

# TRUTH AND ADVERTISING: THE LANHAM ACT AND COMMERCIAL SPEECH DOCTRINE

*Rebecca Tushnet*

Commercial speech, defined roughly as speech that proposes a marketplace transaction, has been easier for the government to regulate than noncommercial speech throughout the development of the modern First Amendment. The commercial/noncommercial divide has long been controversial, and several current Supreme Court Justices have suggested their willingness to abandon the distinction, given the importance of commercial speech to modern social, economic and political life.<sup>1</sup> Distinguishing between commercial and noncommercial speech creates definitional problems.<sup>2</sup> Yet the alternative of treating all falsifiable claims alike might be far less palatable, especially when we consider the range of commercial speech that is currently regulated to protect consumers against false or misleading claims.<sup>3</sup>

In particular, the Lanham Act and its state counterparts in trademark and unfair competition law could be profoundly affected if courts were to equate commercial speech with political speech. The difficulties could be resolved either by invalidating a large amount of modern trademark and advertising law or by recalibrating First Amendment standards in some core areas. But even if the Supreme Court preserves the commercial/noncommercial distinction, we need a better account of how to deal with

---

<sup>1</sup> See, e.g., 44 *Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 501, 510-14 (1996) (joint opinion of Stevens, Kennedy and Ginsburg, JJ.); *id.* at 517 (Scalia, J., concurring in part and concurring in the judgment); *id.* at 518 (Thomas, J., concurring in part and concurring in the judgment).

<sup>2</sup> Even for those who accept that commercial speech deserves less First Amendment protection than political speech, line-drawing can be problematic: What is an ad for an abortion clinic? What is an ad for McDonnell-Douglas praising the company's contribution to our nation's defense?

<sup>3</sup> See generally, Frederick Schauer, *Commercial Speech and the Architecture of the First Amendment*, 56 U. CIN. L. REV. 1181 (1988).

informational speech that helps some people but deceives others. As it stands, there are significant mismatches between the approaches of free speech law and unfair competition law.

In the past, courts have denied First Amendment protections to advertisers in trademark and false advertising cases, reasoning that trademark and false advertising law pose no constitutional problems because they only regulate false and misleading commercial speech, which the Supreme Court has said can simply be banned.<sup>4</sup> The expansion of trademark law to include protection against dilution, which operates even when consumers are not confused or deceived, puts obvious pressure on this reasoning. First Amendment concerns have also arisen in trademark infringement claims against classic expressive media such as movies, which are not commercial speech for First Amendment purposes even when they are disseminated for profit. Most First Amendment analysis of the Lanham Act focuses on attempts – both successful and not – to extend trademark law beyond protecting against confusion in sales of ordinary goods and services.<sup>5</sup>

This chapter goes further, exploring concepts in First Amendment law that, if applied to the Lanham Act, would cast doubt on several of its significant elements. The lines between confusing and informative and between true and false are difficult to draw, in ways that in other contexts – particularly libel doctrine – have led courts to impose increasing burdens on those entities, whether private or governmental, who would

---

<sup>4</sup> See *Central Hudson Gas & Electric Corp. v. Public Service Comm'n*, 447 U.S. 557 (1980).

<sup>5</sup> See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1687-88, 1693-97, 1710-15 (1999). For an interesting exception, see Lisa P. Ramsey, *Descriptive Trademarks and the First Amendment*, 70 TENN. L. REV. 1095 (2003) (arguing that current protections for descriptive marks with secondary meaning conflict with First Amendment rights).

penalize defendants for speech that is deemed harmful because it is deemed false. I will discuss the First Amendment implications of distinguishing truth from falsity in commercial speech, applied to trademark infringement and to other types of false advertising.

In addition, on a somewhat different note, I will consider an increasingly popular theory that justifies trademark dilution law as a benefit to consumers, not just to producers, because it decreases search costs just as trademark infringement law does. One important corollary is that dilution law serves a substantial government interest and thus does not violate the First Amendment even though it bans truthful, nonmisleading commercial speech. Largely because the new search costs theory of dilution cannot distinguish between commercial and noncommercial speech, however, I conclude that it is ultimately unpersuasive in answering First Amendment objections to dilution law.

## I. FALSE ADVERTISING

### A. *Background: Supreme Court Discussions of Truth versus Falsity*<sup>6</sup>

In *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council, Inc.*,<sup>7</sup> the Supreme Court held that the First Amendment offers some protection to commercial speech because such speech has value to people trying to make decisions about how to live, including political decisions.<sup>8</sup> The Court later elaborated on the standard for

---

<sup>6</sup> Sections A & B are adapted from Rebecca Tushnet, *Trademark Law as Commercial Speech Regulation*, 58 S. CAR. L. REV. 737 (2007).

<sup>7</sup> 425 U.S. 748 (1976).

<sup>8</sup> *See id.* at 763 (“As to the particular consumer's interest in the free flow of commercial information, that interest may be as keen, if not keener by far, than his interest in the day's most urgent political debate.”). Increasingly, the Court has justified protection for commercial speech with reference to the speaker's interests, but I will focus here on the value of the speech to the recipient. Recipient-focused theories allow more regulation of speech than speaker-focused theories, given that they do not consider the commercial speaker to have a distinct autonomy interest in speaking about its products. *See, e.g.*, Robert Post,

permissible regulation of commercial speech. The resulting *Central Hudson* test has four parts: (1) truthful, nonmisleading speech may be regulated when (2) the regulation serves a substantial government interest, (3) the regulation directly advances that government interest, and (4) the regulation is no more extensive than necessary. The government bears the burden of proof,<sup>9</sup> which cannot be satisfied “by mere speculation or conjecture; rather, a governmental body seeking to sustain a restriction on commercial speech must demonstrate that the harms it recites are real and that its restriction will in fact alleviate them to a material degree.”<sup>10</sup>

One very odd thing about the *Central Hudson* test is that a regulation will be sustained if it meets all four prongs of the test, *or* if it fails the first prong, that is, if it deals with false or misleading commercial speech. In the latter case, the speech may be banned outright.<sup>11</sup> Commercial speech that is “not provably false, or even wholly false, but only deceptive or misleading” may be regulated by the state to keep “the stream of commercial information flow[ing] cleanly as well as freely.”<sup>12</sup>

For years, courts and commentators have assailed the Supreme Court’s commercial speech jurisprudence as incoherent at best. The controversy, however, has focused on the line between commercial and noncommercial speech and on the test for regulating

---

*Transparent and Efficient Markets: Compelled Commercial Speech and Coerced Commercial Association in United Foods, Zauderer, and Abood*, 40 VAL. U. L. REV. 555, 559 (2006).

<sup>9</sup> See, e.g., *Rubin v. Coors Brewing Co.*, 514 U.S. 476, 487 (1995) (“[T]he Government carries the burden of showing that the challenged regulation advances the Government’s interest ‘in a direct and material way.’”); *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 71 n. 20 (1983) (“The party seeking to uphold a restriction on commercial speech carries the burden of justifying it.”).

<sup>10</sup> *Edenfield v. Fane*, 507 U.S. 761, 770-71 (1993).

<sup>11</sup> As Robert Post points out, misleading speech might be commercial speech that can be regulated, or it might instead be excluded from the category “commercial speech” and entirely outside the First Amendment’s coverage, much like contract law and warranties presently are. See Robert Post, *The Constitutional Status of Commercial Speech*, 48 UCLA L. REV. 1, 22 (2000); Schauer, *supra* note 4.

<sup>12</sup> *Virginia Pharmacy*, 425 U.S. at 771-72.

truthful, nonmisleading commercial speech. On the threshold issue of how one determines truth for constitutional purposes, the Supreme Court has been all but silent, and the academic literature generally little better.<sup>13</sup>

The Supreme Court has been most attentive to the line between true speech and false or misleading speech in the context of regulations of advertising for professional services, a field in which it probably feels more comfortable assessing likelihood of deception than in other areas.<sup>14</sup> For example, in *Ibañez v. Florida Department of Business & Professional Regulation*,<sup>15</sup> the Court stated that the government may not assert that commercial speech is “potentially” misleading in order to ban it; rather, it must prove that the speech is actually or inherently misleading.<sup>16</sup>

The Court left itself much room for maneuver by indicating that some speech is “inherently” misleading but not explaining how that category should be defined. Sometimes the Court has approved broad prophylactic rules against whole categories of

---

<sup>13</sup> See, e.g., Daniel E. Troy, *Advertising: Not “Low Value” Speech*, 16 YALE J. ON REG. 85, 130 (1999) (“In most applications of *Central Hudson*, the first and second prongs of the test are not at issue. The first prong, concerning whether the speech involves a lawful activity and is not misleading, is generally uncontroversial.”). There are a few exceptions in the literature of false advertising law, but essentially nothing in the literature of trademark. See Lillian BeVier, *Competitor Suits for False Advertising Under §43(a) of the Lanham Act: A Puzzle in the Law of Deception*, 89 VA. L. REV. 1 (1992); Martin H. Redish, *Product Health Claims and the First Amendment: Scientific Expression and the Twilight Zone of Commercial Speech?*, 43 VAND. L. REV. 433 (1990); Troy, *supra*, at 130 (suggesting that the breadth of “misleading” is troubling to those who support more rigorous First Amendment protections for commercial speech).

<sup>14</sup> See, e.g., *In re R.M.J.*, 455 U.S. 191, 202 (1982) (“[T]he public’s comparative lack of knowledge, the limited ability of the professions to police themselves, and the absence of any standardization in the ‘product’ renders advertising for professional services especially susceptible to abuses that the States have a legitimate interest in controlling.”); see also Alex Kozinski & Stuart Banner, *Who’s Afraid of Commercial Speech?*, 76 VA. L. REV. 627, 630 (1990) (“Lawyer advertising, initially an area covered by mainstream commercial speech jurisprudence, became the subject of so many cases that it developed into its own distinct area of common law. . . . At present, the law of attorney advertising has grown to such an extent that it has been able to seal itself off from its roots in first amendment theory. . . .”).

<sup>15</sup> 512 U.S. 136 (1994).

<sup>16</sup> See *id.* at 146. See also *In re R.M.J.*, 455 U.S. at 203 (holding that regulators could ban commercial speech “when the particular content or method of the advertising suggests that it is inherently misleading or when experience has proved that in fact such advertising is subject to abuse”).

commercial speech, such as in-person solicitation by a lawyer that is “inherently” likely to involve deception or other misconduct.<sup>17</sup> By contrast, *Peel v. Attorney Registration and Disciplinary Commission*<sup>18</sup> held that, when lawyers’ statements about their certifications and specializations could confuse clients, the state could require a disclaimer or could screen certifying organizations, but could not “completely ban statements that are not actually or inherently misleading,”<sup>19</sup> again without explaining how misleadingness was to be determined.

The most we know is that, unsurprisingly, the lawyers on the Court favor more words rather than fewer – the Court’s preferred cure for incomplete or unqualified claims is more disclosure, not less.<sup>20</sup> In another lawyer advertising case, the Court held that government “may not place an absolute prohibition on certain types of potentially misleading information ... if the information also may be presented in a way that is not deceptive.”<sup>21</sup> Yet even that knowledge is uncertain; the Court has also said that “there is no First Amendment rule ... requiring a state to allow deceptive or misleading commercial speech whenever the publication of additional information can clarify or offset the effects of spurious communication.”<sup>22</sup>

---

<sup>17</sup> *Ohralik v. Ohio State Bar Ass'n*, 436 U.S. 447, 464 (1978).

<sup>18</sup> 496 U.S. 91 (1990).

<sup>19</sup> *Id.* at 110.

<sup>20</sup> *Bates*, 433 U.S. at 376.

<sup>21</sup> *In re R.M.J.*, 455 U.S. at 203..

<sup>22</sup> *Friedman v. Rogers*, 440 U.S. 1, 15-16 (1979); *see also Ohralik*, 436 U.S. at 449, 466 (in-person solicitation for profit “under circumstances likely to pose dangers that the State has the right to prevent” could be banned without showing actual harm to a particular client; a broad rule was acceptable because the dangers would materialize often, perhaps more often than not).

## B. Trademark Infringement

### 1. First Amendment Precedents

The Supreme Court has confronted the First Amendment implications of trademarks only in unusual factual and legal situations, which has not helped it go beyond its inconsistent and shallow treatment of deception in commercial speech cases. In *Friedman v. Rogers*,<sup>23</sup> a case that predates *Central Hudson*, the Court upheld a ban on the practice of optometry under a trade name. The ban furthered the state's interest in protecting the public from "deceptive and misleading" practices.<sup>24</sup> The Court distinguished trade names from the commercial speech it had recently held deserved First Amendment protection. Statements about products or services and their prices are "self-contained and self-explanatory," but trade names "have no intrinsic meaning."<sup>25</sup> They convey no information about price or services until they acquire meaning over time. The Court's distinction is hard to understand. All words, at least the non-onomatopoeic ones, lack inherent meaning. If a trade name or other mark can convey misleading information -- the premise of the regulation -- it can also convey truthful information, depending on the circumstances.

Nonetheless, the Court was certain that the factual (as opposed to emotional or potentially misleading) information associated with a trade name could be communicated directly by advertising price, available services, or the fact of a joint practice.<sup>26</sup> By contrast, the Court feared that trademark associations with price and quality remain ill-defined and can be manipulated by trademark owners, creating a significant possibility

---

<sup>23</sup> 440 U.S. 1 (1979).

<sup>24</sup> *Id.* at 15.

<sup>25</sup> *Id.* at 12.

<sup>26</sup> *See id.* at 16.

that trade names will be used to mislead, for example by keeping the name the same when the staff changes.<sup>27</sup>

Thus, the Court credited lower courts' findings that Rogers had used a trade name "to convey the impression of standardized optometrical care" even though he did not exercise supervision or control of the services rendered at the various offices using the trade name.<sup>28</sup> Trademark law is usually thought to promote quality control, except in cases of naked licensing. Notably, trademark law would find Rogers's mark invalid for abandonment, though that in itself wouldn't stop the offices from using it. Regulation could expand the abandonment rule into a ban on naked licensing of a trade name, at least in health care-related fields. But the Court didn't consider that alternative, because it was skeptical of the benefits of trade names generally. A shady optometrist can use a new trade name if negligence or misconduct tarnishes the old one, or can use different trade names for multiple shops to "give the public the false impression of competition among the shops."<sup>29</sup> Even if use of a trade name wasn't misleading, it would still "facilitate the large-scale commercialization which enhances the opportunity for misleading practices."<sup>30</sup>

Though the Court purported to be relying on Texas's specific judgments about optometry, similar manipulation to detach actual producers from specific identifiers is possible in any market. Nike shoes come from hundreds of subcontractors. In the other direction, corporations such as Procter & Gamble make multiple national brands of the same product type, and house brands in the supermarket are often produced by generic

---

<sup>27</sup> *See id.* at 12-13.

<sup>28</sup> *Id.* at 14

<sup>29</sup> *Id.* at 13.

<sup>30</sup> *Id.* at 15.

companies that serve both the Safeway and the Food Lion across the street from it,<sup>31</sup> producing the “false impression of competition” the Court feared. Indeed, the separation of trademark’s source-identifying function from actual production is characteristic of modern marketing.<sup>32</sup>

*Friedman*’s apparent opposition to modern industrial practices is part of its pervasive conflict with trademark’s rationale. The Court’s factual presumptions are inconsistent with subsequent commercial speech doctrine and with the dominant theory of efficiency that justifies trademark protection generally, which the Court later endorsed.<sup>33</sup> By treating short-term opportunities to deceive through changes in quality as more important than long-term incentives to provide a consistent product, the Court missed the informational efficiency of trademarks, the ability to encapsulate in a word or image a constellation of qualities. By serving as shorthand, trademarks make it easier for consumers to recognize the goods and services they want. The rule in *Friedman* required longhand, and the result was (at least according to standard trademark theory) information that was more difficult to process, meaning that consumers had more difficulty satisfying their preferences.<sup>34</sup> Under *Virginia Pharmacy*, this is a harm to free

---

<sup>31</sup> See, e.g., *McNeil Nutritionals, LLC v. Heartland Sweeteners LLC*, 2007 WL 1520101 (E.D. Pa. May 21, 2007) (involving a defendant that made identical house-branded artificial sweeteners for Giant, Stop & Shop, Tops, Food Lion, and Safeway, among others).

<sup>32</sup> See Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621 (2004).

<sup>33</sup> See *Qualitex Co. v. Jacobson Products Co.*, 514 U. S. 159, 163-64 (1995) (“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. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby ‘encourage[s] the production of quality products,’ and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer’s inability quickly to evaluate the quality of an item offered for sale.”) (citations omitted).

<sup>34</sup>

circulation of relevant information in the marketplace – here the information that optometric services *can* be standardized and provided at consistent quality across offices.

The best defense of the Court’s reasoning might be that personal services like optometry *cannot* be provided consistently by a large company. A more zealous partisan for commercial speech than I might claim that consumers are capable of figuring out whether personal services can be provided as consistently as McDonald’s hamburgers, and of balancing that consideration against other possible advantages of industrial organization, such as centralized recordkeeping and lower prices. Trademark law, regardless, does not make a distinction between standardizable and nonstandardizable goods and services; accepting this logic would still mean *Friedman* had no bearing on First Amendment claims involving trademarks in mass-market goods or services, like Starbucks coffee.

In its only return to analyzing the relationship between trademark law and free speech, *San Francisco Arts & Athletics Inc. v. United States Olympic Committee*,<sup>35</sup> the Court stated that trademark laws that “regulat[e] confusing uses” of marks are constitutional because the government “may regulate ‘deceptive or misleading’ commercial speech.”<sup>36</sup> That reasoning, combined with the idea that trademarks are valuable property, ended the inquiry. There is no free speech right to use another’s

---

<sup>35</sup> 483 U.S. 522 (1987).

<sup>36</sup> *Id.* at 535 n.12. The law at issue in *SFAA* was not an ordinary trademark law, but banned any unauthorized use of the term “Olympic” for, among other things, nonprofit sports competitions. The Court found that “Congress reasonably could conclude that most commercial uses of the Olympic words and symbols are likely to be confusing. It also could determine that unauthorized uses, even if not confusing, nevertheless may harm the USOC by lessening the distinctiveness and thus the commercial value of the marks.” *Id.* at 539. With respect to the specific use of the term to promote the Gay Olympics, the court found the possibility of confusion “obvious.” *Id.* The Court, nonetheless, didn’t directly engage the first prong of *Central Hudson*, and thus didn’t say that *possible* confusion satisfies the “false or misleading” test. Instead, the Court applied the *United States v. O’Brien*, 391 U.S. 367 (1968), test for evaluating content-neutral regulations. *See SFAA*, 483 U.S. at 535, 536 n.16.

property, at least when there are adequate alternative channels for the defendant-speaker to use to convey its message. Lower courts have explicitly applied similar property reasoning to ordinary trademarks, though the Supreme Court addressed itself only to the special laws protecting the Olympic marks. For example, the Second Circuit found that a pornographic film didn't need to use the Dallas Cowboys cheerleaders' trademarks when it could have depicted a fictional team instead.<sup>37</sup>

The property argument is entirely unimpressive with respect to noncommercial, expressive uses. It is dangerous to let legislatures or common law define intangibles as property in order to fend off First Amendment challenges. A reputation can be called property as easily as a trademark – indeed, they are much the same thing – and yet libel law is pervasively constrained by the First Amendment. Property concepts are perhaps more persuasive with respect to commercial uses which seek to use a term to attract consumers in the same way as the trademark owner does. The adequate alternative channels concept has echoes within trademark doctrine, which looks to whether a term is necessary for competition to see whether it should be regarded as generic (and thus unprotectable as a trademark), descriptive (and thus protectable only to the extent that consumers learn to see it as an indicator of source), suggestive, arbitrary, or fanciful.<sup>38</sup> Even so, the label “property” does not solve boundary problems, for example, whether trademark rights should bar a defendant's use of a mark on noncompeting goods. In the past, courts using property rhetoric for trademarks limited that property right to actual

---

<sup>37</sup> See, e.g., *Mutual of Omaha Insurance Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 (2d Cir. 1979).

<sup>38</sup> In addition, the functionality doctrine performs the same competition-reinforcing function for trade dress as genericity does for terms, and the defenses of nominative and descriptive fair use often appeal to expressive or competitive efficiency. See Rebecca Tushnet, *Why the Customer Isn't Always Right: Producer-Based Limits on Rights Accretion in Trademark*, 116 YALE L.J. POCKET PART 352 (2007).

sales diversion, but now trademark rights extend whenever consumers are likely to perceive an association between producers, even without competition.<sup>39</sup>

*Friedman* and *SFAA*, as others have noted, are out of line with the Court's more recent treatment of commercial speech as having substantial value.<sup>40</sup> As the Court held in *Edenfield v. Fane*,<sup>41</sup> to sustain a regulation of nonmisleading speech, the government "must demonstrate that the harms it recites are real."<sup>42</sup> If the government can avoid that requirement by simply asserting that the harm is that the speech is misleading, hardly any protection for commercial speech will be left. It is easy to recast a concern about the effects of speech as a concern that the speech misleads consumers by obscuring the relevant facts – for example, that optometric services cannot be standardized. Despite that, the Court accepted blanket legislative judgments in both *Friedman* and *SFAA*. Lower courts have consistently followed the same cursory analysis with respect to traditional trademark infringement: confusing uses are misleading and therefore may be enjoined without consideration of First Amendment interests.<sup>43</sup> The only exceptions involve creative works such as music and movies, whose uses of marks sometimes lead courts to invoke free speech concerns.<sup>44</sup>

---

<sup>39</sup> See Mark P. McKenna, *The Normative Foundations of Trademark Law*, <http://ssrn.com/abstract=889162> (forthcoming 2006).

<sup>40</sup> See, e.g., Robert N. Kravitz, *Trademarks, Speech, and the Gay Olympics Case*, 69 B.U. L. REV. 131 (1989).

<sup>41</sup> 507 U.S. 761 (1993).

<sup>42</sup> *Id.* at 770-71.

<sup>43</sup> See, e.g., *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1297 (9th Cir. 1992); *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1022 (9th Cir. 1985); *Kelley Blue Book v. Car-Smarts, Inc.*, 802 F. Supp. 278, 291 (C.D. Cal. 1992); see also, e.g., Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of the Trade Symbols*, 1982 WIS. L. REV. 158, 165-66, 169; Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 221 (1998).

<sup>44</sup> See, e.g., *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002); *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989); *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g. Group, Inc.*, 886 F.2d 490, 495 (2d Cir. 1989).

## 2. *Application in More Conventional Trademark Cases*

### a. *The Problem of Partially Useful Information*

Even conceding that protecting consumers against deception as to source is a compelling government interest,<sup>45</sup> many of trademark law's core presumptions would disappear if the field were subject to the same analysis as other kinds of commercial speech regulations. In *Zauderer*, for example, the Supreme Court suggested that the First Amendment requires that government interventions into the commercial speech market be minimal – disclaimers and disclosures are preferred alternatives to suppressing speech. Although the Second Circuit briefly flirted with using disclaimers to avoid consumer confusion through similar trademarks, disclaimers are not the default remedy in infringement cases, as they would be if courts applied commercial speech doctrine.

The deeper conflict between trademark and the modern First Amendment is that information is rarely completely helpful or completely misleading. The idea that prohibitions on fraud improve the information environment depends on truth and falsity being pure binaries. Many trademark (and false advertising) cases, however, are more complicated. A mark may convey useful information to some while misleading others; eliminating a use that misleads 15 percent of consumers while helping 30 percent may make the market less efficient overall.<sup>46</sup> The problem isn't limited to descriptive terms that have acquired secondary meaning. It can occur with resale of used goods, or new

---

<sup>45</sup> Though it may not be, if the goods or services are of equal quality. Judge Kozinski, who supports full constitutional protection for commercial speech, nonetheless describes trademark infringement as “essentially a fraud on the consuming public” and thus enjoinable without concern for the First Amendment, *Mattel v. Universal Music Int'l*, 296 F.3d 894, 905 (9<sup>th</sup> Cir. 2002). But others have argued that there is no public interest in prohibiting misrepresentations that don't affect the physical quality of a product or service, since consumers suffer no material loss. *See infra* Section I.C..

<sup>46</sup> *See generally* BeVier., *supra* note \_\_ (making this point about false advertising cases, though she believes that trademark protection is generally more justified).

products which advertise truthfully that they incorporate other trademarked goods, in which case some consumers may believe that the trademark owner endorses the new product. It can occur with comparative advertising or claims that “If you like X®, you’ll love Y.”<sup>47</sup>

The problem of suppressing partially useful information exists independent of whether there is any chilling effect from the existence of government regulation and competitor lawsuits. But, of course, chilling effects do exist. A reseller’s fear of being sued by the original manufacturer, a competitor’s fear that *Health Selections* frozen dinners will bring a lawsuit by *Healthy Choice*, and so on are likely to deter the adoption and use of marks in contexts where they would inform some consumers. Trademark owners have also objected to resales of genuine goods through unapproved channels such as eBay. This chilling effect is increased because a defendant’s good-faith belief that its marks (or its uses of another’s marks) are not confusing, founded in a study of the relevant market and a trademark search, is insufficient to avoid liability if a court disagrees with the defendant’s evaluation.

A trademark owner’s ability to deter competitors’ truthful, useful commercial speech is not the same thing as the ability to suppress political speech. But if it is true that commercial speech is as relevant and vital to modern citizens as political speech, then suppressing competition is analogous to silencing political opponents, and certainly merits skeptical scrutiny. Like partisan officials deciding which political speech to

---

<sup>47</sup> In cases in which the defendant's use of a mark conveyed information to some consumers, the First Amendment argument for required disclaimers is strongest. In such cases, a simple injunction against use deprives the nonconfused market participants, who may well be the majority of consumers, of valuable information about the goods. Commercial speech doctrine requires the government to try a more moderate solution than total suppression. See *Zauderer*, 471 U.S. at 651 (“warning[s] or disclaimer[s] might be appropriately required ... in order to dissipate the possibility of consumer confusion or deception.”)

pursue, trademark owners may see harm where there is only competition. The paradoxical consequence of this private incentive to overlitigate is that infringement law is most dangerous, from the perspective of First Amendment doctrine, at its core – as applied between competitors. That is, a plaintiff’s motives are most likely to include the illegitimate desire to suppress even truthful speech when it sues a competitor.<sup>48</sup>

*b. Problems in Determining Deception*

Separately, the consequences of rigorous commercial speech protection for federal trademark registration, which is a governmentally conferred benefit that provides many advantages in enforcement, could be dramatic.<sup>49</sup> Registration of deceptive marks is barred by the Lanham Act along with scandalous or disparaging marks. But the PTO uses limited evidence to make a deceptiveness determination and has no particular expertise in assessing consumer behavior or understanding. A recent case, *Piazza’s Seafood World, LLC v. Odom*,<sup>50</sup> suggests the potential effects of robust commercial speech production on the overall trademark system. The plaintiff sold Chinese-farmed catfish under the trade names “Cajun Boy” and “Cajun Delight.” Ninety-nine percent of

---

<sup>48</sup> In the modern, trademark-friendly environment, courts have been most likely to recognize anticompetitive motives in trademark cases dealing with trade dress. *See, e.g., Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 213-14 (2000) (invoking anticompetitive harassment suits as a reason to require secondary meaning before protecting product design trade dress); *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 48 (1st Cir.1998) (expressing skepticism about dilution claims brought by competitors who cannot show confusion). But because trade dress is far removed from ordinary First Amendment topics – words and images – the correspondence between anticompetitive motives and the broader category of censorious motives has not drawn attention.

<sup>49</sup> The current statutory provision for refusing registration on grounds of scandalousness or disparagement, *see* 15 U.S.C. § 1052(a), is particularly hard to reconcile with *Central Hudson’s* protection for truthful, nonmisleading commercial speech. *See, e.g., Theodore H. Davis, Jr., Registration of Scandalous, Immoral, and Disparaging Matter Under Section 2(a) of the Lanham Act: Can One Man’s Vulgarity Be Another’s Registered Trademark?*, 54 OHIO ST. L.J. 331, 345-47 (1993); Llewellyn Joseph Gibbons, *Semiotics of the Scandalous and the Immoral and the Disparaging: Section 2(a) Trademark Law After Lawrence v. Texas*, 9 MARQ. INTELL. PROP. L. REV. 187, 231 (2005); Jeffrey Lefstin, Note, *Does the First Amendment Bar Cancellation of REDSKINS?*, 52 STAN. L. REV. 665, 677-79 (2000).

<sup>50</sup> 448 F.3d 744 (5th Cir. 2006).

its products were imported from overseas. Louisiana’s “Cajun Statute” provided that “No person shall advertise, sell, offer or expose for sale, or distribute food or food products as ‘Cajun’, ‘Louisiana Creole’, or any derivative thereof unless the food or food product [was] produced, processed, or manufactured in Louisiana. . . .”<sup>51</sup>

The court of appeals agreed with the district court that Piazza’s use of the “Cajun Boy” and “Cajun Delight” trade names was only potentially misleading, not actually or inherently misleading, because Piazza largely sells its products to (presumably sophisticated) wholesalers and it labels its products with their country of origin. Though the state’s interest in preventing deception was substantial, the statute went further than necessary to serve that interest because there was no actual deception in this case. As a result, the law, as applied to plaintiff, flunked the test set forth in *Central Hudson*.

The reason this case deserves attention from trademark scholars is that the Lanham Act, and coordinate state laws, do not distinguish between potentially and inherently misleading commercial speech. Imagine what would happen if the plaintiff sought to register its “Cajun Boy” mark and was denied using the PTO’s test for deceptiveness, which does not require the examiner to show actual deception.<sup>52</sup> Because the PTO has the burden of proof in rejecting a mark on deceptiveness grounds, and limited resources with which to investigate the hundreds of thousands of applications it receives, it routinely relies on common-sense inferences about the effects of facially false or intuitively misleading claims. Given the important evidentiary and procedural benefits of registration, robust application of commercial speech doctrine would require more fo the

---

<sup>51</sup> La. Rev. Stat. Ann. § 3:4617(D).

<sup>52</sup> An actual deception requirement would be difficult, especially in the context of intent-to-use applications. Even with marks used in commerce, the PTO lacks the resources to conduct a survey on consumer perceptions of a mark.

PTO before it could deny those benefits. Under the Fifth Circuit's reasoning, absent specific proof of actual or inherent deceptiveness, the applicant would have a First Amendment right to the benefits of federal registration.

Moreover, the commercial speech concepts of potentially and actually misleading do not map onto trademark infringement in any coherent way. One could argue that "actually" misleading speech is that shown by a consumer survey or anecdotal evidence from confused consumers. Even that would require a serious disruption of the test for infringement, which is whether confusion is "likely" and which currently does not require evidence of actual confusion for a plaintiff to prevail. Nor does commercial speech doctrine have anything like trademark's numerical threshold, in which confusion among a minority of consumers (15-20 percent, in many cases) is enough to enjoin a defendant's use even if the majority of consumers get relevant information from the use.

One possibility suggested by the lawyer regulation cases is that difference between inherently and potentially misleading speech in First Amendment doctrine is whether further disclosures can correct the misleading implications of the challenged speech on its own. If that is the distinction, however, then consumer surveys aren't useful to show "actual" misleadingness unless they also show that a disclaimer fails to correct the problem. Most surveys don't show "inherent" deception because they don't test disclaimers.

*c. A Final Note on Intent*

Another big problem with trademark law from the perspective of mainstream First Amendment doctrine involves the role of intent. Historically, "passing off" involved deliberate deception by a competitor, though intent to deceive could be inferred from

circumstances.<sup>53</sup> While this requirement disappeared relatively early in the history of trademark law, the trend in First Amendment-governed doctrines such as libel (including trade libel and product disparagement) has been the opposite. Some degree of fault, at least negligence, is generally required before liability can be imposed.<sup>54</sup> Intent requirements help decrease the chilling effects of speech prohibitions, because they allow speakers to speak with confidence after a reasonable investigation. The price of freeing speech is that there is no liability even if the speakers are actually mistaken and their mistakes do harm.

Currently, trademark law imposes liability for honest mistakes, creating great uncertainty among businesses. This uncertainty may be worth the information costs it exacts, but courts have yet to perform that balancing. No-fault liability combines with the other features of trademark law noted above to make trademark unusually indifferent to the costs of error, costs which are elsewhere considered to be constitutionally problematic when they affect truthful speech.

---

<sup>53</sup> See, e.g., Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 565-66 (2006). Trademark historically also used a property theory, granting exclusive rights in arbitrary or fanciful marks (known as technical trademarks) that had no relevance to the product before a seller adopted them. Infringement of technical trademarks didn't require proof of fraudulent intent because it was a violation of property rights, like a trespass, but courts still linked deception with infringement because use of an arbitrary mark on a particular product was likely to confuse consumers, and wasn't likely to be done accidentally or in good faith. See *id.* at 560-61, 564-65, 567-68.

<sup>54</sup> This is an application of the narrow tailoring requirement that restrictions on speech be no greater than necessary to avoid the harm. Essentially, the judgment (rarely fully articulated) is that the gain in harm-prevention from banning mistaken but non-malicious, or non-negligent, speech is less than the cost of deterring speech that the speaker cannot verify with perfect certainty. One could balance the costs and benefits of deterring mistaken but good-faith speech differently – a good-faith but wrong belief that a drug cures cancer, for example, could do much more harm than its suppression would – but many trademark cases won't involve that kind of risk from allowing the speech to continue.

### *C. Non-Trademark False Advertising*

False advertising law may be particularly vulnerable to First Amendment challenges because it, unlike copyright and trademark, has no well-recognized property interest to which it can appeal as a counterweight to a free speech claim.<sup>55</sup> *Eldred v. Ashcroft*,<sup>56</sup> which upheld a retrospective twenty-year extension of the copyright term against a First Amendment challenge, shows the potential of defining an intangible interest as a property right – it moves from part of the marketplace of ideas to the actual marketplace, where it’s all right to deny access to those who can’t pay. Trademark law has self-consciously moved in the direction of property right, instead of consumer protection device, for decades. That may save it from criticisms such as those set forth in the previous section. But other types of false advertising law have similar weaknesses without the shield of property.

In *Nike v. Kasky*,<sup>57</sup> the Supreme Court initially agreed to decide whether a consumer could maintain a class action suit over Nike’s statements about the conditions under which its contractors in foreign countries produced shoes. In a series of letters to university presidents and athletic directors, advertorials (purchased space on newspaper editorial pages), press releases, and the like, Nike claimed that workers making its shoes were not generally underpaid, underfed, or otherwise abused. Kasky sued for false advertising. Though much of the legal argument was about whether Nike’s statements constituted commercial speech, Nike and its amici made a number of arguments that would apply even to commercial speech, arguments some on the Supreme Court found

---

<sup>55</sup> See *College Savings Bank v. Florida Prepaid Postsecondary Ed. Expense Bd.*, 527 U.S. 666 (1999) (protection against false advertising is not a property interest protected by the Due Process Clause).

<sup>56</sup> 537 U.S. 186 (2003).

<sup>57</sup> 539 U.S. 654 (2003).

persuasive even though the Court ultimately dismissed certiorari as improvidently granted.

Specifically, Nike attacked California's strict liability regime, which made it responsible for good-faith but factually erroneous claims about conditions of production, as inconsistent with numerous precedents dealing with libel, disparagement, and related claims. In this, California law was far from unique. Whether in private lawsuits under the Lanham Act, consumer suits under laws in all 50 states, or FTC enforcement actions, liability attaches to false or misleading statements regardless of the advertiser's intent or good-faith belief. To take a recent example, a federal court agreed with the FTC that an advertiser who sincerely believes that its metal bracelet relieves pain, based on discussions with thousands of satisfied customers, can still be fined millions of dollars because there is no adequate scientific evidence that the bracelet relieves pain.<sup>58</sup> The decision in that case, *FTC v. QT, Inc.*, poses all the problems of chilling speech and of oversuppression of truthful but not provable claims that libel law would scrutinize using a higher standard of culpability.

The legal treatment of the placebo effect in *QT* also illustrates a deeper tension in false advertising law.<sup>59</sup> The placebo effect of the metal bracelet was generated simply by

---

<sup>58</sup> See *Federal Trade Commission v. QT, Inc.*, 448 F.Supp.2d 908 (N.D. Ill. 2006).

<sup>59</sup> It is well-established in advertising law that advertisers cannot rely on the placebo effect. See *Federal Trade Comm'n v. Pantron I Corp.*, 33 F.3d 1088, 1100 (9<sup>th</sup> Cir. 1994); (“[A]llowing advertisers to rely on the placebo effect would not only harm those individuals who were deceived; it would create a substantial economic cost as well, by allowing sellers to fleece large numbers of consumers who, unable to evaluate the efficacy of an inherently useless product, make repeat purchases of that product.”); *United States v. An Article ... Acu-Dot ...*, 483 F. Supp. 1311, 1315 (N.D. Ohio 1980) (claims of efficacy from placebo effect are “‘misleading’ because the [product] is not inherently effective, its results being attributable to the psychosomatic effect produced by the advertising and marketing of the [product]”); *Bristol-Myers Co.*, 102 F.T.C. 21, 336 (1983) (“The Commission cannot accept as proof of a product’s efficacy a psychological reaction stemming from a belief which, to a substantial degree, was caused by respondent’s deceptions. Indeed, were we to hold otherwise, advertisers would be encouraged to foist unsubstantiated claims on an unsuspecting public in the hope that consumers would believe the ads and the claims would be self-

telling customers they would experience less pain, but the court held that its existence did not make the claim true, even though it strongly resembles the ways in which trademarks “create” value by convincing consumers they will experience more utility by wearing a shirt with a Nike swoosh on it than by wearing a plain shirt. The fact that a product works for the wrong reasons – that it has value because its advertising creates that value – can only justify suppression of the advertising under *Central Hudson* if we define “misleading” very broadly, in ways likely incompatible with the main line of commercial speech precedents.

A separate argument in *Nike* was that consumers have no legitimate interest in conditions of production that don’t affect the physical composition of a product.<sup>60</sup> Nike argued that it could not be liable for misstatements about how its subcontractors’ workers were treated. Prohibitions on false or misleading statements, that is, are justified because they protect consumers’ legitimate interests in getting the products they paid for. But whether a worker made five cents an hour or five dollars, the resulting shoe is the same, so there’s no consumer protection interest in liability for false statements about intangible conditions of production. Not getting what you want while still getting the (objectively defined) benefit of your bargain can be seen as a psychic harm that cannot count in a First Amendment analysis.

---

fulfilling.”); *cf.* *American Home Prods. Corp. v. Johnson & Johnson*, 436 F. Supp. 785, 799 n. 9 (S.D.N.Y. 1977) (“A claim concerning a drug’s effect made in lay advertising to consumers must be understood as representing that the effect will be experienced in humans and thus that it has some significance in a clinical context.”).

<sup>60</sup> *See, e.g., Kasky v. Nike, Inc.*, 45 P.3d 243, 280 (Cal. 2002) (Brown, J., dissenting).

This argument, if accepted, would invalidate a wide range of consumer protection measures, from regulation of claims to “dolphin-safe” tuna to “Made in the U.S.A.”<sup>61</sup> It also rejects any consumer interest in living in a certain type of world, or in refusing to accede to immoral business conduct.<sup>62</sup> Consumers make purchasing decisions based on their values as well as their desires for particular product characteristics. Failure to protect against false claims about production would allow false advertisers to drive out producers whose claims were true and whose products were therefore more expensive. But if consumer preferences for conflict-free diamonds, cruelty-free cosmetics, and T-shirts made by people paid a living wage are worth honoring, then the harm of false advertising is not just or essentially that it exposes consumers to inferior products. Rather, the harm of false advertising is that it disrespects consumers’ autonomy. Yet, if one accepts this justification, it is relatively easy to construct arguments for many speech regulations that help consumer-citizens realize their true preferences. The inseparability of consumers from the market that surrounds them makes claims about real or true preferences inherently difficult to evaluate.

In trademark, for example, it has long been a matter of dispute among courts and theorists how to conceive of the psychic value of a brand. Is a two-dollar shirt with an authorized Nike logo worth \$20? What about the same shirt with an unauthorized logo?

---

<sup>61</sup> See *International Dairy Foods Ass’n v. Amestoy*, 92 F.3d 67 (2d Cir. 1996) (“consumer curiosity” was insufficient justification to require retailers to label milk from cows given certain bovine hormones when there was no evidence that the hormones affected the milk, though they may have affected the health of the cows to whom they were given and may also have made it more difficult for small milk producers to compete with big producers). *Amestoy* qualifies *Zauderer’s* statement that a commercial speaker’s “constitutionally protected interest in not providing any particular factual information in his advertising is minimal,” *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626, 651 (1985), by holding that the state must nonetheless have some defined reason, supported by evidence, to outweigh that minimal interest.

<sup>62</sup> See Douglas A. Kysar, *Preferences for Processes: The Process/Product Distinction and the Regulation of Consumer Choice*, 118 HARV. L. REV. 525 (2004).

How, if at all, is a consumer who buys the second shirt for \$15 harmed, and does that harm differ if she believes the shirt was authorized by Nike but doesn't actually care one way or the other, as long as she can wear a shirt with a Nike logo? Consumer understandings alone cannot serve as a justification for regulation. Some normative idea of what understandings deserve legal protection is required.

Courts have been willing to protect consumers from potential confusion over sponsorship or authorization even without evidence that consumers care about those business relationships. Outside trademark, the story is different; some cases have retreated to a concept of misleadingness that bars government intervention except in the most blatant cases of fraud. In *Pearson v. Shalala*,<sup>63</sup> for example, a regulation-skeptical panel of the D.C. Circuit affirmed a district court ruling invalidating certain FDA regulations for dietary supplement claims. The FDA wanted to ban claims unless there was significant scientific agreement as to the ultimate conclusion: "this product reduces the risk of heart disease." The court was concerned that the FDA therefore banned some truthful claims: "there is inconclusive evidence that this product may reduce the risk of heart disease" or "this product may improve heart health, but there is no significant scientific agreement that this is true." *Pearson* rejected as "almost frivolous" the FDA's argument that such second-order claims were inherently misleading, because health claims lacked "such an awesome impact on consumers as to make it virtually impossible for them to exercise any judgment ... as if the consumers were asked to buy something while hypnotized."<sup>64</sup> This is itself a misleading and irrelevant comparison; even *false*

---

<sup>63</sup> *Pearson v. Shalala*, 164 F.3d 650 (D.C. Cir. 1999).

<sup>64</sup> *Id.* at 655.

claims don't hypnotize. Instead, what they do is encourage purchase based on mistaken beliefs.

After *Pearson*, the FDA was required to allow claims in most circumstances as long as the claims included a disclaimer.<sup>65</sup> The court suggested “The evidence in support of this claim is inconclusive” or “The FDA does not approve this claim.”<sup>66</sup> Though the court of appeals was confident that disclaimers could prevent consumers from being deceived by claims with limited scientific backing, marketing research demonstrates that effective disclaimers are difficult in principle and extremely rare in practice.<sup>67</sup> A recent study evaluating the judicially mandated disclaimer in *Pearson* shows that its presence on a supplement label has no significant effect on consumer reactions. The disclaimer doesn't affect the level of consumers' belief in the health claim, and it doesn't even affect whether or not they think the FDA has evaluated the claim.<sup>68</sup>

---

<sup>65</sup> The *Pearson* court rejected the FDA's defense, based on *Friedman v. Rogers*, 440 U.S. 1 (1979), that the government could outright ban misleading speech even if adding a disclaimer was an alternative. The court read *Friedman's* statement that the state is not “requir[ed] to allow deceptive or misleading commercial speech whenever the publication of additional information can clarify or offset [its] effects,” *id.* at 15-16, as applying only to the special case of deceptive trade names. While this limit lacks any logical validity, it is true that the Supreme Court has not applied *Friedman* broadly either. The court did agree that the FDA could bar certain claims as inherently misleading if the evidence for the *express* claim (that is, the basic efficacy claim, not the second-order claims about evidence) was outweighed by or qualitatively weaker than the evidence against it, or if empirical evidence indicated that disclaimers would “bewilder” consumers. *Pearson*, 164 F.3d at 659-60.

<sup>66</sup> *Pearson*, 164 F.3d at 659.

<sup>67</sup> See, e.g., David W. Stewart & Ingrid M. Martin, *Intended and Unintended Consequences of Warning Messages: A Review and Synthesis of Empirical Research*, 13 J. PUB. POL'Y & MARKETING 15 (1994) (even when consumers notice disclaimers, they are unlikely to use them).

<sup>68</sup> See Paula Fitzgerald Bone & Karen Russell France, *West Virginia University Research Presentation*, Transcript of Public Meeting: Assessing Consumer Perceptions of Health Claims, Nov. 17, 2005, <http://www.cfsan.fda.gov/~dms/qhctran.html#wvu>. On a more global level, in a context of pervasive, hard-to-comprehend disclaimers, consumers may be so inundated with claims not worth believing that they discount the few verifiable claims, to their detriment. Ellen Goodman has explored this variant of the market for lemons problem, see George A. Akerlof, *The Market for “Lemons”: Quality Uncertainty and the Market Mechanism*, 84 Q. J. ECON. 488 (1970), as a justification for government regulation of advertising. See Ellen Goodman, *Stealth Marketing and Editorial Integrity*, 85 Tex. L. Rev. 83 (2006).

Anti-regulatory positions presume a careful and competent consumer. Arguably, when political speech is at issue we *must* presume a fully rational citizen, given the risks of letting the government ban any political speech. But consumer behavior in the market is so plainly inconsistent with the behavior of idealized speech-evaluators that painful compromises are required. The question is who will bear the burden of imperfection: the real consumer, or the (equally real, but perhaps not equally rights-bearing) commercial speaker?

## II. TRADEMARK DILUTION

Dilution, which is not a form of false advertising but a right peculiar to trademark, poses special First Amendment challenges. Dilution law can be construed to apply to works of art, news reporting, and other noncommercial uses. When it does, it is in substantial tension with First Amendment values,<sup>69</sup> and courts that have noticed this have been quick to limit the application of the law to core commercial speech. Likewise, the recent amendments to the federal dilution law were careful to carve out exceptions for news reporting, parody, and other types of noncommercial speech.<sup>70</sup>

The problem with this easy solution is that it is far from sufficient to insulate dilution from constitutional infirmity, despite assumptions to the contrary.<sup>71</sup> Dilution law that prohibits a nonconfusing use of a famous trademark to sell another product prohibits

---

<sup>69</sup> See, e.g., Pratheepan Gulasekaram, *Policing the Border Between Trademarks and Free Speech: Protecting Unauthorized Trademark Use in Expressive Works*, 80 WASH. L. REV. 887 (2005); Sarah Mayhew Schlosser, *The High Price of (Criticizing) Coffee: The Chilling Effect of the Federal Trademark Dilution Act on Corporate Parody*, 43 ARIZ L. REV. 931 (2001); Hannibal Travis, *The Battle For Mindshare: The Emerging Consensus That the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 VA. J.L. & TECH. 3 (2005).

<sup>70</sup> See Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, § 2, 120 Stat. 1730 (codified at 15 U.S.C. § 1125(c)(3)).

<sup>71</sup> See H.R. Rep. No. 104-374, at 4 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1031 (the noncommercial use exception “adequately addresses legitimate First Amendment concerns espoused by the broadcasting industry and the media”).

truthful, nonmisleading commercial speech. As such, dilution claims should be subject to analysis under *Central Hudson*, requiring courts to evaluate the strength of the government's interest and the extent to which the regulation serves that interest without encroaching too much on free commercial speech.<sup>72</sup>

One possible response is that dilutive use, while not false or misleading, is also not truthful. In what sense is it possible to say that the name Dogiva for dog biscuits, or Buick for soap, is a truthful description of them? Dogiva evokes an association with Godiva, but it has no inherent meaning. Dilution thus presents U.S. law with a situation previously only encountered in theory: a prohibition on the emotional meaning of commercial speech.

One of the clearest indictments of the special status of commercial speech came from Judge Kozinski and Stuart Banner. They argued that, just as much political speech contains verifiable factual representations, much commercial speech is neither true nor false. Current commercials are often long on story and entertainment value but short on falsifiable representations of fact.<sup>73</sup> Yet speech cannot ordinarily be banned because it is non-falsifiable. Their conclusion was that commercial speech is just like other speech

---

<sup>72</sup> See, e.g., Brian A. Jacobs, *Trademark Dilution on the Constitutional Edge*, 104 COLUM. L. REV. 161, 175 (2004) (stating that “[u]nless courts find the FTDA [Federal Trademark Dilution Act] narrowly tailored in service of a substantial government interest, the Act should be deemed an unconstitutionally broad regulation of commercial speech under the First Amendment”); Mary LaFrance, *No Reason to Live: Dilution Laws as Unconstitutional Restrictions on Commercial Speech*, 58 S.C. L. REV. 709 (2007); Lemley & Volokh, *supra* note 39, at 221 n.325 (the usual justification for trademark infringement law “offers no [constitutional] support for dilution statutes”); cf. Denicola, *supra* note 39, at 194-97 (concluding that bans on dilutive uses of a distinctive mark to identify a defendant's goods or services are sustainable under *Central Hudson*, while uses to identify and criticize the trademark owner are constitutionally protected). Denicola's position seems self-contradictory: He concludes that, under the rule of *Friedman v. Rogers*, trademarks have no inherent meaning and thus suppressing their unauthorized commercial use inflicts no constitutional harm. But the justification for dilution law is precisely that distinctive trademarks distill meanings in powerful ways for which there are no substitutes. It is hard to maintain both that trademarks are meaningless and that protecting their current meaning is a substantial government interest.

<sup>73</sup> See Kozinski & Banner, *supra* note 14, at 627, 635, 639-41, 645-46.

and deserves as much constitutional protection. One response to this critique was to point out that regulation of commercial speech has not targeted the stories or entertainment values of commercial speech, but only their falsifiable representations. Since no regulator is about to come after the image-based aspects of ads, their existence has no bearing on the justifications for regulation.<sup>74</sup>

Dilution changes all that. Now Porsche can sue when its cars appear in humorous ads for a competitor's SUV,<sup>75</sup> even though there are no factual representations in the ad. By targeting the non-factual elements of advertising, dilution departs from what Justice Stevens has characterized as the only legitimate reason to treat commercial speech differently from noncommercial speech: the preservation of a fair bargaining process.<sup>76</sup> Under that analysis, dilution is a content-based speech restriction. And, while trademarks are big business, it seems unlikely that protecting their selling power against the mere possibility of diminution – a harm that will only occur if dilution of a particular mark becomes widespread -- is a substantial state interest.

#### A. *A New Basis for Dilution*<sup>77</sup>

Recently, courts and commentators have begun offering a theory of dilution that seems to answer both general and First Amendment-based objections: Dilution as harm to consumers' cognitive processing. In *Ty, Inc. v. Perryman*,<sup>78</sup> a case about a website that

---

<sup>74</sup> See Nat Stern, *In Defense of the Imprecise Definition of Commercial Speech*, 58 MD. L. REV. 55, \_\_\_ n.442-44 (1999).

<sup>75</sup> See *Dr. ING H.C.F. Porsche AG v. Daimlerchrysler AG*, No. 1:02-cv-00483-JTC (N.D. Ga., filed 2/20/2002).

<sup>76</sup> See *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 501 (1996) (joined by Kennedy, J., and Ginsburg, J.).

<sup>77</sup> The following sections are adapted from Parts III and V of Rebecca Tushnet, *Gone in 60 Milliseconds: Trademark Law and Cognitive Science*, 86 TEXAS L. REV. – (forthcoming 2007).

<sup>78</sup> 306 F.3d 509 (7th Cir. 2002).

sold Beanie Babies and other stuffed bean-bag animals, Judge Posner set forth the standard search costs model that justifies protecting trademarks against infringement. He then contrasted infringement to dilution, which deals with internal search costs – difficulties not in figuring out whether two products or services are from the same source, but in retrieving the mark from memory in the first place.

In the cognitive model, blurring takes place when a single term activates multiple, non-confusing associations in a consumer’s mind. Meanings or concepts, including sounds, images, and other sensory impressions, are linked by mental networks. Words or concepts are activated through links in the network, triggering related meanings or concepts, as when late-afternoon thoughts of home lead to thoughts of dinner.<sup>79</sup> Blurring involves relatively extended activation of two different meanings for a mark, until the consumer sorts out the proper referent. The basic theory is that an unrelated, nonconfusing mark similar to a famous mark adds new associations to a preexisting network, which slows processing time, especially if the junior mark has a very different meaning than the senior mark.<sup>80</sup> Like several pebbles thrown into a pond at once, activation of different meanings causes interference with each one.

Posner gave the example of a high-end restaurant called Tiffany’s, which would interfere with a consumer’s immediate recognition of the jewelry store Tiffany’s. “Consumers will have to think harder -- incur as it were a higher imagination cost -- to

---

<sup>79</sup> See, e.g., JOHN R. ANDERSON, COGNITIVE PSYCHOLOGY AND ITS IMPLICATIONS 148 (2d ed. 1985) (spreading activation causes “a good many associated concepts [to] become active” whenever an individual concept is explicitly invoked).

<sup>80</sup> See Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for an Elusive Concept*, 19 J. PUB. POL’Y & MARKETING 265, 267 (2000).

recognize the name as the name of the store.”<sup>81</sup> When they see “Tiffany’s,” they will have to stop and ask themselves, “Which Tiffany’s”? A number of legal scholars have agreed with Judge Posner and explicitly identified the harm of dilution as increased mental search costs for consumers.<sup>82</sup>

In Posner’s model, dilution by tarnishment also involves interference with cognitive processing, but of a different kind. Perception of words or images, including trademarks, activates a web or tree of concepts linked to them. Posner posited a strip joint named Tiffany’s, and assumed that reasonable consumers do not think it has any connection with the jewelry store. Nevertheless, “because of the inveterate tendency of the human mind to proceed by association, every time [people who know about the strip joint] think of the word ‘Tiffany’ their image of the fancy jewelry store will be tarnished by the association of the word with the strip joint.”<sup>83</sup> As with blurring, this inveterate tendency can be equated to the psychological concept of activation.<sup>84</sup>

---

<sup>81</sup> *Ty*, 306 F.3d at 511. See also Richard A. Posner, *When Is Parody Fair Use?*, 21 J. LEGAL STUD. 67, 75 (1992) (“A trademark seeks to economize on information costs by providing a compact, memorable, and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark of the product or service.”).

<sup>82</sup> See, e.g., Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161, 1197 (2006) (“[L]ike traditional trademark law, dilution properly understood is targeted at reducing consumer search costs.”); Daniel Klerman, *Trademark Dilution, Search Costs, and Naked Licensing*, 74 FORDHAM L. REV. 1759 (2006); J. Thomas McCarthy, *Proving a Trademark Has Been Diluted: Theories or Facts?*, 41 HOUS. L. REV. 713, 727-28 (2004) (“[T]here is potential harm to both consumers and mark owners if a once-unique designation loses its uniqueness. The argument is that this makes it harder for consumers to link that designation with a single source--the hallmark of a strong trademark. Under this theory, dilution increases the consumer’s search costs by diffusing the identification power of that designation.”); Maureen A. O’Rourke, *Defining the Limits of Free-Riding in Cyberspace: Trademark Liability for Metatagging*, 33 GONZ. L. REV. 277, 306-07 n.114 (1998) (“Dilution by blurring is concerned with preventing the erosion of the distinctiveness of the mark because of its use on non-related products. The ‘noise’ that this creates around the mark may increase consumer search costs.”); Brian A. Jacobs, Note, *Trademark Dilution on the Constitutional Edge*, 104 COLUM L. REV. 161, 188 (2004) (“The mark holder surely benefits from the FTDA’s preservation of her mark’s uniqueness, but consumers also benefit, as they experience a more efficient market.”).

<sup>83</sup> *Ty*, 306 F.3d at 511.

<sup>84</sup> See *supra* note [83] and accompanying text.

Tarnishment is probably a more intuitively obvious concept than blurring, as evidenced by the considerable debate in the literature over what blurring is, with substantially less attention paid to tarnishment. Emotion is key to cognition,<sup>85</sup> meaning that negative associations may do real, even measurable harm, even though it's not rational to think less of Tiffany's-the-jeweler because of the existence of the strip club Tiffany's (or, more likely, Stiffany's). No matter what people consciously believe, Tiffany's-the-strip-joint will become a branch on the tree of associations connected to Tiffany's-the-jeweler, and it will bear poison flowers.

Finally, Posner offers a third possible meaning of dilution, which is simply free riding. The example is a Tiffany's restaurant is in Kuala Lumpur, which grabs some of the luster of Tiffany's-the-jeweler because of the same tendency to make associations. People in Kuala Lumpur know about the jewelry store but would never patronize it, so no jewelry store customers have their mental models of Tiffany's distorted in any way.<sup>86</sup> This definition focuses on the mental processes of the junior user's customers, not the senior user's, but is otherwise quite similar to Posner's definition of blurring.

If dilution is about preserving the efficient dissemination of information in the marketplace, then it is subject to the same criticisms set forth above: Other areas of First Amendment doctrine require courts to consider whether information helps some consumers even if it harms others, and concerns for erroneous suppression of speech throw no-fault and other features of trademark law into question. Nonetheless, some have argued that the search costs model of dilution, by identifying harm to consumers,

---

<sup>85</sup> See, e.g., DANIEL J. SIEGEL, *THE DEVELOPING MIND: HOW RELATIONSHIPS AND THE BRAIN INTERACT TO SHAPE WHO WE ARE* 159 (1999).

<sup>86</sup> See *Ty*, 306 F.3d at 512.

bolsters dilution against the numerous First Amendment attacks to which it has been subjected.<sup>87</sup> As the following sections show, the matter is not so simple.

### *B. The Cognitive Model of Dilution and Noncommercial Uses*

A not inconsiderable advantage of the search costs explanation of dilution is that it converts dilution into a protection for consumers as well as for producers.<sup>88</sup> After all, we know that external search costs are inefficient and therefore welfare-diminishing for consumers, and it seems natural that internal search costs would also decrease efficiency.<sup>89</sup> Thus, a focus on the workings of the consumer's diluted mind produces a response to Judge Kozinski's more skeptical take on dilution, in which he found dilution less important than infringement law because it served only trademark owners' interests and did not protect consumers.<sup>90</sup> The Supreme Court, for the moment, has sided with

---

<sup>87</sup> See Dogan & Lemley, *Publicity*, *supra* note 73, at 1218 n.269 (“One benefit of understanding dilution law as we have explained it elsewhere--as directed at reducing consumer search costs--is that our approach may reduce the tension between dilution law and the First Amendment.”) (citation omitted); see also Jacobs, *supra* note 64, at 188-90 (treating dilution as based on search costs and efficiency considerations satisfies the substantial interest and tailoring prongs of *Central Hudson*). I have criticized the empirical basis of the cognitive model elsewhere, see Tushnet, *supra* note [], Part IV. Here, I proceed under the assumption that it is a descriptively accurate account of dilution.

<sup>88</sup> See Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOKLYN L. REV. 827, 891 n. 276 (2004) (“Certainly, dilution doctrine seems more palatable from a policy perspective if it does something positive for consumers rather than just protecting the property interests of proprietors of famous trademarks.”); Jerre B. Swann, Sr., *Dilution Redefined for the Year 2002*, 92 TRADEMARK REP. 585, 603-04 (2002) (because consumers' lives are so hectic, they need help from strong, unique signals that simplify messages, which dilution law protects); cf. Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1035 (2006) (discussing change in judicial explanations of dilution towards a consumer focus).

<sup>89</sup> See, e.g., Mark Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1704 n.90 (1999) (“The information consumers can obtain and process is in part a function of how clear the association between mark and product remains in their minds; ‘clutter’ therefore imposes real costs on consumers.”); *id.* at 1705 n.91 (“Properly conceived, however, I think dilution law is protecting consumers against a real harm: the loss of the informational value of a famous trademark through crowding.”).

<sup>90</sup> See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 905 (9th Cir. 2002) (“[D]ilution law protects only the distinctiveness of the mark, which is inherently less weighty than the dual interest of protecting trademark owners and avoiding harm to consumers that is at the heart of every trademark claim.”).

Judge Kozinski, but it has not had the occasion to address the search costs argument directly.<sup>91</sup>

One could argue that the new vision of dilution is as paternalistic as other commercial speech regulations the Court has criticized: Dilution rests on the conclusion that consumers will react irrationally to information that does not deceive them, but merely changes their preferences, the way ads for alcohol or tobacco or soda may change preferences. The diluting junior user may not have a good reason for changing consumers' preferences for the senior mark, but First Amendment law rarely asks whether a speaker has a legitimate interest in saying nondeceptive things. It is for the audience to take up or reject the junior user's competing message. The cognitive model provides a partial answer to this critique. A ban on tarnishment is rank paternalism, but a ban on blurring is closer to an anti-fraud law. It seeks to prevent not *irrational* changes in preferences, but *inefficient* ones produced by increased search costs. This is something a nightwatchman state could do while remaining indifferent to the rightness or wrongness of consumer preferences and agnostic on the merits of changes in such preferences.<sup>92</sup>

Yet the strength of the cognitive model is also a major weakness. Internal search costs cannot explain why dilution should be limited to "commercial uses in commerce."<sup>93</sup>

As Laura Heymann puts it, "A dilution action essentially argues ... 'We have spent a lot

---

<sup>91</sup> See *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 429 (2003) ("Unlike traditional infringement law, the prohibitions against trademark dilution are not the product of common-law development, and are not motivated by an interest in protecting consumers.").

<sup>92</sup> See Kathleen M. Sullivan, *Cheap Spirits, Cigarettes, and Free Speech: The Implications of 44 Liquormart*, 1996 SUP. CT. REV. 123, 127-28 (arguing that the Supreme Court's recent commercial speech jurisprudence distinguishes between regulations based on an ad's communicative message and regulations based on an ad's associated material harms, invalidating only the former).

<sup>93</sup> Search cost explanations may offer an incomplete account of the interests served by trademark law more generally. My point here is that, regardless of whether one generally finds such explanations satisfactory, the search costs justification for dilution can't explain why commercial dilution increases mental clutter more or differently than noncommercial dilution. I thank Graeme Dinwoodie for pressing me on this point.

of money and effort on telling consumers what they should think about our brand, and the defendant's activities have caused them to think something different.' ... The brand owner, in other words, is claiming a right to the exclusive mental association with the brand in the minds of the public."<sup>94</sup>

Unfortunately for trademark owners, market conditions preclude trademark owners from controlling associations in the way this theory assumes. In fact, the things that we can be most confident affect mental models of brands are noncommercial, casual uses: what our friends think of the Gap, or Old Navy.<sup>95</sup> The problem isn't generally competitors, but all the other people who have opinions about the product and the trademark, promiscuously creating associations. Yochai Benkler's discussion of Google's search engine results for the term "Barbie" illustrates both blurring and tarnishment from noncommercial uses. The top results on Google, in order, were Mattel's official site; the official collector's site; AdiosBarbie.com (critical of Barbie); a Barbie collectible magazine; a quiz, *If You Were a Barbie, Which Messed Up Version Would You Be?*; the Visible Barbie Project (Barbies sliced through as if vivisected); *Barbie: The Image of Us All* (undergraduate paper on the cultural history of Barbie); a Barbie and Ken sex animation; a Barbie dressed as a suicide bomber; and Barbies dressed and painted as countercultural images.<sup>96</sup> As Benkler explains:

[I]n an environment where relevance is measured in non-market action – placing a link to a Web site because you deem it relevant to whatever you are

---

<sup>94</sup> Laura A. Heymann, *Metabranding and Intermediation: A Response to Prof. Fleischer*, 12 HARV. NEGOT. L. REV. 201, 218 (2007).

<sup>95</sup> See, e.g., ALEX WIPPERFÜRTH, BRAND HIJACK: MARKETING WITHOUT MARKETING (2005) (marketers must recognize that consumers decide on the meaning of brands and promote those meanings to other consumers); Chris Gaither, *Where Everyone Is a Critic*, L.A. TIMES, Aug. 25, 2006, <http://www.latimes.com/business/la-fi-yelp25aug25,0,3179102,full.story?coll=la-home-headlines> (discussing a consumer review site with a powerful effect on businesses' success or failure).

<sup>96</sup> See YOCHAI BENKLER, THE WEALTH OF NETWORKS at 286 tbl. 8.1 (2006).

doing with your Web site – as opposed to in dollars, Barbie has become a more transparent cultural object. It is easier for the little girl to see that the doll is not only a toy, not only a symbol of beauty and glamour, but also a symbol of how norms of female beauty in our society can be oppressive to women and girls. ... [The search results] render transparent that Barbie can have multiple meanings ....<sup>97</sup>

These critical and parodic uses dilute.<sup>98</sup>

Another example of dilutive use to which dilution law does not currently apply comes from the multiple uses in news reporting and other noncommercial speech of the suffix “Mc” to indicate convenience, cheapness, uniformity, and other qualities associated with McDonald’s – McJob, McPaper, McArt, McLawyers.<sup>99</sup> Even if McDonald’s can get McSleep Inns enjoined, the pervasive communicative uses of “Mc” as shorthand for a set of qualities keeps the mark’s meanings from being locked down.<sup>100</sup>

Repurposing and cultural commentary aside, standard uses of marks as marks can dilute. Comparative advertising that names the comparison product is designed to create new associations between a brand and its competitor. Reviews also affect perceptions of quality. It is possible to convince people that they liked a product that they specifically said they disliked by showing them positive reviews (or vice versa, turning positive opinions negative); not only will their evaluations become more positive, they will insist

---

<sup>97</sup> BENKLER, *supra* note [], at 287. See also Julie Bosman, *Agencies Are Watching as Ads Go Online*, N.Y. TIMES, Aug. 15, 2006 (discussing spoof ads that attack products or offer inconsistent meanings for the brand, and quoting a creative director who describes such spoofs as “brand terrorism,” while acknowledging that there’s little companies can do to control them).

<sup>98</sup> See, e.g., *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903-04 (9<sup>th</sup> Cir. 2002) (“MCA’s use of the [Barbie] mark [for the song title *Barbie Girl*] is dilutive.... [A]fter the song’s popular success, some consumers hearing Barbie’s name will think of both the doll and the song, or perhaps of the song only. This is a classic blurring injury ....”) (footnote omitted); cf. Heymann, *supra* note [], at 214-15, 220-22 (discussing ways in which intermediaries such as reporters can distort brand messages).

<sup>99</sup> See also, e.g., *The Ronald McHummer Sign-O-Matic*, <http://ronaldmchummer.com/> (visited Aug. 19, 2006) (allowing users to design their own digital images of McDonald’s signs, often critical of the company).

<sup>100</sup> See ROGER SHUY, *LINGUISTIC BATTLES IN TRADEMARK DISPUTES* 4-5 (2002).

that their initial opinions were also positive.<sup>101</sup> If that's so, then dilution law should be especially concerned about negative reviews and comparative advertising. But comparative advertising and reviews are noncommercial speech are explicitly excepted from the federal dilution law, and no court is likely to apply state dilution law to cover them either.

New associations from nonapproved sources are constant and inevitable. Proust's madelines conjured up not just memories of their maker but a whole web of references – hundreds of pages of interference with hypothetically efficient cognitive processing. In the blooming, buzzing confusion of the modern marketplace, trademarks are constantly thrown at us, jostling shoulders in ways that ensure multiple associations, whether it's the hundreds of marks visible side by side in Times Square or the dozens that obscure the uniforms and cars of Nascar drivers.<sup>102</sup> The same pervasive branding of everyday life that supposedly requires legal protection for the ability of a unique mark to cut through ad clutter itself drowns marks in multiple uncontrollable contexts.

### *C. First Amendment Implications*

Largely for the reasons that convinced Congress to enact a noncommercial speech exception to dilution law in the first place, it is extremely unlikely that dilution law can constitutionally expand to cover reviews, casual references, and other expressive uses.

---

<sup>101</sup> See GERALD ZALTMAN, HOW CUSTOMERS THINK: ESSENTIAL INSIGHTS INTO THE MIND OF THE MARKET 182-83; see also *id.* at 12-13, 166-67, 180-81 (describing various successful experiments in manipulating memories about products or services); Kathryn A. Braun et al., *Make My Memory: How Advertising Can Change Our Memories of the Past*, 19 PSYCHOL. & MARKETING 1 (2002); Kathryn A. Braun, *Post-Experience Effects on Consumer Memory*, 25 J. CONSUMER RES. 319 (1999).

<sup>102</sup> One might argue that trademark owners can control side-by-side exposures through contract. But in most cases, they lack the ability to do so. A McDonald's might discover that the Gap next door lost its lease and is now a Hooter's. Eric Goldman has written about the pervasive constraints faced by most manufacturers, giving retailers substantial control over how a particular brand will be categorized and displayed to consumers. Eric Goldman, *Brand Spillovers*, available at (Aug. 6, 2006) (draft manuscript, available at <http://www.law.berkeley.edu/institutes/bclt/ipsc/papers2/goldman.pdf>)

The result is a law that cannot give trademark owners control over their marks' images, regardless of its rhetoric.

But that is not the end of the interaction between free speech and dilution law. The enormous disconnect between cognitive processing explanations of dilution and the scope of dilution law offers a simple analogy: *City of Cincinnati v. Discovery Network*.<sup>103</sup> In that case, the Supreme Court ruled that the city could not target commercial speech by banning newsracks containing commercial handbills but permitting newsracks containing traditional newspapers. The city's rationale was that newsracks interfered with the safety and beauty of the public streets. While the city conceded that it could not ban newsracks containing fully protected speech like that of the *New York Times*, it argued that it could ban commercial speech, which is less valuable.

The problem with that argument was that the nature of the speech conveyed by the newsracks, commercial or not, had nothing to do with their effects on safety and aesthetics. There were 62 commercial newsracks that the city wished removed, but between 1500 and 2000 newsracks selling conventional newspapers would remain. This complete absence of fit between the harm and the targeted speech invalidated the law. The similarities between *Discovery Network* and dilution law, understood as a measure against mental clutter, indicate that dilution also irrationally targets commercial speech for a harm done by a much larger set of speech acts.<sup>104</sup>

---

<sup>103</sup> 507 US 410 (1993).

<sup>104</sup> Eugene Volokh has drawn on *Discovery Network* to argue that the FTDA's exclusion of noncommercial speech is content-based, but to my knowledge no one has yet made this direct analogy. See Eugene Volokh, *Freedom of Speech and Intellectual Property: Some Thoughts After Eldred*, 44 *Liquormart*, and Bartnicki, 40 *HOUS. L. REV.* 697, 706-07 (2003).

The response to a *Discovery Network*-type First Amendment challenge would plainly be to identify the harm of dilution as that caused by free riding. Not the mental effects, but the commercial advantage to the junior user, justify distinguishing commercial diluting uses from noncommercial diluting uses.<sup>105</sup> A strong believer in protecting commercial speech under the First Amendment might see this response simply as a restatement of the claim that commercial speech gets less First Amendment solicitude than noncommercial speech: it is an argument that advertisers are doing something that is less valuable than parodists and reporters. In *Discovery Network*, this commercial-speech discount was insufficient to justify special regulation.<sup>106</sup>

Even though I accept the commercial/noncommercial divide, I find the free riding explanation for dilution unpersuasive, mainly because free riding is endemic to a functioning economy. Moreover, a noncompetitor's free riding doesn't damage a trademark owner (as opposed to the junior user's competitors, like Joe's Diner forced to compete against the classy-sounding Tiffany's Restaurant) unless and until the trademark owner's customers experience the mental effects discussed above, so the harm of free-riding is elusive. Still, even someone who thinks that there's no reason to allow free riding on *trademarks*, as opposed to business models, expired patents, and the like,

---

<sup>105</sup> One could argue that trademark owners need to be able to appropriate all the commercial gains from their marks in order to give them incentives to develop famous marks, but that seems quite unlikely, given the other incentives to make one's mark famous; and again, it does not address why a commercial/noncommercial divide sets the incentives at the appropriate level.

<sup>106</sup> See Sullivan, *supra* note [], at 124 (“[C]ommercial speech may not be given an automatic discount in the scale of First Amendment values.”) (citing *Discovery Network*, 507 US at 428 (“In the absence of some basis for distinguishing between ‘newspapers’ and ‘commercial handbills’ that is relevant to an interest asserted by the city, we are unwilling to recognize Cincinnati’s bare assertion that the ‘low value’ of commercial speech is a sufficient justification for its selective and categorical ban on newsracks dispensing ‘commercial handbills.’”)).

should consider that the cognition-based harms of dilution are largely inflicted by noncommercial uses.

If free riding on a mark is really what we're targeting, much of current dilution law makes very little sense, from the federal statutory test for whether dilution is likely to the exception for comparative advertising. If dilution is wrong because it is just not fair, we should say so – though “just not fair” might well be insufficient to survive *Central Hudson* scrutiny.

### III. CONCLUSION

Taking modern First Amendment doctrine seriously would have significant effects on the Lanham Act, from everything from the standard of proof to the definition of what counts as misleading. Trademark's property-like features could insulate it better than false advertising, but the constitutional constraints on libel law – which also protects property-like interests in reputation – show that property concepts are not a panacea. First Amendment protection for commercial speech is increasing simultaneously with trademark's expansion to new areas, from dilution to geographic indications, and the two fields will inevitably overlap more often. Courts adopting First Amendment principles to cabin expansive trademark claims may then find that the same free-speech reasoning reaches trademark's core commercial functions.

Critics of the Supreme Court's commercial speech jurisprudence who would remove the commercial/noncommercial distinction often assert that applying the First Amendment to commercial speech would be relatively easy and wouldn't require major doctrinal restructuring. They treat modern unfair competition law as not much more than fraud law. But that is a misdescription of the field, perhaps understandable from the

outside; both practically and on a rule-by-rule level, the consequences of full political speech treatment for the Lanham Act and related laws would be enormous.

On the other hand, rather than treating ads like campaign speech, we could use unfair competition law – and the reasons that the jurisprudence of the last hundred years has generally moved away from a pure fraud law – as a basis for evaluating and reforming First Amendment doctrine. In particular, First Amendment cases have rarely grappled with the problem of speech that affirmatively harms some people (e.g., through deception) and benefits others (e.g., through providing useful information). A more honest approach to the variations among consumers, or other audience groups, would require us to decide what magnitude of harm, or harm-to-benefit ratio, justifies banning speech, and on whom the burden of showing benefits and harms will rest.

Even if, as is likely, courts prove reluctant to invalidate modern unfair competition law, allowing consumer protection to trump freedom of commercial speech requires more than simply declaring false and misleading commercial speech to be outside the boundaries of the First Amendment. Rather, we must pay attention to substance and to form, asking both how much deception is enough to suppress a competitor's speech and what presumptions and burdens of proof should be allowed or required. Moreover, the persistent appeal of concepts such as dilution and the ban on using the placebo effect as the only support for a product's efficacy indicate that some level of commercial morality, over and above truthfulness, retains its grasp on many assessments of what commercial speech is worthy of protection. There are insights to be had from a hard look at the First Amendment from an unfair competition perspective, as well as from a hard look at unfair competition law from a First Amendment perspective.