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Jeremy N. Sheff

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Misappropriation-Based Trademark Liability in Comparative Perspective

Jeremy N. Sheff*

I INTRODUCTION

The anti-misappropriation principle, at its core, is that it is wrongful and therefore actionable for a competitor to gain a commercial advantage from the efforts of another, even if that advantage does not directly harm the person whose efforts have been misappropriated. This principle appears to be a deep theoretical commitment of modern intellectual property law.¹ And nowhere in intellectual property law is the anti-misappropriation impulse more directly implicated than in the context of conspicuous consumption.

As I have written about elsewhere,² modern consumers engage in conspicuous consumption of branded goods to signal social affiliation and identity, and to claim their place in the socio-economic hierarchy of late capitalism. But the expressive effect of such consumption may be compromised by indiscriminate copying of the goods that serve as tokens of that expression. Protecting in-groups' tokens of social affiliation and rank against unauthorized appropriation by outsiders is therefore a necessary condition of successful conspicuous consumption. Regulation of access to such socially expressive goods – particularly fashion products – was once the function of elaborate sumptuary codes based on *de jure* social status.³ Today however, conspicuously consumed signals of social identity and status are rationed through markets, aided by an unlikely legal regime: trademark law.

I say this is an unlikely role because the modern justification for trademark rights, embedded in the international standards of intellectual property law to which nearly every consumer economy on earth subscribes, is prevention of consumer confusion.⁴ But the dynamics of

* Professor of Law; Faculty Director, Intellectual Property Law Center, St. John's University. I am grateful for helpful comments from both the editors of this volume and from Professor Dev Gangjee.

¹ See generally Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149 (1992); Wendy J. Gordon, *Of Harms and Benefits: Torts, Restitution, and Intellectual Property*, 21 THE JOURNAL OF LEGAL STUDIES 449 (1992).

² See generally Jeremy N. Sheff, *Veblen Brands*, 96 MINN. L. REV. 769 (2011) [hereinafter Sheff, *Veblen Brands*]; Jeremy N. Sheff, *Brand Renegades*, 1 N.Y.U. J. INTELL. PROP. & ENTMT'L L. 128 (2011).

³ See Barton Beebe, *Intellectual Property Law and the Sumptuary Code*, 123 HARV. L. REV. 810, 810–14 (2010).

⁴ TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 UNTS 299, 33 ILM 1197 (1994), art. 16.1 [hereinafter TRIPS Agreement] (“The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion”).

conspicuous consumption – and especially of its most potent form, luxury consumption – have always been defined by the *admitted* replica, which members of out-groups seeking inclusion *knowingly* and enthusiastically adopt (and the existence of which social audiences generally recognize). While in-group members may complain that replication of their tokens of affiliation and status misappropriates the social expression with which the in-group had imbued those tokens, they would not seem to have any basis to complain that any of the out-group members were *confused* in doing so. Conspicuous consumption of recognized replicas thus pits two theories of trademark rights – explicit concern for consumer confusion and implicit commitments against misappropriation – directly against one another. For confusion-based trademark liability to reach the sale of such replicas to consumers who are concededly *not confused* about what they are buying has therefore required some innovative legal reasoning.

Not all legal systems have approached this challenge in the same way. A comparison of the trademark regimes of the European Union and the United States reveals different doctrinal strategies for maintaining the scarcity and discrimination necessary to support conspicuous consumption, informed by the history and culture of the two legal regimes. European law has traditionally been quite friendly to luxury-goods incumbents, and suspicious of any competitive practices that threaten the premium the incumbents' products command. American law is less overtly deferential to luxury-goods incumbents: comparative advertising laws, for example, make even referring to a luxury brand as a competitor far more chancy in Europe than in the United States.⁵ But this surface dissimilarity masks a deeper convergence with respect to conspicuously consumed goods: the American system achieves similar results to the European system through convoluted reasoning regarding consumer psychology. This difference reflects a deeper philosophical rift that differentiates European from American legal culture on the relationship between misappropriation theory and competition policy.

Section II of this chapter describes how misappropriation is regulated directly in EU trademark law via the unfair advantage and double-identity bases for liability. Section III then shows how misappropriation is regulated indirectly in US trademark law by bundling it with tenuous theories of confusion, particularly through the doctrine of post-sale confusion. Section IV concludes with a critique of the American approach, and in particular its failure to own up to the way it sides with economic hierarchy over democratic egalitarianism.

II MISAPPROPRIATION IN EUROPEAN UNION TRADEMARK LAW

European doctrine has traditionally been congenial to the anti-misappropriation impulse, recognizing it as a separate and independently legitimate basis for trademark liability. While European Union courts have been known to vigorously enforce equal access and to restrict price discrimination in some areas at the interface between intellectual property and competition

⁵ See generally Charlotte J. Romano, *Comparative Advertising in the United States and in France*, 25 Nw. J. INT'L L. & BUS. 371 (2005); compare Directive 2006/114/EC of the European Parliament and Council Concerning Misleading and Comparative Advertising (codification), 2006 OJ L 376/21, art. 4 (setting forth restrictive conditions on the permissibility of identifying a competitor's trademark or product in a comparative advertisement); Case C-487/07, *L'Oréal NV v. Bellure NV*, 2009 ECR I-5185, § 80 (“an advertiser who states explicitly or implicitly in comparative advertising that the product marketed by him is an imitation of a product bearing a well-known trade mark presents ‘goods or services as imitations or replicas’ . . . The advantage gained by the advertiser as a result of such unlawful comparative advertising must be considered to be an advantage taken unfairly of the reputation of that mark”); with *Smith v. Chanel*, 402 F.2d 562, 569 (9th Cir. 1968) (“in the absence of misrepresentation or confusion as to source or sponsorship a seller in promoting his own goods may use the trademark of another to identify the latter's goods”).

law,⁶ that impulse tends to be limited to defending the principle of the common market,⁷ and generally does not extend to competitors baldly copying one another. Even where such copying does not appear to create any danger of confusion, EU authorities have responded by explicitly invoking the anti-misappropriation principle as an alternative and independent basis for liability.

Where a defendant uses a mark that is identical to a registered trademark, on goods identical to those for which the mark has been registered (the so-called double-identity standard), international and European law provide that confusion ought to be presumed.⁸ But in keeping with the confusion-based justification for trademark liability, the Court of Justice of the European Union (CJEU) has insisted that double-identity cases are actionable only where the defendant's use affects the "interests [of the] proprietor of the mark, having regard to its functions," and "in particular its essential function of guaranteeing to consumers the origin of the goods."⁹ Of course, where knockoffs of well-known marks are widely known to exist and are actively sought out by consumers, this "essential function" does not seem to be implicated, and the presumption of confusion seems easily rebuttable. EU authorities have responded by minimizing the relevance of confusion in such cases. They have done so by leveraging a separate basis for liability – the "unfair advantage" basis set forth in Article 10(2)(c) of the current EU Trade Marks Directive – which does not require any showing of consumer confusion or indeed of harm to the mark owner.¹⁰

Most notably, in *L'Oréal NV v. Bellure NV*¹¹ – a case involving comparative advertising and look-alike packaging of perfumes – the CJEU held that trademarks serve not only an "essential function" of guaranteeing the origin of a product with its manufacturer, but also as a repository of "reputation and . . . prestige."¹² The "prestige" of luxury goods, the court reasoned, is not something that "'downmarket' imitations"¹³ may invoke by, for example, listing the luxury brands as comparable in their marketing materials, or using packaging similar to that of the luxury brand. To do so, in view of the CJEU, is unfair competition *regardless* of whether consumers are confused, because it constitutes improper misappropriation under the unfair advantage basis for liability:

[T]he taking of unfair advantage of the distinctive character or the repute of a mark . . . does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. The advantage arising

⁶ See, e.g., Joined Cases C-403/08 & 429/08, *Football Ass'n Premier League Ltd. v. QC Leisure*, 2011 ECR I-9159.

⁷ *Id.*; cf., e.g., Case T-359/12, *Louis Vuitton Malletier v. OHIM*, 2015 EURLex 62012TJ0359, EU:T:2015:215 § 84 ("It follows from the unitary character of the Community trademark that in order to be accepted for registration, a sign must have distinctive character throughout the European Union").

⁸ TRIPS Agreement, *supra* note 4, art. 16.1; Directive 2015/2436/EC of the European Parliament and of the Council Approximating the Laws of the Member States Relating to Trade Marks, 2015 OJ L 336/1, art. 10(2) [hereinafter Trade Marks Directive]. This Directive replaces the earlier Trade Marks Directive, Directive 2008/95/EC of the European Parliament and of the Council to Approximate the Laws of the Member States relating to Trade Marks, 2008 OJ L 299/25, the relevant liability provisions of which are unchanged except for renumbering.

⁹ Case C-206/01, *Arsenal Football Club plc v. Reed*, 2002 ECR I-10299, §§ 54, 51.

¹⁰ Trade Marks Directive art. 10(2)(c) ("the proprietor of that registered trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where . . . the sign is identical with, or similar to, the trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to, or not similar to, those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark").

¹¹ Case C-487/07, *L'Oréal NV v. Bellure NV*, 2009 ECR I-5185.

¹² *Id.* § 50.

¹³ *Id.* at § 46.

from the use by a third party of a sign similar to a mark with a reputation is an advantage taken unfairly by that third party of the distinctive character or the repute of the mark where that party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image.¹⁴

While *L'Oréal* discussed this “unfair advantage” basis for liability under the predecessor to Article 10(2)(c) of the current Trade Marks Directive,¹⁵ the CJEU made clear that misappropriation-based liability is specifically available under the double-identity standard of the predecessor to Article 10(2)(a) as well.¹⁶

The double-identity standard, filtered through *L'Oréal*, has thus become a potent weapon in the policing of conspicuous consumption. *L'Oréal* itself – involving knockoffs of luxury perfumes – fits neatly in the conspicuous luxury consumption dynamic described in the Introduction above. Similarly, in *Arsenal Football Club plc v. Reed*, the CJEU applied the double-identity standard to impose liability on unauthorized branded sports merchandise – a common token of social affiliation – even where the seller prominently displayed a disclaimer that the goods were not in any way affiliated with the mark registrant.¹⁷ In this way, the CJEU applied anti-misappropriation reasoning to conspicuous consumption that expresses not only hierarchical social status based on wealth, but also horizontal social relations based on identity and affiliation.

Of course, *L'Oréal's* requirement that a double-identity infringement defendant derives *some* “benefit from the power of attraction, the reputation and the prestige” of the plaintiff's mark does serve as a limiting principle. In *Adam Opel AG v. Autec AG*,¹⁸ the CJEU went so far as to hold that this limitation shields at least some manufacturers of replicas of branded products. But even here, the exception proves the rule that misappropriation-based liability particularly addresses socially expressive consumption. The products at issue in *Opel* were “faithful reproduction” scale model toy cars, and the Court based its opinion on a finding that

consumer[s] will understand that the Opel logo appearing on Autec's products indicates that this is a reduced-scale reproduction of an Opel car[,] . . . that the relevant public [therefore] does not perceive the sign identical to the Opel logo appearing on the scale models marketed by Autec as an indication that those products come from Adam Opel or an undertaking economically linked to it, . . . [and] that the use at issue . . . [therefore] does not affect the *essential function* of the Opel logo as a trade mark registered for toys.¹⁹

Crucially, “Adam Opel does not appear to have claimed that that use affects functions of that trade mark other than its essential one.”²⁰ Juxtaposing *Opel* with *Arsenal* and *L'Oréal* thus demonstrates the deep connection in the context of replica goods between misappropriation-

¹⁴ *Id.* at § 50.

¹⁵ *Id.* at §§ 41–43.

¹⁶ *Id.* at § 65 (holding that the double-identity standard “must be interpreted as meaning that the proprietor of a registered trade mark is entitled to prevent the use by a third party . . . of a sign identical with that mark in relation to goods or services which are identical with those for which that mark was registered, even where such use is not capable of jeopardising the essential function of the mark, which is to indicate the origin of the goods or services, provided that such use affects or is liable to affect one of the other functions of the mark”); *id.* at § 63 (noting the “communication, investment or advertising” functions of trade marks implicated by the double-identity standard (emphasis added)).

¹⁷ Case C-206/01, *Arsenal Football Club plc v. Reed*, 2002 ECR I-10299.

¹⁸ Case C-48/05, *Adam Opel AG v. Autec AG*, 2007 ECR I-1034.

¹⁹ *Id.* at §§ 23–24 (emphasis added).

²⁰ *Id.* at § 25.

based trademark liability and socially expressive consumption: where the latter is not implicated, neither is the former.

III MISAPPROPRIATION IN AMERICAN TRADEMARK LAW

In the United States, the anti-misappropriation impulse reached its zenith a century ago, when it formed the basis for the Supreme Court's opinion in *International News Service v. Associated Press (INS)*.²¹ That opinion, which rested on the principle that it is wrongful to "reap where [one] has not sown,"²² is "no longer good law" after the abolition of federal common law in *Erie v. Tompkins*, though it persists as a narrowly circumscribed state common law tort.²³ And even as a matter of intellectual property law, *INS* was strictly limited in its application from soon after its inception.²⁴ The anti-misappropriation rationale was roundly criticized by Justice Brandeis in his dissent in *INS* as inconsistent with the principle of freedom to compete.²⁵ That line of criticism was implicitly adopted by a Supreme Court majority in the *Sears/Compco* cases, which purported to limit state common law misappropriation claims based on competitive copying to cases involving confusion or deception as to source.²⁶ Those cases and their progeny – including, notably, Lanham Act cases such as *Traffix Devices, Inc. v. Marketing Displays, Inc.*²⁷ and *Dastar Corp. v. Twentieth Century Fox Film Corp.*²⁸ – prioritize freedom of competition over protection against misappropriation in the absence of confusion, to the point of pre-empting common law unfair competition claims that would afford broader misappropriation-based rights than patent or copyright law would permit in their respective substantive domains. Indeed, American trademark law is avowedly willing to tolerate some degree of consumer confusion in order to vindicate competitive (and expressive) freedom.²⁹

Parallel developments in trademark doctrine reinforced this tendency away from the anti-misappropriation impulse. Early American federal trademark infringement law – which unlike unfair competition law applied only to "technical" or what we would today call inherently distinctive trademarks – actually *limited* liability to something approximating the "double-identity" category of conduct, though under slightly different operative language than that seen

²¹ *International News Service v. Associated Press*, 248 US 215 (1918) (*INS*).

²² *Id.* at 239–40.

²³ *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 650 F.3d 876, 894 (2d Cir. 2011) (recognizing abrogation of *INS* under *Erie Railroad Co. v. Tompkins*, 304 US 64 (1938)).

²⁴ *See Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929) ("we think that no more was covered [in *INS v. AP*] than situations substantially similar to those then at bar. . . . We are to suppose that the court meant to create a sort of common-law patent or copyright for reasons of justice. Either would flagrantly conflict with the scheme which Congress has for more than a century devised to cover the subject-matter"); *but see Barclays*, 650 F.3d at 894 (recognizing that state common law torts claims for misappropriation may survive where not pre-empted by statutory intellectual property law).

²⁵ *INS*, 248 US at 257 (Brandeis J, dissenting) ("To appropriate and use for profit, knowledge and ideas produced by other men, without making compensation or even acknowledgment, may be inconsistent with a finer sense of propriety; but, with the exceptions indicated above [relating to trade secrecy and the right of first publication], the law has heretofore sanctioned the practice").

²⁶ *Sears, Roebuck & Co. v. Stiffel Co.*, 376 US 225, 231–32 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 US 234, 238 (1964); *see also Columbia Broad. Sys., Inc. v. DeCosta*, 377 F.2d 315, 318–19 (1st Cir. 1967) (recognizing the abrogation of *INS* under both *Erie* and *Sears/Compco*).

²⁷ *Traffix Devices, Inc., v. Marketing Displays, Inc.* 532 US 23 (2001).

²⁸ *Dastar Corp., v. Twentieth Century Fox Film Corp.* 539 US 23 (2003).

²⁹ *See, e.g., KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 US 111, 121 (2004) ("some possibility of consumer confusion must be compatible with fair use"); *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) ("the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression").

in modern EU law.³⁰ Over time, however, American courts liberalized their interpretation of the applicable statutory standard to permit enforcement of trademarks against third parties using the mark on related but not directly competitive goods.³¹ Today, the Lanham Act defines infringement solely by reference to confusion³² – leaving the degree of similarity or identity of marks and goods as merely individual factors in a multifactor balancing test developed by the courts to determine liability in *all* cases.³³ Combined with the theoretical antipathy to misappropriation-based liability described above, this history means that in American trademark doctrine, anti-misappropriation thinking has always had to disguise itself in order to escape theoretical condemnation.

A Dilution

For example, the most ambitious effort to integrate the anti-misappropriation impulse into American law – Frank Schechter’s famous proposal of a dilution cause of action³⁴ – shamelessly concealed its theoretical underpinnings in European anti-misappropriation doctrines.³⁵ The codification of that cause of action in the Trademark Dilution Revision Act of 2006 (TDRA)³⁶ likewise conspicuously fails to require, or even mention, misappropriation as an element of trademark dilution. Even so, dilution has been largely rejected by American courts – though that rejection is itself illuminating. As I discuss elsewhere,³⁷ from the passage of the TDRA to the time of this writing not a single US Court of Appeals has found – or affirmed a finding – that a defendant was *not* liable for infringement but was liable for dilution by blurring. But this is not – or not only – because American courts are skeptical of misappropriation-based liability. Rather, it

³⁰ Act of Feb. 20, 1905, Pub. L. No. 58-84, § 16, 33 Stat. 724, 728 (giving federal registrants the right to prevent others from “reproduc[ing], counterfeit[ing], copy[ing], or colorably imitat[ing]” their registered mark on goods of “substantially the same descriptive properties” as the goods for which the mark was registered); THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 4:3–4 (5th ed. 2016) (describing the distinction between infringement of “technical” trademarks and unfair competition in the nineteenth and early twentieth centuries). On the historical distinction between trademark infringement and unfair competition (and the modern blurring of that distinction), see generally Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007).

³¹ See generally Edward C. Lukens, *The Application of the Principles of Unfair Competition to Cases of Dissimilar Products*, 75 U. PA. L. REV. 197 (1927) (describing this shift).

³² 15 USC § 1114(1) (“Any person who shall, without the consent of the registrant . . . use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant”); 15 USC § 1125(a) (“Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof . . . which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act”).

³³ See, e.g., *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (1961); see generally Robert G. Bone, *Taking the Confusion Out of Likelihood of Confusion: Toward a More Sensible Approach to Trademark Infringement*, 106 NW. L. REV. 1307 (2012).

³⁴ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

³⁵ See generally Barton Beebe, *The Suppressed Misappropriation Origins of Trademark Antidilution Law: The Landgericht Elberfeld’s Odol Opinion and Frank Schechter’s The Rational Basis of Trademark Protection*, in INTELLECTUAL PROPERTY AT THE EDGE: THE CONTESTED CONTOURS OF IP 59 (2014).

³⁶ Trademark Dilution Revision Act of 2006 (TDRA), Pub. L. No. 109-312, 120 Stat. 1730 (2006).

³⁷ Jeremy N. Sheff, *Finding Dilution*, in TRADEMARK LAW AND THEORY: REFORM OF TRADEMARK LAW (Graeme Dinwoodie & Mark Janis eds., forthcoming).

is because the equivalent of such liability has long been available through expansive – though still putatively confusion-based – theories of infringement.³⁸

The Lanham Act explicitly allows liability to be imposed on the basis of confusion not only as to the source of goods or services, but also as to “affiliation, connection, . . . association . . . sponsorship, or approval” of those goods or services.³⁹ American trademark scholars have frequently critiqued such theories of confusion as “irrelevant”⁴⁰ to the legitimate functions of trademarks, and to the widely accepted economic policies underlying American trademark law – to lower consumer search costs and provide an incentive to the efficient production of quality products.⁴¹ But this irrelevance argument rests on the assumption that American courts are serious when they condemn misappropriation-based liability as illegitimate and justify trademarks in economic terms. And the example of conspicuous consumption gives us reason to believe courts are *not* sincere in their rejection of the anti-misappropriation impulse – that in fact they have smuggled this impulse into confusion-based liability theories in disguise.

B Merchandising Rights

One such disguise has been a subtle redefinition of the concept of confusion in merchandising cases. The facts of these cases are similar to those of the *Arsenal* case in the EU: during the late twentieth century universities and sports franchises began asserting control over goods that their fans might conspicuously consume to signal horizontal identity-based affiliation – apparel, applique patches, and other merchandise bearing the name, logo, or colors of the team or school. In 1975, the Court of Appeals for the Fifth Circuit awarded that control to the National Hockey League and its franchisees, by essentially treating misappropriation as a substitute for confusion:

The confusion question here is conceptually difficult. It can be said that the public buyer knew that the emblems portrayed the teams’ symbols. Thus, it can be argued, the buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams’ trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that

³⁸ I am aware of only one district court case – an early unpublished preliminary injunction ruling under the TDRA – that found dilution by blurring but no likelihood of confusion; this ruling was never appealed and the case settled before primary discovery. *Hershey Co. v. Art Van Furniture, Inc.*, No. 08-14463, 2008 WL 4724756 (ED Mich., Oct. 24, 2008). Similarly, a single US Trademark Trial and Appeal Board (TTAB) ruling has sustained an opposition to a trademark registration on blurring grounds while rejecting the opposition on likelihood-of-confusion grounds, *Research in Motion Ltd. v. Defining Presence Mktg. Grp. Inc.*, 102 USPQ 2d (BNA) 1187 (TTAB 2012), though that opinion could just as easily have relied on the “ornamentality” or “informational matter” exclusions for slogans appearing on apparel. TMEP §§ 1202.03(f)(i), 1202.04. In general, in the few additional instances in which US courts or the TTAB find dilution by blurring, they either *also* find likelihood of confusion, or simply do not reach the question of likelihood of confusion. See Sheff, *supra* note 37 (citing cases); see also Barton Beebe, *The Continuing Debacle of U.S. Antidilution Law: Evidence from the First Year of Trademark Dilution Revision Act Case Law*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 449, 459–60 (2008) (finding the federal dilution cause of action “redundant” over its first year of life because “of the[] sixty-four opinions that analyzed both an infringement and a dilution cause of action, none found dilution without also finding infringement”).

³⁹ 15 USC § 1125(a).

⁴⁰ See generally, e.g., Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2009).

⁴¹ See generally William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. ECON. 265 (1987).

confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.⁴²

The *Boston Hockey* court's equation of "certain knowledge" with "confusion" may be a crime against the English language, but it has nevertheless become blackletter law. Similar logic has been deployed to destroy previously competitive markets for university merchandise in a series of cases that rest heavily on the assumption that fans will believe such merchandise is sponsored or approved by the referenced university,⁴³ even where the defendant's goods were openly critical of that university.⁴⁴ Despite the absence of evidence that any sports fan or university booster cared whether the physical token by which they expressed their affiliation was actually sold or authorized by the university or sports franchise at issue,⁴⁵ and notwithstanding the long historical tradition of third-party merchants meeting the demand for such fan merchandise with the acquiescence of the putative trademark owners,⁴⁶ courts steadily stamped out the business of those merchants by vesting universities and teams with what scholars have come to call a "merchandising right."⁴⁷ This right relies heavily on the anti-misappropriation logic of *Boston Hockey* and its odd effort to frame such misappropriation in confusion-based terms.⁴⁸

⁴² *Bos. Prof'l Hockey Ass'n v. Dall. Cap & Emblem Mfg.*, 510 F.2d 1004, 1012 (5th Cir. 1975).

⁴³ See, e.g., *Univ. of Georgia Athletic Ass'n v. Laite*, 756 F.2d 1535, 1547, n. 28 (11th Cir. 1985) ("at least some members of the public do assume that products bearing the mark of a school or a sports team are sponsored or licensed by the school or team"); *Univ. Book Store v. Univ. of Wisc. Bd. of Regents*, 33 USPQ 2d 1385 (TTAB 1994) ("rather than constituting uncontrolled use by opposers and third parties which resulted in the marks losing all source indicating significance, the reality of the situation which existed for many years may best be characterized as that of a royalty-free, nonexclusive, implied license to use marks which, particularly in and around the University's Madison campus, principally signified applicant in the mind of the consuming public and have continued to do so").

⁴⁴ *Bd. of Supervisors of La. State Univ. v. Smack Apparel Co.*, 438 F. Supp. 2d 653, 660 (ED La. 2006), *aff'd sub nom. Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465 (5th Cir. 2008) ("Smack's use of irreverent phrases or slang comments misuses the plaintiffs' reputation and good will, which is embodied in their trademarks. Smack may not trade upon or exploit the universities' reputation and goodwill").

⁴⁵ The closest one comes to such evidence is the *Laite* court's declaration – unsupported by any evidence in the record – that, "in our view, most consumers who purchase products containing the name or emblem of their favorite school or sports team would prefer an officially sponsored or licensed product to an identical non-licensed product. Were this not true, the word 'official' would not appear in so many advertisements for such products." *Laite*, 756 F.2d at 1547 n. 28.

⁴⁶ See, e.g., *Univ. Book Store*, 33 USPQ 2d 1385 ("Insofar as use of the 'Bucky Badger' mascot on clothing is concerned, both UBS and Brown's were selling apparel which was so imprinted by the early 1950s and have continued to do so along with many other members of WMF. Marketing of such clothing by applicant [University of Wisconsin] did not occur until, at the earliest, sometime in 1983").

⁴⁷ Deven R. Desai & Spencer Waller, *Brands, Competition, and the Law*, 2010 B.Y.U. L. REV. 1425 (2010) ("Merchandising rights cases protect a company's interest in generating and controlling consumer identity. Whether the law ought to protect these interests and, if so, how it should do so, are normative questions"). Scholars divide on the normative desirability of such a right largely along the lines of their views on the normative implications of misappropriation. Compare, e.g., Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461 (2005) (critiquing the misappropriation-based logic of merchandising cases as inconsistent with the Lanham Act's requirement of confusion); with Irene Calboli, *The Case for a "Limited" Protection of Trademark Merchandising*, 2011 U. ILL. L. REV. 865 (2011) (defending a limited merchandising right as a legitimate adjunct to the right of trademark owners to license their marks).

⁴⁸ *Smack Apparel*, 550 F.3d at 482 ("[W]hen a mark was adopted with the intent of deriving benefit from the reputation of [the mark holder] that fact alone may be sufficient to justify the inference that there is confusing similarity" (internal quotation marks and citation omitted; alteration in original)); *Laite*, 756 F.2d at 1546 ("'confusion' need not relate to the origin of the challenged product. Rather, 'confusion' may relate to the public's knowledge that the trademark, which is 'the triggering mechanism' for the sale of the product, originates with the plaintiff" (quoting *Boston Hockey*)).

C Post-Sale Confusion

Outside of the merchandising context, the key element of the courts' disguise of their anti-misappropriation impulses is the doctrine of post-sale confusion.⁴⁹ Trademark owners (and the courts that find in their favor) invoke post-sale confusion to satisfy the Lanham Act's "likelihood of confusion" standard in conspicuous consumption contexts, despite the fact that there may be no evidence that any consumer is (or is likely to be) confused into believing that a counterfeit product in such contexts is either genuine or authorized.⁵⁰ Post-sale confusion is an invention of the lower federal courts.⁵¹ The Supreme Court has never endorsed the theory, nor even discussed it. But for over half a century it has been the key weapon in the arsenal of brand owners seeking to protect business models that depend on conspicuous consumption under American law. The development of post-sale confusion doctrine demonstrates how American courts smuggle misappropriation-based liability into trademark doctrine by lumping it together with other, more plausibly confusion-based, theories of liability, and blurring the distinctions between them.

1 Status Confusion

Before post-sale confusion even had a name, it was invoked to prevent the sale of knockoff luxury goods. In the first such case, *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*,⁵² the Second Circuit explained the theory of injury in blunt terms:

[S]ome customers would buy [the junior user's] cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. [The junior user's] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was [genuine].⁵³

Because it is undisputed that such purchasers of the imitation good do not think they are purchasing the genuine good, the basis for infringement liability must be confusion other than point-of-sale purchaser confusion. In *Mastercrafters*, such confusion was found not in the marketplace, but in the home, specifically when the purchaser consumes the good in view of a social audience that is led to believe the good is genuine. This theory of injury, which I refer to as "status confusion," is the historic source of what we know today as post-sale confusion.

Status confusion is the underlying theory that allows for trademark liability against manufacturers of knockoff prestige goods even where consumers know they are buying a knockoff. Such

⁴⁹ The discussion that follows is adapted from my previously published work. See generally Sheff, *Veblen Brands*, *supra* note 2.

⁵⁰ Proving the point, the Ninth Circuit has held that "because a defendant may violate [the federal criminal trademark counterfeiting statute] without engaging in fraudulent or deceitful conduct, a conviction under the statute cannot categorically qualify as an aggravated felony" for purposes of determining "good moral character" in immigration proceedings. *Wang v. Rodriguez*, 830 F.3d 958, 963 (9th Cir. 2016).

⁵¹ Each of the Circuit Courts of Appeal has recognized the doctrine of post-sale confusion in one form or another. See *IP Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 44 (1st Cir. 1998); *Lois Sportswear, USA, Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872-3 (2d Cir. 1986); *Am. Home Prods. v. Barr Labs.*, 834 F.2d 368, 371 (3d Cir. 1987); *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987); *United States v. Yamin*, 868 F.2d 130, 132-33 (5th Cir. 1989); *Ferrari SPA Esercizio v. Roberts*, 944 F.2d 1235, 1245 (6th Cir. 1991); *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 383 (7th Cir. 1996); *Insty*Bit v. Poly-Tech Indus.*, 95 F.3d 663, 669-72 (8th Cir. 1996); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 822 (9th Cir. 1980); *Gen. Motors Corp. v. Urban Gorilla*, 500 F.3d 1222, 1227-28 (10th Cir. 2007); *United States v. Torkington*, 812 F.2d 1347, 1352-53 (11th Cir. 1987); *Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 989-90 (Fed. Cir. 1993).

⁵² *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464 (2d Cir. 1955).

⁵³ *Id.* at 466.

goods range from cigars⁵⁴ and watches⁵⁵ to handbags⁵⁶ and award statues.⁵⁷ Put simply, the cases presume that purchasers of such goods are not looking to purchase a guarantee of product quality associated with the trademark, but are rather purchasing the social status that is accorded to those who possess products bearing the trademark. This is something courts will not allow them to do (at least not without paying tribute to the trademark registrant or owner).

In the clearest statement of the theory, the Second Circuit in *Hermès International v. Lederer de Paris Fifth Avenue, Inc.*⁵⁸ identified two injuries flowing from status confusion. The first injury is visited not on the owner of the mark, but on its customers: “[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.”⁵⁹ The second injury falls not on the mark owner, or even on its customers, but on the public at large: “A loss [to the public] occurs when a sophisticated buyer purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public and achieving the status of owning the genuine article at a knockoff price.”⁶⁰

This logic, while it does not explicitly depend on the defendant misappropriating value that properly belongs to the plaintiff, reaches similar results to European cases that *do* depend on misappropriation. In one recent example, Judge Furman of the Southern District of New York relied heavily on *Hermès* in imposing liability in a case with facts almost identical to *L’Oréal*.⁶¹ And, occasionally, the mask slips: Judge Simon of the Northern District of Indiana, in finding that an accused handbag counterfeiter’s intent suggested a likelihood of post-sale confusion, argued: “perhaps [defendants] did not intend for anyone to think that he or she was purchasing an authentic Coach bag, but they did intend to benefit from Coach’s reputation in the marketplace.”⁶²

There are obvious objections to treating the purported “status confusion” injuries of *Hermès* as a basis for trademark liability within the American theoretical framework. Either supposed injury would seem to be irrelevant to the economic rationale for trademark protection.⁶³ Neither would seem to present any possibility that a consumer would be duped into buying something they didn’t want, or that a producer would lose a sale.⁶⁴ But these cases tend to avoid the

⁵⁴ *Empresa Cubana del Tabaco v. Culbro Corp.*, 70 USPQ 2d 1650, 1689 (SDNY 2004) (“The use of an almost-identical typeface on the band only adds to the possibility that the consumer may acquire the prestige of smoking a Cuban [cigar] without actually purchasing one”), *rev’d in part on other grounds*, 399 F.3d 462 (2d Cir. 2005).

⁵⁵ *Cartier, Inc. v. Symbolix, Inc.*, 454 F. Supp. 2d 175, 182–83 (SDNY 2006); *see also Rolex Watch USA, Inc. v. Michel Co.*, 179 F.3d 704, 713 (9th Cir. 1999) (finding the defendant’s alterations to genuine Rolex watches “so basic that they result[ed] in different product[s]”).

⁵⁶ *Hermès Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 109 (2d Cir. 2000).

⁵⁷ *Acad. of Motion Picture Arts & Sci. v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1455–56 (9th Cir. 1991).

⁵⁸ *Hermès Int’l*, 219 F.3d 104.

⁵⁹ *Id.* at 108.

⁶⁰ *Id.* at 109.

⁶¹ *Coty Inc. v. Excell Brands, LLC*, 277 F. Supp. 3d 425 (SDNY 2017). Admittedly, Judge Furman also made much of the defendant’s efforts to “capitalize” on the plaintiff’s goodwill by *intending to confuse customers* – a typical coded misappropriation rationale. *See id.* at 448, 454.

⁶² *Coach, Inc. v. Treasure Box, Inc.*, No. 3:11 CV 468, 2013 WL 2402922, at *9 (ND Ind., May 31, 2013).

⁶³ *See Hermès Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 109 (2d Cir. 2000) and accompanying text.

⁶⁴ *See McKenna, supra note 30*, at 1858–60 (arguing that trademark protection has traditionally been deployed to guard against diversion or loss of sales); Renée Ann Richardson Gosline, *The Real Value of Fakes: Dynamic Symbolic Boundaries in Socially Embedded Consumption* 18 (May 2009) (unpublished DBA dissertation, Harvard Business School), <https://perma.cc/V57A-TDE3> (finding, based on empirical research, that “counterfeits are primarily not seen as substitutes for the authentic product”); *see generally* Lemley & McKenna, *supra note 40*, at 413 (arguing that trademark law should return to a focus on purchasing behavior).

European misappropriation framework as well; neither theory of injury rests liability on any gain to the defendant due to the labor of the plaintiff.

It is telling, however, that the status confusion rationale is invoked in exactly the same kinds of cases in which European courts give voice to the anti-misappropriation impulse. As I have pointed out in prior work, the courts' focus on the consumers of luxury knockoffs suggests an overarching concern with preserving the use of trademarks in Veblenian conspicuous consumption: the intentional waste of resources in view of a social audience as a signal of elevated social status. That is, American courts in status-confusion cases and European courts in misappropriation cases are policing the information that trademarks provide about the people who consume them, rather than about the goods to which they are affixed – a role that, as I argue elsewhere, is in tension with American First Amendment law and with democratic principles more generally.⁶⁵

Perhaps to obscure these theoretical infirmities, status-confusion cases have been lumped together with other very different theories of injury under the overarching rubric of “post-sale confusion.” The effect of this amalgam is to further obscure the connection between post-sale confusion and the anti-misappropriation impulse. And unfortunately, courts contributing to this obscurantist program create tensions and inconsistencies with other areas of trademark doctrine that do not implicate the anti-misappropriation impulse.

2 Bystander Confusion

One alternative theory of post-sale confusion appears consistent with the Lanham Act's stated purpose of extending infringement liability to confusion of *potential*, rather than only *actual*, purchasers.⁶⁶ In its strongest form, the theory of these cases describes an injury – referred to here as “bystander confusion” – that follows from a standard chain of events:

- The defendant sells its product – which incorporates some feature or combination of features that resembles a protectable mark of the plaintiff – to an admittedly non-confused consumer;
- The consumer uses the product in view of a *potential* purchaser of the plaintiff's product;
- The *potential* purchaser is confused as to the source of the observed product, misidentifying it as having originated with the plaintiff;
- The *potential* purchaser, observing the defendant's product in use, makes some negative evaluation about the qualities of the observed product, mistakenly ascribing that evaluation to the *plaintiff's* products;
- Under this mistaken understanding of the qualities of the *plaintiff's* products, the *potential* purchaser refrains from future purchases of the *plaintiff's* products, and potentially recommends that others do likewise.⁶⁷

The bystander-confusion theory is entirely consistent with American justifications for trademark enforcement. Should the chain of events described above occur, consumers might rely on inaccurate information in making purchasing decisions, and honest producers of quality goods

⁶⁵ See generally Sheff, *Veblen Brands*, *supra* note 2.

⁶⁶ Act of Oct. 9, 1962, Pub. L. No. 87-772, 76 Stat. 769, 771, 775.; H.R. REP. NO. 87-1108, at 4, 8 (1961) (“The purpose of the proposed change is . . . to omit the word ‘purchasers,’ since the provision actually relates to potential purchasers as well as to actual purchasers”); S. REP. NO. 86-1685, at 4-5, 8 (1960) (same).

⁶⁷ See, e.g., *CAE, Inc. v. Clean Air Eng'g*, 267 F.3d 660, 683 (7th Cir. 2001); *Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 989-90 (Fed. Cir. 1993); *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987).

could lose sales as a result – both injuries American trademark policy seeks to prevent. However, perhaps seeking to justify a result that is driven by anti-misappropriation impulses without using anti-misappropriation logic, courts can be sloppy in their analysis of bystander-confusion claims, extending liability to conduct that does not threaten to injure either consumers or producers.⁶⁸

The typical path to such expansion of liability is the presumption that the entire parade of events described above will follow whenever the first of them occurs. The fact that some potential future purchaser of the plaintiff's product *could* observe a purchaser of the defendant's product, *could* misidentify the plaintiff as the source of that product, and *could* form inferences about the plaintiff's goods is supposed by some courts to establish that actionable confusion is *likely*.⁶⁹ As Professor Robert Denicola notes, "the essentially *predictive* nature of the likelihood of confusion standard permits the accommodation of interests attributable to a host of divergent social and economic prejudices."⁷⁰ Insofar as this is true even of traditional point-of-sale confusion analysis, the chain of inferences required to find bystander confusion only compounds the problem.

The danger of piling on layers of unsupported inference in bystander-confusion cases is particularly acute given that courts have made little effort to distinguish the factual predicates of a likelihood of post-sale confusion from those of a likelihood of point-of-sale confusion.⁷¹ Thus, bystander-confusion theories are frequently found shoehorned into the analysis of a single factor in the multifactor likelihood-of-confusion balancing analysis applicable to point-of-sale confusion claims,⁷² or tacked onto the end of such analysis.⁷³ In neither case, however,

⁶⁸ Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 608 (2006) ("In some of the broadest post-sale confusion decisions, however, there is no genuine risk that defendant's product will be perceived as inferior. In these cases, liability is difficult to square with the information transmission function of the mark, and goodwill appropriation often plays a prominent justificatory role").

⁶⁹ See, e.g., *Payless*, 998 F.2d at 989 ("Reebok contended that such confusion occurs, for example, when a consumer observes someone wearing a pair of Payless accused shoes and believes that the shoes are Reebok's. As a consequence, the consumer may attribute any perceived inferior quality of Payless shoes to Reebok, thus damaging Reebok's reputation and image . . . We agree with Reebok that the district court abused its discretion in failing to adequately consider the extent of such post-sale confusion"); *Lois Sportswear USA, Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872–73 (2d Cir. 1986) ("post-sale confusion would involve consumers seeing appellant's jeans outside of the retail store, perhaps being worn by a passer-by. The confusion the Act seeks to prevent in this context is that a consumer seeing the familiar stitching pattern will associate the jeans with appellee and that association will influence his buying decisions"); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 822 (9th Cir. 1980) ("Wrangler's use of its projecting label is likely to cause confusion among *prospective* purchasers who carry even an imperfect recollection of Strauss's mark and who observe Wrangler's projecting label after the point of sale"); *Cartier v. Aaron Faber Inc.*, 396 F. Supp. 2d 356, 361 (SDNY 2005) ("Individuals viewing the watches on a purchaser's wrist would be misled as to the true nature of the watch's craftsmanship, and any effect such identification might have on Cartier's goodwill with the public is actionable"); *Car-Freshener Corp. v. Big Lots Stores, Inc.*, 314 F. Supp. 2d 145, 153 (NDNY 2004).

⁷⁰ Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 162 n. 18 (emphasis added).

⁷¹ See, e.g., *Gen. Motors Corp. v. Keystone Auto. Indus., Inc.*, 453 F.3d 351, 356–58 (6th Cir. 2006) ("To assess the likelihood of downstream confusion, we first apply the eight-factor test [used to determine point-of-sale confusion] and then discuss the potential harm from the influx of Tong Yang's grilles into the stream of commerce . . . although the eight-factor test is arguably less important in assessing downstream confusion than point-of-sale confusion"); *Lois Sportswear*, 799 F.2d at 873 ("The Polaroid factors therefore must be applied with an eye toward post-sale confusion" (citing *Polaroid Corp. v. Polorad Elecs. Corp.*, 287 F.2d 492, 493 (2d Cir. 1961))).

⁷² Often the factor in question is related to consumer sophistication, and the analysis amounts to little more than an excuse for refusing to hold this factor in the defendant's favor despite the admitted sophistication of the actual and potential purchasers of the plaintiff's products. See, e.g., *Axiom Corp. v. Axiom, Inc.*, 27 F. Supp. 2d 478, 497 (D. Del. 1998) ("The 'sophisticated purchaser' rationale generally weighs against the likelihood of confusion. Courts, however, may consider pre-sale and post-sale confusion when evaluating [consumer sophistication]"); *Omega, S.A. v. S & N Jewelry Inc.*, No. 92 Civ. 3656 (PKL), 1992 WL 142746, at *5 (SDNY, June 8, 1992).

⁷³ E.g., *Gen. Motors Corp.*, 453 F.3d at 356.

do the courts in question discuss any facts beyond those already reviewed in the point-of-sale confusion analysis that might be probative of the likelihood of the latter links in the causal chain of the bystander-confusion injury. In short, current doctrine encourages courts to speculate about the ripples that might spread through the stream of commerce from an admittedly non-confused purchase.

Some courts, to their credit, appear to be attuned to this danger. The Seventh Circuit has found such causal speculation by a district court to be reversible error, albeit on particularly compelling facts.⁷⁴ The Ninth Circuit has reversed the award of a preliminary injunction where this kind of speculation was the basis for a finding of the irreparable harm necessary to uphold such relief.⁷⁵ The Third Circuit has affirmed the denial of injunctive relief on the basis of an uncontested district court finding that the accused goods were not of observably lower quality than the plaintiff's authentic products.⁷⁶ And some recent district court opinions are similarly circumspect.⁷⁷

But counterexamples abound. To take one colorful example, in *Rolex Watch USA, Inc. v. Canner*, the court admitted that it “can only speculate as to the forms such cheapening or dilution [of the Rolex brand] might take and the injuries that might ensue,” but imposed liability based precisely on such speculation, including the possibility that security guards at an airport might be “confused” should a counterfeit gold watch set off a metal detector.⁷⁸ Similarly, in *In re Artic Electronics Co.*, the Trademark Trial and Appeal Board denied a trademark registration on the theory that the registration opponent's coin and bill change machines could hypothetically malfunction at an arcade, causing children to doubt the “workmanship” of the applicant's video games bearing the same mark and therefore refuse to play them.⁷⁹ In other cases, a chain of events culminating in a trademark injury appears to be assumed *sub silentio*.⁸⁰

⁷⁴ *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 382 (7th Cir. 1996) (“The proper examination is not whether some people viewing clamshells in industry plants might be confused, but rather whether consumers in the market for clamshells are likely to be confused . . . Although the district court found that plant tours were given to ‘potential customers’ from foreign countries, there is no evidence in the record that anyone other than the twelve domestic companies has ever purchased, or even expressed an intention to purchase, a clamshell. A determination that the market for clamshells includes these foreign visitors would be complete speculation”); see also *Perini Corp. v. Perini Constr., Inc.*, 915 F.2d 121, 128 (4th Cir. 1990) (reversing grant of summary judgment to the plaintiff and stating that “[i]n order for a likelihood of confusion among the public, but not typical purchasers [of the parties’ construction services], to provide the basis for a trade name infringement action, it must be shown that public confusion will adversely affect the plaintiff’s ability to control his reputation among its laborers, lenders, investors, or other group with whom the plaintiff interacts”).

⁷⁵ *Adidas Am., Inc. v. Skechers USA, Inc.*, 890 F.3d 747, 760–61 (9th Cir. 2018).

⁷⁶ *Gucci Am., Inc. v. Daffy’s, Inc.*, 354 F.3d 228, 234–35 (3d Cir. 2003).

⁷⁷ See, e.g., *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245, 278 (SDNY 2016); *Crye Precision LLC v. Duro Textiles, LLC*, 2016 WL 1629343, at *8 & n. 5 (SDNY, Apr. 22, 2016), *aff’d*, 689 F. App’x 104 (2d Cir. 2017); *Louis Vuitton Malletier, SA v. My Other Bag, Inc.*, 156 F. Supp. 3d 425, 444 (SDNY), *aff’d*, 674 F. App’x 16 (2d Cir. 2016), cert. denied, 138 S. Ct. 221, 199 L. Ed. 2d 120 (2017).

⁷⁸ *Rolex Watch USA, Inc. v. Canner*, 645 F. Supp. 484, 493 n.3, 495 (SD Fla. 1986).

⁷⁹ *In re Artic Electronics Co., Ltd.*, 220 USPQ (BNA) 836, 837–38 (TTAB 1983). That the applicant still desired the registration despite the fact that it, rather than the registration opponent, would be the party injured by this hypothesized confusion did not seem to enter into the board’s analysis.

⁸⁰ Typically, the analysis begins and ends with an observation that an observer might be unable to distinguish between the parties’ marks in the post-sale context; what the results of this might be, and how those results might injure the plaintiff is typically left unstated – as is the factual basis for believing those results are likely to occur. See, e.g., *supra* note 69. Cases using such underdeveloped post-sale confusion theories in service of a merchandising right are also typical, though the literature on the merchandising right has addressed this issue thoroughly. See, e.g., *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1077–78 (9th Cir. 2006) (granting summary judgment to automobile manufacturers in a suit against a retailer who sold car accessories adorned with manufacturers’ logos). See generally Dogan & Lemley, *supra* note 47.

D Downstream Confusion

The third species of post-sale confusion is grounded on the theory that a defendant's (admittedly non-confused) customers might gift or resell the defendant's goods in a secondary market, in a way that will confuse purchasers or recipients of the goods in that secondary market. In some such cases, the defendant is selling admitted replicas of the plaintiff's goods;⁸¹ in others, the defendant has acquired the genuine article and modified it in some way.⁸² In either case, the injury on which liability is grounded is not directly inflicted by the defendant (who sells to a non-confused purchaser), but is rather presumed to be inflicted further down the stream of commerce by one of the defendant's customers. This theory of injury is referred to here as "downstream confusion." What is surprising about the downstream confusion cases is not that they consider confusing sales or gratuitous transfers in a secondary market harmful to the trademark owner and to the public – that much is uncontroversial. Rather, what is surprising is that these cases give almost no attention to the well-established doctrines that are addressed to such an injury: contributory infringement liability and the first-sale doctrine.

With respect to replica goods in particular, downstream confusion is in serious tension with the law of contributory liability. In *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, the Supreme Court limited such liability to those cases where the defendant "intentionally induces another to infringe a trademark, or . . . continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement."⁸³ Recent applications of this standard reaffirm that generalized knowledge of a possibility of confusing secondary market sales is insufficient to ground a secondary infringement claim.⁸⁴ Treating downstream confusion (that is, confusion of the customers of the defendant's customers) as primary rather than secondary infringement eliminates this intent element of the plaintiff's case, lowering its burden merely by rephrasing the nature of its claim. It is likely that many downstream-confusion cases will include clear evidence of such intent.⁸⁵ But not all of them will, and by treating the basis for liability as "post-sale confusion" rather than secondary liability, lower courts have circumvented long-settled Supreme Court precedent in ways that can reverse adjudicative outcomes.

With respect to goods that originated with the plaintiff but are later modified and resold by the defendant (though not with respect to replicas), the first-sale doctrine would seem to be directly applicable. The American first-sale doctrine – developed in the trademark context by the

⁸¹ *A. T. Cross Co. v. Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 692 (2d Cir. 1972) ("The last straw was the recent mailing, as bold an attempt at persuading purchasers that their donees would think they were receiving Cross pens as could be imagined").

⁸² *Cartier v. Aaron Faber Inc.*, 396 F. Supp. 2d 356, 361 (SDNY 2005); *Montblanc-Simplo GMBH v. Staples, Inc.*, 172 F. Supp. 2d 231, 233, vacated, 175 F. Supp. 2d 95, 95 (D. Mass. 2001); cf. *Saks & Co. v. Hill*, 843 F. Supp. 620, 623–24 (SD Cal. 1993) (speculating that defendant, operator of a thrift store called "Sacks Thrift Avenue," might one day resell a garment bearing plaintiff's label, thereby causing post-sale confusion).

⁸³ *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 US 844, 854 (1982).

⁸⁴ See, e.g., *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 107 (2d Cir. 2010) ("For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary"), remanded, No. 04 Civ. 4607 (RJS), 2010 WL 3733894 (SDNY, Sept. 13, 2010), cert. denied, 131 S. Ct. 647 (2010).

⁸⁵ For example, the defendant in *A. T. Cross Co. v. Jonathan Bradley Pens, Inc.* marketed its pens as suitable for duping donees of the defendant's customers into thinking they had received genuine Cross pens. 470 F.2d 689, 692 (2d Cir. 1972).

Supreme Court in *Prestonettes, Inc. v. Coty*⁸⁶ and *Champion Spark Plug Co. v. Sanders*⁸⁷ – holds that the resale of a genuine trademarked product by its purchaser is not trademark infringement so long as the reseller’s customers are made aware that any differences in quality between the original and the resold product are attributable to the reseller⁸⁸ and the goods are not so changed from their original state “that it would be a misnomer to call the article by its original name.”⁸⁹ These principles have been extensively developed in the Circuit Courts of Appeal in cases involving both new and used resale goods, whether modified, refurbished, or repackaged.⁹⁰ But the Ninth Circuit has recently decided that in case of a conflict with post-sale confusion, the first-sale doctrine must give way – despite the fact that (unlike the first-sale doctrine), it does not have a Supreme Court pedigree.⁹¹ Perhaps unsurprisingly, the court reached this conclusion in a mixed status-confusion/downstream-confusion context,⁹² where consumer concerns over quality control were largely absent. Again, the label “post-sale confusion,” when deployed to achieve anti-misappropriation outcomes without admitting to anti-misappropriation reasoning, ends up doing violence to other, settled areas of American trademark doctrine.

IV CONCLUSION

The varying theoretical commitments between American and European trademark law have generated varying doctrinal solutions to the maintenance of markets for tokens of social affiliation and status (and the conspicuous consumption of those tokens). European doctrine is ostensibly more favorable to the gatekeepers of social distinction than American doctrine. But with respect to the actual sale and offering for sale of goods, while the European model – which candidly admits to enforcing the anti-misappropriation impulse – has the benefit of being relatively straightforward, the American model achieves essentially identical results. Moreover, American courts achieve those results by hiding their service of the anti-misappropriation impulse under a smokescreen of less normatively fraught doctrines – and creating inconsistencies with other areas of American trademark law in the process.

I have argued elsewhere that the peculiarities of American competition and free expression policy – the latter of constitutional dimension – suggest that using post-sale confusion liability as a tool to facilitate conspicuous consumption is unsound as a matter of doctrine, policy, and

⁸⁶ *Prestonettes, Inc. v. Coty*, 264 US 359 (1924).

⁸⁷ *Champion Spark Plug Co. v. Sanders*, 331 US 125 (1947).

⁸⁸ *Id.* at 130 (“The result is, of course, that the second-hand dealer gets some advantage from the trade mark. But under the rule of *Prestonettes* . . . that is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer. Full disclosure gives the manufacturer all the protection to which he is entitled”); *Prestonettes*, 264 US at 368–69 (“The defendant of course by virtue of its ownership had a right to compound or change what it bought, to divide either the original or the modified product, and to sell it so divided. The plaintiff could not prevent or complain of its stating the nature of the component parts and the source from which they were derived if it did not use the trade mark in doing so. . . . If the defendant’s rebottling the plaintiff’s perfume deteriorates it and the public is adequately informed who does the rebottling, the public, with or without the plaintiff’s assistance, is likely to find it out”).

⁸⁹ *Champion*, 331 U.S. at 129.

⁹⁰ See, e.g., *Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238, 243 (2d Cir. 2009); *Nitro Leisure Prods. v. Acushnet Co.*, 341 F.3d 1356, 1361–65 (Fed. Cir. 2003); *Davidoff & Cie, SA v. PLD Int’l Corp.*, 263 F.3d 1297, 1301–02 (11th Cir. 2001); *Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1085–86 (9th Cir. 1998); *Warner-Lambert Co. v. Northside Dev. Corp.*, 86 F.3d 3, 6 (2d Cir. 1996).

⁹¹ *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*, 603 F.3d 1133, 1135–39 (9th Cir. 2010).

⁹² The defendant had purchased auto brand emblems from authorized dealers and then incorporated them into “marquee” license plates; the defendant’s product was likened to knockoff luxury products such as quartz movements encased in a genuine Rolex watch case. *Id.*

constitutional law.⁹³ These objections aside, bystander and downstream confusion might be rendered sound doctrinally, for example by imposing burdens of proof to inhibit undue speculation and by shifting analysis of implicated cases to more authoritative and generally applicable doctrines such as the contributory liability and first-sale doctrines. But status confusion does not seem to be susceptible to such a fix, and indeed would be directly threatened by such reforms. The lumping together of various – often superfluous – theories of liability together with status confusion under the overarching rubric of “post-sale confusion” is thus revealed for the kludgy obfuscation that it is. The need for American trademark law to resort to such doctrinal acrobatics and inconsistencies to capture conduct that the far simpler European model accommodates under the double-identity standard and the unfair advantage basis for liability shows the power of the historical pedigrees and the theoretical commitments of both systems, but it also shows the limits of those commitments. American competition law, despite its pretensions to democratic openness and egalitarianism, reveals itself in these cases to be no less solicitous of economic elites than European law. The legal systems of capitalist economies will apparently always find a way to accommodate the interests of the Veblenian leisure class – and the industries that cater to them – in conspicuous consumption.

⁹³ See generally Sheff, *Veblen Brands*, *supra* note 2.