consumer's preferences for a good that would have done so). The second is the relationship *among* sellers, where free riding is morally wrong because of its effects on incentives to undertake welfare-increasing investments.

The Chicago School approach to trademark law has its fair share of critics (myself included), though relatively few of these critics challenge the theory's consequentialist stance. Rather, we question whether extant trademark doctrine is consistent with the normative arguments advanced by Chicago School theorists, and whether empirical evidence supports the descriptive arguments of those theorists. The first critique is raised by commentators who argue that many of the more recent innovations in trademark doctrine cannot be satisfactorily explained by reference to economic analysis. For example, some have argued that the expansion of trademark owners' rights through doctrines such as post-sale confusion, sponsorship and affiliation confusion, dilution, and initial-interest confusion imposes significant social costs without providing comparable social benefits.¹³

The second critique is raised by commentators reviewing empirical evidence from other disciplines (notably behavioral economics, consumer psychology, and marketing) that suggests persistent and predictable deviations of consumer behavior from the rational behavior assumed in Chicago School models.¹⁴ In particular, I have argued in a previous work that these empirical data suggest that once we move beyond the most obvious cases of outright passing off, we enter a world where the risk of welfare losses from trademark owners' manipulation of consumer psychology may be as large as or larger than any welfare losses that would result from the administrative costs and error costs of attempting to regulate such manipulation.¹⁵ Whether extant trademark doctrine tends toward economic efficiency in such circumstances is a fiendishly complex empirical question that Chicago School theory largely does not even attempt to answer. Thus, what we are left with on the consequentialist

13. See, e.g., Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 429-46 (2010) (sponsorship or affiliation confusion); Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 162-67 (2005) (initial-interest confusion); Jeremy N. Sheff, *Veblen Brands*, 96 MINN. L. REV. 769, 816-26 (2012) [hereinafter Sheff, *Veblen Brands*] (post-sale confusion); Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 558-61 (2008) (dilution).

14. See generally, e.g., Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. 63 (2009); Sheff, *Biasing Brands*, *supra* note 4; Tushnet, *supra* note 13.

15. See Sheff, *Biasing Brands*, *supra* note 4, at 1311-13. I am hardly the first person to raise this form of critique. See, e.g., Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1167 (1948); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1687-97 (1999); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 430-36 (1999).

side of the theoretical divide is an intuitively appealing model that everybody invokes but few believe is accurate enough to satisfactorily describe the law it purports to justify or the behavior it purports to regulate.

B. *Deontology: Locke, Labor, and Desert*

One possible alternative to this state of affairs is to turn away from the (potentially unresolvable) empirical contingencies of consequentialism and toward a fundamentally different normative framework.¹⁶ This leads us toward the other great branch of moral philosophy, *deontology*—the class of ethical systems that define the rightness or wrongness of an action or rule based on abstract normative principles derived from rational deliberation, rather than solely by reference to the welfare effects of the action or rule.¹⁷ While many moral philosophers work within other normative traditions,¹⁸ deontology and consequentialism remain the two great schools of ethical thought. Kant is the towering giant of deontological ethics,¹⁹ and his moral philosophy is very important to the project of this Article. But the dominant deontological theory of *property* (at least in the common law tradition) dates back a century earlier to the philosophy of John Locke, who argued that property rights are derived from the moral claims of labor:

Though the earth, and all inferior creatures be common to all men, yet every man has a *property* in his own *person*. This no body has any right to but himself. The *labour* of his body, and the *work* of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath

16. See ROBERT P. MERGES, JUSTIFYING INTELLECTUAL PROPERTY 1-27 (2011) (describing the turn away from utilitarian theories and toward the normative systems of Locke, Kant, and Rawls, in attempting to justify patent and copyright law); see also *id.* at 3 (“The sheer practical difficulty of measuring or approximating all the variables involved means that the utilitarian program will always be at best aspirational.”).

17. See generally Larry Alexander & Michael Moore, *Deontological Ethics*, STAN. ENCYCLOPEDIA PHIL. (Fall 2008 ed.), <http://plato.stanford.edu/archives/fall2008/entries/ethics-deontological>.

18. In particular, the aretaic approach to ethics—derived from the philosophy of Aristotle and embodied in the modern philosophical program known as virtue ethics—has recently begun to challenge the two dominant ethical systems, winning a few adherents in the legal academy. See generally ROSALIND HURSTHOUSE, ON VIRTUE ETHICS (1999); VIRTUE JURISPRUDENCE (Colin Farrelly & Lawrence B. Solum eds., 2008); Lawrence B. Solum, *Virtue Jurisprudence: A Virtue-Centred Theory of Judging*, 34 METAPHILOSOPHY 178 (2003); Rosalind Hursthouse, *Virtue Ethics*, STAN. ENCYCLOPEDIA PHIL. (Summer 2012 ed.), <http://plato.stanford.edu/archives/sum2012/entries/ethics-virtue>. In property and intellectual property theory, the personhood perspective grounded in post-Kantian German Idealism (and in particular Hegelian philosophy) also has its adherents. See, e.g., Margaret Jane Radin, *Property and Personhood*, 34 STAN. L. REV. 957 (1982); see also Justin Hughes, *The Philosophy of Intellectual Property*, 77 GEO. L.J. 287, 330-64 (1988).

19. See IMMANUEL KANT, GROUNDING FOR THE METAPHYSICS OF MORALS (James W. Ellington trans., Hackett Publ'g Co. 3d ed. 1993) (1785) (laying the foundation for Kant's moral philosophy); see also PAUL GUYER, KANT 177-303 (2006).

provided, and left it in, he hath mixed his *labour* with and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state nature placed it in, it hath by this *labour* something annexed to it, that excludes the common right of other men. For this *labour* being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in common for others.²⁰

Insofar as trademark law is conceived of as part of the system of intellectual *property*, Locke's philosophy seems to provide the most relevant deontological perspective. And indeed, as Mark McKenna has documented, early trademark law was heavily influenced by the deontological underpinnings of nineteenth-century Anglo-American "natural law" jurisprudence, which in turn was heavily influenced by Locke.²¹ For the American system in particular, McKenna shows how trademark law evolved out of the law of unfair competition, a body of doctrine that purported to prohibit certain tactics for peeling customers away from one's competitors (passing off one's goods as those of another being the leading example).²² Under this view, there are some ways of competing—such as deceiving the mark owner's potential customers—that are by their very nature unfair (that is, out of line with the normative principles of "commercial morality"²³), and therefore illegal. The boundary between fair and unfair competitive practices was defined not in terms of the *effects* of such practices—which in any event was the diversion of customers from one competitor to another. Rather, the boundary was drawn by reference to independent (if perhaps undertheorized) normative principles governing commercial activity.²⁴ And indeed, following Locke, trademark rights in this understanding were circumscribed so as to protect the mark owner's labor in cultivating his business goodwill, while ensuring that his rights did not interfere with an equal right in others.²⁵

Lockean justifications of trademark law came under serious challenge in the twentieth century, not just from external critics (such as consequentialist theorists of the Chicago School), but on their own terms. Law professors as far back as Felix Cohen derided Lockean labor-desert theory as circular and therefore empty when applied to trademarks. Rather than protecting the value gener-

20. JOHN LOCKE, *SECOND TREATISE OF GOVERNMENT*, ch. V, ¶ 27 (Richard H. Cox ed., Harlan Davidson, Inc. 1982) (1690) (editor's footnote omitted).

21. See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007).

22. See *id.* at 1860-63.

23. See *id.* at 1860-61 (citing HERBERT SPENCER, *The Morals of Trade*, in *ESSAYS: MORAL, POLITICAL AND AESTHETIC* 107, 107-08, 122 (1865)).

24. See *id.* at 1858 ("The defendant's fraud or deception was what made some attempts to divert improper."); *cf.* *Keeble v. Hickeringill*, (1707) 103 Eng. Rep. 1127 (Q.B.) 1128; 11 East 574, 575-76 (contrasting competition—which is not actionable—with interference with a competitor's conduct of his own business—which is).

25. See McKenna, *supra* note 21, at 1873-93 & nn.156-57.

ated by a mark owner through productive labor, these commentators argued, trademark rights merely allocate to their beneficiaries whatever value inheres in the legal enforcement of the right itself.²⁶ Because of this fundamental circularity, these commentators argue, Lockean theory offers no guidance whatsoever as to the proper scope or allocation of trademark rights.²⁷

Thus, while Lockean labor-desert theories may lurk in the background of many of trademark law's most recent and controversial doctrinal innovations (such as the merchandising right,²⁸ sponsorship and affiliation confusion,²⁹ post-sale confusion,³⁰ initial-interest confusion,³¹ and dilution³²), they are rarely overtly invoked these days.³³ The modern focus, rather, is on protecting consumers from confusion. The existence of such confusion, originally a matter of

26. See Felix S. Cohen, *Transcendental Nonsense and the Functional Approach*, 35 COLUM. L. REV. 809, 815 (1935) ("The current legal argument runs: One who by the ingenuity of his advertising or the quality of his product has induced consumer responsiveness to a particular name, symbol, form of packaging, etc., has thereby created a thing of value; a thing of value is property; the creator of property is entitled to protection against third parties who seek to deprive him of his property. . . . [This argument] purports to base legal protection upon economic value, when, as a matter of actual fact, the economic value of a sales device depends upon the extent to which it will be legally protected."); see also Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 400-12 (1990) (criticizing the "if value, then right" argument for trademark rights); Mark A. Lemley & Mark P. McKenna, *Owning Mark(ets)*, 109 MICH. L. REV. 137, 181-84 (2010) (criticizing natural rights theories of trademark rights as arbitrary in the absence of some "social welfare calculus"). Adam Mossoff has notably espoused a contrary view, arguing that Locke's theory of labor and value has been unfairly maligned and offers a perfectly coherent justification for intellectual property rights (by which he means patents and copyrights). See Adam Mossoff, *Saving Locke from Marx: The Labor Theory of Value in Intellectual Property Theory*, SOC. PHIL. & POL'Y, July 2012, at 283 [hereinafter Mossoff, *Saving Locke*]; Adam Mossoff, *The Use and Abuse of IP at the Birth of the Administrative State*, 157 U. PA. L. REV. 2001 (2009).

27. See, e.g., Lemley & McKenna, *supra* note 26, at 184 ("Saying 'someone must (or deserves to) own this,' even if true, doesn't help answer the question of who should own it and what the scope of their ownership right should be. Those questions can be answered only by resort to social welfare.").

28. See *Bos. Prof'l Hockey Ass'n v. Dall. Cap & Emblem Mfg.*, 510 F.2d 1004, 1012 (5th Cir. 1975); Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 478-84 (2005).

29. See *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 202-03 (5th Cir. 1998); Lemley & McKenna, *supra* note 13, at 415.

30. See *Hermès Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 108-09 (2d Cir. 2000); Sheff, *Veblen Brands*, *supra* note 13, at 817-20.

31. See *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987); Rothman, *supra* note 13, at 162-67.

32. See 15 U.S.C. § 1125(c) (2011); Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 470-75 (1994).

33. See Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 592-618 (2006) (documenting the subtle and often unspoken influence of theories of goodwill and moral desert on contemporary trademark doctrine).

proving the producer-to-producer injury of wrongful diversion of trade,³⁴ has become our definition of the trademark infringement injury itself.³⁵ This shift in emphasis, in turn, has pivoted trademark theory away from deontological rationales and toward the currently dominant consequentialist approach, which as discussed above has advanced a coherent and plausible theory of consumer interests and injuries under the trademark regime.³⁶

Lockean theory, in contrast, has no account of consumer interests in the trademark regime (with one important but limited exception³⁷). Part of the reason for this shortcoming is likely historical. Prior to the modern era, interproducer injuries dominated trademark debates. The nineteenth-century system of trademark law described by McKenna was at best only marginally concerned with the duties owed by sellers to buyers, which were governed separately by the common law torts of fraud and deceit.³⁸ Rather, trademark law defined sellers' duties to *each other*—buyers were essentially the evidence, not the victims.³⁹ The prioritization of consumer interests in the trademark system is a relatively recent phenomenon—dating only to the mid-twentieth century.⁴⁰ Thus, one could argue that Lockean theory simply hasn't yet caught up to this doctrinal shift. Admittedly, there have been some recent efforts to apply

34. See McKenna, *supra* note 21, at 1857 (“[P]laintiffs in these [early trademark] actions at law were not vindicating the rights of consumers—they were making claims based on injuries to their own interests that resulted indirectly from deception of consumers.”).

35. See 15 U.S.C. § 1125(a)(1)(A) (imposing liability for uses of trademarks that are “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of [the defendant] with another person, or as to the origin, sponsorship, or approval of [the defendant’s] goods, services, or commercial activities by another person”).

36. See *supra* Part I.A.

37. The exception deals with expressive (as contrasted with commercial) uses of trademarks, where commentators argue that a mark owner’s property right must be circumscribed, on Lockean grounds, so as to allow the public to invoke and even change the meaning of well-known marks as part of social discourse. See Wendy J. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533 (1993); cf. Alex Kozinski, Essay, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 972-77 (1993) (arguing that expressive interests must be taken into account in setting the scope of trademark rights).

38. See McKenna, *supra* note 21, at 1850-51 & n.37 (citing *Southern v. How*, (1618) 79 Eng. Rep. 400 (K.B.) 402; 3 Cro. Jac. 468); *id.* at 1870-71 & nn. 136-37; see also *Lever v. Goodwin*, [1887] 36 Ch. 1 at 2 (Eng.) (“The law applicable to the case is plain, it is founded on fraud. The simplest case is where the seller misrepresents to the buyer that the goods which are being offered for sale are the goods, not of the person who made them, but of some other manufacturer. That is a case merely between the buyer and seller.”).

39. See McKenna, *supra* note 21, at 1863-71.

40. See *id.* at 1865-66 & n.115; see also Jeremy N. Sheff, *Accentuate the Normative: A Response to Professor McKenna*, 98 VA. L. REV. IN BRIEF 48, 52-54 (2012), http://www.virginialawreview.org/inbrief/2012/04/14/Sheff_Accentuate.pdf. The fact that the Chicago School has a story to tell about consumer interests in the trademark system may be attributable to the fact that its origins postdate this historical turn. See RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 29-30 (8th ed. 2011) (dating the origins of the law and economics movement to approximately 1960).

Lockean understandings of intellectual property law *generally*, with more philosophical rigor than could be found in the opinions of nineteenth-century jurists.⁴¹ It is telling, however, that trademark law is often an afterthought in such analyses, which focus more (or in some cases exclusively) on copyright and patent.⁴² Indeed, specific applications of rigorously argued Lockean theory to extant trademark doctrine tend to find an imperfect fit.⁴³

This lack of fit, I think, points the way to a more persuasive explanation for Lockean trademark theory's general failure or inability to account for consumer interests. What we appear to be dealing with is a kind of category error—an "allocat[ion] [of] . . . concepts to logical types to which they do not belong."⁴⁴ Here, the error lies in taking the perceived usefulness of Locke's theory in addressing one set of relationships in trademark law (producer-to-producer relationships) as evidence that these relationships, cast in property-related terms, are what trademark law is essentially about. There is, in fact, a deep historical ambivalence as to whether this is correct—whether trademark law is better thought of as a species of property law (i.e., *intellectual* property law) or rather as a species of tort law.⁴⁵ This ambivalence is perpetuated in the modern era by

41. See, e.g., MERGES, *supra* note 16, at 31-67; ROBERT NOZICK, ANARCHY, STATE, AND UTOPIA 174-82 (1974); Edwin C. Hettinger, *Justifying Intellectual Property*, 18 PHIL. & PUB. AFF. 31 (1989); Hughes, *supra* note 18, at 296-329; Seana Valentine Shiffirin, *Lockean Arguments for Private Intellectual Property*, in NEW ESSAYS IN THE LEGAL AND POLITICAL THEORY OF PROPERTY 138 (Stephen R. Munzer ed., 2001).

42. For example, Robert Nozick is entirely focused on patentable inventions, Robert Merges does not mention trademarks at all in his exposition of Lockean arguments regarding intellectual property, and Edwin Hettinger refers to them only once, in a single footnote, as an example of the "intellectual objects" that are implicated by his analysis. See MERGES, *supra* note 16, at 31-67; NOZICK, *supra* note 41, at 178-82; Hettinger, *supra* note 41, at 34 n.10. Justin Hughes's application of Lockean theory to trademark law is limited to the problem of genericness and the abolition of the token use doctrine. See Hughes, *supra* note 18, at 322-23, 329 n.164. Seana Valentine Shiffirin admits that she is primarily concerned with patents and copyrights, and merely notes that Lockean arguments might justify some forms of trademark protection, but not others. See Shiffirin, *supra* note 41, at 141, 157 & n.55.

43. See, e.g., Gordon, *supra* note 37, at 1583-91 (arguing that the Supreme Court's ruling in *S.F. Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522 (1987), is inconsistent with a proper application of Lockean theory); Kozinski, *supra* note 37, at 966-69, 972-77 (contending that arguments in favor of trademark protection—including moral rights arguments—must give way to expressive interests in many cases); see also *The Trade-Mark Cases*, 100 U.S. 82, 94 (1879) ("The trade-mark may be, and generally is, the adoption of something already in existence as the distinctive symbol of the party using it. . . . It requires no fancy or imagination, no genius, no laborious thought. It is simply founded on priority of appropriation."); cf. Hughes, *supra* note 18, at 353 ("When the Supreme Court originally refused to grant property status to trademarks, it largely was because there is no apparent labor in their creation."); Port, *supra* note 32, at 472-75 (arguing that Lockean theory fails to justify dilution doctrine).

44. GILBERT RYLE, *THE CONCEPT OF MIND* 17 (1949).

45. See, e.g., *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989) ("The law of unfair competition has its roots in the common-law tort of deceit: its general concern is with protecting *consumers* from confusion as to source. While that concern may result in the creation of 'quasi-property rights' in communicative symbols, the focus is on

the dual mission at the core of trademark law: both to protect producers' investments in goodwill (by giving them a property-like right in the symbol of that goodwill) *and* to protect consumers so they can be confident in their purchasing decisions (by imposing tort-like liability for conduct that deceives consumers).⁴⁶ Lockean labor-desert theory can address the first of these missions, but not the second. The relative labor or effort of two producers with respect to the goodwill symbolized by a trademark might well be relevant to the task of allocating rights in the mark between them (just as it might be relevant to allocating rights to an invention or a work of authorship as between the inventor or author and the rest of the world).⁴⁷ But attempting to derive a consumer's rights *as a consumer*⁴⁸ against a trademark-using producer by reference to the labor the two parties have invested in the mark is an exercise in absurdity. Once we extend trademark law's domain to include producer-to-consumer relationships, the conceptual framework of Lockean theory breaks down.

There is therefore a gap in extant deontological theory with respect to trademark law. Because such theories historically derive from Lockean principles, and because those principles address the relationships among producers but have little to say about relationships between producers and consumers, there is no coherent and generally applicable nonconsequentialist moral framework available to address the consumer-focused turn in the past half century of trademark doctrine. By plotting on a matrix each school's normative theory of the relationships implicated by trademark law, we can see the gap immediately:

the protection of consumers, not the protection of producers as an incentive to product innovation."); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) ("There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed."); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) ("Common-law trade-marks, and the right to their exclusive use, are of course to be classed among property rights; but only in the sense that a man's right to the continued enjoyment of his trade reputation and the good-will that flows from it, free from unwarranted interference by others, is a property right, for the protection of which a trade-mark is an instrumentality." (citation omitted)). This historical ambivalence is not unique to trademark law; the history of intellectual property law generally, and copyright in particular, is similarly charged with philosophical and historiographical debates over the appropriateness of the word "property." See Justin Hughes, *Copyright and Incomplete Historiographies: Of Piracy, Propertization, and Thomas Jefferson*, 79 S. CAL. L. REV. 993 (2006); Justin Hughes, *A Short History of "Intellectual Property" in Relation to Copyright*, 33 CARDOZO L. REV. 1293 (2012).

46. See S. REP. NO. 79-1333, at 3 (1946) ("The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.").

47. See generally Mossoff, *Saving Locke*, *supra* note 26 (defending Locke's concept of productive labor and his capacious understanding of value as suitable moral foundations for property rights in inventors and authors).

48. Again, uses of trademarks by consumers *as speakers* give rise to an important exception to this proposition. See *supra* note 37 and accompanying text.

FIGURE 1

Moral Theory	Producer-Producer Relationships	Producer-Consumer Relationships
Consequentialist	Free Riding	Search Costs
Deontological	Lockean Labor-Desert	

The intent of the rest of this Article is to fill in the missing box in this matrix. In this regard, it is important to remember that Lockean theory—founded on the moral claims of labor—is only one deontological system; there are others. The social contract tradition (of which Locke’s philosophy forms but one, albeit an important, part) is far broader than labor-desert theory standing alone. In particular, contractualism—a branch of the Kantian stream of social contract thought—purports not merely to justify those rights and obligations that arise among persons by virtue of their labor as to things that might be classified as property (though it can do so), but also to provide the tools to identify *all* rights and duties that might arise between individuals in society. Contractualism thus has the capacity not only to fill the empty box in the matrix above, but potentially to offer a theoretical framework for trademark law as comprehensive as the law and economics framework. Moreover, as I will argue in Part IV, a contractualist framework appears to do a better job at describing current trademark doctrine than consequentialism. Finally, legal thinkers have experience applying Kantian moral philosophy to legal regimes that may have greater relevance to trademark law than does property law—regimes that govern the behavior of actors engaged in market exchange. To take advantage of this experience, we must adopt a new perspective on trademark law; we must think of it in terms not only of property, nor even of both property and tort, but also in terms of *contract*.

II. CONTRACTUALISM: A THEORETICAL ALTERNATIVE

If the contractualist tradition is to serve as a theoretical foundation to the consumer-focused turn in modern trademark law, it will be necessary to understand the relevant features of this branch of moral philosophy. This Part will outline those features, paying particular attention to the aspects of contractualist moral theory that are relevant to the relationships between buyers and sellers engaged in market exchange.

A. *The Wellspring of Contractualism: Kant and the Categorical Imperative*

Today, deontological philosophy is perhaps best known through the work of John Rawls, whose primary interest—like that of early social contract theorists such as Hobbes, Rousseau, and Locke—is in the rational foundations of the proper relationship between the individual and the institutions of the state.⁴⁹ But underlying this political philosophy is a strain of moral philosophy that was most clearly expressed in Kant's *Grounding for the Metaphysics of Morals*.⁵⁰ In the *Grounding* (and later *The Metaphysics of Morals*⁵¹), Kant famously attempted to deduce moral principles as a matter of pure reason, rather than by reasoning backwards from desired effects. Kant's moral philosophy (to say nothing of the school of ethical thought that flowed from it) is far too complex and contested to be thoroughly explored here. What follows are the basic outlines of those elements of the system he developed that are most useful to understanding the ethics of market exchange.

It must be admitted at the outset that Kant himself did not think market exchange had much to teach us about morality, which he thought of in terms of "duties"—the "*δέον*" in deontology. Duty for Kant "is the necessity of an action done out of respect for the law."⁵² Accordingly, duty-based morality depends "not on the realization of the *object* of the action, but merely on the *principle of volition* [i.e., the *maxim*] according to which, without regard to any objects of the faculty of desire, the action has been done."⁵³ Honesty in commerce, Kant thought, shed little light on morality because it was motivated by self-interested pursuit of certain results, not by duty. The dishonest merchant would risk losing future business by, for example, overcharging a naive customer; the honest shopkeeper thus acts honestly not out of duty but because "his own advantage require[s] him to do it."⁵⁴

This is not to say that duties have no role in commerce, but rather that they are consistent with enlightened self-interested pursuit of the inclinations of market participants. Honesty in commerce is thus "in accordance with duty, but not *from* duty."⁵⁵ To identify duty and distinguish it from self-interest, Kant looked to actions that are performed *despite* an inclination of the agent against them.⁵⁶ Such actions, Kant surmised, must be motivated by an obedience to

49. See generally, e.g., JOHN RAWLS, A THEORY OF JUSTICE (rev. ed. 1999) [hereinafter RAWLS, A THEORY OF JUSTICE]; JOHN RAWLS, JUSTICE AS FAIRNESS: A RESTATEMENT (2001).

50. KANT, *supra* note 19.

51. IMMANUEL KANT, THE METAPHYSICS OF MORALS (Mary Gregor trans., Cambridge Univ. Press 1991) (1797).

52. KANT, *supra* note 19, at 13.

53. *Id.* (emphasis added).

54. *Id.* at 10.

55. *Id.* (emphasis added).

56. *Id.* at 11-12.

some obligation apart from fulfillment of one's desires; a motivation not to achieve a particular end, but to do good for its own sake.⁵⁷ The reasoning behind such actions, Kant argued, can illuminate the nature of what he posited as the only unqualified good: a good will.⁵⁸

What might compel such self-effacing obedience in choosing a course of action? And how can an agent even choose a course of action if not by reference to the consequences one desires to bring about by that action? Kant's answer to this question is the fundamental proposition of deontological ethics and of the liberal political philosophy that sprang from it:

But what sort of law can that be the thought of which must determine the will without reference to any expected effect, so that the will can be called absolutely good without qualification? Since I have deprived the will of every impulse that might arise for it from obeying any particular law, there is nothing left to serve the will as principle except the universal conformity of its actions to law as such, i.e., *I should never act except in such a way that I can also will that my maxim should become a universal law.*⁵⁹

This is the *categorical imperative*, the principle that determines what maxims—subjective reasons for acting a particular way in particular circumstances—are consistent with duty and therefore morally permitted (or required).⁶⁰ This particular formulation of the categorical imperative—known as the Formula of Universal Law—is only one of several putatively equivalent formulations derived by Kant in the *Grounding*,⁶¹ and it most clearly presents the mutuality and reciprocity at the heart of all contractualist systems. Another formula—the Formula of the Kingdom of Ends⁶²—is the cornerstone of liberal political philosophy, familiar to us as elaborated and expanded on by modern philosophers such as Rawls.⁶³ But perhaps the most helpful formulation for application to the domain of market exchange is the Formula of the End in Itself:

57. *See id.* at 13 (“Now an action done from duty must altogether exclude the influence of inclination and therewith every object of the will. Hence there is nothing left which can determine the will except objectively the law and subjectively pure respect for this practical law, i.e., the will can be subjectively determined by the maxim that I should follow such a law even if all my inclinations are thereby thwarted.” (footnote omitted)).

58. *See id.* at 7.

59. *Id.* at 14 (emphasis added); *see also id.* at 30.

60. *See id.* at 26 (“Finally, there is one imperative which immediately commands a certain conduct without having as its condition any other purpose to be attained by it. This imperative is categorical. It is not concerned with the matter of the action and its intended result, but rather with the form of the action and the principle from which it follows; what is essentially good in the action consists in the mental disposition, let the consequences be what they may. This imperative may be called that of morality.”).

61. *See* GUYER, *supra* note 19, at 179-95.

62. *See* KANT, *supra* note 19, at 39-40.

63. *See* RAWLS, A THEORY OF JUSTICE, *supra* note 49, at 226 (characterizing the original position as “a procedural interpretation of Kant’s conception of autonomy and the categorical imperative within the framework of an empirical theory”).

[R]ational nature exists as an end in itself. In this way man necessarily thinks of his own existence; thus far is it a subjective principle of human actions. But in this way also does every other rational being think of his existence on the same rational ground that holds also for me; hence it is at the same time an objective principle, from which, as a supreme practical ground, all laws of the will must be able to be derived. The practical imperative will therefore be the following: *Act in such a way that you treat humanity, whether in your own person or in the person of another, always at the same time as an end and never simply as a means.*⁶⁴

“Humanity” here may be understood as the unique capacity of rational beings to choose what ends they will pursue and to settle on actions to achieve those ends.⁶⁵ In modern usage we might substitute the term “autonomy,” which is the term I will use to refer to this concept for the remainder of this Article. And by using someone “simply as a means,” we may understand Kant to be referring (consistent with the idea of the social contract) to actions based on maxims to which another person “could not in principle consent.”⁶⁶ Thus, perhaps unsurprisingly, lies, deception, and broken promises loom large in contractualist moral philosophy. And because engaging in market exchange is one of the ways individuals pursue the ends that rational beings might find worthwhile, contractualist principles can be invoked to discern the boundaries of appropriate conduct between buyers and sellers, Kant’s deprecations notwithstanding.

B. Contractualist Approaches to Lies and Deception

Kant situated the duty to refrain from lying as a duty *to oneself* rather than a duty to others, because in saying something he does not believe, a moral agent uses *himself* as a mere means to achieve some desired end.⁶⁷ That a lie might be harmful to others, while it might provide a *sufficient* basis for condemnation, was not a *necessary* condition of Kant’s prohibition against lying.⁶⁸ This somewhat idiosyncratic position may be attributable to Kant’s desire to avoid the intrusion of concerns over consequences into his “pure” moral philosophy.⁶⁹ Later philosophers in the contractualist tradition have not been quite

64. KANT, *supra* note 19, at 36 (emphasis added).

65. See GUYER, *supra* note 19, at 187 (“The term ‘humanity’ in Kant’s formula thus seems to mean our capacity freely to set ourselves ends—form intentions and adopt aims—and to entail a duty to develop the various abilities that as rational beings we can see will be necessary in order to pursue effectively and thus realize the ends that we have set for ourselves.”).

66. Onora O’Neill, *A Simplified Account of Kant’s Ethics*, in *EXPLORING ETHICS: AN INTRODUCTORY ANTHOLOGY* 88, 88-89 (Steven M. Cahn ed., 2009) (italics omitted).

67. See KANT, *supra* note 51, at 225-26.

68. See *id.*

69. This stringency is one source of the famous “murderer at the door” hypothetical that squarely presented the contrast between deontology and consequentialism in Kant’s own day. Compare BENJAMIN CONSTANT, *DES RÉACTIONS POLITIQUES* 36 (Jean-Marie Tremblay

so absolute as Kant on this point, and have generally held lies and other forms of deception to be wrong by reference to the interests of persons other than the deceiver.

The most prominent (and, for present purposes, most helpful) modern contractualist philosopher is Tim Scanlon. Scanlon's moral philosophy is closely identified with the term "contractualist" as a label for a deontological theory of interpersonal duties ("what we owe to each other," in his phrase), rather than a theory of just political or social institutions.⁷⁰ Scanlon's somewhat modernized answer to the categorical imperative is his formulation of the general test of right and wrong:

[J]udgments of right and wrong . . . are judgments about what would be permitted by principles that could not reasonably be rejected, by people who were moved to find principles for the general regulation of behavior that others, similarly motivated, could not reasonably reject. In particular, an act is wrong if and only if any principle that permitted it would be one that could reasonably be rejected by people with the motivation just described (or, equivalently, if and only if it would be disallowed by any principle that such people could not reasonably reject).⁷¹

Scanlon's test shares with other deontological theories—including Kant's categorical imperative—an overriding concern with the social contract, with (admittedly hypothetical and idealized) universal agreement as the basis for moral obligations. Much of his project is devoted to addressing debates within philosophy over the nature of moral reasoning, of the relationship between rationality and reasonableness, and of the subjects and sources of moral obligations and responsibilities, none of which are particularly relevant for the purposes of this Article. But the project culminates in a helpful set of crystallized moral principles having to do with deception and promises, which have obvious application to relationships between buyers and sellers.

For example, Scanlon's Principle M (for "manipulation"), provides:

In the absence of special justification, it is not permissible for one person, A, in order to get another person, B, to do some act, X (which A wants B to do and which B is morally free to do or not do but would otherwise not do), to lead B to expect that if he or she does X then A will do Y (which B wants but believes that A will otherwise not do), when in fact A has no intention of do-

ed., 2003) (1797), available at http://classiques.uqac.ca/classiques/constant_benjamin/des_reactions_politiques/reactions_politiques.pdf (deriding the moral theories of the "philosophe allemand" who would condemn lying to assassins about the whereabouts of a friend who had taken refuge in one's house), with KANT, *supra* note 19, at 63-67 (disputing the formulation and the causal reasoning of Constant's "assassins" hypothetical and reaffirming the duty to refrain from making intentionally untrue statements where a statement cannot be avoided, even if harm to particular individuals may result).

70. See T.M. SCANLON, WHAT WE OWE TO EACH OTHER 1-7 (1998) (distinguishing Scanlon's interpersonal theory of contractualism from other traditional theories of social contract); Ashford & Mulgan, *supra* note 2 (identifying contemporary contractualism with Scanlon's theory of interpersonal duties).

71. SCANLON, *supra* note 70, at 4.

ing Y if B does X, and A can reasonably foresee that B will suffer significant loss if he or she does X and A does not reciprocate by doing Y.⁷²

Setting aside the “special justification” proviso for the moment, we can see how Scanlon’s Principle M is consistent not only with his own test for right and wrong but also with various formulations of the categorical imperative. For Scanlon’s purposes, “it would be reasonable to reject a principle offering any less protection against manipulation” because in general a moral agent “want[s] to be able to direct one’s efforts and resources toward aims one has chosen and not to have one’s planning co-opted . . . whenever this suits someone else’s purposes.”⁷³ This is consistent with the Formula of the End in Itself, insofar as A in violating Principle M would be using B as a mere means to achieve A’s chosen end of X, which is not a chosen end of B (who would not do X but for A’s creation of the false expectation of B’s chosen end of Y).⁷⁴ And it is also consistent with the Formula of Universal Law insofar as one could not rationally will a universal law that allowed others to act towards oneself as A acts towards B in this example.

Scanlon proposes a related principle, Principle D (for “due care”), requiring moral agents to exercise due care so as to avoid creating such false expectations.⁷⁵ Again, this is consistent not only with Scanlon’s standard of right and wrong, but with the categorical imperative—particularly the Formula of Universal Law. Just as it would be reasonable to reject a principle that allowed others to negligently lead one to form false expectations, it is difficult to imagine that anyone could rationally will a universal law allowing the same thing.

Finally, Scanlon’s Principle F (for “fidelity”) deals with promises (and courses of conduct tantamount to promises). Scanlon argues that in some instances, B will not only desire that A will do X, but will also desire some *as-*

72. *Id.* at 298.

73. *Id.*

74. Importantly, it is the *falsity* of the expectation that renders A’s actions wrongful. If A intends to perform Y when creating the expectation, this would merely be a morally acceptable form of cooperation—where A and B are treating one another not *merely* as means but *also* as ends. See O’Neill, *supra* note 66, at 89 (“Kant does not say that there is anything wrong about using someone as a means. Evidently we have to do so in any cooperative scheme of action. If I cash a check I use the teller as a means, without whom I could not lay my hands on the cash; the teller in turn uses me as a means to earn his or her living. But in this case, each party consents to her or his part in the transaction.”); see also KANT, *supra* note 19, at 36. Indeed, Scanlon argues that once A has intentionally or negligently created an expectation of Y in B, even if A intended to perform Y, A has a duty to take reasonable steps to prevent any significant loss that will befall B if A does not in fact perform Y—such steps potentially including warnings or compensation. He refers to this as Principle L (for “loss prevention”). SCANLON, *supra* note 70, at 300-01.

75. See SCANLON, *supra* note 70, at 300 (“One must exercise due care not to lead others to form reasonable but false expectations about what one will do when one has good reason to believe that they would suffer significant loss as a result of relying on these expectations.”).

assurance that X will come to pass—not only for purposes of relying on X in planning B's actions, but because B desires X in itself.⁷⁶ Principle F provides:

If (1) A voluntarily and intentionally leads B to expect that A will do X (unless B consents to A's not doing so); (2) A knows that B wants to be assured of this; (3) A acts with the aim of providing this assurance, and has good reason to believe that he or she has done so; (4) B knows that A has the beliefs and intentions just described; (5) A intends for B to know this, and knows that B does know it; and (6) B knows that A has this knowledge and intent; then, in the absence of special justification, A must do X unless B consents to X's not being done.⁷⁷

Some important features of Principle F bear mention: First, it shares Principle M's "special justification" proviso, to which we will return shortly. Second, it adds to the mix of facts that can give rise to moral obligation an individual's desire for assurance plus *mutual knowledge* of that desire and the intent to satisfy it. It is these additional facts that impose duties on A that A cannot, as might be the case with respect to other expectations A might create in B, discharge with a warning or compensation.⁷⁸

Scanlon's "special justification" proviso is significant, though, insofar as it allows A to mislead B into doing X, or to break a promise to B, in certain limited circumstances. Scanlon identifies four such circumstances: emergencies (i.e., where X is immediately necessary to remove some serious external danger), threat (i.e., where B is himself threatening some harm that can be prevented by misleading him into doing X), paternalism (i.e., where B's rational capacities are diminished or impaired and "misleading him is the least intrusive way to prevent him from suffering serious loss or harm"), and permission (i.e., where A and B have voluntarily entered into some activity that foreseeably involves some kinds of deception).⁷⁹ The last two circumstances—and particularly the possibility of permissible paternalism, whether grounded in consent or otherwise—are especially relevant to the contractualist analysis of market exchange, and bear further elaboration.

76. The example Scanlon gives is the "guilty secret": a person may desire an assurance that an embarrassing (albeit not morally relevant) secret will not be divulged, not because if the secret is exposed the person would have to change plans made in reliance on the assurance, but because he (reasonably) prefers the state of affairs in which others are unaware of the embarrassing facts and so the assurance itself has value to him. *See id.* at 302-03.

77. *Id.* at 304 (emphasis added).

78. *See id.* at 304-05. It is these added features of the value of assurance that Scanlon argues—contra David Hume, Elizabeth Anscombe, and others—rescue the duty to keep promises from the Scylla of circularity and the Charybdis of reduction to a social convention (as opposed to a moral duty). *See id.* at 307-09 (citing G.E.M. ANSCOMBE, *Rules, Rights and Promises*, in 3 THE COLLECTED PHILOSOPHICAL PAPERS OF G.E.M. ANSCOMBE: ETHICS, RELIGION AND POLITICS 97 (1981)).

79. *See id.* at 299.

C. *Tensions Within Contractualism: The Problem of Paternalism*

Opportunities for paternalist intervention in markets arise with considerable frequency. Indeed, the very idea of “consumer protection” presumes that consumers need some legal authority to look after them in the marketplace—that they are incapable of protecting themselves, or would be better off with some third party looking after their interests. So any theoretical approach to market exchange will have to grapple with fundamental questions about whether, and when, regulating the conduct of market participants “for their own good” is permissible.

Kant himself did not abide paternalism. As one might deduce from his conception of “humanity” and the Formula of the End in Itself,⁸⁰ Kant considered it a duty of rational beings to choose their own ends and to cultivate their ability to pursue those ends (within the constraints of other applicable duties).⁸¹ Accordingly, he considered any effort—even a well-meaning one—to interfere with any rational being’s freedom and duty to pursue such a course of self-determination to be wrongful.⁸² Nevertheless, there are contractualists—including Scanlon—who accept that paternalism might be justified where it would be the subject of agreement (or would not be rejected) by reasonable people with knowledge of the circumstances that would be held to permit paternalist intervention.⁸³

Views on paternalism do not map neatly to the consequentialist/deontological divide; Kant’s absolutist views against paternalism are remarkably similar to those of John Stuart Mill.⁸⁴ Nevertheless, Gerald Dworkin,

80. See *supra* text accompanying notes 64-66.

81. See KANT, *supra* note 51, at 236-40.

82. See IMMANUEL KANT, ON THE OLD SAW: THAT MAY BE RIGHT IN THEORY BUT IT WON’T WORK IN PRACTICE 58-59 (E.B. Ashton trans., Univ. of Pa. Press 1974) (1793); KANT, *supra* note 51, at 248; see also Gerald Dworkin, *Paternalism*, STAN. ENCYCLOPEDIA PHIL. (Summer 2010 ed.), <http://plato.stanford.edu/archives/sum2010/entries/paternalism> (“Kantian views are frequently absolutistic in their objections to paternalism. On these views we must always respect the rational agency of other persons. To deny an adult the right to make their own decisions, however mistaken from some standpoint they are, is to treat them as simply means to their own good, rather than as ends in themselves.”).

83. Scanlon’s own work is not particularly helpful in identifying circumstances in which paternalism would be permissible. See SCANLON, *supra* note 70, at 251-56 (defending a highly nuanced “value of choice” account of moral responsibility but impliedly conceding that his contractualist theory does not necessarily provide clear answers to the question whether paternalism is justifiable in any given set of circumstances because the value of a given choice may differ among persons, such that some might reasonably reject paternalist interventions that others might reasonably agree to); T.M. Scanlon, Jr., *The Significance of Choice*, in 8 THE TANNER LECTURES ON HUMAN VALUES 149, 177-85 (Sterling M. McMurrin ed., 1988), available at <http://www.tannerlectures.utah.edu/lectures/documents/scanlon88.pdf> (setting forth a similar account of the value of choice and its imprecise implications for the permissibility of paternalist intervention).

84. Compare *supra* text accompanying notes 80-82, with JOHN STUART MILL, ON LIBERTY 9, 74 (Elizabeth Rapaport ed., Hackett Publ’g Co. 1978) (1859) (“[T]he only pur-

a leading thinker on the philosophical problems of paternalism,⁸⁵ has plausibly identified contractualist tolerance of paternalist interventions in the choices of competent adults with the “soft paternalism” defended by Joel Feinberg in his work on the criminal law.⁸⁶ Feinberg’s distinction between hard and soft paternalism hinges on the information available to the individual whose choices are to be interfered with:

Hard paternalism will accept as a reason for criminal legislation that it is necessary to protect competent adults, against their will, from the harmful consequences even of their fully voluntary choices and undertakings. . . .

. . . . Soft paternalism holds that the state has the right to prevent self-regarding harmful conduct (so far as it *looks* “paternalistic”) *when but only when* that conduct is substantially nonvoluntary, or when temporary intervention is necessary to establish whether it is voluntary or not. . . . [T]o whatever extent [an individual’s] apparent choice stems from ignorance, coercion, derangement, drugs, or other voluntariness-vitiating factors, there are grounds for suspecting that it does not come from his own will, and might be as alien to him as the choices of someone else.⁸⁷

Donald VanDeVeer, in turn, formalizes a related model of permissible paternalism and extends it beyond the special case of criminal legislation in his “Principle of Hypothetical Individualized Consent”:

A’s paternalistic interference, X, with S is justified if

1. S would validly consent to A’s Xing if (a) S were aware of the relevant circumstances; (b) S’s normal capacities for deliberation and choice were not substantially impaired; and
2. A’s Xing involves no wrong to those other than A or S.⁸⁸

pose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant. . . . [N]either one person, nor any number of persons, is warranted in saying to another human creature of ripe years that he shall not do with his life for his own benefit what he chooses to do with it.”). See generally Dworkin, *supra* note 82 (identifying both consequentialist and contractualist justifications for paternalism). As Joel Feinberg notes, consequentialist theories make a weak case for the antipaternalist attitudes of their most ardent defenders, and some recourse to deontological notions of personal autonomy is therefore required. See Joel Feinberg, *Legal Paternalism*, 1 CAN. J. PHIL. 105, 108-09 (1971).

85. See, e.g., GERALD DWORKIN, *THE THEORY AND PRACTICE OF AUTONOMY* 121-29 (1988); Gerald Dworkin, *Moral Paternalism*, 24 LAW & PHIL. 305 (2005); Gerald Dworkin, *Paternalism*, in *MORALITY AND THE LAW* 107 (Richard A. Wasserstrom ed., 1971); Dworkin, *supra* note 82.

86. See Dworkin, *supra* note 82; see also JOEL FEINBERG, *HARM TO SELF* 12-16 (1986). See generally Feinberg, *supra* note 84, at 124 (distinguishing between “strong” and “weak” paternalism).

87. FEINBERG, *supra* note 86, at 12.

88. DONALD VANDEVEER, *PATERNALISTIC INTERVENTION* 75 (1986); see also *id.* at 81-87 (noting the similarities and differences between the Principle of Hypothetical Individualized Consent and the “weak paternalism” discussed in Feinberg, *supra* note 84, and arguing that Feinberg’s weak paternalism “may call for quite invasive intrusions into the decisions of ordinary folk who are acting, more or less, at their rational best under more or less ordinary circumstances”). VanDeVeer’s analysis of paternalism is one of the building blocks of the

Thus, the model of paternalism that its supporters have argued is consistent with the liberalism at the heart of contractualism is essentially limited to correcting for missing information or diminished capacity⁸⁹ on the part of the person whose decisionmaking is being interfered with.

In sum, the contractualist school would seem to be capable of encompassing at least two positions on paternalism with respect to competent adults. The traditional Kantian would deem unacceptable any attempt to take choices that affect an individual's well-being out of his hands or otherwise interfere with his decisionmaking—even if the interference was for his own good, and *even if he consented* (or would hypothetically consent) to the interference—on the theory that it is the individual's duty to cultivate his capacity to select and pursue his own ends, and he may not be used as a means to any end (even one believed to be in his interest). Some modern contractualists, however, would allow for some limited interference with individuals' decisionmaking, but only to the extent that the individual would (at least hypothetically) consent to such interference as a useful aid to that individual's rational and informed decisionmaking. As we shall see, this distinction will be of central importance to some of the thorniest issues regarding the regulation of market exchange.

D. *Objections to Contractualism*

This potential schism within contractualism points the way to some general objections to it as a legitimate moral theory. I will focus here on three: the charge of indeterminacy, the charge of circularity, and the charge of illiberality. All three are frequently leveled by consequentialist critics of contractualism, though they do not necessarily depend on agreement with consequentialist theory.

The most basic of these objections is that contractualism is *indeterminate*: that it does not allow us to deduce principles of moral conduct in many, if not most, of the circumstances we are likely to find ourselves in. The internal debate over paternalism does seem to illustrate that contractualists themselves do not agree on what a properly constructed contractualist theory would prescribe over a vast domain of moral choice. However, as Kim Lane Scheppele, a defender of contractualism (under the older label “contractarianism”⁹⁰), explains, the principle of mutual agreement as the foundation for moral rules

currently in vogue “libertarian paternalism” model that has grown out of the behavioral law and economics movement. See, e.g., RICHARD H. THALER & CASS. R. SUNSTEIN, *NUDGE: IMPROVING DECISIONS ABOUT HEALTH, WEALTH, AND HAPPINESS* 4-6 & 255 n.3 (2008) (citing VanDeVeer and presenting libertarian paternalism as a “relatively weak, soft, and non-intrusive type of paternalism” whereby policymakers are “self-consciously attempting to move people in directions that will make their lives better”).

89. Notably, even Kant allowed for paternalism toward “young children and the insane.” See KANT, *supra* note 51, at 248.

90. See *supra* note 2.

may operate more decisively in telling us what the legal rules should *not* be than in telling us what the laws *should* be; that is, it may be easier to tell which laws would be *rejected* by [people seeking a contractarian consensus] than it would be to tell precisely on which single rule they would agree. . . .

. . . .
 . . . It may be that there are several rules that would be acceptable from a contractarian point of view, depending on the twists and turns of particular arguments.⁹¹

The contractualist thus claims that moral theory is not designed to eliminate the need for moral judgment or practical reasoning, only that it helpfully limits the range of possible conclusions from such reasoning. Again, as Scheppele argues:

The availability of *multiple* rules that may be justified in contractarian terms does not count against a contractarian theory of law so long as the theory is capable of ruling out some alternatives and therefore has some real bite. . . . As long as the rules themselves meet the test of not being rejected on the basis of negative contractarian arguments, then a choice from the set of alternatives remaining may be based on other principles like majoritarianism or efficiency.⁹²

Put somewhat differently, the charge of indeterminacy may actually be a charge of *underdeterminacy*: a disagreement over the importance to a moral theory's viability of the size and scope of the deontic categories it generates. If such systems carve actions up into categories such as "obligatory," "permitted," and "forbidden,"⁹³ the charge may be no more than an objection that the "permitted" category in contractualist ethics is unacceptably broad or encompasses acts that ought to be relegated to the "required" or "forbidden" categories. Scheppele argues, in essence, that this breadth may be narrowed by reference to other moral theories without violating the principles of contractualist ethics, so long as that narrowing would not lead to moral approval of acts forbidden by contractualism or moral disapproval of acts required by contractualism. In other words, she raises the possibility—an important one for the project of this Article—that different moral values and modes of moral reasoning can coexist and might even be complementary.⁹⁴

91. KIM LANE SCHEPPELE, *LEGAL SECRETS: EQUALITY AND EFFICIENCY IN THE COMMON LAW* 69-70 (1988).

92. *Id.* at 70.

93. *See generally* G.H. von Wright, *Deontic Logic*, 60 *MIND* 1 (1951) (formalizing the deontic categories).

94. This possibility is the subject of debates in moral philosophy around the ideas of value pluralism and moral relativism, and the type of flexibility I am here ascribing to contractualism has affinities with the pluralistic moral relativism defended by David B. Wong. *See generally* DAVID B. WONG, *NATURAL MORALITIES: A DEFENSE OF PLURALISTIC RELATIVISM* (2006). On the relationship between Scanlon's philosophy and moral relativism, see SCANLON, *supra* note 70, at 328-60. It is notable that even strict utilitarians seem to accept some version of value pluralism, as where, for example, Henry Sidgwick accepted that arguments about distributional fairness might be permissible grounds for choosing among

The second relevant critique is that contractualism is circular. David Hume leveled such a charge against “rationalist” moral theories centuries ago,⁹⁵ and it is one that modern contractualists remain sensitive to⁹⁶ under the onslaught of consequentialism and its intuitively attractive account of individual well-being as a totalizing and unifying moral principle. But of course, as Scanlon notes, the claim that individual well-being is any less circular a basis for moral argument than any other basis is little more than an assumption—albeit an intuitively appealing one.⁹⁷ Conversely, to the extent that individual well-being is a permissible basis for moral reasoning, there may be other criteria that share the essential properties that make it so. Scanlon refers to such criteria as “generic reasons,”⁹⁸ and while he concedes that individual well-being is an important one, he denies that it is the only or even always the *most* important principle on which moral claims may rest.⁹⁹ In particular, he claims that principles of fair-

arrangements of equal aggregate welfare. See HENRY SIDGWICK, *THE METHODS OF ETHICS* 416-17 (Hackett Publ'g Co. photo. reprint 1981) (7th ed. 1907).

95. See DAVID HUME, *AN ENQUIRY CONCERNING THE PRINCIPLES OF MORALS* 85 (Tom L. Beauchamp ed., Oxford Univ. Press 1998) (1751) (“[M]oral relations are determined by the comparison of actions to a rule. And that rule is determined by considering the moral relations of objects. Is not this fine reasoning?”).

96. See, e.g., SCANLON, *supra* note 70, at 194, 213-18 (defending the concept of “reasonableness” against the charge of circularity).

97. See *id.* at 215 (“It may seem that contractualism becomes viciously circular if it does not take well-being as the basic coin in which reasonable rejection is measured But this is so only if the claims of well-being are unique among moral claims in needing no further justification I believe that something like this is frequently assumed”). Moreover, as Kant famously argued, the causal inferences on which a consequentialist’s conclusions regarding right and wrong depend are subject to error insofar as nobody can perfectly predict the future. See KANT, *supra* note 19, at 63-67. This is the so-called “epistemic” objection to consequentialism. See generally James Lenman, *Consequentialism and Cluelessness*, 29 PHIL. & PUB. AFF. 342 (2000). Finally, as numerous philosophers have argued, to the extent that consequentialism implies monism—the ability to align all possible considerations relevant to moral reasoning along a single dimension—it is descriptively inaccurate and normatively objectionable. This is the so-called “incommensurability” objection to value-monist forms of consequentialism. See generally INCOMMENSURABILITY, INCOMPARABILITY, AND PRACTICAL REASON (Ruth Chang ed., 1997) (collecting essays on incommensurability). Legal scholars have also discussed problems of legal policy in light of the incommensurability critique. See, e.g., Richard A. Epstein, *Are Values Incommensurable, or Is Utility the Ruler of the World?*, 1995 UTAH L. REV. 683 (arguing that discussions of important legal policy may be distorted or distracted by incommensurability questions, and these questions should not be the focus of philosophical discourse or legal theory); Cass R. Sunstein, *Incommensurability and Valuation in Law*, 92 MICH. L. REV. 779 (1994) (arguing that incommensurability analysis is conducive to social differentiation and distinct kinds of valuation that are critical to broader legal theories).

98. See SCANLON, *supra* note 70, at 204-06.

99. See *id.* at 213-18.

ness¹⁰⁰ and responsibility or autonomy¹⁰¹ are often entitled to equal or even greater consideration in moral argument.¹⁰²

This leads us to the third, and to my mind the most persuasive, objection to contractualism: that it is *illiberal*. That is, once we move beyond individual well-being *as determined by the individual himself* as a basis for moral reasoning, we arbitrarily subject individuals to rules devised by others that might make those individuals worse off than they would be under an alternative moral framework. In legal academic circles this argument was recently (and voluminously) made by Louis Kaplow and Steven Shavell, whose hundreds of pages of analysis boil down to the essential thesis that “there is no sound justification for imputing an analyst’s tastes to citizens at large.”¹⁰³ And as Scheppele concedes, “[f]oundational principles look suspiciously like some particular elite’s sense of what would serve its interests, dressed up to look neutral.”¹⁰⁴ This is particularly problematic from the liberal perspective if the elite in question purports to derive universally applicable rules from moral intuitions that differ predictably from those held by the general population—as some recent psychological and empirical research suggests is likely to be the case.¹⁰⁵

At bottom, this objection is the same antipaternalist argument discussed above,¹⁰⁶ and as noted there, the liberal premise of self-determination and individual autonomy is not particular to contractualism *or* consequentialism. The fundamental debate here, it seems, is about whether the thought exercise on which contractualism rests—the other-regarding quest for principles of hypothetical mutual consent¹⁰⁷—is normatively sound. That is, whether the moral

100. *See id.* at 206-13.

101. *See id.* at 251-67.

102. *See id.* at 243 (“[T]he justificatory force of a given increment of well-being in moral argument is not constant in all situations, but depends on other factors of a clearly moral character. I have already mentioned two factors of this kind: considerations of responsibility and considerations of fairness. Whether I have a morally forceful demand to be better off in a certain way will often depend, intuitively, on whether my fate is or is not my own doing, and on whether institutions that benefited me in the way I am demanding would be fairer, or less fair, than those presently in operation.”).

103. Kaplow & Shavell, *supra* note 10, at 1354.

104. SCHEPPELE, *supra* note 91, at 60.

105. *See, e.g.*, Kevin Tobia et al., *Moral Intuitions: Are Philosophers Experts?*, PHIL. PSYCHOL. (forthcoming), available at <http://www.tandfonline.com/doi/full/10.1080/09515089.2012.696327> (reporting experimental results that philosophers do sometimes have different moral intuitions than nonphilosophers, but that the philosophers’ intuitions are not demonstrably better or more reliable); Jonathan M. Weinberg et al., *Are Philosophers Expert Intuiters?*, 23 PHIL. PSYCHOL. 331 (2010) (arguing that the literature on expertise does not support philosophers’ claims to be experts in moral intuition).

106. *See supra* notes 80-88 and accompanying text.

107. *See SCANLON, supra* note 70, at 202 (“The aim of finding and acting on principles that no one similarly motivated could reasonably reject leads us to take other people’s interests into account in deciding what principles to follow. More exactly, we have reason to consider whether there are standpoints other than our own present standpoint from which the principles we are considering could reasonably be rejected. . . . ‘Others’ figure twice in this

exercise of putting oneself in another's shoes and trying to understand and respect his or her reasons for wanting us to act in a certain way is more likely to lead us to a world all consider more just, or is more likely to lead those of us in positions of policymaking authority to justify limitations on others' freedom by reference to what we (erroneously and perhaps self-servingly) convince ourselves those others would want.

This is a larger debate than this Article can contain, or even adequately review.¹⁰⁸ My ambition here is not to settle centuries-old debates in moral philosophy, but merely to bring one heretofore-neglected side of that debate to bear on a particular area of law on which it might shed a helpful light. In doing so, I do not mean to suggest that I view the contractualist approach as unassailably correct nor that it will always offer the best approach to the regulation of market exchange. In fact, I have some doubts about these questions, largely along the lines of the objections raised in this Part. But as discussed in Part III, the application of contractualist theory to other areas of law regulating market exchange has led to helpful identification and clarification of fundamental normative questions for policymakers in those areas, and as discussed in Part IV this clarity helps avoid some of the pitfalls of consequentialist analysis. It is my hope in this Article to initiate—though by no means to resolve—a similarly clarifying and productive normative debate in trademark law.

III. MORALS AND MARKETS¹⁰⁹

Both consequentialist and contractualist moral systems have been brought to bear on hotly contested issues in private law, and particularly in areas that raise vexing questions about the legal obligations of market participants to one another prior to their agreeing to a transaction. I am speaking here about the duty to disclose in contract law, and the prohibition of insider trading in securities law. One key feature of these areas of doctrine is that both of them, like intel-

schema: as those to whom justification is owed, and as those who might or might not be able reasonably to reject certain principles.”).

108. Perhaps the most powerful contractualist foray into this debate can be found in the work of the contemporary contractualist philosopher Stephen Darwall, who argues that moral obligation is uniquely grounded in those demands that free and rational agents will recognize as being *legitimately* made of them by others. See generally STEPHEN DARWALL, *THE SECOND-PERSON STANDPOINT: MORALITY, RESPECT, AND ACCOUNTABILITY* (2006). Robin Kar is the scholar most responsible for bringing Darwall's insights to bear on legal theory in general and contract law in particular. See Robin Bradley Kar, *Contract Law and the Second-Person Standpoint: Why Efficiency-Maximization Principles Can Neither Explain nor Justify the Expectation Damages Remedy*, 40 *LOY. L.A. L. REV.* 977 (2007); Robin Bradley Kar, *Contractualism About Contract Law* (Loyola L.A. Law Sch. Legal Studies, Paper No. 2007-29, 2008), available at <http://ssrn.com/abstract=993809>; Robin Bradley Kar, *The Second-Person Standpoint and the Law* (Ill. Pub. Law & Legal Theory Research Papers Series, No. 10-19, 2011), available at <http://ssrn.com/abstract=1589791>.

109. This Part is a significantly expanded adaptation of portions of Sheff, *Unbranding*, *supra* note 3.

lectual property law, purport to regulate the flow of information between individuals engaged in market exchange. This Part explores the battle of moral philosophies in these areas of contract and securities law, in an effort to identify some useful principles for constructing a contractualist theory of trademark law as an alternative to the well-worn consequentialist theories of the Chicago School.

It is an inescapable fact that parties to a transaction are likely to have different levels of information about the subject matter of their exchange. This asymmetry obviously creates an opportunity for the party with more information to take advantage—to benefit at the expense of the party with less information. One might characterize a transaction completed under these circumstances as offensive to contractualist principles of equality and mutual respect, or to a consequentialist principle of welfare maximization—that is, as unfair or inefficient. It is therefore notable that the law does not consider asymmetric information an absolute evil. In general, we accept the fact that there will be asymmetric information in transactions, subject to certain exceptions.

Contract law provides a clear example. The parties to a contract may have differing levels of information about the subject matter of their agreement, and yet that asymmetry in and of itself is insufficient to determine whether the disadvantaged party will be entitled to relief as a result of the asymmetry.¹¹⁰ Thus, a unilateral mistake of fact, standing alone, is not grounds for avoiding performance of a contract.¹¹¹ However, if the party with greater information could somehow be said to be *responsible* for his counterparty's mistaken belief—if he knew of it and failed to correct it despite being uniquely in the position to do so, or worse, if he created it through his own misrepresentation or concealment of the facts—then the mistaken party may be entitled to relief including rescission and potentially even damages.¹¹² Thus, there must be something beyond the mere fact of asymmetric information about the subject of exchange—something that goes to the relationship between the parties—that makes the asymmetry problematic or unproblematic from the point of view of contract law.

In securities law, we see a similar ambivalence about asymmetric information. In general, we think that curing such asymmetry is precisely what secu-

110. See, e.g., *Laidlaw v. Organ*, 15 U.S. (2 Wheat.) 178, 195 (1817) (“The question in this case is, whether the intelligence of extrinsic circumstances, which might influence the price of the commodity, and which was exclusively within the knowledge of the vendee, ought to have been communicated by him to the vendor? The court is of opinion that he was not bound to communicate it. It would be difficult to circumscribe the contrary doctrine within proper limits, where the means of intelligence are equally accessible to both parties. But at the same time, each party must take care not to say or do any thing tending to impose upon the other.”).

111. See RESTATEMENT (SECOND) OF CONTRACTS §§ 153-54 (1981).

112. See *id.* §§ 153(b), 159-64; RESTATEMENT (SECOND) OF TORTS ch. 22 (1977) (laying out various distinctions among types of misrepresentations and nondisclosures, and identifying circumstances in which tort liability (i.e., damages) may attach).

rities markets are for. Large, liquid markets on transparent public exchanges use the price mechanism to efficiently disseminate relevant but disparately held information about the subject of exchange through transactions between better-informed and worse-informed buyers.¹¹³ But there is a category of informational advantage—material nonpublic information obtained through a relationship of trust—that we apparently think shouldn't be the basis of such transactions, and we outlaw insider trading accordingly.¹¹⁴ Again, information asymmetry in itself is not problematic, but when combined with some other factor going to the relationship between seller and buyer it may become so.

In each of these two spheres, commentators have offered both consequentialist and contractualist analyses of the relevant legal doctrines.¹¹⁵ In contractualist analysis, we often look at the causal relationship between the parties' own acts or omissions and the existence of the asymmetry itself: was the party with greater knowledge in some way responsible for his counterparty's informational disadvantage, or could the disadvantaged party reasonably have removed the disadvantage himself?¹¹⁶ In consequentialist analysis, in contrast, we often look to the incentives for acquiring or transferring information: would holding the more-informed party liable (or excusing the less-informed party

113. See Eugene F. Fama, *Efficient Capital Markets: II*, 46 J. FIN. 1575, 1575 (1991); F.A. Hayek, *The Use of Knowledge in Society*, 35 AM. ECON. REV. 519, 525-27 (1945).

114. See e.g., *United States v. O'Hagan*, 521 U.S. 642, 651-53 (1997); *Dirks v. SEC*, 463 U.S. 646, 654-55 (1983); *Chiarella v. United States*, 445 U.S. 222, 230 (1980); 17 C.F.R. §§ 240.10b-5 to 240.10b5-2, 240.14.e-3 (2012).

115. See, e.g., CHARLES FRIED, *CONTRACT AS PROMISE* 57-84 (1981) (contractualist analysis of contract doctrines that deal with mistake and fraud); SCHELPELE, *supra* note 91, at 77-120 (explanation of contractualist analysis of secret-keeping and its relevance to legal policy, particularly contract law); Anthony T. Kronman, *Mistake, Disclosure, Information, and the Law of Contracts*, 7 J. LEGAL STUD. 1, 2 (1978) (economic analysis of unilateral mistake and the duty to disclose in contract law); Kim Lane Scheppele, "It's Just Not Right": *The Ethics of Insider Trading*, 56 LAW & CONTEMP. PROBS. 123, 124-25 (1993) (contractualist analysis of insider trading law); Alan Strudler & Eric W. Orts, *Moral Principle in the Law of Insider Trading*, 78 TEX. L. REV. 375, 380-82 (1999) (same); HENRY G. MANNE, *INSIDER TRADING AND THE STOCK MARKET* (1966) (economic argument for permitting insider trading); Dennis W. Carlton & Daniel R. Fischel, *The Regulation of Insider Trading*, 35 STAN. L. REV. 857, 861 (1983) (same); Jonathan Macey, *Getting the Word Out About Fraud: A Theoretical Analysis of Whistleblowing and Insider Trading*, 105 MICH. L. REV. 1899, 1902, 1922-24 (2007) (economic argument for limited allowance of trading on inside information of corporate wrongdoing).

116. See FRIED, *supra* note 115, at 62-63, 77-85; Scheppele, *supra* note 115, at 155-63; Strudler & Orts, *supra* note 115, at 409-19. Whether the better-informed party is responsible for creating his own informational advantage is a separate question. Deontological accounts generally do not require a better-informed party to disclose information that the less-informed party has equal access to, or information that the better-informed party undertook significant effort and risk to obtain in the reasonable expectation of a return on his investment. See FRIED, *supra* note 115, at 82-83; Scheppele, *supra* note 115, at 162-63; Strudler & Orts, *supra* note 115, at 414-19.

from performance) generate incentives that undesirably decrease the production or dissemination of socially valuable but costly information going forward?¹¹⁷

These two areas of law are a useful prelude to thinking about the implications of our competing moral theories for trademark law for three reasons. The first reason lies in the scope of the debate between the two schools of thought over these areas of law. These moral theorists are engaged in both *descriptive* and *prescriptive* lines of argument. To be sure, across all areas of law for which moral theory might be relevant, contractualists argue that their moral framework is normatively preferable to the consequentialist framework, and vice versa. But the descriptive claims of these two schools vary by area of doctrine.

In contract, the two schools vigorously debate whose theory best explains and predicts the decisions of courts in contract cases—a descriptive rather than a prescriptive question.¹¹⁸ Consider a series of cases in which oil or mineral extraction companies purchased valuable land from owners who were unaware of its potential.¹¹⁹ In one, *Neill v. Shamburg*,¹²⁰ the defendant leased several parcels of land adjacent to one he leased jointly with the plaintiff, and one of the adjacent properties had been found (after considerable investment by the defendant) to have valuable oil deposits. Not knowing about the nearby oil find, the plaintiff sold her interest in the jointly held parcel to the defendant, then sued to rescind the contract of sale once the information became known. The court found for the defendant.¹²¹ The consequentialist interpretation of this result, best expressed by Anthony Kronman, is that information about the subject matter of a contract such as the one involved in *Neill* is costly to produce but socially valuable, and that therefore the party that undertakes the necessary investment should obtain a property right in the information in order to provide the requisite incentive to produce it in the first place.¹²² Where, in contrast, the information was “casually” acquired, or would have been acquired in the ordinary course of events, no such property right is necessary to incentivize the information’s production, and disclosure of the information to a counterparty

117. See, e.g., Carlton & Fischel, *supra* note 115, at 866-68; Kronman, *supra* note 115, at 32-33; cf. Macey, *supra* note 115, at 1917-20 (arguing that insider trading can be a superior means of disseminating insider information of corporate wrongdoing). Alternatively, some consequentialist accounts may examine the amount and distribution of wealth generated by a particular choice of rule. See, e.g., Carlton & Fischel, *supra* note 115, at 869-72; Hayne E. Leland, *Insider Trading: Should It Be Prohibited?*, 100 J. POL. ECON. 859, 876-85 (1992).

118. See, e.g., SCHEPPELE, *supra* note 91, at 124-26, 161-67 (arguing that the consequentialist theory defended in Kronman, *supra* note 115, fails to explain most of the cases on the duty to disclose in contract law, while contractualist theory explains those cases quite well).

119. This type of case is reduced to hypotheticals in FRIED, *supra* note 115, at 78-85.

120. 27 A. 992 (Pa. 1893).

121. *Id.* at 992-93.

122. Kronman, *supra* note 115, at 2, 13-16, 19-21.

may therefore be required in order to ensure that the transaction does in fact increase aggregate welfare.¹²³

Contractualists look at the same set of facts quite differently. Scheppele, for example, claims that the duty to disclose in the oil cases hinges not on incentives to produce information, but on asymmetric *access* to information. Citing the factually similar case of *Feist v. Roesler*, in which the court affirmed a jury's finding of fraud by concealment and accordingly refused to enforce the parties' agreement,¹²⁴ Scheppele asserts that a contracting party's investment in the production of valuable information is *not* the relevant factor in duty to disclose cases. Instead, she argues, the parties' equality of *access* to the information is the deciding factor: in *Feist* the court noted that the underinformed seller was living hundreds of miles from the investment property at issue, a fact absent from *Neill*.¹²⁵ Thus, both schools of moral philosophy look to the facts and outcomes of particular cases to support their *descriptive* claim that the duty to disclose in contract law is grounded in their own theories.

On insider trading, in contrast, both schools generally concede that extant doctrine does not align with their theories' prescriptions and critique the doctrine on that basis. Obviously any rule against insider trading is inconsistent with consequentialist prescriptive arguments that there should be no such rule. But the contractualist argument that the rule ought to rest on equality of access and respect for market participants' autonomy¹²⁶ has explicitly been rejected by the Supreme Court. In particular, the Court's precedents require that a Rule 10b-5 defendant owe some preexisting duty to either his or her counterparty (the fiduciary theory)¹²⁷ or to the source of the inside information (the misappropriation theory)¹²⁸ in order to be held liable. These theories of insider trading liability appear to stem from the Court's efforts to put some limit on the potentially expansive reach of alternative theories founded on contractualist principles of fairness. Indeed, asymmetric access to material information had arguably been sufficient to ground liability under Second Circuit precedent,¹²⁹

123. *Id.* at 2, 13-16.

124. 86 S.W.2d 787 (Tex. Civ. App. 1935).

125. SCHEPELE, *supra* note 91, at 166; *Feist*, 86 S.W.2d at 788. *Neill* also disclosed an alternative ground for its result: that the price paid by the buyer was a fair market price even in light of the information known to the buyer. *Neill*, 27 A. at 992-93.

126. See Scheppele, *supra* note 115, at 125, 162-65.

127. See *Chiarella v. United States*, 445 U.S. 222, 230, 235 (1980) (holding that Rule 10b-5 is not violated when the party with inside information owes no independent duty to disclose to his counterparty, for example, as a fiduciary of the counterparty).

128. See *United States v. O'Hagan*, 521 U.S. 642, 658, 665 (1997) (validating the "misappropriation" theory of Rule 10b-5 liability, under which the defendant may be held liable for trading on information in violation of a duty to the source of that information).

129. See *SEC v. Tex. Gulf Sulphur Co.*, 401 F.2d 833, 848 (2d Cir. 1968) (en banc).

and the Supreme Court's rejection of that precedent drew a vigorous dissent from Justice Blackmun, who argued in explicitly fairness-based terms.¹³⁰

In sum, both schools claim to have the best descriptive account of the duty to disclose in contract law, but neither camp can claim that its moral theory accurately describes positive insider trading law.¹³¹ The interplay of descriptive and normative arguments in these areas nevertheless helps to clarify the key normative questions underlying both bodies of doctrine and the pivotal doctrinal levers for putting a particular normative vision into practice. Trademark law and consumer law generally would, I think, benefit from this kind of clarifying debate. Thus, both descriptive and prescriptive lines of argument will be relevant to the application of moral theory to consumer markets—we will want to know *both* what a body of trademark law informed by contractualist principles would look like, *and* whether the law on the books is consistent with that vision.

The second reason for examining these two bodies of law is that in the contract literature, the conclusions of contractualist and consequentialist analyses largely (albeit not perfectly) agree, whereas in the insider trading literature, they differ.¹³² This is evident in the fact that both schools emphasize descriptive claims with respect to contract but rely on prescriptive arguments with respect to insider trading. Law and economics scholars famously argue that insider trading should be legal¹³³ (against contractualists who argue it should be

130. See *Chiarella*, 445 U.S. at 247 (Blackmun, J., dissenting) (“I do not agree that a failure to disclose violates [Rule 10b-5] only when the responsibilities of a relationship of that kind have been breached. As applied to this case, the Court’s approach unduly minimizes the importance of petitioner’s *access* to confidential information that the honest investor, no matter how diligently he tried, could not legally obtain.”).

131. Nevertheless, Strudler and Orts, *supra* note 115, at 384, argue that their deontological theory of insider trading provides a more coherent and persuasive account of the *outcomes* of some important Supreme Court cases than does the reasoning of those cases themselves.

132. One leading commentator has suggested that this difference reflects a tension between “morality” and “policy,” when in fact it merely suggests a tension between two different schools of moral thought, either one of which might have the upper hand on a particular policy issue at a given time. See Melvin A. Eisenberg, *Disclosure in Contract Law*, 91 CALIF. L. REV. 1645, 1653 (2003) (“In most issues in contract law, morality and policy point in the same direction. In the disclosure problem, however, morality and policy often point in different directions.”). In fairness, it may be the case that Eisenberg is merely invoking idiosyncratic definitions of “policy” and “morality.” See *id.* at 1651 & n.5.

133. See generally MANNE, *supra* note 115, at 93-110; Carlton & Fischel, *supra* note 115, at 861; Macey, *supra* note 115, at 1902, 1922-24. There is, however, a countertrend in more recent law and economics scholarship—particularly scholarship informed by empirical analysis—wherein commentators argue that insider trading imposes serious social costs and negatively impacts the efficiency of securities markets. For a summary, see Jesse M. Fried, *Insider Trading via the Corporation 5-7* (Harvard Law Sch. John M. Olin Ctr. for Law, Econ., & Bus., Discussion Paper No. 725, 2012), available at http://www.law.harvard.edu/programs/olin_center/papers/pdf/Fried_725.pdf.

prohibited as fraud¹³⁴), while theorists of all stripes are largely in agreement on the scope of the duty to disclose in contract law (if not on the reasons underlying the duty).¹³⁵ Thus, there must be some difference between the two fields that makes the choice of an ethical system determinative. We might therefore ask what that difference is, and whether it correlates with some feature of trademark-related transactions that distinguishes them from negotiated bilateral transactions on the one hand or impersonal exchange-based transactions on the other.

The search for such a correlation provides the third and most important reason why the contract and securities law examples are a useful prelude to the analysis of trademarks. I propose that such a correlation does in fact exist, and that it rests on a particular conflict between the priorities of consequentialist and contractualist systems. This conflict has to do not with the parties' knowledge concerning the subject of exchange, but rather with the relationship between an individual transaction and the broader market. It arises where the consequentialist goal of generating incentives to produce information and disseminate it to the market comes into conflict with the contractualist principle of respect for a counterparty's autonomy.

To see how our two schools of moral theory deal with this conflict, consider two situations.¹³⁶ In the first situation, S_1 :

- (a₁) material information about the subject matter of exchange is equally available to both parties;
- (b₁) the seller has—through effort, investment, or chance—acquired the information, but the buyer has not; and
- (c₁) the buyer does not know that the seller has superior information, though the seller does know this.

In the second situation, S_2 :

- (a₂) the seller is in a uniquely privileged position that gives him access to material information about the subject matter of exchange without undertaking costly investment or effort;

134. See e.g., Scheppele, *supra* note 115, at 150-68; Strudler & Orts, *supra* note 115, at 376-77, 380-82.

135. See *supra* notes 118-125.

136. In each of these situations, I assume that the party with greater information is the seller. This is not strictly necessary to the analysis, but is consistent both with the general principle that sellers tend to have more information about the goods they are selling than buyers and with the recognition of that principle as one basis for organizing theories of trademark law. On the particular issues raised by applying a duty to disclose to sellers, see Eisenberg, *supra* note 132, at 1674-80.

These hypotheticals are also set up so as to make superior access to information and investment in production of information appear to be mutually exclusive, which they obviously need not be. However, because this construction still generates the distinction between contract and insider trading law that is under discussion, it helps to advance the analysis while eliminating potentially confounding variables that are of no relevance to the present discussion. See *infra* text accompanying notes 140-142.

(*b*₂) the seller has taken advantage of this privileged access to acquire material information that the buyer lacks; and

(*c*₂) the buyer does not know that the seller has superior information, though the seller does know this.

If we were dealing with a contract law case, both consequentialist and contractualist approaches would deny the buyer any relief in *S*₁ and provide it in *S*₂,¹³⁷ but they would do so in reliance on different facts. For the contractualist, the key fact is *a*; for the consequentialist, it is *b*. (Fact *c* is simply the factual predicate that puts the duty to disclose at issue.)

The consequentialist would decide both cases on grounds of promoting the completion of welfare-enhancing transactions while minimizing information costs (a form of transaction costs) by providing appropriate incentives to acquire relevant information about the subject matter of exchange. In *S*₁, denying relief to the buyer gives him an incentive to acquire information that is available to him and removes the disincentive of free riding from the seller's efforts to acquire information. In *S*₂, the buyer's incentives to acquire information are irrelevant because he lacks the means to do so; without providing the information to the buyer, the seller's activities are a mere extraction of rents from his superior access—a transfer of welfare from the buyer to the seller rather than a mutually beneficial exchange.

The contractualist, in contrast, is concerned with the duties of moral agents to rationally pursue their own ends consistently with a respect for the equal right of all other moral agents to do likewise. In *S*₁, the contractualist would say that the buyer has a duty to seek out information that will be useful to him in pursuing his rationally chosen ends, and if he fails to do so the seller has no duty—and perhaps even no right¹³⁸—to provide the buyer with information that both parties know the buyer might just as easily have acquired himself. In *S*₂, the contractualist would argue that a seller has a duty to respect the buyer's autonomy—his freedom of rational choice—by not allowing the buyer to rely to his detriment on a mistaken belief that the seller knows he is in a unique position to correct.¹³⁹

Importantly, focusing the ethical analysis on one of these justifications at the expense of the other does not change the outcome of the analysis in the contract example. Within the closed universe of a bilateral contract, forbidding a party from knowingly taking advantage of his counterparty's inferior access to material information does not decrease, and may in fact increase, the flow of information to the broader market. This is because the seller who has unique or privileged access to material information about the subject of exchange will be

137. Cf. Kaplow & Shavell, *supra* note 10, at 1158-59 (arguing that in cases of asymmetric information or sophistication between sellers and buyers, "there may be little difference between welfare economic analysis and that based on notions of fairness").

138. The latter proposition rests on the resolution of the debate over paternalism discussed in Part II.C, above.

139. Cf. *supra* note 75 and accompanying text (discussing Scanlon's Principle D).

obliged to disclose the information to those without similar access if he wishes to trade, but the seller who could obtain such information by effort, investment, or chance will not be discouraged from doing so. Conversely, *allowing* a party to take advantage of his counterparty's inferior access to material information will not necessarily increase, and may in fact decrease, the flow of information to the broader market—again within the closed universe of a bilateral contract. This is because sellers with unique or privileged access to material information require no special incentive to produce the information and will, if permitted, likely exploit that access to the fullest by maintaining secrecy to the greatest possible extent and for as long as possible. It is thus unsurprising that the consequentialist and contractualist approaches to the duty to disclose in contract law arrive at similar results in our two hypothetical situations.

The same cannot be said for insider trading. Note in this regard that S_2 is a prototypical description of an insider trading case. Since consequentialists argue that insider trading should be permitted, there must be some additional fact that could be added to S_2 that would reverse the consequentialist's view of the proper outcome while leaving the contractualist's view unaffected. As suggested above, I believe that fact has to do with the relationship between an individual transaction and the broader market. Dealing strictly with the prescriptive arguments of each school,¹⁴⁰ the contractualist objects when an insider enters into a securities trade with someone who lacks the access to material information that the insider enjoys.¹⁴¹ Where we are dealing with an exchange-based securities transaction, however, blocking the transaction based on asymmetric access to information about the subject of exchange has the effect of blocking the dissemination of that information *to third parties*, insofar as such information is conveyed primarily through the price paid for a security traded over an exchange.¹⁴² To a contractualist, this effect may be of little moment, but to a consequentialist, it is has great significance for the efficiency of the market (and thus the welfare of market participants) going forward.

Thus, the conflict between ethical systems that arises as we move from the bilateral contract to the exchange-based trade can be seen as a question of priorities. While the consequentialist system seems to view the dissemination of information about the subject of exchange (and the resulting benefits to *all* participants in the relevant market) as paramount, the contractualist system focuses on how we deal with one another in our individual interactions. I propose that this difference, more than anything else, explains the disparity between contractualist and consequentialist conclusions regarding insider trading, and the difference between those conclusions and the conclusions of the same ethi-

140. See *supra* text accompanying notes 118-126.

141. See, e.g., Scheppele, *supra* note 115, at 162 ("Equal access to information is the moral concept on which a prohibition on insider trading would be grounded."); Strudler & Orts, *supra* note 115, at 399.

142. See Carlton & Fischel, *supra* note 115, at 866-86; Strudler & Orts, *supra* note 115, at 400-03; *supra* note 113 and accompanying text.

cal systems regarding the duty to disclose in contract law.¹⁴³ We can ask, then, whether and how this difference in priorities applies to the consumer markets regulated by trademark law.

IV. TOWARD A CONTRACTUALIST THEORY OF TRADEMARK LAW

This Part applies the theoretical insights of the foregoing analysis to the producer-consumer relationships governed by trademark law. First, I will argue that contractualist theory does at least as well as—and perhaps better than—consequentialist theory in justifying the traditional core of trademark law, the prohibition against passing off. Next, I will explore an area of doctrine that raises a conflict of priorities similar to that explored in the previous Part: the doctrine of post-sale confusion, which I believe to be the only trademark doctrine that purports to regulate transactions based on the information that marks convey to third parties to those transactions. Third, I will explore an area that exposes some of the limits of contractualist analysis, the doctrine of initial-interest confusion. This doctrine squarely raises the question of paternalism, and while it therefore presents a harder case for contractualism, I will argue that it nevertheless makes a strong case for the relevance of contractualist analysis to some of the most controversial questions in consumer protection law generally and trademark law in particular. Fourth and finally, I will suggest some broader implications of a contractualist model of trademark law.

143. This basis for the two schools' disagreement maps to the debate in moral philosophy over the justifiability of aggregation—whether and under what circumstances a small burden (or benefit) to a large number of persons may be balanced in moral reasoning against a large benefit (or burden) to a small number of persons (or even a single person). See generally, e.g., Derek Parfit, *Justifiability to Each Person*, 16 *RATIO* 368 (2003); Joseph Raz, *Numbers, With and Without Contractualism*, 16 *RATIO* 346 (2003); John M. Taurek, *Should the Numbers Count?*, 6 *PHIL. & PUB. AFF.* 293 (1977). The debate engages the passions not only of philosophers, but of literary minds as well. See FYODOR DOSTOYEVSKY, *THE BROTHERS KARAMAZOV* 245-46 (Richard Pevear & Larissa Volokhonsky trans., Alfred A. Knopf 1990) (1880); URSULA K. LE GUIN, *The Ones Who Walk Away from Omelas*, in *THE WIND'S TWELVE QUARTERS* 275, 283 (1975); *STAR TREK II: THE WRATH OF KHAN* (Paramount Pictures 1982).

A. *Trademark as Promise*¹⁴⁴

The contractualist theory of producer-consumer relationships in trademark law offers a highly attractive justification of core trademark doctrine that is at least as convincing as that of consequentialist theory, if not more so. Consider the classic case of infringement by passing off¹⁴⁵ (or what one might refer to today as point-of-sale confusion as to source).¹⁴⁶ What would a contractualist consider wrongful about one producer using a trademark on his goods that confuses consumers into thinking the goods actually originated with another producer, and how might the contractualist view differ from the consequentialist view on this point?

The consequentialist, as noted above, explains this problem in terms of search costs.¹⁴⁷ If passing off were permitted—that is, if a mark used as a source identifier by one producer could be used by that producer's competitors on the competitors' goods—then consumers could be misled about the unobservable qualities of the products to which the mark is affixed.¹⁴⁸ A consumer might buy a shoddy widget from Producer A thinking he was buying a quality widget from Producer B, suffering injury in the amount of the value attributable to the difference in quality. Moreover, because producers know more about the unobservable qualities of their products than consumers do, a world in which passing off is permitted is one in which consumers would have to undertake their own search for relevant information to avoid the kind of injury that would result in the widget example, raising the transaction costs associated with gath-

144. The title of this Subpart intentionally invokes Fried and his deontological analysis of the moral value of promises in contract law. The analogy is not exact, as Fried defended his theory largely by reference to the expectation measure of damages and denied the claim of other contractualists that their moral theory requires—as this Subpart suggests trademark law may in fact require—specific performance. See FRIED, *supra* note 115, at 1-27 (introducing Fried's deontological account of contract as promise); Charles Fried, *The Convergence of Contract and Promise*, 120 HARV. L. REV. F. 1 (2007), <http://www.harvardlawreview.org/media/pdf/cfried.pdf> (denying the claim of other contractualists that the contract as promise account implies a specific performance remedy).

145. See 1 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 1:12 (4th ed. West 2012) (“In the early common law, unfair competition was often equated with ‘passing off’ (or ‘palming off’). That is, ‘passing off’ one’s product as the product of another seller by means of similar labeling, packaging or advertising. Such passing off is still a major form of unfair competition. However, today, the term ‘passing off’ or ‘palming off’ is more properly reserved for those cases where defendant has made an unauthorized substitution of the goods of one manufacturer when the goods of another manufacturer were ordered by the customer.”).

146. See 4 *id.* § 23:5 (“The most common and widely recognized type of confusion that creates infringement is purchaser confusion of source which occurs at the time of purchase: point of sale confusion.”).

147. See *supra* Part I.A.

148. Cf. Akerlof, *supra* note 9, at 488-91, 499-500 (modeling the market failure that results when better informed sellers can take advantage of less informed buyers and proposing brand names as a potential solution).

ering and disseminating that information and lowering aggregate welfare as a result.

The problem with this analysis is that it fails to account for an important aspect of infringement doctrine: the relevance of product quality. Under the Lanham Act, infringement includes a use of a trademark that is likely to cause confusion.¹⁴⁹ The Second Circuit—one of the most active¹⁵⁰ and authoritative courts in trademark law—has thoroughly explored the relevance of comparative product quality to the question of likely confusion, and its conclusion is difficult to square with a search costs theory. In the Second Circuit, the more similar the quality of the defendant's goods to that of the plaintiff's goods, *the more likely the defendant will be held liable for infringement*.¹⁵¹ Several other circuits have adopted the Second Circuit's approach, with similar disregard for search costs.¹⁵² While these courts recognize that divergent quality may sug-

149. 15 U.S.C. § 1125(a)(1)(A) (2011). Each of the circuit courts of appeals has announced a multifactor balancing test for determining whether confusion is likely, and several of those tests include a factor that either explicitly addresses the difference in quality between the defendant's products and the plaintiff's products or has been used by courts and litigants to address that issue. *See, e.g., Sullivan v. CBS Corp.*, 385 F.3d 772, 776 (7th Cir. 2004) ("similarity of the products"); *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234, 242 (4th Cir. 1997) ("the quality of the defendant's product in relationship to the quality of the senior mark owner's product"); *Bos. Athletic Ass'n v. Sullivan*, 867 F.2d 22, 29-30 (1st Cir. 1989) (similarity of the goods); *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1538 (11th Cir. 1986) (similarity of the products); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 353-54 (9th Cir. 1979) (type of goods and the degree of care likely to be exercised by the purchaser, including a discussion of relative quality); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (quality of defendant's product); *see also Basile, S.p.A. v. Basile*, 899 F.2d 35, 37 (D.C. Cir. 1990) (citing with approval the *Polaroid* standard).

150. Over the past decade, approximately 400 to 500 trademark cases have originated in the district courts of the Second Circuit every year—a number of cases second only to the Ninth Circuit. *See LEX MACHINA*, <https://lexmachina.com/members/courts?filter=Trademark> (last visited Nov. 21, 2012) (subscription required).

151. *See, e.g., Savin Corp. v. Savin Grp.*, 391 F.3d 439, 461 (2d Cir. 2004) ("A marked difference in quality . . . actually tends to reduce the likelihood of confusion in the first instance, because buyers will be less likely to assume that the senior user whose product is high-quality will have produced the lesser-quality products of the junior user. Conversely, where the junior user's products are of approximately the same quality as the senior user's, there is a greater likelihood of confusion . . ."); *Morningside Grp. Ltd. v. Morningside Capital Grp., L.L.C.*, 182 F.3d 133, 142 (2d Cir. 1999); *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 505 (2d Cir. 1996).

152. *See, e.g., Babbit Elecs., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1180-81 (11th Cir. 1994) (holding that identical goods produced by the same factory as the plaintiff's authorized goods infringe because "inferiority is not a prerequisite to a finding of [infringement]"); *Societe des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 640 (1st Cir. 1992) (citing as error a district court's reasoning that inferior quality of the defendant's goods is essential to a finding of infringement); *Sleekcraft*, 599 F.2d at 354 ("[E]quivalence in quality may actually contribute to the assumption of a common connection."). The Fourth Circuit has adopted an incoherent position on the relevance of product quality to infringement, finding it relevant in some cases (with particularly unsympathetic defendants) but not in others. *See George & Co. v. Imagination Entm't Ltd.*, 575 F.3d 383, 399 (4th Cir. 2009) ("[T]he quality of the defendant's product . . . has no relevance in this case. It [is relevant] in 'situa-

gest an injury of greater magnitude where confusion exists *despite* that divergence, they (understandably) consider such an inference relevant only to the availability of particular remedies, not to the determination of liability.¹⁵³

This treatment of product quality is precisely the *opposite* of what we would expect if we believed that trademark infringement liability was designed to reduce consumers' search costs. Obviously, not all uses of a trademark by a competitor of the mark's owner will mislead as to the unobservable qualities of the competitor's products that are relevant to the consumer's search. If trademarks really are about efficiently conveying information about such qualities to consumers, we should *encourage*, or at least excuse, the use of a well-known trademark by someone other than its first user where such use will efficiently convey *accurate* information about the user's goods to consumers.¹⁵⁴ Thus, the more similar the products are with respect to their unobservable qualities, the *weaker* the case for liability under a search costs theory. To hold otherwise—as some circuits do—merely encourages wasteful duplication of search costs. On the one hand, it might require competitors of the owner of an established trademark to undertake their own investments to create a redundant source of information capital. On the other hand, it might require consumers to undertake an additional costly search themselves to identify attractive substitutes for the mark owner's products. Moreover, a consequentialist would have to account for the possibility that use of a mark by the mark owner's competitors on goods of high quality might *increase* the value of the mark, to the benefit of the original owner.

Some circuits have attempted to justify the role of product quality in infringement analysis, but their efforts are not flattering to consequentialists. The Ninth Circuit, for example, while adopting the Second Circuit's position, noted in the alternative that treating similar product quality as probative of infringement is justified because "present quality is no assurance of continued quality."¹⁵⁵ This argument, while consistent with consequentialist theory, seems to allow a plaintiff who suffered no injury to obtain a judgment against a defendant who may (or may not) injure him someday, ignoring standing¹⁵⁶ and ripe-

tions involving the production of cheap copies or knockoffs of a competitor's trademark-protected goods." (quoting *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 467 (4th Cir. 1996)).

153. See *Savin Corp.*, 391 F.3d at 461.

154. At least one court has come rather close to this position in the remedy phase of a trademark case. See *Gucci Am., Inc. v. Daffy's, Inc.*, 354 F.3d 228, 233-35, 239-43 (3d Cir. 2003) (affirming denial of a recall order and an award of profits for sale of infringing goods where the defendant's infringement was not willful and the goods were not of noticeably lower quality than the plaintiff's goods).

155. *Sleekcraft*, 599 F.2d at 353 ("When the alleged infringer's goods are of equal quality, there is little harm to the reputation earned by the trademarked goods. Yet this is no defense, for present quality is no assurance of continued quality.").

156. See *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992) (holding that Article III standing requires that the plaintiff have suffered "injury in fact" that is "concrete and par-

ness¹⁵⁷ doctrines that would seem to be directly applicable. Moreover, the language of the Ninth Circuit (and of the Seventh Circuit in a similar opinion) is more Lockean than consequentialist: it evinces a concern for the trademark owner's right to control the reputation he built up in an ongoing business, not the reduction of search costs or the preservation of incentives.¹⁵⁸ In short, consequentialism has some difficulty defending this basic feature of a core area of trademark doctrine.¹⁵⁹

A contractualist, in contrast, faces no such difficulty. Contractualism analyzes passing off in terms of the relationship between the defendant producer and his customers, and their mutual respect for one another's autonomy. Consider a producer, D, a consumer, C, and a trademark, M, that C believes is indicative of goods that originate with another producer, P. Where D uses trademark M on D's goods and C purchases those goods in the belief that he is acquiring a good made by P, D may be guilty of violating one or more of the moral principles that emerge from contractualist analysis.¹⁶⁰ In the easier case in which D's product is inferior to P's products, we would say that D has violated Scanlon's Principle M.¹⁶¹ That is, he has caused C to take an action (purchasing the product) that he would not otherwise have taken, in the expectation that he would receive something from D (a product consistent with the quality of P's products) that D failed to provide, thereby injuring C.

But perhaps C doesn't simply want a product *consistent* with the qualities he has come to expect of P's products. Perhaps C also wants to be *assured* that

ticularized" and "actual or imminent, not conjectural or hypothetical" (internal quotation marks omitted)).

157. See 13B CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 3532.2 (3d ed. 2008) (summarizing cases barring adjudication of claims that are contingent on the occurrence of remote or uncertain future events).

158. *Wesley-Jessen Div. of Schering Corp. v. Bausch & Lomb Inc.*, 698 F.2d 862, 867 (7th Cir. 1983) ("Even if the infringer's goods are of high quality, the victim has the right to insist that its reputation not be imperiled by another's actions."); *Sleekcraft*, 599 F.2d at 354 ("The wrong inheres in involuntarily entrusting one's business reputation to another business.").

159. To be fair, there is a better counterargument available to consequentialists on this issue, which depends on the disincentive effects of free riding and the administrative costs of charging courts with ascertaining quality. But this argument suffers from at least two infirmities. First, it ignores that courts *already* assess quality as part of the likelihood-of-confusion inquiry. Second and more importantly, it assumes that the aggregate disutility of the administrative costs of court intervention plus the disincentive effects of free riding are greater in magnitude than the aggregate social costs of requiring competitors to make duplicative investments in information capital or requiring consumers to undertake more costly searches on their own. This is an empirical conclusion, and one for which consequentialists conspicuously fail to offer relevant data—a fault of consequentialist approaches to trademark policy in general. See *infra* notes 205-209 and accompanying text (arguing that consequentialist analysis requires resolution of intractable empirical problems in the absence of relevant data, and is therefore often indeterminate).

160. See *supra* Part II.B.

161. See *supra* note 72 and accompanying text.

the product was in fact made by P—whether as a guarantee of the product’s unobservable qualities or for any other subjective reason—and in the absence of such assurance, C would not have purchased the product. In such a circumstance, we would say that D has violated Scanlon’s Principle F—the principle of fidelity.¹⁶² Importantly, this conclusion does not in any way depend on the actual qualities of D’s product—it depends on our respect for C’s autonomy and for the moral value of C’s power of choice.

Principle F, unlike Principle M, cannot be satisfied by delivering something of equivalent value or quality.¹⁶³ If C wants and expects a product made by P, then D (knowing of this desire of C’s) may not defend his delivery of a product made by D instead on the grounds that it is just as good. In this view, the use of a trademark is tantamount to a promise—an assurance concerning the nature of the good that the seller *must* perform unless the buyer explicitly releases him. To hold otherwise would fail to respect the consumer as an end in himself. It would fail to respect his autonomy-based right to make purchasing decisions on the grounds that seem best to him, and would instead substitute a producer’s (or a court’s) judgment that the consumer ought to be satisfied with what he received. This view of trademark as promise offers, in my view, a much more plausible descriptive account of the courts’ treatment of product quality in infringement cases than the search costs theory of consequentialism.

B. *Contractualism Versus Consequentialism: Products or People?*

Turning from the descriptive to the prescriptive, recall the argument made in Part III that the distinction between contractualist and consequentialist approaches to the regulation of information transfers among parties engaged in market exchange is a matter of competing priorities. The consequentialist prioritizes the efficient creation and dissemination of information about the subject matter of exchange. The contractualist, however, refuses to elevate that goal above the obligations that market participants possess to respect one another’s autonomy—particularly the obligation not to knowingly take advantage of asymmetric access to information about the subject matter of exchange. To apply this insight to trademark law, we must identify a circumstance in which the law purports to regulate trademark-related transactions on the basis of the information conveyed through those transactions to third parties. I believe there is only one area of trademark law that meets this description, and it is one that I have previously written about at some length.

The doctrine of post-sale confusion—a subset of infringement—is designed to prevent confusion among the general public arising from the conspicuous consumption or downstream sale of a product bearing an unauthorized trademark, even where the original purchaser of that product was not in any

162. See *supra* note 77 and accompanying text.

163. See *supra* note 74.

way confused at the point of sale.¹⁶⁴ I will focus here on two theories of post-sale confusion, each of which involves a defendant seller, D; a plaintiff trademark owner, P; a *nonconfused* purchaser of D's product, C; and an observer of C's consumption of D's product, O.

The first theory—which I have elsewhere called “bystander confusion”¹⁶⁵—refers to a situation in which D sells a shoddy product bearing P's trademark to C, and then O observes C consuming D's product and mistakes it for P's product (due to the presence of P's trademark on it). As a result, O draws negative inferences about the quality of P's products that influence O's future purchasing decisions. The second theory—which I have elsewhere called “status confusion”¹⁶⁶—refers to a situation in which D is selling knockoffs of P's well-known luxury goods. These cases depend on the proposition that C—who knows he is buying a knockoff—intends to conspicuously consume the product in view of O “for the purpose of acquiring the prestige gained by displaying what many . . . would regard as a prestigious article,”¹⁶⁷ “thereby confusing the viewing public and achieving the status of owning the genuine article at a knockoff price.”¹⁶⁸ I have argued elsewhere that bystander confusion liability can be justified under a consequentialist theory, while status confusion liability is far more difficult—albeit not necessarily impossible—to justify under such a theory.¹⁶⁹

It should be noted at the outset that neither of these theories of infringement is a perfect analogue for the insider trading example discussed in Part III. Rather, they are in a sense mirror images of that example. In the insider trading context, the insider and his counterparty have different levels of access to material information about the subject matter of their transaction. In the post-sale confusion cases, however, C knows *exactly* what he is buying from D—he knows that it is D's product, not P's. Thus, in the insider trading cases, a contractualist would *block* a transaction on grounds of respecting a less-informed party's autonomy, while in the case of post-sale confusion, respecting C's autonomy would require *allowing* the transaction to be completed. Conversely, where the interest of third parties in the insider trading example is in swifter dissemination of *accurate* information about the subject matter of exchange (by allowing the insider to trade, revealing his nonpublic information through the price mechanism), in the post-sale confusion context the worry is

164. I provide a more complete taxonomy of post-sale confusion theories in Sheff, *Veblen Brands*, *supra* note 13, at 776-94.

165. *See id.* at 778-85.

166. *See id.* at 790-804.

167. *See* *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955).

168. *See* *Hermès Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 109 (2d Cir. 2000).

169. *See* Sheff, *Veblen Brands*, *supra* note 13, at 779-80, 792-93, 821-28; *see also* Sheff, *Unbranding*, *supra* note 3, at 1001-02.

that C will convey *inaccurate* information to third party O by conspicuously consuming D's product bearing P's trademark.

These are meaningful distinctions. In the bystander confusion context, it is C and O who have unequal *access* to knowledge about the subject matter of the relevant exchange—P's and D's goods. Moreover, C presumably knows that O lacks C's level of access to this information. Thus, respecting C's autonomy by allowing C to complete his desired transaction would be inconsistent with respect for O's *autonomy*, insofar as C's conspicuous consumption of D's goods would mislead O into refraining from doing something he would otherwise do (buying P's products), to his detriment.¹⁷⁰ In the insider trading example, benefits flowing to third parties were deemed insufficient to justify violation of the autonomy of the insider's counterparty; here we have the opposite problem. Just as the benefit to third parties is an insufficient justification—from the contractualist perspective—for allowing the violation of autonomy inherent in an insider trading transaction,¹⁷¹ the benefit to C of permitting his desired transaction is an insufficient justification for allowing the violation of O's autonomy inherent in the bystander confusion case. Put differently, an understanding of autonomy that would allow C to enter his desired transaction would be inconsistent with an equal sphere of autonomy for O. Thus a contractualist—like a consequentialist—would likely consider bystander confusion wrongful.

In the status confusion scenario, however, there are complications. Status confusion arises in the context of commerce in luxury goods and other products that trade on social meaning. Social scientists have documented the complex ways in which conspicuous consumption of such brands forms part of the process of forging and communicating individual identity and social affiliation in modern consumer societies such as our own.¹⁷² Where brands take on these social connotations, consumption of products bearing the brands conveys information not only (perhaps not even meaningfully) about the product itself, but also about *the people who consume the brand*.¹⁷³ Thus, as I have argued elsewhere, “markets for status goods may be the only type of consumer markets where buyers are at no significant informational disadvantage relative to sellers regarding the subject matter of exchange: a signal of social status.”¹⁷⁴

170. We might say that in completing his desired transaction, C would be violating a version of Scanlon's Principle D. See *supra* notes 75, 141, and accompanying text.

171. See *supra* notes 141-143 and accompanying text.

172. I have reviewed some of this literature in previous work. See Jeremy N. Sheff, *Brand Renegades*, 1 N.Y.U. J. INTELL. PROP. & ENT. L. 128, 130-34 (2011) [hereinafter Sheff, *Brand Renegades*].

173. See Sheff, *Veblen Brands*, *supra* note 13, at 794-804.

174. Sheff, *Unbranding*, *supra* note 3, at 1001-02; cf. Laura A. Heymann, *The Public's Domain in Trademark Law: A First Amendment Theory of the Consumer*, 43 GA. L. REV. 651, 691-702 (2009) (arguing that consumers have a First Amendment interest in helping construct the meanings of the brands they encounter).

To be sure, C knows more about *himself* than O does, just as C knows more about the product he bought from D than O does. But with respect to brands that convey social meaning, we cannot be so sure that C's conspicuous consumption of D's product—even where it bears P's trademark—will *mislead* O in any morally relevant way. As I have argued previously, conspicuous consumption of these socially charged brands constitutes a form of expression, but not about the unobservable qualities of the product consumed. Rather, the consumer uses the product to send a message to his social audience about the kind of person he is.¹⁷⁵ And if we view conspicuous consumption of these brands as a form of expression by which C stakes a claim to a particular social identity and position, it is difficult to see how the truth or falsity of that claim can be made to depend on the identity of the manufacturer from whom C purchased the means of communicating it.¹⁷⁶

Now, we might raise a series of related objections to this defense of C's actions in the status confusion case. First, we might object that, insofar as O bases his own decisions to purchase status goods on his judgments of those goods' exclusivity (maintained by P through a combination of high price and intentionally limited production), C's actions in the status confusion case mislead O in precisely the same way they do in the bystander confusion case. Second, we might object—in the “trademark as promise” vein—that if C's efforts to claim social status through P's trademark were successful, they would interfere with P's efforts to offer its customers an assurance of the exclusivity they desire.¹⁷⁷ Third, we might object that C, in using P's trademark to send his desired social message, is using P as a mere means to acquire social status. Fourth and finally, we might add that, to the extent C's actions purport to challenge O's judgment that social status should depend on wealth, it is wrongful to use deception as the means of levying this challenge, insofar as the deception interferes with O's ability to decide for himself whether his conception of social status should be reevaluated.¹⁷⁸

There are two arguments that I would offer as alternative but comprehensive responses to these objections. The first argument challenges two unspoken

175. See Sheff, *Brand Renegades*, *supra* note 172, at 156-58; see also Sheff, *Veblen Brands*, *supra* note 13, at 792-808.

176. It is for this reason, among others, that I argue that status confusion liability suffers from serious First Amendment problems. See Sheff, *Veblen Brands*, *supra* note 13, at 804-30; cf. MERGES, *supra* note 16, at 90-91 (“[T]he internal logic of Kant's theory of property fits comfortably with First Amendment limits on appropriation, better even than the labor theory of John Locke.”).

177. This is in fact one of the arguments the Second Circuit has invoked in defense of status confusion doctrine. See *Hermès Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 108 (2d Cir. 2000) (“[T]he purchaser of an original is harmed by the widespread existence of knockoffs because the high value of originals, which derives in part from their scarcity, is lessened.”).

178. Cf. Sheff, *Unbranding*, *supra* note 3, at 1001-02 (making a similar argument with respect to a stealth marketing tactic I call “sabotage unbranding”).

premises underlying each of the aforementioned objections: that O is free to allocate social status according to wealth, and that P is free to exclude C from a means of claiming social status based on C's wealth. I do not believe a contractualist would accept either of these premises—to the contrary, I believe both would be rejected as inconsistent with contractualist morality. As noted above,¹⁷⁹ contractualism—in perhaps its most fundamental disagreement with consequentialism¹⁸⁰—defends fairness *in itself* as a moral value. In Scanlon's words: "We have reason to object to principles simply because they arbitrarily favor the claims of some over the identical claims of others: that is to say, because they are unfair."¹⁸¹ The objections set forth in the previous paragraph all assume that P's customers' efforts to claim social status by purchasing P's goods ought to be treated differently from C's effort to claim social status by purchasing D's goods simply because C did not pay as much for the claim. I submit that this reasoning must be rejected for the simple reason that wealth is an arbitrary and therefore impermissible basis for allocating social (as contrasted with market) benefits.

The second argument in response to the objections raised above is somewhat less ambitious, and yet more problematic from a contractualist perspective. Even if one does not agree with the argument that O is not free to allocate social status according to wealth, one would have to concede that frequently it would not be in O's interest to do so. O might—in drawing conclusions about the appropriate social relationship between himself and C based on the products C consumes—be misjudging C in ways that will leave O worse off (from O's perspective) than if he had approached C with an open mind. Thus, we might invoke Feinberg's soft paternalism¹⁸² to allow C to mislead O¹⁸³ in order to ensure that O actually takes the time to gather the information necessary to rationally determine (for himself) what the proper relationship between him and C ought to be.

As discussed above,¹⁸⁴ not all contractualists agree that this is a permissible move. We thus face in this argument the first example of the indeterminacy of contractualism with respect to basic rules of trademark law. In the status confusion example, we can avoid the problem of indeterminacy if we adopt my

179. See *supra* text accompanying note 100.

180. See generally Kaplow & Shavell, *supra* note 10 (rejecting fairness as a legitimate normative concern in legal policy).

181. SCANLON, *supra* note 70, at 216. Similar concerns about fairness underlie the contractualist preoccupation with distributive justice, a topic that consequentialists generally treat as a second-order concern at best. Compare RAWLS, A THEORY OF JUSTICE, *supra* note 49 (giving distributive justice a central role in the development of rules to govern the just society), with SIDGWICK, *supra* note 94, at 416-17 (relegating distributive justice to a tie-breaker status in the event of two options of equal aggregate utility).

182. See FEINBERG, *supra* note 86, at 12.

183. Again, paternalism is one of the special justifications for departure from Scanlon's Principle M. See *supra* notes 72-79 and accompanying text.

184. See *supra* Part II.C.

earlier argument grounded in the moral value of fairness. But such an alternative argument will not always be available in addressing a rule of law. Indeed, the question whether and under what circumstances paternalism is permissible poses the most serious challenge to a contractualist theory of trademark law, as plausible opportunities for paternalist intervention arise with considerable frequency in consumer markets.

C. *Hard Cases for Contractualism*

The status confusion example raised the possibility of paternalist intervention to correct for an agent's lack of information. But a far more common ground for such intervention in the context of consumer markets is the case of diminished capacity. As I have documented at length in previous work,¹⁸⁵ buyers in consumer markets display a broad range of deviations from rational decisionmaking. Moreover, sellers are invariably more aware of these boundedly rational features of consumer cognition than buyers themselves are. Indeed, much of modern marketing is based on taking advantage of these predictable consumer tendencies in ways that consumers are unlikely to be able to detect or resist.¹⁸⁶ This raises two competing concerns for the contractualist: On the one hand, the analysis in Part III implies that trademark law ought to intervene to prevent producers from taking advantage of their superior access to knowledge of consumers' boundedly rational decisionmaking processes—from using those consumers as mere means.¹⁸⁷ On the other hand, producers might use their superior knowledge to help consumers make choices more consistent with rational decisionmaking than they otherwise would make, and some consumers might well appreciate the help.¹⁸⁸

To a strict Kantian, the latter possibility would be irrelevant; any effort to manipulate the consumer's decisionmaking—whether for his own good or otherwise—must be wrongful.¹⁸⁹ But of course not all contractualists agree with

185. See Sheff, *Biasing Brands*, *supra* note 4; see also Jeremy N. Sheff, *The (Boundedly) Rational Basis of Trademark Liability*, 15 TEX. INTELL. PROP. L.J. 331 (2007).

186. See Sheff, *Biasing Brands*, *supra* note 4, at 1287-95 (discussing the persistence of consumer biases even in the face of disconfirmatory evidence and even when consumers are warned of their tendency toward biased decisionmaking); *id.* at 1295-98 (discussing strategic manipulation of boundedly rational consumer psychology by marketers).

187. See *supra* text accompanying notes 132-143; cf. Sheff, *Unbranding*, *supra* note 3, at 1002-04 (arguing that marketers' superior knowledge about the decisionmaking processes of consumers gives rise to a duty not to use that knowledge to lead consumers to make purchasing decisions consumers would not otherwise make).

188. I have previously discussed this tension in the context of the stealth marketing tactic known as "unbranding," where I distinguish between "corrective concealment unbranding" and "deceptive concealment unbranding" along the lines suggested in the text. See Sheff, *Unbranding*, *supra* note 3, at 996-1000.

189. See *supra* notes 80-82 and accompanying text; cf. Sheff, *Unbranding*, *supra* note 3, at 1004 ("Importantly, the deontological view does not condition ethical condemnation of concealment unbranding on the corrective or deceptive nature of the practice. Rather, it is the

this assessment—a disagreement that poses a fundamental challenge to the robustness of contractualist analysis in this area. Moreover, even for the many modern contractualists who are willing to tolerate paternalist intervention in some circumstances, sorting permissible from impermissible manipulation of consumer cognition is a complex problem that suggests the contractualist approach, even if theoretically sound, might be infeasible in practice. Thus, boundedly rational consumer decisionmaking threatens to destabilize the contractualist enterprise on at least two levels.

One area of trademark law that starkly raises these issues is the doctrine of initial-interest confusion. In initial-interest confusion cases, the defendant is accused of using another producer's trademark to lure customers into considering the defendant's products in the belief that they are somehow affiliated with the plaintiff, even though all parties concede that by the time the consumer has decided whether or not to purchase the defendant's product he is not in any way confused. For example, in *Mobil Oil Corp. v. Pegasus Petroleum Corp.*,¹⁹⁰ the defendant, a small new entrant in the "tight-knit and sophisticated" bulk oil trading market, was held liable based on the likelihood that a vague association with Mobil's well-known flying horse logo would allow it to get a hearing from customers who might not otherwise have bothered to listen to its sales pitch, giving the defendant "crucial credibility during the initial phases of a deal."¹⁹¹

We can tell ourselves two stories about the moral implications of this case. In the first, Pegasus is engaged in deception along the lines of a bait-and-switch scheme. Bulk oil traders might have good reasons for declining to do business with new entrants. For example, it may be costly to engage in the search necessary to satisfy oneself that a new entrant is likely to be as reliable as industry incumbents with whom a trader has a long and stable relationship, and even then there is a risk that the new entrant will fail to meet expectations.¹⁹² By circumventing this rational risk aversion on the part of potential customers through the suggestion—however fleeting or attenuated—of an affiliation with a trusted industry incumbent, Pegasus is misleading those customers into doing something that they would not otherwise do, causing them to incur search costs they would not have otherwise incurred, all the while knowing that it could not deliver on any expected association with Mobil. Moreover, in some cases the decision to ultimately do business with Pegasus might be driven in part by a desire that those sunk search costs not go to waste. We thus might characterize the conduct proscribed by initial-interest confusion doctrine as a violation of Scanlon's Principle M.¹⁹³

practice itself, and its interference with consumer autonomy, that is wrongful." (footnotes omitted).

190. 818 F.2d 254 (2d Cir. 1987).

191. *Id.* at 256, 259-60.

192. *Cf.* Sheff, *Biasing Brands*, *supra* note 4, at 1287-89 & n.146 (describing a theory of brand loyalty consistent with the rational actor assumptions of the Chicago School).

193. *See supra* text accompanying note 72.

The other account of Pegasus's behavior invokes the paternalist exception to Principle M. In this account, bulk oil traders' reluctance to investigate potential new trading partners is not rational risk aversion, but an irrational and stubborn form of loss aversion. It may be that Pegasus offers a much better deal than its incumbent competitors, and that bulk traders are systematically underweighting that possibility because of a lack of rational capacity in the form of a cognitive bias against the unfamiliar.¹⁹⁴ Thus, in getting its potential customers to overlook that bias in the early stages of negotiation—even by means of misleading them—Pegasus could argue that it is helping its customers to overcome their own diminished capacity and making them better off—by their own lights—in the long run. In other words, there is an argument that at least some of the conduct proscribed by initial-interest confusion doctrine is a permissible form of paternalist intervention. Following Feinberg, we might characterize such conduct as a mere “temporary intervention” that helps consumers determine whether a decision not to deal with the defendant is in fact rational and voluntary.¹⁹⁵ Following VanDeVeer, we might conclude that consumers would hypothetically consent to having their boundedly rational decisionmaking corrected in this way.¹⁹⁶

Even assuming we found the second account of the *Pegasus Petroleum* case more persuasive than the first—that we agreed that Feinberg's and VanDeVeer's theories are applicable—we would still face the question whether such paternalist intervention is *ever* permissible as a matter of principle. As we have seen, this is a question that will generate heated debate even among contractualists.¹⁹⁷ But we may well never reach that issue, because it is not at all clear that parties seeking a contractualist consensus would agree on which of these accounts of the conduct proscribed by initial-interest confusion doctrine is more persuasive. As behavioral economists admit (under constant needling from rational choice economists), cognitive biases are not exhibited equally by all individuals, nor even across time by the same individual.¹⁹⁸ Thus, by imposing infringement liability on grounds of initial-interest confusion, we are siding with those consumers who are willing to forego the benefits of paternalist intervention in order to avoid the risk of subtle manipulation, but by allowing the conduct currently proscribed by initial-interest confusion doctrine we would be leaving those same consumers open to manipulation on grounds that another group of consumers is willing to tolerate the risk of such manipulation to gain

194. Cf. Sheff, *Biasing Brands*, *supra* note 4, at 1289-94 (describing a similar theory of brand loyalty grounded in the psychology and marketing literatures).

195. See FEINBERG, *supra* note 86, at 12.

196. See VANDEVVEER, *supra* note 88, at 75.

197. See *supra* Part II.C.

198. See Sheff, *Biasing Brands*, *supra* note 4, at 1294-95 (discussing the literature on the variability of cognitive bias in consumer decisionmaking); cf. *supra* note 83 (discussing Scanlon's efforts to grapple with similar variability in capacities and values in his “value of choice” model for determining the permissibility of paternalism).

the benefits of paternalism. Each group of consumers has a basis to reject the other's desired rule; neither group's desired rule is consistent with the other's. Unless we can characterize one group's rejection as unreasonable (as a strict Kantian would for the pro-paternalist group), initial-interest confusion doctrine seems to generate precisely the indeterminacy that I previously raised as a fundamental objection to contractualist analysis.¹⁹⁹

Despite this indeterminacy, I think contractualism remains a worthwhile lens on trademark law, and consumer protection law generally. To understand why, consider the prospect of multiple and complementary moral values and approaches I raised earlier in response to the charge of indeterminacy.²⁰⁰ The fact that contractualist analysis neither requires nor forbids the current rule on initial-interest confusion doctrine means that there is room for other types of normative content to fill the gap. We might well resort to consequentialist analysis, but we could also, for example, resort to democratic decisionmaking processes to choose from among the policy options permitted by contractualist morality. This pluralist approach to policymaking, in which various sources of normative content can be invoked and applied in the process of practical reasoning, is consistent with what Lawrence Solum has referred to as "public legal reason."²⁰¹ And importantly, the flexibility inherent in such an approach to legal policy is seldom entertained in standard consequentialist analysis, which tends to cut off such normative argumentation in what I think are undesirable ways.

As an example of the consequentialist approach, consider the work of Jennifer Rothman on initial-interest confusion. Rothman argues that extant initial-interest confusion doctrine is motivated by misappropriation-based theories of trademarks as property, rather than by more cabined consequentialist rationales for trademark protection.²⁰² Using those consequentialist rationales as a guide, she argues that initial-interest confusion liability plays a salutary role in a bait-and-switch scenario.²⁰³ But Rothman distinguishes the bait-and-switch scenario from other circumstances in which a defendant's use of a mark or product feature generates "interest" based on an association with the plaintiff without generating "confusion" (or perhaps without generating more than "de minimis" confusion) as to source, sponsorship, or affiliation.²⁰⁴

At the core of Rothman's approach—which insists on the consequentialist framework as a bulwark against the unbounded expansiveness of Lockean no-

199. See *supra* text accompanying notes 91-94.

200. See *supra* note 94 and accompanying text.

201. See Lawrence B. Solum, *Public Legal Reason*, 92 VA. L. REV. 1449, 1481, 1501 (2006) (arguing that the invocation of principles that emerge from deep moral theories as a nonexclusive input into legal decisionmaking does not offend principles of public reason).

202. See Rothman, *supra* note 13, at 159-67. The misappropriation theory, of course, is rooted in Lockean labor-desert theory. See generally Bone, *supra* note 33.

203. See Rothman, *supra* note 13, at 161-62.

204. See *id.* at 180-83.

tions of trademark rights—are empirical questions about the effects of various marketing practices on the *outcomes* of consumer decisionmaking processes. The problem with this critique, as I have pointed out elsewhere, is that it makes our rules of trademark law dependent on fiendishly complex and generally unanswerable questions about the balance of welfare gains and transaction costs that might be causally related to a particular marketing practice (or worse, to a rule that permits or forbids such a practice).²⁰⁵ This is not in any way a knock on Rothman; she is well within the mainstream of contemporary trademark critics in adopting this approach.²⁰⁶ I myself have engaged in similar lines of analysis, and I have in the past relied on her work, with which I largely agree. But because of this inescapable empirical uncertainty, the reformer who invokes consequentialism to expand competition by imposing limits on the scope of trademark rights frequently has no stronger case than the apologist for broad trademark rights who argues that further limits would impose undue search costs on consumers or undue administrative costs on the legal system. In both cases the policy advocate is relying on plausible but unprovable parables about the effects of certain trademark-related practices on consumer decisionmaking, the legal system, and (ultimately) aggregate welfare.²⁰⁷

In the face of the inevitable empirical uncertainty that attends consequentialist analysis of the problems posed by boundedly rational consumer decisionmaking, the consequentialist's only possible answer is to demand more data—no matter how futile or unreasonable the demand may be. A great strength of the contractualist approach I have described is that it frees us from the fool's game of arguing these empirical questions in the absence of relevant data, without requiring us to adopt a misappropriation theory that lacks discernible boundaries.²⁰⁸ The contractualist does not ultimately care whether allowing a particular suggestive marketing tactic will lead to welfare gains (in the form of preference satisfaction and reduced administrative costs) that exceed the welfare losses (in the form of search costs, error costs, and the potential for rents) created by the tactic itself. Rather, the only question is whether the marketing tactic in question is inconsistent with due respect for the consumer's autonomy, and the debate on that question can be focused through the other-regarding consequentialist exercise. Such an exercise requires us to determine how we, *putting ourselves in a consumer's shoes*, would want producers com-

205. See Sheff, *Biasing Brands*, *supra* note 4, at 1311-13.

206. For examples of this form of critique, see *supra* notes 13, 28-33, and accompanying text.

207. Cf. Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1240-50 (2007) (arguing that search costs theory leads to ambiguous policy prescriptions across a broad swath of trademark doctrines).

208. Cf. *supra* note 16 and accompanying text (discussing the impossibility of answering the empirical questions on which consequentialist justifications of intellectual property rights depend and the resulting need for nonconsequentialist justifications).

peting for our business to behave (rather than how we think they will behave), and at the same time to determine what we, *putting ourselves in a producer's shoes*, expect a reasonably prudent purchaser to be capable of (rather than what we think they will actually be capable of).²⁰⁹ In short, it invites a debate over the *substance* of what we want our consumer markets to look like, rather than over the plausibility of various alternative and ultimately unprovable causal inferences regarding how players in those markets might respond to one or another legal rule.

To be sure, the specter of illiberality hovers over this debate,²¹⁰ and to the extent we believe judges are both likely to indulge their own moral intuitions and atypical of market participants at large, we might be uneasy about entrusting them with the contractualist exercise. But an important counterweight to this unease is the common law tradition—so consistent with the vision of normative debate outlined above²¹¹—of courts publicly giving *reasons* to support the results they reach, and being subject to correction through the political process.²¹² On an issue like the debate over the appropriate policy response to boundedly rational consumer decisionmaking, for example, this may be the only sensible way to resolve the irreconcilable differences evoked by the debate over paternalism. Admittedly, this solution reveals that on the most contested issues of public policy—issues where no moral theory can claim to have an airtight case in a pluralist society—contractualism may frequently run into the

209. See generally Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020 (2005) (exploring the varied and inconsistent models of consumer capacities at work in various areas of trademark doctrine and the differing limits these models impose on producer behaviors and prerogatives).

210. See *supra* text accompanying notes 103-107.

211. See *supra* text accompanying notes 200-201.

212. Indeed, precisely such an episode occurred in trademark law within the past decade. See Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1996) (the first federal dilution law); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432-33 (2003) (interpreting the Federal Trademark Dilution Act as requiring a showing of actual, as opposed to likely, dilution), *superseded by statute*, Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (abrogating *Moseley* and further amending the federal dilution statute); 152 CONG. REC. 2941-42 (2006) (statement of Sen. Patrick Leahy) (describing the Trademark Dilution Revision Act as a measure to clarify Congress's intent in the wake of *Moseley* and to undo that case's central holding). Obviously, the text paints an idealized picture of the give-and-take of policymaking in a mature and bureaucratized democracy, and I recognize and am largely persuaded by the public choice theory critique of such systems. While traditionally, intellectual property owners have held considerable sway over Congress with respect to the content of trademark and copyright legislation, recent events suggest that may be changing. Compare Reza Dibadj, *Regulatory Givings and the Anticommons*, 64 OHIO ST. L.J. 1041, 1043-44, 1055-58 (2003) (arguing that organized intellectual property owners have succeeded in extracting regulatory largesse from Congress), with Jenna Wortham & Somini Sengupta, *Bills to Stop Web Piracy Invite a Protracted Battle*, N.Y. TIMES (Jan. 15, 2012), <http://www.nytimes.com/2012/01/16/technology/web-piracy-bills-invite-a-protracted-battle.html> (reporting the recent success of organized technology interests in fighting off an effort by intellectual property owners to obtain desired regulatory benefits from Congress).

problem of indeterminacy (or underdeterminacy). One attractive response to this social pluralism is value pluralism,²¹³ which I believe is entirely compatible with the contractualist framework I have developed in this Article. So long as it remains aware of its own limitations, a contractualist approach that is open to complementary sources of normative content and accepts both the moral relevance of consequences and the moral weight of democratic consent offers a way out of the impasse into which overreliance on consequentialism leads us. It allows for a public debate over competing normative visions of consumer protection in which the reasons supporting those visions are fully aired and tested. Such normative openness in a democratic procedural framework is more likely to lead to satisfying policy outcomes, in my view, than insisting on a normative position that can only be satisfactorily justified by expert analysis of data that will never materialize.²¹⁴

D. *Further Implications and Future Directions*

If I am correct that contractualist analysis offers a useful lens for analyzing trademark doctrine, it is worth briefly sketching out some implications of contractualist theory beyond the particular doctrinal issues discussed above. While these implications are beyond the scope of the current paper, they merit further attention and study.

First, a contractualist approach to producer-consumer relationships implies obligations not only on a mark owner's competitors, but on the mark owner itself. The idea of trademark as promise²¹⁵ would suggest that once consumers form certain expectations about the products to which a mark is affixed, the mark owner has an obligation to continue to provide products consistent with those it has offered in the past or else adequately disclose that it will no longer do so. This limitation on a producer's right to surreptitiously reformulate its products is not unique to contractualism; Shahar Dillbary has argued for a similar limitation based on consequentialist analysis.²¹⁶ But current law does not impose such a restriction on trademark owners, nor does it restrict other stealth marketing practices—such as “unbranding”—that arguably interfere with consumer expectations and autonomy in a similar way.²¹⁷ The state of doctrine in these areas obviously poses a challenge to the descriptive power of

213. See *supra* notes 94, 201, and accompanying text.

214. Cf. Sheff, *Biasing Brands*, *supra* note 4, at 1312 (“[Consequentialist] argument based on theory alone merely uses the language of *efficiency* to mask an underlying argument about *distribution*: an irreducibly normative claim as to which segment of society should bear the transactions costs inherent in consumer markets.”).

215. See *supra* text accompanying notes 160-163.

216. See J. Shahar Dillbary, *Trademarks as a Media for False Advertising*, 31 CARDOZO L. REV. 327, 339-42 (2009).

217. See Sheff, *Unbranding*, *supra* note 3, at 1002-04.

contractualist analysis, but it also presents unexplored opportunities for development of prescriptive argument and suggestions for doctrinal reform.

Second, this Article has intentionally avoided examining contractualist theory's implications for trademark law's regulation of producer-producer relationships. To be sure, there will be contrasts with consequentialism and its free-riding account. But perhaps the more interesting question is whether and how the contractualist framework I have developed here differs from the Lockean labor-desert theory on which trademark law has historically depended. To the extent that Lockean theory valorizes the labor inherent in appropriation, it may lead to different results than my contractualist approach with respect to areas of trademark law in which one producer claims rights by virtue of his labor while another claims competing rights by virtue of some other aspect of autonomy.²¹⁸

Such conflicts arise constantly in copyright and patent law, and it is entirely conceivable that similar competing claims could arise in trademark law as well.²¹⁹ As an example, consider the law concerning descriptive trademarks and descriptive fair use.²²⁰ A Lockean would allow descriptive trademarks to become protectable over time upon a showing that they had acquired a source-identifying meaning (subject to a residual right in competitors of descriptive fair use).²²¹ It is conceivable, however, that a contractualist would reject such a rule on grounds that it is *never* appropriate for a descriptive term to become exclusive given the availability of nondescriptive terms as source identifiers and the burdens of establishing a descriptive fair use defense in litigation. Similarly, with respect to the doctrine of dilution by blurring²²²—perhaps the most obvious example of labor-desert theory at work in American trademark law—the contractualist approach may well differ from the Lockean. In this area as in the case of descriptive trademarks, contractualist assessment of the relevant doctrines will depend on whether one views the labor that justifies the doctrine

218. For a discussion of how Kantian and Lockean theories contrast in their implication for property owners and creative producers, see MERGES, *supra* note 16, at 90-91.

219. *See id.* at 128-29 (citing fair use in copyright law, experimental use in patent law, and nominative use in trademark law as examples where the public has legitimate moral claims to the subject of an intellectual property right).

220. *See* 15 U.S.C. § 1052(e)(1), (f) (2011) (barring federal registration of descriptive marks absent a showing of acquired distinctiveness); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117-23 (2004) (holding that a defendant is entitled to use a registered trademark in its descriptive sense even if the use creates some degree of consumer confusion); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 211-12 (2000) (holding that product design, like color, usually serves a purpose other than source identification and is therefore not protectable absent a showing of acquired distinctiveness); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 10 (2d Cir. 1976) (holding that descriptive trademarks are not protectable absent a showing of acquired distinctiveness).

221. *See* Gordon, *supra* note 37, at 1590 (“Under the proviso the genericness doctrine and the descriptive-use defense are necessary prerequisites for grants of trademark rights.”).

222. *See* 15 U.S.C. § 1125(c)(1) (“Subject to the principles of equity, the owner of a famous mark . . . shall be entitled to an injunction . . . regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.”).

from a Lockean perspective as an arbitrary basis for affording different rights to the mark in question as between the senior user and the junior user—even in the absence of confusion in the case of dilution doctrine, or in the event of confusion in the case of descriptive terms.²²³ These two doctrines suggest that there is useful work to be done on contrasting the contractualist approach to interproducer relationships with the Lockean model that has historically prevailed.

In sum, this Article aims not to provide a comprehensive account, but to add a new voice to the conversation. The contractualist tradition has been unjustifiably ignored in trademark law theory to date. This Article is a first step in remedying that oversight, but there remains much useful work to be done on further developing a contractualist theory of trademarks and contrasting that theory with the Lockean and consequentialist models that have historically informed our thinking about trademark law.

CONCLUSION

Trademark law theory is in dire need of a fresh approach. The contractualist approach, which has at its core a fundamental reciprocity of respect for the autonomy of market participants, offers productive ways of thinking about, justifying, and reforming trademark doctrines based on a liberal normative vision of the proper relationship between buyers and sellers. While the approach has some limitations, they are at the least no worse than the limitations of the currently available alternatives—consequentialism and Lockean labor-desert theory. Moreover, adopting a contractualist approach to problems in consumer protection law encourages policymakers and critics to formulate and defend substantive principles of consumer autonomy rather than resting on unprovable empirical assumptions about consumer behavior to justify a particular allocation of rights and duties in consumer markets. As such, contractualism offers at the very least a useful complement to other theories and a welcome additional source of normative content.

Finally, the contractualist approach holds considerable promise not only for trademark law, but for consumer protection law generally. It is no coincidence, I think, that the academic literature in these areas has recently been turning away from technical economic analysis and in favor of normative principles that promise to unify various branches of doctrine under a coherent model of the consumer that depends neither on rational actor assumptions nor on empirical evidence of consumer behavior.²²⁴ To the extent these models have inde-

223. See SCANLON, *supra* note 70, at 216 (“We have reason to object to principles simply because they arbitrarily favor the claims of some over the identical claims of others: that is to say, because they are unfair.”).

224. See generally, e.g., Mark P. McKenna, *A Consumer Decision-Making Theory of Trademark Law*, 98 VA. L. REV. 67 (2012) (arguing, by analogy to false advertising and First Amendment law, that trademark liability should only be imposed against conduct that de-

pendent normative content, I would suggest that the contractualist framework can be a useful vehicle for critical development of that content, to the potential benefit of a number of areas of important legal policy.

ceives consumers as to their purchasing decisions); Rebecca Tushnet, *Running the Gamut from A to B: Federal Trademark and False Advertising Law*, 159 U. PA. L. REV. 1305 (2011) (arguing for consistent evaluation of consumer capacities and behavior between trademark and false advertising law).

