MASTERS OF INTELLECTUAL PROPERTY THESIS

PRODUCT IMAGE PROTECTION:

AN ANALYSIS OF POST-SALE CONFUSION

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Product Image Protection
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INTRODUCTION TO POST-SALE CONFUSION

A cause of action based on infringement or unfair competition requires a showing of a likelihood of confusion. Prior to 1962, the Lanham Act specifically required that this likelihood of confusion occur at the source of the purchase, or by the purchaser. In other words, if the purchaser wasn't confused as to the source of the purchase, then infringement or unfair competition could not be proven. Due to much criticism, the legislature responded with the 1962 Amendment to the Lanham Act which deleted the purchaser requirement. Subsequently, the courts have broadly interpreted this confusion requirement and created the "post-sale doctrine". Thus, the Act's confusion requirement could be satisfied with any public confusion resulting from the sale. In fact, it proved particularly useful in those cases where the purchaser was put on notice of the source of the goods at the point of sale, thereby shielding the imitator from liability.

Despite its appeal, much variation exists in the application of the post-sale doctrine of confusion. For instance, certain "conveyable image" products like luxury and fashion items (products whose value lies not in its functional qualities but in the reputation or image that it delivers to the purchaser), have proven more susceptible to post-sale recovery than others. It is not apparent, however, why these items have proven more successful.

Court occasionally offer the additional theories of tarnishment and dilution to ratify their decisions. Tarnishment occurs when a product's reputation for value is diminished due to a poor quality imitation. Dilution occurs when the product's

exclusivity is injured due to a surge in product imitations. Either way, the imitations directly injure the product's "conveyable image". For a complete explanation of the terms "dilution" and "tarnishment" see: Wolf, Cyd B., Trademark Dilution: The Need for Reform, 74 TMR 311, July, 1984; Del Valle, Robert Sueiro, The Enigma of Trademark Dilution, 24 REVJUIPR 235, January/April, 1990; Bannon, Elizabeth Cutter, Revisiting The Rational Basis of Trademark Protection:" Control of Quality and Dilution--Estranged Bedfellows?, 24 JMARLA 65, Fall, 1990; BNA's Patent, Trademark & Copyright Journal, News and Comment, Trademarks/Dilution: Anti-Dilution Statute May Not Be Applied to Bar Noncommercial Parody, 33 PTCJ 363, February 19, 1987.

Both theories fit into the general framework of the application of post-sale confusion. However, courts rarely account for the intangible reasons why "conveyable image" items require additional protection. Also injured by the imitation products are the purchasers of the "conveyable image" products, due to the reduction in the product's "conveyable image". This paper sets forth a theory as to why damage to product image is the rationale behind the development of the post-sale confusion doctrine.

DEVELOPMENT OF POST-SALE CONFUSION

The first recorded decision addressing post-sale confusion was Mastercrafters Clock & Radio v. Vacheron & Constantin-Lecoultre, 221 F.2d 464 (2nd Cir. 1955), which involved the intentional copying of a prestigious brand clock. The imitation clock was properly labeled, which nullified any at-sale confusion. Furthermore, general unfair competition law had previously

required some level of at sale confusion, which did not exist. Regardless, the court accepted post-sale confusion to satisfy this confusion requirement.

> **[A]t least some customers would buy plaintiff's cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. Plaintiff's wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock.** Mastercrafters, 221 F.2d at 466.

In this case, the court took special notice of the type of product, a "prestigious" clock. It will be apparent that these luxury type products are more prone to post-sale application than others.

At the time that Mastercrafters was decided (1955), the Lanham Act limited confusion to "source of origin" confusion. 15 U.S.C.A.1114(1) of the Lanham Act provided that:

> **Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services * * * shall be liable to a civil action * * *** (underline added) 15 U.S.C.A. 1114(1) (1955).

In response to political and judicial pressure, the legislature amended the Act by deleting the requirement that the confusion or deception relate to the "source of origin of such goods or service." Pub. L. 87--772, §17, 76 Stat. 773 (1962). The subsequent version appears as follows:

> **(1) Any person who shall, without the consent of the registrant--(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with**

> **the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to confusion, or to cause mistake, or to deceive; shall be liable in a civil action by the registrant for the remedies hereinafter provided.** (underline added) 15 U.S.C.A. 1114 (1975).

The 1962 Amendment was addressed for the first time in Boston Professional Hockey Association v. Dallas Cap & Emblem, 510 F.2d 1004 (5th Cir. 1975). The item infringed, an embroidered cloth emblem embodying several hockey team logos, was found not confusing to the purchaser by the district court. The appellate court reversed, basing its decision on the 1962 Amendment:

> **In this case, however, the district court overlooked the fact that the act was amended to eliminate the source of origin as being the only focal point of confusion. The confusion question here is conceptually difficult. It can be said that the public buyer knew that the emblems portrayed the team's symbols. Thus, it can be argued that the buyer is not confused or deceived. This argument misplaces the requirement of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive.** Dallas Cap, 510 F.2d at 1012.

Again, of considerable importance was the item involved. In this case, items of clothing proved particularly susceptible to post-sale confusion, because they conveyed in the wearer the ability to make a statement to the public. In addition, evidence of deliberate copying with an intent to capitalize on product image, or free-riding, was shown, which is strongly considered by

the court in post-sale confusion cases.

Actions based on post-sale confusion were brought more often, particularly with respect to items of clothing. In Levi Strauss v. Blue Bell Inc, 632 F.2d 817 (9th Cir. 1980), a suit for infringement and unfair competition was brought regarding a pants identifier, a folded ribbon sewn with its ends captured in the seam of a rear patch pocket. The infringer argued that point of sale confusion was limited by Levis because of labels affixed to the pants. The court found otherwise--that prospective purchasers would not be protected from confusion:

> **[B]illboards and other point of sale materials are removed by the purchaser and have no confusion-obviating effect when the pants are worn. Wrangler's use of its projecting label is likely to cause confusion among prospective purchasers who carry even an imperfect recollection of Strauss's mark and who observe Wrangler's projecting label after the point of sale. It is axiomatic in trademark law that "side-by-side" comparison is not the test."** (citations omitted) Levi, 632 F.2d at 822.

Some items of clothing that are worn as "fashion statements" and viewed in the public without correcting source identifiers conceal their source at a casual glance. Thus, they are likely to cause public confusion. The same reasoning was applied in Lois Sportswear, USA v. Levi Strauss & Co., 799 F.2d 867 (2nd Cir. 1986), where the Court again decided the issue regarding the back-patch sewing label of jeans. In this case, the infringing goods where purchased at cut-rate clothing outlets. The court resolved the case in a similar fashion to the Levi case:

> **In the instant case, this post-sale confusion would involve consumers seeing appellant's jeans outside of the retail store, perhaps being worn by a passer-by. The confusion the Act [Lanham Act] seeks to prevent in this context is that a**

consumer seeing the familiar stitching pattern will associate the jeans with appellee and that association will influence his buying decision. Clearly, in this post-sale context appellant's labels, most of which having been long since discarded, will be of no help ... Wrangler's use of its projecting label is likely to cause confusion among prospective purchasers who carry even an imperfect recollection of Strauss's mark and who observe Wrangler's projecting label after the point of sale. Lois, 799 F.2d at 872-73.

These cases suggest that products which allow the purchaser to communicate an image have a greater chance of success proving post-sale confusion. In addition to "fashion statement" clothing, luxury items also create a communicable image for the owner. The first successful luxury good case subsequent to the 1962 Amendment is Rolex Watch USA v. Canner, 645 F.Supp. 484 (S.D. Fl. 1986). The goods in question, counterfeit Rolex watches, were sold in flea markets for around $25. Accordingly, the defendant asserted that no confusion existed because no one would ever expect to purchase a genuine Rolex for $25. The Court, however, said the inquiry did not focus on the purchaser, but on the public in general:

Confusion need not always be that of a potential purchaser but can exist where 'the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the trademarks.'

*** * ***

Once a product is injected into commerce, there is no bar to confusion, mistake, or deception occurring at some future point in time. Rolex, 645 F.Supp. at 492-93.

To demonstrate the possibility of confusion, the Court created a questionable scenario. It envisioned an individual wearing a gold counterfeit Rolex watch who walks through a metal detector at an airport and triggers the alarm. When he attempts

to remove the watch, the guards insist that a Gold Rolex should not be the problem. If the man isn't confused, then most certainly the guards are. Id. Curiously, it appears that the Court has recognized a proper direction for its decision but has not yet clearly defined its rationale.

Important to the court's analysis were the theories of tarnishment and dilution. This was the first opportunity for the court to specifically mention the rationale behind the post-sale theory of confusion:

> **The Trademark Counterfeiting Act and its civil kindred, the Lanham Act, are not just designed for the protection of consumers. They are likewise fashioned for the protection of trademarks themselves and for the prevention of the cheapening and dilution of the genuine product. When courts find that selling an item at an excessively cheap price precludes a finding that such an item is "counterfeit" under 18 USC §2320(d)(1) in that the use of the goods is not likely to cause confusion, to cause mistake, or to deceive, they are, in effect, thwarting the purposes behind such legislation...**
>
> *** * ***
>
> **Individuals examining the counterfeits, believing them to be genuine Rolex watches, might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real time piece. Others who see the watches bearing the Rolex trademarks on so many wrists might find themselves discouraged from acquiring a genuine because the items have become too common place and no longer possess the prestige one associated with them.** Rolex, 645 F.Supp. at 495.

In addition to dilution and tarnishment, this was the first opportunity for the court to discuss the Counterfeiting Act. In fact, post-sale confusion was subsequently applied to the Counterfeiting Act of 1984. In a criminal case also involving Rolex brand watches, United States v. Torkington, 812 F.2d 1347

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(11th Cir. 1987), the defendant argued that the Counterfeiting Act of 1984 did not apply because it required confusion by direct purchasers. The Court held otherwise, that public confusion was sufficient to satisfy the act:

> **It is essential to the Act's ability to serve this goal that the likely to confuse standard be interpreted to include post-sale confusion. A trademark holder's ability to use its mark to symbolize its reputation is harmed when potential purchasers of its goods see unauthentic goods and identify these goods with the trademark holder. This harm to trademarks holders is no less serious when potential purchasers encounter these counterfeit goods in a post-sale context. Moreover, verbal disclaimers by sellers of counterfeit goods do not prevent this harm.** Torkington, 812 F.2d at 1353.

See also United States v. Hon, 904 F.2d 803 (2nd Cir. 1990), (the court held that the Trademark Counterfeiting Act included the general, nonpurchasing public, and not just confusion of actual or prospective purchasers).

These cases demonstrate the courts willingness to apply post-sale confusion to potential dilution and tarnishment situations. A case involving "fashion statement" apparel which also focuses on this inquiry is Polo Fashions, Inc v. Craftex, Inc., 816 F.2d 145 (4th Cir. 1987). In Polo, the counterfeited goods were quality knitted sport shirts, containing a fanciful embroidered representation of a polo player mounted on a horse. The imitations were of similar design, except for a label sewn on the inside neck of the shirt. The court found that despite the label, the imitator shirts potentially caused confusion, especially if the quality was inferior to that of the Polo shirt:

> **[I]n the after sale context, one seeing the shirt being worn by its owner, would not see the label on the back of the neck. Seeing the polo player symbol, it is likely that the observer would**

> **identify the shirt with the plaintiff, and the plaintiff's reputation would suffer damage if the shirt appeared to be of poor quality.** Polo, 816 F.2d at 148.

Polo products are widely known as quality wear, conveying a message of prestige and image. Thus, post-sale confusion clearly applies. It equally applies to shoes in demand, resulting from a fad in fashion. In The Keds Corp. v. Renee International Trading Corp., 888 F.2d 215 (1st Cir. 1989), the product was a canvas shoe, containing a blue rectangular mark on its heel. Again, the defendant asserted that the product was labeled, nullifying the effect of point-of-sale confusion. The court dispelled this argument, in part based on post-sale confusion:

> **In addition, the court noted that with clothing an additional concern is that prospective consumers, viewing the clothes on other people, would be confused as to the origin of the goods. Thus, point of sale confusion was not the only issue. With sneaker labels, where the impressed words can only be read a few feet away from the eyes, such confusion is quite relevant.** Keds, 888 F.2d at 222.

A similar decision was recently reached by the Federal Circuit in Payless Shoesource v. Reebok International Limited, 998 F.2d 985 (Fed. Cir. 1993), where the court also considered a quality shoe. In reversing the district court, the appellate court found that any association to a poor quality shoe could irreparably harm the quality manufacturers reputation:

> **[B]y exclusively focusing on confusion at the point of sale, the district court effectively disregarded Reebok's argument relating to "post-sale confusion." Reebok contended that such confusion occurs, for example, when a consumer observes someone wearing a pair of Payless accused shoes and believes that the shoes are Reebok's. As a consequence, the consumer may attribute any perceived inferior quality of Payless shoes to Reebok, thus damaging Reebok's**

reputation and image. Reebok, 998 F.2d at 989.

Once again, reputation and image were of critical importance in the decision whether the post-sale confusion doctrine applied. This held especially true in the case of PAF v. Lisa Lighting, 712 F.Supp. 394 (S.D. N.Y. 1989). That case involved a quality "Dove" shaped lamp and a "knockoff" "Swan" shaped lamp. Although the "knockoff" was sold in a clearly labeled box, the designs were so similar that even labels could not nullify the possibility of confusion:

> **[T]he court must look at both the type of product and the prominence of the label. While a label may help in great degree to distinguish products whose designs are fairly commonplace,...,in a situation, as here, where the trade dress is distinctive and the products so closely resemble each other, labeling cannot preclude the possibility confusion will occur. Consumers may be drawn initially to the infringing product precisely because its trade dress so closely resembles that of the other product.** (citations omitted) Lisa Lighting, 712 F.Supp. at 411.

Though the court does not use the explicit language of product reputation and injury, the basic premise is present. The decision was based in part on the damage to the reputation of the product and the purchaser using the product. In this case, the Dove lamps were known to be of exceptional quality, purchased to communicate the image of wealth.

Post-sale confusion cases are not limited to clocks, watches and shoes. In Ferrari SPA Esercizio v. Roberts, 944 F.2d 1235 (6th Cir. 1991), the defendant sold kit-cars, which when assembled emulated plaintiff's highly prestigious and expensive Ferrari automobiles. Again the argument was made that purchasers had notice of the source of the goods, which precluded a finding of

confusion. The Court applied the post-sale theory of confusion and decided in Ferrari's favor. Its primary focus was on the damage to Ferrari's reputation based on a dilution theory:

> **Ferrari has gained a well-earned reputation for making uniquely designed automobiles of quality and rarity. The Daytona Spyder design is well-known among the relevant public and exclusively and positively associated with Ferrari. If the country is populated with hundreds, if not thousands, of replicas of rare, distinct, and unique vintage cars, obviously they are no longer unique. Even if a person seeing one of these replicas driving down the road is not confused, Ferrari's exclusive association with this design has been diluted and eroded...**Ferrari, 944 F.2d at 1245.

In addition to dilution, the court considered the theory of tarnishment, the effect of poor quality imitations on the Ferrari:

> **[I]f the replica Daytona looks cheap or in disrepair, Ferrari's reputation for rarity and quality could be damaged...** Id.

The court took considerable notice of the potential for injury to Ferrari's reputation. It reasoned that the infringement would dilute the automobile's rare image, which was protectable. Thus, it appears that protection of product image is a genuine rationale for applying post-sale confusion. Additionally, the case suggests that replicas were sold because of Ferrari's reputation or image. Such intention to capitalize has frequently resulted in the application of the post-sale confusion doctrine.

Not all products are susceptible to post-sale confusion. For example, the post-sale theory has been repeatedly refused in "pill" type cases. In Smithkline Bechman Corp. v. Pennex Products Co., 605 F.Supp. 746 (E.D.Penn.1985), the district court refused to entertain a post sale confusion theory for orange safety-coated aspirin capsules. Although not explicit in its reasoning, it

excluded post-sale confusion as a factor:

> **The inquiry into the likelihood of confusion is directed towards the time of purchase. Post-purchase confusion which is not the direct consequence of defendants' action is not a factor.** Smithkline, 605 F.Supp. at 752.

Thus, the nature of the use of the product affects the applicability of post-sale confusion. In Smithkline, only the user of the pill was aware of its distinctiveness, and not the public. Furthermore, pills cannot convey a message through the user to the public. Thus, they would be inappropriate for post-sale confusion.

Likewise, the court also refused to apply post-sale confusion in American Hope Products v. Barr Laboratories, 834 F.2d 368 (3rd. Cir.1987), where the product was a medical color-coded capsule. It did not explain its rationale but simply affirmed the district courts refusal to apply post-sale confusion. It is reasonable to assume that products such as medicine do not have an "image" to protect. Furthermore, the design of a pill is functional. Thus, post-sale confusion would be inappropriate in such cases.

THEORY OF PURCHASER IMAGE PROTECTION

The post-sale confusion doctrine was created to protect the public against confusion from infringing or confusing marks which have unjustly entered the stream of commerce. Purchaser image protection is a theory behind post-sale confusion that protects the purchaser of a "conveyable image" product (explained below) from injury to the reputation of owning that product. In addition to the core elements of a post-sale confusion cause of action, the following limitations dictate the type of cases in which the theory is applicable: First, the type of good purchased must be a

"conveyable image" good, wherein the image is intertwined with that of the purchasers'. Second, there is a sale of an imitation of the "conveyable image" product. Third, the sale is motivated by an intent to capitalize on the "conveyable image" product's reputation. Fourth, there is confusion after the sale. Fifth, the infringing sale of the imitation product injures the "conveyable image" product's reputation and with it the purchaser's ability to convey a message. Finally, there is usually no alternative remedy available.

THE TYPE OF GOOD PURCHASED-CONVEYABLE IMAGE GOOD

A "conveyable image" good is a product that offers more than its functional capabilities or source of origin. Its value lies in the reputation or "image" that it creates in the purchaser. In fact, the product is typically purchased for this one reason; to exhibit properties of prestige or image by communicating the purchaser's life-style, wealth or status to the public. The image of expensive goods is attained through reputation of quality and value! On the other hand, trendy goods such as designer jeans can gain image through fad or fashion. There is a commonality. The products are well-known and highly distinctive.

The most important limitation for product image protection is the requirement that the product create a "conveyable image" in the purchaser. In other words, the image of the product is utilized by the purchaser to make a statement. There is not, however, a restriction on the type of product. As long as it conveys an image, the doctrine is applicable. In fact, product image protection has been successfully asserted in products from

Ferrari brand sportscars to Levis. For example, in the Ferrari case, 944 F.2d 1235, the product, a Ferrari Spyder, had a massive reputation of quality and rarity. The court acknowledged this reputation:

> **Ferrari has gained a well-earned reputation for making uniquely designed automobiles of quality and rarity. The Daytona Spyder is well known among the relevant public and exclusively and positively associated with Ferrari.** Ferrari, 944 F.2d at 1245.

The product's strong secondary meaning is similarly responsible for the successful application of this doctrine. It appears that the product's distinctiveness has greatly attributed to its demand, and accordingly to its "conveyable image":

> **In light of defendants' close intentional copying,..., the large amount of recognition of ...the Daytona Spyder,...the showings of the Ferrari,...the highly publicized sales,...and the percentages of recognition...in surveys,...the court finds...that the Ferrari Daytona Spyder design has achieved a strong secondary meaning.** Ferrari, 944 F.2d at 1239.

Thus, both strong consumer recognition and "conveyable image" of the Ferrari contributed to the consumer demand of the automobile.

Another product frequent in post-sale confusion cases which conveys an image when worn by the purchaser is the Rolex watch. Rolex watches are known for quality, reputation, and cost. It does not need to be stated that a Rolex watch is purchased for more than it time-keeping ability ($6 Casio watch functions as efficiently). Furthermore, its mark is among the strongest:

> **Rolex is properly classifies as an arbitrary or fanciful trademark which is considered strong and is given protection over a wide range of related products and variations in appearance of the mark.** Rolex, 645 F.Supp. at 484.

See also Torkington, 812 F.2d 1347 (counterfeit of Rolex); and Hon, 904 F.2d 803. These cases all involve counterfeit watches. Since the quality of such imitations is poor, their demand must be attributed to the image that they communicate.

Such "conveyable image" product need not cost thousands of dollars. In fact, it can be a low cost "conveyable image" product, costing several hundred dollars. One such good was an electric clock, which had enjoyed a reputation for quality and distinctiveness. In Mastercrafters, 221 F.2d 464, the clock had a luxury design and its acquisition meant prestige. Mastercrafters, 221 F.2d at 466. Further, strong secondary meaning had been established by the court, which also created the image of prosperity in the clock.

Another such low-cost "conveyable image" good was a "Dove" shaped lamp, which also had obtained a level of prestige. In Lisa Lighting, 712 F.Supp. 394, the lamp had "[r]eceived universal acclaim, was awarded numerous honors,..., and ultimately has become the second best selling desk lamp in the world." Id. at 397. In fact, the halogen lamp was no longer in demand for its functional characteristics but for the message that it communicated while displayed by the purchaser.

The above cases have focused on "luxury" goods, which clearly fit into the framework of product image protection. Product image protection, however, is not limited to "luxury" goods, but is applicable to any product that allows the purchaser to conveys a message to the public; i.e., status, wealth, fashion, etc. For instance, several cases involving apparel have applied post-sale confusion. Thus, such items also communicate a message through

by fad. The court took note of their popularity, as well as the fact that Keds had a strong mark. Also, secondary meaning was strongly established. Note that there is no price limitation for "conveyable image" goods; any product in demand that allows the user to convey a message will suffice.

Another sneaker case is Payless Shoesource, 998 F.2d 985, where the court applied post-sale confusion to a pair of basketball sneakers. Although the court did not explain its reasoning at length, it is probable that the shoes' "conveyable image" was responsible. Certain sneakers, particularly basketball shoes, have developed an image or status. Shoes such as "The Pump" or "Air Jordans" allow the wearer to convey that image to the public, such as basketball ability or player devotion. Furthermore, they are also subject to fad, which is an expression in itself. In fact, such "conveyable image" shoes have lead to crimes.

SALE OF IMITATION CONVEYABLE IMAGE PRODUCT

In order to make a proper showing under post-sale confusion, a market for imitations of these goods must exist. In other words, both an inexpensive version of the "conveyable image" good and a demand for that good must exist on the market. This can be no more clearer than in the above mentioned Rolex watch cases. In Rolex, 645 F.Supp. 484, flea market vendors made available bogus copies of expensive Rolex watches, for as little as $25 dollars. Imitation sales were also found in Torkington, 812 F.2d 1347, and Hon, 904 F.2d 803. In fact, there may not be a greater demand for any other "counterfeit" product.

There is a market for copies of other "conveyable image" goods as well. For instance, in the Ferrari case, 944 F.2d at 1239, car replica manufacturers frequently copied Ferrari automobiles because of the "special image" associated with Ferrari. Additionally, the prestige and cost associated with owning this automobile is responsible for the this market of imitation goods.

A market was also found in the Mastercrafters case, in which imitation clocks were purchased to communicate the image associated with owning the prestigious clock:

> **[P]laintiff copied the design of the Atmos clock...to attract purchasers who wanted a luxury design clock. This goes to show at least that some customers would buy plaintiff's cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers homes would regard as a prestigious article.** Mastercrafters, 221 F.2d at 466.

Not all markets for imitations involve expensive, luxury goods. As stated above, articles of clothing subject to fad or high demand can also be prey to imitation. In fact, there are huge markets for such goods. For instance, in the Payless case, copies of premium basketball shoes were legally sold at generic prices. The market was created by consumer demand; so the consumer would not appear wearing inexpensive goods. In fact, this particular market is widespread throughout the country.

SALE BASED ON INTENT TO UNFAIRLY CAPITALIZE ON CONVEYABLE IMAGE

As in most infringement and unfairly competition suits, the intention of the infringer is an important factor in the decision of infringement. This is especially true in post-sale confusion

cases, where an intent to appropriate product goodwill commonly occurs and is heavily relied upon by the courts. For example, in Mastercrafters, 221 F.2d 464, the court seriously considered the intent of the infringer in copying the "conveyable image" product: "[P]laintiff's intention thus to reap financial benefits from poaching on the reputation of the Atmos clock is of major importance." 221 F.2d at 466. Thus, the court's decision is based in part on this intent to infringe on the reputation of the clock.

A similar rationale was applied in the Rolex case. Again, the court decided the case based on the intent of the infringer:

> **That a latecomer adopts another's name or mark, deliberately seeking to capitalize on the other's reputation and benefit from the confusion is an important factor for any court...By selling the bogus watches, only one inference may be drawn: the defendants intended to derive benefit from the plaintiff's reputation.** Rolex, 645 F.Supp. at 491-492.

This reasoning was also applied in the apparel cases. For example, see Keds, 888 F.2d at 222: "We agree with the district court's finding that Renee's intent was to capitalize on the popularity of the Keds sneakers." Repeatedly, the courts have relied on the intention of the infringer and have punished it accordingly. This is particularly common in post-sale confusion cases. In fact, it appears that the courts were especially eager to apply post-sale confusion when strong intent was found, thereby preventing the infringer from escaping liability.

The other reason why intent is seriously considered is based on the activity of the purchaser of the imitation good. In addition to the appropriation of product goodwill, the infringer provides the purchaser of the imitation product an opportunity to

commit infringement. In fact, the primary reason for demand of these imitation goods is to provide the economical consumer the opportunity to represent the imitation product as the prestigious one. However, since it is not feasible to place liability on the consumer for misrepresenting a product source, the manufacturer and retailer are more appropriate, particularly because they are fully aware of the typical representations that the consumer makes.

For instance, in the Ferrari case, consumers were given directions on how to build an "imitation" Ferrari Spyder, Ferrari logos included. It was evident that these consumers would represent the automobile as the authentic Spyder. Further, in the Rolex cases, the $25 watches were purchased to fool the public into thinking they were the real product. Again, products were represented as authentic Rolex watches. All of these cases suggest that the courts have attempted to curb this "purchaser infringement" via the manufacturer or retailer,

PRESENCE OF PUBLIC CONFUSION AFTER THE SALE

In order to satisfy the confusion requirement under the Lanham Act or an action for unfair competition, consumer confusion must be established. However, these cases all lacked the typical point of sale confusion that is common to infringement cases. Accordingly, the 1962 Amendment to the Lanham Act, which dropped the point of sale confusion requirement, afforded plaintiffs the opportunity to satisfy the confusion requirement via public confusion. Pub. L. 87--772, §17, 76 Stat. 773 (1962).

For example, in the Rolex case, 645 F.Supp. 484, point of

sale confusion could not be established because the plaintiff was put on notice of the watch's source. The court found, otherwise, that public confusion was sufficient to satisfy the Lanham Act:

> **Confusion need not always be that of a potential purchaser but can exist where the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the trademarks...Once a product is injected into commerce, there is no bar to confusion, mistake, or deception occurring at some future point in time.** Rolex, 645 F.Supp. at 492-493.

A similar decision was reached in Payless Shoesource, 998 F.2d 985, where the court again found the existence of public confusion sufficient to satisfy the Lanham Act:

> **[B]y exclusively focusing on confusion at the point of sale, the district court effectively disregarded Reebok's argument relating to post-sale confusion. Reebok contended that such confusion occurs, for example, when a consumer observes someone wearing a pair of Payless accused shoes and believes that the shoes are Reebok's.** Payless, 998 F.2d at 989.

In fact, the existence of public or post-sale confusion appears to be the sine qua non of post-sale confusion cases, and is absolutely essential to a finding of infringement.

INJURY TO PRODUCT AND PURCHASER OF CONVEYABLE IMAGE GOOD

A critical requirement of post-sale confusion is that the purchaser of the "conveyable image" product looses to some degree the ability to communicate a desired image. In fact, most of the previously discussed post-sale confusion cases have been decided on either an express or implied dilution or tarnishment theory. These cases, however, have focused exclusively on the damage to the product, and not the resulting loss to the purchaser. For

instance, in the Ferrari case, 944 F.2d 1235, the court found that too many imitation automobiles would either dilute or tarnish the Ferrari's reputation:

> **[I]f the country is populated with hundreds, if not thousands, of replicas or rare, distinct, and unique vintage cars, obviously they are no longer unique. Even if a person seeing one of these replicas driving down the road is not confused, Ferrari's exclusive association with this design has been diluted and eroded. If the replica Daytona [Ferrari] looks cheap or in disrepair, Ferrari's reputation for rarity and quality could be damaged...**Ferrari, 944 F.2d at 1245.

It is clear that the case was decided to protect Ferrari's image. But it can be inferred that the Ferrari owner suffers too, which is why protection is necessary.

A similar rationale to Ferrari was applied in the Rolex cases, in which the "conveyable image" of the Rolex watch was found to be lessened from the imitations:

> **Individuals examining the counterfeits, believing them to be genuine Rolex watches, might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real time piece. Others who see the watches bearing the Rolex trademarks on so many wrists might find themselves discouraged from acquiring a genuine because the items have become too common place and no longer possess the prestige once associated with them.** Rolex, 645 F.Supp. at 495.

In both of these cases, the image or prestige of the product has suffered, either from tarnishment or dilution. Accordingly, the purchaser's investment has suffered, due to a loss in ability to convey a statement to the public. It is here that protection is necessary, to protect the purchaser of the "conveyable image" good.

With such luxury goods it is easy to conceptualize the effect of tarnishment or dilution on the value of a good. The effect is equally applicable in apparel cases. For example, in the Polo case, 816 F.2d 145, the court found damage not only to reputation based on poor quality of an imitation, but equally to image due to an abundance of Polo imitations.

In a similar fashion, the court in Lois Sportswear addressed the damage to a product's "exclusiveness":

> **[T]o the extent the sophisticated buyer is attracted to appellee's jeans because of the exclusiveness of its stitching pattern, appellee's sales will be affected adversely by these buyers' ultimate realization that the pattern is no longer exclusive.** Lois Sportswear, 799 F.2d at 875-876.

These cases demonstrate that prestigious products are susceptible to injury. This injury is in the form of reduced consumer perception, which adversely affects profits. Consequently, the purchaser suffers, as his ability to convey an image is impeded.

The effect on the purchaser of a "conveyable image" product can be demonstrated. It is easily seen with the first set of goods discussed above, luxury goods. For instance, the owner of the $250,000 dollar Ferrari Spyder would be substantially injured if his distant neighbor, a blue-collar worker, recently purchased an imitation, undetectable to the neighborhood. The expensive Ferrari would no longer command the attention and respect that it once did. Accordingly, the purchaser would no longer communicate the message of being an exclusive Ferrari owner, a statement of status and wealth. Furthermore, if the imitation experienced car trouble, the automobile's image of luxury design and manufacture

would suffer, again affecting the purchasers ability to communicate the message of status. Finally, if a sufficient number of imitations surfaced, the damage would reduce the value of the automobile, and accordingly reduce the value of the purchaser's investment.

Such damage can be equally applied to the other luxury goods discussed above. For example, a Rolex is a considerable investment, both in image and cost. Any return that is negative on investment, such as poor reputation, could seriously impact on the purchaser's ability to communicate prestige.

Although the injury to economic value is not as compelling, the apparel cases are also applicable to reduction in "conveyable image." For example, the Reebok basketball sneakers would no longer convey a prestigious image if several imitations appeared on the basketball court. Also, the inexpensive Keds which were in high demand resulting from a fad would no longer be as "stylish" if imitations were frequent. In fact, such an abundance of imitations could destroy a fad or fashion trend. Regardless, the purchaser or owner would feel cheated by a reduction in the value of his purchase, via an injury in ability to convey a statement.

Likewise, the Levis' purchasers would suffer from imitations. At one time the Levis mark had a strong reputation for being an exclusive brand of jeans. Even the court in Levi recognized the exclusive nature of the purchase. Thus, it is not difficult to conceptualize the injury that would occur to a purchaser of Levis if imitations suddenly appeared. The image that the purchaser is attempting to create, via fashion, would be affected. Furthermore, the public's perception of that individual would

change. Although there may not be a visible injury to the purchaser's economic investment, the intangible investment in image is greatly damaged.

THERE IS NO ALTERNATIVE REMEDY AVAILABLE

In the above post-sale cases, the liability of the defendant rested upon a finding of likelihood of confusion. Furthermore, the absence of at-sale confusion resulted in the dismissal or loss of the action, which precluded plaintiff from recovery. Therefore, it is crucial to these cases that the court examine post-sale confusion to satisfy the confusion requirement. However, if likelihood of confusion was not present, than the defendant would escape liability despite the blatant infringement.

In Payless, the counterclaim alleging trademark infringement, federal and state unfair competition, and design patent infringement was brought by Reebok. The district court did not consider post-sale confusion, and accordingly found no confusion:

> **The district court discounted that similarity [confusion] because other factors (viz., the nature of the marketing, the market channels, and the degree of care exercised by a purchasing consumer) weighed against a finding of a likelihood of confusion.** Payless, 998 F.2d at 989.

Accordingly, all possible relief was denied. On appeal, the Court of Appeals reversed, based specifically on the possible existence of post-sale confusion. If post-sale confusion was not considered, than Reebok would be turned away without relief, despite the apparent infringement. Thus, it was crucial that the court examine post-sale confusion to prevent an injustice.

Such rationale also applies to criminal cases. For instance, in the Torkington case, 812 F.2d 1347, defendant was charged with

counterfeiting under the Counterfeiting Act of 1984. The defendant successfully argued that the Act's confusion requirement had not been satisfied because purchasers were made aware of the source of their purchases:

> **It [is] unlikely...that the purchaser of a replica or fake Rolex watch that sold for $27.00 would be confused, mistaken or deceived into thinking that he was purchasing a genuine Rolex watch, which may sell for approximately $1000 to $8000.** Torkington, 812 F.2d at 1350.

On appeal, the appellate court reversed, supplying post-sale confusion for the confusion requirement. Again, the court applied post-sale confusion to prevent an injustice, the acquittal of a counterfeiter. Regardless if civil or criminal, post-sale confusion has been substituted for at-sale confusion to prevent injustice.

NON-APPLICABLE DECISIONS

Purchaser image protection is an attempt to explain why certain cases are more susceptible to a finding of post-sale confusion than others. It can't, however, account for all possible decisions relying on post-sale confusion. For instance, Artus Corporation v. Nordic Co., 512 F.Supp. 1184 (W.D. Penn. 1981), a state court decision, is not subject to explanation in light of a product image protection theory. The product in suit was a color-coded machinist shim (wedge), which cannot be considered a "conveyable image" product under any circumstances. Accordingly, the infringed product cannot suffer injury to image. Interestingly enough, the court does not specifically address the type of injury that the shim manufacturer incurred. Its rationale

was that the injury was based on general principles of consumer confusion; i.e., the end-user would simply be confused as to the source of the color-coded shim. Regardless of the court's reasoning, the decision can be distinguished on several grounds. First, the reasoning in this state decision was not subsequently adopted by any court of persuasive authority. In fact, most subsequent decisions in this circuit more closely followed the product image protection theory. Second, it appears that the court was motivated in part by the absence of other theories of recovery. If the court did not allow post-sale confusion, the infringer would have avoided liability. Note that the absence of other forms of relief seems to be a strong factor that the court relies upon. Finally, a high level of intent was present, suggesting that the infringer willfully copied the product in an attempt to capitalize on the goodwill of the product. Again, the court seriously considered this factor in its application of post-sale confusion. Although the case does contain some tenants basic to all post-sale confusion cases, Artus clearly does not fit into the majority of post-sale cases, and more particularly, the product image protection framework.

Another state decision that does not fit into the framework of product image protection recovery is Nabisco Brands Inc. v. Conusa Corp., 722 F.Supp. 1287 (M.D. N.C. 1989). Again, the court strictly relied upon secondary meaning and intent to find confusion. The product, a Lifesaver candy, was found to have been infringed by another annular candy. There was no at-sale confusion, due to the labeling of the infringing product. The court however was compelled to find confusion and substituted

post-sale confusion. In fact, it actually found confusion after the candy had left its package: "the possessor of the valid mark could suffer if one seeing or sampling the product after sale regarded it to be of poor quality." Nabisco, 722 F.Supp. at 1291. Clearly this is faulty logic. A lifesaver candy almost always remains in its package until eaten. The brief moment the candy is removed from the package is not sufficient to establish public confusion or deception. Curiously enough, evidence of strong secondary meaning and an intent to capitalize appears to have weighed in the court's decision.

CONCLUSION

Regardless of the type of product, product image protection explains the applicability of post-sale confusion. The following factors are common to most successful actions: (1) The product is a "conveyable image" good, wherein the image of the purchaser and that of the product purchased are intertwined. (2) An imitation good is sold. (3) The sale is motivated by an intent to capitalize on the product's image. (4) There is public or post-sale confusion. (5) The sale causes injury to the image of the product and the purchaser. (6) There is no alternative remedy available.

These factors are not exhaustive. Also, it is not mandatory that every factor be present. However, there appears to be a general pattern to the successful post-sale confusion cases. For example, the product's image was frequently at issue. Also, the injury both to the image of the product and to that of the purchaser were highly visible in the more successful post-sale cases. Finally, the intent to capitalize on the product's image

was heavily relied upon in a majority of these cases.

A hypothetical post-sale confusion case would appear as follows: the product infringed would be a luxury or apparel good. Regardless, it would create a communicable image in the purchaser via the product. Furthermore, it would have strong secondary meaning. For instance, the product could be a designer pen, a cellular phone, a briefcase or handbag, a pair of snake-skin boots, an imported suit, or even work of art. The list is exhaustive; the only requirement is that it creates a conveyable image in the purchaser and that it has strong secondary meaning.

Typically, the imitation goods are purchased as substitutes for a higher priced product. In fact, the purchaser of the imitation good seeks to utilize the image of the product to communicate a statement, without spending the cost. Also, absent is at-sale confusion, which would be replaced by public or post-sale confusion. Furthermore, if the infringement is motivated from an intent to capitalize on the image of the conveyable image product, post-sale confusion is likely to occur.

Most importantly, the infringing sales would injure the image of the conveyable image product, via dilution or tarnishment, and equally important, damage the image communicable by the purchaser of the good.

Finally, no other remedy would be available to the plaintiff. Thus, if there is no possibility to prove at-sale confusion and the defendant will escape liability, post-sale confusion may prove a useful alternative.

The above factors should assist in the determination of whether post-sale confusion can be effectively substituted for at-

sale confusion. Future decisions are eagerly awaited to find support for this theory.