

PLACEBO MARKS

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Abstract

Scholars often complain that sellers use trademarks to manipulate consumer perception, instead of communicating valuable information. This manipulation may harm consumers by limiting their ability to make informed choices. For example, holding other things constant, consumers spend more money on goods with a high performance reputation. Critics characterize that choice as wasteful. But trademarks with a high performance reputation may sometimes “trick” consumers to their benefit.

Recent research suggests that a trademark with a high-performance reputation can deliver a performance-enhancing placebo effect. Research subjects perform better at physical and mental tasks when they prepare or play with a product bearing a high-performance mark. For example, subjects using a putter with a Nike label can sink a putt in 20% fewer strokes than subjects using the same putter with a different label.

This placebo effect stems from manipulating consumer perception, but the effect does not limit consumer autonomy. In fact, when we compare the costs and benefits of consumer manipulation, the net cost to consumers or markets may not be as high as critics previously estimated. In fact, a net benefit is not implausible. Moreover, reforming trademark law to prevent all manipulative trademark use might have the unintended consequence of unraveling benefits like valuable placebo effects.

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INTRODUCTION

Under the standard economic account, the law protects a trademark as an exclusive source identifier for a given product because the mark provides important information to consumers.¹ Protecting the mark incentivizes the owner to maintain and improve product quality.² Consumers consequently save search costs - the costs of finding the product they prefer to buy –³ because they can rely on the mark to convey accurate information about the product and then more easily compare products from different sellers.⁴ Trademark protection thus contributes to an efficient market by enabling competition on price and quality.⁵

¹ Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 549 (2006) (“[T]he ‘information transmission model’ ... views trademarks as devices for communicating information to the market and sees the goal of trademark law as preventing others from using similar marks to deceive or confuse consumers.”).

² *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985) (“National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.”).

³ Gerald E. Smith et al, *Diagnosing the Search Cost Effect: Waiting Time and the Moderating Impact of Prior Category Knowledge*, 20 J. ECON. PSYCH. 285, 285 (1999) (“A central thesis of economics of information research is that buyers search for information until the marginal cost of search exceeds the marginal benefit.”)

⁴ See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1690 (1999) (trademarks are justified to the extent they “communicate useful information to consumers, and thereby reduce consumer search costs.”); *New Kids on the Block v. News Am. Pub., Inc.*, 971 F.2d 302, 305 n.2 (9th Cir. 1992) (citing William M. Landes and Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & Econ. 265, 269 (1987) (“In economic terms, trademarks reduce consumer search costs by informing people that trademarked products come from the same source.”).

⁵ *Scandia Down*, 772 F.2d 1423, 1430 (7th Cir. 1985) (“If the seller provides an inconsistent level of quality, or reduces quality below what consumers expect from earlier experience, that reduces the value of the trademark.”); *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968) (“Without some method of product identification, informed consumer choice, and hence meaningful competition in quality, could not exist.”); Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 856-60 (1997); Sidney A. Diamond, *The Public Interest and the Trademark System*, 62 J. PAT. OFF. SOC'Y 528, 544 (1980); Joseph M. Livermore, *On Use of a Competitor's Trademark*, 59 TRADEMARK REP. 30, 30 (1969) (“In many

But trademarks can also communicate messages and create customer interest independent of accurate signals about price and quality. Emotional appeals can create attachments that are irrational, or at least not grounded in objective quality.⁶ To the extent consumer loyalty diverges from accurate information about the mark,⁷ trademark protection might not play its expected roles of ensuring consumers can rely on marks or fostering competition.⁸ Trademark scholarship has generally assumed this mismatch harms consumers and allows mark owners to expand trademark protection beyond its reasonable bounds.⁹

industries ... the absence of differentiating trademarks would mean that competition in product quality could not exist.”).

⁶ JOHN KENNETH GALBRAITH, *THE AFFLUENT SOCIETY* 155 (1958) (arguing that advertising and marketing cannot be “reconciled with the notion of independently determined desires, for their central function is to create desires – to bring into being wants that previously did not exist”). See also Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020, 2056-57 (2005) (summarizing scholarship advocating restrictive interpretation of trademark protection based on manipulation of consumers).

⁷ Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOK. L. REV. 827, 856 (2004), citing Douglas A. Kysar, *The Expectations of Consumers*, 103 COLUM. L. REV. 1700, 1747 (2003) (examining consumer expectations in context of products liability). See also Jon D. Hanson & Douglas A. Kysar, *Taking Behavioralism Seriously: The Problem of Market Manipulation*, 74 N.Y.U. L. REV. 630 (1999) (noting the influence of unyielding cognitive biases on decisionmakers as applied to products liability law).

⁸ Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1187 (1948) (“[A trademark] is a narrow bridge over which all the traffic powered by [product] advertising must pass. . . . With time, the symbol comes to be more than a conduit through which the persuasive power of advertising is transmitted, and acquires a potency, a ‘commercial magnetism,’ of its own.”). See also *id.* (“The buyer of an advertised good buys more than a parcel of food or fabric; he buys the pause that refreshes, the hand that has never lost its skill, the priceless ingredient that is the reputation of its maker.”); Theodore Levitt, *The Morality (?) of Advertising*, HARV. BUS. REV., July/Aug. 1970, at 85 (“In the factory, we make cosmetics; in the store we sell hope.”) (quoting Charles Revson of Revlon, Inc.).

⁹ Lemley, *The Modern Lanham Act and the Death of Common Sense*, *supra* note 4, at 1713. Stacey L. Dogan & Mark A. Lemley, *Parody as Brand*, 47 U.C. DAVIS L. REV. 473, 493 (2013) (“[A]rtificial product differentiation can lead to higher prices and deadweight loss.”), citing Ann Bartow, *Counterfeits, Copying and Class*, 48 HOUS. L. REV. 707, 707-08 (2011); Jeremy N. Sheff, *Veblen Brands*, 96 MINN. L. REV. 769, 825 (2012).

Recent evidence, however, suggests that the ability of trademarks to influence consumers has some positive spillover effects.¹⁰ In particular, several recent studies suggest that exposure to or use of a product bearing a trademark with a performance enhancing reputation – a high-performance mark¹¹ will improve the user's performance on various tasks, compared to a product without a high-performance mark.¹² Surprisingly, this effect is independent of actual product quality. For instance, if research subjects believe they are using a Nike putter, they putt better, whether or not Nike made the putter.¹³ Consumers may gain measurable benefit from the mere perception that the product they are using is performance enhancing. Evidence of this performance enhancing placebo effect complicates the presumption that consumers only benefit when the trademark conveys information about objectively measurable quality as it relates to

¹⁰ A spillover often refers to a cost that the use of a resource might impose on neighbors. *See, e.g.,* Joseph L. Sax, *Takings, Private Property and Public Rights*, 81 YALE L.J. 149, 161 (1971). A positive spillover is a benefit conferred to neighbors without a corresponding harm to the resource owner. *See* Mark A. Lemley & Mark P. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137, 187 (2010).

¹¹ Aaron M. Garvey, Frank Germann, & Lisa E. Bolton, *Performance Brand Placebos: How Brands Improve Performance and Consumers Take the Credit*, 42 J. CONSUMER RES. 931, 931 (2016) (“Performance brand offerings [are] branded goods and services expected to enhance personal performance outcomes.”). This article uses “high-performance mark” to indicate a trademark with a reputation for improving consumer competence or performance in some field of endeavor.

¹² Garvey et al, *supra*; Grainne M. Fitzsimons, Tanya L. Chartrand, & Gavan J. Fitzsimons, *Automatic Effects of Brand Exposure on Motivated Behavior: How Apple Makes You “Think Different”*, 35 J. CONSUMER RES. 21 (2008); S. Adam Brasel & James Gips, *Red Bull “Gives You Wings” for better or worse: A double-edged impact of brand exposure on consumer performance*, 21 J. CONSUMER PSYCH. 57 (2011); Ji Kyung Park and Deborah Roedder John, *I Think I Can, I Think I Can: Brand Use, Self-Efficacy, and Performance*, 51 J. MARKETING RES. 233 (2014); R. Friedman & A. Elliot, *Exploring the influence of sports drink exposure on physical endurance*, 9 PSYCHOLOGY OF SPORT AND EXERCISE, 749–759 (2008); Liane Schmidt et al, *Red Bull Gives You Incentive Motivation: Understanding Placebo Effects of Energy Drinks on Human Cognitive Performance* (pre-print, not yet peer-reviewed) (2017). *Cf.* A. Branthwaite & P. Cooper, *Analgesic effects of branding in treatment of headaches*, 282 BR. MED. J. CLIN. RES. ED. 1576 (1981).

¹³ Garvey et al., *supra* note 12.

source indication. Accounting for this effect may also improve the fit between trademark law and how consumers use and process information.¹⁴

This Article proceeds in three Parts. Part I summarizes the dominant search cost justification for trademark protection, as well as the critiques leveled against the manipulation of consumer perception seen as part and parcel of modern branding practices. Part II describes recent research which shows a performance-enhancing placebo effect for subjects who use goods or services bearing a high-performance mark. Part III considers whether and how society might benefit from reframing trademark law's normative bases or adjusting trademark doctrines in light of this new research.

I. THE (MIS)INFORMATION FUNCTION OF TRADEMARKS

A trademark is any word, name, symbol, or device used to distinguish the seller's product and indicate the (anonymous) source of that product.¹⁵ The law secures the right to use a trademark as an exclusive source designator for a given product on the assumption that the trademark provides important information to consumers.¹⁶ If a consumer can expect to have a similar experience every time she eats at a McDonald's

¹⁴ See, e.g., Thomas R. Lee, Eric D. DeRosia & Glenn Christensen, *An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness*, 41 ARIZ. ST. L.J. 1033, 1036-39 (2009) (using consumer psychology models as a means to determine a trademark's effect); Jake Linford, *Are Trademarks Ever Fanciful?*, 105 GEO. L.J. (forthcoming 2017) (sound symbols in fanciful marks can convey product information, which militates against overprotecting fanciful marks).

¹⁵ 15 U.S.C. § 1127, "trademark". In this article, product indicates goods, services, or both.

¹⁶ Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 549 (2006) ("[T]he 'information transmission model' ... views trademarks as devices for communicating information to the market and sees the goal of trademark law as preventing others from using similar marks to deceive or confuse consumers."); Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2116 (2004) ("[R]educing consumer search costs, maintaining and improving product quality, and remedying intentional deception – all relate to the quality of the product information available to consumers. Even the [quality] incentive ... is linked to safeguarding the information transmission function of marks."); Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927) ("[T]he consumer now projects his shopping far from home and comes to rely more and more upon trademarks and tradenames as symbols of quality and guaranties of satisfaction.").

restaurant, or drinks a Coke-branded cola, the trademark communicates useful information to consumers that reduces the cost of searching for a desired product.¹⁷

On the other hand, if a competitor can use the same or a similar mark on the same or similar products, consumers would likely be confused about the source of the competing products. That confusion may well impair consumers' ability to use the mark to help them select the product they prefer, thus increasing search costs.¹⁸ To prevent that cost, trademarks are protected as exclusive signifiers of a particular product from a particular source so that consumers can rely on the information conveyed.¹⁹

To the extent the law protects the source significance of a trademark, it also incentivizes the mark owner to maintain consistent product quality.²⁰ Trademark law allows the mark owner to internalize consumer goodwill (i.e. repeat custom)²¹ as the

¹⁷ McKenna, *Normative Foundations*, at 1840 (“[T]rademark law’s core policies [are] protecting consumers and improving the quality of information in the marketplace.”).

¹⁸ William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1987).

¹⁹ See, e.g., Lemley, *The Modern Lanham Act and the Death of Common Sense*, *supra* note 4, at 1690 (trademarks are justified to the extent they “communicate useful information to consumers, and thereby reduce consumer search costs.”).

²⁰ *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985) (“National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.”).

²¹ See Jake Linford, *Valuing Residual Goodwill After Trademark Forfeiture*, 93 NOTRE DAME L. REV. (forthcoming 2017) (draft on file with author) draft at 8-9, citing *Washburn v. National Wall-Paper Co.*, 81 F. 17, 20 (2d Cir. 1897) (describing goodwill as value that represents confidence on the part of consumers that “their experience in the future will be as satisfactory as it has been in the past,” earned by the mark owner through long years of “scrupulous” attention to detail and care in maintaining “the standard of goods dealt in.”); Elizabeth Cutter Bannon, *Revisiting “The Rational Basis of Trademark Protection”: Control of Quality and Dilution - Estranged Bedfellows?*, 24 J. MARSHALL L. REV. 65, 73-74 (1990), quoting MCCARTHY § 2.8(a) (“[Goodwill] exists in the minds of the buying public, where buyers trust the constancy of quality emanating from a particular producer. “Goodwill” thus becomes ‘a business value that reflects the basic human propensity to continue doing business with a seller whose goods and services . . . the customer likes and has found adequate to fulfill his needs.’”).

reward for truthfully signaling consistent quality.²² Without trademark protection, firms might hesitate to create brands with costly, high-quality characteristics, because the benefits of such efforts could be appropriated by new entrants using the owner's mark on similar goods.²³ Correctly calibrated trademark protection thus enables and encourages the mark to communicate information to consumers about the source, and therefore quality, of the marked product.²⁴ New entrants may compete on quality and price, but are discouraged from free riding on the mark's source significance or otherwise impeding the information transmission function of the mark.²⁵ Under the standard economic account, trademark protection thus contributes to a well-functioning market by ensuring that consumers can rely on the mark as a source signifier, which enables competition on price and quality.²⁶

²² Nicholas S. Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 525-27 (1988) (suggesting that trademarks primarily exist to enhance consumer decisions and to create incentives for firms to produce desirable products).

²³ Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2108 (2004) ("if consumers lacked the ability to distinguish one brand from another, firms would have no reason to create brands with more costly but higher quality characteristics.").

²⁴ Henry E. Smith, *Intellectual Property as Property: Delineating Entitlements in Information*, 116 YALE L.J. 1742, 1744 (2007) (arguing that intellectual property regimes "reflect a concern that, in their absence, people will have too little incentive to engage in certain activities with respect to information, whether discovering it, commercializing it, or using it to lower consumer search costs.").

²⁵ Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 778, 819 (2004) (arguing that the historical normative goal of trademark law is to foster the flow of information in markets, thereby reducing consumer search costs)

²⁶ *Scandia Down*, 772 F.2d at 1430 ("If the seller provides an inconsistent level of quality, or reduces quality below what consumers expect from earlier experience, that reduces the value of the trademark."); *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968) ("Without some method of product identification, informed consumer choice, and hence meaningful competition in quality, could not exist."); *Klieger*, *supra* note 5 at 853-56; *Sidney A. Diamond, The Public Interest and the Trademark System*, 62 J. PAT. OFF. SOC'Y 528, 544 (1980); *Joseph M. Livermore, On Use of a Competitor's Trademark*, 59 TRADEMARK REP. 30, 30 (1969) ("In many industries ... the absence of differentiating trademarks would mean that competition in product quality could not exist.");

This standard economic account does not fully reflect the reality of modern branding practices.²⁷ Advertising, including the use of trademarks, creates demand that may not otherwise exist.²⁸ No merchant would pay for advertising that didn't generate sales. And effective advertising often trades on emotional appeals,²⁹ rather than informative content.³⁰ As Justice Frankfurter noted in one well-known Supreme Court decision, the "commercial magnetism" or drawing power of a trademark stems in part from the ability

²⁷ The research on placebo effects and trademark usage is replete with references to brands as opposed to trademarks. This article does not draw a sharp distinction between the two, but other scholars have highlighted differences between a trademark and a brand. *See, e.g.*, Deven R. Desai & Spencer Waller, *Brands, Competition, and the Law*, 2010 B.Y.U. L. REV. 1425, 1425 (2010):

Contrary to the law's conception of trademarks, brands are used to indicate far more than source and/or quality. Indeed those functions are far down on the list of what most businesses want for their brands. Brands allow businesses to reach consumers directly with messages regarding emotion, identity, and self-worth, such that consumers are no longer buying a product but buying a brand.

²⁸ JOHN KENNETH GALBRAITH, *THE AFFLUENT SOCIETY* 155 (1958) (arguing that advertising and marketing cannot be "reconciled with the notion of independently determined desires, for their central function is to create desires – to bring into being wants that previously did not exist"). *See also* Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020, 2056-57 (2005) (summarizing scholarship advocating restrictive interpretation of trademark protection based on manipulation of consumers).

²⁹ Indeed, trademark owners encourage consumers to connect with marks and brands on an emotional level. Deven R. Desai, *From Trademarks to Brands*, 64 FLA. L. REV. 981, 990-91 (2012) ("Many companies encourage consumers to see a brand as having a personality and to accept the idea that owning a branded good connects the consumer to the brand in some deep, personal way. Buying branded goods, authorized or not, is one way in which consumers build that connection.")

³⁰ Klieger, *supra* note 5 at 858 ("where product differentiation is built primarily on a nonrational or emotional basis, through the efforts of the ad-man, consumer willingness to pay the premium proves economically inefficient."); Hannibal Travis, *The Battle for Mindshare: The Emerging Consensus That the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 VA. J.L. & TECH. 3, ¶ 124 (2005) (citing Jacob Jacoby & Maureen Morrin, "Not Manufactured or Authorized by ...": *Recent Federal Cases Involving Trademark Disclaimers*, 17 J. PUB. POL'Y & MKT. 97 (Apr. 1998) (quoting Allan M. Collins, & Elizabeth F. Loftus, *A Spreading Activation Theory of Semantic Processing*, 82 PSYCH. REV. 407, 407-28 (1975)); Carl Obermiller, Eric Spangenberg & Douglas L. MacLachlan, *Ad Skepticism: The Consequences of Disbelief*, J. ADVERTISING 7, 15 (Fall 2005) (consumers may still to emotional appeals, even if they are skeptical of informational claims).

of the mark to create consumer desire,³¹ instead of meeting or satisfying existing desire.³² Thus, in many cases, the magnetism of a trademark may have little to do with the quality of the product sold under the mark and depend instead on a “conditioned reflex developed in the buyer by imaginative or often purely monotonous selling of the mark itself.”³³

To the extent that a trademark's appeal is independent of quality or price, it may drive economically irrational consumer choices.³⁴ Consumers could even become overly

³¹ Mark P. McKenna, *A Consumer Decision-Making Theory of Trademark Law*, 98 VA. L. REV. 67, 114-15 (2012).

³² *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 205 (1942) (Frankfurter, J.) (“The protection of trade-marks is the law's recognition of the psychological function of symbols... A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants.”). See also Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 973 (1993) (questioning the impact of trademark protection on public discourse, given the “communicative freight” carried by trademarks, and the manner in which trademarks are “injected into the stream of communication with the pressure of a firehose by means of mass media campaigns.”).

³³ Thomas P. Derring, *Trade-Marks on Noncompetitive Products*, 36 OR. L. REV. 1, 2 (1956). Indeed, one criticism against the protection of a merchandising right (the right of a firm to control the sales of clothing or other items bearing its mark as a decoration, rather than a source signifier) focuses on how consumers are unlikely to connect the quality of the merchandise purchased with the mark owner. See, e.g., Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 481 (2005) (“If consumers are not duped into believing that a trademark-bearing product was either sponsored or made by the trademark holder,⁸² then the quality of product-related information in the marketplace has not suffered from the use.”).

³⁴ Brown, *supra* note 8 at 1187 (“[A trademark] is a narrow bridge over which all the traffic powered by [product] advertising must pass. . . . With time, the symbol comes to be more than a conduit through which the persuasive power of advertising is transmitted, and acquires a potency, a ‘commercial magnetism,’ of its own.”). See also *id.* (“The buyer of an advertised good buys more than a parcel of food or fabric; he buys the pause that refreshes, the hand that has never lost its skill, the priceless ingredient that is the reputation of its maker.”); Theodore Levitt, *The Morality (?) of Advertising*, HARV. BUS. REV. at 85 (July/Aug. 1970) (“In the factory, we make cosmetics; in the store we sell hope.”) (quoting Charles Revson of Revlon, Inc.).

attached to brands.³⁵ If consumers make irrational choices,³⁶ then the owners of strong marks may be somewhat insulated from price and quality competition. Irrational consumer attraction may even create barriers to entry, if consumer loyalty depends on that emotional connection more than objective measures of price and quality.³⁷

Consumers may also be deceived if they buy a product thinking it conveys some benefit that it does not.³⁸ Consumers think products bearing marks with a reputation for quality convey some benefit.³⁹ But if that belief is based more on the emotional connection with the mark than objectively measurable features,⁴⁰ spending more on premium performance products may be irrational behavior.⁴¹ Indeed, if consumers believe the source significance of the mark guarantees some level of objectively measurable quality,

³⁵ C. Whan Park, Deborah J. MacInnis & Joseph R. Priester, *Beyond Attitudes: Attachment and Consumer Behavior*, 12 SEoul J. BUS. 3, 3, 18 (2006), available at <http://ssrn.com/abstract=961469>:

[W]hen attachment is high, consumers perceive the brand to be an extension of themselves. They are defensive of attacks or criticisms against their brand and interpret such criticisms as personally threatening. Thus they are willing to engage in behaviors on behalf of the brand, despite the potential self-image-related risks such behaviors may carry. Moreover, since strong brand attachment involves automatic retrieval of brand-self connections, these individuals have less control over brand related defensive behaviors. These consumers are also less cost-benefit oriented in their reactions to their brands.

³⁶ See also Jeremy N. Sheff, *Biasing Brands*, 32 CARDOZO L. REV. 1245, 1254 (2011) (arguing that manipulation of consumers may be mitigated in part by complementary regulation that protects consumers).

³⁷ A.G. Papandreou, *The Economic Effects of Trademarks*, 44 CALIF. L. REV. 503, 508-09 (1956) (“The presence of irrational consumer allegiances may constitute an effective barrier to entry. Consumer allegiances built over the years with intensive advertising, trademarks, trade names, copyrights and so forth extend substantial protection to firms already in the market. In some markets this barrier to entry may be insuperable.”).

³⁸ But see Shahar J. Dillbary, *Famous Trademarks and the Rational Basis for Protecting “Irrational Beliefs”*, 14 GEO. MASON L. REV. 605, 608 (2007) (arguing that consumers who buy a branded product make an economically rational decision to purchase with the physical product “an intangible product such as fame, prestige, peace of mind, or just a pleasant feeling.”).

³⁹ Garvey et al., *supra* note 12, at 936.

⁴⁰ See *supra* note 6 and accompanying text.

⁴¹ Bart J. Bronnenberg et al, *Do Pharmacists Buy Bayer? Informed Shoppers and the Brand Premium*, Q.J. ECON. 1669 (2015); Jagdish N. Sheth & Rajendra S. Sisodia, *Raising Marketing’s Aspirations*, 26 J. PUB. POL’Y & MARKETING 141 (2007).

the trademark itself may deceive consumers,⁴² because the goodwill that trademark protection secures may be unrelated to any actual difference in quality.⁴³ Trademark law presumes that misappropriating the goodwill in the mark is actionable, but there is some danger that many such actions merely “reward advertising expenditures with little accompanying social benefit.”⁴⁴ Scholars have thus called for narrowing the scope of trademark protection to curtail only the behavior by a competitor that is likely to “confuse the consuming public or destroy the trademark owner’s incentives to invest in product quality.”⁴⁵ Narrower protection would allow some free riding on the mark owner’s goodwill, broadly defined, but some have argued the such free riding is part and parcel of effective competition.⁴⁶

⁴² Digges, *Is Your Advertising Destroying Your Trademark?*, 35 TRADEMARK REP. 51, 53 (1945):

When a cigarette manufacturer advises the public in strident tones that the X brand of cigarettes means fine tobacco, he finds many to imitate him. The air waves vibrate with the message of trade-mark owners who aver that the A product means quality, that the B product means a guaranteed life ... or claims of similar import. Of course, they do not mean any of those things. They mean products emanating from a particular source.

⁴³ Austin, *supra* note 7 at 856:

How can trademarks be neutral vehicles for transmitting information efficiently to consumers to enable them to distinguish between, and express preferences for, goods from one source as opposed to those from other sources, when trademarks themselves are bundled together with promotional and advertising strategies that manipulate consumer desires?

⁴⁴ *Id.* at 826. See also Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 428 (1999) (suggesting brand loyalty can reach “Pavlovian” levels); Lemley, *The Modern Lanham Act and the Death of Common Sense*, *supra* note 4, at [pincite]; Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, [pincite] (1990); Graeme B. Dinwoodie, *The Rational Limits of Trademark Law*, in U.S. INTELLECTUAL PROPERTY LAW AND POLICY (Hansen ed., 2002) (attempting to circumscribe trademark protection in light of the purpose of preventing consumer confusion); Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 YALE L.J. 1717 (1999); Brown, *supra* note 8, at [pincite]; Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 794 (1990) (arguing against exclusive rights upon registration and intent-to-use registration).

⁴⁵ Lemley, *supra* note 4, at 1713.

⁴⁶ Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031 (2005) (arguing that “the rhetoric of free riding in intellectual property [is] fundamentally misguided.”); Lunney, *supra* note 44, at 453 (“[F]ree riding alone does not establish market failure, nor does it suffice to justify government intervention.”).

These calls to narrow trademark protection are founded in part on a presumption that consumers do not benefit from information unrelated to the source or quality of the mark.⁴⁷ Most explicitly, Robert Bone has warned that the case for encouraging the creation of emotion-laden trademarks may not justify the cost.⁴⁸ But recent research complicates that presumption. New experimental research offers evidence that exposure to a high-performance trademark, or use of a product bearing a high-performance mark, enhances consumer performance independent of the quality of the product.

II. THE PLACEBO EFFECT OF A HIGH-PERFORMANCE REPUTATION

A recent series of experiments have uncovered evidence of a placebo effect when subjects use goods or services identified with a high-performance brand. Subjects perform better when they use a tool bearing a trademark with a strong reputation for performance.⁴⁹ For example, subjects using a putter with the Nike mark can sink a putt in fewer tries than counterparts using the same putter labeled with the Starter or Gucci trademarks, or with no mark at all. Subjects can correctly answer more math questions when they think they are using 3M branded foam earplugs than peers using exactly the same earplugs with no brand identifier. And subjects who play multiple rounds of a car racing video game drive more aggressively when they drive a car with the Red Bull mark than cars with other marks or an unmarked car. These effects appear to have multiple drivers, but the results have interesting implications for the relationship between brand identity and consumer benefit.

A. Placebo Effects Generally

First, a word on placebo effects. Placebo effects have a notoriously contested definition.⁵⁰ For the purposes of this paper, a placebo effect is a benefit, either self-

⁴⁷ Stacey L. Dogan & Mark A. Lemley, *Parody as Brand*, 47 U.C. DAVIS L. REV. 473, 493 (2013) (“[A]rtificial product differentiation can lead to higher prices and deadweight loss.”), citing Ann Bartow, *Counterfeits, Copying and Class*, 48 HOUS. L. REV. 707, 707-08 (2011); Jeremy N. Sheff, *Veblen Brands*, 96 MINN. L. REV. 769, 825 (2012).

⁴⁸ Bone, *Hunting Goodwill*, *supra* at 620.

⁴⁹ Garvey et al., *supra* note 12, at 932.

⁵⁰ Daniel E. Moerman & Wayne B. Jonas, *Deconstructing the Placebo Effect and Finding the Meaning Response*, 136 ANN. INTERNAL MED. 471 (2002).

reported or objectively measured, that correlates with or is caused by the consumption or use of a substance or product that is not objectively more therapeutic or more likely to improve test outcomes than a substance or product from control group. Generally, subjects who experience a placebo effects are not conscious of the effect.⁵¹

Placebo effects are probably multiply determined,⁵² but research has disclosed some likely candidates. The recipient of the placebo may have increased ability to allocate effort,⁵³ or increased motivation.⁵⁴ Placebo effects may also operate by firing up dopamine pathways.⁵⁵ However they work, placebo effects can be measured, and research has detected an interesting connection between placebo effects and trademark usage.

For instance, studies of placebo effects in the pharmaceutical context show that subjects report greater pain relief when the placebo offered bears a trademark associated

⁵¹ Baba Shiv, Ziv Carmon & Dan Ariely, Placebo Effects of Marketing Actions: Consumers May Get What They Pay For, 42 J. MARKETING RES. 383 (Nov. 2005); Steve Stewart-Williams & John Podd, The Placebo Effect: Dissolving the Expectancy versus Conditioning Debate, 130 PSYCH. BULLETIN 324 (2004); Brasel & Gips, *supra* note 12, at 62-63.

⁵² Shiv et al., *supra* note 51 (“Given the substantial power and robustness of placebo effects, these effects are most likely multiply determined.”).

⁵³ K.C. Berridge, T.E. Robinson, & J.W. Aldridge, Dissecting Components of Reward: 'Liking', 'Wanting', and Learning, 9 CURR. OPIN. PHARMACOL. 65 (2009); T.D. Wager & L.Y. Atlas, The Neuroscience of Placebo Effects: Connecting Context, Learning and Health, 16 NAT. REV. NEUROSCI. 403 (2015).

⁵⁴ Caglar Irmak, Lauren G. Block, & Gavan J. Fitzsimons, *The Placebo Effect in Marketing: Sometimes You Just Have to Want It to Work*, 42 J. MARKETING RES. 406 (2005) (pointing to the role of motivation in placebo effects).

⁵⁵ P. Schweinhardt et al., The Anatomy of the Mesolimbic Reward System: a Link between Personality and the Placebo Analgesic Response, 29 J. NEUROSCI. 4882 (2009); D.J. Scott, et al., Placebo and nocebo effects are defined by opposite opioid and dopaminergic responses, 65 ARCH. GEN. PSYCHIATRY 220 (2008); F. Benedetti et al., Placebo-Responsive Parkinson Patients Show Decreased Activity in Single Neurons of Subthalamic Nucleus, 7 NATURE NEUROSCIENCE 587 (2004); R. de la Fuente-Fernandez et al., Expectation and Dopamine Release: Mechanism of the Placebo Effect in Parkinson's Disease, 293 SCIENCE 1164 (2001); S.C. Lidstone et al., Effects of Expectation on Placebo-Induced Dopamine Release in Parkinson Disease, 67 ARCH. GEN. PSYCHIATRY 857 (2010); L. Schmidt et al., Mind Matters: Placebo Enhances Reward Learning in Parkinson's Disease, 17 NAT. NEUROSCI. 1793 (2014); GINGER A. HOFFMAN, PAIN AND THE PLACEBO, 262 (some evidence suggests that placebo analgesic responses and analgesic responses caused by morphine or another exogenous opioid are mediated by largely overlapping painmodulating circuits in the brain).

with the desired effect. Subjects who consume branded pain-relieving placebos report more pain relief than those taking non-branded placebos.⁵⁶ Actual aspirin works better than either placebo, but the reported relief of the branded placebo compared to non-branded placebo was statistically significant ($p < .05$). Generally, the placebo effect for branded pain relievers improves subjective outcomes, like reported pain relief, but not objectively measurable outcomes like reduced hypertension.⁵⁷

B. How Brands Change Consumer Behavior

Brand use has also been linked to consumer perceptions of self.⁵⁸ Marketing research has demonstrated that consumers identify characteristics of brands and often adopt those perceived characteristics. Research has measured other connections between consumers and trademarks. Consumers purchase brands to help construct their self-concept and bolster self-esteem.⁵⁹ Brand-conscious consumers typically consider branded products to be higher quality and more efficacious.⁶⁰ Bolstering self-concept and self-esteem can

⁵⁶ A. Branthwaite & P. Cooper, *Analgesic Effects of Branding in Treatment of Headaches*, 282 BR. MED. J. CLIN. RES. ED. 1576 (1981). *See also* Suz Redfearn, *Head Rub*, Wash. Post, Sept. 26, 2006, <http://www.washingtonpost.com/wpdyn/content/article/2006/09/25/AR2006092500934.html>.

⁵⁷ Asbjorn Hróbjartsson & Peter C. Gøtzsche, *Placebo Interventions for All Clinical Conditions* (Review), 1 Cochrane Library (2010), online at <http://www.dcsience.net/Hrobjartsson-Gotzsche-Cochrane-placebo.pdf> (questioning the extent of reliable research into the placebo effect). *See also* Kathleen M. Boozang, *The Therapeutic Placebo*, 54 FLA. L. REV. 687, 715-16 (2002).

⁵⁸ Jonah Berger & Chip Heath, *Where Consumers Diverge from Others: Identity Signaling and Product Domains*, 34 J. CONSUMER RES. 121 (2007); Ira J. Dolich, *Congruence Relationships Between Self Images and Product Brands*, 6 J. MARKETING RES. 80 (1969); Jennifer E. Escalas & James R. Bettman, *Self-Construal, Reference Groups, and Brand Meaning*, 32 J. CONSUMER RES. 378 (2005); Robert E. Kleine, Susan Schultz Kleine, & Jerome B. Kernan, *Mundane Consumption and the Self: A Social-Identity Perspective*, 2 J. CONSUMER PSYCH. 209 (1993); E Laird Landon Jr., *Self Concept, Ideal Self Concept, and Consumer Purchase Intentions*, 1 J. CONSUMER RES. 44 (1974).

⁵⁹ Reimann & Aron, *Self-Expansion Motivation and Inclusion of Brands in Self*, in HANDBOOK OF BRAND RELATIONSHIPS 65 (MacInnis et al, eds. 2009).

⁶⁰ Elizabeth Kendall Sproles & George B. Sproles, *Consumer Decision-Making Styles as a Function of Individual Learning Styles*, 24 J. CONSUMER AFFAIRS 134 (1990).

improve consumer-brand connections.⁶¹ Consumers tend to build deeper relationships with “sincere” brands compared to “exciting” brands.⁶²

Brand exposure not only shapes consumer perception, but can also change consumer behavior. For example, consumers exposed to the Kellogg's trademark, which has a reputation for healthiness, self-report an increased likelihood they will take the stairs instead of the elevator.⁶³ Exposure to Disney Channel logos increases the observer's honesty compared to exposure to E! Channel logos, while exposure to Apple logo increases the observer's creativity compared to exposure to the IBM, consistent with expectations about those brands.⁶⁴ Consumers exposed to low-end brand names like Walmart are more likely than other consumers to pick high-value, low cost-products.⁶⁵ Exposure to the Nike mark with its reputation for boldness and risk taking can lead research participants to make riskier investment choices than their peers.⁶⁶ Likewise, consuming a brand consistent with one's idealized self-worth has the potential to reinforce a positive self-view.⁶⁷ Exposure to brands thus alter consumer behavior.⁶⁸ These

⁶¹ Escalas & Bettman, *supra* note 58.

⁶² Aaker, Fournier, & Brasel, *When Good Brands Do Bad*, 31 J. CONSUMER RES. 1 (2004). Sincere traits include nurturance, warmth, family-orientation, and traditionalism. Aaker, Fournier, & Brasel, *supra* at 2 (citing David M. Buss, *Conflict in Married Couples: Personality Predictors of Anger and Upset*, 59 J. PERSONALITY 663 (1991); Richard W. Robins, Avshalom Caspi, & Terri E. Moffitt, *Two Personalities, One Relationship*, 79 J. PERSONALITY & SOC. PSYCH. 251 (2000)). Exciting brands are exciting and attention getting, but often seen as “less-legitimate long-term partners.” Aaker, Fournier, & Brasel, *supra* at 2 (citing David Altschiller, *Do Dot-Coms' Ads Reveal a More Basic Flaw?*, 41 BRANDWEEK 32 (2000)).

⁶³ Pankaj Aggarwal & Ann L. McGill, *When Brands Seem Human, Do Humans Act Like Brands? Automatic Behavioral Priming Effects of Brand Anthropomorphism*, 39 J. CONSUMER RES. 307, 313 (2011).

⁶⁴ Fitzsimons, Chartrand, & Fitzsimons, *supra* note 12, at 28, 31 (brand primes can cue brand identity-consistent behavior).

⁶⁵ Tanya L. Chartrand, Joel Huber, Baba Shiv, and Rob Tanner, *Nonconscious Goals and Consumer Choice*, JOURNAL OF CONSUMER RESEARCH (2008-09).

⁶⁶ D. Mantovani & F.H. Galvão, *Brand priming effect on consumers' financial risk taking behavior*, REVISTA DE ADMINISTRAÇÃO (2016), <http://dx.doi.org/10.1016/j.rausp.2016.09.002>.

⁶⁷ Garvey et al., *supra* note 12, at 934.

⁶⁸ See, e.g., Dijksterhuis, A., Chartrand, T. L., & Aarts, H. Effects of priming and perception on social behavior and goal pursuit, 51–132 in SOCIAL PSYCHOLOGY AND THE UNCONSCIOUS: THE AUTOMATICITY OF HIGHER MENTAL PROCESSES (J. A. Bargh, ed. 2007); J. A. Bargh, *Auto-motives:*

effects can follow even if consumers are viewing, consuming, or using a placebo – something that is not the actual branded product.⁶⁹

C. Performance-Enhancing Placebo Effects

In light of the ability of brands to shape consumer perception and behavior, it is not unreasonable to think that consuming or using a high-performance brand could at least make consumers feel better about their ability to perform, and perhaps to perform better.⁷⁰ In other words, the performance-altering behavior observed about brands generally might change performance for the better.

Scholars have recently shown this effect in various experiments: Consumption or use of a product bearing a high-performance mark increases the research subjects' performance on a variety of tasks. This effect holds even though the product used or consumed is not actually produced by the mark owner. In fact, in all of the following studies, research subjects in the high-performance and control groups use the very same product.

For example, Aaron Garvey and his coauthors conducted several studies to isolate the effects of high performance brands on the performance of research subjects.⁷¹ Over several experiments, the Garvey experiments showed a statistically significant correlation between use of a high-performance brand and improved performance in golf putting, taking a math test, and answering GMAT practice questions. The Garvey experiments show that subjects perform better when they are told the tool used comes from a brand with a strong reputation for performance, although in each case, the difference between tools associated with the high-performance brand and controls was

Preconscious Determinants of Social Interaction, 93-130 in 2 HANDBOOK OF MOTIVATION AND COGNITION (Higgins & Sorrentino, eds. 1990).

⁶⁹ Brasel & Gips, *supra* note 12.

⁷⁰ Garvey et al., *supra* note 12, at 934, citing *inter alia* Susan Fournier, *Consumers and their Brands: Developing Relationship Theory in Consumer Research*, 24 J. CONSUMER RES. 343, 348-63 (1998) (exploring the relationships that can develop between individuals, their self-identities, and their brand preferences). KEVIN LANE KELLER, STRATEGIC BRAND MANAGEMENT 6 (1998) (“[T]he psychological response to a brand can be as important as the physiological response to the product.”).

⁷¹ Garvey et al., *supra* note 12.

“illusory.”⁷² Each research subject used the same subject; only the names changed. Other studies corroborate these effects.⁷³

In the first Garvey experiment, subjects were invited to sink a putt from distances of two, three and four-and-one-half feet. Each subject used the same putter, but in some cases, the putter was labeled as a Nike putter. In other cases, the putter was labeled as a Starter putter.⁷⁴ For the control group, the putter bore no label. Subjects using the Nike putter performed better than other subjects, sinking putts in an average of 1.91 strokes.⁷⁵ That was a 20% improvement over subjects who used the non-branded control putter (2.49, $p < .01$) or the Starter-branded putter (2.36, $p < .05$).⁷⁶

Garvey and co-authors hypothesized that increases in performance might depend either on the subjects increased self-esteem or decreased anxiety. Two follow-on experiments support these hypotheses. The second Garvey experiment also invited subjects to sink putts of varying lengths, using either a Nike-branded or non-branded putter. Again, all subjects used the same putter with the label manipulated. The performance of those who used the Nike putter (1.71) was 20% better than those who used the unlabeled putter (2.14, $p < .01$). In addition, controlling for each subject’s actual performance, subjects using the Nike-branded putter reported greater self-esteem on a 7-point scale (5.12) than those using the control-branded putter. (4.37, $p < .05$).

Also interesting was the subjects’ response to questions designed to elicit their perspective about the source of their success. Subjects who used the Nike-branded putter attributed their performance to their own skills (3.96) as opposed to control users. (3.26, $p = .01$). But there was no significant difference attributed to the brand (4.47 v. 4.08, $p > .10$). In other words, subjects who used the Nike-brand putter and experienced the improved performance consciously attributed their performance to their own skills, rather than the putter.

⁷² *Id.* at 932.

⁷³ See *infra* notes **Error! Bookmark not defined.**-102 and accompanying text.

⁷⁴ In a separate pretest, a different panel of subjects were asked to assess, using a 7-point scale, the likelihood that each of the three putters would improve or harm performance. Subjects reported a significantly higher expectation of a strong performance using the Nike putter (5.02) than the Starter (3.99, $p < .01$) or the non-branded putter. (4.10, $p < .01$). *Id.* at 936.

⁷⁵ *Id.* at 936. The average of subject’s performance was 2.24 strokes.

⁷⁶ *Id.*

A third experiment shows the placebo effect extends to cognitive tasks. In the third Garvey experiment, subjects were invited to take a math test. Each subject used the same style of sound-reducing foam ear plugs while taking the test. Some participants wore earplugs taken from a 3M container – a brand with a strong performance reputation.⁷⁷ Subjects in the control group wore earplugs from a container with no brand identifier. Those subjects who received the 3M earplugs correctly answered more of the five math questions than the control group. (2.89 v. 2.39, $p < .05$).⁷⁸

After the math test, subjects were asked to rate their motivation, confidence, and anxiety. Like the participants in the second Garvey experiment, those who used the 3M earplugs attributed their performance to self at a significantly higher level than the control group, on a 7 point Likert scale. (5.07 v. 4.46, $p < .05$). There was no statistically significant difference between the 3M and control groups with regard to attribution of success to the earplugs. (2.80 v. 2.49, $p > .30$).

A fourth experiment by Garvey and co-authors invited subjects to prepare for GMAT practice tests with a test prep app. Some subjects were offered an app ostensibly from Kaplan (a mark with a strong performance reputation), while others used a Laserprep app (a name made up for the study).⁷⁹ Subjects pre-reported whether they viewed stress as likely to increase or decrease productivity.⁸⁰ Subjects who reported that stress was likely to *decrease* performance and used the Kaplan app correctly answered one more question than Laserprep users. ($p = .05$). But Kaplan subjects who reported that stress can be performance enhancing did not perform better than the Laserprep group. ($p = .05$). In fact, they correctly answered one *fewer* question than Laserprep users. Garvey and co-authors surmise that because using a tool with a high-performance mark reduces stress,

⁷⁷ In a pretest, a different group of students asked to assess the likelihood that the 3M or non-branded earplugs would improve concentration on a math test. Those subjects expressed a significantly higher expectation that using the 3M earplugs would improve performance compared to the control group, on a 7-point Likert scale. (4.83 v. 3.95, $p < .01$). *Id.* at 939.

⁷⁸ *Id.* at 939.

⁷⁹ As with earlier experiment, a different panel of subjects reported a significantly higher expectation that using Kaplan would improve test results, compared to Laserprep, on a 7 point Likert scale (4.63 v. 3.85, $p < .01$). *Id.* at 941.

⁸⁰ *Id.* at 940-41. A majority of individuals hold the belief that stress reduces performance, but a minority hold the opposite view. *Id.* at 940, citing Alison Wood Brooks, *Get Excited: Reappraising Pre-Performance Anxiety as Excitement*, 143 J. EXPERIMENTAL PSYCH. 1144 (2013).

those who find stress to enhance performance are likely to have reduced success when they use a high-performance branded tool.⁸¹

In a fifth study, subjects once again tried to sink putts, and once again, all subjects used the same putter.⁸² For this study, in addition to a Nike and non-branded condition, some subjects used a Gucci-branded putter.⁸³ This experiment was designed to clarify whether subjects were responding to the general quality and prestige of a brand, or a specific reputation for enhancing performance.⁸⁴

Pre-tests evaluated subjects' confidence about their golfing abilities.⁸⁵ As in studies 1 and 2, subjects were invited to sink putts of varying lengths. Subjects took an average of 1.81 strokes to sink a putt. Subjects in the Nike group sunk putts in significantly fewer strokes than subjects in the Gucci group (1.44 v. 2.11, $p < .01$).⁸⁶ That was also significantly lower than the control group (1.44 v. 1.91, $p < .05$). However, for subjects who pre-reported a high level of self-efficacy as a golfer, there was not a significant difference in performance between subjects in the Nike group and subjects in other groups ($p = .31$).⁸⁷

Other studies show that brand exposure and/or brand use can improve performance in physical exercise, taking exams, memory tests, and even playing video games. For example, in one study, research participants repeatedly exercised with a hand grip while drinking water either from a Gatorade cup or a control brand.⁸⁸ Participants who view their personal qualities as relatively immutable performed better than other participants while drinking from the Gatorade cup.⁸⁹ In a similar study by the same researchers,

⁸¹ Garvey et al., *supra* note 12, at 942.

⁸² *Id.* at 943.

⁸³ A different panel of subjects assessed performance expectations related to the brand of the putter. The subjects reported a higher expectation, on a 7-point scale, that using the Nike putter would improve performance (4.95) compared to the Gucci putter (4.21, $p < .01$) or the control putter (4.06, $p < .01$). There was no significant difference of expectations between the Gucci and control putters ($p > .80$). *Id.* at 943.

⁸⁴ *Id.* at 932, 942.

⁸⁵ *Id.* at 943.

⁸⁶ *Id.* at 932.

⁸⁷ *Id.* at 944.

⁸⁸ Ji Kyung Park & Deborah Roedder John, *I Think I Can, I Think I Can: Brand Use, Self-Efficacy, and Performance*. 51 J. MARKETING RES. 233, ____ (2014).

⁸⁹ *Id.* at ____ . Park & John suggest that some consumers are entity theorists, who "believe that their abilities are fixed and cannot be improved on through their own efforts." *Id.* at 235.

participants who view personal qualities as immutable perform better than other participants on a GRE math test when using a pen engraved with the MIT name instead of an unlabeled pen.⁹⁰

Similarly, motivated study participants who consumed a placebo energy drink (presented to be New York Minute) outperformed the control group on computer tasks to measure physical reflexes and mental alertness.⁹¹ In the New York Minute study, motivated participants who consumed the placebo also responded physically as if they had consumed the energy drink: those participants experienced raised blood pressure in addition in increased physical reflexes and enhanced mental alertness.⁹²

A similar study showed that research participants performed better on a memory test when given chocolate labeled as a high-equity brand than when given chocolate labeled as a medium- or low-equity brand.⁹³

Likewise, in a study by Adam Brasel and James Gips,⁹⁴ subjects played a car racing video game in which the cars were skinned with different trademarks. Subjects driving the Red Bull car appeared to reflect behavior consistent with Red Bull's brand identity, which suggests speed, power, and risk-taking.⁹⁵ There was no statistically significant pattern for the control car, or cars with brands other than Red Bull. But drivers consistently had either fastest time, or their slowest time, on the race when they drove the Red Bull car. When the Red Bull car was the fastest car, drivers spend 3 seconds less off track than the average of their other races.⁹⁶ On the other hand, when it was the

⁹⁰ *Id.* at 236-38.

⁹¹ Irmak et al, *supra* note __ at 407-408.

⁹² *Id.*

⁹³ I-Ling Ling, Chih-Hui Shieh & Jun-Fang Liao, *The Higher the Price the Better the Result? The Placebo-Like Effects of Price and Brand on Consumer Judgments*, 2 THEORETICAL ECON. LETTERS (2012) DOI:10.4236/tel.2012.23048.

⁹⁴ Brasel & Gips, *supra* note 12 (participants driving a Red Bull car in a video game drove faster and more recklessly, suggesting a U-shaped impact of the brand on performance).

⁹⁵ *Id.* at 58-59 (describing Red Bull's brand identity, and a pre-test using other participants the identified Red Bull as a brand with higher levels of attributes including *fast, powerful, energetic, daring, and aggressive*). See also <http://www.brandtags.com/browse.php?id=172> (crowdsourced depository words or phrases that respondents associate with the Red Bull brand). Subjects did not consume Red Bull, so the drink's chemical attributes – sugar, caffeine, taurine, and ginseng – could not directly impact driving performance.

⁹⁶ Brasel & Gips, *supra* note 12, at 61.

slowest car, they spend 4 second more off track.⁹⁷ This double-edged or U-shaped effect was significantly different from other cars driven ($p < .05$).⁹⁸ The authors suggest exposure to the Red Bull mark, with its reputation for risk taking, encouraged subjects to use riskier, more aggressive strategies, which paid off in some races, but not in others.

Brasel and Gips suggest that similar performance effects could be U-shaped, i.e., working both for and against video game players. Brasel & Gips posit that brand exposure effects may be particularly powerful in interactive media environments when consumers manipulate the branded object.⁹⁹ The Brasel & Gips experiment also indicates that subjects do not consciously recognize the effect of the brand on video game performance.¹⁰⁰ Post-experiment questions revealed that subjects did not perceive the Red Bull car as faster or slower than the other cars.¹⁰¹

Finally, in a study by Schmidt and her co-authors, consuming what participants thought was an energy drink improved performance on a Stroop task, irrespective of whether the subject was drinking an energy drink or something else.¹⁰² But consuming the unbranded energy drink had a null effect.¹⁰³

D. Summary, Takeaways, and Caveats

These placebo effects may have multiple drivers. Some experiments suggest that the effect stems from stress reduction: Experiencing stress often reduces performance, while reducing stress often increases performance.¹⁰⁴ Stress reduces physical and cognitive

⁹⁷ *Id.* at 62.

⁹⁸ *Id.* at 61.

⁹⁹ *Id.* at 63.

¹⁰⁰ *Id.* at 62.

¹⁰¹ *Id.* In addition, many traditional cognitive measures (self-reports of prior game-playing experience, self-reports of real-life speeding and aggressive driving, or measures of how engaging they found the game) had no measurable impact on the results).

¹⁰² Liane Schmidt et al, Red Bull Gives You Incentive Motivation: Understanding Placebo Effects of Energy Drinks on Human Cognitive Performance (pre-print, not yet peer-reviewed) (2017).

¹⁰³ *Id.*

¹⁰⁴ Algaze (1995) demonstrated that a workshop intervention aimed at reducing academic anxiety resulted in improved performance.

performance in multiple disciplines,¹⁰⁵ including verbal and mathematic test taking;¹⁰⁶ musical performance;¹⁰⁷ dance;¹⁰⁸ acting;¹⁰⁹ public speaking;¹¹⁰ athletic competition;¹¹¹ and even sexual performance.¹¹² Several studies suggest that reducing stress increases self-esteem, and the increase in self-esteem then increases performance.¹¹³ The converse also appears to be true: Lower self-efficacy is accompanied by self-doubt,¹¹⁴ which can distract

¹⁰⁵ MICHAEL W. EYSENCK, *ANXIETY: THE COGNITIVE PERSPECTIVE* (1992); Spencer, Steven J., Claude M. Steele, and Diane M. Quinn (1999), *Stereotype Threat and Women's Math Performance*, 35 *Journal of Experimental Social Psychology*, 4 (January 1997), Claude M. Steele, *A Threat in the Air: How Stereotypes Shape Intellectual Identity and Performance*, 52 *AM. PSYCHOLOGIST* 613 (1997); Claude M. Steele and Joshua Aronson, *Stereotype Threat and the Intellectual Test Performance of African Americans*, 69 *J. PERSONALITY & SOCIAL PSYCH.* 797 (1995); Jeff Stone et al., *Stereotype Threat Effects on Black and White Athletic Performance*, 77 *J. PERSONALITY & SOCIAL PSYCH.* 1213 (1999).

¹⁰⁶ Naznin Derakshan & Michael W. Eysenck, *Anxiety, Processing Efficiency, and Cognitive Performance*, 14 *EUROPEAN PSYCHOLOGIST* 168 (2009); Rajagopal Raghunathan & Michal Tuan Pham, *All Negative Moods Are Not Equal: Motivational Influences of Anxiety and Sadness on Decision Making*, 79 *ORG. BEHAV. & HUMAN DECISION PROCESSES* 56 (1999).

¹⁰⁷ Diana Rhea Deen, *Awareness and Breathing; Keys to the Moderation of Musical Performance Anxiety*, PhD diss., University of Kentucky (2000); Charlene A. Ryan, *Gender Differences in Children's Experience of Musical Performance Anxiety*, 32 *PSYCH. MUSIC* 89 (2004).

¹⁰⁸ Robert A. Tamborrino, *An Examination of Performance Anxiety Associated with Solo Performance of College-Level Music Majors*, PhD Diss, Indiana U. (2001)

¹⁰⁹ GLENN D. WILSON, *PSYCHOLOGY OF PERFORMING ARTISTS* (2002).

¹¹⁰ Brooks, *supra* note 80; Merritt, Richards, and Davis, *Performance Anxiety: Loss of the Spoken Edge*, 15 *J. VOICE* 257 (2001).

¹¹¹ Howard K. Hall & Alistair W. Kerr, *Predicting Achievement Anxiety: A Social-Cognitive Perspective*, 20 *J. SPORT & EXERCISE PSYCH.* 98 (1998); Sheldon Hanton, Stephen D. Mellalieu, & Ross Hall, *Re-Examining the Competitive Anxiety Trait-State Relationship*, 33 *PERSONALITY & INDIVIDUAL DIFFERENCES* 1125 (2002); Damon Burton, *Do Anxious Swimmers Swim Slower? Reexamining the Elusive Anxiety-Performance Relationship*, 10 *J. SPORT & EXERCISE PSYCH.* 45 (1988) (observing that swimmers higher in anxiety immediately prior to competition swam more slowly than expected).

¹¹² Marita P. McCabe, *The Role of Performance Anxiety in the Development and Maintenance of Sexual Dysfunction in Men and Women*, 12 *INT. J. STRESS. MANAGEMENT* 379 (2005).

¹¹³ Garvey et al., *supra* note 7, at 934.

¹¹⁴ Lower self-efficacy is related but not identical to lower self-esteem. Lisa Marie Sinden, *Music Performance Anxiety: Contributions of Perfectionism, Coping Style, Self-Efficacy, and Self Esteem* 50 (Dissertation 1999) ("Self-efficacy reflects the extent to which people believe they can perform

from performance.¹¹⁵

Some of the placebo effect studies described above indicate that the high-performance brand reduces stress as it increases the user's self-esteem. For the subset of subjects who see stress as performance enhancing or exciting rather than performance reducing, using the high-performance brand does not increase performance. In fact, subjects who see stress as performance enhancing perform more poorly when they use high-performance equipment.¹¹⁶ Other experiments suggest that the brand will improve performance when the brand's characteristics are consistent with the subject's goals.

These studies have a handful of potentially interesting implications. First, placebo effects create positive spillovers for consumers, and those benefits appear related to brand reputation rather than objective differences in the product. Pre-screening

behaviors necessary for the successful completion of a task") (citing Albert Bandura, *Self-Efficacy Mechanism in Human Agency*, 37 AM. PSYCH. 122 (1982)). Sinden, *supra* at 63 ("Self-esteem is a theoretical construct of personality defined as liking and respecting oneself.") (citing J.E. Crandall, *Sex Differences in Extreme Response Style: Differences in Frequency of Use of Extreme Positive and Negative Ratings*, 89 J. SOC. PSYCH. 281 (1973)). Both are related to self-confidence. Sinden, *supra* at 15.

¹¹⁵ Steve M. Jex & Paul D. Bliese, *Efficacy Beliefs as a Moderator of the Impact of Work Related Stressors: A Multi-Level Study*, 84 J. APPLIED PSYCH. 349 (1999); Alan M. Saks, *Moderating Effects of Self-Efficacy for the Relationship Between Training Method and Anxiety and Stress Reactions of Newcomers*, 15 J. ORG. BEHAV. 639 (1994). Increase of self-esteem also tends to increase cognitive blind spots. See, e.g., Bruce Blaine & Jennifer Crocker, *Self-Esteem and Self-Serving Biases in Reactions to Positive and Negative Events: An Integrative Review*, in SELF-ESTEEM: THE PUZZLE OF LOW SELF-REGARD (Baumeister, ed. 1993) (self-serving biases); C. Randall Colvin, Jack Block, & David C. Funder, *Overly-Positive Self-Evaluations and Personality: Negative Implications for Mental Health*, 68 J. PERSONALITY & SOCIAL PSYCH. 1152 (1995) (self-delusions); Christian H. Jordan et al., *Secure and Defensive High Self-Esteem*, 85 J. PERSONALITY & SOCIAL PSYCH. 969 (2003) (narcissism). Attributions for positive outcomes tend to be self-serving. Gifford W. Bradley, *Self-Serving Biases in the Attribution Process: A Reexamination of the Fact or Fiction Question*, 36 J. PERSONALITY & SOCIAL PSYCH. 56 (1978); Bertram F. Malle, *The Actor-Observer Asymmetry in Attribution: A (Surprising) Meta-Analysis*, 132 PSYCH. BULLETIN 895 (2006); Dale T. Miller & Michael Ross, *Self-Serving Biases in the Attribution of Causality: Fact or Fiction*, 82 PSYCH. BULLETIN 213 (1975); Fitch, *Effects of Self-Esteem, Perceived Performance, and Choice on Causal Attributions*, 16 J. PERSONALITY & SOCIAL PSYCH. 311 (1970) (subjects attribute significantly more causality to internal sources for success outcomes than for failure outcomes; importantly, this effect strengthened as self-esteem was enhanced).

¹¹⁶ See *supra* notes 79-81 and accompanying text.

expectation tests suggest a performance enhancing effect that is born out when different subjects use the high-performance branded good or service. These results suggest that the creation of brand meaning can have objectively measurable positive spillover effects for the consumer of the trademarked product. To the extent this effect is generalizable, criticisms of the creation of brand meaning as consumer harming or consumer deceiving may be somewhat overstated.

Second, prestige brands like Gucci do not seem to convey a performance enhancing effect.¹¹⁷ Thus, the use of a Gucci branded putter does not reduce the number of strokes required to sink a putt, even though Gucci is perceived as a strong brand.¹¹⁸ Unlike high-prestige products, the use of high-performance products conveys an objectively measurable, statistically significant effect of a notable size. Subjects take 20% fewer putts, correctly answer more test questions, & etc. This evidence might suggest some benefit in protecting the psychological effect to consumers of buying a high-performance branded good.

Some caution is necessary. These studies do not establish that all the consumer benefit is due to psychological effects of brands. One could imagine that Nike might sell an objectively superior putter to a Starter putter,¹¹⁹ and to the extent that is the case, purchasers of the Nike putter might benefit both from the psychological and objective superiority of the putter.

In addition, these are early days for studies on performance-enhancing placebo effects. It is possible that future research will falsify this data and we will find there was no “there” there. Moreover, at least one meta-study of self-reported placebo effect in medical research suggests that the effect may simply be regression to the mean, as the body heals itself.¹²⁰ Studies like the Garvey study are not primarily self-reporting studies

¹¹⁷ On prestige brands more generally, see C. Whan Park, Sandra Milberg, & Robert Lawson, *Evaluation of Brand Extensions: The Role of Product Feature Similarity and Brand Concept Consistency*, 18 J. CONSUMER RES. 185 (1991) (brand extensions from high-prestige brands are more successful than other brand extensions, even when there is low similarity between existing and new products); Keith Wilcox, Hyeong Min Kim, & Sankar Sen, *Why Do Consumers Buy Counterfeit Luxury Brands?*, 46 J. MARKETING RES. 247, 248 (2009) (“Social motivations guide people’s propensity to consumer counterfeit brands.”).

¹¹⁸ Garvey et al., *supra* note 12, at 932. See also *supra* notes 82-87.

¹¹⁹

¹²⁰ Hróbjartsson & Gøtzsche, *supra* note 57.

– they include objective measurements of effect that many medical placebo studies do not include. In addition, they are unlikely to be driven by a regression to the mean, which may be true of medical studies of the placebo effect.¹²¹ But neither are they longitudinal studies. In studies measured over time, the placebo effect could weaken.

Furthermore, these effects may not be fully generalizable. For experiments where the stress effect appears important, recall that for a subset of the population, stress is not seen as performance impairing but performance enhancing.¹²² Study participants who hold this view experience reduced performance when using the high-performance product. In addition, the high-performance placebo effect may be strongest for low-skilled consumers. For participants who report a high skill level, use of the high performance compared to the low-performance or control brand provides no effect at all.¹²³

Discounting the perceived price of the product used or consumed may also reduce placebo effects. Some studies suggest a connection between the price of the good and the placebo effect. For example, study participants offered a discount-brand placebo analgesic report experiencing more pain from an electric shock to the wrist than participants who consume a higher cost placebo.¹²⁴ Likewise, subjects performed poorly

¹²¹ Hróbjartsson & Gøtzsche, *supra* note 57, at 1594 (arguing that some methods of measuring the placebo effect make it impossible to distinguish placebo effect from "natural course of the disease, regression to the mean, and the effects of other factors").

¹²² Brooks, *supra* note 80 (indicating that some individuals may reframe anxiety as excitement and thereby enhance performance outcomes).

¹²³ Effect of performance brand was significant at low levels of self-efficacy, but not at higher levels of self-efficacy. Garvey et al., *supra* note 12, at 944.

¹²⁴ Rebecca L. Waber, Baba Shiv, Ziv Carmon, & Dan Ariely, *Commercial Features of Placebo and Therapeutic Efficacy*, 299 JAMA 1016 (2008) (reporting a 35% reduction in reported pain for the high-cost placebo, compared to a 25% reduction in reported pain for the low-cost placebo ($p = .02$)). Cf. Rao & Monroe, *The Effect of Price, Brand Name, and Store Name On Buyers' Perceptions of Product Quality*, 26 J. MARKETING RES. 351 (1989) (commercial variables influence patients' quality expectations); Berns et al, *Neurobiological Substrates of Dread*, 312 SCIENCE 754 (2006) (commercial variables influence patients' expectations about therapeutic efficiency); Ling et al, *supra* note 93 (research participations who consumed regular price chocolate (purported to improve memory) outperformed participants who consumed discounted chocolate on a memory test).

on a test when they were charged a discount price for the energy drink they consumed, compared to subjects who paid full price.¹²⁵

It is also not entirely clear that mark owners can internalize all the benefit from this effect. Subjects who experience a performance boost do not credit the brand. They instead credit their innate ability. This suggests that consumers are not likely to consciously recognize this effect.¹²⁶

Effect size also matters. A 20% reduction in the number of tries it takes to sink a putt can really matter to the enthusiastic amateur golfer. On the other hand, it is unclear whether improving the number of correct test answers from 2.4 to 2.9 is an effect size that should drive consumer purchases, or would drive consumer purchases if they became aware of it.

These studies summarized in Part II do not show that placebo effects outperform actual differences. And they do not attempt to show the absence of objective differences between actual Nike and Starter putters. But they indicate, in the absence of an actual difference in the products used, that users experience a boost in proficiency when they think they are using a high-performance brand.¹²⁷ Part III identifies possible changes to trademark law that might reasonably follow if these findings are generalizable.

¹²⁵ Baba Shiv, Ziv Carmon & Dan Ariely, *Placebo Effects of Marketing Actions: Consumers May Get What They Pay For*, 42 J. MARKETING RES. 383 (2005) (reporting lower benefits from placebo effects when subjects were told the product was purchased at a discount), replicated by Scott A. Wright et al, *If It Tastes Bad It Must Be Good: Consumer Naïve Theories and the Marketing Placebo Effect*, 30 INT'L J. RES. MARKETING 197 (2013). In related research, a wine is perceived as more pleasurable to drink when perceived to be a higher-cost option. Hilke Plassmann et al, *Marketing Actions Can Modulate Neural Representations of Experienced Pleasantness*, 105 PNAS 1050 (2008). See also Justin Hughes, *Champagne, Feta, and Bourbon: The Spirited Debate About Geographical Indications*, 58 HASTINGS L.J. 299, 321-23 (2006); Jake Linford, *A Linguistic Justification for Protecting "Generic" Trademarks*, 17 YALE J.L. & TECH. 110, 154 (2015).

¹²⁶ Id. at 932. But see Park et al., *Brand Attachment and Brand Attitude Strength: Conceptual and Empirical Differentiation of Two Critical Brand Equity Drivers*, 75 J. MARKETING 1 (2010) (highly brand-attached consumers see branded products as more instrumental to relevant outcomes).

¹²⁷ Garvey et al., *supra* note 12, at 933.

III. IMPLICATIONS

Descriptively, evidence of a performance-enhancing placebo effect for high-performance brands provides a piece of the puzzle in a general movement to take better account of the cognitive aspects of consumer engagement with and creation of trademark meaning.¹²⁸ But this research into consumer-benefitting placebo effects might also motivate changes in trademark doctrine, and even its normative justifications.

If trademark law already extends protection for the creation of psychological benefits through emotional advertising appeals and embraced by consumers, research into performance-enhancing placebo effects may suggest this protection is, at a minimum, not entirely misguided. Indeed, recognizing the placebo effect of high performance trademarks might provide space for some normative reframing of trademark law. This has been attempted by other scholars with regard to prestige goods.¹²⁹ As the argument

¹²⁸ See e.g., Thomas R. Lee, Eric D. DeRosia & Glenn Christensen, *An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness*, 41 ARIZ. ST. L.J. 1033, 1036-39 (2009) (using consumer psychology models as a means to determining a trademark's effect); Jake Linford, *The False Dichotomy Between Suggestive and Descriptive Trademarks*, 76 OHIO ST. L.J. 1367, 1367 (2015); Jake Linford, *Are Trademarks Ever Fanciful?*, 105 GEO. L. REV. 731 (2017). *But see* Katya Assaf, *Magical Thinking in Trademark Law*, 37 LAW & SOC. INQUIRY 595, 619 (2012) (“Trademark law should stop being concerned with the psychological benefits trademarks might bring; it should stop attempting to grasp what happens in the depths of the consumer's mind.”); *See also* Jerre B. Swann, Sr., David A. Aaker, & Matt Reback, *Trademarks and Marketing*, 91 TRADEMARK REP. 787 (2001) (“When consumers can communicate a favorable self-image through a brand, they receive self-expressive benefits.”); DAVID A. AAKER, *MANAGING BRAND EQUITY: CAPITALIZING ON THE VALUE OF A BRAND NAME* 163 (1991) (“Transformational advertising transforms the use experience making the brand user feel (for example) more elegant, adventuresome, or warm, thereby potentially adding value to the customer.”). Indeed, Jeremy Sheff has advanced a justification for trademark protection grounded in correcting errors in consumer rationality. Jeremy N. Sheff, *The (Boundedly) Rational Basis of Trademark Liability*, 15 TEX. INTELL. PROP. L.J. 331, 333-34 (2007) (“trademark liability – whether imposed under the label of infringement or dilution – serves neither to protect property rights of trademark owners, nor to protect them against the unfair trade practices of competitors, but to shape consumer markets in such a way as to conform to the innate cognitive processes of boundedly rational consumers”). Evidence of performance enhancing placebo marks contributes to that overarching agenda.

¹²⁹ Irina Manta, *Hedonic Trademarks*, 74 OHIO ST. L.J. 241 (2013) (“[A] robust trademark system must account for the possibility that producers serve as providers of hedonic values to consumers.”).

goes, trademark protection of prestige goods provides some value to consumers who buy them to feel better about themselves, and that value can and should be protected by strong rights against passing off and sales of counterfeit goods. As discussed above, high performance goods appear to convey a more readily measurable benefit to consumers, distinguishable from the self-esteem or hedonic benefit that may come from consuming a prestige good. For instance, with regard to measurability, high-prestige branded goods don't improve putting efficiency, but high-performance branded goods seem to do so.

We may still wonder whether trademark protection should extend to marks that secure competitive advantage through consumer manipulation. Trademark law bars protection to marks likely to deceive consumers, but trademark's anti-deception mechanisms likely would not reach marks solely because provide a placebo effect. Recent scholarship has also questioned whether psychological effects that a trademark capitalizes on might be functional elements that are denied trademark protection because competitors who cannot utilize those same functional elements might face a costly, non-reputation related disadvantage.¹³⁰ This Part considers and refutes a functionality argument for placebo effects.¹³¹

The placebo effect of high performance marks may instead militate against protection from passing off or counterfeiting with regard to those goods. If a knock-off Nike putter has the same performance enhancing placebo effect as an authentic putter, there is no low quality against which to protect consumers. Counterfeiting or passing off may thus cause no actionable injury if the psychologically-determined performance enhancing aspects of an authentic and counterfeit good are the same. But as this Part argues, narrowing trademark protection in this way may well unravel the placebo effect and simultaneously undermines incentives to invest in actual quality control.

¹³⁰ See, e.g., Xiyin Tang, *A Phonoaesthetic Theory of Trademark Functionality* [draft on file with author] (arguing that sound symbols may be aesthetically functional and thus unprotectable elements of trademarks), *But see* Jake Linford, *Are Trademarks Ever Fanciful?*, 105 *GEO. L.J.* at 764 (arguing that evidence of the effect of sound symbols does not support applying a functionality bar to protecting sound symbols as components of a trademark).

¹³¹ See *infra* Part III.B.

A. Positive Externalities from Consumer Manipulation

Some scholars have argued that spending on premium performance products is wasteful. Marketing is frequently seen as at best uneconomical and at worst exploitative or unethical.¹³² Informed or expert consumers have been shown less likely to spend extra on national brands.¹³³ The Garvey experiments, and similar studies by other researchers suggest that this spending may not be wasteful. Even if the objective difference between the goods is overstated or nonexistent, performance benefits may still inure to a subset of consumers who believe the branded goods will enhance performance.

Scholars have raised similar arguments about protecting the hedonic benefits (increased happiness or well-being) provided by consuming prestige goods. Protections against post-sale confusion, dilution, and sponsorship or affiliation confusion are often criticized from a search-cost perspective. According to critics, those privileges against infringement extend protection beyond the level necessary for mark owners to effectively transmit information to consumers.¹³⁴ But these aspects of trademark protection may provide consumers of prestige goods a hedonic benefit from consuming prestige goods.¹³⁵ If consumers sincerely value that hedonic effect, the law should continue to provide protection against post-sale confusion, dilution, and sponsorship or affiliation confusion, because protecting consumer's ability to purchase prestige goods provides consumers

¹³² Jagdish N. Sheth & Rajendra S. Sisodia, *Raising Marketing's Aspirations*, 26 J. PUB. POL'Y & MARKETING 141 (2007).

¹³³ Bart J. Bronnenberg et al, *Do Pharmacists Buy Bayer? Informed Shoppers and the Brand Premium*, 2015 Q.J. ECON. 1669.

¹³⁴ See, e.g., Mark A. Lemley & Mark P. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137, 188 (2010) (criticizing anti-dilution protection from a search-cost perspective); Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 427 (2010) (criticizing sponsorship and affiliation confusion and arguing that the law should instead concern itself only with confusion "about who is responsible for the quality of the defendant's goods or services."); Jeremy N. Sheff, *Veblen Brands*, 96 MINN. L. REV. 769, 772-73 (2012) (criticizing post-sale confusion as inappropriately targeted at enforcing social hierarchies).

¹³⁵ Manta, *Hedonic Trademarks*, *supra* note 129, citing John Bronsteen et al., *Welfare as Happiness*, 98 GEO. L.J. 1583 (2010); John Bronsteen et al., *Well-Being Analysis vs. Cost-Benefit Analysis*, 62 DUKE L.J. 1603 (2013).

with utility in the form of hedonic enjoyment, whether or not those prestige goods are objectively of higher quality.¹³⁶

The argument for protecting high-performance placebo effects is stronger than the argument for protecting hedonic placebo effects. While psychological effects can be hard to measure, the high-performance placebo effect provides a measurable benefit (like putting more effectively) that is not conveyed by prestige goods in the same context.¹³⁷ But arguments for protecting hedonic benefits raise a potential counter-argument to strong protection. The Garvey studies show that performance effects benefit lower skilled entrants, rather than higher skilled experts.¹³⁸ The performance enhancing effect provides the most benefit to those most likely priced out if trademark protection conveys something akin to monopoly pricing power.¹³⁹ While nearly anyone could obtain hedonic benefit if they could just afford the price, it is possible that the benefit from high-performance goods might benefit only the most amateur.¹⁴⁰

These placebo effects may also suggest that it is more difficult than one might otherwise assume for new entrants to compete on quality. Critics of advertising and marketing worry that trademark protection effectively creates barriers to entry. For instance, consumers may disregard an objectively better product to purchase those offered under a trusted trademark like Nike. Thus, if consumers think a Nike putter is 20% better than a comparable "NewCo" putter, NewCo's putters must be significantly cheaper than Nike's or significantly better than Nike's to sell as well. (Of course, that pressure incentivizes NewCo to provide cheaper, better putters. Allowing NewCo to free ride on the Nike brand would weaken that incentive.) Perhaps then these studies into the performance-enhancing placebo effect suggest that trademarks really could convey a form of market power about which the law should be skeptical.¹⁴¹

¹³⁶ Manta, *Hedonic Trademarks*, *supra* note 129.

¹³⁷ *See supra* Part II.

¹³⁸ Garvey et al., *supra* note 7.

¹³⁹ Cf. William P. Kratzke, *The Biblical Fool and the Brander: The Law and Economics of Propertization in American Trademark Law*, 34 *CARDOZO ARTS & ENT. L.J.* 699, 734–35 (2016).

¹⁴⁰ It is unclear whether amateur status has a positive correlation, negative correlation, or no correlation with reduced ability to pay.

¹⁴¹ Antitrust law similarly attempts to prevent the development of market power with its accompanying reduction in quality and increase in price.

The dominant competition narrative suggest that the price competition is always good for consumers. Under that narrative, cheaper is better, all other things being equal. Courts identify a “strong public interest in lowest possible prices.”¹⁴² If the cheaper good is of equivalent quality to the more expensive good, every consumer should prefer it. Even if the cheaper good is of somewhat lower quality, so long as the offerings from each competitor are clearly identified, consumers benefit from the ability to make the decision. Indeed, this is the rationale for permitting competitive advertising – the use of one seller’s mark by another seller to advertise the differences in their respective offerings.¹⁴³

One should not overstate the advantage to be garnered if we maximize price competition above all other factors. A mark that has acquired source significance may have something like the market power that antitrust polices against: consumers will pay more for Coke than a private label cola.¹⁴⁴ But stripping all of that “market power” out of trademark law would almost certainly harm consumers, even if prices fell, because consumers could no longer rely on the mark as a source of information.¹⁴⁵ Trademark law thus recognizes some harm when infringing use causes a reduction in the mark owner’s revenues. For example, courts have held that a mark owner can show harm from

¹⁴² Calvin Klein Cosmetics Corp. v. Lenox Labs., Inc., 815 F.2d 500, 505 (8th Cir. 1987).

¹⁴³ Furminator, Inc. v. Ontel Prod. Corp., 429 F. Supp. 2d 1153, 1178 (E.D. Mo. 2006), *aff’d*, 214 F. App’x 982 (Fed. Cir. 2007) (“[A] customer decision based on price is not a harm cognizable under the Lanham Act.”), citing Cellular Sales, Inc. v. Mackay, 942 F.2d 483, 487 (8th Cir. 1991) (no irreparable harm where lost customer chose a lower price competitor); General Mills, 824 F.2d 622, 627 (8th Cir. 1987). *See also* A.J. Canfield Co. v. Honickman, 808 F.2d 291, 303, n.18 (3d Cir. 1986) (noting that some have suggested using cross-elasticity of demand as a means of determining whether goods belong in the same or different product genus), citing John F. Coverdale, *Trademarks and Generic Words: An Effect-on-Competition Test*, 51 U. CHI. L. REV. 868, 884-85 (1984).

¹⁴⁴ Lunney, *supra* note 44; McKenna & Lemley, *Owning Mark(et)s*, *supra* note 134. *But see* Beverly W. Pattishall, *Trade-Marks and the Monopoly Phobia*, 50 MICH. L. REV. 967 (1952) (arguing that unlike monopoly rights, trademarks rights are not a restraint to trade).

¹⁴⁵ Lunney, *supra* note 44, at 434 (“[T]he marginal welfare gains that would result from rooting out the last vestiges of market power associated with a minimally-protective trademark regime are far outweighed by the welfare losses entailed in forcing producers and consumers to abandon trademarks altogether as an information source.”).

infringing junior use by pointing to sales made at lower prices.¹⁴⁶ Similarly, protection against the importation of gray-market goods – goods authorized for sale in foreign markets but not in the U.S. – is grounded in part on material differences between goods intended for different markets. A significant difference in price can be material.¹⁴⁷ Protection against post-sale confusion – confusion of bystanders who view an alleged infringer’s goods outside of the retail store¹⁴⁸ – has a related function, protecting higher prices for luxury goods by preventing uses that would confuse bystanders even if the purchase of the counterfeit luxury good did not confuse the buyer at the point of sale.¹⁴⁹ And in other contexts, one can see how lowering prices can be anticompetitive.¹⁵⁰

The placebo effect of high-performance products may also be price dependent, and its price dependence may suggest an additional reason for caution in maximizing price competition above other metrics. High price, like advertising expenditures, can signal

¹⁴⁶ *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753 (2d Cir. 1996) (“sales at lower prices” are an indication of pecuniary loss).

¹⁴⁷ *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 644 (1st Cir. 1992) (significant difference in price is a material difference in gray market goods cases).

¹⁴⁸ *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872–73 (2d Cir. 1986).

¹⁴⁹ *See Manta, Hedonic Trademarks*, *supra* note 129. *See also* Jerre B. Swann, Sr., David A. Aaker, & Matt Reback, *Trademarks and Marketing*, 91 TRADEMARK REP. 787 (2001) (“When consumers can communicate a favorable self-image through a brand, they receive self-expressive benefits.”); DAVID A. AAKER, *MANAGING BRAND EQUITY: CAPITALIZING ON THE VALUE OF A BRAND NAME* 163 (1991) (“Transformational advertising transforms the use experience making the brand user feel (for example) more elegant, adventuresome, or warm, thereby potentially adding value to the customer.”). Shahr Dillbary makes a similar argument for the value of protection against dilution, which protects a consumer’s pre-purchase expectations about the famous product. Dillbary, *supra* note 38, at 608. *See also* Haochen Sun, *Reforming Anti-Dilution Protection in the Globalization of Luxury Brands*, 45 GEO. J. INT’L L. 783, 786 (2014) (“anti-dilution protection plays an important role in preserving and enhancing the exclusivity and quality reputation of luxury brands.”).

¹⁵⁰ *Developments in the Law Trade-Marks and Unfair Competition*, 68 HARV. L. REV. 814, 906 (1955), citing *United States v. Corn Products Refining Co.*, 234 Fed. 964, 1010-11, 1013-15 (S.D.N.Y. 1916), *appeal dismissed*, 249 U.S. 621 (1919). *See* § 3, 49 Stat. 1528 (1936), 15 U.S.C. § 13(a) (1952). *See also* *U.S. v. Apple, Inc.*, 791 F.3d 290, 349-50 (2d Cir. 2005) (Jacobs, J., dissenting) (recognizing that Amazon’s below-cost pricing of e-books can have anticompetitive and monopolistic effects).

quality.¹⁵¹ Perhaps surprisingly, placebo effects seem likewise to turn in part on price. For example, in one study of placebo pain relief, subjects given a higher priced placebo experienced more pain reduction than subjects given a lower-priced placebo.¹⁵² Likewise, subjects do not perform as well on a test when they were charged a discount price for the energy drink they consumed, compared to subjects who paid full price.¹⁵³ To the extent that consumers benefit from placebo effects, changes to trademark law focused on maximizing price competition may have unintended negative consequences for the consumers that should presumably benefit from such competition.

B. Manipulation, Deception, and the Function of Placebo Effects

Perhaps the law should nonetheless reflect skepticism about the psychological manipulation of consumers, even if that manipulation creates a positive spillover effect like the placebo effect described above.¹⁵⁴ The law does not extend protection to a mark that would deceive consumers or, if protected, would harm competition. This section of the Article argues that the mental operations that drive these placebo effects do not interfere with consumer autonomy in a manner that should bar trademark validity. In

¹⁵¹ Paul Milgrom & John Roberts, *Price and Advertising Signals of Product Quality*, 94 J. POL. ECON. 796 (1986) (modeling how price and advertising can signal product quality to consumers in a market with repeat sales). *But see* Lynn A. Stout, *The Unimportance of Being Efficient: An Economic Analysis of Stock Market Pricing and Securities Regulation*, 87 MICH. L. REV. 613, 695 (1988) (critiquing the management-quality signaling argument that suggests consumers can and should use stock prices as evidence of efficient management).

¹⁵² Waber et al, *supra* note 124, at 1017 (reporting a 35% reduction in reported pain for the high-cost placebo, compared to a 25% reduction in reported pain for the low-cost placebo (p = .02)).

¹⁵³ *See supra* note 125.

¹⁵⁴ To the extent that is true, perhaps trademark law “should encourage the [] construction of self-image through choice by exhibiting greater skepticism of aspects of trademark law that interfere with [consumer] autonomy.” Laura A. Heymann, *The Public’s Domain in Trademark Law: A First Amendment Theory of the Consumer*, 43 GA. L. REV. 651, 697 (2009). Heymann suggests that modern marketing scholarship recognizes the importance of consumer autonomy, even if marketers are not maximizing consumer autonomy. *Id.* at 700, citing Ruby Roy Dholakia & Brian Sternthal, *Highly Credible Sources: Persuasive Facilitators or Persuasive Liabilities?*, 3 J. CONSUMER RES. 223, 224 (1977); Marian Friestad & Peter Wright, *The Persuasion Knowledge Model: How People Cope with Persuasion Attempts*, 21 J. CONSUMER RES. 1, 3 (1994).

addition, they do not provide the mark owner with protection of functional elements that would hamper competition or impose non-reputation related harms on new entrants.

1. Trademark Validity and Consumer Deception

Trademark law prevents a new entrant from confusing consumers by adopting a (similar) mark already in use for the same or proximate goods. The law also denies protection to trademarks that may deceive consumers. For instance, a mark owner cannot secure protection in a mark that falsely indicates the goods from a particular geographic region, if the location would be material to consumers. Thus, registration was denied to applicant's HAVANA CLUB mark for cigars made from non-Cuban tobacco on grounds of deceptive geographic misdescriptiveness.¹⁵⁵ Likewise, a mark will be denied registration if it falsely suggests an association with a celebrity who is not affiliated with the brand. For example, registration was denied to applicant's ROYAL KATE mark for cosmetics and apparel, among other goods, because the mark would falsely suggest a connection with Kate Middleton, the Duchess of Cambridge.¹⁵⁶

While the law polices against those potentially deceptive types of trademark use, false affiliation and geographical misdescription are quite dissimilar to a placebo effect. Whether the effect is psychological or scientific, the claimed benefit of a Nike product comes from Nike, Inc. as its source (unless we think the law should treat the Greek goddess Nike as an entity with whom one can falsely claim to associate), and the Nike mark offers no geographic indication (unless every trademark inspired by an ancient Greek deity conveys something Greek about the source of the product offered).

Another prohibition, the bar against protecting deceptive trademarks, is close enough to the placebo effect to merit some discussion. This bar against deceptive marks prevents registration of a mark that falsely suggests the mark-bearing product has features that are material to the consumer's purchasing decision. For example, a mark owner cannot secure protection in a mark, like LOVEE LAMB for automobile seat covers, that are not

¹⁵⁵ *Corporacion Habanos, S.A. v. Anncas, Inc.*, 88 U.S.P.Q.2d 1785, 2008 WL 4409768 (T.T.A.B. 2008) (granting opposition even though the tobacco in question was grown from Cuban tobacco seeds because "the record in this case shows that cigars from Cuban seed tobacco share few, if any, qualities or characteristics of genuine or 100% Cuban cigars.").

¹⁵⁶ *In re Nieves & Nieves LLC*, 113 U.S.P.Q.2d 1629 (T.T.A.B. 2015).

in fact made of lambskin, if the purported presence of that feature is likely to influence the purchasing decision of a significant number of potential purchasers.¹⁵⁷

Assume that Nike's putters convey no "real" or non-psychological benefit on consumers, compared to other putters on the market. Nike has nonetheless successfully persuaded consumers that its products are high quality in part because of the firm's investment in scientific research.¹⁵⁸ Should Nike's use of its mark on a putter be treated as invalid because the benefit is psychological or reputational rather than scientific or mechanical? Typically, deceptive marks are actually deceptively misdescriptive – the mark directly communicates some product feature, like in the LOVEE LAMB example above.¹⁵⁹ That is not the case with regard to a mark like NIKE for putters or RED BULL for energy drinks, which may suggest virtues (Nike was a Greek goddess of victory; a bull is powerful) but could not be construed to describe product features. In the absence of both a placebo effect and an objective difference in quality between Nike and other putters, courts would still be reluctant to find the mark deceived consumers. For example, overstated laudatory marks are typically not denied protection on deceptiveness grounds.¹⁶⁰ The same should apply to marks that have developed a high-performance

¹⁵⁷ *In re Budge Mfg. Co.*, 857 F.2d 773 (Fed. Cir. 1988) (affirming the TTAB's refusal to register the mark). Deceptive marks can also be denied protection against infringement at common law under the doctrine of unclean hands. RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 14, 32 (1995).

¹⁵⁸ See, e.g., *A Look Inside Nike's Sport Research Lab*, NIKE NEWS, Sept. 8, 2014, <http://news.nike.com/news/a-look-inside-nike-s-sport-research-lab>.

¹⁵⁹ See also *Gold Seal Co. v. Weeks*, 129 F. Supp. 928 (D.D.C.1955), affirmed 230 F.2d 832 (D.C. Cir.), cert. denied 352 U.S. 829 (1956) (GLASS WAX is deceptively misdescriptive for a glass and metal cleaner that contains no wax); *In re Shapely, Inc.*, 231 U.S.P.Q. 72 (T.T.A.B. 1986) (SILKEASE on polyester blouses held deceptive); *R. Neumann & Co. v. Overseas Shipments, Inc.*, 326 F.2d 786 (C.C.P.A.1964) (DURA-HYDE for plastic material with the appearance of leather held deceptive); *American Speech-Language-Hearing Ass'n v. National Hearing Aid Soc.*, 224 U.S.P.Q. 798 (T.T.A.B. 1984) (CERTIFIED HEARING AID AUDIOLOGIST as collective mark for organization whose members are not audiologists held deceptive); *Evans Products Co. v. Boise Cascade Corp.*, 218 U.S.P.Q. 160 (T.T.A.B. 1983) (CEDAR RIDGE on siding not made of cedar held deceptive).

¹⁶⁰ *Hoover Co. v. Royal Appliance Mfg. Co.*, 238 F.3d 1357, 1361, 57 U.S.P.Q.2d 1720 (Fed. Cir. 2001) (the slogan NUMBER ONE IN FLOORCARE for vacuum cleaners was self-laudatory and descriptive but was not deceptive: "Because substantial evidence supports the finding that the

reputation, even if the benefits from that reputation are somewhat overstated. Furthermore, the existence of a placebo effect that increases golfing efficiency by 20% is not inconsistent with a high-performance reputation, even if the efficiency is derived from psychology instead of engineering or biomechanics.

2. Competition and Functionality

Some barriers to trademark protection turn instead on the functionality of a product feature claimed to be source signifying.¹⁶¹ A seller is generally not allowed to use trademark law to secure protection in functional product features. For example, if a dual-spring design improves the ability of a road hazard sign to stand up in a strong wind, a mark owner will likely be unsuccessful in claiming trademark rights in the dual-spring feature as trade dress, even if the feature is source signifying to the average consumer.¹⁶²

Is a performance-enhancing placebo effect functional in the same manner? The research suggests the placebo effect (like the Nike putter effect) conveys a benefit which a purchaser might choose over another product. But the improved performance from the placebo effect is not due to a product feature like the shape, weight, or materials from which the putter is made: Those are the features typically denied protection under the utility functionality doctrine. The placebo effect identified in the aforementioned studies instead creates a benefit from the user's perception of the brand instead of functional features.

Aesthetic elements can also be functional, and thus fail to qualify for trademark protection. Under a doctrine of aesthetic functionality, product or packaging features that are aesthetically pleasing and an important ingredient in a product's commercial success would not qualify for trademark protection.¹⁶³ Unlike utility functionality, aesthetic

phrase does not either misdescribe or misrepresent Royal's goods, the board correctly held that Royal's mark was not deceptive.”).

¹⁶¹ 15 U.S.C. 1052(e)(5) (matter which, “as a whole, is functional” cannot be registered as a trademark).

¹⁶² Courts are more likely to deny protection if the functional element was the subject of a utility patent. *See* *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001).

¹⁶³ *TrafFix*, 532 U.S. at 33. *See also* Mark P. McKenna, *(Dys)functionality*, 48 HOUS. L. REV. 823 (2011); *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 170 (1995) (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION §17 cmt. c (1995) (“[I]f a design's aesthetic value lies in its ability to confer a significant benefit that cannot practically be duplicated by the use of alternative

functionality is contested and relatively controversial.¹⁶⁴ For example, Robert Bone has articulated two difficulties that aesthetic functionality adds to the standard utility functionality analysis: aesthetic preferences are heterogeneous, and there is a close connection between aesthetic value and source identification.¹⁶⁵ Thomas McCarthy instead expresses skepticism regarding aesthetic functionality because there is “an infinite ... range of possible aesthetic designs and configurations.”¹⁶⁶

Are performance-enhancing placebo effects functional in a manner that should call trademark protection into question? As Justin Hughes notes, the least controversial aesthetic functionality cases tend to turn on “cognitive and psychological responses among consumers that predate the putative trademark holder's activities.”¹⁶⁷ Cases often find a claimed aesthetic product feature functional for cognitive or neurological reasons.¹⁶⁸ For example, in *Brunswick Corp. v. British Seagull Ltd.*,¹⁶⁹ the Federal Circuit affirmed a decision by the Trademark Trial and Appeal Board denying trademark registration and holding that black in relation to outboard motors for boats was functional in part because “objects colored black appear smaller than they do when they are painted other lighter or brighter colors” and “people who buy outboard motors for

designs, then the design is functional.” (internal quotation marks omitted)); Christina Farmer, *Red in the Eye of the Beholder: The Case for Aesthetic Functionality*, 28 BERKELEY TECH. L.J. 777 (2013). *But see* Justin Hughes, *Cognitive and Aesthetic Functionality in Trademark Law*, 36 CARDOZO L. REV. 1227, 1248 (2015) (“[W]hat we have called ‘aesthetic’ functionality can be better understood as functionality arising from how consumers process and respond to sensory inputs”).

¹⁶⁴ See, e.g., *Maker’s Mark Distillery, Inc. v. Diageo N. Am., Inc.*, 679 F.3d 410 (6th Cir. 2012) (“It seems we have not yet plainly stated which test we would apply under aesthetic functionality doctrine or that we have even adopted aesthetic functionality doctrine at all.”) (citing *Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc.*, 280 F.3d 619, 641 n.16 and 642-43; *Antioch Co. Co. v. W. Tramming Corp.*, 347 F.3d 150, 155-56 (questioning the validity of aesthetic functionality doctrine in the Sixth Circuit)).

¹⁶⁵ Robert G. Bone, *Trademark Functionality Reexamined*, 7 J. LEGAL ANALYSIS 183, 238-240 (2015).

¹⁶⁶ 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:81, at 7-256 (4th ed. 2010), quoting Deborah J. Krieger, Note, *The Broad Sweep of Aesthetic Functionality: A Threat to Trademark Protection of Aesthetic Product Features*, 51 FORDHAM L. REV. 345, 380 (1982).

¹⁶⁷ Hughes, *Cognitive and Aesthetic Functionality*, *supra* note 163, at 1267.

¹⁶⁸ Hughes, *Cognitive and Aesthetic Functionality*, *supra* note 163, at 1252-53.

¹⁶⁹ 35 F.3d 1527 (Fed. Cir. 1994), affirming *British Seagull Ltd. v. Brunswick Corp.*, 28 U.S.P.Q.2d (BNA) 1197, 1199 (T.T.A.B. 1993).

boats . . . find it desirable under some circumstances to reduce the perception of the size of the motors in proportion to the boats.” Functionality might likewise turn on cultural expectations.¹⁷⁰ For instance, in *In re Florists’ Transworld Delivery, Inc.*,¹⁷¹ the Trademark Trial and Appeal Board held the color black was aesthetically functional on packaging for floral arrangements in part because black was culturally significant for formal events, to convey grief or condolence, or in connection with Halloween displays.¹⁷² These cultural expectations led the TTAB to uphold the Trademark Examiner’s finding that “there is a competitive need for others in the industry to use the color black in connection with floral arrangements and flowers.”¹⁷³

While the placebo effect is almost certainly psychological in some general sense, most placebo effects measured by the research outlined in Part II do not arguably predate the mark holder’s activities. Instead, the effect is generated by the mark owner’s branding and advertising activities. Therefore, as Justin Hughes has argued, “where the aesthetic appeal is actually the achievement of the trademark holder or its predecessors, courts should be hesitant to use aesthetic functionality to deny trademark rights – precisely because building such aesthetic appeal is endemic to modern marketing [and] building brands.”¹⁷⁴ If consumers subjectively believe that a mark-bearing product is functionally better than a competitor’s goods, that is a “psychological” effect, to be sure, but it is an effect that stems from mark owner efforts rather than pre-programmed consumer expectations, irrespective of whether those pre-programmed expectations are hardwired or culturally determined.

¹⁷⁰ Hughes, *Cognitive and Aesthetic Functionality*, *supra* note 163, at 1253-54.

¹⁷¹ 106 U.S.P.Q.2d (BNA) 1784 (T.T.A.B. 2013).

¹⁷² *Id.* at 1789.

¹⁷³ *Id.* at 1791.

¹⁷⁴ Hughes, *Cognitive and Aesthetic Functionality*, *supra* note 163, at 1273. For example, Hughes argues that the distinctive rounded trunk lid hump on Ford’s Lincoln Continental cars was a creation of Ford Motor Company’s marketing efforts, rather than a preexisting cognitive response, and thus not a basis for a finding of aesthetic functionality. *Id.* at 1274-75.

C. Passing Off and Unraveling Placebo Effects

There is one final challenge one might raise against extending protection to the placebo effect: In cases where the sole difference between the high performance mark and the new entrant is the psychological effect of the mark, consumers may benefit from infringing entry, so long as they actually believe the new entrant's counterfeit goods also come from the high-performance source. This section considers whether trademark protection should be narrowed to enable new entrants to free ride on the high-performance brand placebo effect.

Passing off is the common law progenitor of much of trademark law.¹⁷⁵ The law prevents the new entrant from passing off its goods as those of the mark owner by preventing the new entrant from using the owner's mark.¹⁷⁶ Passing off is problematic in part because consumers who buy a knock-off are in danger of buying a low-quality lemon as they mistakenly rely on the trademark.¹⁷⁷ Consistent with that heritage, an action for passing off uses consumer deception as the measure of harm from trademark infringement.¹⁷⁸

¹⁷⁵ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 820 (1927).

¹⁷⁶ *Id.*

¹⁷⁷ Lemley & McKenna, *Irrelevant Confusion*, *supra* note 134, at 414 (“When it works well, trademark law facilitates the workings of modern markets by permitting producers to accurately communicate information about the quality of their products to buyers.... If competitors can falsely mimic that information, they will confuse consumers, who won't know whether they are in fact getting a high quality product. Indeed, some consumers will be stuck with lemons.”).

¹⁷⁸ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9, *cmt. d* (“The earliest cases involving trademarks were actions on the case in the nature of deceit.... These actions eventually evolved into a distinct tort of ‘passing off,’ or ‘unfair competition’ as it came to be known in the United States.”). *See also* 15 U.S.C. § 1114(1) (2008) (trademark protection aims to prevent use that is “likely to cause confusion, or to cause mistake, or to deceive”). Some case law has suggested that consumer confusion is the metric by which to measure passing off, but that consumers do not enjoy a right to be protected from confusion. *See, e.g., Manhattan Shirt Co. v. Sarnoff-Irving Hat Stores, Inc.*, 19 Del. Ch. 151, 164 Atl. 246 (Ch. 1933), *aff'd per curiam*, 20 Del. Ch. 455, 180 Atl. 928 (Sup. Ct. 1934), *cited by Developments in the Law Trade-Marks and Unfair Competition*, 68 HARV. L. REV. 814, 889 (1955).

But counterfeiting or passing off may cause no actionable injury if the psychologically-determined performance enhancing aspects of an authentic and counterfeit good are the same. If a knock-off Nike putter has the same performance enhancing effect as an authentic putter, there is no low quality against which to protect consumers. To the extent that performance benefits can be attributed to the brand rather than the quality of the branded product, it may be less important to protect the consumers from passing off. Similarly, if prohibitions against passing off are aimed at protecting consumer from lemons, and a market for high-performance branded goods has no lemons because the value is all in consumers' collective imaginations, it may be less necessary to protect the mark owner from the appropriation of its mark. If the quality of the product is all in its psychological effect, there may be no difference in the counterfeit and an authentic product.

Note, however, that the studies in Part II do not compare high and low quality putters, or offer evidence of the lack of objectively measurable quality. One could imagine that Nike benefits from the psychological benefit which provides the placebo effect to consumers, but that protection of that benefit – *i.e.*, protection of the Nike mark – also provides Nike with the ability to recoup its investment in product development and technological improvements. If Nike can invest in technology that might also increase the likelihood of sinking a putt, it would be difficult to protect actual quality differences without also protecting the placebo effect. Failing to protect the psychological effect could lead to reduced quality output if Nike finds itself unable to recoup the costs of research and development by charging a premium for its branded products. Thus, reducing protection against passing off in such a market would still leave consumers to suffer from a lemons market. And over time, confidence in the trademark system generally could erode, which would also erode the placebo effect. If consumers learn that some Nike putters are worse than others, but they are not sure which ones, then Nike's current reputation as a high-performance brand might wear away. Even in the absence of objectively measurable differences between putters, if consumers become aware that Nike cannot legally prevent the use of its mark by a new entrant, the placebo effect would likely unravel.

Indeed, conventional wisdom suggests that placebo effects unravel as consumers become aware of them.¹⁷⁹ The studies in Part II do not provide us with a means of ascertaining a tipping point. However, at least one recent study suggests in the medical context, some subjects can receive relief from a pill they are told is a placebo.¹⁸⁰ It could therefore be possible that the unraveling point is lower than the conventional wisdom would suggest.

CONCLUSION

Studies showing a placebo effect from high-performance goods may reinforce the concern that some of the benefits consumers perceive with regard branded goods are psychologically generated by mark owners and disconnected from reality. But that does not necessarily lead to the conclusion that consumers must be protected from a tendency to believe what advertisers are selling them. Indeed, consumers may be able to reap positive externalities in the form of the performance-enhancing placebo effect from the mark owner's attempt to manipulate perception. These studies suggest that in the market for high-performance goods, what consumers are told might well matter to them. The Nike brand may work like Dumbo's feather in the famous Disney film.¹⁸¹ It may not matter why consumers believe they can fly, so long as they believe it. As Mars Blackmon once amusingly proclaimed in ads for Air Jordan shoes, perhaps when consumers perform well in high-performance branded goods, it's really "gotta be the shoes,"¹⁸² just not for the reasons they were told. Reforming trademark law to reverse psychological manipulation out of an earnest effort to keep consumers from being misled might also unravel beneficial spillover effects. To that extent, such reforms may well be misguided.

¹⁷⁹ Ben Goldacre, *Placebo Effect Works Even If Patients Know They're Getting a Sham Drug*, THE GUARDIAN, Dec. 22, 2010.

¹⁸⁰ Ted J. Kaptchuk, Placebos without Deception: A Randomized Controlled Trial in Irritable Bowel Syndrome, 5 PLOS ONE e15591 (2010), <http://dx.doi.org/10.1371/journal.pone.0015591>.

¹⁸¹ DUMBO (1941).

¹⁸² "It's Gotta Be the Shoes" (1991).