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Expert Analysis

Initial-Interest Confusion Doctrine at the Supreme Court

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The Lanham Act protects trademark holders against consumer confusion by providing a cause of action against the use of similar marks on similar products if that use creates a likelihood of confusion. The likelihood of confusion analysis is often focused on confusion at the time of purchase, but the U.S. Court of Appeals for the Second, Third, Fifth, Sixth, Seventh, Ninth, Tenth, and Federal Circuits permit mark holders to allege infringement based on pre-sale, initial-interest confusion (whereas the First, Fourth, and Eleventh Circuits do not).

Earlier this year, the U.S. Court of Appeals for the Eighth Circuit joined the majority of circuits in permitting recovery for initial-interest confusion in certain circumstances. *Select Comfort Corp. v. Baxter*, 996 F.3d 925 (8th Cir. 2021), cert. filed, No. 21-212. The Supreme Court is currently considering whether to review that decision and potentially resolve the circuit split on this issue. We report here on that case.

The Initial-Interest Confusion Doctrine

The Lanham Act provides a cause of action against "[a]ny person who…uses in commerce any word, term, name, symbol, or device…false or misleading description of fact, or false or misleading representation of fact, which is likely to cause confusion…as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person. 15 U.S.C. §1125(a).

Courts in the Eighth Circuit apply six nonexclusive factors to determine whether "the relevant average consumers for a product or service are likely to be confused as to the source of the product or service or as to an affiliation between sources based on a defendants' use." *Select Comfort*, 996 F.3d at 933. These factors include "incidents of actual confusion," and "the type of product, its costs and conditions of purchase." Id. In general, confusion at the time of purchase, or post-sale confusion among non-purchasers, are actionable. Id. at 934.

In the Second, Third, Fifth, Sixth, Seventh, Ninth, Tenth, and Federal Circuits, a trademark

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holder may also, in certain circumstances, prove infringement by showing "initial interest confusion"—that is, "confusion that creates initial customer interest, even though no actual sale is finally completed as a result of the confusion." 4 J. McCarthy, *Trademarks and Unfair Competition*, §23:6 (2021).

For example, initial-interest confusion may arise when a potential purchaser mistakenly visits a competitor's website due to the competitor's use of a domain name or phrase similar to a trademarked domain or phrase, and, after learning that there is no connection between the competitor and trademark holder, nonetheless purchases the competitor's product. "[I]nitial-interest confusion recognizes that a senior user's goodwill holds value at all times, not merely at the moment of purchase.

The theory protects against the threat of a competitor 'receiving a free ride on the goodwill of [an] established mark.'" *Select Comfort*, 996 F.3d at 932. That free ride may "provide the junior user with an opportunity it otherwise would not have achieved, or deprive the senior user of an actual opportunity." Id.

The Eighth Circuit's Decision

Select Comfort sells the Sleep Number adjustable air mattress online, over the phone, and in company-owned stores. 996 F.3d at 930. Dires is an online retailer that uses internet advertising and a call-center-based model to sell lower-priced adjustable air beds. Id. Select Comfort sued Dires for trademark infringement, alleging, among other things, that Dires "used similar and identical marks in several capacities online to sell competing products" and "compounded internet-related confusion by making fraudulent misrepresentations and failing to dispel confusion when consumers contacted [Dires's] call centers." Id. at 929.

At summary judgment, the district court rejected, as a matter of law, Sleep Number's infringement theory based on presale or initial-interest confusion, explaining that "retail purchasers of mattresses were sophisticated consumers because mattresses are expensive," and, "[a]s a result…a claim alleging initial-interest confusion could not proceed and [Select Comfort] would have to show a likelihood of confusion at the time of purchase." Id. at 931. The district court thus instructed the jury that Sleep Number must prove a likelihood of confusion at the time of purchase, and the jury found no trademark infringement.

The Eighth Circuit reversed, holding that "the district court erred by finding as a matter of law that the relevant consumers were sophisticated and that a theory of initial-interest confusion could not apply." Id. at 929. The court explained that whether "a theory of initial-interest confusion may apply in our circuit" was "left open" by *Sensient Technologies Corp. v. SensoryEffects Flavor Co.*, 613 F.3d 754 (8th Cir. 2010), in which the Eighth Circuit held that "the theory did not apply on the facts of the case because the consumers at issue were sophisticated commercial purchasers of inputs for industrial food production who purchased goods with a high degree of care 'after a collaborative process.'" *Select Comfort*, 996 F.3d at 935.

The court, acknowledging that *Sensient* is the law of the circuit, held that the doctrine of initial-interest confusion can apply in the Eighth Circuit under fact patterns that deviate from that of *Sensient*. For example, where "a jury question exists as to the issue of consumer sophistication," a plaintiff can pursue the infringement theory of presale, initial-interest confusion. Id. In so holding, the court found "particularly compelling" a 1962 amendment to the Lanham Act that "eliminated reference to 'purchasers' when describing actionable confusion"

and pointed out that "[o]ther courts addressing the question of initial-interest confusion have relied on this language." Id. at 934, 935.

According to the court, "adoption of the theory is consistent with the overall practice of recognizing the varied nature of commercial interactions and the importance of not cabining the jury's analysis of the likelihood of confusion factors… . [I]t would be odd to presume that all commercial interactions are alike or that, in all settings, trademarks are worthy of protection only in the few moments before the consummation of a transaction." Id. at 936. The court cautioned, however, that "the theory of initial-interest confusion cannot apply in our Circuit where the relevant average consumers are sophisticated at the level of the careful professional purchasers." Id. The court noted that the question of "customer sophistication typically will rest with the jury" such that summary judgment is "foreclose[d]" where "a question of fact exists as to the level of consumer sophistication." Id.

In the instant case, "the parties dispute the issue of consumer sophistication both in reference to shopping for mattresses and shopping online…. And, in any event, authority is mixed as to whether mattress shoppers and online shoppers should be deemed careful consumers" and "as to the level of sophistication web-based shoppers bring to the table." Id. at 936-37. Thus, concluded the court:

At the end of the day, this mix of authority regarding consumer confusion in the context of internet shopping and mattress purchases demonstrates well why a jury rather than a judge should assess the level of consumer sophistication. This point is particularly strong in a case which, like the present case, enjoys a full record including highly detailed descriptions of Plaintiffs' and Defendants' customers' experience and ample evidence of (1) *actual confusion* including transcripts of potential customers who called Defendants' call centers and believed they were calling Plaintiffs, and (2) statements by Defendants' principals describing the actual confusion as evidence that their own advertising was working… . Against this backdrop, we conclude a jury question existed as to the issue of consumer sophistication and summary judgment on the theory of initial-interest confusion was error… . In so ruling, we make no comment as to how a finding of confusion at times other than the moment of purchase might affect the analysis of remedies and the determination of damages.

Id. 937 (emphasis in original).

Petition for Certiorari

Dires filed a petition for a writ of certiorari, arguing that "[p]re-sale, initial interest confusion as adopted here could impose liability for trademark infringement that occurs when a consumer first sees a mark online, even if the consumer does not ultimately make a purchase while confused as to source… . In the intervening years since its initial adoption, this doctrine has fallen out of favor and has been sharply criticized as out of touch with how consumers use search engines." Pet. at i.

Dires also points out that "the First, Fourth, and Eleventh Circuits have outright declined to adopt the doctrine," and that as to other circuits that do recognize some form of the doctrine "none—including the Ninth Circuit, where it originated—recognize a formulation as broad as the Eight Circuit has adopted here." Id. at 3.

Select Comfort's response is due on Sept. 13.