Likelihood of Confusion Studies and the Straitened Scope of Squirt

By Jerre B. Swann

Initial Interest Confusion Versus Consumer Sovereignty: A Consumer Protection Perspective on Trademark Infringement

By Ross D. Petty

Taking Unfair Advantage or Diluting a Famous Mark — A 20/20 Perspective on the Blurred Differences Between U.S. and E.U. Dilution Law

By Marcus H. H. Luepke

Combining Trademarks in a Jointly Owned IP Holding Company

By Lanning Bryer and Matthew Asbell

Virtual Trademark Use — The Parallel World of Keyword Ads

By Jonathan Moskin
INITIAL INTEREST CONFUSION VERSUS CONSUMER SOVEREIGNTY: A CONSUMER PROTECTION PERSPECTIVE ON TRADEMARK INFRINGEMENT*

By Ross D. Petty**

I. INTRODUCTION

A free market economy is based on the concept of consumer sovereignty. Consumers consider information about the goods and services offered to them and then choose the combination of price and performance that they prefer. Typically, for durable, expensive goods, consumers consider their choices more carefully than they do for inexpensive, frequently purchased goods. For such disposable goods, the consumer’s cost of making a poor choice is small: he or she can simply discard the good or choose to use it, and, in either event, can decide not to purchase it again.

This system provides incentives to marketers to develop price and performance combinations for goods and services that are preferred by consumers. However, this system works only if consumers can reliably identify the goods and services they wish to purchase. This is where trademark law plays a crucial role in any market economy. Trademark law seeks to prevent consumer confusion about the source of products or services. If consumers like a brand, they can confidently repurchase it in the reasonable belief that trademark law prevents similar products from being identified by the same trademarks. This, in turn, provides trademark owners with an incentive to invest in the quality of their products.

Contrary to the concept of consumer sovereignty, several U.S. courts of appeals have adopted the concept of “initial interest confusion” in trademark law.1 Initial interest confusion differs from likelihood of consumer confusion in trademark infringement.

---

* Copyright © 2008 Ross D. Petty. All rights reserved. The author wishes to thank the Babson College Faculty Research Fund for its support of this research.

** Professor of Marketing Law, Babson College; Academic Member of the International Trademark Association.

1. See, e.g., Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 259 (2d Cir. 1987); Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 294 (3d Cir. 2001); Elvis Presley Enters. v. Capece, 141 F.3d 188, 204 (5th Cir. 1988); PACCAR, Inc. v. TeleScan Techs., L.L.C., 319 F.3d 243, 253 (6th Cir. 2004); Forum Corp. of N. Am. v. Forum Ltd., 903 F.2d 434, 442 n.2 (7th Cir. 1990); Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp., 174 F.3d 1036, 1062 (9th Cir. 1999).
litigation in that it involves only an initial confusion regarding the source of a product or service. This initial confusion is always corrected before possible purchase. Despite the lack of a likelihood of confusion at the time of purchase, there is a concern that the marketer has used the trademark of another party to unfairly attract consumer interest away from the initially desired brand to the marketer’s offering. Once the true source of the offering is revealed, the consumer may decide to purchase the offering rather than take the additional time to find the brand he or she was originally seeking. In this context, rather than leave the purchase choice to the consumers, courts that have favored the doctrine of initial interest confusion to condemn the initial diversion of a consumer’s attention. For example, the U.S. Court of Appeals for the Seventh Circuit noted, with apparent disapproval, that “[c]onsumers who are directed to Equitrac’s webpage are likely to learn more about Equitrac and its products before beginning a new search for Promatek and Copitrak.” The Seventh Circuit neglected to note that only consumers interested in Equitrac’s products are likely to choose to stay at the webpage to learn more. Other consumers, who quickly realize their mistake, can easily renew their original search. Thus, courts in favor of the initial interest confusion doctrine seek to prevent practices that enhance consumer sovereignty by providing consumers more information so that they can, in fact, make better-informed choices among competing products.

In order to justify initial interest confusion, courts assume that once consumers are diverted through some initial confusion, it is difficult for them to recover and to resume their original search for a desired brand. In situations where this is true, initial interest confusion may in fact interfere with consumer sovereignty. Indeed, some courts have compared initial interest confusion to protection against bait and switch, a strategy where one product is advertised to lure consumers to a store, but when they ask for it they are told it is unavailable and sales agents attempt to “switch” them to a different, typically higher-priced, brand or model. Once consumers are lured into the store, it is difficult and costly for them to leave.

Similar situations can occur on the Internet. For example, the FTC condemned a typosquatter who misled consumers to his


3. Promatek Indus., Ltd. v. Equitrac Corp., 300 F.3d 808, 813 (7th Cir. 2002).

4. See FTC Guides Against Bait Advertising, 16 C.F.R. § 238 (2007). For court decisions comparing IIC and bait and switch, see, e.g., AM General Corp. v. DaimlerChrysler Corp., 311 F.3d 796, 828 (7th Cir. 2002); Checkpoint Sys., Inc. v. Check Point Software Techs., at 293-95.
website but then would not let them leave the site until they “clicked through” numerous pop-up advertisements. In most Internet situations, however, consumers who do not wish to learn about a brand they had not intended to find and consumers who learn about it but still want their preferred brand can simply click on the “back” button on their Internet browser and return to their search results. The process takes little time and effort and leaves consumers in charge of their own choices. Initial interest confusion condemns firms for offering consumers information about alternative choices that they may wish to consider, given their initial brand search.

Because by definition initial interest confusion precludes actual confusion at the time of purchase, it has been criticized for ignoring the U.S. Trademark Act (Lanham Act) requirement that use of another’s mark or a colorable imitation of the mark must be “likely to cause confusion, or to cause mistake, or to deceive.” Initial interest confusion proponents argue that while it does cause likely confusion, the confusion is rectified before purchase. Initial interest confusion also has been criticized for contravening the currently perceived primary goal of trademark law: serving consumer welfare by providing reliable indicators of product source to reduce consumer information costs so that consumers can consistently seek and obtain the quality of goods they are seeking.

Ensuring that consumers receive reliably accurate information about products and services they may wish to purchase also is an important goal of the Federal Trade Commission’s (FTC’s) consumer protection mission. That mission is linked to the FTC’s antitrust mission, which is to promote competitive markets in order to provide consumers with a variety of offerings from which to choose. Traditional trademark infringement disputes center on whether consumers are likely to be confused about product origin, whereas FTC consumer protection cases and rules focus on whether reasonable consumers are likely to be deceived about a


6. Many critics of IIC have made this point. Most recently, see Niki R. Woods, Initial Interest Confusion in Metatag Cases: The Move from Confusion to Diversion, 22 Berkeley Tech. L.J. 393, 401-05, 416-17 (2007).

7. 15 U.S.C. §§ 1114(1)(a), 1125(a)(1)(A). The likelihood of confusion requirements of these two sections are considered identical. Dastar Crop. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 27-28 (2003); see Rothman, supra note 2, at 122-23.

8. See Mark P. McKenna, The Normative Foundations of Trademark Law, 82 Notre Dame L. Rev. 1839, 1844-49 (2007); Woods, supra note 6, at 416; Rothman, supra note 2, at 126.

product or service in some way that is material to their purchase behavior.\textsuperscript{10} Despite this similarity in goals, courts involved with trademark disputes seldom consider FTC consumer protection policy concerns when deciding whether consumers are likely to be confused (deceived) about product origin.\textsuperscript{11}

Trademark law also differs from FTC consumer protection law in the area of information disclosure. The typical trademark infringement remedy is an injunction against the unauthorized use of the confusingly similar trademark.\textsuperscript{12} In contrast, early U.S. Supreme Court decisions discouraged the FTC from enjoining the use of misleading trademarks. These opinions recognized the property value of trademarks and expressly preferred the use of a disclosure remedy to prevent deception if possible.\textsuperscript{13} This position is only partially consistent with a more recent U.S. Supreme Court opinion examining the regulation of trade names and the protection of commercial speech under the First Amendment to the U.S. Constitution.\textsuperscript{14} These opinions and others, as well as the development of a reasonably consistent policy approach to consumer protection, have led the FTC generally to favor

\textsuperscript{10} See FTC Policy Statement on Deception, appended to In re Cliffdale Assocs., Inc., 103 F.T.C. 110, 174-84 (1984) [hereinafter Deception Statement]. The source of a product is material to consumers, and the FTC has pursued cases where consumers were misled about product source. See, e.g., Juvenile Shoe Co. v. FTC, 289 F.2d 57 (9th Cir.), cert. denied, 263 U.S. 705 (1923) (injunction of use of name Juvenile Shoe Company for being confusingly similar to Juvenile Shoe Corporation); Pep Boys—Manny, Moe & Jack, Inc. v. FTC, 122 F.2d 158 (3d Cir. 1941) (use of trade name Remington to sell radios may have deceived purchasers of 5,800 radios from 1935 to 1939 “into purchasing an article which they might not have bought if correctly informed as to its origin”).

\textsuperscript{11} See Jacob Jacoby, Sense and Nonsense in Measuring Sponsorship Confusion, 24 Cardozo Arts & Ent. L.J. 63, 94 (2006) (“From the perspective of what is going on in the consumer’s mind, there is not much difference between a consumer being ‘confused’ as a result of exposure to a trademark or trade dress or ‘deceived’ as a result of exposure to an advertisement.”).

\textsuperscript{12} Jason R. Berne, Court Intervention But Not in a Classic Form: A Survey of Remedies in Internet Trademark Cases, 43 St. Louis U. L.J. 1157, 1207-08 (1999) (in only two Internet trademark cases were information disclosures (disclaimers) ordered).

\textsuperscript{13} Jacob Siegel Co. v. FTC, 327 U.S. 608 (1946) (Commission must consider whether qualifying language would remedy deception caused by the use of the name Alpacuna on coats that did not contain any vicuna fibers); FTC v. Royal Milling Co., 288 U.S. 212 (1933) (use of “Milling” in names by flour vendors deceives public into thinking these firms grind their own flour, but this deception should be cured by requiring disclosure that these firms do not grind their own flour).

\textsuperscript{14} Friedman v. Rogers, 440 U.S. 1, 12 (1979) (“A trade name conveys no information about the price and nature of the services offered by an optometrist until it acquires meaning over a period of time by associations formed in the minds of the public between the name and some standard of price or quality.”). The Court upheld the prohibition of the practice of optometry under a trade name as being consistent with the First Amendment. Id. at 15-16.
information disclosure over the prohibition of information.15 Recent studies have shown that banner advertising on popular websites typically includes at least one disclosure.16 Other studies show that the prevalence of disclosures in television advertising increased during the 1990s.17 As discussed in more detail below, courts generally do not favor disclosure remedies over prohibitions in Lanham Act trademark cases.18

This article examines initial interest confusion and information disclosure remedies for trademark infringement within the context of FTC consumer protection policy. It first examines the evolution of goals behind trademark law, the development of initial interest confusion, and the types of situations where it has been applied. In addition, it describes the current controversy over disclosure remedies in trademark law generally and their lack of use in initial interest confusion situations. The article next turns to FTC consumer policy and its concern for potential consumer injury, as well as its desire to ensure that consumers have access to information material to purchasing decisions. The final section proposes that courts consider consumer injury and the importance of information when examining initial interest confusion cases. In situations such as most Internet search scenarios, courts should not condemn initial interest confusion because it is easy for consumers to resume their search for the desired brand if they wish to do so. In some

15. During the period 1970–77, the FTC issued more than 200 orders that included an information disclosure remedy. William L. Wilkie, Affirmative Disclosure at the FTC: Theoretical Framework and Typology of Case Selection, 2 J. Pub. Pol'y & Marketing 3 (1983). A 1979 FTC staff report on consumer information remedies listed 199 affirmative disclosure cases and more than 20 rules or proposed rules that included affirmative disclosure remedies. Howard Beales et al., Consumer Information Remedies: Policy Review Section A1–B17 (1979); see also Robert Pitofsky, Beyond Nader: Consumer Protection and the Regulation of Advertising, 90 Harv. L. Rev. 661, 674-75 (1977) (“Since market incentives are sometimes inadequate to ensure the availability of important product information, and since it is virtually impossible to redress consumer injuries after the fact, a consumer-oriented program would emphasize required disclosure of accurate and important product information that consumers could then use to protect their interests in advance of injury.”).


18. This difference in approach is consistent with a comparative study of FTC deceptive advertising cases brought from 1978 through 1988 and the same type of case brought under Section 43(a) of the Lanham Act. The study found that while both types of cases enjoined false claims, disclosure remedies were used in 35% of the FTC cases but only about 2% of the Lanham Act advertising cases. See Ross D. Petty, The Impact of Advertising Law on Business and Public Policy 104 (1992).
situations, however, initial interest confusion should be condemned, because the costs of continuing original brand searches are sufficiently high that a disproportionate number of consumers will likely settle for the advertised brand rather than continue their search.

II. DEVELOPMENT OF TRADEMARK LAW AND INITIAL INTEREST CONFUSION

Despite the current popularity of the consumer information justification for trademark law, Mark McKenna makes a persuasive argument that trademark law historically sought not to protect consumers per se but rather to protect trademark owners from illegitimate diversions of their trade by competitors. The deception of consumers in the course of the trade diversion is what made such diversions illegitimate. Early court decisions often acknowledged that the public benefited from trademark law, but it was not until the second half of the twentieth century that courts began to place consumer protection first and trademark owner protection second.19 The so-called law and economics movement gave the consumer protection justification an additional boost because it was consistent with the prevailing theory that common law developed historically to enhance what is now called economic efficiency.20

In 1962, Congress amended the Lanham Act to remove all references to purchasers, thereby prohibiting any trademark use that is “likely to cause confusion, or to cause mistake or to deceive.” The legislative history of the amendment suggests that Congress intended to clarify that the provision relates to potential purchasers as well as to purchasers. Some courts have suggested

19. McKenna, supra note 8, at 1858, 1863-66. In at least two recent opinions, the Supreme Court has noted the consumer protection function of trademark law before noting the producer protection function. See Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163-64 (1995) (citation omitted) (“In principle, trademark law, by preventing others from copying a source-identifying mark, ‘reduce[s] the customer’s costs of shopping and making purchasing decisions,’ for it quickly and easily assures a potential customer that this item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past.”); Moseley v. V. Secret Catalogue Inc., 537 U.S. 418, 428 (2003).

that this amendment justifies including both initial interest confusion and post-purchase confusion under the Lanham Act.21

Rothman notes that the beginning of initial interest confusion is typically traced to a decision of the U.S. Court of Appeals for the Second Circuit that referred to both “initial interest” and “initial confusion” but did not quite coin the term “initial interest confusion.”22 This case involved Grotrian-Steinweg (the second name being pronounced “Steinway”) pianos that were imported from Germany to compete in America against the well-known STEINWAY brand. The court condemned the name as being initially confusing, while recognizing that consumers exercise great care when purchasing pianos and therefore were not likely to be confused by the time of purchase. Grotrian-Steinweg advertising and salespeople explained how the father and one son of the Steinweg family came to America to make pianos, leaving another son with the original firm in Germany. When that son joined the rest of the family in the United States, the firm’s assets, including the right to use the Steinweg name, were sold to employees, who formed a successor company, Grotrian-Steinweg. Thus, the plaintiff argued, before purchase, consumers knew that the GROTRIAN-STEINWEG product was not the well-known Steinway brand of pianos.

Twelve years later, the Second Circuit decided in Mobil Oil Corp. v. Pegasus Petroleum Corp.23 that potential customers might be initially confused into thinking that Pegasus was associated with Mobil Oil because of the latter’s famous trademark of a red flying horse. By 1997, courts were using the term “initial interest confusion” in decisions, but the 1999 opinion of the U.S. Court of Appeals for the Ninth Circuit in Brookfield Communications, Inc. v. West Coast Entertainment Corp.24 is generally credited with thrusting initial interest confusion into the limelight outside the Second Circuit. In that case, initial interest confusion was used to hold West Coast liable for using the term “moviebuff” in keyword and descriptive metatags for its website. Brookfield owned the trademark MOVIEBUFF. Although the parties were not direct competitors, the court found liability because diverted customers might decide to use West Coast’s free database to search for movie classics, instead of Brookfield’s subscription database.25 The court

21. McKenna, supra note 8, at 1905 n.282; see also Elec. Design & Sales, Inc. v. Elec. Data Sys. Corp., 954 F.2d 713, 716 (Fed. Cir. 1992) (“the inquiry generally will turn on whether actual or potential ‘purchasers’ are confused.”).
22. Rothman, supra note 2, at 114 (citing Grotrian, Helfferich, Schultz, Th. Steinweg Nachf. v. Steinway & Sons, 523 F.2d 1331, 1341-42 (2d Cir. 1975)).
23. 818 F.2d 254 (2d Cir. 1987).
24. 174 F.3d 1036 (9th Cir. 1999); see Rothman, supra note 2, at 117-21.
25. Brookfield Commc’ns, 174 F.3d at 1062.
found that West Coast had committed “misappropriation of Brookfield’s goodwill.”

Although initial interest confusion developed at the same time courts and commentators were describing the goals of trademark law as first providing reliable information to consumers and only second protecting trademark owners, it is clear that initial interest confusion goes back to early trademark protection against trade diversion. According to McKenna, initial interest confusion cases “hold essentially that only the mark owner may reference the mark to generate business.” However, the initial interest confusion doctrine expands trade diversion beyond situations where there is likely confusion as to source at the time of purchase, to cover situations where there is only likely confusion about source before, but not at the time of, purchase. Initial interest confusion condemns information-providing conduct that facilitates consumer choice and therefore stimulates competition.

The Brookfield court developed a flawed analogy to justify its decision. It suggested that Internet initial interest confusion was similar to a billboard along the freeway that advertises that those seeking a particular video rental store should use the next exit. The problem occurs because there is no such store at the next exit, only a competitor’s store. The competitor, through its billboard, misleads consumers to exit the freeway, hoping that most consumers will simply decide to shop at the available store rather than return to the freeway to continue searching for the desired store. This is a perfectly valid example of a situation where consumer deception should be condemned. It violates consumer sovereignty by causing deceived consumers to invest time and effort in taking the wrong exit, in the hope that some will not want to spend the resources to continue their search. Consumers might decide to spend a limited amount of time and effort shopping for a desired brand. After being misled into exiting the freeway, the prospect of an additional search essentially may coerce some

---

26. Id. at 1057.
27. See McKenna, supra note 8, at 1906-07; Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1239 (10th Cir. 2006) (two harms of initial interest confusion are “the original diversion of the prospective customer’s interest to a source that he or she erroneously believes is authorized” and “the potential consequent effect of that diversion on the customer’s ultimate decision whether to purchase”).
28. McKenna, supra note 8, at 1906.
30. Playboy Enters., Inc. v. Netscape Commc’ns Corp., 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) (“Even the main analogy given in Brookfield belies its conclusion”) [hereinafter PEI].
31. Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp., 174 F.3d 1062, 1064 (9th Cir. 1999).
consumers into abandoning their search for the original brand and settling for the brand that has misled them. This may be particularly true in such a specialized situation as video rentals, where the ultimate product is the same regardless of the store from which it is rented or purchased.

Not only is the analogy in *Brookfield* inapplicable to most Internet initial interest confusion cases, but the decision is at least arguably inconsistent with a recent U.S. Supreme Court decision that allows some level of confusion when descriptive trademarks are used descriptively but not as trademarks by competitors:

[I]t follows . . . that some possibility of consumer confusion must be compatible with fair use, and so it is. The common law’s tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first . . . . The Lanham Act adopts a similar leniency, there being no indication that the statute was meant to deprive commercial speakers of the ordinary utility of descriptive words. “If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase.”

Although the Supreme Court was not addressing initial interest confusion, its willingness to tolerate some confusion in the case of descriptive marks at least suggests that it might have allowed West Coast’s use of the descriptive term “movie buff.”

Since these early decisions involving trademark-triggered ads on search engine sites, courts also have addressed situations involving “sponsored results” on such sites. In addition, technology now allows installation of adware software (often called spyware because, it is alleged, consumers do not consent to having the software on their computers) by firms that sell the rights to have trademarked words trigger advertising based on the


consumer’s browsing patterns rather than his or her use of a search engine. The latter situation may be more confusing, because, for example, an ad for a weight loss product might appear while the consumer was visiting the Weight Watchers website.\footnote{Julie Claire Diop, *Popping Up Next: A Lawsuit—Weight Watchers Calls Unauthorized Diet Drug Ad Brazen*, www.newsday.com/business/ny-bzpop102959868oct10,0,7465171.story (last visited Oct. 11, 2002). Utah has passed an anti-spyware law, and other states are reportedly considering similar measures. See David McGuire, *States Speed Up Spyware Race, available at* www.washingtonpost.com/ac2/wp-wyn/A24746-2004May14?language=printer (last visited May 15, 2004).} Weight Watchers was able to settle a case involving this exact situation with an injunction against the practice.\footnote{Weight Watchers obtained a similar settlement with a firm that placed clickable links on Weight Watchers’ subscribers-only website. See Lisa Stansky, *A Brand Everyone Knows*, Nat’l L. J., Mar. 24, 2003, at A9.} As discussed below, had the ad immediately disclosed that it was not sponsored by Weight Watchers and was offering an alternative to Weight Watchers’ products, a strong fair use defense could have been offered. The Second Circuit has allowed this practice, holding that listing a trademark in a non-public triggering directory or causing competitor ads to appear over a website does not constitute trademark use.\footnote{1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400 (2d Cir.), cert. denied, 546 U.S. 1033 (2005); *see also* U-Haul Int’l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723 (E.D. Va. 2003); Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d 734 (E.D. Mich. 2003).} However, at least one U.S. district court has disagreed, finding that the plaintiff’s trademarks were used in commerce because the website address (containing the trademark) was listed in the triggering directory of the software.\footnote{See also Edina Realty, Inc. v. TheMLSonline.com, 2006 WL 737064 (D. Minn. Mar. 20, 2006).} Other cases are pending.\footnote{See Hertz Corp. v. Gator Corp., 250 F. Supp. 2d 421 (D.N.J. 2003); *In re* Gator Corp. Software Trademark & Copyright Litig., 259 F. Supp. 2d 1378 (J.P.M.L. 2003).}

**A. Limitations of Initial Interest Confusion**

Not all situations involving possible initial interest confusion involve coercive costs for consumers seeking to resume their original brand search. As noted in the introduction, most diverted Internet searches are quickly and easily returned to the original search results. Similarly, a court refused to condemn a gasoline retailer that offered two distinct and well-labeled brands of gasoline. The better-known brand sued, suggesting that its well-known trademark on the retailer’s sign would attract consumer attention but then the consumer might decide to buy the other brand. Once a consumer stopped at the station, it would be easy to select the set of pumps to receive either the initially desired brand or the less well-known brand (which was presumably priced...
Having two brands at the same service station allowed for quick and easy comparisons by consumers between the two.

U.S. trademark law has long recognized the legitimacy of using a rival’s trademark in comparison advertising. As long ago as 1910, Justice Holmes acknowledged the fair use of another’s trademark in comparative advertising:

They have a right to tell the public what they are doing and to get whatever share they can in the popularity of the [trademarked product] . . . by advertising that they are trying to make the same article and think that they succeed.40

Furthermore, comparative advertising is recognized as being consistent with consumer sovereignty: “Comparative advertising, when truthful and nondeceptive, is a source of important information to consumers and assists them in making rational purchase decisions.”41

In overturning a preliminary injunction of a comparative claim that would appear on product packaging, the U.S. Court of Appeals for the Seventh Circuit foreshadowed the U.S. Supreme Court’s acceptance of some level of consumer confusion:

[A] possibility of confusion cannot support an injunction. . . . If such a possibility created a trademark problem, then all comparative references would be forbidden and consumers as a whole would be worse off. . . . When deciding whether to grant or withhold equitable relief a court must give high regard to the interest of the general public, which is a great beneficiary from competition.42

The U.S. Court of Appeals for the Ninth Circuit has added that comparative advertising is permissible even if the advertiser reaps the benefit of “the product recognition engendered by the owner’s popularization, through expensive advertising, of the mark.”43 Today it is well recognized in the United States that trademarks as such may be used by rivals in comparative advertising.44

41. Triangle Publ’ns, Inc. v. Knight-Ridder Newspapers, Inc., 626 F.2d 1171, 1176 (5th Cir. 1980).
43. Anti-Monopoly Inc. v. General Mills Fun Group, 611 F.2d 296, 301 n.2 (9th Cir.1979).
44. The Trademark Dilution Revision Act of 2006 explicitly permits “[a]ny fair use . . . of a famous mark by another person other than as a designation of source for the person’s own goods or services, including use in connection with advertising or promotion that permits consumers to compare goods or services. . . .” 15 U.S.C. § 1125(c)(3)(A)(i). In fact, the FTC has encouraged the use of comparative advertising that identifies rival offerings by name because it can provide useful information to consumers as well as stimulate product
The Ninth Circuit has attempted to create a new category of fair use, called “nominative fair use,” that would appear to apply to situations such as comparative advertising. It held that the nominative fair use defense would be available to nominative users of another’s trademark if three conditions were satisfied:

First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.45

However, this formulation disagrees with common practice in comparative advertising, where the trademark not only is used but often is used in a distinctive logo that may be shown on the product package. In addition, the U.S. Court of Appeals for the Third Circuit has held that the test is not consistent with the U.S. Supreme Court’s classic descriptive fair use opinion in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*46 The Third Circuit panel proposed its own test, as explained below.47

This discussion suggests a second situation where possible initial interest confusion is permitted under trademark law: the non-trademark use by a competitor of descriptive terms that are possibly confusingly similar to a descriptive trademark. When consumers see or hear the descriptive terms, they may be likely to think initially of the descriptive trademark, particularly if it is well known. Despite this possible “initial confusion,” the U.S. Supreme Court has clarified that descriptive fair use allows for some confusion, such as when one tattoo ink uses the trademark improvements and competition generally. See 16 C.F.R § 14.15; Petty, *supra* note 18, at 113-27. *But see* Diane Martens Reed, *Use of “Like/Love” Slogans in Advertising: Is the Trademark Owner Protected?* 26 San Diego L. Rev. 101 (1989) (courts were split on whether this form of advertising should be permitted).

45. *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) (citation omitted); *see also* Playboy Enters., Inc. v. Welles, 279 F.3d 796 (9th Cir. 2002) (holding that the use of the terms “Playboy,” “Playmate” and “Playmate of the Year 1981” on the website masthead and banner ads and in the metatags of the website of a former Playmate of the Year were nominative fair uses because they served to identify the defendant and did not imply current sponsorship or endorsement); Cairns v. Franklin Mint Co., 292 F.3d 1139 (9th Cir. 2002) (holding that the sale of collectibles bearing the name and likeness of Princess Diana was nominative fair use).


47. Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211, 218 (3d Cir. 2005) (“Few other courts have spoken on the precise issue of how nominative fair use is successfully invoked. Indeed, it seems that only the Second, Fifth, and Sixth Circuits have referenced the nominative fair use defense by name and even on these occasions have done so only to refer to what district courts had done with the issue or to decline to adopt the Ninth Circuit’s test as a whole.”).
containing the words Micro Colors, and another describes its product as microcolor. The Supreme Court noted:

Since the burden of proving likelihood of confusion rests with the plaintiff, and the fair use defendant has no free-standing need to show confusion unlikely, it follows (contrary to the Court of Appeals’s view) that some possibility of consumer confusion must be compatible with fair use, and so it is.48

The Supreme Court went on to quote (with approval) the Second Circuit, “If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase.”49 Thus, any confusion, including arguably initial interest confusion, is not actionable in such cases.

A third set of generally older cases that appear to be an exception to initial interest confusion involves so-called collateral uses of a trademark by (authorized) dealers, product refurbishers, and repackagers. Courts generally have allowed the collateral user to identify the relevant brand without permission of the trademark owner, notwithstanding the possibility of confusion.50 Often this right is limited to use of a trademark word and not any distinctive logo, consistent with the Ninth Circuit’s nominative fair use test. In one such case that also involved a disclaimer that the repackager was not associated with the original brand, Justice Holmes stated:

When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo. If the name of Coty were allowed to be printed in different letters from the rest of the inscription dictated by the District Court a casual purchaser might look no further and might be deceived. But when it in no way stands out from the statements of facts that unquestionably the defendant has a right to communicate in some form, we see no reason why it should not be used collaterally, not to indicate the goods, but to say that the trade-marked product is a constituent in the article now offered as new and changed. As a general proposition there can be no doubt that the word might be so used.51

While the obvious possibility of some initial interest confusion was allowed with this practice, if the package went too far,

49. *Id.* at 122 (quoting Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co., 125 F.3d 28, 30 (2d Cir. 1997)).
50. See, e.g., Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350 (9th Cir. 1959) (independent service station that repaired Volkswagen cars).
trademark infringement or passing off would be found. For example, when the package of a board game repeatedly noted that it was invented by the same person who invented the game “Mastermind,” the court held that these repeated references were likely to confuse consumers as to the source of the product.52

As noted above, a recent Third Circuit decision deals directly with nominative fair use and initial interest confusion. Lending Tree operated a real estate referral site that made referrals to a large number of brokers and used well-known trademarks of several real estate brokerage franchisors. The franchisors obtained a preliminary injunction that the Third Circuit overturned. It held:

Once plaintiff has met its burden of proving that confusion is likely, the burden then shifts to defendant to show that its nominative use of plaintiff’s mark is nonetheless fair. To demonstrate fairness, the defendant must satisfy a three-pronged nominative fair use test, derived to a great extent from the one articulated by the Court of Appeals for the Ninth Circuit. Under our fairness test, a defendant must show: (1) that the use of plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service; (2) that the defendant uses only so much of the plaintiff’s mark as is necessary to describe plaintiff’s product; and (3) that the defendant’s conduct or language reflect[s] the true and accurate relationship between plaintiff and defendant’s products or services.53

Judge Fisher dissented, arguing that the U.S. Supreme Court had held in KP Permanent Make-Up that it was improper to shift the burden of proving no confusion to the defendant, and that Justice Holmes’s decision in the Prestonettes case also did not require the defendant to prove fair use and thus was consistent with the Court’s holding in KP Permanent Make-Up.54 Although it is clear that there is some disagreement on the details, these sorts of collateral uses represent another situation where initial interest confusion is arguably tolerated.55

Trademark law also accepts some amount of initial confusion in other situations, such as in copycat packages with distinctive prominent product names.56 Recently, the Third Circuit

---

54. Id. at 233-38.
55. See, e.g., New Kids on the Block v. News Am. Publ’g, Inc., 971 F.2d 302 (9th Cir. 1992); Playboy Enters., Inc. v. Welles, 279 F.3d 796 (9th Cir. 2002).
56. See, e.g., Yankee Candle Co. v. Bridgewater Candle Co., LLC, 259 F.3d 25 (1st Cir. 2001) (distinctive brand names prevent confusion over source of candles, despite similarities of candles, containers, in store displays and catalogs); Nora Beverages, Inc. v. Perrier Group of Am., Inc., 269 F.3d 114 (2d Cir. 2001) (use of identical bottles for bottled spring water not
emphasized that the distinctive trade names not only must be displayed on the similar packaging but also must be prominently displayed to avoid consumer confusion. At least one U.S. district court also has disallowed copycat packaging. It noted that a 1992 U.S. Supreme Court decision held that trade dress could be inherently distinctive and therefore protected under trademark law without a showing of secondary meaning in the minds of consumers. In that Supreme Court decision, the Court held the imitation of distinctive trade dress to be trademark infringement despite the non-confusing nature of the restaurant trade names. It also noted that the Lanham Act applies with equal force to trademark and trade dress infringement. Similarly, the makers of REGACILIUM laxative were enjoined from copying the METAMUCIL container but were allowed to indicate on the label that their product was the equivalent of METAMUCIL.

In the initial interest confusion context, one U.S. district court that considered initial interest confusion in a situation involving knockoffs of Cartier watches held there was insufficient evidence to tell whether initial interest confusion would likely have occurred. Similarly, in a recent decision, the U.S. Court of Appeals for the Sixth Circuit backed away from its earlier acceptance of initial interest confusion in an Internet case and refused to apply the doctrine in a case involving similarly shaped trade dress infringement when distinctive labels and brand names are used; Conopco, Inc. v. May Dep’t Stores Co., 46 F.3d 1556 (Fed. Cir. 1994), cert. denied, 514 U.S. 1078 (1995) (private label product with extremely similar trade dress not likely to confuse given prominent distinctive trade name); American Rolex Watch Corp. v. Ricoh Time Corp., 491 F.2d 877, 878 (2d Cir. 1974) (similar configuration and use of small “trident” symbol similar to plaintiff’s “crown” symbol not sufficient for trademark infringement given the prominence of defendant’s trade name). Even in situations where the second user admits to copying the trade dress of a well known brand, a distinctive trade name prevents confusion. See L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117 (Fed. Cir.), cert. denied, 510 U.S. 908 (1993); Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc., 973 F.2d 1033 (2d Cir. 1992).

59. Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 773 (1992). Wal-Mart Stores Inc. v. Samara Bros. (529 U.S. 205, 214-16 (2000)) augmented this holding somewhat by distinguishing packaging trade dress that could be inherently distinctive from product design trade dress where secondary meaning would have to be proven before the design would be protected as a trademark.
61. Cartier, Inc. v. Four Star Jewelry Creations, Inc., 348 F. Supp. 2d 217, 247 (S.D.N.Y. 2004) (“Although the presence of initial confusion by sophisticated consumers is suggested by plaintiffs, this court concludes that the evidence presented is inadequate to make a determination with regard to this factor. No evidence was introduced tending to show that initial or post-sale confusion exists because of, rather than in spite of, the sophistication of the luxury watch consumer and the court declines to speculate on the matter.”).
guitars. Since guitars are not packaged, this is analogous to similar packaging. The Sixth Circuit held:

Thus, many legitimately competing product shapes are likely to create some initial interest in the competing product due to the competing product’s resemblance to the better-known product when viewed from afar. In other words, application of the initial-interest-confusion doctrine to product shapes would allow trademark holders to protect not only the actual product shapes they have trademarked, but also a “penumbra” of more or less similar shapes that would not otherwise qualify for trademark protection.62

This decision suggests that shapes (and packages) should not be condemned under the initial interest confusion doctrine except under the most blatant and nearly identical copying situations.

The Sixth Circuit is not the only U.S. court of appeals to have begun to narrow the coverage of initial interest confusion over time.63 The Ninth Circuit in 2004 ordered Netscape to stand trial for initial interest confusion for its selling of PLAYBOY and similar proprietary trademarks to keyword advertisers, which would then offer banner ads with links to websites not related to Playboy Enterprises. However, the court was careful to state that it was addressing only situations where the source of the banner advertisement was not identified, noting that such identification “might eliminate the likelihood of initial interest confusion.”64 Clearly, the court wanted to distinguish the case before it involving ads that did not identify their source from the pro-competitive and non-confusing cases where it was clear that competitor ads were appearing.

Thus, it appears that initial interest confusion, to the extent it is recognized, also is recognized in some U.S. courts of appeals as having an exception or fair use defense that includes comparative advertising and other forms of collateral use or nominal fair use, as well as similar product packaging and shape, where the name brand dispels consumer confusion. Unfortunately, courts have not yet addressed the inconsistencies that stem from the recognition of both initial interest confusion and these exceptions.

62. Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP, 423 F.3d 539, 551 (6th Cir. 2005) (citation omitted) (“However, our decision that PACCAR had established a likelihood of success on the merits on the likelihood-of-confusion issue did not rest on initial-interest confusion. Instead, we focused primarily on three other Frisch factors that we judged to be particularly important in an Internet-domain-name case.”).

63. See McKenna, supra note 8, at 1907 n.290.

64. Playboy Enters., Inc. v. Netscape Commc’ns Corp., 354 F.3d 1020, 1030 n.44. The court also rejected a fair use defense, holding that fair use must not be confusing. Id. at 1029. As noted above, the Supreme Court later that year would reject such reasoning. KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 122.
B. Initial Interest Confusion and Information Disclosures

The use of a distinctive brand name but similar packaging to avoid initial interest confusion in the case of copycat products is a form of information disclosure. Yet the use of disclosures to avoid trademark infringement or to cure initial interest confusion has had a somewhat variable history. Traditionally, courts did not accept information disclosure or disclaimers as a trademark remedy. Justice Holmes, despite his support of nominal fair use of trademarks, did not support disclosures as a remedy for trademark infringement:

To call pills Beecham’s pills is to call them the plaintiff’s pills. The statement that the defendant makes them does not save the fraud. That is not what the public would notice or is intended to notice. . . .65

Gradually, possible exceptions developed for surnames, collateral use such as by a dealer or refurbisher, and sometimes with innocent infringement.66

Palladino argues that the use of disclaimers in trademark cases proliferated from 1978 through 1987, particularly in the Second Circuit, but slowed considerably from 1987 through 1992 as many courts required defendants to prove that a proposed disclaimer would prevent consumer confusion.67 Indeed, in 1983, the Second Circuit announced in Consumers Union v. General Signal Corp.68 that “[d]isclaimers are a favored way of alleviating consumer confusion as to source or sponsorship.” However, most commentators agree that disclaimers were never a favored way of alleviating consumer confusion in trademark cases.69

Jacoby and Morrin note that despite empirical evidence that disclaimers “do not have the impact intended, the federal courts often order trademark disclaimers as a remedy in infringement cases.”70 Furthermore, they suggest that disclaimers are not


67. See Palladino, supra note 66.


69. Palladino, supra note 66, at 210, 214 (“Disclaimers were ordered to take into account other interests such as the weakness of plaintiff’s mark, First Amendment concerns, plaintiff’s failure to bring suit in a timely fashion, and defendant’s right to use his own likeness or name.”). See generally Jacob Jacoby & Maureen Morrin, “Not Manufactured or Authorized by . . .” Recent Federal Cases Involving Trademark Disclaimers, 17 J. Pub. Pol’y & Marketing 97 (Spring 1998).

70. Jacoby & Morrin, supra note 69, at 104.
effective for curing cases of substantial confusion, and that the party proposing the disclaimer should have the burden of proving its effectiveness.\textsuperscript{71} Disclaimers may be ineffective simply because consumers do not pay attention to them.\textsuperscript{72}

The debate over the acceptability of disclaimers has continued in the initial interest confusion context. The Sixth Circuit, in \textit{PACCAR Inc. v. TeleScan Technologies, L.L.C.}, held that disclaimers were irrelevant in initial interest confusion cases. In that case, the defendant operated several websites that sold or linked to dealers who sold new or used trucks made by the plaintiff. Defendant’s websites used plaintiff’s trademarks in metatags, and some had domain names that included plaintiff’s trademarks, such as “peterbiltusedtrucks.com” and “kenworthusedtrucks.com.” Each of TeleScan’s websites contained a small-print disclaimer disclosing that the website “provides a listing service for name brand products and has no affiliation with any manufacturer whose branded products are listed herein.”\textsuperscript{73}

The Tenth Circuit also has held, incorrectly, that disclaimers are irrelevant because the damage done by initial interest confusion’s diverting consumers to the defendant’s website could not be undone once consumers reached the website.\textsuperscript{74} Other courts have reached similar conclusions.\textsuperscript{75}

\textsuperscript{71} \textit{Id.} at 105; \textit{see also} Palladino, \textit{supra} note 66, at 219.

\textsuperscript{72} Jacoby & Morrin, \textit{supra} note 69, at 104; \textit{cf.} Am. Chicle Co. v. Topps Chewing Gum, Inc., 208 F.2d 560, 562-63 (2d Cir. 1953) (noting that in trademark law, courts consider habits of buyers, including their tendency to quickly glance at package labels without carefully studying them).


\textsuperscript{74} Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1240 (10th Cir. 2006).

\textsuperscript{75} \textit{See, e.g.}, OBH, Inc. v. Spotlight Magazine, Inc., 86 F. Supp. 2d 176, 190 (W.D.N.Y. 2000) (reasoning that because a domain name is an external label that can cause initial confusion for consumers who must expend “time and energy accessing defendant’s web site,” the disclaimer is insufficient to dispel the initial confusion); Caterpillar, Inc. v. Telescan Techs., L.L.C., No. 00-1111, 2002 U.S. Dist. LEXIS 3477, at *10-11 (C.D. Ill. Feb. 13, 2002) (holding that disclaimers are “ineffective” in general and fail to “cure” initial interest confusion because they appear “too late”); Planned Parenthood Fed’n of Am., Inc. v. Buccy, 42 U.S.P.Q.2d (BNA) 1430, 1441 (S.D.N.Y. 1997) (holding that the likelihood of initial interest confusion cannot be dispelled by a disclaimer).
III. THE FTC'S APPROACH TO PROTECTION OF CONSUMER SOVEREIGNTY

Early FTC case law shared the concern of early trademark law of diverting trade from legitimate competitors. However, it is now well recognized that the purpose of the FTC Act, like the other antitrust laws, is to protect competition, not competitors, because competition benefits consumers. The FTC will find deception "if there is a representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer's detriment." This section first examines the FTC's approach to initial deception and then addresses its reliance on information disclosure.

A. Initial Deception

The FTC's Deception Statement makes it clear that the Commission has condemned situations in which a sales agent misrepresented the purpose of an initial contact, such as conducting a survey. The FTC also has condemned sales people's gaining access to consumer's homes and their attention by representing that the consumers were specially selected for a unique benefit not generally available to other consumers, or that they were selected to receive free goods.

Consumer detriment occurs in such cases, because once sales people enter a consumer's home, it is typically difficult to persuade them to leave, absent a purchase. These FTC cases are consistent with the Brookfield analogy of consumers' departing from the freeway only to learn they have been deceived as to the identity of the video retailer. It is costly for the consumer to return to the freeway to continue driving, and the consumer knows that the
same video is likely available at the current location. In the case of sales agents, it is difficult (costly) to persuade them to leave without making a purchase, and some consumers might even prefer to make a purchase rather than to appear rude. For this reason, an FTC rule requires sales agents to identify themselves as such and offer a three-day right of cancellation (“cooling-off period”) on any order placed outside their company’s normal place of business.81

FTC policy also may be consistent with an oil buyer who accepts a telephone call from Pegasus Petroleum, momentarily thinking of Mobil, but then quickly realizes during the phone call that Pegasus is a completely different company. The buyer could simply hang up, suggesting little detriment, but he or she might continue the conversation, perhaps even purchasing some oil, in order to avoid appearing to have been confused about the identity of the company. The FTC’s Telemarketing Sales Rule similarly declares that it is an abusive act or practice to fail to disclose, promptly, clearly, and truthfully, the identity of the company that is sponsoring the call and that the call’s purpose is the sale of goods or services.82 This minimizes potential initial confusion or deception about the purpose of the telephone call. Arguably, the FTC could have challenged the deceptive name of Pegasus Petroleum if reasonable consumers were likely to have believed it was related to Mobil Oil.83

In contrast to situations involving sales agents, either in person or over the telephone, consider initial deception in direct mail advertising, such as an envelope that proclaims, “Important Information about Your Account.” Such solicitations typically offer “checks” that can be used in connection with a consumer’s credit card account.84 While most consumers probably would not believe that such “checks” were important account information, the FTC has yet to challenge this practice as deceptive, probably because consumer injury is slight. Consumers who are initially deceived soon realize the deception and may easily dispose of the offering.85 Indeed, the U.S. Supreme Court has noted that:

82. 16 C.F.R. § 310.4 (2007). However, the rule does not require a period of cancellation apparently in recognition that it is easier to hang up on a telemarketer than it is to persuade a live sales agent to leave the home without a sale.
83. Although the Telemarketing Sales Rule arguably applies to both business and consumer purchases (16 C.F.R. § 310.2 (2007)), the FTC is most likely to pursue cases involving consumers rather than businesses.
84. Marketers encourage the use of these “checks” because they are treated as cash advances and accrue interest charges immediately in contrast to credit card charges that only accrue interest charges after the first billing period.
85. However, when considered in gross, one might argue that the total amount of injury across all consumers is significant. Many consumers bear disposable costs for paper
direct-mail solicitation generally . . . “poses much less risk of overreaching or undue influence” than does in-person solicitation. Neither mode of written communication [print advertising and direct mail] involves “the coercive force of the personal presence of a trained advocate” or the “pressure on the potential client for an immediate yes-or-no answer to the offer of representation.” Unlike the potential client with a badgering advocate breathing down his neck, the recipient of a letter and the “reader of an advertisement . . . can ‘effectively avoid further bombardment of [his] sensibilities simply by averting [his] eyes.’” A letter, like a printed advertisement (but unlike a lawyer), can readily be put in a drawer to be considered later, ignored, or discarded.86

While sales agents and direct mail are familiar situations, as already noted, courts have struggled with various allegations of initial interest confusion in the context of the Internet. The FTC’s approach has been straightforward. The Deception Statement notes that “when consumers can easily evaluate the product or service . . . the Commission will examine the practice closely before issuing a complaint based on deception.”87 In the case of email, the Can Spam Act facilitates quick evaluation and deletion by prohibiting deceptive “from” and “subject” lines.88 The use of another’s trademark in an email subject line falsely suggesting the source of the email, a practice known as “spoofing,” would appear to be readily challengeable as trademark infringement, although no cases have gone to trial.89 Consumers may even be led to a deceptive website from the “spoofing” email, so consumers cannot tell the email is not from its represented source. Thus, consumers cannot easily evaluate “spoofing” email and return to their prior business.


87. Deception Statement, 103 F.T.C. at 181. The Commission expects that practices that initially mislead consumers may not be used because the seller might lose the benefit of repeat purchasers once the consumer does discover the initial mistake. The FTC does not create a blanket “no challenge” rule in such circumstances, but rather suggests it will “examine the practice closely before proceeding.” Id. Of course, some Internet sellers, like traditional “fly by night” sellers, may have little interest in repeat sales, preferring initial sales fueled by deception coupled with disappearance of the product source before law enforcement actions can occur. Such sellers often reappear some time later using similar tactics to sell different goods using different brand and company names.


An interesting, but as yet unanswered, question is how far the FTC would go in interpreting allegedly deceptive “from” and “subject” lines. Would an ambiguous subject line such as “Interested in Kodak film?” be found deceptive if the email were offering another brand of film, asserted to be of equal quality to Kodak’s, at a lower price? Arguably, such a subject line is akin to initial interest confusion and the practices of comparative advertising and copycat packaging with a distinctive name, and should be allowed by the FTC if it is easy for consumers to quickly evaluate the email and decide whether to delete it or learn more about the lower-priced film. On the other hand, in the context of spam, where consumers receive so many unsolicited messages, a reasonable argument could be made that while the cost to individual consumers of a vague subject line is small, the aggregate cost to all consumers is sufficiently high to justify prohibition of even ambiguously deceptive statements.

In the case of pop-up ads, the FTC does not take action unless the ads are clearly misleading or abusive in terms of setting high consumer costs for avoidance. Perhaps the most bizarre example of this type of practice was the use of Windows Messenger Service capabilities to send advertising messages offering software that would block the very messages being received. These messages were directed to block the user’s work and were received as often as every ten minutes, according to the FTC. They could be sent as long as the user’s computer was connected to the Internet, even if the user was not using the Internet. The FTC filed a complaint against this practice in a U.S. district court and obtained a temporary restraining order.90

In the case of Internet search results, the FTC urged search engine companies to clearly distinguish objective search results from the notices, purchased by firms, that appear when certain terms, possibly including trademarks, are the subject of the search.91 This would provide consumers with the opportunity to choose among both objective results and advertisements sponsored by firms that feel their product is relevant to the search. Making this distinction also encouraged search engine companies to improve the quality of their objective search results, such as by


addressing the use of multiple metatags, while still earning
revenue from sponsored search results.92

The FTC’s approach to initial deception is to preserve
consumer sovereignty by preserving consumers’ ability to obtain
information and to choose among options. The Commission has
condemned practices similar to those challenged as initial interest
confusion, but only when their deception continues at the point of
purchase or when the practices are costly for consumers to avoid.93

Bait and switch practices are a good example of situations
where the exercise of consumer sovereignty is deliberately made
costly for consumers. The FTC Guide Against Bait Advertising
notes, “Even though the true facts are subsequently made known
to the buyer, the law is violated if the first contact or interview is
secured by deception.”94 While this language suggests that any
initial deception might be actionable, the bulk of the Guide
discusses factors that make it costly for consumers to avoid
purchasing the “switch” product. These include refusing to sell or
take a future order for the “bait” product; not having sufficient
quantities of the “bait” product for anticipated demand;
disparaging the “bait” product through words or false
demonstration in favor of the switch product; taking a deposit on
the “bait” product but then switching the consumer to the “switch”
product; and failing to make delivery of the “bait” product or issue
a refund for it within a reasonable period of time.95

B. Information Disclosure

As noted in the introduction, consistent with the preservation
and enhancement of consumer sovereignty, the FTC relies heavily
on information disclosure. Providing clear and conspicuous
disclosure of information material to the purchasing decision
allows consumers to better choose among alternatives.96 With
accurate information, consumers can proactively protect

92. Perhaps it is surprising that courts considering the trademark implications of
metatags appear to forget that the second justification of trademarks is to provide an
incentive for the brand owner to invest in quality. This justification suggests that branded
search engines would invest in ways to avoid having search results overly influenced by
specious metatags, particularly those containing another company’s trademark.

93. The FTC’s Unfairness Policy Statement focuses directly on consumer avoidance
costs by condemning acts or practices that cause substantial injury that consumers
behaving reasonably cannot avoid when the practices offer no countervailing consumer
benefits. FTC Policy Statement on Unfairness, appended to In re International Harvester

94. 16 C.F.R. § 238.2(b) (2007).

95. Id. § 238.0 et seq.

96. The FTC publication Dot Com Disclosures provides an excellent overview of FTC
disclosure rules and requirements and their application to the Internet. It is available at
themselves against deception.\textsuperscript{97} For example, the Guide Against Bait Advertising condemns the failure to advertise that quantities of the advertised ("bait") product are limited or that the product is available only at a few locations.\textsuperscript{98} The FTC has sought to encourage or to order information disclosures in cases where the market incentives to provide such information were inadequate (\textit{e.g.}, performance measures of gasoline (octane ratings), home insulation (R-value) and home appliance energy use) or in cases where advertising would be misleading without the disclosure of pertinent information.\textsuperscript{99}

That is not to say the FTC views information disclosure as a cure-all. It well recognizes that skilled marketers can still mislead consumers while providing some level of information disclosure:

Depending on the circumstances, accurate information in the text may not remedy a false headline because reasonable consumers may glance only at the headline. Written disclosures or fine print may be insufficient to correct a misleading representation. Other practices of the company may direct consumers’ attention away from the qualifying disclosures. Oral statements, label disclosures or point-of-sale material will not necessarily correct a deceptive representation or omission.\textsuperscript{100}

Despite this skepticism, the Deception Statement notes:

Disclosures that conform to the Commission’s Statement of Enforcement Policy regarding clear and conspicuous disclosures . . . are generally adequate. Less elaborate disclosures may also suffice.\textsuperscript{101}

The FTC’s authority to order information disclosures has been developed over the past 40 years. In \textit{Alberty v. FTC}, iron tablets advertised as effective in relieving tiredness were found to be deceptive by the FTC because the product could benefit only the small percentage of persons suffering from lassitude arising solely from an iron deficiency. In addition to ordering the respondent to cease and desist from advertising that its product would have any therapeutic effect in cases other than simple iron deficiency anemia, the Commission ordered that any future advertising

\begin{flushleft}
\textsuperscript{97} Pitofsky, \textit{supra} note 15, at 674-75.
\textsuperscript{98} 16 C.F.R. § 238.3(c) (2007).
\textsuperscript{99} Pitofsky, \textit{supra} note 15, at 685.
\textsuperscript{100} 103 F.T.C. at 180 (citation omitted). For example, in \textit{In re Giant Food}, the Commission agreed with the examiner that the fine-print disclaimer was inadequate to correct a deceptive impression. The Commission quoted from the examiner’s finding that “very few if any of the persons who would read Giant’s advertisements would take the trouble to, or did, read the fine print disclaimer.” 61 F.T.C. 326, 348 (1962).
\textsuperscript{101} 103 F.T.C. at 181 (citation omitted).
\end{flushleft}
claiming that the tablets would alleviate lassitude had to include clear disclosures “that the condition of lassitude is caused less frequently by simple iron deficiency anemia than by other causes and that in such cases this preparation will not be effective in relieving or correcting it.”\(^{102}\) Despite a strong dissent by Judge Bazelon, the U.S. Court of Appeals for the District of Columbia Circuit modified the order by deleting the disclosure requirement.\(^{103}\)

Subsequent cases have read \textit{Alberty} as turning only upon the absence of an explicit finding by the Commission that failure to make the disclosure would “materially mislead” the public. Ten years later, in a similar case, a similar disclosure requirement was upheld. In \textit{Keele Hair & Scalp Specialists, Inc. v. FTC},\(^{104}\) a baldness remedy was advertised as being generally effective. The Commission found that 95 percent of all baldness in males was of the “pattern baldness” type, for which the product was ineffective. Disclosure of this fact was ordered. Affirming, the U.S. Court of Appeals for the Fifth Circuit held that nothing in \textit{Alberty} prevented enforcement of an order requiring affirmative disclosure, provided proper findings were made by the Commission.\(^{105}\) Later courts invariably followed the \textit{Keele} result.\(^{106}\)

The pinnacle of judicial approval for FTC information disclosure authority occurred when the District of Columbia Circuit affirmed its order that Listerine make corrective disclosures in its advertising for LISTERINE mouthwash to cure lingering effects from its long-lasting advertising campaign that LISTERINE killed germs that caused colds and sore throats.\(^{107}\)

Just as trademark commentators have criticized trademark disclaimers, FTC corrective disclosures, including the LISTERINE disclosure, have been criticized for being ineffective. Three leading marketing professors concluded, “Corrective advertising has ‘worked,’ but not nearly well enough to even approach correcting

\(^{103}\) Id. at 39, 40-45.
\(^{104}\) 275 F.2d 18 (5th Cir. 1960).
\(^{105}\) Id. at 23 (“Cease and desist orders compelling affirmative disclosure are enforced by the courts when they are necessary to prevent deception.”); \textit{see also} Feil v. FTC, 285 F.2d 879, 900-01 (9th Cir. 1960) (footnote omitted) (“Some of the general expressions [of the \textit{Alberty} court] . . . are contrary to the views just expressed and to the letter and the spirit of the decisions analyzed. And being general in nature are not binding in this litigation. We need not and do not choose to follow them.”). \textit{Accord} Ward Labs., Inc. v. FTC, 276 F.2d 952, 955 (2d Cir.), cert. denied, 364 U.S. 827 (1960).
\(^{106}\) \textit{E.g.,} J.B. Williams Co. v. FTC, 381 F.2d 884 (6th Cir. 1967) (facts essentially identical to those in \textit{Alberty}); Ward Labs., Inc. v. FTC, 276 F.2d 952 (2d Cir.), cert. denied, 364 U.S. 827 (1960) (facts essentially identical to those in \textit{Keele}).
the misimpression levels in the marketplace.” Other forms of information disclosure by the FTC also have been criticized for not effectively informing consumers or preventing deception. However, contrary to the courts in the Lanham Act cases, the FTC has not stopped the use of disclosures, but rather has continued to rely upon them.

Most recently, the District of Columbia Circuit affirmed the FTC’s corrective advertising order for DOAN’S PILLS. They had been advertised as more effective than other analgesics for back pain for eight years without substantiation to support the superiority claim. However, despite the fact that Novartis’s advertising budget for DOAN’S PILLS consisted of about 85 percent 15-second television ads, the Commission exempted such ads from requiring the corrective disclosure. This left the package disclosure as the primary corrective notice, and Novartis’s own research showed that notice was ineffective because of the clutter on the package. Consistent with past criticism on the ineffectiveness of corrective advertising orders, the FTC’s own expert criticized the Novartis requirement as “weak” and “particularly flawed.”

IV. DISCUSSION

The difference in approaches between the FTC and the courts in trademark cases is explained by the FTC’s concern with consumer sovereignty versus courts’ concerns with perceived “rights” of trademark owners. For example, in the Grotrian-Steinweg situation that gave rise to the initial interest confusion doctrine, had the FTC been considering the situation as a consumer protection action, it would have pondered whether the advertising that the GROTRIAN-STEINWEG product sometimes used to proclaim itself as the world-famous original German STEINWAY would have misled reasonable consumers into thinking there was a false or misleading association between the German firm and the well-known American brand.


110. Novartis Corp. v. FTC, 223 F.3d 783 (D.C. Cir. 2000).


112. Id. at 120, 122.

113. Grotrian, Helfferich, Schultz, Th. Steinweg Nachf. v. Steinway & Sons, 523 F.2d 1331, 1342 (2d Cir. 1975) (the court recognized that “in a trademark infringement action the
Court of Appeals for the Second Circuit found that despite a high level of consumer care, the harm would be “the likelihood that potential piano purchasers will think that there is some connection between the Grotrian-Steinweg and Steinway pianos.” This type of confusion would justify traditional trademark infringement, as well as an FTC finding of likely consumer deception.

However, if the historical connection that Grotrian-Steinweg attempted to explain in some of its ads was clearly disclosed, the FTC likely would have allowed the continued use of the trade name and would have required the disclosure in close proximity to the name. Rothman notes that the German-language version of the Grotrian-Steinweg website discloses this history but the English-language version does not, presumably because of the court order in the trademark decision. In the case of a product called ASPERCREME, which advertised that it put the strength of two tablets of aspirin directly at the source of pain, even though the product did not contain aspirin, the FTC did not prohibit use of the trade name, but rather required disclosure of the fact that the product did not contain aspirin in order to cure any possible deception.

In a previous case, the FTC did attempt to prohibit the use of the phrase “Instant Tax Refund,” because it felt it was a deceptive description for a loan based on an anticipated tax refund. However, the U.S. Court of Appeals for the Third Circuit held that that aspect of the order was too broad and contravened the First Amendment, and it remanded the case to the FTC with instructions to consider a clarifying information disclosure instead of the prohibition.

For the FTC, the only remaining issue after allowing disclosure of the history of the two companies is whether Grotrian-
Steinweg uses its somewhat similar trade name to lure prospective customers into its store, where they are subject to high-pressure sales techniques. Offering apparently genuine STEINWAY pianos, and then switching customers to pianos made by a company currently completely unaffiliated with Steinway, would likely satisfy the FTC definition of bait and switch. However, in the absence of high-pressure sales techniques, a reasonable consumer shopping for pianos may well expect to visit several stores in order to play and listen to various brands of pianos, so that the visit to the store handling GROTRIAN-STEINWEG pianos might not be an inordinate consumer cost for this product and this type of shopping. In this case, respect for consumer sovereignty should anticipate visits to multiple stores for shopping. Yet, the Second Circuit condemned this situation as initial interest confusion, even though a reasonable argument could be made that if the disclosure were clear, the FTC would have allowed these practices to continue.

This example illustrates important differences between the FTC consumer protection actions and courts’ decisions in trademark initial interest confusion cases. First, courts are quick to recognize the First Amendment limitations on government action by the FTC, discouraging the FTC from enjoining deceptive trademarks if information disclosure will resolve the deception. The courts have shown remarkably little interest in the First Amendment ramifications of their own injunctions of use of trademarked words, particularly in the initial interest confusion context where the initial confusion is clarified before purchase so that there is no deception to justify the speech restriction. Courts in initial interest confusion cases seem to ignore the U.S. Supreme Court’s admonition in Virginia Board of Pharmacy:

There is, of course, an alternative to this highly paternalistic approach [of banning truthful advertising]. That alternative is to assume that this information is not in itself harmful, that people will perceive their own best interests if only they are well enough informed, and that the best means to that end is to open the channels of communication rather than to close them. . . . [T]he choice among these alternative approaches is

---

119. 16 C.F.R. § 238.0 (2007) (“Bait advertising is an alluring but insincere offer to sell a product or service which the advertiser in truth does not intend or want to sell. Its purpose is to switch consumers from buying the advertised merchandise, in order to sell something else, usually at a higher price or on a basis more advantageous to the advertiser. The primary aim of a bait advertisement is to obtain leads as to persons interested in buying merchandise of the type so advertised.”). Some courts have suggested that bait and switch tactics could be condemned under the initial interest confusion doctrine. See Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 382 (7th Cir. 1996).

120. See Rothman, supra note 2, at 150-59.
not ours to make [or the legislature’s]. It is precisely this kind of choice, between the dangers of suppressing information, and the dangers of its misuse if it is freely available, that the First Amendment makes for us.121

More simply, the Supreme Court has stated that the government cannot suppress truthful information simply out of “fear that people would make bad decisions.”122 In the case of initial interest confusion, the “bad” decision appears to be considering information about a product or service alternative that is identified by referring to another brand’s trademark in a way that might cause some initial confusion, but any such confusion is corrected before purchase.

The second major difference illustrated by this example between FTC and initial interest confusion policy is the importance of an underlying model of how competition occurs and should occur in the market. In its policy, perhaps because of its antitrust mission and authority, the FTC has developed a strong interest in preserving competitive alternatives for consumers and encouraging the provision of information to consumers. While trademark decisions talk about benefiting consumers and fostering competition,123 initial interest confusion decisions in particular often appear to restrict competition by restricting information that is available to consumers on the pretext of protecting them from confusion when, in fact, by definition they will not be misled into making a “wrong” purchase because consumer confusion is corrected before purchase. Limiting the ability of competitors to provide truthful information about their product necessarily limits the effectiveness of competition. While limiting competition would certainly be deemed desirable by brand owners with well-established trademarks, trademark law’s traditional hostility toward trademark monopolies suggests that courts should be concerned more with providing information and alternatives to consumers than with protecting brands that consumers already know and enjoy from the rigors of competitive alternatives.124

Ultimately, courts may decide they want to rebuff the modern trend of viewing the provision of accurate consumer information as the first goal of trademark law, in favor of preventing competitive diversion. If so, they still need to recognize that all competitive efforts seek to divert sales from competitors, and they will need to

124. For a discussion of trademark law’s hostility toward monopolies, see Glynn S. Lunney, Jr., Trademark Monopolies, 48 Emory L.J. 367 (1999).
develop a method of distinguishing legitimate from illegitimate competition. As noted above, McKenna suggests that it was the likely confusion or deception of consumers at the time of purchase that traditionally played this role for passing off and trademark law.\textsuperscript{125} The FTC makes a similar point in the last footnote of its Deception Statement:

The prohibitions of Section 5 are intended to prevent injury to competitors as well as to consumers. The Commission regards injury to competitors as identical to injury to consumers. Advertising and legitimate marketing techniques are intended to “lure” competitors by directing business to the advertiser. In fact, vigorous competitive advertising can actually benefit consumers by lowering prices, encouraging product innovation, and increasing the specificity and amount of information available to consumers. Deceptive practices injure both competitors and consumers because consumers who preferred the competitor's product are wrongly diverted.\textsuperscript{126}

FTC policy suggests that in situations where initial deception is fleeting and readily corrected before possible purchase, consumers are benefited by the information more than they are harmed by the fleeting deception. It is only in situations like bait and switch, where the initial deception is not easily corrected, that the FTC would take action. If courts wish to attribute a consumer information or protection purpose to trademark law, it makes sense to follow a similar analysis and to condemn initial interest confusion only in situations where the consumer cannot easily recover from the initial confusion.

The practices of initial interest confusion generally provide material information to consumers on the availability of a competing product. However, correcting any initial confusion often involves some additional information disclosure. This is true for initial interest confusion as well as for similar situations such as comparative advertising, use of descriptive words in advertising, collateral trademark use and copycat packaging. It is the advertising itself in the case of comparisons and descriptive word use that clarifies that the ad is promoting a brand that competes with the brand whose trademarks are being used. It is usually a separate disclosure of collateral use that clarifies that the advertiser is not endorsed by the brand identified by the trademark. It is the distinctive brand that clarifies that a familiar product shape or package actually does not belong to the well-known rival brand.

\textsuperscript{125} McKenna, \textit{supra} note 18, at 1906-07.

\textsuperscript{126} Deception Statement, 103 F.T.C. at 183 n.58.
The fact that information disclosures are consistently criticized in both the trademark and the consumer protection literature for ineffectiveness in communication, but are still consistently used in consumer protection, presents another point of consideration for trademark law. Perhaps courts should consider not only the degree to which confusion or deception is not cured by a disclosure in context, but also the degree to which some consumers do understand the disclosure when it is pointed out to them.\footnote{See, e.g., Richard Craswell, “Compared to What?” The Use of Control Tests in Deceptive Advertising Litigation, 65 Antitrust L.J. 757 (1997).} Perhaps courts should be more concerned with changed purchase intentions caused by the alleged initial interest confusion without any disclosure compared to the same practice including the information disclosure.\footnote{Cf. Janis K. Pallardo, The Role of Consumer Research in Evaluating Deception: An Economist’s Perspective, 65 Antitrust L.J. 793 (1997); Seymour Sudman, When Experts Disagree: Comments on the Articles by Jacoby and Szybillo and Stewart, 14 J. Pub. Pol’y & Marketing 29 (1995).} Perhaps the best solution is simply to recognize, as the FTC appears to have done, that information can be provided but that it is impossible to force consumers to pay attention to it. The provision of information should therefore be perceived not as a correction but as more of a right, consistent with U.S. President Kennedy’s pronouncement that the consumer is entitled “to be given the facts needed to make an informed choice.”\footnote{Jacoby & Morrin, supra note 69, at 98 (citing James F. Engel, Roger D. Blackwell & Paul Miniard, Consumer Behavior 7 (4th ed. 1982)).} Like the FTC, courts should do all they can to ensure that information is disclosed in a clear and conspicuous manner, but the courts must ultimately recognize that consumer sovereignty leaves consumers free to decide whether to pay attention to the information and allow it to change their product beliefs.\footnote{See generally Stewart & Martin, supra note 109.}

V. CONCLUSION

Despite pronouncements by the U.S. Supreme Court and other courts that trademark law benefits consumers by providing them with reliable information, courts that have adopted the initial interest confusion doctrine have contradicted both this goal of trademark law and the fundamental concept of consumer sovereignty that underlies a free market economy. Furthermore, the concept of initial interest confusion is applied inconsistently to condemn certain practices, while similar initially confusing practices have long been held legal under trademark law. This article suggests that FTC consumer protection practice can offer
useful lessons to bring trademark law more in line with the fundamental concept of consumer sovereignty and to make it more internally consistent. Initial interest confusion should be condemned only when it is costly for consumers to recover from their initial confusion about a product source. Most Internet initial interest confusion situations are easy for consumers to correct and should not be condemned. However, sometimes marketers make it difficult for consumers to leave a website or store, and the use of initial interest confusion to “trap” consumers is an appropriate target of legal concern.

Furthermore, given normal consumer shopping behavior, and consumers’ limited ability to pay attention to and absorb all the commercial information to which they are exposed, courts should not set unrealistic expectations for information disclosures. Rather they should strive to make sure any disclosures that are made or that they may wish to require are made clearly and conspicuously. This provides the important information to consumers should they wish to process it. Should they choose not to process it, they may indeed purchase a product they would not have purchased had they processed the additional information. However, in most such cases, consumers elect not to seek additional information because the product is low in price and frequently purchased, so that any injury to them from the single purchase is minimal. As they will likely return to their earlier set of acceptable brands for future purchases if the new brand proves unacceptable, there is little long-term injury to brands that are the subject of practices that allegedly cause initial interest confusion. For this reason, initial interest confusion should not be a concern of trademark law except when such practices “trap” consumers into making a purchase that they cannot easily avoid once they learn the truth about the source of the offered product.