

No. 21-212

In the
Supreme Court of the United States

DIRES, LLC,
SCOTT STENZEL, AND CRAIG MILLER,
Petitioners,

v.

SELECT COMFORT CORPORATION AND
SELECT COMFORT SC CORPORATION,
Respondents.

On Petition for a Writ of Certiorari
to the United States Circuit Court of Appeals
for the Eighth Circuit

**REPLY BRIEF IN SUPPORT OF
PETITION FOR A WRIT OF CERTIORARI**

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TABLE OF CONTENTS

ARGUMENT 2

 I. The policy reasons for review are
 compelling 2

 II. The Eighth Circuit’s decision contradicts
 this Court’s precedent requiring concrete
 and particularized injury 5

 III. Select Comfort cannot evade the circuit
 split 6

CONCLUSION 12

TABLE OF AUTHORITIES

CASES

<i>A&H Sportswear, Inc. v. Victoria’s Secret Stores, Inc.</i> 166 F.3d 197 (3d Cir. 1999)	6
<i>Armstrong Cork Co. v. World Carpets, Inc.</i> 597 F.2d 496 (5th Cir. 1979)	7, 8
<i>Australian Gold, Inc. v. Hatfield</i> 436 F.3d 1228 (10th Cir. 2006)	6, 7
<i>Brookfield Commc’ns, Inc. v. W. Coast Ent. Corp.</i> 174 F.3d 1036 (9th Cir. 1999)	<i>Passim</i>
<i>Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.</i> 269 F.3d 270 (3d Cir. 2001)	7, 10, 11
<i>Ferrari S.P.A. v. Roberts</i> 944 F.2d 1235 (6th Cir. 1991)	7
<i>Groeneveld Transp. Efficiency, Inc. v. Lubecore Int’l, Inc.</i> 730 F.3d 494 (6th Cir. 2013)	5, 9
<i>Insty*Bit, Inc. v. Poly-Tech Indus., Inc.</i> 95 F.3d 663 (8th Cir. 1996)	7
<i>Jim S. Adler, P.C. v. McNeil Consultants, L.L.C.</i> 10 F. 4th 422 (5th Cir. 2021)	9
<i>Lamparello v. Falwell</i> 420 F.3d 309 (4th Cir. 2005)	7
<i>Lexmark Int’l, Inc. v. Static Control Components, Inc.</i> 134 S. Ct. 1377 (2014)	1, 2, 5, 6
<i>Malletier v. Burlington Coat Factory Warehouse Corp.</i> 426 F.3d 532 (2d Cir. 2005)	7
<i>Marathon Mfg. Co. v. Enerlite Prods. Corp.</i> 767 F.2d 214 (5th Cir. 1985)	7
<i>Network Automation, Inc. v. Advanced Sys. Concepts, Inc.</i> 638 F.3d 1137 (9th Cir. 2011)	8

<i>Playboy Enters., Inc. v. Netscape Commc'ns Corp.</i> 354 F.3d 1020 (9th Cir. 2004)	8
<i>Promatek Indus., Ltd. v. Equitrac Corp.</i> 300 F.3d 808 (7th Cir. 2002), <i>as amended</i> (Oct. 18, 2002)	7
<i>Suntree Techs., Inc. v. Ecosense Int'l, Inc.</i> 693 F.3d 1338 (11th Cir. 2012)	7, 8
<i>Toyota Motor Sales, U.S.A., Inc. v. Tabari</i> 610 F.3d 1171 (9th Cir. 2010)	8
<i>TransUnion LLC v. Ramirez</i> 141 S. Ct. 2190 (2021)	1, 2, 6
<i>Ty Inc. v. Perryman</i> 306 F.3d 509 (7th Cir. 2002)	2
<i>Zelinski v. Columbia 300, Inc.</i> 335 F.3d 633 (7th Cir. 2003)	5, 6

INTERNET SOURCE

Eric Goldman, <i>Eighth Circuit Embraces the Initial Interest Confusion Doctrine. What??? UGH. No. Why??? – Select Comfort v. Baxter</i> , TECHNOLOGY & MARKETING LAW BLOG https://blog.ericgoldman.org/archives/2021/05/eighth-circuit-embraces-the-initial-interest-confusion-doctrine-what-ugh-no-why-select-comfort-v-baxter.htm (May 13, 2021).....	4
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PERIODICALS

Bryce J. Maynard, Note, <i>The Initial Interest Confusion Doctrine and Trademark Infringement on the Internet</i> , 57 WASH. & LEE L. REV. 1303 (2000).....	4
David M. Klein & Daniel C. Glazer, <i>Reconsidering Initial Interest Confusion on the Internet</i> , 93 TRADEMARK REP. 1035 (2003).....	2, 3, 4

Eric Alan Stone, Catherine Nyarady, <i>Initial-Interest Confusion Doctrine at the Supreme Court</i> , NEW YORK LAW JOURNAL, www.law.com/newyorklawjournal/2021/09/07/initial-interest-confusion-doctrine-at-the-supreme-court (Sept. 7, 2021)	1
Eric Goldman, <i>Deregulating Relevancy in Internet Trademark Law</i> , 54 EMORY L.J. 507 (2005).....	4, 6
Erlend Bakken, <i>Unauthorized Use of Another’s Trademark on the Internet</i> , 2003 UCLA J.L. & TECH. 3 (2003).....	4
Jason Allen Cody, Note, <i>Initial Interest Confusion: What Ever Happened to Traditional Likelihood of Confusion Analysis?</i> , 12 FED. CIR. Bar J. 643 (2002-2003).....	4
Jennifer E. Rothman, <i>Initial Interest Confusion: Standing at the Crossroads of Trademark Law</i> , 27 CARDOZO L. REV. 105 (2005).....	3, 4, 5
Lisa M. Sharrock, <i>Realigning the Initial Interest Confusion Doctrine with the Lanham Act</i> , 25 WHITTIER L. REV. 53 (2003)	4
Stacey L. Dogan & Mark A. Lemley, <i>Trademarks and Consumer Search Costs on the Internet</i> , 41 HOUS. L. REV. 777 (2004)	4
STATUTES	
15 U.S.C. § 1125.....	2, 5
TREATISE	
4 McCarthy, TRADEMARKS & UNFAIR COMPETITION § 23:6 (2021)	1

Although Select Comfort claims there is no conflict among the circuits, it spends over seven pages explaining why the circuit courts' differences are not really "conflicts." The Second, Third, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth and Federal Circuits permit mark holders to allege infringement based on presale, initial interest confusion. The First, Fourth, and Eleventh Circuits do not. That is a conflict.¹

Initial interest confusion, standing alone, should not be enough to establish liability under the Lanham Act; the likelihood of confusion analysis should center on alleged confusion at the time of purchase. Resolving this conflict would be an excellent reason for this Court to accept review, but the policy reasons are even more compelling. The Eighth Circuit has now adopted the Ninth Circuit's *Brookfield* 1999 definition of initial interest confusion as "confusion that creates initial customer interest, even though no actual sale is finally completed as a result of the confusion" and even if there is no confusion when a purchase is actually made. The Eighth Circuit's rule does not reflect the reality of Internet advertising and grants a broad, new remedy to trademark owners based on mere testimony regarding consumers' alleged "confusion" when a search engine displays two or more products using a single Internet search term—and even if the consumer purchases nothing. This represents a dangerous intrusion into this Court's Article III standing principles articulated in

¹ See, e.g., Eric Alan Stone, Catherine Nyarady, *Initial-Interest Confusion Doctrine at the Supreme Court*, NEW YORK LAW JOURNAL, www.law.com/newyorklawjournal/2021/09/07/initial-interest-confusion-doctrine-at-the-supreme-court (Sept. 7, 2021) (noting the "circuit split on this issue") (citing 4 McCarthy, TRADEMARKS & UNFAIR COMPETITION § 23:6 (2021)).

TransUnion LLC v. Ramirez, 141 S. Ct. 2190 (2021) and *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014). Not only has the Ninth Circuit moved away from *Brookfield Commc’ns, Inc. v. W. Coast Ent. Corp.*, 174 F.3d 1036 (9th Cir. 1999), the Eighth Circuit’s new rule would permit trademark owners to weaponize 15 U.S.C. § 1125 to the detriment of consumers and competition. This should not be the law.

ARGUMENT

I. The policy reasons for review are compelling.

If this Court leaves the Eighth Circuit’s decision undisturbed, then companies like Select Comfort (which expends millions of dollars on advertising and litigation rather than competing on the merits) will be able to silence competitors who can only survive in the market by comparing themselves to well-known brands. It will inhibit businesses from competing with monopolists. This suppression of competition is antithetical to the goals of the Lanham Act.

Trademark law is intended to promote the flow of information in the market and reduce search costs for consumers. *Ty Inc. v. Perryman*, 306 F.3d 509, 510 (7th Cir. 2002) (Posner, J.) (“The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of a particular source of particular goods.”). The initial interest confusion doctrine—which “addresses the unauthorized use of a trademark in a manner that captures consumer attention, even though no sale is ultimately completed as a result of any initial

confusion”—undermines these goals. David M. Klein & Daniel C. Glazer, *Reconsidering Initial Interest Confusion on the Internet*, 93 TRADEMARK REP. 1035 (2003). It assumes that consumers performing online searches for products or services always know the name of the product they are searching for and that they are uninterested in competitive alternatives. This is unrealistic and makes the Internet less valuable. Professor Jennifer Rothman offers a useful explanation of the absurdity of this position with an example of someone looking “to compare music downloading software and online music stores” who does not “necessarily want Apple’s trademarked product, iTunes”:

But for lack of a better term, you put “itunes” in as your search term on Google, an online search engine, hoping to get some choices. You want to find something like iTunes, but not iTunes. Under the logic of a number of recent federal appellate court decisions, however, the only result you should see is Apple’s iTunes because only Apple is the trademark holder of the term iTunes.

...

[I]t is very difficult to describe an item similar to “iTunes” in an efficient way without using the trademarked term.

Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, at 106, 159 (2005).

Following the adoption of the initial interest confusion doctrine in the early 2000s, many scholars criticized it in the context of Internet advertising. *See, e.g., id.* at 129; Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 559-74 (2005) (criticizing in context of online search); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 785, 815, 819-23 (2004) (criticizing application online); Klein & Glazer, 93 TRADEMARK REP. at 1064-65 (supporting application of initial interest confusion offline but not online); Lisa M. Sharrock, *Realigning the Initial Interest Confusion Doctrine with the Lanham Act*, 25 WHITTIER L. REV. 53, 73 (2003) (criticizing expansion of initial interest confusion to the Internet and concluding it may be useful if limited to when ultimate purchasing decision is affected); Erlend Bakken, *Unauthorized Use of Another's Trademark on the Internet*, 2003 UCLA J.L. & TECH. 3 (2003) (criticizing in the Internet context); Bryce J. Maynard, Note, *The Initial Interest Confusion Doctrine and Trademark Infringement on the Internet*, 57 WASH. & LEE L. REV. 1303 (2000) (same); Jason Allen Cody, Note, *Initial Interest Confusion: What Ever Happened to Traditional Likelihood of Confusion Analysis?*, 12 FED. CIR. BAR J. 643 (2002-2003) (same).

But now, the Eighth Circuit has gone much further. It extended the Ninth Circuit's "old-school"² *Brookfield* 1999 formulation of the doctrine to

² *See e.g.,* Eric Goldman, *Eighth Circuit Embraces the Initial Interest Confusion Doctrine. What??? UGH. No. Why??? – Select Comfort v. Baxter*, TECHNOLOGY & MARKETING LAW BLOG <https://blog.ericgoldman.org/archives/2021/05/eighth-circuit-embraces-the-initial-interest-confusion-doctrine-what-ugh-no-why-select-comfort-v-baxter.htm> (May 13, 2021).

situations where a consumer simply uses an Internet-search term (like “iTunes”) to find other competitive products (like Spotify). This formulation will deter differentiated advertising, i.e., competition, a preeminent goal of trademark protection. *See Groeneveld Transp. Efficiency, Inc. v. Lubecore Int’l, Inc.*, 730 F.3d 494, 500 (6th Cir. 2013) (“[T]rademark law is designed to promote brand recognition, not to insulate product manufacturers from lawful competition.”). Indeed, “trademark law was never meant to give monopoly rights over the use of marks to trademark holders, especially at the expense of the greater public good.” Rothman, 27 CARDOZO L. REV. at 108. Nonetheless, “[t]he initial interest confusion doctrine undermines the free market system under a misguided notion that competition in and of itself is unfair.” *Id.*

II. The Eighth Circuit’s decision contradicts this Court’s precedent requiring concrete and particularized injury.

Overzealous application of the initial interest confusion doctrine subverts this Court’s requirement that plaintiffs show concrete harm. This Court requires that a plaintiff under § 1125(a) “must have suffered or be imminently threatened with a concrete and particularized ‘injury in fact’ that is fairly traceable to the challenged action of the defendant” such as “economic or reputational injury flowing directly from the deception wrought by the defendant’s advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff.” *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1386, 1391 (2014) (requiring injury-in-fact and proximate cause); *see also*

Zelinski v. Columbia 300, Inc., 335 F.3d 633, 639 (7th Cir. 2003) (“must show that the violation caused actual confusion among his customers and, as a result, he suffered actual injury.”) (citation omitted); *A&H Sportswear, Inc. v. Victoria’s Secret Stores, Inc.*, 166 F.3d 197, 209 (3d Cir. 1999) (declining to award damages or royalty when court held plaintiffs did not offer evidence of lost profits or pecuniary harm caused by defendants’ conduct).

The Eighth Circuit’s expansive application of the initial interest confusion doctrine to the Internet bypasses the injury and causation requirements. Instead, it permits a plaintiff to recover for speculative or, at best, fleeting confusion that is not measurable by, or traceable to, any actual injury. The doctrine has been overextended to “deplete the social discourse of valuable content,” and trademark plaintiffs have used it as a “content regulation tool to shut down websites that the trademark owner does not like,” Goldman, 54 EMORY L.J. at 554 (collecting cases). A transient click of the “back” button of a browser, or alleged confusion that is immediately clarified on the website that follows a link, is not concrete harm that withstands this Court’s standards under *TransUnion* and *Lexmark*.

III. Select Comfort cannot evade the circuit split.

In its tortured denial of the circuit-court split, Select Comfort fails to address that First, Fourth, and Eleventh Circuits do not permit mark holders to allege infringement based on presale, initial interest confusion. In fact, Select Comfort’s cited case law emphasizes the circuit split. Compare, e.g., *Australian*

Gold, Inc. v. Hatfield, 436 F.3d 1228, 1238-39 (10th Cir. 2006) (Resp. Br. at 11) (applying the doctrine even when consumers “realize that the product is not the one originally sought” and where no sale occurs); *Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 537 n.2 (2d Cir. 2005) (Resp. Br. at 11) (distinguishing initial interest confusion from point-of-sale and post-sale confusion); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002), *as amended* (Oct. 18, 2002) (Resp. Br. at 12) (applying the doctrine “even if the customer realizes the true source of the goods before the sale is consummated”); *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 294 (3d Cir. 2001) (Resp. Br. at 12) (adopting presale initial confusion doctrine); *Insty*Bit, Inc. v. Poly-Tech Indus., Inc.*, 95 F.3d 663, 672 (8th Cir. 1996) (Resp. Br. at 10) (allowing infringement claim based on confusion even of observers of a product in use by a direct purchaser); *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1245 (6th Cir. 1991) (Resp. Br. at 10) (not requiring point-of-sale confusion); *Marathon Mfg. Co. v. Enerlite Prods. Corp.*, 767 F.2d 214, 221 (5th Cir. 1985) (Resp. Br. at 11) (same); *with, e.g., Lamparello v. Falwell*, 420 F.3d 309, 316 (4th Cir. 2005) (“we have never adopted the initial interest confusion theory; rather, we have followed a very different mode of analysis, requiring courts to determine whether a likelihood of confusion exists by “examin[ing] the allegedly infringing use *in the context in which it is seen by the ordinary consumer.*”) (emphasis original to *Lamparello*) (citation omitted).

Select Comfort further fails to recognize that the courts adopting initial interest confusion rely on law adopted over a decade before the Internet was visible to the general public. (*E.g.*, Resp. Br. at 14-15

(arguing that the Eleventh Circuit should both be understood to have adopted the doctrine based on a 1979 decision out of the Fifth Circuit from before the “creation of the Eleventh Circuit” in 1981 and that the Eleventh Circuit “declined to address the doctrine under the particular factual circumstances before it”) (citing *Armstrong Cork Co. v. World Carpets, Inc.*, 597 F.2d 496, 501 n.5 (5th Cir. 1979); *Suntree Techs., Inc. v. Ecosense Int’l, Inc.*, 693 F.3d 1338, 1347 (11th Cir. 2012)).)

Even the circuits that have adopted the doctrine have narrowed it over time. For example, Select Comfort cites *Playboy Enters., Inc. v. Netscape Comm’ns Corp.*, 354 F.3d 1020, 1025 (9th Cir. 2004) (*see Resp. Br.* at 11-12) yet fails to note that later, in *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1180 (9th Cir. 2010), the Ninth Circuit balanced the doctrine against the importance of nominative fair use in preventing the type of abuse of the Lanham Act that the Eighth Circuit’s decision threatens. *See id.* at 1179 (noting that nominative fair use of a mark in domain names “does not actively suggest sponsorship or endorsement” and “the worst that can happen is that some consumers may arrive at a site uncertain as to what they will find” but “reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error”). *See also Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1148 (9th Cir. 2011) (“[I]t would be wrong to expand the initial interest confusion theory of infringement beyond the realm of the misleading and deceptive to the context of legitimate comparative and contextual advertising.”).

The more recent cases cited by Select Comfort are from the same circuits already addressed as part of the circuit split, yet as with the Ninth Circuit's backtracking on *Brookfield*, so too have the Fifth and Sixth Circuits emphasized that more is required than simple "initial interest" or "distraction" in the Internet context. (*E.g.*, Resp. Br. at 11 (citing *Jim S. Adler, P.C. v. McNeil Consultants, L.L.C.*, 10 F. 4th 422, 427 (5th Cir. Aug. 10, 2021)) ("in the context of Internet searches and search-engine advertising in particular, the critical issue is whether there is consumer confusion. Distraction is insufficient."); Resp. Br. at 11 (citing *Groeneveld Transp. Efficiency*, 730 F.3d at 518) (plaintiff did not explain "why, assuming that such initial confusion were to take place, it would not be instantly dissipated without any harm. Simply invoking the term 'initial-interest confusion' does not state a viable claim, let alone create a triable issue of fact").)

Rather than acknowledge the problems with the Eighth Circuit's rule, Select Comfort protests that Petitioners' citations are inapplicable because the record is replete with evidence of "actual confusion." (*E.g.*, Resp. Br. at 4, 17, 18, 25.) Select Comfort's arguments are belied by the record in at least three ways.

First, if Select Comfort truly proved that actual confusion "exist[ed] *all of the way through* the sales process" (Resp. Br. at 18 (emphasis added)), then the jury would have found Petitioners liable for trademark infringement. The jury returned a verdict for Petitioners.

Second, Select Comfort admits that the district court's ruling on initial interest confusion did not prevent it from introducing *any* evidence at trial. Further, the district court noted "that it did not hold that initial interest confusion was irrelevant to the issue of whether there was a likelihood of confusion (or that the jury could not consider evidence of such confusion), but only that such confusion alone would not result in liability." (Pet.App. A-91.) The district court stated:

The Court did not preclude Select Comfort from offering evidence of confusion at any stage of interest up to the point of sale and arguing that any early confusion persisted. As explained above, the Court ruled that initial interest confusion, in this case, was not enough *alone* to prevail. Select Comfort was free to, and indeed did, argue that confusion at an earlier point of the process was relevant to whether consumers were likely to be confused at the time of purchase. Moreover, the record contains testimony at trial discussing different "points-of-sale," including Defendants' call centers and website.

(Pet.App. A-94-95 (emphasis in original).)

Third, Select Comfort focuses its argument on cases involving "bait and switch" schemes. (*E.g.*, Resp. Br. at i.) Its focus appears driven by a passing comment from the Eighth Circuit. (Pet.App. A-10 (noting one circuit equated the doctrine to bait and

switch) citing *Checkpoint Sys.*, 269 F.3d at 294.) Conversely, the jury’s verdict, which was reached based on the evidence proffered by Select Comfort of alleged confusion at any time—not just point of sale—was that Personal Comfort beds are not advertised using a “bait and switch scheme.” The record is replete with examples of Personal Comfort instead *directly comparing itself* to Select Comfort; the district court noted the numerous occasions on which Personal Comfort compared itself to Select Comfort. (*See, e.g.*, Pet.App. A-44 (clicking “on a Personal Comfort ad link” takes consumers “to Personal Comfort’s website, on which Personal Comfort compares its products to Sleep Number products.”); Pet.App. A-45–46 (“Personal Comfort’s logo is displayed at the top of the page, beneath which smaller text reads ‘Compare Us to Sleep Number Bed®.’...Below that, it says ‘PREFERRED OVER SLEEP NUMBER® BED.’...On the menu on the left side of the page under the bold ‘Compare’ heading, it reads ‘vs. Sleep Number’s®.’ ...There is another bold heading that reads “The Sleep Number® Bed versus Personal Comfort® Bed Comparison.” ... And lower on the page ...there is another link to “Compare to Sleep Number®,” and the following: “We invite you to do your homework and check out the competition.”... At the very bottom of the webpage, the following disclaimer appears: No affiliation exists between Personal Comfort® or Sleep Number Bed®. No product belonging to Select Comfort® or Sleep Number Bed® is sold on this site and any reference is for comparison purposes only. Select Comfort® and Sleep Number Bed® are registered trademarks of Select Comfort® Corporation you can visit them at www.sleepnumberbed.com.”).) Indeed, the jury concluded that Personal Comfort’s advertisements that its products were “preferred over

Select Comfort” and were “an upgraded version” of Select Comfort’s beds were *not false*. (Pet.App. A-107.) A split between the circuits exists and this Court should address it.

CONCLUSION

Petitioners respectfully request that this Court grant certiorari.

Respectfully submitted,

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