

## The Meaning of *Hana*; the Promise of *Lexmark*

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The Lanham Act has had a busy stretch at the Supreme Court. Four recent opinions interpret the statute.<sup>1</sup> This brief Essay considers the ramifications of two of them on the future of trademark law. *Hana Financial, Inc. v. Hana Bank* resolves a somewhat minor trademark issue, but illuminates deeper problems within trademark doctrine.<sup>2</sup> *Lexmark International, Inc. v. Static Control Components, Inc.*, though about false advertising, offers some guidance on how to address them.<sup>3</sup>

### I. HANA FINANCIAL, INC. V. HANA BANK

*Hana Financial* concerns trademark tacking. Trademark rights are generally use-based. Usually when two people want to use the same mark in the same market, the first user prevails.<sup>4</sup> The issue is complicated when a trademark owner changes the mark and the revised mark now resembles another mark that was adopted before the revision, but after the original. Who is first then? The tacking doctrine allows the user of the changed mark to prevail if the original and modified mark convey the same commercial impression.<sup>5</sup> In such cases, courts will treat the modified mark as if it were adopted the same the date as the original.<sup>6</sup>

The tacking test is supposed to be exacting, applying only when the marks are “legal equivalents” or without “material differences.”<sup>7</sup> One reason for the strict standard is that tacking defeats the priority of an intervening user who otherwise would be treated as the first to use. Instead, the intervening user becomes subject to an infringement claim. Small wonder then that courts see the doctrine as strong medicine.

*Hana Financial* resolved a circuit split on whether tacking is a question of fact, to be resolved by a jury and reviewed for clear error, or one of law for the judge.

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1. In addition to the two named in this paragraph, the Court decided *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015), and *POM Wonderful LLC v. Coca-Cola Co.*, 134 S. Ct. 2228 (2014).

2. *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907 (2015).

3. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014).

4. Unless one has priority by prior registration or filing an intent-to-use application. 15 U.S.C. § 1051(b) (2012).

5. J. THOMAS MCCARTHY, 3 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 17:26 (4th ed. 2015).

6. *Id.*

7. *Id.*

The holding is simple: tacking is a jury question.<sup>8</sup>

The Court's reasoning was straightforward. The question whether there is a continuous commercial impression between two marks is one of consumer perception. Determining what consumers perceive is a task that "falls comfortably within the ken of a jury."<sup>9</sup> Across legal doctrines the general rule is that juries resolve "fact-intensive" questions of "how an ordinary person or community would make an assessment."<sup>10</sup> Trademarks should not be treated differently. Nor did the argument that tacking standards—like the "legal equivalents" test—are legal rules sway the Court. Properly instructed juries routinely resolve mixed questions of law and fact.<sup>11</sup>

*Hana Financial* hardly sent shockwaves in the trademark world. Tacking cases are not especially common, and the reasoning of the unanimous opinion was straightforward.<sup>12</sup> The case nonetheless has two interesting ramifications for trademark law.

First, it calls attention to what Justice Kennedy called the elephant in the room at oral argument—the ongoing circuit split on whether likelihood of confusion is reviewed as a question of fact or law.<sup>13</sup> Most circuits treat likelihood of confusion as an issue of fact (reviewed under a "clearly erroneous" standard). The Second, Sixth, and Federal Circuits treat likelihood of confusion as an issue of law reviewed

8. *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907, 913 (2015). Hana Financial, Inc. ("HFI") sued Hana Bank for infringing the registered "Hana Financial" mark, which it began using in 1995 (the Korean word pronounced "hana" means "number one," "first," "top," or "unity"). Hana Bank first established a financial service called the "Hana Overseas Korean Club" in 1994. Some of its advertisements also used the term Hana Bank in Korean. In 2000, it changed the name to "Hana World Center." In 2002, it began operating a bank under "Hana Bank." Throughout all its advertising, it continuously used a "dancing man" logo.

At trial, the jury was instructed that priority could be claimed based on tacking. On closing argument, HFI argued that the Hana Bank and Club trademarks were "completely different." Nonetheless, the jury found in favor of Hana Bank, finding first use in commerce prior to HFI's.

The Ninth Circuit affirmed, concluding that reasonable minds could disagree on whether the marks materially differed. The court claimed to be maintaining its strict standard. "[I]n isolation" "Hana Overseas Korean Club," and "Hana World Center" differed from "Hana Bank." But a jury could nonetheless reasonably conclude that the marks conveyed a continuous impression given the use of "Hana Bank" in advertising, the presence of the dancing man logo in all ads, the marketing to Korean-speaking consumers who were likely aware of the service in Korea, and the use of "Hana" in the name. *Hana Fin., Inc. v. Hana Bank*, 735 F.3d 1158 (9th Cir. 2013), *aff'd*, 135 S. Ct. 907 (2015).

9. *Hana Fin.*, 135 S. Ct. at 911.

10. *Id.*

11. *Id.* at 912.

12. They do relate, however, to the issue of whether priority in one market leads to priority in a similar, but not identical, one. Suppose a company establishes the EAGLE mark for fast-food hamburgers in 2000, and another company uses EAGLE for fast-food burritos in 2005. The question whether the hamburger company may enter the burrito market and claim priority to the EAGLE mark is "determined by the perception of customers at the time of the junior user's first use" of the mark on the different product line. 4 MCCARTHY, *supra* note 5, § 24:20 (4th ed. 2015). The overlap between the inquiries arose in the *Hana Financial* case briefing and oral argument. Transcript of Oral Argument at 30-31, *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907 (2015) (No. 13-1211), [http://www.supremecourt.gov/oral\\_arguments/argument\\_transcripts/13-1211\\_n7j2.pdf](http://www.supremecourt.gov/oral_arguments/argument_transcripts/13-1211_n7j2.pdf) [http://perma.cc/2WN4-27TX].

13. Transcript of Oral Argument, *supra* note 12, at 29.

de novo.<sup>14</sup> The Supreme Court has thus far declined to resolve the matter.<sup>15</sup>

But perhaps the Court is interested now. The issue came up repeatedly in oral argument. Justice Kennedy asked if the opinion should be crafted with the question in mind, and Justice Alito pressed the point that the tacking and infringement inquiries should receive the same treatment.<sup>16</sup> And indeed, the opinion's reasoning points in that direction. Like tacking, likelihood of confusion focuses on the question of consumer perception.<sup>17</sup>

Moreover, the circuit split on likelihood of confusion created the circuit split on tacking. The cases treating tacking as a question of law did so by analogy to their likelihood of confusion standards.<sup>18</sup> Likewise the Ninth Circuit, in identifying the split, noted that courts on either side of the divide used the same approach to the question—that tacking should be treated in the same manner as likelihood of confusion.<sup>19</sup>

Last, lower courts are likely to hear the reinforced message that consumer perceptions are questions of fact. *Hana Financial* has already been cited for this proposition in cases involving genericism,<sup>20</sup> abandonment,<sup>21</sup> and likelihood of confusion.<sup>22</sup>

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14. 4 MCCARTHY, *supra* note 5, § 23:71.

15. *Id.* § 23:72.

16. Transcript of Oral Argument, *supra* note 12, at 4–5, 29.

17. Int'l Ass'n of Machinists and Aerospace Workers v. Winship Green Nursing Ctr., 103 F.3d 196, 201 (1st Cir. 1996) (“[T]he law has long demanded a showing that the allegedly infringing conduct carries with it a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care.”).

18. “A determination by the Board that two marks are so confusingly similar that they constitute legal equivalents is a legal determination, and is not entitled to the same deference as a factual finding on review. *Cf.* Sweats Fashions, Inc. v. Pannill Knitting Co., Inc., 833 F.2d 1560, 1565 (Fed. Cir. 1987) (“The uniform precedent of this court is that the issue of likelihood of confusion is one of law.”); *In re Bed & Breakfast Registry*, 791 F.2d 157, 158 (Fed.Cir.1986) (likelihood of confusion, on appeal from the Board, is reviewed for correctness as a matter of law).” *Van Dyne-Crotty, Inc. v. Wear-Guard Corp.*, 926 F.2d 1156, 1159 (Fed. Cir. 1991) (parallel citations omitted).

For treatment by the Sixth Circuit, which also treats likelihood of confusion as a question of law, see *Data Concepts, Inc. v. Digital Consulting, Inc.*, 150 F.3d 620, 623 (6th Cir. 1998) (“Whether a later mark is the legal equivalent of an earlier one is a question of law.”) (citing *Van Dyne-Crotty*, 926 F.2d at 1159).

19. “In contrast, we have analyzed likelihood of confusion as a question of fact. Applying the approach of the Federal Circuit and the Sixth Circuit, we conclude that because we have analyzed the analogous consideration of likelihood of confusion as a factual question, whether tacking applies should also be analyzed as a question of fact. Although the outcome differs, the approach is consistent with that taken by our sister circuits.” *Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 759 (9th Cir. 2006) (citation omitted).

20. *Pods Enter., Inc. v. U-Haul Int'l, Inc.*, No. 8:12-CV-01479-T-27MAP, 2015 WL 1097374, at \*2 (M.D. Fla. Mar. 11, 2015).

21. *Jack Wolfskin v. New Millennium Sports*, 797 F.3d 1363, 1369 (Fed. Cir. 2015) (“In *Hana Financial*, the Supreme Court explained that ‘[a]pplication of a test that relies upon an ordinary consumer’s understanding of the impression that a mark conveys falls comfortably within the ken of a jury.’ Given our understanding that the same legal analysis applies in both priority and abandonment cases, there is no reason that the standard of review should differ. We therefore must review the Board’s factual determination for substantial evidence.” (citation omitted)).

22. *Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1085 (9th Cir. 2015) (Christen, J., concurring in part and dissenting in part) (“Evidence of actual consumer confusion is just

This treatment leads to the second, broader point about the Court's approach to trademark cases and a difficulty in trademark doctrine. Though the parties argued fine points of trademark law, the Court resolved *Hana Financial* at a higher level of generality. It focused on broader questions of the jury's role and the problem of adjudicating subjective perceptions. The Justices were less concerned about matters of interest to trademark practitioners or academics.<sup>23</sup> This could be said of all of the Court's Lanham Act cases in the last year. A common thread in the opinions was that their results were more dictated by "external" legal considerations than the substance of the Lanham Act issues.<sup>24</sup>

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one of the eight factors considered under *Downing*, and, in this case, several other *Downing* factors support the jury's finding of consumer confusion. See *Hana Fin., Inc. v. Hana Bank*, 135 S.Ct. 907 (2015) ('Application of a test that relies upon an ordinary consumer's understanding of the impression that a mark conveys falls comfortably within the ken of a jury . . . [W]hen the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decision maker that ought to provide the fact-intensive answer.').

23. HFI made a number of trademark-law focused arguments that the Court found unpersuasive. It argued that tacking determinations should be legal because they provide guidance for future tacking cases. The Court concluded to the contrary that most tacking situations do not require looking to how other tacking claims were resolved. *Hana Fin.*, 135 S. Ct. at 912. HFI also argued that trademark law would be more predictable with a de novo standard, but the Court rejoined that that is true wherever juries apply law to facts. *Id.* At oral argument, Justice Scalia joked that he would prefer being able to blame a jury for the inherent variability of tacking outcomes. Transcript of Oral Argument, *supra* note 12, at 21. Finally, much of the briefing debated whether trademark claims were traditionally equitable and out of the hands of a jury. This debate was distilled in the opinion into the claim that judges traditionally resolved tacking questions. The Court responded that that was a function of other circumstances that put the case before judges and not anything about the tacking question, which remains better suited for factual, not legal, resolution. *Hana Fin.*, 135 S. Ct. at 912–13.

24. As discussed below, *Lexmark* addresses the law of prudential and statutory standing. *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015), dealt with the availability of issue preclusion from a TTAB proceeding in future trademark litigation. This is an important trademark issue, and the Court did indeed address several arguments from trademark doctrine as to why preclusion should not apply as a categorical matter. But the Court held only that preclusion was possible as a general matter, and it clarified that it often would be unavailable in specific cases. *Id.* at 1306 ("[F]or a great many registration decisions issue preclusion obviously will not apply because the ordinary elements will not be met. For those registrations, nothing we say today is relevant."); *id.* at 1310 (Ginsburg, J., concurring) ("[C]ontested registrations are often decided upon 'a comparison of the marks in the abstract and apart from their marketplace usage.' When the registration proceeding is of that character, 'there will be no [preclusion] of the likel[i]hood of confusion issue . . . in a later infringement suit.'") (quoting 6 MCCARTHY, *supra* note 5, § 32:101). The substantive jousting between the majority and dissent concerned not trademark law, but the broader issue of preclusion from an administrative entity. *B&B Hardware*, 135 S. Ct. at 1310-18 (Thomas, J., dissenting).

*POM Wonderful LLC v. Coca-Cola Co.*, 134 S. Ct. 2228 (2014), resolved the question whether the Food, Drug, and Cosmetic Act precludes operation of the Lanham Act false advertising cause of action. It does not, and the Court took the opportunity to clarify the distinction between preclusion between statutes and preemption of state law by federal statutes. *Id.* at 2236 ("This case . . . concerns the alleged preclusion of a cause of action under one federal statute by the provisions of another federal statute. So the state-federal balance does not frame the inquiry. Because this is a preclusion case, any presumption against pre-emption, has no force." (citations and quotation omitted)); *id.* ("[T]his is a statutory interpretation case and the Court relies on traditional rules of statutory interpretation. That does not change because the case involves multiple federal statutes. Nor does it change because an agency is involved. Analysis of the statutory text, aided by established principles of interpretation, controls." (citations omitted)).

This is no surprise, but it masks a deeper doctrinal problem in trademark law.<sup>25</sup> The likelihood of confusion question sounds factual, and to a large extent it is. It nonetheless depends on the antecedent resolution of normative questions that may or may not be explicit. Trademark doctrine says, for example, that likelihood of confusion should be evaluated with the average reasonable consumer in mind, but the reasonable consumer is a notoriously malleable concept.<sup>26</sup> So suppose there is evidence in the record of actual confusion, but perhaps an attentive consumer would not have experienced it. How attentive a consumer *should* be is a normative issue.<sup>27</sup>

Likewise, the meaning of confusion is not necessarily straightforward. The statute does not define likelihood of confusion either quantitatively (How likely is the confusion? Among how many consumers?) or qualitatively (Is the confusion easily dispelled? Confusion about what?).<sup>28</sup> Pretending the question is purely factual invites broad infringement claims that leave courts with limited tools to handle the resulting policy issues.

This is a problem for trademark law that the Court has previously acknowledged.<sup>29</sup> Trademark law must balance a range of values against the policing of “confusion” in all its forms.<sup>30</sup> One response is for courts to simply make rough and ready equitable judgment calls about which suits deserve to go further. Once they do, judges can mask these broader considerations with generalized claims about the plausibility of the alleged confusion.<sup>31</sup> *Hana*

25. See generally Michael Grynberg, *The Judicial Role in Trademark Law*, 52 B.C. L. REV. 1283 (2011).

26. “[W]hen the court wants to find no infringement, it says that the average buyer is cautious and careful and would never be confused, but if the judge thinks there is infringement, the judge sets the standard lower and says the average buyer is gullible and not so discerning, and would be easily confused by the similar marks.” 4 MCCARTHY, *supra* note 5, § 23:92. See generally Laura A. Heymann, *The Reasonable Person in Trademark Law*, 52 ST. LOUIS U. L.J. 781 (2008).

27. The construct of the consumer affects many other aspects of trademark adjudication, including assessing trademark surveys, 6 MCCARTHY, *supra* note 5, § 32:185, and the operation of the multifactor likelihood of confusion test. 4 MCCARTHY, *supra* note 5, § 24:31-24:43 (listing factors used by the various circuits).

28. See *infra* note 36 and accompanying text.

29. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 214 (2000) (“Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit[.]”).

30. See *infra* notes 35–37 and accompanying text. Note, moreover, that confusion is an endemic human state at least as far as surveys are concerned. Jim Williams, *Conspiracy Theory Poll Results*, PUBLIC POLICY POLLING, (Apr. 2, 2014, 1:46 PM), <http://www.publicpolicypolling.com/main/2013/04/conspiracy-theory-poll-results-.html> [<http://perma.cc/YFS3-QCBC>].

31. Compare *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1178 (9th Cir. 2010) (stating, e.g., that “[c]onsumers who use the internet for shopping are generally quite sophisticated”), with *id.* at 1185–86 (Fernandez, J., concurring) (“For example, on this record I do not see the basis for the majority’s assertion that the ‘relevant consumer is . . . accustomed to shopping online’; or that ‘[c]onsumers who use the internet for shopping are generally quite sophisticated’ so that they are not likely to be misled; or that ‘the worst that can happen is that some consumers may arrive at [a] site uncertain as to what they will find’; or that, in fact, consumers are agnostic and, again, not likely to be misled; or that ‘[r]easonable consumers would arrive at the Tabaris’ site agnostic as to what they would find.’” (footnotes omitted)). *Christian Louboutin S.A. v. Yves Saint Laurent Inc.*, 696 F.3d 206 (2d Cir. 2012), is another example. The case involved an effort by the maker of red-soled shoes to sue a

*Financial* suggests this approach is unreliable. The next part explains why that matters.

## II. THE PROBLEM OF TRADEMARK SCOPE

Like it or not, the trademark cause of action is broader than it used to be.<sup>32</sup> Trademark holders are no longer restricted to protecting marks solely within their home markets. They may sue for pre- and post-sale confusion. Their claims may rest on the prospect that consumers are confused about whether the markholder gave permission for the mark to be reproduced regardless of whether they believe the markholder stands behind the defendant's goods or services. Federal law now has a dilution cause of action, which Congress has already broadened since first passage.<sup>33</sup> And so on.

Much of this expansion has been the product of judicial effort. The original text of section 43(a) was limited, but courts interpreted it to provide a general trademark cause of action that reached unregistered marks.<sup>34</sup> Congress gave its blessing by rewriting the statute in 1988 to conform it to judicial practice. Congress also signaled that it expected the courts to continue to treat the statute as a license for common lawmaking.<sup>35</sup> The modern text of section 43(a) gives courts ample opportunity to do so, broadly granting a cause of action for likelihood of confusion with respect to origin, sponsorship, or approval without giving substantive content

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competitor who sold a monochromatic red shoe for infringement. Rather than disposing of the case on aesthetic functionality grounds (i.e., proclaiming that the color red cannot be appropriated for product design trade dress in shoes), the court limited the plaintiff's mark to uses in which the red sole contrasts with the rest of the shoe. The court then cursorily ended the litigation because "the red sole on [defendant's] monochrome shoes is neither a use of, nor confusingly similar to, the Red Sole Mark." *Id.* at 228.

32. For a longer discussion of the changes described in this paragraph, see, e.g., Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, (2006); J. Thomas McCarthy, *Lanham Act § 43(A): The Sleeping Giant is Now Wide Awake*, 59 LAW & CONTEMP. PROBS. 45 (1996). For a shorter one, see, e.g., Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a "Formalist" Age*, 24 BERK. TECH. L. J. 897, 903-24 (2009).

33. Trademark Dilution Revision Act of 2006, PUB. L. NO. 109-312, 120 Stat. 1730 (2006) (amending scattered sections of title 15 of the United States Code).

34. See, e.g., *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 781 (1992) (Stevens, J., concurring in the judgment) ("Even though the lower courts' expansion of the categories contained in § 43(a) is unsupported by the text of the Act, I am persuaded that it is consistent with the general purposes of the Act."). McCarthy, *supra* note 32, at 46 ("In a half-century, section 43(a) has undergone an amazing transformation at the hands of the federal judiciary. Section 43(a) has risen from obscurity as a largely ignored subsection of the Trade Registration Act in 1945 to today's unrivaled legal instrument to combat unfair competition.").

35. "[The bill] revises Section 43(a) of the Act (15 U.S.C. 1125(a)) to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section. As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims." S. REP. NO. 100-515, at 40 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5603.

to those terms or providing guidance to the quantitative or qualitative limits of likelihood of confusion.<sup>36</sup> Given the ubiquity of uncertainty and mistake, courts have an open door to give broad readings to the conduct proscribed by the Lanham Act.

One needn't be a trademark restrictionist to see the potential problem. Courts have long recognized that with trademark rights, one can have too much of a good thing. Because unchecked trademark enforcement interferes with other important interests, a variety of trademark doctrines try to accommodate the need to protect free expression, information flow, and competition.<sup>37</sup> Unfortunately, the Lanham Act's structure is an obstacle to developing such safeguards. While the statute's liability provisions are broad and openly worded, its modest defensive terms are constrained.<sup>38</sup> Because Congress did not give courts the same flexibility with defenses as it did with liability, courts have difficulty innovating unless they can invoke something external to the statute.<sup>39</sup> And even if courts refrain from maximalist readings of the statute, the Lanham Act's potential scope still exerts an *in terrorem* effect on the risk averse. This is what makes the breezy treatment of trademark claims as purely factual so troubling. It invites courts to send broad claims to the jury, raising costs and uncertainty for trademark defendants and discouraging them from standing on their rights.

That said, potential limits to the Lanham Act lie within its text and the history of trademark law generally. Much of the Supreme Court's post-*Two Pesos* trademark jurisprudence explores these limits.<sup>40</sup> Some are straightforward exercises in statutory interpretation, like ensuring that the Lanham Act's limited defenses are at least treated as defenses.<sup>41</sup> Others involve policing the boundaries between federal intellectual property doctrines, using the existence of patent and copyright regimes to keep the Lanham Act within its traditional bounds.<sup>42</sup> The undercurrent in these opinions is the view that however broad the Lanham Act may be, it must be limited by more than judicial self restraint. Justice Scalia hits this theme hard in his opinions in *Wal-Mart* and *Dastar*.<sup>43</sup> Enter *Lexmark*, which continues this idea in

36. 15 U.S.C. § 1125(a). For a longer version of this argument, see Grynberg, *supra* note 32, at 909-13.

37. See, e.g., *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) (announcing artistic relevance test for uses of trademarks); *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010) (applying nominative fair use test); *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (interpreting functionality doctrine).

38. Grynberg, *supra* note 32, at 914-24.

39. See, e.g., *Rescuecom Corp. v. Google Inc.* 562 F.3d 123 (2d Cir. 2009) (rejecting attempt to block a claim via a strengthened trademark use requirement).

40. For a longer discussion, see Grynberg, *supra* note 32, at 933-45.

41. See, e.g., *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 123 (2004).

42. See *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001) (patent); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003) (copyright).

43. See *Dastar Corp.* 539 U.S. at 29 (“[B]ecause of its inherently limited wording, § 43(a) can never be a federal ‘codification’ of the overall law of ‘unfair competition,’ but can apply only to certain unfair trade practices prohibited by its text.”) (citations and quotations omitted); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 213 (2000) (“Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a

the realm of false advertising.

### III. LEXMARK

*Lexmark International, Inc. v. Static Control Components, Inc.* resolved a circuit split on who may sue under the Lanham Act's false advertising cause of action.<sup>44</sup> But many outside the false advertising field took notice of the Supreme Court's clarifying (or modifying) its approach to "prudential standing."<sup>45</sup> *Lexmark* reaches beyond false advertising law in another, narrower, way. Because the false advertising cause of action is a Lanham Act neighbor to that of infringing unregistered trademarks, *Lexmark* has obvious implications for trademark law.

*Lexmark* clarifies the Lanham Act test for the right to sue under the false advertising cause of action.<sup>46</sup> Though the statute authorizes "any person who believes that he or she is or is likely to be damaged by" a violation to sue, courts have long limited this provision, e.g., by not letting consumers bring false advertising claims.<sup>47</sup> Over time, the circuits developed a range of tests determining

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rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness.").

44. 134 S. Ct. 1377 (2014).

45. See, e.g., *Standing-Civil Procedure-Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 128 HARV. L. REV. 321, 328 (2014) ("Lexmark has abruptly upended prudential standing doctrine . . ."); S. Todd Brown, *The Story of Prudential Standing*, 42 HASTINGS CONST. L.Q. 95, 114 (2014) ("The only remaining common component of prudential standing after Lexmark is third-party standing."); Leah M. Litman, *Taking Care of Federal Law*, 101 VA. L. REV. 1289, 1356 (2015) ("[Lexmark] recently recharacterized the question of whether a plaintiff falls within the zone of interests a statute protects—a question previously designated as part of 'prudential standing' doctrine—as a question of statutory construction."); Richard H. Fallon, Jr., *The Fragmentation of Standing*, 93 TEX. L. REV. 1061, 1107 (2015); see also, e.g., *City of Miami v. Bank of Am. Corp.*, 800 F.3d 1262, 1276 (11th Cir. 2015) ("[T]he Supreme Court's recent opinion in Lexmark (interpreting the Lanham Act) discarded the labels 'prudential standing' and 'statutory standing,' and clarified that the inquiry was really a question of statutory interpretation, and not standing at all.").

46. The case arose from the practice of refurbishing used printer toner cartridges. Lexmark sued Static Control under the DMCA for selling microchips that allowed refurbished Lexmark cartridges to work. Static Control countersued.

Static Control alleged two types of false or misleading conduct by Lexmark under the Lanham Act. First, it alleged that through its Prebate program Lexmark "purposefully misleads end-users" to believe that they are legally bound by the Prebate terms and are thus required to return the Prebate-labeled cartridge to Lexmark after a single use. Second, it alleged that upon introducing the Prebate program, Lexmark "sent letters to most of the companies in the toner cartridge remanufacturing business" falsely advising those companies that it was illegal to sell refurbished Prebate cartridges and, in particular, that it was illegal to use Static Control's products to refurbish those cartridges. Static Control asserted that by those statements, Lexmark had materially misrepresented "the nature, characteristics, and qualities" of both its own products and Static Control's products. It further maintained that Lexmark's misrepresentations had "proximately caused and [we]re likely to cause injury to [Static Control] by diverting sales from [Static Control] to Lexmark," and had "substantially injured [its] business reputation" by "leading consumers and others in the trade to believe that [Static Control] is engaged in illegal conduct."

134 S. Ct. at 1384 (citations omitted).

47. 15 U.S.C. § 1125(a).

who could sue for claimed injuries from false advertising.<sup>48</sup>

The Court did away with all that, in part by clarifying the issue. It announced that many have been getting the concept of “prudential standing” wrong. When Article III standing requirements are met, courts may not refuse to exercise jurisdiction. The question is simply whether the statute authorizes the cause of action, not whether the courts think it “prudent” to permit it.<sup>49</sup>

From this general proposition, the Court moved to the narrow one of what the Lanham Act means when it authorizes a cause of action by “any person who believes that he or she is likely to be damaged.” Notwithstanding the provision’s breadth, the Court rejected the idea that it is coextensive with the class of plaintiffs who meet Article III standing requirements. Importantly, it did so in light of the “background principles” against which Congress legislated.

The presumption that Congress does not intend to abrogate background legal understandings without clear expression is a familiar one in statutory interpretation.<sup>50</sup> In trademark law, lower courts have used it to check the expansion of trademark rights.<sup>51</sup> In *Lexmark*, the common law backdrop has two components. First, the Court assumes that Congress intends those availing themselves of a cause of action to be within the “zone of interests” protected by the statute.<sup>52</sup> Here, the Lanham Act helpfully explains its purposes in section 45. Most of these goals are tied to trademark claims, but “a typical false-advertising case will implicate only the Act’s goal of ‘protect[ing] persons engaged in [commerce within the control of Congress] against unfair competition.’”<sup>53</sup> The Court defines “unfair competition,”

48. *Lexmark*, 134 S. Ct. at 1391–93 (describing various tests).

49. *Id.* at 1388 (“That question requires us to determine the meaning of the congressionally enacted provision creating a cause of action. In doing so, we apply traditional principles of statutory interpretation . . . . Just as a court cannot apply its independent policy judgment to recognize a cause of action that Congress has denied, it cannot limit a cause of action that Congress has created merely because “prudence” dictates.” (citation omitted)).

50. As *Lexmark* explains, courts assume that Congress is familiar with common law rules and is unlikely to eliminate them stealthily. *Id.* at 1390.

51. For example, prior to 1998, the Lanham Act made no mention of the functionality doctrine notwithstanding its traditional role in trademark law. As trade dress became increasingly important to trademark, the omission became a larger issue. In *Wilhelm Pudenz, GmbH v. Littlefuse, Inc.*, 177 F.3d 1204 (11th Cir. 1999), the Eleventh Circuit held that functionality is a basis for canceling marks even if they are otherwise incontestable. The court reasoned, “given the absence of any explicit reference to the functionality doctrine, which is a judicially created concept that predates the Lanham Act, we should be hesitant to read the Act as limiting the doctrine’s reach. ‘The normal rule of statutory construction is that if Congress intends for legislation to change the interpretation of a judicially created concept, it makes that intent specific.’” *Id.* at 1210 (quoting *Midlantic Nat’l Bank v. New Jersey Dep’t of Envtl Prot.*, 474 U.S. 494, 501 (1986)).

52. The Court traced this understanding to the “common-law rule that a plaintiff may not recover under the law of negligence for injuries caused by violation of a statute unless the statute ‘is interpreted as designed to protect the class of persons in which the plaintiff is included, against the risk of the type of harm which has in fact occurred as a result of its violation.’” *Lexmark*, 134 S. Ct. at 1389 n.5 (quoting W. KEETON, D. DOBBS, R. KEETON, & D. OWEN, PROSSER AND KEETON ON LAW OF TORTS § 36, 229–230 (5th ed. 1984)). That understanding extends to statutes generally. “Statutory causes of action are regularly interpreted to incorporate standard common-law limitations on civil liability—the zone-of-interests test no less than the requirement of proximate causation[.]” *Id.*

53. *Id.* at 1389 (quoting 15 U.S.C. § 1127) (alteration in original).

in turn, based on its (claimed) understood meaning in the era of the Lanham Act's passage, as a concern "with injuries to business reputation and present and future sales."<sup>54</sup>

The second background principle is the presumption "that a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute."<sup>55</sup> The Court asserted that "Congress . . . is familiar with the common-law rule and does not mean to displace it *sub silentio*."<sup>56</sup> Though the definition of proximate cause is elusive, it "generally bars suits for alleged harm that is 'too remote' from the defendant's unlawful conduct."<sup>57</sup> The opinion uses these two principles to define the right to sue under the Lanham Act. "We thus hold that a plaintiff suing under § 1125(a) ordinarily must show economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff."<sup>58</sup>

#### IV. LEXMARK AND TRADEMARK LAW

While *Lexmark* opens the courthouse doors to more false advertising plaintiffs, it has the potential to narrow them for trademark holders. Though the opinion's applicability to trademark law is unsettled,<sup>59</sup> it seems unlikely that trademark law can resist some influence from *Lexmark* given that the language at issue in *Lexmark* applies to both of section 43(a)'s causes of action.<sup>60</sup>

If courts take *Lexmark* seriously and follow it through to its logical implications, the opinion may curtail some of trademark law's reach. The theories of harm behind non-traditional trademark claims often rest on precarious causal chains that may prove vulnerable to a proximate cause analysis.<sup>61</sup> Interrogating such claims

54. *Id.* at 1390.

55. *Id.* at 1389.

56. *Id.* at 1390.

57. *Id.*

58. *Id.* at 1391. Static Controls's alleged harms met this standard. *Id.* at 1393–1395.

59. *Compare, e.g.,* Int'l Found. of Emp. Benefit Plans, Inc. v. Cottrell, No. CIV. WDQ-14-1269, 2015 WL 127839, at \*3 (D. Md. Jan. 7, 2015) ("In light of *Lexmark Int'l, Inc.*, the Court concludes that direct competition is not a prerequisite to bringing a false designation claim under 15 U.S.C. § 1125(a)(1)(A)."), with Peter Kiewit Sons', Inc. v. Wall St. Equity Grp., Inc., No. 8:10-CV-365, 2014 WL 4843674, at \*6 n.5 (D. Neb. Sept. 29, 2014) ("The Supreme Court's holding was specifically phrased as requiring 'a plaintiff suing under § 1125(a)' to show a commercial injury, *Lexmark*, 134 S. Ct. at 1391, raising a question as to whether the standing requirements the Court applied to a false advertising claim brought pursuant to § 1125(a)(1)(B) might also apply to a mark infringement claim brought pursuant to § 1125(a)(1)(A). But the rest of the Court's reasoning is particular to false advertising claims, and there is no sound basis to imply a sea change in trademark infringement law from an ambiguous citation in *Lexmark*.").

60. Deborah R. Gerhardt, *Lexmark and the Death of Initial Interest Confusion*, 7 LANDSLIDE 22, 25 (2014) ("After all, both claims arise from the same statutory words, and it is not clear that the purposes of the two subsections are sufficiently different to support different standing rules.")

61. *See, e.g.,* Georgia Pacific Consumer Prods., LP v. Von Drehle Corp., 618 F.3d 441 (4th Cir. 2010) (allowing claim to proceed on post-purchase confusion theory based on prospect that potential confusion among bathroom users as to identity of toweling manufacturer might adversely affect maker of a trademarked dispenser even though purportedly confused users were not potential purchasers of

more rigorously could have an effect not just on particular applications of, say, post-sale or approval confusion, but on trademark doctrine more broadly. Because trademark law is no longer strictly about source confusion at the point of sale, many claimed trademark harms are based on non-confused consumers making choices contrary to the interests of trademark holders. But a lot goes into consumer choice. Claims based on trademark infringement in the absence of source confusion are open to attacks that there are intervening causes between the purportedly infringing act and any injury to the markholder.

Two commentators have made a version of this claim, suggesting that a rigorous proximate cause requirement might curtail strong initial interest confusion claims generally or possibly create an avenue for courts to establish a materiality requirement akin to the one already required in false advertising law.<sup>62</sup> The logic of the two claims is similar—if trademark holders claim harm from a trademark use, the harm should flow directly from the targeted act.

One issue with this line of reasoning is that it assumes that courts will treat the zone of interests protected by the Lanham Act for trademark claims as equivalent to those *Lexmark* identifies for false advertising claims. Not necessarily so. *Lexmark* focuses on the stated goal of preventing unfair competition, which the Court equated to “injuries to business reputation and present and future sales.”<sup>63</sup> Thus questions of proximate cause were tied to establishing an economic or reputational injury.

But the Lanham Act contains other stated goals that are more trademark focused. To the extent future courts see them as distinct interests protected by the statute, they might require a less onerous proximate causation showing. There may be, for example, plenty of intervening causes before one finds a diverted sale from initial interest confusion. That does a trademark defendant little good if the court decides that the relevant statutory interest is preventing the “deceptive and misleading use of marks” and the court sees deception in the mere use of a mark.<sup>64</sup> Much therefore depends on judicial inclinations.

*Lexmark* sends a hopeful signal by emphasizing that the Lanham Act is constrained not only by its text, but also by its larger context. That may mean, as it did here, the background legal principles against which Congress legislated. But it also means other legal doctrines, both within and without intellectual property law.<sup>65</sup> More rigorous application of proximate causation might limit trademark’s scope, but so too might more careful consideration of Article III standing requirements, the pleading rules of *Iqbal* and *Twombly*, or the level of First Amendment scrutiny given to other forms of speech regulation. All of these show potential ways out of the *Hana Financial* trap of pretending all of trademark litigation is a simple question of consumer perception. Trademark defendants—

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trademarked goods).

62. Gerhardt, *supra* note 60; John L. Brennan, Note, *Determining Trademark Standing in the Wake of Lexmark*, 90 NOTRE DAME L. REV. 1691 (2015).

63. *Lexmark*, 134 S. Ct. at 1390.

64. 15 U.S.C. § 1127.

65. See *supra* notes 40–43 and accompanying text.

and the social interests they represent—need not be left to the tender mercies of the factfinding black box.<sup>66</sup>

Here, too, judicial attitude is all. Advocates of less expansive trademark rights who take heart from *Lexmark* would do well to note the seemingly unrelated case of *American Broadcasting Companies, Inc. v. Aereo*, also decided last year.<sup>67</sup> The Court held that an internet-based service that provided customers with access to small antennas that streamed television programming to the customers over the internet performed copyrighted works for purposes of the Copyright Act. The case is a complicated one, but of note here is Aereo's argument that it was not a direct copyright infringer because its customers were the ones controlling the transmission equipment that enabled viewing of the streamed television signals.<sup>68</sup> The Court rejected this argument, arguing that Aereo's technical passivity was less important than its practical similarity to a cable television service. Because Congress intended such services to be regulated by the Copyright Act as passed in 1976, Aereo should be presumed to be covered by the statute.

Joined by Justices Alito and Thomas, Justice Scalia railed against this conclusion, sounding many of the same notes of his unanimous opinion in *Lexmark*. He appeals again to background principles—in this case, the expectation that some kind of volitional conduct is required before a court may find direct, as opposed to contributory, copyright infringement.<sup>69</sup> Ignoring this rule collapses the boundaries between the claims, a signal that the majority's construction violated the statute.<sup>70</sup> The dissent also invoked principles of proximate causation (without using the term directly).

[Aereo] assigns each subscriber an antenna that—like a library card—can be used to obtain whatever broadcasts are freely available. Some of those broadcasts are copyrighted; others are in the public domain. The key point is that subscribers call all the shots: Aereo's automated system does not relay any program, copyrighted or not, until a subscriber selects the program and tells Aereo to relay it. Aereo's operation of that system is a volitional act and a but-for cause of the resulting performances, but, as in the case of the copy shop, that degree of involvement is not enough for direct liability.<sup>71</sup>

Ignoring these principles injects needless uncertainty into copyright law.<sup>72</sup> “Hence, the proper course is not to bend and twist the Act's terms in an effort to produce a just outcome, but to apply the law as it stands and leave to Congress the

66. See generally Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 N.Y.U. L. REV. 60 (2008).

67. 134 S. Ct. 2498 (2014).

68. *Id.* at 2507.

69. *Id.* at 2513 (“The Networks’ claim is governed by a simple but profoundly important rule: A defendant may be held directly liable only if it has engaged in volitional conduct that violates the Act.”) (Scalia, J., dissenting). Scalia also argued that this principle is reflected by the statutory text.

70. *Id.* at 2514 (“The distinction between direct and secondary liability would collapse if there were not a clear rule for determining whether the defendant committed the infringing act.”).

71. *Id.*

72. *Id.* at 2517 (“It will take years, perhaps decades, to determine which automated systems now in existence are governed by the traditional volitional-conduct test and which get the Aereo treatment.”).

task of deciding whether the Copyright Act needs an upgrade.”<sup>73</sup>

The failure of *Lexmark*'s analytical method to carry the day in *Aereo* is a reminder (if one were needed) that *Lexmark*'s potential lessons need judges willing to heed them. But at least they exist.

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73. *Id.* at 2518.