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4C Trademark Law Session. Is the Likelihood of Confusion Test Getting out of Hand?

Anderson Duff

Daniel R. Bereskin

Irene Calboli

Jeffrey A. Handelman

Rebecca Tushnet

See next page for additional authors

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Authors

Anderson Duff, Daniel R. Bereskin, Irene Calboli, Jeffrey A. Handelman, Rebecca Tushnet, Miguel Pérez, and Tobias Timmann

Session 4C

Emily C. & John E. Hansen Intellectual Property Institute

**TWENTY-NINTH ANNUAL CONFERENCE
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SESSION 4: TRADEMARK LAW
4C. Is the Likelihood of Confusion Test Getting out of Hand?

Moderator:

Anderson Duff

Hogan Duff LLP, New York

Panelists:

Daniel R. Bereskin

Bereskin & Parr LLP, Toronto

Irene Calboli

Texas A&M University School of Law, Fort Worth

Jeffery A. Handelman

Crowell & Moring LLP, Chicago

Rebecca Tushnet

Harvard Law School, Cambridge

Miguel Pérez

M-IP Abogados, S.C., Mexico City

Tobias Timmann

Freshfields Bruckhaus Deringer LLP, Düsseldorf

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Session 4C

ANDERSON DUFF: My name is Anderson Duff. I practice at Duff Law PLLC and I get to serve as an adjunct professor in the clinical program here at Fordham University School of Law. I am honored to be speaking to you from a box on your screen, surrounded by Daniel Bereskin, of Bereskin & Parr, Irene Calboli, from Texas A&M University School of Law, Jeff Handelman, of Crowell & Moring, Rebecca Tushnet, from Harvard Law School, Miguel Pérez, of M-IP Abogados, and Tobias Timmann, of Freshfields.

These distinguished panelists are here to talk to you today about whether we should curtail the likelihood of confusion doctrine. At least a couple of them think that we should and they pointed to the aggressive use of doctrines, like sponsorship confusion and presale confusion, by rights holders, as a sign of rot. The Eighth Circuit recently joined the large majority of other federal circuits in adopting the rule of initial interest confusion with its decision in *select comfort corporation*, versus *Baxter*, which considered presale confusion, at least in part in the online context.

In light of the Supreme Court's 2020 decision in *Romag Fasteners*, which found that willfulness is no longer a precondition to disgorgement of profits in a trademark infringement lawsuit, and amendments made by the Trademark Modernization Act, that make it easier for a plaintiff to obtain a preliminary injunction, have trademark rights become unbalanced? Trademark owners often view their rights as a weapon. The question here is, should that weapon be nerfed?

If you say yes, how would you restore balance to the trademark ecosystem? Jeff Handelman's been nice enough to put together a very brief presentation that he's going to run through. I'll see the rest of my time here, just to frame the issues. Please feel free to interrupt him because this is a conversation, I look forward to hearing what all of you have to say.

JJEFFERY A. HANDELMAN: Thanks, Anderson.

ANDERSON DUFF: Yes, it is.

JEFFERY A. HANDELMAN: Okay. Thank you, Anderson. This is a presentation I put together, hopefully, to help the discussion and serve as opening remarks. As Anderson was mentioning, I think we're all in agreement, trademarks have grown significantly over the past several decades. Today, trademark law prohibits not only source confusion, but a number of other types of confusion as well. The question has legitimately been raised by many, has trademark law taken confusion too far, and should we consider limiting trademark rights?

These are really normative questions. The issue isn't only whether consumer confusion exists as a result of the defendant's conduct, but also, as a normative matter, is this the type of confusion that we think the law should prohibit? A number of respected scholars have developed various proposals for limiting trademark rights. One of the primary candidates is introducing a materiality requirement into trademark law. Materiality already is used in false advertising cases as a precondition for getting relief, why not extend it to trademarks?

The materiality requirement essentially would mean that trademark owners would have to prove, not only confusion but also that the confusion is likely to influence purchasing decisions. This is a Venn diagram that illustrates, I think,

that materiality would be a more stringent test than our current test, under our current law, the confusion test would be the blue in the diagram. If the plaintiff can show that consumers believe the accused product is made by the plaintiff or is connected or affiliated with the plaintiff, or has been approved or permitted by the plaintiff, that's actionable confusion. Under the materiality test, would be more stringent.

The plaintiff would have to show not only confusion but that the confusion is influential, it influences the purchasing decision of the consumers. I came up with this hypothetical case to help assess whether a materiality requirement makes sense. Assume this is a made-up hypothetical that the defendant introduces NIKES, with an S, Yogurt. Let's assume a consumer survey is designed and conducted in a professional way.

60% of the consumers believe incorrectly that the defendant's product is connected or affiliated with NIKE, the trademark owner, but only 5% believe that this connection is material to their purchasing decision. You've got 60% believing there's a connection, but of that 60%, only 5% say this belief would be material or influence their purchasing decision. Under the materiality test, there'd be no liability, because there isn't influencing of purchasing decisions. In my view, I don't think this would be a correct result.

Assume consumers have a bad experience with the yogurt product. Given the high level, 60% of confusion as to connection or affiliation, the plaintiff's reputation would be jeopardized. There could be, for example, negative press coverage, there could be product recall issues. The prospect of a brand extension is limited or contaminated. If you look back at basic principles, the very purpose of trademark law is to prevent these types of harm. Next slide.

Going back to materiality, even though the use of the mark on yogurt may not have influenced purchasing decisions, the high level of confusion as to connection or affiliation would implicate a number of key Lanham Act goals, including some of the traditional goals that we're all familiar with, protecting investment and brand equity, encouraging production of high-quality products, or consistent quality products, giving trademark owners control over their businesses and over their reputation and also preserving expansion of trademark use into new product categories in the future.

For these reasons, it's my view that we should not adopt the materiality requirement. I think the current standard of liability is adequate and I don't believe it creates excessive market power in trademark owners. Two key reasons I would cite. One, remember, under the current standard, carelessness or inattention is not actionable. The plaintiff has the burden to prove confusion among an appreciable number of consumers, as to who makes the product or stands behind the product. Also, looking more globally at trademark law, it's evolved in two ways. We've seen trademark growth through the addition of a number of new types of confusion, but we've also seen contraction and trademark rights. We've seen boundaries placed on trademark rights.

I think a balanced view looking at things like fair use, descriptive use, nominative fair use, functionality, which we just talked about during the last session, the deference courts are giving to artistic expression, and on and on.

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There are a number of limiting factors that I think create a healthy balance. Next slide.

I'm concerned if we restrict infringement liability too much, then we risk upsetting that balance, where we need to be cognizant of consumer interests, trademark owner interests, and competitive interests. I think the adoption of the materiality standard would restrict liability too far and fail to account for some of the harms the trademark law has traditionally been designed to protect and prevent. That concludes my opening slides.

ANDERSON DUFF: Thank you very much for putting that together, Jeff, and also for your work in putting this session together. I appreciate your work on the teleconferences way back when. After that, I would like to hear thoughts from Rebecca Tushnet and Irene Calboli, because I saw both of your names on the Amicus brief filed in the *Red Bubble* case. I'm sure that both of you have some very interesting things to say. Whether it's in direct response to the introduction there or not, I can't wait to hear what you say.

REBECCA TUSHNET: I'd be delighted to respond. On materiality, I think the arguments against materiality assume some facts that are not in evidence, and in some cases, that have been disproven by marketing researchers. In the individual case, this harm theory only exists if the defendant's product is bad. If courts made plaintiff show that the product was bad in order to take advantage of this theory, that would actually be fine with me, but they don't. They treat a great product the same as a bad one.

More generally, even if the defendant's product is bad, in non-counterfeiting cases, there's actually no good evidence that consumers would punish the trademark owner for it. We know this because bad actual brand extensions have been extensively studied like New Coke and other massive fiascos and Goodyear and Bridgestone, Firestone. Actual sponsorship relationships that went wrong when the endorsers were credibly accused of bad conduct have also been studied. In both those cases, the bad brand extensions and the bad sponsorship relationships, where consumers correctly perceived that the parties are related, they still don't transfer blame to the core brand.

They're actually capable of perceiving distinctions between the brand extension or the endorser and the core brand. While many people working in trademark law sincerely believe that this contamination theory is a good justification, it's just not happening, despite many attempts to find it. The objection at its core is one of morality. I'm not persuaded by it, although one certainly can be, but I am very wary of moral justifications, in part because many businesses think that the concept of unfair competition is redundant, to borrow Mark Lemley's formulation.

In terms of the broader topic, I just will say a couple of things very quickly. Courts do reject confusion theories from time to time. The problem is, it's often very hard to tell when they're going to decide that a particular type of confusion theory is off-limits. We do need some better-advanced guidance for when a particular kind of confusion theory is relevant. I'm going to give some examples of theories of confusion that have been rejected as just not fitting trademark law, double stacking.

Initial interest, affiliation confusion, in a case involving Gibson guitars, the theory was in a smoky bar people would be unable to identify the differences between the parties' guitars, the court basically thought that was a theory too far. In *Multi Time Machine v. Amazon* in the Ninth Circuit, the theory that there would be confusion about whether two entities were related based on they're both coming up in Amazon searches for the plaintiff's product also rejected at the theoretical level.

A really interesting case out of the Northern District of Iowa called *General Motors v. Kar Auto Group*, where the court rejected the theory that selling two types of cars at the same dealership would create affiliation confusion. Then, *Radiance Found., Inc. v. NAACP*, a Fourth Circuit case saying that confusion about the plaintiff's position on social or political issues is not trademark confusion. My question simply is, is there anything that unites findings in these cases? There is very little. We do need more work to actually tell people which theories are relevant when.

Initial interest confusion, I think actually did experience a bout of improvement, where courts started to emphasize that initial interest confusion as a theory really only works when there's direct competition and when there's bait and switch involving sunk costs on the part of consumers, so they don't go back if they realize that they're not looking at what they thought they were looking at. If the parties didn't directly compete, initial interest confusion just didn't work as a theory. The other theories of harm don't apply because consumers are not confused when they take action.

The one thing that I will just add, which I would love for us to discuss, is the role that injunctions and damages play in affecting whether confusion theories have gone too far. After the TMA, we have an easy passive injunction. It's also much easier getting to a jury on discouragement after Romag, which means you can't resolve these on summary judgment as easily. This changes a plaintiff's calculus about what claims to pursue, and a defendant's calculus and whether to settle, because even winning can be so expensive.

I would emphasize there's some risks here for plaintiffs, too. At a certain point, judges will start cutting back on the cause of action because they think the remedies are too harsh. This is one of the reasons we no longer have functioning antitrust law. I think trademark lawyers should be looking at that and thinking, "Okay, what will prevent us from going down that path?" Thank you.

ANDERSON DUFF: Thank you very much for that response. It was wonderful. We have a question from our audience that I think is relevant here, and may not be relevant later, so I'm going to ask it very quickly. It's from [a Novartis employee]. *In the hypothetical presented by Jeff at the beginning here, the people who responded that it does not affect their purchasing decision probably refer to conscious influence, but there is an important aspect to take into account here, the influence which is not really conscious, but the similarity creates a familiarity which impliedly reassures the consumer. What do you think?*

JEFFERY A. HANDELMAN: What comes to mind, is the proof problem of proving materiality. One of the unintended consequences of adopting a materiality requirement may be that now you're introducing the need for

consumer surveys addressing whether the use of the mark is material. In the false advertising world, those surveys are often used. I read a case just the other day where a plaintiff in a false advertising case submitted a survey to show materiality and the court threw the survey out, finding that it really was focusing more on consumer reactions to the message and not really on their purchasing behavior.

The one potential downside is you're increasing the cost of litigation by adding the need for more experts, more surveys, and it is a nebulous concept. I think the question highlights that.

IRENE CALBOLI: Anderson, can I chip in quickly?

ANDERSON DUFF: Please, do. Yes.

IRENE CALBOLI: First of all, Mr. or Mrs. from Novartis, you work for a pharmaceutical company. This is really relevant question. I'm sure you might not be happy with the look-alike that are allowed in the United States, the store brands, that are Ibuprofen instead of Advil and they use similar color scheme and so on. I think your question highlights really one very important point, is that the similarity creates a familiarity, which implied reassure the consumer, while can-- Trademark law is not about consumer reassurance, it's about consumer identification of source. The fact that we have and-- Here's where the confusion theories is out of control. I really agree with every single word my colleague, Rebecca Tushnet, has said. It's not about trademark law. You can have design protection, but then when that expires, we should be able to copy. In fact, we have seen that trademark law has a way to grab back. There is a lot of pharmaceuticals that now protect the shapes and colors and so on. In fact, we are talking about therapeutical functionality, as well. The previous panel was about functionality, because elderly people forget to take their medicine and so on. As long as there is no confusion, [unintelligible 00:19:50] confusion, I believe there is nothing in trademark law that should include reassurance protection just because a design is familiar or a color scheme is familiar to the consumer, when the consumer clearly sees that a CVS or Walgreens or a Walmart brand rather than a Novartis brand, for example.

ANDERSON DUFF: I think we can consider that shots fired. I see that Rebecca Tushnet has her hand in the air, so I'm going to go straight to her, but I don't want-- The rest of you please, if you'd like to speak, I guess, put your hand up, or just interrupt as we would in-person.

REBECCA TUSHNET: I'll try and be as brief as possible. On a proof requirement for materiality, look, I'm sorry, other lawyers do this every day. Many, many causes of action have this, and somehow they survived. The black letter law and false advertising, by the way, is that you don't necessarily need surveys, they can be probative. I understand why trademark owners don't want to be treated as badly as other plaintiffs suing businesses, of which there are a lot. In some sense, I feel for you, but every other plaintiff feels exactly the same way you do, which is, "Why should I have to prove my cause of action? I am convinced it exists, and therefore you should believe me."

We have ways of testing allegations like that. For a long time, trademark law has been skirting over them. Frankly, the TMA may convince some courts that this is the only place that they actually get to evaluate the merits of the cause

of action, because they're no longer really able to evaluate harm in the same way. In terms of the unconscious familiarity fact, look, brand researchers have been searching for this for a while, and it definitely sells the product itself, but unconscious contagion is not a thing. I know you believe in it, but every time people have tried to find it, and they have, they've not done a very good job.

I will note too, that doctrinally, the more you emphasize unconscious effects, the quicker you are heading to a confrontation with the First Amendment's protection for truthful and non-misleading speech. Unconscious effects that don't produce conscious deception don't actually qualify as misleading. I encourage people to look at this case out of the Fifth Circuit involving the state against *Mississippi Tire Engineers*, where the Fifth Circuit said, "Yes, you just haven't proved that's actually deceptive." The first amendment bars you from regulating it. Maybe the power of the word property will prevent that from happening intellectual property. I wouldn't be so confident.

TOBIAS TIMMANN: May I interrupt here?

ANDERSON DUFF: Yes, please. Please do. I'll put my hand down.

TOBIAS TIMMANN: Maybe add on something that Irene said and also with regard to the materiality threshold. My take I have here from the European perspective is that it might be the case that something which at least we would put into the-- Or would more or less, check under the principles of unfair competition is transferred to trademark law. We are talking about a principle materiality which has been developed for false advertising, which is something which stems from unfair competition law.

As Irene said, there might be a question of familiarity, which is not something which should be covered by trademark law, but more or less under other principles of IP law, or as I said, unfair competition law. Maybe I just give a quick example of a European case here. The decision by the ECJ already dating back from 2018. It's called *Mitsubishi v. Duma Forklifts*, and about forklifts. This was a case where the defendant bought genuine forklifts sold by the plaintiff outside the European Union, the defendant removed all trademarks from the product, removed all serial numbers, and the like.

Finally, it fixed its own trademarks and then sold the products within the European Union and within the European Economic Area, and the ECJ had to decide whether this was trademark infringement or not. For me, my initial reaction was, this can't be trademark infringement within the European Union, because they do not use the trademark. This might be a case under unfair competition law and maybe this is something leads to some kind of misleading of consumers, but it's not trademark law.

Nevertheless, the ECJ found this is trademark infringement, because the practice took the trademark owner its right to decide upon the first entry of the products into the European Union market, because consumers might still recognize the forklifts as originating from plaintiff just from the view of the products. Finally, they explicitly said, because the practice violates the objective of ensuring fair competition. Still, after reading the judgment, I thought this is an unfair competition case, and asked myself, why did the court extend the trademark protection to this case?

For us, or for the EU, this might be an easy answer, because we have fully harmonized trademark law, we have pretty much harmonized unfair competition law for practices towards consumers, but we do not have any kind of harmonization in unfair competition law in practices between businesses. The ECJ, obviously, intended to come to a harmonized uniform solution in this case here, and so put it under trademark law as this was just harmonized, or is harmonized.

My impression is that the scope of trademark protection has been extended throughout the years to cover practices, which are deemed to be somehow unfair or misleading consumers. The primary focus of trademark law has shifted from really the protection of the investments of a trademark owner to more consumer protection law. I'm not too sure it is the right way.

ANDERSON DUFF: I think I agree with that point. Haven't things gotten much more difficult for trademark holders at the same time? In the world of e-commerce, you could be battling counterfeiters that are ghosts overseas, that as soon as you spend the money to sue them and knock them down, they pop up under a different name. Haven't things gotten more difficult for enforcement actions at the same time?

REBECCA TUSHNET: I guess, my question then is, what exotic theory of confusion is required for counterfeiting? That seems quite reasonable, and we certainly need a conversation about counterfeiting. Which of these cases-- The *Mitsubishi* case doesn't involve counterfeiting. Selling two brands of cars at the same auto dealership is not counterfeiting.

ANDERSON DUFF: I perhaps derailed the conversation there. How about we come back to the Eighth Circuit's case, that Justice discussed initial interest confusion, and we can talk about that theory of confusion in that case? When I read that case, the record seemed to show that the defendants were pretty bad actors. Is there a place for initial interest confusion at all in your minds? Miguel, I see that you have your hand up.

MIGUEL PÉREZ: Yes. Thank you, Anderson. I wasn't expecting to answer your question right now, because I raised my hand before. It was because Tobias raised an issue that got me thinking here in Mexico and in Latin America where my practice takes place. Mexico and Latin America is usually not such a large economy that changes large companies' enforcement actions. One of the things that we actually do is that injunctions here in Mexico are very easy to enforce or to-- It's very easy to ask a trademark office to issue an injunction and to stop any products just at the border. If you are importing, especially by boat or by cargo ship any products into the United States or Canada or even the European Union, but they pass through Mexico, even if they are not being imported into Mexico at that specific moment, customs may open containers and they may see that there's a likelihood of confusion right there, and the injunction is very easily awarded, just by paying a bond by the plaintiff, that trademark offices value in whatever they think those products are worth.

It's very easy just to stop that importation or the transit of those goods. We've seen that some trademark bullies are starting to enforce their trademark rights in Latin American customs, mostly because they can stop these goods very

easily, again, by paying a bond. This initial confusion theory, or what we are trying to argue with courts and with the trademark office is that initial confusion means specifically that that is initial, but the consumer may outgrow that confusion.

At a later stage, they might learn that these products are different, like in the case that NIKE's Yogurt Jeffery was talking about. Maybe in the very beginning, consumers would think that there is some confusion, but maybe two, three, six months from now, a year from now, those same consumers are already aware that those trademarks coexist in the market, and there's no actual confusion, and everybody can resume a regular competition without any issues. Maybe we haven't solved this yet here in Latin America, but I don't know if you consider these or some of our audiences consider these topics when they are trying to enforce their trademark rights abroad.

ANDERSON DUFF: I think we're going to solve it in the next half hour. Dan, I don't think I'm going to let you get out of here without talking about it. I know that in our correspondence earlier, expressed concern about the trademark bullies. How big of a problem is it in your practice? Dan, I cannot hear you. Sorry. We're going to fix the trademark problems, Miguel, but we're having trouble with the sound. If anybody else has a comment, and then we'll come back to Dan. Irene.

IRENE CALBOLI: I want to very, very quickly go back to Tobias. I think the case you mentioned, is really a case about exhaustion. It's a case in which the ECJ wants to make the point. If you look at the opinion of the Advocate General and then the case, the decision of the ECJ, really it's about the goods have been taken away the marks, but they've never been sold, they've never enter the European market with the consent. It was really even though the Advocate General, mentioned in the opinion in French [unintelligible] while the ECJ doesn't really discuss extensively exhaustion, but this clearly is a case about moving of goods from outside the EA into the EA.

It's interesting to compare with the Ballantine and others repackaging cases of pharmaceuticals, the exhaustion plus, as several of the UK author and other author would discuss. I think that case, I wouldn't take it as an example just of the stories of confusion. Unfair competition, certainly, but this is a case about exhaustion and a way not to go around the principle of EA exhaustion by repackaging in many ways.

ANDERSON DUFF: Thank you, Irene. Dan, how you doing? Hello. I think no, I'm sorry. All right. Tobias, you mentioned in prior correspondence, you at least suggested there may be some solution here in antitrust precedent.

TOBIAS TIMMANN: Back to trademark bullies, yes, indeed. We just are working on the case here, which is in a very initial stage, but where the EU Commission has indeed started proceedings, and they have used their full power, so conducted raids and doing interviews and also on, just because a company has sent various-- It wasn't even cease-and-desist-letters, were requests for authorization. Even something which is not that strong as a cease and desist letter, just asking other companies why they think that they're entitled to sell products with a certain trademark. These are all exhaustion cases.

The EU Commission thinks that this could be an abuse of a market-dominant position, just the market dominance resulting from the monopoly that the trademark provides. Then, just as a second step, the bullying as an abuse of this market-dominant position. That is something which I think in this specific case, I think the EU Commission goes too far. At the end, this concept of an anti-trust regulator also taking care of this issue, if it's notified by companies, who are the victims of trademark bullying, that they really take action. Something which I found to be really remarkable.

DANIEL R. BERESKIN: I wanted to comment on Jeffery's excellent presentation in relation now to presale confusion. My view is that absent special circumstances in which there are plenty, otherwise, we'd have not that much to think about. I really don't think it has any place in trademark law. A number of scholars certainly have taken this view. Notably, Professor Eric Goldman, and made a note of what he said at one point in one of his papers. The initial interest confusion doctrine has always been a misguided doctrine that is too easy for plaintiffs to weaponize, which goes back to the bullying issue.

Fortunately, the doctrine has been dying for over a decade. Few opinions mentioned it nowadays and even fewer cited in support of plaintiff. Unfortunately, as we have recently seen, the doctrine has not entirely died out. I really think that it's time that it did. I just like to add one other comment that impressed me quite a bit from Professor Ann Bartow, who is a member of the faculty of this conference. She commented on the frequent attitude of judges in trademark infringement cases to belittle consumer intelligence.

What she said is as follows; "Why in trademark litigation decisions do judges so often write about representative members of the public as if we are astoundingly naive, stunningly gullible, and frankly, stupid? Do jurists truly believe that consumers are complete idiots? What is it about trademark law that seems to elicit from courts such offensive and humiliating views of this industry?"

ANDERSON DUFF: I certainly have my own views on the stupidity of consumers or intelligence of consumers. Miguel, I believe you indicated that you wanted to talk about the relevance of empirical assessments which might be another way to come at consumers' experiences.

MIGUEL PÉREZ: Yes, Anderson. Thank you. I was just briefly telling you, injunctions here in Latin America are very easy to get just by paying a bond, which is way easier to do for everyone. Defendants may pay a larger bond set by Mexican or by Latin American authorities, and they may just free those seized products-- Not seized, but at least controlled products, and they may put it on sale again. By paying a larger bond, that means that if for whatever reason, they end up losing trial, they have to give up that bond.

One of the things that we are talking about here in Mexico is about implementing some systems that might help in assessing whether two marks are confusingly similar or not. What everybody is turning to is artificial intelligence. There's this one system called DALL·E 2 which-- is an artificial intelligence system that can create realistic images and art from a written description in natural language. Again, this might be a copyright issue about creation, but for example, you might write something like I want you to draw a bowl of soup that

looks like a monster and is knitted out of wool. The system automatically will bring these images that look like this and these are actual images produced by this artificial intelligent system. You just write on the computer that you want that and the system starts just generating these images and they actually look like a bowl of soup that looks like a monster and knitted out of wool.

That's not very difficult to understand but the thing with all these things is that it can also modify existing images and again, from a natural language point of view so for example, here you have a picture of a pool and just by doing some little adjustments on the natural language that you input to this artificial intelligence system you can say, "Oh, I want a flamingo to appear in front of that pool or I want that flamingo to be in the middle of that pool or actually I want that flamingo to be outside." All of this is done just by writing to the computer.

It's not something that you actually have to be drawing. This system, DALL·E 2, learned the relationship between images and text used to describe them. That's why I'm not so sure that this is pure creation. It uses a system or a process called diffusion which starts with a pattern of random dots and gradually it alters that pattern until it becomes a recognizable image as we just saw. If you want to read more about this system it's available here. You need to request special access if you are an artificial intelligence researcher to use it. Our main issues with these systems is that trademark authorities either trademark offices or trademark courts may use these kinds of systems to determine the likelihood of confusion at least at a glance. They may aid in granting or rejecting injunctions in a faster fashion.

Of course, if they are put into the hands of stakeholders like IP, our rights holders, they may aid them in assessing their strategies and of course, that might improve cost and timing but most importantly, the potential infringers and the people who wouldn't want them to start playing with these confusing-- These bad actors that we are talking about they will unequivocally start using these tools, these assets, to create something that is similar to your trademark but not quite and they can just input all the data that they gather from previous decisions, from other circuits because they can start using these strategies and because it's not something that is done over months of planning this can just be done by inputting some information into your computer system.

It's something that is going to become a norm so if you want to protect IP rights from the owner's perspective, you also have to understand that these bad actors or other competitors are going to start using these systems to create other elements that might be similar to your trademarks or to the marks that you are trying to use. Yes, that was something that I'm seeing that we are trying to innovate in Latin America that those are systems that are trying to be put in place. Maybe we should just start taking into consideration.

ANDERSON DUFF: If I'm hearing that correctly, we're going to have artificial intelligence starting to describe the consumer's perception in lawsuits. Jeff, I believe you had mentioned earlier something about unintended consequences that could result-- I know it wasn't directly related to this but anytime you get an AI involved I think it's hard not to go dystopian for me.

JEFFERY A. HANDELMAN: That's fascinating learning about new frontiers all the time in terms of trademark registrations. This metaverse is becoming a very hot topic, a lot of companies filing applications for virtual products and services. One thing that struck me, Dan when you were talking, I think your experience and your reputation really speak for themselves. I did have a question for you over the years you've represented plaintiffs, you've represented defendants, trademark owners, accused infringers. Have you found over the years that the law is balanced or do you think it's been slanted in favor of one side or the other?

DANIEL R. BERESKIN: That's a very good question, Jeff. It's hard really for me to answer it. I would say that I've noticed a pretty wide disparity in the quality of judging that currently occurs. There are some cases where the trial judgments just don't make any sense at all. It's really hard to say that this is the fault of the law or whether it's the fault of the judge. Trademark litigation in general is very difficult. It's very expensive and getting back to the bullying point. One of the serious problems that I see is that the cases that come to light like the Chick-fil-A case against Eat More Kale are just the tiny tip of the iceberg.

There are dozens and dozens of cases like when Miguel mentioned where the defendants simply don't have the resources to fight. I think the problem that we have in Canada actually goes back to around 1950 when the people who created a totally revised trademarks act decided that the objective should be zero confusion and that is unfortunately what a lot of courts seem to believe is the worthy objective of trademark law and as many many scholars have commented confusion isn't everything. There are plenty of situations where the law must allow a certain degree of confusion otherwise plaintiffs would achieve a really undesirable monopoly.

This is particularly the case when bullying comes along and defendants cave in going back to the Chick-fil-A case when the lawyer for Chick-fil-A sent the original demand letter to the person who had the temerity to put out t-shirts marked Eat More Kale. She cited the fact that they had been successful in 30 cases in persuading companies to stop using anything that started to eat more including eat more vegetables and eat more beer. That's I think, a terrible example of how the increase in trademark protection has encouraged some companies to take advantage.

ANDERSON DUFF: Irene, I see you nodding up there. Do you have anything to comment?

IRENE CALBOLI: I 100% agree with, Dan. Confusion has always been puzzling to me because confusion is supposed to be-- consumers are proxy really very much in framework law but the idea is we want to defend until plaintiff act based on confusion or of course lack of confusion but then how many of these initial claims settle, the vast majority? Most of them might settle just because of a cease and desist letter but even those who go into further stage they settle. They often settle with an assignment and a license back but for me, it's always been puzzling why then suddenly confusion is no longer relevant?

If confusion it's a public protection of the consumer as the public why suddenly if I agree with you [unintelligible 00:49:29] I agree with you that

confusion was relevant until we settle and the term of the settlement are usually confidential so the public and the courts nobody knows what's in these terms. It's really puzzling for me. The other thing that is very puzzling it's a coexistence agreement. Coexistence agreements are really a way for the trademark owner to divide the territories in a variety of ways geographically, product-wise, the season, and the various monograms and so on. These agreements could be an antitrust violation in reality, but the way we define markets it's so broad compared to actual product similarities for the sake of the actual confusion just to find an antitrust violation is very difficult. When I look at the transactional side of confusion and now confusion salary is 100% irrelevant. I wish in trademark law we had something more like substantial similarity like we have in copyright law.

That causes a lot of problems but it's really-- This consumer protection in reality, it's very theoretical and not grounded in what's happening in the marketplace in terms of litigation transactions and settlements.

ANDERSON DUFF: Jeff, did you have something to add there?

JEFFERY A. HANDELMAN: It's interesting. I would say if you're dealing with two equally financed parties, the trademark owner and an accused infringer, in my experience, I think the law is very well balanced. I wouldn't have a preference for representing the trademark owner or the defendant. In fact, I may even have a preference for representing the accused infringer in an evenly balanced case like that where economics are not going to dictate.

I think what we're hearing is that in reality, so many cases involve small companies where the economics don't allow the accused infringer to put up much of a fight and therefore you're getting capitulation, quick settlements and these trademark owners can rack up these victories and then use them against future infringers, but I don't think that's a commentary on the law itself. It's more of a commentary on what's happening in the economics of cases. In fact, I think if you look at the law, and you talk about what Dan's point which was how in Canada the goal was zero confusion.

That's clearly not the law in the United States. In fact, more and more of the law tolerates confusion in order to vindicate other values besides trademark protection. Functionality, for example, product shapes are found to be unprotected, ineligible for trademark protection, even though they have secondary meaning and even though there's confusion and then as we all know in the fair use context, fair use can exist despite levels of confusion.

I think courts are increasingly willing to tolerate confusion to vindicate interests other than trademark protection and I think that's a good thing. More balancing is going on but I think overall, the law is doing a really good job, but we have issues with the economics of individual cases. I'm afraid if we make law based on fringe examples, where courts come up with bad decisions, and as Dan said, maybe there's a poorly represented party or party that didn't have the resources. If we change mainstream law to account for fringe cases, that may not be a good thing either.

ANDERSON DUFF: Rebecca I see you and I'll come right to you, but really quick I just want to say that I recently, talking about trademark bullies, took Monster Energy to trial and made sure that the cost wasn't going to be an issue for

my client and I'll tell you what, by the end of that trial, maybe I had Stockholm syndrome, but I was starting to agree with at least in that case, Monster Energy's arguments. I can say that because it's over now.

I heard somebody mention a concern about monopolies over maybe language, but why is that necessarily a bad thing? In my view, those property rights encourage and even their aggressive enforcement of those rights may be overly aggressive, encourage innovation that is more exciting to me than-- Rebecca real quick, I saw on your blog that you had a post about Stuart Semple, the artist, and that to me is an example of the innovation that springs up. It's not directly related, but all right.

REBECCA TUSHNET: Okay, I'll confess I'm a little bit confused by that because his innovation is largely in tweaking people and, creating a Tiffany Blue that he calls Tiff with the ANY scribbled out on the package. I don't think he would describe himself as [crosstalk]

ANDERSON DUFF: That's fair.

REBECCA TUSHNET: Relatedly, we have a couple of bodies of law that are supposed to encourage innovation. Trademark is decidedly not one of those and very easily getting the way of the ones that are, which I think is a significant issue. Both Irene and Jeffrey made excellent points, I want to offer maybe an amendment which is-- I think it's true that if you were a big company, fighting a big company the trademark system is very well set up to provide right answers for that system.

The problem is that the very doctrines that enable it to provide right answers for that conflict, actually encourage it to provide wrong answers for little guy versus big guy, and really pretty much in both directions. If you are Uber it turns out you get to walk all over every other Uber in existence and decide, we're going to keep expanding. Apple, I actually have a fair amount of sympathy for Apple Bank, which is getting, completely eaten by Apple Pay and Apple Card and they've been around for a bunch longer.

One possibility is the outlier cases are the ones that we think of as the classic ones. The really good ones that produce all the doctrine, all the teaching cases where both parties are well defended. Glynn Lunney has a very provocative article suggesting like, we used to have super simple doctrines that don't actually try and figure out whether there's going to be confusion in the average case, because the overall result of simple rules, despite being wrong in particular cases, we all agree. Simple rules will be wrong in a set of cases.

Nonetheless, they might do better and the overall effects if it were really easy to know, whether you should sue or not. Then the system as a whole might work a lot better, despite the individual cases actually often being wrong about whether there was confusion and I think is a real point. If we think of Novartis versus J&J a fairly common caption as the outlier like the weird case, for people on and for people actually navigating trademark law. We might do different things and we might think differently about who's a bully.

ANDERSON DUFF: Miguel, were you raising your hand?

IRENE CALBOLI: Can I just add very quick one thing?

ANDERSON DUFF: No, please.

IRENE CALBOLI: The fact that big company versus big company, so money against money, but in practice, I've been working with a very wealthy client and I can tell you, even when they have to go against other wealth clients, nobody wants to spend money. In reality, in practice, you have very little of that rebalancing. Now we have seen some of these rebalancings in the Google versus others. We have seen deep pocket against deep pocket, particularly in the exception and limitation, but not so much in my view in the infusion.

Rebecca mentioned my colleague Glynn Lunney, very good paper where he says, "The rules are great, however, we know that in practice we are going to see over enforcement and so with good rules, we still see bad results that are going to be tilted towards the over enforcement so we need to under-protect a bit to actually optimal rules." I would vouch for that as well. The rules are theoretically good but in reality, whether it's big company against big company, big company against small company, we see distortion on the ideal result that the policymaker perhaps wanted to make early on when they created these rules.

JEFFERY A. HANDELMAN: That's a great point Irene and it brought to mind an example where we had two big companies going against each other in a trademark case. They were both very committed and devoted a lot of resources to the case and then at the end of the case, a settlement was reached. This is becoming more and more common, but part of the settlement agreement, the very end said, "Hey, let's not do this again." The parties drafted a mediation provision that basically said, "In the event, that we have a dispute in the future about a trademark violation, here's what we're going to do. We're going to write a letter to the management. We're going to wait for a response. We're going to try to resolve it for 30 days. No lawsuits. If we can't resolve it, we're going to mutually select a mediator. We're going to go through a mediation, non-binding. We're going to wait another 30 days." Those sorts of mediation agreements really keep parties out of court and avoid a lot of litigation expense. Irene, like you say, big companies don't like to spend money either. These provisions I think are very effective. I'm putting them in a lot of agreements and clients like them.

IRENE CALBOLI: Yes, maybe you could say you can do that because you have this provision in the law that scares now the company so they go to alternative dispute resolution as a result.

ANDERSON DUFF: Dan, I saw you had a follow-up comment there as well. Thank you, Irene.

DANIEL R. BERESKIN: I have to say I'm in awe of the folks that are on this panel, all of whom know way more than I do even though I've been practicing for a while. What I have noticed over the years is that a lot of decisions about trademark litigation, come from people in the marketing department whose compensation often is tied to their market share. If the market share is starting to go down merely because it's competition, never mind whether it's honest or not, they tend to blame the other company, the competitor, rather than looking at it in a more balanced way. I think that is what I've noticed leads to a lot of unnecessary litigation.

ANDERSON DUFF: I can certainly agree that I'm in awe of this panel. I'm very honored to be able to participate. Does anyone else have any final

thoughts? We started five minutes late I think, so we probably still have five minutes but the reception is starting. If anyone has any final thoughts, we do have some time. Yes, Dan.

DANIEL R. BERESKIN: I'd like to put a question to Professor Tushnet. It's unfair for me to do so I'm sure, but there was a recent article in the *Harvard Law Review* by a student on a subject of concrete harm. In order to comply with Article 3 of the Constitution, trademark plaintiffs ought to be required to prove harm that is either concrete or imminent, or extremely likely. The reason I mentioned your name, Rebecca, is that you wrote an article which I admired a lot called *What's the Harm of Trademark Infringement?* My quote is like the speeder who doesn't get into an auto accident. The defendant might have caused a risk of harm but the risk didn't materialize.

Loss of control doesn't lead to harm until damage occurs and that often is problematic. Unfortunately, what we see a lot in Canada is that once the court decides that there's a likelihood of confusion and it can be pretty modest, 10-15% out of control. They make the conclusion that there's going to be irreparable harm. I think that inference should be stamped out.

REBECCA TUSHNET: Thank you for that question. I want to commend the work of my former student, Lauren Bulow, who wrote that note which I think is a really good one. It does raise very American exceptionalist issues about, let's say, a judiciary that is increasingly deciding that Congress doesn't get to enact laws. I'm fundamentally in disagreement with the basic claim but at a certain point, "Sauce for the goose is sauce for the gander."

If the court is serious about saying that Congress cannot decide that something that is not harmful is harmful, that is going to apply to businesses too, not just individuals seeking redress for privacy violations or at least it should, if the law is to be minimally legitimate. Yes, there is a there is now an Article 3 problem. Now, should it exist? Probably not. If the courts are going to go revise and say Congress can't create a cause of action when there's no real harm, that's got to be true when you put it in Title 17 or Title 15 rather than 42 or wherever ECPA is, where the privacy provisions are.

I do think that the TMA, by saying there's a presumption, may actually force the issue sooner because Congress has explicitly directed courts to pretend that there's harm. That is indeed the thing that the court recently said in a case called *TransUnion v. Ramirez*, Congress cannot do.

JEFFERY A. HANDELMAN: Back in the early 1960s, Judge Henry Friendly said that when there's trademark infringement, irreparable harm follows. The Second Circuit follow that law consistently up until eBay came down and then there was a shift. My point is for more than 30 years, that was the law in the United States that when there was trademark infringement, irreparable harm followed naturally. There was a break in that briefly and then Congress came back to re-position what the law had been. Really, the law today is the same as it was for more than 30 years only now we have a statutory provision creating a presumption whereas before, it was a judge-made presumption, but the presumption was always the same.

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REBECCA TUSHNET: Two things there. First, for 100 years, Congress has been able to create causes of action. TransUnion actually does represent a very significant constitutional shift attacking some of the foundations of the New Deal. I'm mostly in line with your historical description but it was also true that blasphemy was outlawed for hundreds of years and then the Supreme Court noticed that the First Amendment prohibited that. It happens in good ways and in bad ways. The constitution of today is not the constitution of 50 years ago. Relatedly, trademark law of today is not the trademark law of 50 years ago.

Certainly, when trademark law required sales substitution which it did until not too many decades ago, there are people alive who were born when trademark law required sales substitution. Now, that hasn't been true for a while, but it is certainly not something where a trademark law at the time of the founding was recognizable as trademark law today. That's a collision course. As trademark gets bigger, the Congress' power gets smaller, those things are going to intersect. In fact, I think we're here.

ANDERSON DUFF: I guess we've arrived. Maybe that's a good place to stop. I hope everybody had fun unless anyone else has any follow-up comments or questions. I encourage everybody to go to the reception. I hope to see you there. Thank you to all of the panelists for participating. I really appreciate all of the work that you put into this and your time. Thank you.