



## ARTICLE

**The Unregulated Certification Mark(et)<sup>†</sup>**

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**Abstract.** Certification mark law—a branch of trademark law—itself enables consequences that undermine the law’s own goals through inadequate regulation or oversight. Because the law allows certification standards to be kept vague, high-level, and underdeveloped, a certifier can choose to exclude certain businesses inconsistently or arbitrarily, even when those businesses’ goods or services would seem to qualify for the certification mark (particularly to consumers). Moreover, even when a certification standard is clear and complete, certifiers can wield their marks anticompetitively. They can do so through redefinition—something certification mark law currently allows without oversight—to ensure that certain businesses’ goods or services will not qualify for the mark. Both of these forms of certification mark manipulation undermine the goals of certification marks: to protect consumers by providing them with succinct information on goods’ or services’ characteristics and to promote competition by ensuring that any businesses’ goods or services sharing certain characteristics salient to consumers qualify for a mark certifying those characteristics. The law should be restructured to curb this conduct. I advocate for robust procedural regulation of certification standardmaking and decisionmaking that would detect and punish poor certification behavior. Moreover, for anticompetitive behavior that nonetheless slips through the regulatory cracks, I suggest that attentive antitrust scrutiny be arrayed to catch it.

<sup>†</sup> See Ian Ayres & Jennifer Gerarda Brown, *Mark(et)ing Nondiscrimination: Privatizing ENDA with a Certification Mark*, 104 MICH. L. REV. 1639 (2006); Mark A. Lemley & Mark P. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137 (2010).

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## Introduction

What do a trendy kosher restaurant in SoHo, an independent movie about a serial killer, and a Swiss watchmaker have in common? Each has been excluded by a certifier from employing its legally protected certification mark in ways that seem to run counter to the certification mark's purposes of consumer protection and promotion of competition. Each of these businesses has either been disqualified by a certifier from getting a certification mark or been manipulated by a certifier into securing a certification mark: a kosher food certification withheld from the restaurant until it changed its name; an R movie rating withheld from the independent movie, whose producer claimed the rating was being given to far gorier—yet non-independent—movies; and a withheld geographical certification of SWISS MADE for the watchmaker located in Switzerland and much of whose watches' value—but not all—originates in Switzerland. The inability of each of these businesses to be certified as is—without any clear certification standard or procedural regularity—can have adverse, and sometimes catastrophic, consequences for the businesses, their consumers, and competition writ large. This is no fringe issue. Not only are major certifiers, like those here, making many millions of dollars annually in certification fees,<sup>1</sup> but revenues for the goods and services they certify can turn, often significantly, on these certifications.<sup>2</sup>

This Article explores more generally how certification mark law—a branch of trademark law—itself enables counterproductive consequences through inadequate regulation or oversight. Because the law allows certification standards to be vague, high-level, and underdeveloped, a certifier can choose to exclude certain businesses inconsistently or arbitrarily, even when these businesses' goods or services would seem to qualify for the certification mark (particularly to consumers). Moreover, certifiers can wield their marks anticompetitively, even when a certification standard is clear and complete. They can do so through redefinition—something certification mark law currently allows without oversight—to ensure that certain businesses' goods or services will not qualify for the mark. Both of these forms of

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1. See, e.g., Ernesto, *MPAA Revenue Up 50% as "War on Piracy" Cranks Up*, TORRENTFREAK (Nov. 25, 2013), <https://torrentfreak.com/mpaa-revenue-up-as-war-on-piracy-cranks-up-131125> (listing over \$5 million in revenue from the Motion Picture Association of America's film rating services in 2012); Samantha M. Shapiro, *Kosher Wars*, N.Y. TIMES MAG. (Oct. 9, 2008), <http://nyti.ms/2bjHhe1> (observing that the Orthodox Union's certification services generated "millions of dollars in profit" in 2007).

2. See *infra* Part II (indicating how the kosher restaurant sought to obtain the kosher certification at issue here as a way to grow its customer base, how movie ratings can affect whether movie theaters will show a particular film, and how Swiss watches are considered significantly more valuable than other watches).

certification mark manipulation undermine the goals of certification marks: (1) to protect consumers by providing them with succinct information—via the marks—on goods’ or services’ characteristics and (2) to promote competition by ensuring that any businesses’ goods or services sharing certain characteristics salient to consumers qualify for a mark certifying those characteristics.

After demonstrating that these two types of potentially harmful behavior can readily transpire under current trademark law, this Article proposes that the law be restructured to curb this conduct in the first instance. Because there can be good procompetitive reasons for certification standards to be defined and redefined over time, there is no absolute need for clearer static standards.<sup>3</sup> Rather, this Article advocates for robust procedural regulation of certification standardmaking and decisionmaking that would stop, or at the very least expose, poor certification behavior. As discussed in greater detail below, such processes could include public disclosure of certification standards and reasoned certification decisions, opportunities for affected businesses to engage in something akin to notice-and-comment rulemaking for potential changes to certification standards, and random audits of certifiers’ decisionmaking. Moreover, attentive antitrust scrutiny ought to be arrayed to catch anticompetitive behavior that nonetheless slips through the regulatory cracks.

Despite the important ways in which certification marks operate differently from trademarks, this Article concludes by arguing that certification marks are properly maintained as a branch of trademark law.

Part I describes the law and theory of certification marks, situating them in trademark law. To explore the ways in which counterproductive behavior might arise in certification markets, Part II sets out three case studies with regard to different certifications: for kosher food, movie ratings, and geographical indications. Part III moves to generalize by exploring how certifiers’ incentives can lead them to exclude in ways that can run counter to the purposes of trademark law and can sometimes even be anticompetitive. It then investigates how the lack of regulation in the law of certification marks exacerbates this problem. Part IV explores how these harmful forms of certifier behavior might be curbed through a combination of procedural regulations in trademark law and antitrust scrutiny.

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3. *But see* Margaret Chon, *Marks of Rectitude*, 77 *FORDHAM L. REV.* 2311, 2312, 2348 (2009) [hereinafter Chon, *Marks of Rectitude*] (proposing such standards for “marks of rectitude,” which would deploy “instruments such as trademarks and certification marks to facilitate consumer protection and access to quality market information in light of . . . regulatory trends”). Margaret Chon develops related ideas about disclosure and traceability of information about hidden qualities of goods and services by proposing the notion of a “tracermark,” a hybrid of a trademark and a certification mark. Margaret Chon, *Tracermarks: A Proposed Information Intervention*, 53 *HOUS. L. REV.* 421, 445-49 (2015).

## I. The Certification Mark as a Species of Trademark

The Lanham Act provides for federal protection of trademarks, including certification marks.<sup>4</sup> According to the statute, a certification mark is

any word, name, symbol, or device, or any combination thereof . . . to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.<sup>5</sup>

Examples of certification marks abound: Underwriters Laboratories' UL mark to certify the safety of a vast range of products (such as fire extinguishers, band saws, and carts powered by electric battery);<sup>6</sup> the Orthodox Union's OU mark to certify that food is kosher according to rabbinic standards;<sup>7</sup> the IDAHO and GROWN IN IDAHO certification marks used by the Idaho Potato Commission to signify potatoes grown in the state of Idaho;<sup>8</sup> the G, PG, PG-13, R, and NC-17 movie ratings employed by the Motion Picture Association of America (MPAA);<sup>9</sup> and the GOOD HOUSEKEEPING seal of approval mark to warrant

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4. To comply with international treaty obligations, federal law has protected certification marks (and their cousins, collective marks) since 1938. See *Joint Hearings on S. 2679 Before the Comms. on Patents*, 68th Cong. 153-54 (1925) (statement of Bernard A. Kosicki, U.S. Department of Commerce), reprinted in 3 JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE: SECTION BY SECTION LEGISLATIVE HISTORY OF THE LANHAM ACT § 4, at 4-5 to 4-6 (David C. Plache ed., 1990). Certification marks were first protected in 1938 as a form of collective mark. U.S. PATENT & TRADEMARK OFFICE, TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1302.01 (Apr. 2016) [hereinafter TMEP], <http://tmep.uspto.gov/RDMS/detail/manual/TMEP/current/d1e2.xml>; Note, *The Collective Trademark: Invitation to Abuse*, 68 YALE L.J. 528, 530 n.13 (1959). They later received standalone protection in 1946. Trademark Act of 1946 § 4, 15 U.S.C. § 1054 (2015).

5. 15 U.S.C. § 1127. Certification marks can be used to certify multiple characteristics at a time with regard to a single good or service. Terry E. Holtzman, *Tips from the Trademark Examining Operation: Certification Marks*, 81 TRADEMARK REP. 180, 181 (1991). For example, the ROQUEFORT mark indicates both that the cheese it certifies is manufactured from sheep's milk and that it is cured in the Roquefort area of France according to certain methods. See ROQUEFORT, Registration No. 571,798.

6. See UL, Registration No. 2,391,140; *Standards Catalog*, UNDERWRITERS LABORATORIES, <https://standardscatalog.ul.com> (last visited Jan. 1, 2017).

7. See OU, Registration No. 1,087,891; *Basics of Certification*, ORTHODOX UNION, <https://oukosher.org/kosher-overview/how-does-ou-kosher-certification-work> (last visited Jan. 1, 2017).

8. See GROWN IN IDAHO, Registration No. 2,914,307; IDAHO, Registration No. 2,914,308; *Ask Dr. Potato: Top 5 Frequently Asked Questions*, IDAHO POTATO COMMISSION, <http://www.idahopotato.com/frequently-asked-questions> (last visited Jan. 1, 2017).

9. See G, Registration No. 1,169,743; PG, Registration No. 1,169,742; PG-13, Registration No. 1,337,409; R, Registration No. 1,170,739; NC-17, Registration No. 1,661,271; *footnote continued on next page*

that tested products “perform as intended.”<sup>10</sup>

This regime contemplates that certifiers themselves establish the particular standard that products or services must meet to be certified.<sup>11</sup> Consumers who see a certification mark on a good or associated with a service can reasonably infer that the good or service meets the certification’s established standard.<sup>12</sup>

Although there are some crucial differences, the certification mark is a species—or perhaps a sibling—of the trademark.<sup>13</sup> Most trademark scholarship focuses not on certification marks but rather on trademarks.<sup>14</sup> Therefore, in the following Subparts, I explain how the certification mark fits into, and diverges from, trademark law and theory.

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MOTION PICTURE ASS’N OF AM., INC. & NAT’L ASS’N OF THEATRE OWNERS, INC., CLASSIFICATION AND RATING RULES art. II, § 3 (2010) [hereinafter MPAA RATING RULES], [http://www.filmratings.com/downloads/rating\\_rules.pdf](http://www.filmratings.com/downloads/rating_rules.pdf).

10. GOOD HOUSEKEEPING PROMISES LIMITED WARRANTY TO CONSUMERS REPLACEMENT OR REFUND IF DEFECTIVE, Registration No. 3,675,760; *About the GH Limited Warranty Seal*, GOOD HOUSEKEEPING (Mar. 31, 2014), <http://www.goodhousekeeping.com/institute/about-the-institute/a22148/about-good-housekeeping-seal>.
11. See 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 19:91 (4th ed. 2009) (“There is no government control over . . . the standards that the certifier uses. That is up to the certifier.”); Irina D. Manta, *Privatizing Trademarks*, 51 ARIZ. L. REV. 381, 402 (2009) (“While the [government] awards a particular mark to a private organization that wishes to use it for certification purposes, it is the organization that independently sets the standards that someone’s product will have to meet to use the mark.”).
12. See 3 MCCARTHY, *supra* note 11, § 19:91.
13. See 15 U.S.C. § 1054 (2015) (“Subject to the provisions relating to the registration of trademarks, so far as they are applicable . . . certification marks, including indications of regional origin, shall be registrable under this chapter, in the same manner and with the same effect as are trademarks . . .”); Jon R. Cavicchi, *Trademark Searching Tools and Strategies: Questions for the New Millennium*, 46 IDEA 649, 656 (2006) (“There are four different types of marks: trademarks, service marks, certification marks, and collective marks. For the most part, the law governing all four is the same . . .”).
14. See, e.g., Ayres & Brown, *supra* note †, at 1641 (calling the certification mark “a little-known piece of intellectual property”). There are some notable exceptions. See, e.g., Chon, *Marks of Rectitude*, *supra* note 3, at 2348-49 (suggesting that certification marks might be deployed to protect consumers and convey to them businesses of rectitude); Justin Hughes, *Champagne, Feta, and Bourbon: The Spirited Debate About Geographical Indications*, 58 HASTINGS L.J. 299, 304-05 (2006) (proposing that geographical indications have evocative value—like trademarks generally—and do more than communicate geographic source); Mark R. Barron, Comment, *Creating Consumer Confidence or Confusion?: The Role of Product Certification Marks in the Market Today*, 11 MARQ. INTELL. PROP. L. REV. 413, 432-42 (2007) (suggesting that the proliferation of certification marks in particular categories, like product safety, has raised the concern of information overload).

A. The Similarities

Trademarks identify and distinguish particular sources of goods or services.<sup>15</sup> A focus on fair competition drives trademark law.<sup>16</sup> According to one classic take, trademarks bolster trade by “identify[ing] a product as satisfactory and thereby . . . stimulat[ing] further purchases by the consuming public.”<sup>17</sup> Per this notion, producers of trademarked goods will be encouraged to invest in the goods’ quality because consumers will use the trademark as a way to identify a desirable good only if their past experiences with a particular producer’s goods reliably forecast the good’s worth.<sup>18</sup> Protecting against trademark infringement, from this vantage point, thus prevents others from trading on the goodwill that is represented by the trademark and helps consumers be certain they can easily find the products they seek.<sup>19</sup> In all of these ways, trademarks reduce consumers’ otherwise steep search costs—the expenditures they must make to discern important but hard-to-ascertain qualities of goods or services—by conveying this information succinctly.<sup>20</sup> Trademarks, then, ought to promote trade and enable consumer decisionmaking. To achieve these goals, trademark law guards against use of a too-similar mark that causes consumer confusion as to goods’ or services’ origins.<sup>21</sup>

Certification marks serve a similar role in providing shorthand information to consumers that certified goods or services comply with standards about which they might care, such as complex religious rules for being kosher. Margaret Chon theorizes that certification marks—if implemented properly by “represent[ing] accurately the standards purported to be embodied within

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15. 15 U.S.C. § 1127; *see also* Alexandra Mogyoros, Exploring the Nature of Certification Marks 2-3 (unpublished B.C.L. dissertation, University of Oxford) (on file with author) (analyzing how the linguistic and trust functions of certification marks differ from those of trademarks).
  16. Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1840-41 (2007).
  17. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 818 (1927).
  18. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1987).
  19. *See* Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 549 (2006); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 778 (2004).
  20. *See* Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 623 (2004); Nicholas S. Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 525-27 (1988). *But see* Mark P. McKenna, *A Consumer Decision-Making Theory of Trademark Law*, 98 VA. L. REV. 67, 71-72 (2012) (arguing that trademark law should seek to reduce consumers’ search costs only when a trademark causes confusion in a way that affects purchasing decisions).
  21. *See* Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 IOWA L. REV. 611, 614 (1999).

the products (and services) being purchased by consumers”—can “facilitate consumer protection and access to quality market information.”<sup>22</sup> Certification marks can facilitate consumer trust in buying compliant goods or services from sources they do not otherwise know (or those that are distantly located).<sup>23</sup> Like trademarks, certification marks can also encourage purveyors of goods and services to provide quality goods or services that conform to those marks’ standards, to the extent that consumers care about them. Similarly, prohibiting certification mark infringement safeguards the investments of both certifiers and businesses with certified goods or services and protects consumers from experiencing confusion in the marketplace as to certification. One can—but need not—register a trademark or certification mark with the U.S. Patent and Trademark Office (PTO) to protect it.<sup>24</sup> Nonetheless, the law encourages the registration of marks by providing incentives to do so, such as enhanced remedies in federal court.<sup>25</sup> To qualify for registration, a trademark must be distinctive of the source of the goods or services with which it is used; used in commerce; and not otherwise barred by statute from protection, such as because it is confusingly similar to an already-registered mark or is deceptive.<sup>26</sup> A trademark examiner assesses an application to ensure that the mark complies with these requirements. If so, it approves the associated mark for publication in the PTO’s *Official Gazette*. The mark will then be registered subject to potential public opposition for noncompliance with the statutory trademark requirements.<sup>27</sup>

### B. Statutory Differences

Ostensibly, then, the statutory framework for certification marks seeks to further trademark law’s twin goals of consumer protection and promotion of competition. Certification marks can be registered and protected under federal

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22. Chon, *Marks of Rectitude*, *supra* note 3, at 2312; *cf.* Ayres & Brown, *supra* note †, at 1640-42 (proposing the use of a “Fair Employment” certification mark to certify employers that do not discriminate on the basis of sexual orientation because a federal bill forbidding such discrimination was unlikely to pass).

23. *See* Chon, *Marks of Rectitude*, *supra* note 3, at 2318; *see also* Ayres & Brown, *supra* note †, at 1643.

24. *See* 15 U.S.C. §§ 1052, 1114, 1125(a) (2015).

25. *See id.* §§ 1057(c), 1072 (establishing nationwide constructive use conferring priority over most users of the same or similar marks); *id.* § 1065 (providing for the possibility of the mark becoming incontestable after five years); *id.* § 1117(b) (providing for enhanced remedies in federal court).

26. *Id.* §§ 1051, 1127. For more of the detail and theory underpinning trademark registration, see Barton Beebe & Jeanne C. Fromer, *Are We Running Out of Trademarks?: An Empirical Study of Trademark Depletion* 5-10 (Nov. 17, 2016) (unpublished manuscript) (on file with author).

27. 15 U.S.C. §§ 1062(a), 1063.



law, according to most of the same rules that apply to trademarks.<sup>28</sup> For example, like trademarks, certification marks that are or become generic terms—such as if France were to claim that only French potatoes cut into strips and deep-fried could be certified as “French fries”—cannot be registered.<sup>29</sup>

There are, however, crucial differences. A major difference, already noted, is definitional. Trademarks indicate the source of a good or service, whereas certification marks indicate that the marked good or service meets the certifying standard.<sup>30</sup> Both types of marks might help consumers choose among goods or services, but they provide different information. As such, registrants for certification marks must provide additional information that those registering for trademarks need not provide, including “a copy of the standards that determine whether others may use the certification mark on their goods and/or in connection with their services.”<sup>31</sup>

For another thing, a certification mark owner may not “discriminately refus[e] to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies.”<sup>32</sup> This requirement creates a regime akin to compulsory licensing of certification marks.<sup>33</sup> By contrast, a trademark owner can generally refuse to license the use of its mark to others.<sup>34</sup>

Each of these two types of marks, by taking opposite approaches, acts to promote competition: businesses employing a trademark for their goods or services can help lower search costs for consumers and be encouraged to invest in the quality of their goods or services. These goals are achievable only if businesses can decide not to let others use their trademark.<sup>35</sup> By contrast,

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28. *Id.* § 1054. Courts have ruled that certification marks, like trademarks, can be protected even if they are not registered. *See, e.g.,* Florida v. Real Juices, Inc., 330 F. Supp. 428, 430-31 (M.D. Fla. 1971).

29. *See* Community of Roquefort v. William Faehndrich, Inc., 303 F.2d 494, 497 (2d Cir. 1962).

30. *See* 15 U.S.C. § 1127 (defining trademarks and certification marks); Holtzman, *supra* note 5, at 180, 183.

31. 37 C.F.R. § 2.45(a) (2015).

32. 15 U.S.C. § 1064(5)(D).

33. 3 MCCARTHY, *supra* note 11, § 19:92.

34. *See* 1 WILLIAM C. HOLMES, INTELLECTUAL PROPERTY AND ANTITRUST LAW § 11:2, at 11-26 to 11-27 (“The ‘essence’ of a trademark right is the authority to exclude others from using identical or similar marks likely to cause confusion, mistake or deception as to the source, quality, or possible sponsorship of a product. . . . [T]he interests of the public in being protected against deception or confusion are additionally served. Attempts to coerce trademark owners into granting licenses to actual or potential competitors . . . would, thus, not only run contrary to the reasoning of [judicial] decisions . . . but would additionally raise the spectre of possible consumer confusion.” (footnote omitted)).

35. *See supra* text accompanying notes 16-21.

certification marks serve to mark a good or service as complying with a standard that matters to consumers, so allowing all businesses whose goods or services conform to that standard helps consumers and promotes competition.<sup>36</sup>

Additionally, unlike a trademark, which is used by its owner, a certification mark is registrable under the Lanham Act only if its owner does not itself “engage[] in the production or marketing of any goods or services to which the certification mark is applied.”<sup>37</sup> Certification marks are treated differently because of the fear that a certifier competing in the marketplace with the goods or services it is certifying would no longer be able to certify objectively based on the certification standard.<sup>38</sup> That is, a certifier in that position might decide to deny certification to qualifying goods or services merely because they compete with the certifier’s products or services. Such denials would undermine the utility of the certification mark by denying useful information to consumers and harming competition.

Finally, certification marks can remain registered unless the mark holder “does not control, or is not able legitimately to exercise control over, the use of such mark.”<sup>39</sup> This condition is similar to trademark law’s general rule that

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36. Based on these differences, then, a certification mark could not be registered as a trademark because, as Thomas McCarthy recognizes, a certification mark “does not perform the function of identifying and distinguishing any one seller.” 3 MCCARTHY, *supra* note 11, § 19:91; *see supra* text accompanying note 30. In the United Kingdom, the government reviews and approves the fees that certifiers charge for certification to ensure that the certification fee is not so high that some businesses that would otherwise qualify for certification could not afford it. *See Mogyoros, supra* note 15, at 7 & n.29.

37. 15 U.S.C. § 1064(5)(B) (allowing a registered certification mark to be canceled on this ground); *see also id.* § 1127 (defining certification marks and trademarks). This requirement has been understood to allow the certification mark owner to advertise its certification program but to prohibit promotional activities related to the certified goods or services. Holtzman, *supra* note 5, at 188. For more on the requirement that the trademark owner is the one that uses the mark in commerce, *see* Jeanne C. Fromer, *The Role of Creativity in Trademark Law*, 86 NOTRE DAME L. REV. 1885, 1894-902 (2011).

38. *See Idaho Potato Comm’n v. M & M Produce Farm & Sales*, 335 F.3d 130, 138 (2d Cir. 2003) (“[T]he certification mark regime protects a further public interest in free and open competition among producers and distributors of the certified product.”); 3 MCCARTHY, *supra* note 11, § 19:94.

39. 15 U.S.C. § 1064(5)(A). The requirement of control is not absolute. *See, e.g., Midwest Plastic Fabricators, Inc. v. Underwriters Labs. Inc.*, 906 F.2d 1568, 1573 (Fed. Cir. 1990) (sustaining the Trademark Trial and Appeal Board’s finding that the certifier’s control was adequate even though it was “not 100% accurate or foolproof” because the certifier had “a vast network of inspectors making hundreds of thousands of inspections of thousands of different products across the country”). Rather, it is tied to a standard of reasonableness. Holtzman, *supra* note 5, at 186 (citing cases). One might also classify as a loss of control a certification mark that becomes generic. *Swiss Watch Int’l, Inc. v. Fed’n of the Swiss Watch Indus.*, 101 U.S.P.Q.2d (BNA) 1731 (T.T.A.B. 2012); 3 MCCARTHY, *supra* note 11, § 19:92.

trademark owners have abandoned their rights in their trademark if they engage in naked licensing—a “grant of permission to use [the] mark without attendant provisions to protect the quality of the goods or services provided under the licensed mark.”<sup>40</sup> As the Federal Circuit has explained, “the risk of misleading the public may be . . . great[] because a certification mark registration sets forth specific representations about the manufacture and characteristics of the goods to which the mark is applied.”<sup>41</sup> If a certification mark is being used on goods or services that do not meet the certification standard due to the certifier’s lack of control, then the mark’s major purpose is fundamentally undermined. This was recently found to be the case with the MADE IN USA certification, which was being conferred on businesses without any certifier oversight as to where the marked goods were made.<sup>42</sup>

### C. Consumer Perceptions of Certification Standards

Underpinning these statutory differences is the premise that consumers have an accurate sense of the standard represented by a certification mark. This issue is less obviously relevant for trademarks writ large, which do not certify a specific standard and might instead merely convey a general sense of quality.

There can be significant mismatches between consumers’ perceptions of a certification standard and the actual standard being applied.<sup>43</sup> The harm caused by these mismatches can be substantial. To take a stylized example, if a certifier purports to apply a certain rule or standard (such as “lighter than five pounds,

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40. *Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1075 (5th Cir. 1997). Despite the similarity, the control requirement for certification marks is heightened as compared to trademarks. Certification marks may not remain registered if the requisite control is lacking, while some courts allow trademarks in similar circumstances to remain protected. *See, e.g., id.* at 1075-76. The central purpose of certification marks is to allow others to use the certification, while trademarks can be used successfully within a business without ever being licensed to others. Therefore, control exercised by certifiers over certification of others is always a concern, whereas control by trademark holders over mark licensing to third parties is often not an issue. In any event, the purposes of the control requirement for certification marks and for trademarks are similar, even if the requirement is more important for certification marks.

41. *Midwest Plastic Fabricators*, 906 F.2d at 1572; accord *Holtzman*, *supra* note 5, at 180, 186.

42. Press Release, Fed. Trade Comm’n, Made in USA Brand, LLC Agrees to Drop Deceptive Certification Claims (July 22, 2014), <https://www.ftc.gov/news-events/press-releases/2014/07/made-usa-brand-llc-agrees-drop-deceptive-certification-claims>; *see* Agreement Containing Consent Order, *In re* Made in the USA Brand, LLC, F.T.C. File No. 142-3121 (2014), [http://www.ftc.gov/system/files/documents/cases/140717\\_usaorder.pdf](http://www.ftc.gov/system/files/documents/cases/140717_usaorder.pdf).

43. *Cf.* J. Shahar Dillbary, *Getting the Word Out: The Informational Function of Trademarks*, 41 ARIZ. ST. L.J. 991, 1025-26 (2009) (“[T]rademark law does *not* protect the consumer who associates ‘Splenda’ with a sweetener made from sugar if Johnson & Johnson decides to replace sugar with aspartame.”).

with packaging”), it would defeat the law’s goals if the certifier were to approve of goods or services that do not comply with that purported rule or standard (in the example, products weighing five pounds or more, with packaging). If consumers truly care whether goods fall below this threshold weight, they would be misled by inaccurately certified goods. Moreover, competition could also be harmed. If consumers have misplaced faith in the certification standard, they might end up buying inaccurately certified products in a way that hurts those companies that produce accurately certified products (perhaps even at greater expense). Additionally, if consumers grow to distrust this certification standard, sales of accurately certified goods could also suffer, thereby harming competition.

There can be more complex mismatches between consumers’ perceptions and the actual standard. Consumers might mistake a flexible certification standard for a clear-cut certification rule, or vice versa.<sup>44</sup> For example, consumers might mistakenly think that the GOODLITE certification mark affixed to a product signifies the rule that the product is “lighter than five pounds, with packaging” when in fact it indicates the standard that the product weighs less than other similar goods. These consumers are not wrong about the certification’s gist—indicating a light product—but are mistaken about the approach to measuring lightness—a standard instead of a rule. Whenever the GOODLITE certification is affixed to a product that weighs five pounds or more but in fact weighs less than other similar products, these consumers will mistakenly think the product weighs less than five pounds.

As a general matter, consumers might miscomprehend the particular boundaries of a certification rule or standard. They might, for instance, think that the GOOD HOUSEKEEPING seal of approval certification mark indicates that certified products are generally good products worthy of purchase, whereas the mark actually demonstrates that the certified products perform as intended.<sup>45</sup> Or consumers might mistakenly believe that a particular kosher food certification signifies rabbinical approval of all aspects of a food, including its packaging, rather than just the food’s ingredients and preparation.<sup>46</sup> Consumers’ misperceptions of a certification mark’s signification—whatever the sort—can sometimes diminish or extinguish the mark’s utility. They can do so by failing to recognize the mark’s intended standard—or, even worse, be

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44. See generally Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 557, 568-84 (1992) (discussing, for example, the relative promulgation and enforcement costs of rules as compared to standards).

45. See *supra* text accompanying note 10.

46. See *infra* Part II.A.

counterproductive by presuming a standard at odds with or distinct from the mark's intended standard.<sup>47</sup>

These mismatches are problematic only if consumers will not readily deduce that the certification standard is not what they think it is, either because they have been affirmatively misled or because of confusion as to the actual standard. In some circumstances, consumers will observe that certified goods or services do not conform to the specified standard, such as if a product certified to be blue is actually red.<sup>48</sup> But in many—perhaps most—circumstances, even the most astute consumers will not detect mismatches between perceived and actual certification standards.<sup>49</sup> Sometimes consumers are unable to observe what is being certified, such as when the certified characteristic is the production process for goods or services or invisible components of goods.<sup>50</sup> At other times, the certification standard itself might be hard to ascertain or grasp precisely because of complexity or obscurity, making it hard to detect mismatches.<sup>51</sup>

This is all to say that undetected mismatches can cause great mischief for the goals of certification marks. Precision, or at least consistency, and consumer perception of certification marks are thus both crucial to the marks' operating as designed.<sup>52</sup> After discussing how certification mark law operates and how and why businesses structure certification marks as they do, this Article analyzes how current certification mark law allows mismatches between consumer perceptions of certification standards and actual

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47. Misperceptions will not always cause harm to consumers or competition. Some misperceptions might be principally irrelevant. For example, that would be the case if the GOODLITE certification actually signifies products of less than 5,0003 pounds, but consumers think the mark signifies products of less than 5 pounds and in practice no certified product weighs 5 pounds or more. Or consumers might think that a certifier uses particular rules to determine a product's safety when it instead uses others, and consumers do not generally care about the differences between those rules.

48. See Errol Meidinger, *Multi-Interest Self-Governance Through Global Product Certification Programmes*, in RESPONSIBLE BUSINESS: SELF-GOVERNANCE AND LAW IN TRANSNATIONAL ECONOMIC TRANSACTIONS 259, 267 (Olaf Dilling et al. eds., 2008) (observing that when a "certifier . . . works to ascertain quality in a product that, if absent, will affect its performance[,] . . . poor certification work is likely to be discovered by a product user").

49. See Chon, *Marks of Rectitude*, *supra* note 3, at 2319 ("Consumers are not often in a position to be able to assess the truthfulness of a claim made about a product's qualities; thus, the issue of consumer trust is central to the legitimate functioning of this regulatory regime.").

50. See Meidinger, *supra* note 48, at 268 (noting how forest certification programs are an example of certifications for unobservable processes); Mogyoros, *supra* note 15, at 3-4 ("Process-oriented attributes, such as fair trade, organic farming, and animal welfare may . . . be as considered credence attributes or, what German scholars have called, Potemkin attributes.").

51. See *infra* text accompanying notes 326-28 (discussing this concern for movie ratings).

52. See Meidinger, *supra* note 48, at 268.

certification standards to flourish. Part IV returns to a discussion of how the law can improve certification marks' utility in this regard.

In view of the important substantive differences between certification marks and trademarks outlined in this Part, it is crucial to explore whether these differences analytically and normatively suggest that certification marks ought to be treated differently from trademarks. Pertinently, as the Parts below indicate, it is worth analyzing whether the incentives that drive trademark owners vary from those motivating certification mark holders, whether there are differences in the markets for certification marks and trademarks, and whether the different legal requirements for each sort of mark lead to different behavior in the marketplace. One important issue to explore in this vein is whether any such differences suggest that certifiers might interfere with consumer protection and promotion of competition, trademark law's overarching goals. If so—as this Article suggests—the law ought to correct this situation, as this Article recommends. Despite the important differences between certification marks and trademarks, this Article concludes by arguing that certification marks—subject to this Article's proposed modifications—are properly maintained as a branch of trademark law.

## **II. Exclusive Certification or Certification Exclusion?**

Many certification marks are used indisputably as the law intends: to promote fair competition and lower consumers' search costs for goods or services exhibiting certain standards that are marked by the certification. But some certifiers are behaving questionably in employing their marks. In the illustrations that follow—the kosher certification of Jezebel, a hip restaurant in New York City; the movie rating for *Henry: Portrait of a Serial Killer*; and the geographical indication for Swiss watches—certifiers are invoking their certifying standard to exclude certain providers of goods and services from their auspices or to impose changes upon their businesses. The certifiers at issue here are all dominant ones in their respective domains (and might have power over the relevant certification market or even the downstream market in which they certify). Their imprimatur thus carries significant weight for consumers who care about the certification. Query whether these certifiers are deploying their certifications properly to ensure that the products they are certifying meet their ideal standard or instead are manipulating the certifications' standards to exclude certain businesses at the expense of helping consumers and promoting fair competition. After these case studies, the next Part generalizes by analyzing what motivates certifiers, what sort of market behavior the law of certification marks encourages, and why behavior by certifiers that is counterproductive to certification marks' purposes might emerge.

A. The Kosher Certification of Jezebel

Because many Jewish people choose to eat kosher food—oftentimes exclusively—kosher certification has become a big business in the United States. “Kosher” derives from the Hebrew word for “fit” or “proper,” though it is typically used to refer to foods that comply with a host of religious restrictions about food consumption and preparation.<sup>53</sup> Although there are differing degrees of strictness of and reasons for kosher observance, some of the agreed-upon fundamentals are to not mix meat and dairy products in the same food (or meal) and to not eat certain animal species (such as those that do not chew their cud or do not have split hooves, like pigs).<sup>54</sup>

The market for kosher food products is extensive. One study shows that 21% of Americans regularly or occasionally buy kosher products because they are kosher.<sup>55</sup> Moreover, there are over twelve million regular kosher consumers in the United States.<sup>56</sup> The kosher market is estimated to be a \$12.5 billion market.<sup>57</sup> Roughly 135,000 distinct retail products have been certified kosher, requiring certification of over a million ingredients.<sup>58</sup>

According to Timothy Lytton, “increasing industrialization of food production has boosted demand for kosher certification.”<sup>59</sup> Kosher certifiers that can assess the food production process can help consumers, who are far removed from this process and cannot readily discern how a food was produced or each precise ingredient it contains.<sup>60</sup>

The three kosher certification marks with the largest number of industrial clients are the OU, the OK, and the Star-K marks.<sup>61</sup> The OU is by far the dominant certification. Depending on the measurement technique, the OU has between half and almost three-quarters of the market share for kosher-certified products.<sup>62</sup> The *New York Times* has referred to the OU mark as “a

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53. TIMOTHY D. LYTTON, *KOSHER: PRIVATE REGULATION IN THE AGE OF INDUSTRIAL FOOD* 7 (2013).

54. *See id.*; *The Kosher Primer*, ORTHODOX UNION KOSHER, <http://oukosher.org/the-kosher-primer> (last visited Jan. 1, 2017).

55. *Kosher Certification Advantages*, STAR-K, <http://www.star-k.org/articles/articles/getting-certified/advantage-kosher-certification/1373/the-global-demand-for-kosher> (last visited Jan. 1, 2017).

56. *Id.*

57. *Id.*

58. LYTTON, *supra* note 53, at 59.

59. *Id.*

60. *See id.* at 59-60.

61. *Id.* at 61 tbl.1.

62. *See id.* at 74-79. By comparison, the OU’s closest competitor, the OK, has something closer to a 20% share of the market. *See id.*

coveted seal of approval” offered by “the country’s largest and most powerful certifier of kosher products.”<sup>63</sup> The nonprofit Orthodox Union, which describes its overarching mission “to engage, strengthen and lead the Orthodox Jewish Community, and inspire the greater Jewish community,”<sup>64</sup> runs the OU kosher certification.<sup>65</sup> By 2012, the Orthodox Union was certifying almost 500,000 products for more than 4300 clients.<sup>66</sup> The kosher certification division of the Orthodox Union generates many millions of dollars in profits each year,<sup>67</sup> enough money to support the organization’s extensive programming activities, such as synagogue funding, political advocacy, youth programming, and educational activities.<sup>68</sup> Ninety percent of the Orthodox Union’s funding comes from kosher certification fees.<sup>69</sup> In addition to certifying food production, the OU is also used to certify kosher restaurants.<sup>70</sup> The costs of kosher certification are typically passed through to the consumer and can significantly affect kosher food prices.<sup>71</sup>

Enter onto the scene in 2012 Jezebel, a new restaurant in Manhattan’s SoHo neighborhood seeking to offer a cutting-edge downtown dining experience with food that happens to be kosher.<sup>72</sup> Its décor and ambience strove to be different from one’s typical idea of a kosher restaurant:

A large print of *The Last Supper* looms over the dining room, with Woody Allen’s face superimposed over Jesus’. In the lounge other paintings get a similar treatment, including Jon Stewart in *Napoleon Crossing the Alps* and Barbra Streisand as *Girl With a Pearl Earring*. Beneath these watchful Jewish eyes, the

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63. Leslie Berger, *Cough Syrup Receives Kosher Seal of Approval*, N.Y. TIMES (Feb. 1, 2005), <http://nyti.ms/2aS3Hmr>.

64. *About the OU*, ORTHODOX UNION, <https://www.ou.org/about> (last visited Jan. 1, 2017).

65. The OU certification dates back to the 1920s. See *OU Facts*, ORTHODOX UNION KOSHER (Dec. 18, 2006), <http://oukosher.org/blog/corporate/ou-facts>. The Orthodox Union has increased its business over time in part by acquiring regional certification agencies. LYTTON, *supra* note 53, at 60-61.

66. LYTTON, *supra* note 53, at 61.

67. Samantha M. Shapiro, *Kosher Wars*, N.Y. TIMES MAG. (Oct. 9, 2008), <http://nyti.ms/2bjHhe1>.

68. LYTTON, *supra* note 53, at 61.

69. *The Rapidly Expanding World of Kosher Food*, BLOOMBERG (Dec. 2, 2010, 5:00 PM EST) <http://www.bloomberg.com/news/articles/2010-12-02/the-rapidly-expanding-world-of-kosher-food>.

70. See *Restaurants & Food Services*, ORTHODOX UNION KOSHER, <http://oukosher.org/restaurants> (last visited Jan. 1, 2017).

71. See Ora Coren, *Study: Kashrut Certification Costing Israeli Economy \$770m*, HAARETZ (Jan. 5, 2016, 9:06 AM), <http://www.haaretz.com/israel-news/business.premium-1.695480> (reporting that in Israel, kosher certifications add 5% to the price of food production and cost the Israeli economy about \$770 million).

72. Sumathi Reddy, *In SoHo, Kosher Rules Get New Twist*, WALL ST. J. (May 16, 2012, 4:00 PM ET), <http://on.wsj.com/KWfiel>.



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lounge's black leather banquettes are adorned with small felt pillows that look like traditional tefillin bags. Shofars—ram's horns used during Jewish High Holidays—adorn the light fixtures for the bar and dining room.<sup>73</sup>

The restaurant referenced Judaism in its packaging in a fun and somewhat subversive way. No exception was its name, a reference to a biblical princess said to have encouraged idol worship at the expense of Jewish practice and ordered the deaths of many Jewish prophets.<sup>74</sup> According to the biblical telling, she was punished for this behavior by being defenestrated by her court retinue, after which stray dogs ate her corpse's flesh.<sup>75</sup> The restaurant opened to a lot of press attention and hosted numerous celebrities.<sup>76</sup>

Jezebel initially operated under the kosher certification of a local rabbi. Some months later, it tried to switch its certification to the consistently trusted OU mark and expand to attract traditional kosher diners.<sup>77</sup> The Orthodox Union refused to certify the restaurant as it was, not because of any issue with the restaurant's food but rather because of its name.<sup>78</sup> The Orthodox Union was willing, however, to certify the restaurant if it changed its name.<sup>79</sup> Rabbi Moshe Elefant, the head of the Orthodox Union's kosher division, told one reporter that the organization "felt the name Jezebel does not represent a person who has a positive reputation in the Tanach [Bible] and was not a name we want to promote" and that "this is the name of . . . a clearly wicked person."<sup>80</sup> He elaborated to another reporter, "It is not appropriate to name a kosher restaurant after [Jezebel]. . . . The basis in Jewish law is that a name has

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73. David Fine, *Kosher Food Goes SoHo Chic*, TABLET MAG. (July 25, 2012, 7:00 AM), <http://www.tabletmag.com/jewish-life-and-religion/107222/kosher-food-goes-soho-chic>.

74. 1 Kings 16:29-31, 18:4-40, 19:1-2.

75. 2 Kings 9:30-37. Over time and following from the biblical character, the name "Jezebel" has taken on a sense of "a wicked, shameless woman" and become associated with promiscuity. *Jezebel*, DICTIONARY.COM, <http://dictionary.reference.com/browse/jezebel?s=t> (last visited Jan. 1, 2017).

76. E.g., Fine, *supra* note 73 ("On a recent weeknight, the packed restaurant drew a diverse mix: In one corner sat Israel's consul-general, while, in the opposite corner legendary hair stylist Joel Warren of Warren-Tricomi hosted a large table of models and fashionistas. Between the two sat women wearing high-fashion sheitls, men with gold Jewish stars hanging out of their unbuttoned shirts, and a diverse mix of Manhattan's Jewish and gentile intelligentsia.").

77. Nicole Lyn Pesce & Michael Kaminer, *Orthodox Union Gets Jezebel's Name Changed*, N.Y. DAILY NEWS (Feb. 28, 2013, 4:45 PM), <http://www.nydailynews.com/life-style/orthodox-union-jezebel-changed-article-1.1276240>.

78. See Adam Dickter, *OU Banishes Jezebel from Soho*, N.Y. JEWISH WK. (Feb. 26, 2013), <http://jwshwk.co/Z21iRg>.

79. See *id.*

80. *Id.* (first alteration in original).

significant influence on who you are, what you are and who you represent.”<sup>81</sup> To get the OU’s valuable certification, the restaurant owners conceded to the demand and changed the restaurant’s name to JSoho.<sup>82</sup>

Less than a year later, the restaurant shut down.<sup>83</sup> An expert on kosher restaurants opined that “JSoho got off to a rough start with the name and supervision change and the bad press that came with it.”<sup>84</sup> Of course, given the high rate of new-restaurant closings,<sup>85</sup> this failure is perhaps unsurprising, especially because the restaurant had also switched chefs and received mixed reviews.<sup>86</sup> Nonetheless, as trademark scholars or marketing experts can attest, changing the name of a business that had been attracting attention and building a reputation can be harmful.<sup>87</sup>

This story raises questions about what exactly the OU mark certifies. According to its mark registration, the mark certifies “that the production of said goods and that the rendering of said services has been supervised by the rabbinical supervisors of the applicant, under the direction of . . . Rabbinica[l] Council of America, Inc.”<sup>88</sup> If that is the extent of the certification standard, the Orthodox Union has significant flexibility to declare exactly what is and is not kosher each time it is called upon to certify, in ways that may or may not remain consistent over time. A perusal of the Orthodox Union’s public online materials does not offer up a detailed guide of its standards for kosher certification.<sup>89</sup> All signs nonetheless point in favor of a perception cultivated by the Orthodox Union that its kosher certification concerns only food and no other factors. Its discussion of its kosher certification process, its kosher primer, and its frequently asked questions concern only food, not ambience or

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81. Pesce & Kaminer, *supra* note 77.

82. *Id.*

83. Helen Chernikoff, *Kosher JSoho Closes*, N.Y. JEWISH WK. (Nov. 20, 2013), <http://jwshwk.co/CWSTxQ>.

84. *Id.*

85. Kerry Miller, *The Restaurant-Failure Myth*, BLOOMBERG (Apr. 16, 2007, 7:14 PM EDT), <http://www.bloomberg.com/news/articles/2007-04-16/the-restaurant-failure-mythbusinessweek-business-news-stock-market-and-financial-advice> (suggesting that though the failure rate of new restaurants is not as high as is generally believed, it is still as high as that of new businesses generally, at over 50%).

86. See Dani Klein, *J Soho (Formerly Known as “Jezebel”) to Close This Week*, YEAHTHATSKOSHER.COM (Nov. 8, 2013), <http://yeahthatskosher.com/2013/11/j-soho-formerly-known-as-jezebel-to-close-this-week>.

87. E.g., Chris Penttila, *Changing Your Business Name*, ENTREPRENEUR (Nov. 21, 2006), <https://www.entrepreneur.com/article/171054>.

88. OU, Registration No. 1,087,891.

89. In particular, see ORTHODOX UNION KOSHER, <https://oukosher.org> (last visited Jan. 1, 2017).

brand names.<sup>90</sup> In fact, when discussing kosher restaurants in its primer, it mentions only supervision of food and food production.<sup>91</sup> Perhaps even more telling is the Orthodox Union's answer to the question, "Why does the OU symbol appear on [food] labels that may not reflect kosher values?"<sup>92</sup> In its answer, the Orthodox Union indicates its lack of concern with religiously inappropriate label content because proper food production and content is its principal concern: "The OU logo relates only to the kosher status of the food in the package and not to the content of the label."<sup>93</sup> It therefore notes that it would not deny kosher certification to appropriately prepared fish sauce if the "fish sauce . . . display[ed] a picture of a non-kosher fish, . . . a recipe for a non-kosher food item [were] on the label[,] . . . [there were] references to [non-Jewish] religious holidays . . . on labels[, or] there [were] images that do not reflect Jewish standards of modesty."<sup>94</sup>

Despite these statements, Rabbi Elefant stated at the time of Jezebel's name change that "ambience" and other nonfood factors bear on the OU certification process because the OU "want[s] to make sure there is a certain environment in the restaurant."<sup>95</sup> He conceded, though, that he was unaware of any other prior certification decision turning on an objection to the restaurant's name.<sup>96</sup>

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90. See FAQs, ORTHODOX UNION KOSHER, <http://oukosher.org/faqs> (last visited Jan. 1, 2017); *How Does OU Kosher Certification Work?*, ORTHODOX UNION KOSHER, <http://oukosher.org/kosher-overview/how-does-ou-kosher-certification-work> (last visited Jan. 1, 2017); *The Kosher Primer*, ORTHODOX UNION KOSHER, <http://oukosher.org/the-kosher-primer> (last visited Jan. 1, 2017).

91. *The Kosher Primer*, ORTHODOX UNION KOSHER, <http://oukosher.org/the-kosher-primer> (last visited Jan. 1, 2017).

92. *Why Does the OU Symbol Appear on Labels That May Not Reflect Kosher Values?*, ORTHODOX UNION KOSHER, <http://oukosher.org/faqs/why-does-the-ou-symbol-appear-on-labels-that-may-not-reflect-kosher-values> (last visited Jan. 1, 2017).

93. *Id.*

94. *Id.*

95. Dickter, *supra* note 78. The Orthodox Union has been noted elsewhere for withholding its kosher certification for reasons other than food. See, e.g., Hannah Dreyfus, *'Prime' Battle over Kosher Practices*, N.Y. JEWISH WK. (Mar. 16, 2016), <http://jwshwk.co/40sq4j> ("[T]he OU has set a precedent for withdrawing certification for matters that do not deal solely with [food being kosher]. Sources close to the organization confirmed that it has decertified business owners in the past for crimes involving theft and fraud. . . . Other cases, from enforcing a modest dress code for waitresses to stipulating that dance music not be played while wine is served, have given major kashrut organizations reason to threaten to pull their approval."); Aaron Elstein, *Inside the Business of Making New York's Restaurants Kosher*, CRAIN'S N.Y. BUS. (Mar. 6, 2016, 12:01 AM), [http://www.crainsnewyork.com/article/20160306/HOSPITALITY\\_TOURISM/160309906/rabbis-with-blowtorches-the-business-of-kosher-restaurants](http://www.crainsnewyork.com/article/20160306/HOSPITALITY_TOURISM/160309906/rabbis-with-blowtorches-the-business-of-kosher-restaurants) ("[One restaurant's] combination of wine and live music displeased the OU, which in 2009 told [the restaurant owner] to stop it or his certification would be revoked. The OU rabbis contended that serving wine while live music is performed—except during occasions such as weddings and bar mitzvahs—dishonors the memory of the destruction of the

*footnote continued on next page*

The conditioned certification of Jezebel raises questions about the propriety of the Orthodox Union's actions. Was it ensuring that the goods and services it certifies are kosher in multiple rabbinic senses of the word, extending well beyond food to non-food-related behavior—a certification decision possibly intended to fall within the scope of its registered certification mark? Or was it seeking to exclude from its certification businesses of which it did not approve for other (likely religiously motivated) reasons falling outside the ambit of its kosher certification, which covers only food-related business aspects?<sup>97</sup> If the latter, the Orthodox Union is likely using the power of its certification mark in troublesome ways that exceed the scope of its certification and might hurt both consumers and fair competition.

B. Movie Rating for *Henry: Portrait of a Serial Killer*

Consider now another example: movie ratings. In 1968, the nonprofit trade organization MPAA—which has as its members the six major Hollywood film studios<sup>98</sup>—established its film rating system “to provide parents the tools they need to make informed decisions about what their children watch.”<sup>99</sup> The

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Temple in Jerusalem by the Roman Empire. [The owner] said he dropped the OU and turned to an Upper West Side organization called Mehadrin Kashrus to certify his restaurant.”). In Israel, the most prominent ultra-Orthodox rabbinical court (the Badatz) threatened to remove Pepsi's kosher certification for an advertising campaign depicting a chain of biological evolution (leading up to a Pepsi drinker) because the theory of evolution runs counter to ultra-Orthodox religious beliefs. Peter Ford, *Pepsi Defies Arab Boycott but Runs Into Israeli Foes*, CHRISTIAN SCI. MONITOR (May 27, 1992), <http://fw.to/YAwfWYf>.

96. Dickter, *supra* note 78.

97. This is, though, arguably related to the Orthodox Union's overarching interest in promoting the Orthodox Jewish religion. See *supra* text accompanying note 64 (describing the Orthodox Union's mission).

98. See *Our Story*, MOTION PICTURE ASS'N AM., <http://www.mpa.org/our-story> (last visited Jan. 1, 2017). These six studios are Walt Disney Studios Motion Pictures, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLC, and Warner Bros. Entertainment Inc. *Id.* The MPAA's only members are these six film-releasing studios. Timothy Noah, *The 7 Percent Solution*, SLATE (Feb. 24, 2011, 7:43 PM), [http://www.slate.com/articles/business/the\\_customer/2011/02/the\\_7\\_percent\\_solution.html](http://www.slate.com/articles/business/the_customer/2011/02/the_7_percent_solution.html). However, it has recently considered expanding. Michael Cieply & Brooks Barnes, *After Sony Hacking, the M.P.A.A. Considers Major Changes*, N.Y. TIMES (Feb. 5, 2015), <http://nyti.ms/1FbruWL> (reporting that the MPAA is considering opening up its association to new members). One might query at a functional—if not a formalistic—level whether the MPAA complies with certification mark law's prohibition on a certifier selling goods or services bearing its certification mark, given that its members release the bulk of the films that carry its certification. See *supra* text accompanying notes 37-38.

99. *Film Ratings*, MOTION PICTURE ASS'N AM., <http://www.mpa.org/film-ratings> (last visited Jan. 1, 2017).

MPAA's current rating system is described in its federally registered certification marks for each rating: there is a G rating that certifies that a movie has "nothing in theme, language, nudity and sex, or violence which would, in the view of [the MPAA's] rating board, be offensive to parents whose younger children view the film";<sup>100</sup> an NC-17 rating that certifies that "in the opinion of [the MPAA's] rating or appeals boards, most American parents will consider the motion picture inappropriate for viewing by anyone under the age of 17, by reason of its depiction or treatment of violence, sensuality, language, drug abuse, or a combination of these or other elements";<sup>101</sup> and intermediate ratings of PG, PG-13, and R for movies falling between the G and NC-17 certifications.<sup>102</sup>

Although the MPAA's rating scheme is voluntary, it can feel mandatory for most commercial filmmakers. That is because many movie theaters refuse to exhibit films that have not been rated or are rated NC-17.<sup>103</sup> Several large newspapers similarly refuse to advertise such films.<sup>104</sup> Not being advertised or exhibited in a movie theater has historically been a "kiss of death" for moviemakers in terms of profits and audience exposure.<sup>105</sup>

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100. G, Registration No. 1,169,743.

101. NC-17, Registration No. 1,661,271.

102. PG, Registration No. 1,169,742 ("The mark certifies that the . . . film, in the opinion of [the MPAA], clearly needs to be examined or inquired about by parents before they let their younger children attend. Such films may contain profanity, but not harsher sexually derived words. There may be violence, but it is not deemed so strong that admission should be restricted. There is no explicit sex on the screen, but brief nudity may appear."); PG-13, Registration No. 1,337,409 ("The certification mark . . . certifies that the motion picture film, in the opinion of the [MPAA], contains material as to nudity, language, sensuality, treatment of theme, and violence such that parents should exercise caution before allowing their children under thirteen years of age to attend."); R, Registration No. 1,170,739 ("The mark certifies that the motion picture film is, in the opinion of [the MPAA], an adult film in some of its aspects and treatment so far as language, violence, or nudity and sexuality is concerned, and that because of such elements no one under the age of 17 should be admitted unless accompanied by a parent or guardian.").

103. Chree Izzo, *Too Sexy for the MPAA: The Curse of the NC-17 Rating*, QUAD (Oct. 24, 2010), <http://buquad.com/2010/10/24/too-sexy-for-the-mpaa-the-curse-of-the-nc-17-rating> ("Take, for instance, the awesomely awful *Showgirls*, the first (and last) NC-17 rated film to ever be given wide distribution. The film was infamously panned by critics and did abysmally at the box office when released in 1995, and thus cemented the notion that an NC-17 rating was box office poison for films. It's become a vicious cycle: most theaters don't show NC-17 rated films, so people don't see them, and because fewer tickets are sold, fewer theaters are willing to show such films.").

104. *MPAA Ratings*, FILMBUG, <http://www.filmbug.com/dictionary/mpaa-ratings.php> (last visited Jan. 1, 2017).

105. Jacob Miller, *This Essay Is Not Yet Rated: The Problem with the MPAA*, MOVIE REHAB (Mar. 16, 2014), <http://movierehab.com/problem-with-mpaa>.

Beyond the general knowledge that ratings are based on a film's violence, language, drug use, sexual content, and smoking, the public knows little about how the MPAA rating board reaches its rating decisions.<sup>106</sup> There is little that can be discerned from the vague language in the standards specified in the movie ratings' certification mark registrations and in MPAA publications.<sup>107</sup>

Perhaps unsurprisingly, the ratings standards' opacity has given rise to many claims of inconsistent or indefensible movie ratings, such as harsher ratings for movies with sexual content or foul language than for films with gruesome violence.<sup>108</sup> This Subpart discusses one such example to sharpen the issue whether the MPAA's rating system is being deployed in accordance with the goals of trademark law.

In the 1980s, independent movie producer Maljack Productions shot *Henry: Portrait of a Serial Killer*, a psychological thriller filmed in documentary style and loosely based on the real-life serial killer Henry Lee Lucas.<sup>109</sup> The movie indisputably contains graphic violence, including two rapes and many violent murders.<sup>110</sup> At the time, the most extreme rating the MPAA would give to a movie was not NC-17 but rather X, which officially signified that the film had an "accumulation of brutal or sexually connected language, or of explicit sex or

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106. See MPAA RATING RULES, *supra* note 9. There are a handful of publicly known rules of thumb, such as that a film will get at least a PG-13 rating if there is any drug reference and a film will get at least an R rating if "one of the harsher sexually-derived words" is used more than once. *Id.*; *MPAA Ratings*, *supra* note 104.

107. See *supra* text accompanying notes 100-02 and note 102 (quoting the movie ratings' certification standards in their mark registrations). The most detailed public information released by the MPAA—which is far from extensive and principally details the process for submitting films for rating and an appeal process—is contained in MPAA RATING RULES, *supra* note 9. In fact, the ratings' looseness seems to be implicit in at least one judicial ruling. In particular, a court declared to be unconstitutionally vague a state statute criminalizing a film exhibitor for representing a film as suitable for children when it is not, a statute which incorporated by reference the then-existing MPAA rating system. *Motion Picture Ass'n of Am. v. Specter*, 315 F. Supp. 824, 824-26 (E.D. Pa. 1970). In so ruling, the court observed that "[t]he evidence clearly established that the [rating system] has itself no defined standards or criteria against which to measure its ratings. . . . Films viewed are simply graded according to the individual reactions of the viewing members." *Id.* at 825.

108. See, e.g., Roger Ebert, *Getting Real About Movie Ratings*, WALL ST. J. (Dec. 11, 2010, 12:01 AM ET), <http://on.wsj.com/1w3rVQy>; Roger Ebert, *The Passion of the Christ Movie Review* (Feb. 24, 2004), <http://www.rogerebert.com/reviews/the-passion-of-the-christ-2004> (reviewing the film and discussing its R rating). The documentary *This Film Is Not Yet Rated* observes that four times as many movies get an NC-17 rating for sex as for violence. *THIS FILM IS NOT YET RATED* 58:00-59:00 (IFC Films 2006).

109. See *Maljack Prods., Inc. v. Motion Picture Ass'n of Am.*, 52 F.3d 373, 374 (D.C. Cir. 1995); Caryn James, *Review/Film: 'Henry,' the Disturbing, Almost-True Story of a Serial Killer*, N.Y. TIMES (Mar. 23, 1990), <http://nyti.ms/2dCeCm6>.

110. *Maljack Prods.*, 52 F.3d at 374.

excessive and sadistic violence” that rendered it “patently an adult film.”<sup>111</sup> In practice, an X rating meant that no respectable movie theater would screen that film, nor would any newspaper advertise that film.<sup>112</sup> Maljack submitted its film for MPAA rating and paid a rating fee, which was proportional to the film’s production cost.<sup>113</sup> The MPAA’s rating division conferred an X rating on the movie due to its violence, specifically its “disturbing” moral tone.<sup>114</sup> The producers appealed the rating to the MPAA’s Classification and Rating Appeals Board, which affirmed the X rating.<sup>115</sup> In 1989, Maljack opted to release the film unrated rather than with an X rating.<sup>116</sup> As a result, Maljack made less money than it expected it would have had the film received an R rating.<sup>117</sup>

Maljack went further, alleging that the MPAA discriminated against it because it was an independent movie producer and not a member of the MPAA.<sup>118</sup> Maljack maintained in a lawsuit against the MPAA that the organization had conferred the R rating on films that were equally or more gory or violent than *Henry: Portrait of a Serial Killer*.<sup>119</sup> John McNaughton, the

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111. *Id.* (quoting the MPAA’s published general description of the X rating).

112. The X rating was the only one of the MPAA’s film ratings not registered as a certification mark. Tony, *How “X-Rated” Came to Mean “Porn” and the Death of Movies for Grown-Ups*, COMSTOCK FILMS (Aug. 7, 2007, 8:43 AM), <http://www.comstockfilms.com/blog/tony/2007/08/07/how-x-rated-came-to-mean-porn-and-the-death-of-movies-for-grown-ups>. The MPAA intended that it could confer the X rating, as could movie producers for their own films if they wanted to market them to adults only. *Id.* Pornography producers soon began to self-apply this X rating or go yet further and self-apply a triple-X rating to advertise how sexually explicit their films were. *Id.* Once this meaning took over, respectable movie theaters never wanted to screen X-rated films, nor did newspapers want to advertise them. *Id.*

113. *Maljack Prods.*, 52 F.3d at 374.

114. *Id.*; Peter Travers, *Henry: Portrait of a Serial Killer*, ROLLING STONE (Jan. 5, 1990), <http://rol.st/Sf6EyU>.

115. *Maljack Prods.*, 52 F.3d at 375.

116. *Id.* For a sampling of films that were recut to achieve an R rating, see *NC-17 to R: How 14 Movies Made the Cut(s)*, ENT. WKLY. (Aug. 4, 2014, 12:00 AM EDT), <http://www.ew.com/gallery/nc-17-r-how-14-movies-made-cuts> (discussing how the MPAA gave *American Pie* an R rating instead of an NC-17 rating only after the producers trimmed some, though not all, sexual thrusts made by the main character into a pie).

117. *Maljack Prods.*, 52 F.3d at 375.

118. *Id.*

119. *Id.* at 376. In one claim, Maljack sought to cancel the certification mark for the MPAA’s R rating because it was being conferred in a discriminatory fashion. *Id.* at 375. The district court dismissed that claim, and Maljack did not appeal on that ground. *Id.* There has been at least one other lawsuit against the MPAA asserting somewhat similar factual allegations but with a different legal claim. See *Tropic Film Corp. v. Paramount Pictures Corp.*, 319 F. Supp. 1247, 1248, 1256 (S.D.N.Y. 1970) (refusing to grant preliminary injunctive relief against the MPAA in an antitrust suit for “carrying on an asserted industry-wide refusal to deal in and distribute, advertise and exhibit

*footnote continued on next page*

film's director, suggested that the MPAA is incentivized to act favorably toward big movie studios, and not toward independent movie producers, because "it's the studio[s] that pay[] the MPAA's bills."<sup>120</sup> One of the film's producers observed,

What I want to know . . . is how in [major studio picture] *Indiana Jones and the Temple of Doom* . . . a man sticks his hand into the chest cavity of another man and pulls out a bleeding, beating heart and the movie gets a PG rating. And our movie, which has nothing like that, gets an X?<sup>121</sup>

Other independent producers have voiced claims similar to Maljack's, that films made by major movie studios and filmmakers are rated more favorably than similar films made by independent producers. Consider the independent documentary *A Film Unfinished*, which is about the making of a Nazi propaganda video about the Warsaw ghetto.<sup>122</sup> That film received an R rating for including footage of atrocities committed at concentration camps.<sup>123</sup> By contrast, Steven Spielberg's Shoah Foundation had previously released a Holocaust documentary, *The Last Days*, which contained similar footage of the camps.<sup>124</sup> It received only a PG-13 rating.<sup>125</sup> The independent producers of *A Film Unfinished* appealed the decision, pointing to the similar footage in Spielberg's documentary, but to no avail.<sup>126</sup> The biggest difference between these films, perhaps explaining the differential treatment, is that Spielberg's documentary was produced by an entity based at the major movie studio Universal Studios and connected closely to Spielberg.<sup>127</sup>

David Waguespack and Olav Sorenson recently showed that this claim of rating discrimination against independent producers has merit.<sup>128</sup> They

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plaintiff's film 'Tropic of Cancer' without an 'X' rating affixed to it and to its advertising").

120. Carrie Rickey & Desmond Ryan, *How NC-17 May Change the Film Scene: Philadelphians Can Soon See "Henry & June," Which Is the First Film with the Rating—and Which Played a Key Role in the Death of the X*, PHILA. INQUIRER (Oct. 1, 1990), [http://articles.philly.com/1990-10-01/news/25894362\\_1\\_nc-17-x-category-x-rated-films](http://articles.philly.com/1990-10-01/news/25894362_1_nc-17-x-category-x-rated-films). In fact, the MPAA was later persuaded to adopt the NC-17 rating in place of the X rating only after a fight over rating a major studio picture, *Henry & June*. See *id.* McNaughton attributed this move to pressure from the major movie studios. *Id.*

121. LAURENT BOUZEREAU, *ULTRAVIOLENT MOVIES: FROM SAM PECKINPAH TO QUENTIN TARANTINO 202* (1996) (quoting Waleed B. Ali, Producer, Maljack Prods. Inc.).

122. Noah, *supra* note 98.

123. *Id.*

124. *Id.*

125. *Id.*

126. *Id.*

127. *Id.*

128. David M. Waguespack & Olav Sorenson, *The Ratings Game: Asymmetry in Classification*, 22 ORG. SCI. 541, 542 (2011).



compared MPAA ratings with film ratings made on the website Kids-in-Mind.<sup>129</sup> That site seeks to provide objective ratings on three scales—sex/nudity, violence/gore, and profanity—and explain those ratings, sometimes in excruciating detail, for the benefit of parents.<sup>130</sup> Unlike the MPAA, Kids-in-Mind is not financially beholden to any movie producers.<sup>131</sup> Waguespack and Sorenson found that the two raters acted similarly in deciding whether to give an R rating when the composite score of the three scales was either very low (child-friendly) or very high (full of child-unfriendly content).<sup>132</sup> On the films in between, however, the major studios were significantly less likely (24.2%) to receive R ratings than the independent producers.<sup>133</sup> Even after correcting for the independent studios' propensity to release films with controversial content as compared to risk-averse major studios, Waguespack and Sorenson found that major studios were 7.1% less likely to receive R ratings.<sup>134</sup>

All in all, there is a whiff of favoritism toward major movie studios over independent film producers in the MPAA's purportedly neutral rating system. It is plausible to see how and why this favoritism might take hold: through a combination of vague certification standards that can be applied differentially but plausibly in many cases and the appeal of greater financial support for the MPAA from the major studios. Is this an instance of certification exclusion for some independent producers? Or is it exclusive certification, which for some on-the-merits (but not fully transparent) reason, some independent studios' films are rated less favorably than some major studios' movies? For instance, it is plausible that the major movie studios are merely better equipped, with their greater resources, to make the case for—and therefore secure—their preferred movie ratings (which independent producers would successfully do as well were they similarly equipped).

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129. *Id.* at 545-46.

130. KIDS-IN-MIND, <http://www.kids-in-mind.com> (last visited Jan. 1, 2017). For example, with regard to the recently released film *Mike and Dave Need Wedding Dates*, one of the five noted instances of violence or gore is the following: "A woman on an ATV follows a man on another ATV off a cliff and crashes; she seriously injures her face with massive bruising before her wedding day and we see a large ridged tire strike the woman's face and knock her face down in close-up (we later see the side of her face covered in a bruise, scrapes, a cut lip and a bloody nose); one scene showing a patch of gauze on the forehead and a bruise at the lower lip." *Mike and Dave Need Wedding Dates [2016] [R]—8.5.10*, KIDS-IN-MIND, <http://www.kids-in-mind.com/m/mikeanddaveneedweddingdates.htm> (last visited Jan. 1, 2017).

131. Waguespack & Sorenson, *supra* note 128, at 545.

132. *Id.* at 548.

133. *Id.* at 547.

134. *Id.*

C. Geographical Indication for Swiss Watches

Consider now a third example, of a geographical indication for Swiss watches. A geographical indication (GI) is a particular sort of certification: one whose mark corresponds to a particular geographic region and certifies that the product bearing it has specific characteristics owing to its geographic region of origin or location.<sup>135</sup> As Justin Hughes points out, whether and how broadly to protect GIs can have significant commercial impact on “a dizzying array of words and symbols: champagne, port, bourbon, camembert, Idaho potatoes, Swiss cheese, sherry, sake, pictures of the Eiffel Tower or Golden Gate Bridge, Dutch chocolate, shapes of bottles, Budweiser, jasmine rice, Coney Island hot dogs, Neapolitan pizza, [and] perhaps even images of Mozart and Benjamin Franklin.”<sup>136</sup>

As Hughes explains, many countries have justified GI protection by reference to *terroir*, or “the idea of an ‘essential land/qualities nexus’ [in that] the local producers are entitled to exclusive use of a product name because no one outside the locale can truly make the same product.”<sup>137</sup> Some scholars doubt whether there is actually any (irreproducible) nexus between land and product qualities.<sup>138</sup> Others are similarly persuaded that geographic names that already enjoy a good reputation (such as Swiss chocolate) can have market power whether or not there is some essential link between land and product quality.<sup>139</sup> For example, Hughes maintains that the evidence for *terroir* is weak and that those seeking to protect GIs strongly, like the European Union, do so to “control . . . geographic words for their *evocative value in the marketplace*” as a way to earn supracompetitive rents.<sup>140</sup>

In the United States, GIs are protected principally through certification marks of regional origin, oftentimes coupled together with product quality characteristics.<sup>141</sup> Consider the case of Swiss watches. The Swiss government

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135. Hughes, *supra* note 14, at 305-06. GIs are usually names of the relevant region, like “Idaho potatoes,” but they also can be words that are not names of places, such as “claret” to refer to red Bordeaux wines. *Id.* Justin Hughes observes that the geographic certification and the quality certification are in some tension with one another: “[M]any geographic words naturally drift from geographic source identification toward non-geographic product identification.” *Id.* at 353.

136. *Id.* at 303.

137. *Id.* at 301 (emphasis omitted); *see also id.* at 304 (understanding *terroir* as “the particular geography produc[ing] particular product characteristics that cannot be imitated by other regions”); *id.* at 306-08 (describing the French system of *appellations d’origine contrôlées*, or controlled designation of origin).

138. *Id.* at 357-68 (reviewing the skeptical literature).

139. *See id.* at 301.

140. *Id.* at 304-05, 386.

141. *Id.* at 308-11. Some GIs—for wine and spirits—are protected directly by statute based on international treaty obligations. *See* 15 U.S.C. § 1052(a) (2015); Agreement on Trade-  
*footnote continued on next page*

has instituted regulations for all watchmakers who would like to call their watches SWISS or SWISS MADE.<sup>142</sup> They care about this GI because Swiss watches have a (perhaps deserved) reputation of being of high quality.<sup>143</sup> In fact, Swiss watches generate half of the value of the \$40 billion international watch market despite representing only 3% of the world's watches.<sup>144</sup> The SWISS MADE GI is thus clearly economically desirable. The Federation of the Swiss Watch Industry—which polices whether companies comply with the SWISS MADE certification criteria<sup>145</sup>—protects this GI in the United States with a registered certification mark whose standard “certifies geographical origin of [watches] in Switzerland.”<sup>146</sup>

Although one might reasonably think that a watch is Swiss made only if fully made in Switzerland, this is not the case. It is considerably more complicated. A watch is SWISS MADE according to Swiss law and the Federation of the Swiss Watch Industry if its movement<sup>147</sup> is Swiss, its movement is cased up in Switzerland, and the manufacturer's final inspection takes place in Switzerland.<sup>148</sup> For a movement to be considered Swiss, among other things, it has to have components of Swiss manufacture that account for

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Related Aspects of Intellectual Property Rights arts. 23-24, Apr. 15, 1994, 1869 U.N.T.S. 299; *see also* Hughes, *supra* note 14, at 311-31. Given that governmental agencies frequently control the standards correlating to a GI, any changes to a GI's standard might be cumbersome and lengthy to make, as can be the case with governmental action generally. *See* Hughes, *supra* note 14, at 336. That is less true of certification marks controlled privately, where the standard can be more flexibly modified. *See infra* Part III.B.1.

142. *See, e.g.*, Xiaoli Li, *5 Signs of a Quality Watch*, ART OF MANLINESS (Dec. 23, 2009), <http://www.artofmanliness.com/2009/12/23/5-signs-of-a-quality-watch> (listing Swiss branding as one of five signs of a quality watch).

143. *See, e.g.*, *Swiss Watch Int'l, Inc. v. Fed'n of the Swiss Watch Indus.*, 101 U.S.P.Q.2d (BNA) 1731, 1742 (T.T.A.B. 2012) (“[T]he use of ‘Swiss watch’ as a metaphor for something of precision workmanship shows the renown of Swiss watches.”).

144. Raphael Minder, *In Watch Industry, a Feud over What Makes a Timepiece Swiss-Made*, N.Y. TIMES (Apr. 27, 2012), <http://nyti.ms/1rew1TI>.

145. According to its website, the Federation “represents around 500 members, or more than 90% of Swiss firms active in the production and sale of watches, clocks and components.” *Who Are We?*, FED'N SWISS WATCH INDUSTRY, <http://www.fhs.ch/eng/whoware.html> (last visited Jan. 1, 2017).

146. *See* SWISS MADE, Registration No. 3,038,819.

147. A watch movement is its “[a]ssembly consisting of the principal elements and mechanisms of a watch or clock: the winding and setting mechanism, the mainspring, the train, the escapement, [and] the regulating elements.” *Watch Glossary*, WATCHESOKAY.COM, <http://watchesokay.com/watch-glossary> (last visited Jan. 1, 2017).

148. *Ordinance Governing the Use of the Appellation “Swiss” for Watches*, CODE CIVIL [CC] [CIVIL CODE] Dec. 23, 1971, RO 1915, [http://www.fhs.ch/file/11/ordonnance\\_swiss\\_made\\_1971\\_En.pdf](http://www.fhs.ch/file/11/ordonnance_swiss_made_1971_En.pdf).

at least 60%—formerly at least 50%—of the movement’s total value, without the cost of assembly.<sup>149</sup> This increase to 60% came in response to pressure from watchmakers in Switzerland fearing “foreign” competition that qualifies for the SWISS MADE certification under the 50% standard.<sup>150</sup> In fact, Swiss companies had been advocating for an increase to a requirement that at least 80% of the watch’s total value come from Swiss components.<sup>151</sup>

These requirements—and the push to change them to exclude potential entrants or existing competitors who met the previous standard—are notable for three connected reasons: how malleable the standard is, how well consumers are served by this standard, and how competition is affected by the standard. First, although GIs are renowned for maintaining static standards—even to the detriment of innovation<sup>152</sup>—the example of Swiss watches shows, quite to the contrary, the malleability of a GI’s standard. Against expectation, the SWISS MADE certification does not refer to watches wholly made in Switzerland. Rather, the definition is more nuanced, based on certain parts of the watch being Swiss or assembled in Switzerland and a certain percentage of the watch movement’s value coming from Swiss components.<sup>153</sup> One watch

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149. *Id.* art. 2 (specifying further when particular costs count toward or ought to be excluded from this total value); Adi Soon, “*Swiss Made*” *Now Means More Swiss Made*, BLOG TO WATCH (May 15, 2013), <http://www.ablogtowatch.com/swiss-made-2> (discussing the requirement’s increase from 50% to 60%).

150. *See* Soon, *supra* note 149.

151. Minder, *supra* note 144. This is but one example of how geographic indications do not necessarily have clear boundaries, or at least the boundaries consumers might expect of them. As Dev Gangjee points out in recent work, some of the raw materials for foods with well-established geographical indications—including Parma ham and Stilton cheese—come from outside the geographic region indicated by the certification. Dev S. Gangjee, *Proving Provenance?: Geographical Indications Certification and Its Ambiguities*, WORLD DEV. (forthcoming 2017); accord Irene Calboli, In *Territorio Veritas: Bringing Geographical Coherence in the Definition of Geographical Indications of Origin Under TRIPs*, 6 WIPO J. 57, 57-58 (2014).

152. *See, e.g.*, David R. Downes, *How Intellectual Property Could Be a Tool to Protect Traditional Knowledge*, 25 COLUM. J. ENVTL. L. 253, 259 (2000) (“[G]eographical indications . . . are in fact intended not to reward innovation, but rather to reward members of an established group or community for adhering to traditional practices of the community or group’s culture.”); Hughes, *supra* note 14, at 336 (“[B]y being the least flexible, appellations are arguably the most prone to stability in meaning.”); *id.* at 338-39 (“[T]here is widespread agreement among wine industry experts . . . that the appellations system stifles innovation. . . . There are plenty of reports of innovation in French, Spanish, and Italian vineyards, but there is anecdotal evidence that this is happening more *outside* the appellation-controlled production environments. For example, there are a number of European winemakers who have stayed outside the appellation system as a way of protecting their freedom to innovate.” (footnotes omitted)); Webster D. McBride, Note, *GI Joe?: Coffee, Location, and Regulatory Accountability*, 85 N.Y.U. L. REV. 2138, 2145 (2010) (“A GI’s basis is not an innovative creation but an established practice combined with an established reputation.”).

153. *See supra* text accompanying note 149.

executive in Switzerland has noted that “[i]f everything in a watch really had to be Swiss-made, a large part of the Swiss industry would already have been destroyed.”<sup>154</sup> Even though the GI standard has well-defined boundaries, those boundaries can be changed, as they recently were.

Second, it is open to debate whether consumer interests are well served by the SWISS MADE standard and its modification. Does the standard optimally capture what consumers care about or ought to care about with regard to a watch being Swiss made? Perhaps consumers care more about, say, the number of Swiss parts in the watch than the total value<sup>155</sup> or that the watch was engineered in Switzerland. In fact, in 2012, a watch manufacturer petitioned to cancel the SWISS and SWISS MADE certification marks in the United States.<sup>156</sup> Among other things, the Trademark Trial and Appeal Board (TTAB) understood the petitioner to be claiming that the Federation of the Swiss Watch Industry, the mark registrant, had the “wrong” standards.<sup>157</sup> As represented by the TTAB, the petitioner “argue[d] that [the mark holder’s] requirements that the watch movement be cased up in Switzerland and that the final inspection of the watch take place in Switzerland are unnecessary.”<sup>158</sup> The TTAB rejected this argument, finding it to be “not well taken.”<sup>159</sup> It reasoned that the registrability of a valid certification mark does not depend on “whether the [TTAB] or a third party likes the standards, or sees the need for them,” just that they are offered to any entity that meets the standards whatever the mark holder determines them to be.<sup>160</sup> Even so, how accurate is the consumer’s understanding of the standard as it existed both before and after modification? Recall the problems that mismatch between perception and standard can cause for consumer welfare.<sup>161</sup>

Finally, what is the effect of this modification on competition? Most watchmakers in Switzerland that would undoubtedly qualify under a more stringent 60% or 80% value standard have been the ones advocating for a narrowed definition.<sup>162</sup> Such an arrangement would undoubtedly risk excluding smaller watchmakers in Switzerland. The bigger companies

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154. Minder, *supra* note 144.

155. See Nazanin Lankarani, *Special Report: A Swiss Debate*, N.Y. TIMES (Mar. 26, 2009), <http://nyti.ms/2dJcUBg>.

156. *Swiss Watch Int’l, Inc. v. Fed’n of the Swiss Watch Indus.*, 101 U.S.P.Q.2d (BNA) 1731, 1733 (T.T.A.B. 2012).

157. *Id.* at 1741.

158. *Id.*

159. *Id.*

160. *Id.*

161. See *supra* text accompanying notes 43-52.

162. See Minder, *supra* note 144.

maintain that to protect consumers and maintain high quality, the certification standard must be constricted.<sup>163</sup> The president of the Federation of the Swiss Watch Industry, for instance, has stated that “[t]he ‘Swiss Made’ label confers a certain status in the marketplace. When you think watch, you think Swiss. It is to our advantage to preserve its value and credibility and to protect consumers who buy Swiss products.”<sup>164</sup> The bigger companies articulate that given the nuanced SWISS MADE definition, businesses they do not think qualify as making Swiss watches had nonetheless been gaming the definition to qualify: for instance, by designing watches outside Switzerland but buying their movements from Switzerland<sup>165</sup> or by assembling a watch outside of Switzerland and then bringing it into Switzerland to put in the last screw and case up the movement.<sup>166</sup>

Smaller watchmakers in Switzerland think exclusion is what motivates the stricter standard. They worry that they will no longer qualify to deploy the SWISS MADE certification for their watches because of increased expense. To stay competitive, these watchmakers rely on some cheaper foreign components that they import to Switzerland for assembly.<sup>167</sup> They maintain that many watch components made in Switzerland, like dials, are no better than foreign-made components but cost more in Switzerland because they are more labor intensive.<sup>168</sup> They fear an inability to remain competitive if they have to buy more Swiss-made components and at a heavier price to satisfy the stricter standard.<sup>169</sup> They also worry that dominant Swiss movement manufacturers, like Swatch, will suppress the supply of movements, further reducing their chances of qualifying their watches as Swiss made.<sup>170</sup> One Swiss movement maker stated: “[T]his Swiss-made campaign is . . . about weakening rivals within Switzerland . . .”<sup>171</sup> Perhaps most troubling of all is the admission of one watchmaker in Switzerland that, in an age of globalization, the Swiss no longer have better watchmaking technology than anyone else in the world.<sup>172</sup> There seems to be a suspicious implication that the SWISS MADE standard is

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163. *See id.*

164. Lankarani, *supra* note 155 (quoting Jean-Daniel Pasche, President, Fed’n of the Swiss Watch Indus.).

165. Minder, *supra* note 144.

166. Soon, *supra* note 149.

167. Lankarani, *supra* note 155; *see also* Minder, *supra* note 144.

168. Lankarani, *supra* note 155.

169. *Id.* (describing one watchmaker’s fears of needing to nearly double his prices if the required Swiss value were to increase from 50% to 60%).

170. Minder, *supra* note 144.

171. *Id.*

172. Lankarani, *supra* note 155 (quoting Phillipe Dufour, an independent watchmaker, who also added that Swiss value comes from “the hand-made touch”).

being manipulated to exclude competitors, not to indicate quality differences between the watches. In a context in which the SWISS MADE certification is economically significant,<sup>173</sup> that suggestion is dangerous for competition.<sup>174</sup>

At first glance, concerns of manipulative anticonsumer or exclusionary behavior would seem minimal for GIs because GIs' geographic boundaries are typically clear. But that is not always true. If nothing else, the example of Swiss watches indicates that despite Switzerland's clearly delineated geographic boundaries, the standards of SWISS and SWISS MADE for watches are malleable. In this regard, GIs—despite possibly appearing otherwise—are not that different from certification marks more generally.<sup>175</sup>

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173. See *supra* text accompanying note 144.

174. There might be some overall procompetitive benefits for those who are excluded from using a GI. There is evidence that those who might qualify for a GI are less prone to innovate as a way to stay within the GI's corresponding standards. Hughes, *supra* note 14, at 338-39. By contrast, those who cannot use the GI are not similarly constrained and are more prone to innovate with production techniques. *Id.*

175. For another thing, there have been disputes over the boundary to which a GI refers. For example, consider the Melton Mowbray Pork Pie. Melton Mowbray is a town in Leicestershire, United Kingdom. Dev Gangjee, *Melton Mowbray and the GI Pie in the Sky: Exploring Cartographies of Protection*, 3 INTELL. PROP. Q. 291, 292 (2006). When the Melton Mowbray Pork Pie Association—an association of producers making pork pies in the Melton Mowbray area—sought to register MELTON MOWBRAY PORK PIE as a GI, Northern Foods PLC—an organization left out of the defined region of production and that had previously been using the term “Melton Mowbray Pork Pie” to refer to its products—challenged the precise boundaries the association had drawn. *Id.* at 292, 295. As part of its argument, Northern Foods argued that the pies had been produced outside of Melton Mowbray for more than a century and that the boundary had been drawn to include the association's dominant member but not the challenger. See *id.* at 295. The challenge was ultimately withdrawn, Matthew J. Rippon, *Traditional Foods, Territorial Boundaries and the TRIPS Agreement: The Case of the Melton Mowbray Pork Pie*, 16 J. WORLD INTEL. PROP. 262, 286 (2013), but discussions between the GI proponent and the challenger nonetheless ultimately got the GI's boundaries extended somewhat beyond the town of Melton Mowbray, *id.* at 279-80. As another example, take Basmati rice, a type of rice grown in certain regions of India and Pakistan. See GRAHAM DUTFIELD, INTELLECTUAL PROPERTY RIGHTS, TRADE AND BIODIVERSITY: SEEDS AND PLANT VARIETIES 87 (2000). Recently, the farmer welfare department of the central Indian state of Madhya Pradesh sought to qualify as a producer of Basmati rice, but India's agricultural agency opposed the inclusion of this state's rice because “expanding the basmati growing regions artificially would adversely impact exclusivity and exportability of basmati rice.” Sandip Das, *GI Battle: Madhya Pradesh Govt Puts Basmati in a Rice Soup*, INDIAN EXPRESS (Jan. 28, 2014), <https://shar.es/1EHphR>. A deputy director of the Indian Agricultural Research Institute elaborated that the exclusion has to do with *terroir*: “[T]he institute had developed basmati seed varieties keeping in mind agro-climatic zones of the Indo-Gangetic plain and the higher temperature prevailing in Madhya Pradesh compared with northern states impacts the aroma and grain quality, which is a distinguishing quality of basmati rice.” Rice Plus Magazine, Daily Rice E-Newsletter 13 (Jan. 28, 2014), <https://www.scribd.com/document/203092518/29th-January-2014-Daily-Exclusive-ORYZA-News-by-Riceplus-Magazine>. On the other side, rice companies in Madhya Pradesh have claimed that they grow the same strain of

*footnote continued on next page*

As with the previous case studies, the SWISS and SWISS MADE certifications, as well as the other GIs discussed in this section, are suggestive of possibly troublesome exclusionary behavior. Are the new entrants and smaller players being excluded from the GI's certification so those who remain included can charge supracompetitive rents? Or are the excluded parties failing to meet an appropriately, and perhaps increasingly, demanding and exclusive certification standard? And how is the consumer affected by these standards and their modification?

In sum, the stories told in this Part are suggestive of possibly worrisome behavior in the use of certification marks. The next Part steps back from the specific examples to analyze generally the confluence of circumstances under which certification marks can come to be used in ways that are counterproductive to the very purpose of certification marks.

### III. Counterproductive Certification Marks

Trademark scholars generally think that certification marks will promote, not hurt, consumer welfare and competition. They sometimes worry about other types of marks in explicit contrast to certification marks, which they see as helpful. In particular, scholars and courts have worried that collective organizations employing marks or standards through collective marks—another species of trademark—may cause competition to suffer.<sup>176</sup> The acute concerns are that those businesses that comprise the collective organization controlling a collective mark will, at the expense of competition, divide business among themselves using the mark, restrict or exclude new entrants as a way to entrench themselves, or take advantage of economies of scale—such as joint advertising—to gain an unfair advantage over competitors.<sup>177</sup> In fact, the Supreme Court specifically curtailed collective marks from being used anticompetitively when it ruled that the American Gas Association and some

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Basmati with the same grain length, aroma, and other features as in other regions of India. See Prashant Reddy, 'Basmati' from Central India—Culinary Heresy?, SPICYIP (Jan. 22, 2014), <http://spicyip.com/2014/01/basmati-from-central-india-culinary-heresy.html>. This seems to be a dispute over the validity of *terroir*, but it shares some elements in common with the story of Swiss watches.

176. One such scholar reasons pertinently that “allowing a single, shared symbol to identify the goods or services of several producers can reduce competition in a given industry and prevent consumers from choosing preferred products.” Note, *supra* note 4, at 529-30.

177. *Id.* at 533-40. Critics also worry that collective marks used on the same product from different sources undermine trademark's goal of increasing quality through mark differentiation. See, e.g., *id.* at 536-37.



of its members could be found in violation of the Sherman Act.<sup>178</sup> The Court suggested that it would be problematic if the Association were withholding its valuable seal of approval for safety from a competitor gas burner manufacturer based on non-objective tests influenced by the Association's competitor members.<sup>179</sup> In the face of these appreciated problems with collective marks, scholars have advocated instead the use of certification marks—in which the mark owner cannot itself do business in the certified goods or services<sup>180</sup>—as a solution to anticompetitive worries.<sup>181</sup> They offer up the facts that the certifier is not doing business in the certified goods or services and that the mark must be offered to all businesses that meet the standard as evidence that certification marks will not be used anticompetitively.<sup>182</sup>

Drawing on the previous Part's examples, this Part builds an analytical framework to show that one cannot be sanguine that certification marks will have only positive or benign effects on competition and consumer welfare. Owing to the incentives of certifiers and the current state of certification mark law, certification marks can be just as counterproductive as collective marks. Moreover, as explained below, their negative potential is generally more worrisome than that within trademark law generally. Subpart A discusses how certifiers' natural incentives can lead them to want to exclude certain businesses' goods or services or prefer specific businesses' goods or services over others. Subpart B then shows how these incentives can lead certifiers to effectuate these outcomes with flexible certification standards and market power in ways that cause certification mark law to act counterproductively to its very goals.<sup>183</sup>

#### A. Certifier Incentives

Trademark theory assumes that certifiers will seek to develop standards that are important to consumers and will communicate to consumers in informational shorthand when goods or services comply with those

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178. See *Radiant Burners, Inc. v. Peoples Gas Light & Coke Co.*, 364 U.S. 656, 659 (1961) (per curiam).

179. See *id.* at 659-60.

180. *Supra* text accompanying notes 37-38.

181. Note, *supra* note 4, at 530-33, 540; cf. Martin Schulz, *Why Different "Marks" in the Lanham Act?*, 12 J. CONTEMP. LEGAL ISSUES 39, 43 (2001) ("Collective trade- and service marks often function, and legitimately so, in ways similar to certification marks.").

182. Note, *supra* note 4, at 530-33.

183. These worries are distinct from the concern that certifiers adequately ensure that the goods and services they certify continue to comply with the requisite certification standard. Cf., e.g., Barron, *supra* note 14, at 416-17 (discussing how Underwriters Laboratories supervises those who have been appropriately given the UL safety certification).

standards.<sup>184</sup> Certification is particularly useful when certifiers can establish a reliable way to assess characteristics about goods and services that consumers find important but difficult to ascertain themselves.<sup>185</sup>

A certifier typically earns money (and reputational success) through certification.<sup>186</sup> Thus, the more widely a certification is adopted, the more successful the certification tends to be.<sup>187</sup> There are two prevalent paths to success for a certifier. First, if a business's consumers widely care about the standard the certifier is providing and the business trusts this certifier in particular, that business would reasonably seek out and pay for the certifier's certification for its goods or services.<sup>188</sup> Second, if a centralized body—typically

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184. See *supra* Part I.

185. *But cf.* Jonathan M. Barnett, *Intermediaries Revisited: Is Efficient Certification Consistent with Profit Maximization?*, 37 J. CORP. L. 475, 477 (2012) (arguing that despite this admirable goal, the law and economics of certifying organizations can routinely lead them to act contrary to their organizing purpose by engaging in “self-dealing, laxity, collusion, and other deviations from perfect rectitude,” particularly in the financial sector, in ways that undermine the reliability of the certifications they provide). Jonathan Barnett, writing about the related but different issue of the informational integrity of certifying organizations, notes that certifying organizations that attest to information for consumers, such as those discussed in this Article, are prone to shirk their obligations to assess the standard at issue with care. *Id.* at 476-77. According to his general analysis, certifiers are able to thrive because the barrier to entry is great, both because certifiers need to garner a strong enough reputation to compete with established certifiers and because it costs users of certifiers to switch to competing certifiers. *Id.* at 478-79; see also *infra* text accompanying notes 273-81. Because of these entry barriers, in Barnett's examination, not only do certifiers protect their turf but they also end up “relaxing investments in certification quality” to a certain point. Barnett, *supra*, at 478.

186. Jorge L. Contreras & Charles R. MacManis, *Intellectual Property Landscape of Material Sustainability Standards*, 14 COLUM. SCI. & TECH. L. REV. 485, 496 (2013). There are three models of certification that certification mark holders can use: first-party, second-party, or third-party certification. *Id.* at 494. First-party certification is when a business declares that its own goods or services satisfy the certification standard. *Id.* Second-party certification is when the organization that designed a certification standard declares that third parties' goods or services satisfy the standard. *Id.* Third-party certification is when an organization uses a standard designed by others to certify that yet others' goods or services satisfy the standard. *Id.* Third-party certification is considered the most reliable, followed by second-party certification and then first-party certification. *Id.* Counterproductive behavior by certifiers can arise under any of these three certification models. Certifiers will always have at least some wiggle room in setting and interpreting their certification standard regardless of their certification model, see *infra* Part I.A.1, and that is one of the critical preconditions for counterproductive behavior in certification marks. Some economic modeling predicts that in a competitive certification market, providers of goods or services will be attracted to more rigorous certifications. See Josh Lerner & Jean Tirole, *A Model of Forum Shopping*, 96 AM. ECON. REV. 1091, 1107 (2006).

187. See Contreras & MacManis, *supra* note 186, at 496.

188. See LYTTON, *supra* note 53, at 60-61; cf. Chon, *Marks of Rectitude*, *supra* note 3, at 2332 (“It is not clear whether firms have incentives to invest in or market [certification marks],  
*footnote continued on next page*”)

a government—decides that a particular standard ought to be required for particular goods or services, certifiers of that standard can stand to play an important and lucrative role in ensuring that standard.<sup>189</sup> Frequently, for both pathways, the certifier uses advertising or lobbying to convince consumers, businesses, or centralized bodies that the standard and the certification it provides ought to be important to them.<sup>190</sup> Taken together, then, consumers, businesses, or a centralized body must decide both that the certifier's standard is important and that the certifier is to be trusted in verifying that businesses' products or services meet the certifier's standard.<sup>191</sup>

In light of these basic incentives, certifiers might become beholden to certain businesses seeking their certification at the expense of others. Although it seems that certifiers would want to maximize the number of businesses using them to certify, they may actually want to maximize their business by preferring certain businesses and excluding others. This differential treatment might occur out of a reputational or financial desire to keep the certification exclusive—by making sure some businesses get excluded—or because they can charge more overall if they give preferential treatment to certain businesses. For example, bigger businesses will tend to be more important clients of certifiers than smaller businesses. The price charged for a certification is typically proportional to the size of the business.<sup>192</sup> Certifiers' inspections tend to get more complex and costly the bigger the business being certified.<sup>193</sup> Moreover, bigger businesses tend to have more goods or services to certify and

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unless standards are already widespread or a firm wants to encourage the adoption of new standards.”).

189. See Contreras & MacManis, *supra* note 186, at 498-502 (noting the fees that standard certifiers can obtain due to copyright, trademark, and certification mark protection). In the absence of a competitive market, there is also the possibility that in a form of outright industry protectionism, oligopolists can collude to impose a certification on a market.

190. 3 MCCARTHY, *supra* note 11, §§ 19:91, 19:94. A certifier's promotion of a certification mark does not constitute forbidden use of its own certification mark. *Id.*

191. See Peel v. Att'y Registration & Disciplinary Comm'n, 496 U.S. 91, 102 (1990) (plurality opinion) (“Much like a trademark, the strength of a certification is measured by the quality of the organization for which it stands.”). For a detailed account and analysis of certification organizations' paths to viability in a global economy, see GRAEME AULD, CONSTRUCTING PRIVATE GOVERNANCE: THE RISE AND EVOLUTION OF FOREST, COFFEE, AND FISHERIES CERTIFICATION (2014).

192. See, e.g., Hagai Amit, *The Incredibly High Cost of Keeping Your Food Kosher*, HAARETZ (Feb. 21, 2014, 11:07 AM), <http://www.haaretz.com/israel-news/business/.premium-1.575580> (noting how restaurants and hotels pay for kosher certification in proportion to their size); Leonard Sloane, *Calling It Kosher: How to and Why*, N.Y. TIMES (May 18, 1975), <http://nyti.ms/1QDqekB> (“Rabbi Levy[] observed . . . that the average annual cost to a concern for kosher inspections is about \$1,000, with a range from \$250 for ‘mom-and[-]pop’ operations to \$40,000 for a multi-plant corporation.”).

193. See, e.g., Sloane, *supra* note 192.

can pay accordingly.<sup>194</sup> Therefore, bigger businesses are usually more critical to a certifier's success. Similarly, all other things being equal, certifiers might prefer businesses that already use a particular certifier—particularly for a long time—over those that are mere prospects. Certifiers might readily have this preference to protect their financial security and preserve their extant relationship with the existing business.<sup>195</sup>

Certifiers' preferential treatment of some businesses over others can readily transpire even when certifiers are organized as nonprofit entities<sup>196</sup> (which many of them are<sup>197</sup>), despite scholarship suggesting otherwise. Jonathan Barnett stresses that certifiers that organize in the constrained nonprofit form do so to guard against being beholden to interests that pay them.<sup>198</sup> By design, nonprofit entities cannot distribute profits to managers, members, or other controlling parties and cannot compensate managers beyond a reasonable amount.<sup>199</sup> According to the conventional account, these constraints keep nonprofit entities honest.<sup>200</sup> Nonetheless, concerns about certifiers' preferences for some businesses over others are still present in substantial ways for nonprofit certifiers. As Jeffrey Brennan and Paul Cuomo note when discussing whether merging nonprofit entities should undergo antitrust scrutiny, "nonprofits are managed by people who—like their for-profit colleagues—have natural human and economic incentives to maximize their employer's welfare by increasing revenues to fund quality improvements, attract superior [employees], and similar goals."<sup>201</sup> A director of the Federal Trade Commission has similarly noted that "competition is a more reliable

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194. *Cf. id.* ("At the General Foods Corporation, which uses the circle K [kosher] certification for many of its products, the Birdseye Frozen Foods operation pays a fee on a unit basis.").

195. Certifiers might also rationally have the incentive to cheat by accepting bribes from low-quality businesses in exchange for unwarranted certification. Stephen Choi, *Market Lessons for Gatekeepers*, 92 NW. U. L. REV. 916, 941 (1998). This concern is an important one but one that certification mark law takes into account by allowing certification marks to be canceled if the mark owner "does not control, or is not able legitimately to exercise control over, the use of such mark." 15 U.S.C. § 1064(5)(A) (2015); *see also supra* text accompanying notes 39-42 (discussing this requirement). This Article therefore does not address this concern further.

196. *Cf. supra* Part II (discussing the Orthodox Union, the MPAA, and the Federation of the Swiss Watch Industry, which are all nonprofit certifying entities).

197. Barnett, *supra* note 185, at 506.

198. *See id.* at 507.

199. *See* BRUCE R. HOPKINS, *THE LAW OF TAX-EXEMPT ORGANIZATIONS* 5, 559-61 (9th ed. 2007).

200. *See, e.g.,* Henry B. Hansmann, *The Role of Nonprofit Enterprise*, 89 YALE L.J. 835, 843-45 (1980).

201. Jeffrey W. Brennan & Paul C. Cuomo, *The "Nonprofit Defense" in Hospital Merger Antitrust Litigation*, ANTITRUST, Spring 1999, at 13, 14.

guarantor of efficient behavior and consumer benefit than is the community spirit of nonprofit [entities].”<sup>202</sup> The funds earned from certification can support the nonprofit organization’s activities, including those unrelated to certification.<sup>203</sup> Therefore, these entities still would rationally tend to be more responsive to certain businesses over others to the extent that maximizes their business interests, as with for-profit entities.<sup>204</sup> Just as they might support businesses that provide them with more money, they might also prefer businesses whose reputation better accords with the overarching mission of the certifying organization.<sup>205</sup>

This Subpart establishes that a certifier’s incentives will typically lead it to establish itself as a reliable certifier of a standard about which society cares. In doing so, it is rational to develop preferences for certain businesses as certification clients over others. How then, if at all, might certifiers prefer

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202. William J. Baer, Former Dir., Bureau of Competition, Fed. Trade Comm’n, Current Issues in Health Care Antitrust Enforcement at the Federal Trade Commission, Remarks Before the American Bar Association, Antitrust & Healthcare: New Approaches and Challenges (Oct. 24, 1996), <https://www.ftc.gov/public-statements/1996/10/current-issues-health-care-antitrust-enforcement-federal-trade-commission>.
203. See *supra* text accompanying notes 67-68 (relating how this is the case for the Orthodox Union).
204. See Evelyn Brody, *Agents Without Principals: The Economic Convergence of the Nonprofit and For-Profit Organizational Forms*, 40 N.Y.L. SCH. L. REV. 457, 460 (1996) (making the case that for-profit and nonprofit entities operate similarly, due in part to nonprofit entities’ “resource dependency, institutional isomorphism, and organizational slack”); Jack Shafer, *Nonprofit Journalism Comes at a Cost*, SLATE (Sept. 30, 2009, 7:12 PM), <http://www.slate.com/id/2231009> (“No matter how good the nonprofit operation is, it always ends up sustaining itself with handouts, and handouts come with conditions.”); cf. Barnett, *supra* note 185, at 507 (“A nonprofit entity has positive but weaker incentives to act opportunistically.”); George W. Dent, Jr., *Corporate Governance Without Shareholders: A Cautionary Lesson from Non-Profit Organizations*, 39 DEL. J. CORP. L. 93, 94 (2014) (“[B]oards of [nonprofit organizations] are generally even less effective than corporate boards . . . [and] tend to be dominated by the organization’s executives . . .” (footnote omitted)).
205. Cf. Brody, *supra* note 204, at 461 (“[T]he same economic force motivates nonprofit firms as for-profit firms: the desire for a reputation as a worthy recipient of future trade, be it donations, purchase of services, government contracts, or labor.”). This is not to say that it is impossible to diminish certifiers’ incentives to act preferably to some interests over others. To take one nonprofit certifier that has made strides toward reducing this incentive, consider Consumers Union, which publishes *Consumer Reports*, an American magazine containing reviews and comparisons of consumer products and services based on Consumers Union’s in-house testing. *About Us*, CONSUMER REP., <http://www.consumerreports.org/cro/about-us/index.htm> (last visited Jan. 1, 2017). To minimize conflicts of interest and maximize accurate reporting, the magazine accepts no advertising, pays for all of its own testing, and raises revenues directly from consumer subscribers. Richard Pérez-Peña, *Success Without Ads*, N.Y. TIMES (Dec. 8, 2007), <http://nyti.ms/2aJ19XH>. However, forcing a business model like this on certifying organizations is bound to lead to the death of the many certifying organizations that would not generate financial sustenance directly from consumers.

certain businesses over others in ways about which certification mark law might care? For one thing, to the extent that a certification standard is not fully fixed and allows for interpretation, certifiers might shape the standard to benefit their preferred businesses.<sup>206</sup> For another, certifiers with certain kinds of market power might be able to redefine even clear standards to exclude disfavored businesses from certification. The next Subpart addresses these kinds of worrisome certifier behavior.

## B. Counterproductive Worries

Although it is rational for certifiers to prefer certain businesses over others, that alone does not raise red flags that a certifier is going to be able to act in ways that undermine certification marks' purposes. Either objective and fixed certification standards or market forces might constrain a certifier from acting on its preferences. This Subpart considers each scenario in turn to explore the conditions under which the law ought to be worried about certifiers acting counterproductively: (1) when a certifier's certifying standard is subjective, fluid, or vague; and (2) when the certifier has market power, either in the certification market or something this Article calls "downstream market power." Despite certification mark law's objectives, the certifying standard will almost always be subjective, fluid, or vague. These conditions are problematic because they allow a certifying organization to manipulate its certification standard to exclude businesses' goods or services from certification in ways that can hurt competition and are contrary to consumers' understanding of the certification standard.<sup>207</sup> Both of those effects undermine what certification marks seek to do: promote competition and consumer welfare.

### 1. Flexible standards

As demonstrated in the previous Subpart, certifying organizations might reasonably tend to prioritize some businesses or interests over others. But does that translate into problems for certification mark law in the sense of counterproductive behavior? If all this preference means is, for instance, that certifiers answer communications from bigger businesses faster than smaller ones, is that enough of a worry? This Subpart shows that, as trademark law currently operates, certifying organizations typically have the ability to

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206. As Jorge Contreras and Charles MacManis observe, businesses "have strong incentives to participate actively in standards development and to support or develop standards that are likely to favor their own products while disfavoring products of their competitors." Contreras & MacManis, *supra* note 186, at 496.

207. See *supra* Part II (exploring examples and querying whether they are instances of this problem).

manipulate whether the certifying standard is met. That gives them the ability to certify preferred businesses and exclude less-preferred ones. This possibility is perhaps surprising in light of the clear objectives of certification mark law, discussed in Part I above, but the conclusion is unavoidable.

One of the unifying features of intellectual property is that it excludes everyone but the rightsholder from using something intangible in certain ways.<sup>208</sup> This intangibility creates particular concerns for an intellectual property system. As I elaborate in prior work on claiming intellectual property, it is extraordinarily difficult, but important, to communicate the set of embodiments covered by an intellectual property right “[b]ecause the set of embodiments—the thing—involved in intellectual property is thus more abstract than the boundaries of the three-dimensional location—the thing—upon which a real-property right typically operates.”<sup>209</sup> For example,

a patent in the field of reclined seating might exclude others from using without license a leather recliner, a microfiber recliner, a sofa recliner, a home-theater recliner, and many other reclining seats. These recliners are thus some of the many members of the set of embodiments protected by that patent. Or by virtue of holding a copyright in the *Sesame Street* television series, the holder would control the right to make many substantially similar works, including a *Sesame Street* movie, a compilation of episode scenes teaching numeracy, and a *Sesame Street* character doll.<sup>210</sup>

As I explore in that work, communication of an intellectual property entitlement is never fully precise.<sup>211</sup> The less precise the right’s delineation is, the more room a rightsholder has to equivocate on whether situations or goods that arise after the right’s delineation fall within the right’s scope.<sup>212</sup> For example, whether a patent for the telephone covers the subsequently arising innovation of mobile telephony will turn on the drafting of the telephone patent’s claims.<sup>213</sup>

Consider what this observation means for certification marks. Recall that the law of certification marks is premised on these marks’ availability to any and every business whose goods or services satisfy the certifying standard.<sup>214</sup> That open availability is thought to protect consumers who care about the

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208. See Jeanne C. Fromer, *Claiming Intellectual Property*, 76 U. CHI. L. REV. 719, 724-30 (2009).

209. *Id.* at 725-26.

210. *Id.* (footnote omitted).

211. See *id.* at 726-30, 756-94 (analyzing different dimensions of claiming intellectual property and using them to taxonomize and analyze copyright and patent law).

212. See *id.* at 770-71.

213. Cf. *id.* at 720 (observing that Alexander Graham Bell’s patent for the telephone might be construed to cover “cordless telephone[s],” “fax machine[s],” or “Internet telephony,” depending on how patent claiming works).

214. *Supra* text accompanying notes 32-36.

certifying standard and promote competition by enabling businesses providing qualifying goods or services to obtain that certification.<sup>215</sup> In this respect, certification marks stand apart from other marks, like trademarks and collective marks, which need not be made available for compulsory licensing.<sup>216</sup> For these reasons, the worry that scholars have with regard to collective marks being used counterproductively is thought to be inapplicable to certification marks.<sup>217</sup>

In practice, however, certification standards are not fixed in any comprehensive sense.<sup>218</sup> Registrants of certification marks must provide the PTO with information about the certifying standard, but the degree of detail is not mandated.<sup>219</sup> Standards tend to be articulated at the most general or abstract level, leaving room for their manipulation down the line.<sup>220</sup> Take the examples elucidated in the previous Part. The registration for the OU certification mark for kosher goods and services indicates that its certifying standard is “that the production of said goods and that the rendering of said services has been supervised by the rabbinical supervisors of the applicant, under the direction of . . . Rabbinica[.] Council of America, Inc.”<sup>221</sup> The registration for the R certification mark for movie ratings lists as its certifying standard that a movie “is, in the opinion of [the MPAA], an adult film in some of its aspects . . . so far as language, violence, or nudity and sexuality is concerned, and that because of such elements no one under the age of 17 should

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215. *Id.*

216. *Id.*

217. *See supra* text accompanying notes 176-82.

218. *Cf. Chon, Marks of Rectitude, supra* note 3, at 2331 (noting generally the opacity of certification marks’ associated standards).

219. 37 C.F.R. § 2.45(a) (2015) (“In an application to register a certification mark . . . the application must . . . include a copy of the standards that determine whether others may use the certification mark on their goods and/or in connection with their services.”). For the most recent revision of these rules, which mandates no greater level of detail for certification standards, see Changes in Requirements for Collective Trademarks and Service Marks, Collective Membership Marks, and Certification Marks, 80 Fed. Reg. 33,170, 33,182-83 (July 11, 2015) (to be codified at 37 C.F.R. pts. 2, 7).

220. *Cf. Michael C. Dorf, Truth, Justice, and the American Constitution*, 97 COLUM. L. REV. 133, 140 (1997) (review essay) (“The *most* general level of a principle is essentially empty. Consider the Equal Protection Clause. Does it, for example, mean that the State’s failure to enact laws redistributing all property and mandating uniform income denies equal protection to the poor? If equal protection requires strict equality of outcomes, apparently the answer is yes. On the other hand, interpreting the concept as requiring equality of opportunity would condemn many redistributive programs. If A works harder than B, then it denies A’s entitlement to be rewarded equally for her work when the State redistributes her income to B. The abstract concept of equality cannot by itself decide between the competing, somewhat less abstract conceptions of equality.” (footnote omitted)).

221. OU, Registration No. 1,087,891.



be admitted unless accompanied by a parent or guardian.”<sup>222</sup> The registration for the SWISS MADE certification mark for watches has as its certifying standard that the “geographical origin of [the watches is] in Switzerland.”<sup>223</sup> Vague—or at least capacious—standards plausibly give certifiers room to maintain that kosher restaurants can be certified based on their name choice, that movies with a great deal of violence can qualify for an R rating but others with equally significant amounts of violence cannot, and that watches with over 50% or 60% of their value originating in Switzerland geographically originate in Switzerland.<sup>224</sup>

Certifiers have preserved these flexible standards in two ways. First, as with the OU certification or the MPAA’s movie ratings, some certifiers do not publicly release much concrete and comprehensive information about the certification standard.<sup>225</sup> Third parties cannot always ascertain a certification standard based on which goods and services are certified and which are not. That is almost never an efficient or flawless method to discern the certifier’s precise standards, even if they do exist coherently. Second, certifiers might make public more precise and complete certification standards, as in the case of Swiss watches. They then remain free to change those standards to other precise and complete standards that cohere with the more flexible registered certification standard, as the Swiss authorities did.<sup>226</sup>

In light of a certifier’s incentives to entrench its certification mark,<sup>227</sup> one can see why a certifier would want to keep its certifying standard flexible. Certifiers’ success depends in large part on how much consumers and businesses trust the certifier.<sup>228</sup> An aspect of that trust is how well the certifier’s certifying standard appears to accord with the values these consumers and businesses have with regard to certification. Perhaps, for instance, kosher consumers would distrust a certifier that was willing to certify as kosher a restaurant whose name is the same as a biblical villainess. Maybe the movie-going public would suspect a certifier that allowed a movie about a serial killer with an overall violent setting to be rated anything below the most extremely restrictive rating. And perhaps watch buyers would distrust a certifier that allowed watches to be deemed “Swiss” without as much

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222. R, Registration No. 1,170,739.

223. SWISS MADE, Registration No. 3,038,819.

224. *See supra* Part II.

225. *See supra* Part II.A-B.

226. *See supra* Part II.C.

227. *See supra* Part III.A.

228. *See supra* Part III.A.

of its value as possible deriving from Swiss parts.<sup>229</sup> Generalizing the point, a certifier might reasonably want to ensure that its standards are kept flexible so that it can respond to requests to certify in light of the complete factual context based on its overarching certifying goals.<sup>230</sup> This allows the certifier to maintain an intact reputation with its consumer and business base. The certification standards specified in the registrations for these three marks are sufficiently elastic to accommodate these concerns.

This flexibility to define what a mark represents is native to trademark law generally. A company deploying a trademark, which signifies a cluster of values, can decide internally at any point that it wants to try to have the trademark represent something different as a way to improve or refocus its business.<sup>231</sup> Take just one example. Burberry—the British fashion company—became renowned as a luxury brand in the early to mid-twentieth century for its trench coats.<sup>232</sup> It began using its now-iconic check print on these trench coats in 1924.<sup>233</sup> About seventy years later, the check print became ubiquitous in mainstream culture, causing a “downmarket association” for Burberry’s brand, according to one commentator.<sup>234</sup> In the early twenty-first century, however, in an effort to reclaim the brand’s luxury meaning, Burberry executives chose to remove the check pattern from about 90% of its items to catapult Burberry back among the top few luxury brands.<sup>235</sup>

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229. Even organizations deploying GIs, which are assumed nearly universally to be static in their certification standards, *see supra* Part II.C, might to the contrary prefer flexibility to redefine their standards.

230. *Cf. Mindgames, Inc. v. W. Publ’g Co.*, 218 F.3d 652, 657 (7th Cir. 2000) (“A rule singles out one or a few facts and makes it or them conclusive of legal liability; a standard permits consideration of all or at least most facts that are relevant to the standard’s rationale. . . . Rules have the advantage of being definite and of limiting factual inquiry but the disadvantage of being inflexible, even arbitrary, and thus overinclusive, or of being underinclusive and thus opening up loopholes (or of being *both* over- and underinclusive!). Standards are flexible, but vague and open-ended. . . .”); Pierre Schlag, *Rules and Standards*, 33 UCLA L. REV. 379, 389 (1985) (“Standards encourage the proliferation of a multiplicity of communicative means and mediums, making communication more uncertain and transactions less secure.”).

231. *Cf. Chon, Marks of Rectitude, supra* note 3, at 2331 (“[T]he traditional trademark guarantee of quality is not typically mediated by third parties—rather, the consumer directly experiences the quality of the good or service bearing a mark.”).

232. *See Company History*, BURBERRY, [http://www.burberryplc.com/about\\_burberry/company-history?WT.ac=Company+History](http://www.burberryplc.com/about_burberry/company-history?WT.ac=Company+History) (last visited Jan. 1, 2017).

233. JP, *Burberry of London: Gabardine’s Classic Check(ered) Past*, SELVEDGE YARD (Apr. 8, 2009), <http://selvedgeyard.com/2009/04/08/burberry-of-london-check-ered-past>.

234. *See* Julia Day, *Burberry Doffs Its Cap to ‘Chavs,’* GUARDIAN (Nov. 1, 2004, 7:08 EST), <http://www.theguardian.com/media/2004/nov/01/marketingandpr>.

235. *See* Nancy Hass, *Earning Her Stripes*, WALL ST. J. MAG., Sept. 10, 2010, at 52.

That said, certification mark standards are not intended to be internal to a business like trademark “standards” are. Rather, they are to be specified and publicly available.<sup>236</sup> And for good reason. Certification standard flexibility can undercut certification mark law’s goals of promoting competition and protecting consumers in a variety of ways. For one thing, flexibility to redefine certification standards undercuts the benefits of standard stability over time. If consumers already understand a certification mark reliably to stand for a particular standard, changes to that standard might be hard for consumers to detect, especially if the consumer continues to see only the unchanging certification mark. In that regard, many consumers might come to hold incorrect, outdated views of the certification standard. As discussed above, such a mismatch undermines certification mark law’s goals.<sup>237</sup> Relatedly, certification specification helps consumers learn the standard, and these benefits are more easily achieved if the standard is not changing. (A way to allow for flexibility without undercutting these benefits of stability is to encourage new certification marks whenever there is a need for greater refinement, such as with the NC-17 movie rating, while continuing to use existing certification marks without changing their associated standards.)

Additionally, certification standard flexibility can typically empower certifiers to carve out less-preferred businesses from their certification as a way to improve their standing with their preferred businesses or to prioritize other interests. Taking the examples from the previous Part, was Jezebel told that its name had to be changed to obtain the OU kosher certification to affect competition on grounds that fall outside the ambit of its certification or as a way to effectuate religious concerns the certifier had outside the ambit of food certification? Was *Henry: Portrait of a Serial Killer* denied an R movie rating because it was produced by a smaller independent film producer rather than one of the major movie studios to which the MPAA is allegedly economically beholden to help by excluding others? Were smaller watchmakers in Switzerland excluded from the constricted SWISS MADE certification standard to benefit larger watchmakers in Switzerland?<sup>238</sup>

These examples—if the certifiers acted as questioned above—indicate how certification standard flexibility can undercut certification mark law’s goals of promoting competition and protecting consumers. As to competition, flexibility can lead to the unfair exclusion of certain businesses as a way to prefer other businesses or protect interests separate from the certification

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236. See *supra* Part I.

237. See *supra* Part I.C.

238. In addition, flexibility can harm existing producers by causing them to have to change production, perhaps at great cost, to comply with revised certification standards, perhaps with little benefit to consumers.

standard. This exclusion is unfair because it hurts competition by withholding the certification standard at issue from businesses not because of failure to meet the standard but for other reasons. To the extent the certification standard's presence or absence on goods or services enhances the business of the good or service purveyor, the excluded purveyor is hurt competitively while the included purveyor is boosted competitively.<sup>239</sup> Yet the certification standard's competitive value is supposed to derive directly from its providing shorthand information on a standard's presence or absence for particular goods and services—nothing more and nothing less.<sup>240</sup> When the certification standard provides value to or withholds value from businesses for other reasons via certification standard manipulation, the certification mark has been improperly wielded. It constitutes unfair competition, plain and simple.<sup>241</sup> For certifiers in this situation to nonetheless have the protection of federal trademark law enhancing their marks' value by preventing unauthorized use perverts trademark law's goal of promoting fair competition.<sup>242</sup>

Sometimes the marketplace might be able to resolve this problem on its own. If a party detects a certification standard's misuse, that party might decide to enter the marketplace, offering an alternative certification that does not bend flexibly in favor of preferred businesses.<sup>243</sup> Companies might then flock to the newer certification standard and away from the older one, all to the benefit of competition. That is, competition in the certification marketplace can redound to the benefit of competition in the certified goods and services. If and when this market correction happens, there is less worry for certification mark law in terms of competition.

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239. See Sarah Saadoun, Note, *Private and Voluntary: Are Social Certification Standards a Form of Backdoor Self-Regulation?*, 45 COLUM. HUM. RTS. L. REV. 281, 282 (2013); cf. Barnett, *supra* note 185, at 487-88 (“[M]uch of the value of a certification instrument is a function of the certifier’s reputational capital as reflected by its track record in evaluating and monitoring other companies. Users can employ that reputational capital as a proxy by which to reduce the costs that they would otherwise incur to evaluate quality directly in the associated certified market. This single feature accounts for the widespread use of certification instruments in informationally opaque markets . . . by users who participate in those markets (for example, retail investors who rely on Moody’s credit ratings to evaluate corporate bonds) . . .”).

240. See *supra* Part I.

241. Cf. Jeanne C. Fromer, *Should the Law Care Why Intellectual Property Rights Have Been Asserted?*, 53 HOUS. L. REV. 549, 556-75 (2015) (addressing whether it is appropriate that copyright and patent laws can be asserted to vindicate other interests, including privacy, protection of ancillary markets, and mere extraction of rents without making a sufficient contribution to society).

242. See *supra* text accompanying note 21.

243. See Manta, *supra* note 11, at 403 (emphasizing “the possibility of competition between different certification marks”).

That said, this market correction is unlikely to occur. For one thing, in the face of flexible standards with opaque, or at least complex, certification goals, it might be too hard for third parties to notice something amiss with a certification standard. The inconclusive nature of the previous Part's examples, even with a potential whiff of certification misconduct, underscores how hard it is to detect and repair certification problems with new certifications. This opacity is not aided by the fact that many certifiers do not publish concrete and comprehensive certification standards.<sup>244</sup> Additionally, existing certifiers often have power in the marketplace, in the sense that they add value to certified goods and services.<sup>245</sup> Even if certifiers do not have full-fledged market power—as discussed in greater detail in the next Subpart—there are typically sufficient barriers to entry in the certification market for significant competition to emerge.<sup>246</sup> Furthermore, as also addressed in the next Subpart, when a certifier has downstream market power and wields flexible certification standards, the certifier might exercise control over a whole industry in ways that are particularly detrimental to competition.<sup>247</sup>

Just as competition can suffer from flexible certification standards, consumers can also suffer by not having an accurate sense of what a certification represents.<sup>248</sup> As discussed above with regard to the goals of certification marks, if consumers have a wrong understanding of what a certification standard signifies, they will not benefit from the certification mark and might even be led astray in their purchases.<sup>249</sup> The law seems to presume without more that consumers know the standard that a certification that matters to them represents.<sup>250</sup> However, as the examples in the previous Part show, that is often far from the case. For example, consumers concerned about kosher certifications might reasonably think that those certifications are based on food source and production but not other issues about morality, like

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244. See *supra* text accompanying note 225.

245. See sources cited *supra* note 239.

246. See *infra* text accompanying notes 272-81.

247. See *infra* Part III.B.2.

248. Cf. Chon, *Marks of Rectitude*, *supra* note 3, at 2338 (“[W]ithout dominant industry standards, consumers can experience lack of transparency in at least two ways: lack of accessible information about the substance of standards and informational clutter when many competing standards exist.”).

249. See *supra* Part I.

250. See, e.g., *Swiss Watch Int’l, Inc. v. Fed’n of the Swiss Watch Indus.*, 101 U.S.P.Q.2d (BNA) 1731, 1743 (T.T.A.B. 2012) (“The issue is not whether the public is expressly aware of the certification function of the marks or the certification process underlying use of the marks, but rather is whether the public understands that goods bearing the marks come only from the region named in the marks.”).

restaurant name choice.<sup>251</sup> One reason for this consumer perception might be that the Orthodox Union seems to hold itself out as caring only about food ingredients and production for its OU kosher certification.<sup>252</sup> When certifiers then deploy the standard in ways inconsistent with consumer perceptions, which is possible due to the standard's flexibility, this mismatch becomes worrisome. When there is a salient mismatch between consumer perception of a certification standard and the standard's actual reach, the values of consumer protection and promotion of competition (by providing a useful and accurate shorthand to consumers in the form of the certification mark) are both undermined.<sup>253</sup>

In sum, certification standards, both as depicted in certification mark registrations and as deployed in practice, are frequently kept flexible, vague, or incomprehensive. There are some understandable reasons for doing so, with

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251. See *supra* Part II.A. This situation is to be distinguished from consumers having an utterly false sense of a certification standard, entirely disconnected from the certification. For example, in the 1990s, a rumor circulated that Snapple, the company making a line of iced teas and juices, was connected to the Ku Klux Klan. See *Snapple Dragoon: Is Snapple Owned by the KKK?*, SNOPE.COM, <http://www.snopes.com/business/alliance/snapple.asp> (last updated Apr. 28, 2011). The rumor stemmed from a picture of the Boston Tea Party on the label, which some took to be a slave ship, and the OU's kosher certification mark (of an encircled "K"), which some took to stand for the Ku Klux Klan. *Id.* Hurt competitively by this rumor, Snapple redesigned its drink label to mark the illustration with the words "Boston Tea Party" and to indicate "kosher" under the kosher certification mark. *Id.*
252. See *supra* text accompanying notes 88-94. The Orthodox Union might be able to justify a different approach to restaurant certification than to food product certification on the ground that the experience at a restaurant includes its ambient features, whereas that is less true for food products standing alone. But without anything other than very general and high-level descriptions of its certification standard, the public cannot make this assessment.
253. Trademark law generally does not carry the same worries of counterproductive use as certification mark law does. See *supra* Part I. Most importantly, a trademark's goal is to communicate source and, perhaps as a derivative of that communication of source, a general sense of quality or a complex set of characteristics about the marked good or service, all to the benefit of competition and consumers. See *supra* text accompanying notes 15-21. Trademark law already protects against the counterproductive use of trademarks in a few central ways. First, the law penalizes many miscommunications of source as trademark infringement. See, e.g., *Jordache Enters. v. Levi Strauss & Co.*, 841 F. Supp. 506, 514 (S.D.N.Y. 1993) ("To state a claim for trademark infringement or unfair competition, a party must show a 'likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question.'" (quoting *Mobil Oil Corp. v. Pegasus Petrol. Corp.*, 818 F.2d 254, 256 (2d Cir. 1987))). Second, trademark law has in place a prohibition on naked licensing of a mark out of fear that "products bearing the same trademark might be of diverse qualities," with the consequence for naked licensing being abandonment of trademark rights. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 366-67 (2d Cir. 1959); see also *supra* note 40 and accompanying text (connecting this rule to certification mark law's harsher rule requiring control over certification).

the goal of adapting easily to evolving community, consumer, or business standards. But there are less respectable reasons for doing so, which are detrimental to certification mark law's goals of promoting competition and protecting consumers. Part IV returns to a discussion of how to separate out the tolerable forms of standard flexibility from the less acceptable forms. This Article now turns to another counterproductive possibility for certification marks, when there is either certifier or downstream market power.

## 2. Certifier and downstream market power

The incentives that certifiers might have to certify certain businesses and exclude others can be exacerbated by the ability to effectuate those goals when certifiers wield market power. Antitrust law generally understands market power to mean “the ability of a firm (or a group of firms, acting jointly) to raise price above the competitive level without losing so many sales so rapidly that the price increase is unprofitable and must be rescinded.”<sup>254</sup> Certifiers can have this market power in two ways: first, simply in the market for certification of that kind, and second, perhaps even more worryingly, in the downstream market of certified goods or services. The first kind of market power is straightforward. For example, if the Orthodox Union could charge more for its certifications than would prevail under conditions of competition in the market for kosher certification, it would have market power. There can still be competition among certified goods or services in the downstream market. The second kind of market power—downstream market power—is more unusual and will occur only when there is already certifier market power: the certifier has enough market power over a certification about which consumers care that it confers market power in the downstream market of certified goods and services. Taking the illustration of kosher certification, downstream market power would obtain if the Orthodox Union's certification allowed certified food providers or restaurants to price their goods or services higher than under conditions of competition.<sup>255</sup>

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254. William M. Landes & Richard A. Posner, *Market Power in Antitrust Cases*, 94 HARV. L. REV. 937, 937 (1981). Traditionally, courts have calculated a firm's market power by assessing the relevant market, computing that firm's market share, and deciding whether that share raises an inference of market power. *See, e.g., PepsiCo, Inc. v. Coca-Cola Co.*, 315 F.3d 101, 108 (2d Cir. 2002); Landes & Posner, *supra*, at 938. *But see* Louis Kaplow, *Why (Ever) Define Markets?*, 124 HARV. L. REV. 437, 440 (2010) (arguing that “the market definition process should be abandoned” because “there does not exist any coherent way to choose a relevant market without first formulating one's best assessment of market power, whereas the entire rationale for the market definition process is to enable an inference about market power”).

255. For an overview of what a competitive certification market might look like, see Choi, *supra* note 195, at 935-39.

Both sorts of market power are worrisome and can cause certification marks to operate counterproductively in ways that perhaps rise to the level of anticompetitive behavior forbidden by antitrust law.<sup>256</sup> Each situation can enable a certifier to take advantage of its competitive might and exclude select businesses from certification. It can do this in a number of ways, as discussed in the previous Subpart, owing to certification standard flexibility: by maintaining a vague or incomplete standard so as to pick and choose in each instance which goods or services get certified or by setting or changing its standard to a clear and comprehensive one that matches the businesses whose goods or services it wants to certify.<sup>257</sup>

When the certifier has market power in the certification market, it can control which businesses get to compete in the downstream market for certified goods and services. Suppose, for example, that the Swiss organization that sets the standard for the SWISS MADE certification for watches has market power over the relevant certification market. By setting the standard for the certification as it does, it gets to control which businesses can compete with certified SWISS MADE watches and which cannot.<sup>258</sup> Without more, this certifier has no control over the market for watches writ large. And there might still be vibrant competition within the market for Swiss watches. Nonetheless, as supposed, the certifier controls which businesses compete in the market for Swiss watches. The certifier ought not to be able to use its power in the certification market to act anticompetitively—including by flexing its muscle to manipulate standards as a surgical tool for exclusion of some businesses and inclusion of others. This is the precise allegation that smaller watchmakers in Switzerland made as the Swiss organization constricted its standard for the SWISS MADE certification for watches to increase the percentage of watch movement value that must be Swiss: that they

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256. Cf. *In re Adderall XR Antitrust Litig.*, 754 F.3d 128, 133 (2d Cir. 2014) (observing that a Sherman Act violation requires both the possession of monopoly power and anticompetitive conduct). As the Second Circuit has explained,

[t]he more competition a company faces, the less it can control prices because competitors will undercut its prices to secure market share. Conversely, a company that can exclude competition can sustain its ability to control prices and thereby maintain its market power. The pertinent inquiry in a monopolization claim, then, is whether the defendant has engaged in improper conduct that has or is likely to have the effect of controlling prices or excluding competition, thus creating or maintaining market power.

*PepsiCo*, 315 F.3d at 107-08 (citations omitted).

257. See *supra* Part III.B.1.

258. Cf. Herbert Hovenkamp & Christopher R. Leslie, *The Firm as Cartel Manager*, 64 VAND. L. REV. 813, 863-64 (2011) (alluding to the collusive power of many firms sharing a single trademark, such as SEALY for their mattresses). For a general overview of how antitrust law ought to think about trademarks, see Deven R. Desai & Spencer Waller, *Brands, Competition, and the Law*, 2010 BYU L. REV. 1425, 1491-98.



were being carved out of the SWISS MADE certification for the benefit of the larger watchmakers in Switzerland.<sup>259</sup>

When the certifier has further market power—downstream market power—it can not only control which businesses get to compete as those with certified goods or services in the downstream market, but it also gets to confer market power on those businesses in the downstream market. It can thereby remove competition from the market for these goods and services.<sup>260</sup> For example, if a kosher certifier with certification market power decides to certify only one restaurant as kosher per geographic region, it can control the market for kosher restaurants (assuming that is a distinct market). Although this result is of a different quality than most businesses' anticompetitive behavior—which tries to stamp out competition in the same market as the business—a certifier acts anticompetitively when it manipulates its standards to accomplish this outcome.<sup>261</sup>

Downstream market power is troublesome because it can give the certifier power over the entire space of goods or services for which it offers certification.<sup>262</sup> That is, under the prerequisite conditions, certifiers like the

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259. See *supra* Part II.C.

260. Certification standards themselves can generally put up barriers to entry into a particular industry. As Margaret Chon recognizes, standards “may be hard to locate and therefore difficult to comply with.” Chon, *Marks of Rectitude*, *supra* note 3, at 2318 (noting that this problem is especially severe “for competitors hailing from information- or resource-poor regions”). Businesses typically have to pay a fee to be certified and often also to gain access to a certifier’s standard. *Id.*

261. Because the cost of certification is reasonably passed on to the consumer, without market definition and further investigation it might be hard to distinguish market power from downstream market power. Stephen Choi explains another related effect of a certifier acting with market power:

To maximize its profits, a monopolist may also choose a level of screening accuracy different from the competitive level to affect the relationship between the revenue difference and the number of firms investing in high quality. In particular, the monopolist-certifier may raise the screening accuracy level above the competitive level. Intuitively, higher screening accuracy increases the penalty to firms for remaining low quality. . . . Whether the monopolist actually does raise the screening accuracy above competitive levels depends on the costs of becoming a high-quality producer and the impact of additional screening accuracy on the revenue difference between high- and low-quality producers in a particular market.

Choi, *supra* note 195, at 944-45. The effects are related in the sense that the monopolist certifier might find that making it harder to be certified raises the value to businesses of getting certified, because succeeding will put the certified business in a smaller, more exclusive group, which might allow the certified business to charge significantly more for its goods or services than had the certification been more freely available.

262. In this sense, the problem is different from the one analyzed by Jonathan Barnett, of certifiers that shirk their duties to provide accurate information. Barnett, *supra* note 185, at 477. The concern here is not that certifiers are not assessing providers of goods and services reliably but that they can play fast and loose with their standards themselves (which they then assess reliably) to exclude certain providers to the detriment of competition. For that reason, Barnett’s proposed solution of organizing

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Orthodox Union might have power over kosher restaurants, the MPAA might have power over movies, and the Federation of the Swiss Watch Industry might have power over watches. And in light of the extensive downstream control each of these certifiers might have—the Orthodox Union as the most powerful kosher certifier by far,<sup>263</sup> the MPAA’s exclusive control over whether certain rated movies will screen in theaters,<sup>264</sup> and the Federation of the Swiss Watch Industry’s exclusive role in certification of SWISS MADE watches, which then represent a disproportionate amount of profit to the watch industry<sup>265</sup>—there is reason to suspect that each might possess downstream market power. Certifiers with downstream market power that behave anticompetitively are particularly worrisome, perhaps even more so than trademark owners with market power. Trademark owners with market power control their own particular good or service, but certifiers with downstream market power control the whole space of goods or services that they certify.<sup>266</sup>

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certifiers in constrained forms to reduce their incentives to shirk on informational accuracy, *id.* at 480, does not target the issues of flexible standards and anticompetitive certification markets.

263. *See supra* text accompanying notes 61-70.

264. *See supra* text accompanying notes 103-05.

265. *See supra* text accompanying note 144.

266. *Cf.* 1 HERBERT HOVENKAMP ET AL., IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW § 3.5 (2d ed. Supp. 2012) (“Even franchises like McDonald’s or Domino’s Pizza face competition (albeit imperfect) both from other national franchises and from local restaurants.”). Given that trademarks are typically used to represent one particular provider of a good or service, not many different competing ones in the same industry, it is not surprising that the antitrust implications of trademark deployment are underdeveloped. *See, e.g., id.* § 2.4 (“Courts have recognized a defense of trademark misuse, although the law is not as well-developed as is the law of patent misuse.”); *cf.* E.G.L. Gem Lab Ltd. v. Gem Quality Inst., Inc., 90 F. Supp. 2d 277, 291-92 (S.D.N.Y. 2000) (“The public interest in promoting challenges to the validity of trademarks, if indeed there is any, therefore is not nearly as weighty as in the patent area.”). As a leading treatise on intellectual property and antitrust points out, “[t]rademark . . . law provide[s] generally weaker intellectual property rights than patent and copyright law, at least from the perspective of dominance of an economic market.” 1 HOVENKAMP ET AL., *supra*, § 3.5. The Second Circuit has elaborated that

[a] trademark, unlike other intellectual property rights, does not confer a legal monopoly on any good or idea; it confers rights to a name only. Because a trademark “merely enables the owner to bar others from the use of the mark, as distinguished from competitive manufacture and sale of identical goods bearing another mark, . . . the opportunity for effective antitrust misuse of a trademark . . . is so limited that it poses a far less serious threat to the economic health of the nation” [than does patent misuse].

*Clorox Co. v. Sterling Winthrop, Inc.*, 117 F.3d 50, 56 (2d Cir. 1997) (second alteration in original) (quoting *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*, 298 F. Supp. 1309, 1314 (S.D.N.Y. 1969)). The Ninth Circuit has explained that “[m]arket power, if any, is derived from the product, not from the name or symbol as such.” *Mozart Co. v. Mercedes-Benz of N. Am., Inc.*, 833 F.2d 1342, 1346 (9th Cir. 1987). While there might be

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Clues as to market power might come from applying the general antitrust framework to this context<sup>267</sup> as well as looking to the longevity of a certifying organization, the number of products or services that it certifies, and consumers' deeply held views on the certification mark.<sup>268</sup> That said, a complete treatment of the complex issue of market power in the context of certification—particularly its two layers—is beyond this Article's scope.

Worth noting is that in many ways, the anticompetitive worries here are similar to those that antitrust scholars address with regard to standard setting. The fear in that context is that when there are patents that are essential to the implementation of standards (typically established by standard-setting organizations), such as for smartphones, competition will be negatively affected if some businesses are denied the possibility of using a standard necessary to compete.<sup>269</sup> Similarly, to the extent that a particular certification matters to consumers, those businesses excluded from the certification will find it harder, if not impossible, to compete.<sup>270</sup> If this certification standard is deployed anticompetitively, the effect on competition can be both great and unfair. In the context of patents for industry standards, antitrust scholars maintain that the anticompetitive problem can be solved by licensing the patents indiscriminately on fair, reasonable, and nondiscriminatory terms.<sup>271</sup> The next Part takes up some analogous proposals for certification marks.

How likely are these scenarios in which certifiers obtain one of these forms of market power, enabling them to act anticompetitively? Real-world conditions are ripe to enable certifiers to achieve market power. In particular, achieving meaningful competition in the certification market—which would

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more anticompetitive worries associated with general trademarks than these sources suspect, that subject is beyond the scope of this Article.

267. See *supra* note 254 (referencing the antitrust literature on market power).

268. For example, as Jonathan Barnett notes in a different context, "Underwriters' Laboratories (founded in 1894), the country's leading product safety certification firm, has developed more than 1300 safety standards and, in 2009, tested almost 90,000 products and authorized use of its 'UL' mark on 20 billion items from over 66,000 manufacturers." Barnett, *supra* note 185, at 476. Although one might generate more precise metrics for assessing market power, these facts alone are suggestive of market power for Underwriters' Laboratories.

269. James Ratliff & Daniel L. Rubinfeld, *The Use and Threat of Injunctions in the RAND Context*, 9 J. COMPETITION L. & ECON. 1, 3-4 (2013).

270. Cf. Chon, *Marks of Rectitude*, *supra* note 3, at 2321-25, 2347-48 (connecting different issues facing certification marks with the literature on standard setting).

271. See, e.g., Ratliff & Rubinfeld, *supra* note 269, at 4; Philip J. Weiser, *Making the World Safe for Standard-Setting*, in 2 THE IMPACT OF GLOBALIZATION ON THE UNITED STATES: LAW AND GOVERNANCE 171, 189-91 (Beverly Crawford ed., 2008).

eliminate certifier market power<sup>272</sup>—is hard. There are two major barriers to entry for certifiers hoping to compete against existing certifications. First, there are supply-side barriers to entry. For a certification to be successful, it needs to garner a strong enough reputation to compete with established certifiers.<sup>273</sup> As discussed above, this reputation is hard to achieve, whether sought by building up a base in the marketplace (with businesses that might wish to adopt the certification or with their consumers), by establishing legal requirements or other standards that necessitate a particular certification, or both.<sup>274</sup> Certifications have network effects; they tend to become yet more valuable as more businesses use them and more consumers rely on them.<sup>275</sup> Building a sufficient reputation with regard to certification standards—typically informationally opaque by design<sup>276</sup>—is costly and can take a long time.<sup>277</sup> Moreover, establishing a reliable network of certification agents can be difficult.<sup>278</sup>

There are also demand-side barriers to entry for certifiers. Businesses that wish to adopt a type of certification need to evaluate the possible certifiers' reliability and other qualities, which can be hard to do without using them but instead relying solely on readily available information.<sup>279</sup> If a business is already using a particular certification, it will thus be relatively costly to switch from the certifier the business has already evaluated through experience to one that is less assessable.<sup>280</sup> Additionally, businesses bear the cost of learning a certifier's process of collecting and assessing certification information about the business, a cost that weighs against switching certifiers.<sup>281</sup>

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272. See *PepsiCo, Inc. v. Coca-Cola Co.*, 315 F.3d 101, 107-08 (2d Cir. 2002) (“The more competition a company faces, the less it can control prices because competitors will undercut its prices to secure market share.”).

273. Barnett, *supra* note 185, at 478-79.

274. See *supra* text accompanying notes 186-91.

275. Cf. Philip J. Weiser, *Internet Governance, Standard Setting, and Self-Regulation*, 28 N. KY. L. REV. 822, 823 (2001) (exploring “how standard-setting bodies and the Internet’s reliance on open standards have shaped the Internet’s character in critical ways”).

276. See *supra* Part I.A.1.

277. Barnett, *supra* note 185, at 488.

278. Cf. Timothy D. Lytton, *Competitive Third-Party Regulation: How Private Certification Can Overcome Constraints That Frustrate Government Regulation*, 15 THEORETICAL INQUIRIES L. 539, 558 (2014) (discussing how improving certifier reliability requires intensive efforts to “increas[e] expertise and accountability”).

279. See Barnett, *supra* note 185, at 489.

280. *Id.*

281. *Id.* For analysis of the barriers to entry that might emerge from adopting voluntary food labeling, see Julie Guthman, *The Polanyian Way?: Voluntary Food Labels as Neoliberal Governance*, 39 ANTIPODE 456 (2007).

There are acute worries for certifiers developing and asserting market power in anticompetitive ways. This exercise of power can exacerbate the incentives that already exist under current law for certifiers to act in ways that are counterproductive to the goals of cultivating and protecting certification marks: promoting competition and protecting consumers.

In sum, this Part generalizes from the worrisome examples in Part II. It shows that certifying organizations' incentives often lead them to prefer certifying certain businesses over others. They can typically carry out this preference via their subjective, vague, incomprehensive, or malleable certification standards. Trademark law therein not only permits but even enables certification marks to be wielded counterproductively to their purposes of promoting fair competition and protecting consumers. When these certifying organizations also have market power, these counterproductive effects are exacerbated by concerns of anticompetitive behavior. But the law has a role to play in alleviating these concerns.

#### **IV. Fixing Certification Marks**

This Part considers what might be done to keep certifiers from wielding their certification marks counterproductively. In short, there needs to be more regulation of the currently underregulated certification mark(et).<sup>282</sup> This Part evaluates two possible forms of regulation internal to trademark law to temper the counterproductive behavior that stems from permitting flexible standards: substantive and procedural regulation of certification marks. Although a substantive approach—having the federal government define certifiers' standards—would put a damper on the misuse of certification standard flexibility, such an approach is generally undesirable because it undermines certification mark goals in other ways. The preferable approach to curbing the counterproductive behavior that stems from permitting flexible standards is instead procedural: to regulate private certifiers' process of crafting, disclosing, revising, or applying certification standards to safeguard against the misuse of flexibility. Moreover, to solve the problems that certifier and downstream market power can cause, there ought to be more attentive antitrust scrutiny external to trademark law. Subpart A evaluates substantive regulation of certification marks using the federal government's regulation of the "organic" label as a cautionary tale. Subpart B turns to procedural regulation of certification marks, and Subpart C discusses antitrust scrutiny.

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282. Cf. Meidinger, *supra* note 48, at 269 (noting that some "certification programmes have been using and elaborating a kind of administrative law to organise their activities" as a way of self-regulating).

A. Substantive Regulation

One straightforward approach to addressing the worries raised by certifiers' incentives to keep their standards flexible and then wield them counterproductively is to make sure those standards are not flexible in the first instance. Under this approach, certification standards would be clearly defined and perhaps unable to be changed over time. As this Subpart contends, this approach would directly thwart flexible certification standards and the problems they enable but at the too-heavy price of the benefits that can also come from certification standard flexibility: agility and awareness to respond to changing or unexpected conditions out of responsiveness to consumer welfare and competition, the precise goal of protecting certification marks in the first place. This Subpart starts out by addressing governmental definition of certification standards and then moves outward to analyze the possibility of merely requiring privately defined certification standards that are clear (and less malleable than under the current legal regime).

As I have previously explored with regard to other forms of intellectual property, articulating the bounds of the “thing” protected by an intellectual property right requires thinking up front and globally about all sorts of situations or manifestations that ought to be covered by the right.<sup>283</sup> Claiming intellectual property in this way is similar to the more general case of rule writing, which is an *ex ante* creation of law.<sup>284</sup> This is no different for certification tests, if they are to be articulated up front and clearly.<sup>285</sup> Great cost and care must be taken to define the certification test to account for the range of situations to which it might apply. For example, for movie ratings, writing a clear—and inflexible—certification test might require the writer to define the effect of the length of scenes containing nudity and the extent of that nudity on whether a movie warrants an NC-17 rating versus an R or PG-13 rating.<sup>286</sup>

If the government were to undertake, or at least oversee, the *ex ante* fixing of certification tests, that would counteract the problems enabled by currently

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283. Fromer, *supra* note 208, at 757.

284. See Kaplow, *supra* note 44, at 562-63, 568-77 (arguing that rules are costlier to promulgate, out of concern with refining their content *ex ante*, but are easier to apply than standards). *But see* Cass R. Sunstein, *Problems with Rules*, 83 CALIF. L. REV. 953, 984-85 (1995) (maintaining that *ex ante* rules generally require *ex post* judging).

285. Until now, I have generally referred to the test for certification as a “certification standard,” whether that test is more like a rule or a standard. Realizing that “standard” has a specialized meaning when thinking about rules versus standards, this Article now removes the ambiguity when discussing certification in that context and refers to a “certification test” instead.

286. See *supra* Part II.B.

flexible certification tests because they would no longer be malleable.<sup>287</sup> Although there are many ways in which this fix could occur, the most extreme way would be for the government itself to set the standard for each registered certification, likely through interacting with the certifier and possibly also with affected businesses and consumers.<sup>288</sup> Then, once the government is satisfied with the developed certification test and its clarity and comprehensiveness for application (and assuming the certifier complies with other mark registration requirements), the PTO would register the associated certification mark.

Having the government set standards for every certification mark is obviously less than realistic and is more of a thought experiment than a serious proposal. That said, sometimes the federal government has set such standards. Consider the federal government's certification for "organic" food. In 1990, Congress passed the Organic Foods Production Act to create a national standard for organic food certification in response to the states' different organic food labeling requirements.<sup>289</sup> The federal law required the Secretary of Agriculture to promulgate regulations creating an organic certification program based on a skeletal statutory outline for the certification standard.<sup>290</sup> As per the law, federal agents would certify that food was organic in compliance with the standard.<sup>291</sup> After over a decade of wrangling with the public and interested industries over the standard for the "organic" certification (including over whether to allow the use of genetic engineering and the use of irradiation in production), the Department of Agriculture issued detailed rules governing the process of growing, harvesting, raising, and preparing foods.<sup>292</sup> At this juncture, there are more than 30,000 farms and processors around the world certified as "organic" by the government.<sup>293</sup>

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287. *But cf.* Schlag, *supra* note 230, at 407-08 (voicing the notion that rules are not necessarily more determinate than more flexible standards).

288. In that situation, certifiers would act akin to something in between second- and third-party certifiers. *See supra* note 186. In this situation, the certification standard might be made public or held privately by the PTO.

289. Organic Foods Production Act of 1990, Pub. L. No. 101-624, 104 Stat. 3935 (codified as amended at 7 U.S.C. §§ 6501-6522 (2015)); *see* Michelle T. Friedland, *You Call That Organic?—The USDA's Misleading Food Regulations*, 13 N.Y.U. ENVTL. L.J. 379, 382-84 (2005) (describing the legislative development).

290. Friedland, *supra* note 289, at 382-83.

291. Organic Foods Production Act § 2104.

292. *See* Press Release, U.S. Dep't of Agric., Veneman Marks Implementation of USDA National Organic Standards (Oct. 21, 2002), <http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=2002/10/0453.html>; *see also* Friedland, *supra* note 289, at 383-84, 388.

293. *Organic INTEGRITY Database*, U.S. DEP'T AGRIC., <https://apps.ams.usda.gov/integrity> (last visited Jan. 1, 2017).

Very quickly, people began to decry the government's "organic" certification standard. For one thing, some thought that consumers were being misled. Whereas many consumers thought that the certification stood for foods' product characteristics—such as the lack of pesticide residues—the standard instead governed only the process of producing foods.<sup>294</sup> Similarly, consumers also often think that certain criteria—such as production on a small and local family farm rather a farm owned by a large organization—are aspects of the certification standard when they are not.<sup>295</sup> Relatedly, some denounce the standard for having fallen out of date and out of line with what consumers would want the certification standard behind the "organic" label to be. For example, they would like to exclude wild-harvested seafood from certification,<sup>296</sup> make changes to the certification's dairy standards,<sup>297</sup> and ramp up requirements to improve large producers' production standards.<sup>298</sup> Critics also complain that the lack of regulation of food products under the "organic" regime has led farmers to care only about improving food production standards to garner the "organic" certification for their products and not about the resulting food products themselves.<sup>299</sup>

For all intents and purposes, the organic certification standard appears to be clear and detailed, so it might not be manipulated as an exclusionary tool. Yet it also has significant potential downsides as a certification test. For one thing, as with governmental ex ante rules generally, there is a fear that detailed rules can become ossified. Ossification can happen both because the certification test does not address situations that arise after the test is crafted and also because the test's details fall out of step with evolved norms and values

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294. Friedland, *supra* note 289, at 386, 403; Erin Toomey, Note, *How Organic Is Organic?: Do the USDA's Organic Food Production Act and National Organic Program Regulations Need an Overhaul?*, 19 DRAKE J. AGRIC. L. 127, 142-44 (2014).

295. Toomey, *supra* note 294, at 138.

296. Claire S. Carroll, Comment, *What Does "Organic" Mean Now?: Chickens and Wild Fish Are Undermining the Organic Foods Production Act of 1990*, 14 SAN JOAQUIN AGRIC. L. REV. 117, 140 (2004).

297. Chad M. Kruse, Comment, *The Not-So-Organic Dairy Regulations of the Organic Food Production Act of 1990*, 30 S. ILL. U. L. J. 501, 529-31 (2006).

298. A. Christine Green, Commentary, *The Cost of Low-Price Organics: How Corporate Organics Have Weakened Organic Food Production Standards*, 59 ALA. L. REV. 799, 829-30 (2008).

299. See Friedland, *supra* note 289, at 386; cf. Margot J. Pollans, Note, *Building Public and Private Goods: The Market for Sustainable Organics*, 85 N.Y.U. L. REV. 621, 621-23 (2010) (suggesting that the government is not using the organic certification law to promote the goal of sustainable farming, which it could and ought to do). Some also complain that the certification standard is not enforced properly. See Toomey, *supra* note 294, at 131.



of society.<sup>300</sup> Warranted or not, ossification seems to be a large part of the criticisms directed at the “organic” certification standard.<sup>301</sup> It is costly and sometimes politically implausible to redefine the test to accommodate new circumstances, so in many instances, the out-of-date rule remains standing.<sup>302</sup>

Problems as there may be with flexible certification standards, they can be useful in allowing certifiers to make appropriate decisions at the moment of certification, all in service of the goals of certification mark law.<sup>303</sup> Consider Part II’s case studies. Although there are significant concerns about how those certifiers are deploying their certifications in an exclusionary fashion in ways counterproductive to trademark law, there is also the possibility that these certifiers are deploying their certification standards in a desirably flexible way to comply with trademark law’s overarching purposes. For example, perhaps the Orthodox Union’s denial of certification for a kosher restaurant named Jezebel is responsive to consumers who care about kosher certification, in that they would like the restaurants they visit not only to have kosher food but also a religiously appropriate environment.<sup>304</sup> If that is the case, perhaps the kosher certification standard had ossified, by starting with a focus on food ingredients and production. However, once business in kosher restaurants grew, perhaps so did a consumer desire that these restaurants—which colorably involve an ambient experience unlike food bought in grocery stores—be religiously compliant as well. And the Orthodox Union responded to that consumer desire

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300. Cf. FREDERICK SCHAUER, *PLAYING BY THE RULES: A PHILOSOPHICAL EXAMINATION OF RULE-BASED DECISION-MAKING IN LAW AND IN LIFE* 83-84 (1991) (observing that rules will not address situations that have not been anticipated); Russell B. Korobkin, *Behavioral Analysis and Legal Form: Rules vs. Standards Revisited*, 79 OR. L. REV. 23, 36 (2000) (“[B]y their very nature, that is, because rules are specified *ex ante*, even complex rules will sometimes fail to take account of all factual variations that might arise *ex post* which might be relevant to optimal tailoring of legal boundaries. Consequently, rules will often be overinclusive and underinclusive . . . .” (footnote omitted)).

301. See sources cited *supra* notes 294-99.

302. Cf. Korobkin, *supra* note 300, at 32 (“Promulgating rules will usually require more up-front costs, because rule promulgation requires decision makers to match a variety of possible actions to their legal consequences.”); Thomas O. McGarity, *Some Thoughts on “Deossifying” the Rulemaking Process*, 41 DUKE L.J. 1385, 1436 (1992) (worrying that administrative regulation has become so burdensome as to have become ossified). *But cf.* Jason Webb Yackee & Susan Webb Yackee, *Testing the Ossification Thesis: An Empirical Examination of Federal Regulatory Volume and Speed, 1950-1990*, 80 GEO. WASH. L. REV. 1414, 1464-77 (2012) (using empirical data to challenge the prevailing thesis that administrative rulemaking is ossified, at least in a consistent fashion).

303. Cf. Frederick Schauer, *The Tyranny of Choice and the Rulification of Standards*, 14 J. CONTEMP. LEGAL ISSUES 803, 804 (2005) (“In contrast to rules, which reflect choices made by the rule-maker, what are conventionally called standards leave most of the important choices to be made by the subject, the enforcer, or the interpreter, and leave them to be made at the moment of application.”).

304. For a discussion of this case study, see Part II.A and note 252 above.

with a flexible, up-to-date application of its standard. If that is what the Orthodox Union has done, the kosher certification standard has been reconfigured to match what consumers would like it to signify, thereby promoting competition in the restaurant business and consumer welfare.<sup>305</sup>

Nonetheless, even if this version approximates what happened, there are still significant complications and worries in this case for certification mark law. In particular, the Orthodox Union might reasonably be seen as holding itself out to certify only food ingredients and production, rather than other religious aspects as well.<sup>306</sup> As a result, many consumers think the Orthodox Union's kosher certification covers only food ingredients and production, resulting in harm to the goals of certification mark law, as discussed in Part I, when there is a mismatch between an actual certification standard and consumers' perceptions thereof. Moreover, there could be many consumers who might not have realized that the Orthodox Union has, without widespread notice, shifted the content of its certification standard to regulate much more than food ingredients and products with its OU mark, thereby causing harm to these consumers.<sup>307</sup>

Nonetheless, as the procompetitive interpretation of the Orthodox Union's refusal to certify Jezebel underscores, certifiers' appropriate brandishing of flexibility can advance the goals of certification marks. Conversely, inappropriate invocations of flexibility do just the opposite by confusing consumers and excluding businesses from certification in ways that undermine competition and consumer welfare. Therefore, it is not flexibility per se that trademark law needs to eliminate in certification tests but rather counterproductive deployments of flexibility. In that vein, government-crafted substantive standards that are inflexible in practice would likely not improve the current state of certification mark law. It would both remove desirable flexibility from certification standards and tend to ossify certification tests.

Another concern with governmental substantive regulation is that the government is often poorly situated to establish certification tests. The government can be out of touch with consumers and the competitive marketplace or, at the very least, less connected to these entities than those operating in the marketplace, namely private certifiers and consumers. This aspect may cause ossification or a bad certification standard from the start,

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305. *See supra* Part I.

306. *See supra* text accompanying notes 88-96 (explaining how the Orthodox Union might be seen as holding itself out as certifying only food ingredients and production as kosher).

307. *See supra* text accompanying notes 236-37.

another critique that has been aimed at the federal government’s “organic” certification standard.

Finally, though possibly not fully applicable to the “organic” certification standard, there is a colossal worry about the state’s substantive involvement in many types of certification tests that are religious or cultural in nature. Should the government be involved in crafting rules for kosher certification? For movie ratings?<sup>308</sup> For ethically sourced products? As trademark scholarship has demonstrated in varied contexts, trademarks can be used to certify and express something that is religious or cultural in nature, not just commercial information.<sup>309</sup> In fact, some trademark scholars might reasonably insist that all—not just a small subset of—marks are culturally relevant.<sup>310</sup> From this vantage point, having the state’s hand draw the boundaries of certification tests raises constitutional worries about government involvement in areas—religion and speech, in particular—designed to be left to private groups.<sup>311</sup>

These three worries—ossification, lack of connectedness, and the inappropriate nature of government involvement in fixing cultural or religious

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308. In fact, the current MPAA movie rating system emerged to ward off governmental and private censorship of movies. See Adam Marcus, *MPAA Ratings Are Better Than the Alternative*, TECH. LIBERATION FRONT (Aug. 20, 2010), <https://techliberation.com/2010/08/20/mpaa-ratings-are-better-than-the-alternative>; MPAA Classification & Rating Admin., *Why: History of Ratings*, FILMRATINGS.COM, <http://filmratings.com/why.html> (last visited Jan. 1, 2017).

309. See, e.g., Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 412-24 (1990) (exploring the legal consequences of the widespread belief that trademarks play an expressive role in our interactions); Sonia K. Katyal, *Trademark Intersectionality*, 57 UCLA L. REV. 1601, 1602-09 (2010) (emphasizing trademarks’ intersecting economic, commercial, and cultural roles); cf. Beebe, *supra* note 20, at 645-48 (proposing an analytical structure for trademarks through the lens of semiotics).

310. E.g., Katyal, *supra* note 309, at 1606 (“Since trademarks inhabit a multiplicity of meanings, they can operate as devices of owned property, and at other times, they can also operate as devices of expression and culture.”).

311. Cf., e.g., U.S. CONST. amend. I (“Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press . . .”); *In re Tam*, 808 F.3d 1321, 1328 (Fed. Cir.) (en banc) (invalidating trademark law’s prohibition on registering disparaging trademarks as a contravention of the First Amendment), *cert. granted sub nom. Lee v. Tam*, 137 S. Ct. 30 (2016). If the government were to become involved in religiously defined certification marks, like kosher food certifications, it would almost certainly run afoul of the Establishment Clause. See *Lemon v. Kurtzman*, 403 U.S. 602, 612-13 (1971) (holding that for a statute to avoid violating the Establishment Clause, it “must have a secular legislative purpose,” its “principal or primary effect must be one that neither advances nor inhibits religion,” and it “must not foster ‘an excessive government entanglement with religion’” (quoting *Walz v. Tax Comm’n*, 397 U.S. 664, 674 (1970))). And were it to regulate movie ratings and other cultural and speech-focused areas, it would likely interfere with constitutionally guaranteed speech rights. Cf. *Freedman v. Maryland*, 380 U.S. 51, 59-60 (1965) (striking down as unconstitutional a state movie censorship statute).

standards—seem more than enough to condemn the possibility, not to mention the impracticability, of government-crafted standards.

A more realistic solution, though less substantive and more procedural in nature, is for the government to oversee private certification tests.<sup>312</sup> Under such a scheme, certifiers would submit their detailed certification test to the PTO, or some other governmental body, for clarity and comprehensiveness review. If the PTO adjudged the submitted test to be sufficiently clear and comprehensive to apply to the myriad of certification decisions the certifier will likely confront, it would approve the test and authorize it for certification mark registration (assuming the other requirements for registration of a certification mark are met).<sup>313</sup> Margaret Chon, in fact, suggests something similar—but more skeletal—with her thought that “[m]ore information about standards could be demanded as a quid pro quo for registration on the federal register for [certification marks].”<sup>314</sup> This review of submitted certification tests could be beneficial if designed properly, as discussed further in the next Subpart. Yet it bears noting here that if such a requirement eliminates certifiers’ flexibility to respond adequately to changed circumstances for procompetitive reasons, that would be as detrimental as the concerns with government-crafted standards just discussed.<sup>315</sup> That is, forcing crystal-clear certification tests that are inflexible would likely not be an optimal development.<sup>316</sup>

## B. Procedural Regulation

Though substantive regulation—via government-crafted certification tests—is unrealistic and undesirable, procedural regulation is more promising

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312. The increased procedural nature of this proposal means it could have readily been discussed in the following Subpart on procedural regulation, but because it suffers from some of the same flaws as the main possibility of substantive regulation, this discussion takes place here.

313. For an analysis of certification in this context, see note 288 above.

314. Chon, *Marks of Rectitude*, *supra* note 3, at 2348.

315. See *supra* text accompanying note 303.

316. One might similarly envision a mix of substantive and procedural regulation. Analogously, the Occupational Safety and Health Administration (OSHA) and the U.S. Department of Labor did something of this sort with regard to certifying private (domestic and foreign) “nationally recognized testing laboratories” (NRTLs) that would then determine whether specific products are safe for use in the American workplace (as OSHA had decided that these products need NRTL approval before being used in the workplace). See Barron, *supra* note 14, at 421-23 (describing the OSHA program of establishing NRTLs). By approving laboratories to certify others, there is an element of substantive regulation (as to which laboratories are qualified) and an element of procedural regulation (letting the laboratories oversee this form of safety “certification”).

on both fronts. This Subpart proposes that the law ought to require private certifiers to install some combination of procedural protections to minimize the possibility that certifiers can subvert the goals of certification marks and act counterproductively to exclude businesses from certification. These procedural possibilities include certifier disclosure of its detailed certification test; an opportunity for interested parties to have notice and comment on certification standards being set or revised; certifier disclosure of certification decisions and reasoning; procedural protections for businesses in certification decisionmaking, such as robust appeal processes for certification denials; and random audits by the government of certification decisions. Certifiers' implementation of one or more of these forms of procedural oversight would minimize their counterproductive behavior by giving the PTO and businesses seeking to be certified better traction to detect this behavior and thus diminish certifiers' incentives to act counterproductively in the first place.

As Richard Stewart notes in a long line of foundational scholarship,<sup>317</sup> administrative law is a key way to make regimes "accountable to the actors or publics whose interests they are supposed to serve."<sup>318</sup> That is as true for private certification regimes (thriving in significant part based on federal certification mark protection) as it is in the contexts Stewart discusses, of domestic governments and a myriad of international regulatory regimes.<sup>319</sup> In particular, thoughtful administrative law can help address "important governance issues of control, accountability, participation, and responsiveness."<sup>320</sup> It does so in a "primarily negative [fashion, by] prevent[ing] unlawful or arbitrary administrative exercise of coercive power against private persons."<sup>321</sup> Analogously, procedural governance of certification can address governance issues by holding certifiers responsible for applying their certification test in a neutral and consistent way and by ensuring that changes to their test happen with maximal opportunity for participation from and with responsiveness to relevant businesses and consumers. If so effectuated, certifiers would have significantly less chance to deploy their certification marks to exclude businesses from certification unreasonably. At a bird's-eye view, the federal government ought to offer certifiers the substantial benefits of its protection under trademark law only in exchange for bolstering—rather than undermining—the law's goals, by certifying in a neutral and consistent way at any point in time. Trademark law can do this by ensuring there is

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317. See, e.g., Richard B. Stewart, *The Reformation of American Administrative Law*, 88 HARV. L. REV. 1667 (1975).

318. Richard B. Stewart, *U.S. Administrative Law: A Model for Global Administrative Law?*, LAW & CONTEMP. PROBS., Summer/Autumn 2005, at 63, 64.

319. See *id.*

320. *Id.* at 69.

321. *Id.* at 74.

sufficient procedural oversight of certifiers' crafting and application of their certification tests.<sup>322</sup>

The fundamental elements of American federal—and many other jurisdictions'—administrative law are procedural requirements for agency decisionmaking, including notice-and-comment rulemaking; circumscribed judicial review, typically with a great degree of deference; and public access to agency information.<sup>323</sup> Trademark law governing certification marks can productively and analogously reappropriate these building blocks of American administrative law to prevent counterproductive behavior. Well-designed procedural regulation can prevent counterproductive behavior by better shedding light on certifier behavior, in both certification standardmaking and decisionmaking. This would make it easier to pinpoint when certifiers are behaving counterproductively and can thus be threatened with the loss of their certification mark protection for doing so. The potential loss of certifiers' valuable mark protection ought to stop certifiers from behaving counterproductively in the first instance.

This Subpart is intended as an opening exploration of the range of procedural regulations that might prove most useful for ensuring the proper deployment of certification marks. It is the hope that future scholarship will continue this discussion.

#### 1. Regulation of certification standardmaking

Drawing on administrative law principles of rulemaking, this Subpart first turns to procedural rules governing the contents of a certification test itself: namely, disclosure of the certification test, review of test clarity, and notice-and-comment testmaking and revisions.

##### a. Disclosure of the certification test

The advantage of requiring or incentivizing certifiers to reveal their certification test in detail is great. If businesses and consumers have access to a certifier's detailed test, they can often monitor whether the certifier's certification practice diverges from the articulated test.<sup>324</sup> If so, that divergence

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322. Cf. Jody Freeman, *The Private Role in Public Governance*, 75 N.Y.U. L. REV. 543, 547-49 (2000) (proposing that private actors have a prominent role, together with public actors, in governance as a way to optimize accountability).

323. See Stewart, *supra* note 318, at 73. See generally PETER L. STRAUSS ET AL., GELLHORN & BYSE'S ADMINISTRATIVE LAW: CASES AND COMMENTS 10-18 (11th ed. 2011).

324. As discussed above, there are some certification tests for which consumers might not be able to judge fidelity, such as for production processes and invisible product aspects. See *supra* text accompanying note 50. By comparison, businesses seeking to be certified can monitor fidelity if they have a detailed certification test. Even so, the government can audit certifiers as a way to further monitor fidelity to an articulated certification test.

confers a legal basis for the government to withdraw protection from the certifier's certification mark.<sup>325</sup> That threat ought to bolster the certifier's incentive to certify as per its articulated test, just as trademark law wants, and not diverge from it to behave counterproductively.

Currently, as can be seen from Part II's case studies, the PTO permits certifiers to secure certification mark protection by exposing a wisp of information in vague and general terms as its certification standard. For example, consider the MPAA's PG-13 certification standard, as disclosed in its mark registration: that a movie "in the opinion of the [MPAA], contains material as to nudity, language, sensuality, treatment of theme, and violence such that parents should exercise caution before allowing their children under thirteen years of age to attend."<sup>326</sup> This disclosure gives no indication of how much and which manifestations of each certification variable (nudity, language, and so forth) would yield a PG-13 rating rather than its PG and R rating neighbors. Perhaps the most one can suggest—consistent with the potential for counterproductive deployment of the certification standard—is that the MPAA rater knows a PG-13 film when he or she sees it.<sup>327</sup> The MPAA's disclosed certification standard for the PG-13 rating in its own published rating rules are helpfully somewhat more detailed than its standard in the mark registration. There, the MPAA makes clear not only that the PG-13 rating is more restrictive than the PG rating and less so than the R rating, but also that:

The theme of the motion picture by itself will not result in a rating greater than PG-13, although depictions of activities related to a mature theme may result in a restricted rating for the motion picture. Any drug use will initially require at least a PG-13 rating. More than brief nudity will require at least a PG-13 rating, but such nudity in a PG-13 rated motion picture generally will not be sexually oriented. There may be depictions of violence in a PG-13 movie, but generally not both realistic and extreme or persistent violence. A motion picture's single use of one of the harsher sexually-derived words, though only as an expletive, initially requires at least a PG-13 rating. More than one such expletive requires an R rating, as must even one of those words used in a sexual context. The Rating Board nevertheless may rate such a motion picture PG-13 if, based on a special vote by a two-thirds majority, the Raters feel that most American parents would believe that a PG-13 rating is appropriate because of the context or manner in

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325. See 15 U.S.C. § 1064(5)(D) (2015); see *supra* text accompanying notes 39-42 (analyzing this requirement).

326. PG-13, Registration No. 1,337,409. See *generally supra* Part II.B (discussing the MPAA's movie rating certification marks).

327. Cf. *Jacobellis v. Ohio*, 378 U.S. 184, 197 (1964) (Stewart, J., concurring) (noting famously with regard to pornography that "I know it when I see it, and the motion picture involved in this case is not that"). See *generally* Paul Gewirtz, *On "I Know It When I See It,"* 105 YALE L.J. 1023, 1026-47 (1996) (excavating the implications of this judicial declaration).

which the words are used or because the use of those words in the motion picture is inconspicuous.<sup>328</sup>

The MPAA specifies the PG-13 certification standard more precisely than in its mark registration, such as with regard to the threshold as to drug use. Nonetheless, there is still a great deal of malleability in this elaborated standard. For instance, how much and what sort of violence is “extreme or persistent” enough to require more than a PG-13 rating? Or which range of scenarios constitutes “a sexual context” in which “one of the harsher sexually-derived words” is used? Or how much nudity is “[m]ore than brief”? This malleability gives MPAA certifiers the ability to behave counterproductively as discussed in Part III.

All that said, that does not mean that the certification standard ought to be more clearly pinned down to list how much and which types of violence will qualify as “extreme or persistent” and so forth. Not only is that costlier to do, but it just might be the related case that the ratings do and should turn on the totality of the circumstances and their context, which is too hard to articulate in rule-like detail in advance of application.<sup>329</sup>

What this illustration does underscore is that, just as some laws are better expressed as rules and some as standards, some certification tests are relatively straightforward to articulate as comprehensive rules and others are sufficiently complicated or nuanced that a standard to be refined in application is preferable.<sup>330</sup> Movie ratings are perhaps better left as standards, whereas the detailed preexisting religious guidelines for kosher food ingredients and preparation likely lend themselves well to clear—yet complex—and comprehensive rules for kosher certification.<sup>331</sup>

Viewed through the lens of this analysis, Margaret Chon’s general suggestion—that one of many ways to help promote consumer protection is to ensure that certification standards are “more transparent” than they currently are—needs refinement and nuance.<sup>332</sup> Chon is correct that the PTO could demand more information about the test from those registering certification marks, to

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328. MPAA RATING RULES, *supra* note 9, art. II, § 3(C)(3).

329. Cf. Jason K. Albosta, Note, *Dr. Strange-Rating or: How I Learned That the Motion Picture Association of America’s Film Rating System Constitutes False Advertising*, 12 VAND. J. ENT. & TECH. L. 115, 137 (2009) (arguing that the MPAA’s movie rating system is false advertising “because it imbues the ratings with a misleading notion of precision and conveys a message to the public that rated films meet a nonexistent objective standard”).

330. See *supra* notes 283-88 and accompanying text (discussing and invoking scholarship on rules versus standards).

331. See *supra* Part II.A.

332. Chon, *Marks of Rectitude*, *supra* note 3, at 2333, 2348; see also *supra* text accompanying notes 314-15 (discussing Chon’s general suggestion in the context of the possibility of substantive regulation of certification marks).



the point of much more rigorously detailed rules for certification. But she does not go further to consider heterogeneity among certification tests and countervailing concerns: that some certification tests are better articulated as rules and others as standards and (as discussed in Part IV.A) that there needs to be room in certification mark law for flexibility.

Where does this heterogeneity and complexity leave the notion of requiring heightened disclosures of certification tests beyond the skeletal versions the PTO currently accepts? The illustration above of the MPAA's own PG-13 rating test suggests at least the following: First, whether better described in a standard or rule, the PTO is currently satisfied with too little disclosure from certifiers as to their certification tests. The PTO can and should ask for more than highly abstract and general short statements representing a certification test. Second, certifiers are usually the best placed to determine whether their certification test is better articulated as a detailed rule or a standard to be fleshed out in its application. Perhaps the PTO should require highly detailed certification rules from those certifiers that think it best for their certification test. And for those certifiers that think their certification test would be best fleshed out in application, the PTO should not require the same level of detail up front but should instead ramp up its procedural regulation of the certifier's decisionmaking—as discussed below—to ensure that the certifier is fleshing out its standard consistently with trademark law's goals. Third, as analyzed in Subpart A above, even a requirement of well-defined and disclosed certification tests should allow for the possibility that certification standards might have good, procompetitive reasons to change over time. Any regulation of disclosed tests must account for the possibility of certification test revision as new and pressing situations arise.<sup>333</sup>

Pertinently, recent changes by the PTO contemplate the fluidity of certification tests. Trademark law requires that between the fifth and sixth years of registration, the ninth and tenth years of registration, and every ninth and tenth year of registration going forward, the registrant must file with the PTO an affidavit that it is continuing to use the mark or has excusably not used it.<sup>334</sup> The PTO's changed rules contemplate that at these times, certification mark registrants must specify whether the certification standard has changed

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333. Cf. Jeanne C. Fromer & Mark P. McKenna, *Claiming Design* (Nov. 16, 2016) (unpublished manuscript) (on file with author) (discussing timing as an important dimension of intellectual property claiming systems).

334. See 15 U.S.C. §§ 1058-1059 (2015); 37 C.F.R. §§ 2.161, 7.37 (2015) (specifying the current requirements for filing).

since the last submission to the PTO and if so, submit “a copy of the revised certification standards.”<sup>335</sup>

These changes are a step in the right direction, but they do not impose any heightened disclosure requirements as to certification tests. The PTO ought to impose a requirement that certifiers set forth the content of their certification tests in much greater detail than is currently required. There are multiple ways to secure this more detailed information about certification tests. One way, for instance, is to have the law insist on disclosure of certifying organizations’ operating manuals for their certifying agents. Another is to elicit these certification tests directly for the PTO in the first instance.

In sum, bolstered disclosure of certification tests is desirable, so long as such regulation allows for modification of these tests over time. Additionally, heterogeneity in certification approaches suggests that for those certifiers using rules to certify, very detailed disclosure of those rules might suffice to keep certifiers in check from behaving counterproductively. By contrast, for those certifiers applying standards that will be increasingly fleshed out in certification decisionmaking, the same level of detail would be costly and unhelpful. For these certifiers, heightened procedural regulation of certification decisionmaking, together with some increased detail about the certification standard, would be a preferable approach.

b. Review of standard clarity and comprehensiveness

Requiring augmented disclosure of certification tests—whether extremely amplified as certification rules or moderately so as certification standards—would be of little use if the PTO does not also review these disclosures to make sure they are sufficiently clear and comprehensive.<sup>336</sup> Otherwise, certifiers could submit a too-flexible test to the PTO and then wield that test in ways that undercut the goals of certification mark law. Review of submitted tests might be hard for PTO examiners to do properly on their own, as they are almost surely not experts in the certifications at hand, not to mention the underlying businesses relying on the certification. Nonetheless, to improve this review, the PTO could share submitted disclosures with the public, so as to seek comment by interested businesses and consumers on whether the disclosures are sufficiently clear and comprehensive or whether there are neglected

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335. Changes in Requirements for Collective Trademarks and Service Marks, Collective Membership Marks, and Certification Marks, 80 Fed. Reg. 33,170, 33,188 (July 11, 2015) (to be codified at 37 C.F.R. pts. 2, 7) (noting changes in 37 C.F.R. §§ 2.161, 7.37).

336. The United Kingdom currently reviews certification regulations for clarity and compliance with the certification mark requirements. See NORMA DAWSON, CERTIFICATION TRADE MARKS: LAW AND PRACTICE 28, 30-35 (1988); Mogyoros, *supra* note 15, at 26-27. The government must also consent to alteration of the certification standard. DAWSON, *supra*, at 42-43.

situations or aspects that ought to be addressed. It would not be the first time that the PTO has sought public comment on protectability. In recent years, the PTO has undertaken pilot programs to release patent applications to the public so that interested and knowledgeable parties can submit relevant prior art for an assigned patent examiner to consider as he or she weighs patentability.<sup>337</sup> Moreover, as I have suggested in past work and as Lisa Larrimore Ouellette explores as well, patent examiners could take advantage of the wisdom of outside experts to evaluate the sufficiency of patent disclosures.<sup>338</sup> In the context of certification marks, the PTO might similarly ask members of the public with background knowledge to help guide its review of submitted certification tests for clarity and comprehensiveness as input for trademark examiners to consider.<sup>339</sup>

c. Notice-and-comment standardmaking and revisions

Central to review of certification tests for clarity and comprehensiveness, as just discussed, is a recognition of the expert knowledge possessed by businesses and consumers of goods and services that fall within the ambit of a certification. It might prove useful for procedural regulation of certification standards to rely on this expertise more generally and broadly. In particular, just as the government invites interested members of the public to comment on proposed administrative rules by giving them notice and an opportunity to comment,<sup>340</sup> it would be beneficial to give businesses and consumers affected by certification an opportunity to comment on the substance of certification tests.<sup>341</sup> There could be opportunity for notice and comment when a certifier is establishing its test for the first time and whenever it revises its certification test.

Notice-and-comment opportunities could buoy trademark law's goals by providing a more direct, comprehensive, and documented connection between

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337. See PEER TO PATENT, <http://www.peertopatent.org> (last visited Jan. 1, 2017).

338. See Jeanne C. Fromer, *Patent Disclosure*, 94 IOWA L. REV. 539, 591-92 (2009) (suggesting peer review as one of many possibilities to improve currently impoverished patent disclosures); Lisa Larrimore Ouellette, Pierson, *Peer Review, and Patent Law*, 69 VAND. L. REV. 1825 (2016) (considering this possibility in depth).

339. Another way to regulate clarity and comprehensiveness in certification tests is to allow affected businesses or consumers to challenge the sufficiency of the disclosed test in an adjudicative forum. Cf. Fromer, *supra* note 338, at 592-93 (raising the possibility of allowing parties aggrieved by inadequate patent disclosures to challenge the disclosure regardless of whether the party would have standing to file a declaratory action for patent non-infringement).

340. See 5 U.S.C. § 553 (2015).

341. Cf. Meidinger, *supra* note 48, at 269 (stating that forest certification programs now frequently "provide for public notice and comment processes in rulemakings and sometimes in adjudications").

consumers, businesses, and certifiers. Consider first the direct and comprehensive connection it would create between certifiers and third parties. There are likely informal opportunities for businesses and consumers to communicate with certifiers about the content of their certification tests. Nonetheless, certifiers have the incentive to pay attention to certain businesses and consumers over others, in line with the rational preferences they will have for those certain businesses and consumers.<sup>342</sup> Creating a forum of notice and comment to which any interested businesses and consumers can contribute levels the playing field in some sense by democratizing the opportunity to share thoughts on certification tests.<sup>343</sup> That is not to say that certifiers now have to incorporate all of these submitted comments into their ultimate test. However, they do have an obligation to review them, perhaps more than they would have done for some of these comments based on their rational discriminating incentive.

This opportunity to comment on certification tests in turn advances the goals of trademark law. It improves the possibility that certifiers have information from businesses and consumers about what consumers think their certification standard covers or should cover and from businesses about the practical effects of different plausible certification tests. As discussed previously, certification marks are supposed to help consumers identify goods and services that possess certain characteristics about which consumers care.<sup>344</sup> The ability to communicate with certifiers to minimize the differences between consumer perceptions of the certification test and the actual test is thus beneficial.<sup>345</sup> Similarly, the ability for all businesses to communicate about the implications of various possible certification tests can help bring to light concerns that businesses might have about the propriety of those tests vis-à-vis their business interests. This would improve certifier responsiveness to those interests.

A notice-and-comment opportunity also encourages the accomplishment of certification marks' goals through its documenting function. Via the process of notice and comment, consumer and business comments are memorialized and become part of a record of third-party reactions to certifiers' proposed tests. If one collects a certifier's proposed test, third-party comments, and the certifier's ultimately adopted test, one can measure how responsive a certifier was to certain businesses or groups of consumers over others. This total record can then provide additional evidence when certifiers exclude businesses from

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342. *See supra* Part III.A.

343. *Cf.* Fromer, *supra* note 338, at 551 (underscoring the democratizing function of patent disclosures).

344. *See supra* Part I.

345. *See supra* Part I.

certification to clarify the currently murky waters of whether certifiers are behaving counterproductively to trademark law.<sup>346</sup>

Finally, procedural regulation can also be cautious on certification test revisions. As discussed above, there are some positive reasons to enable revisions as a way to promote certification flexibility, but there are also critical reasons to discourage this flexibility and instead encourage certification stability.<sup>347</sup> It might be worthwhile for the PTO to presume that all certification test revisions are counterproductive to certification mark law's goals of promoting fair competition and consumer welfare. The PTO might then allow certification tests to be revised only if the certifier can overcome this presumption by articulating a plausible productive reason for the revision.<sup>348</sup>

This Subpart has discussed three different aspects of procedural regulation of certification standardmaking that can help ensure that certifiers are behaving as trademark law wants. This sort of regulation would provide ways to detect and punish counterproductive behavior through the loss of certification mark protection, thereby discouraging that counterproductive behavior in the first instance.

## 2. Regulation of certification decisionmaking

Procedural rules can also be used to encourage proper certification decisionmaking. Assuming that the regulations for certification standardmaking discussed in the previous Subpart are adopted, counterproductive behavior with regard to decisions to certify goods or services will still be possible. Whether the certifier's test is a more detailed and comprehensive rule or a more flexible standard, there are opportunities to exclude for reasons unconnected to the certification at hand because there will always be some—even minimal—flexibilities in any certification test,<sup>349</sup> as seemed possible from the case studies in Part II.<sup>350</sup> This possibility is more worrisome the more flexible the certification test, thereby suggesting that these procedural regulations are most important to apply with force to certifiers with more

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346. *Cf.* Part II (discussing cases where it might be hard to tell whether or not certifiers are behaving counterproductively).

347. *See supra* Part IV.A.

348. For example, the SWISS MADE certification holder should qualify to restrict its certification standard if it can provide evidence that watchmaking companies based in other countries are qualifying for its current standard without providing the watch quality that customers would like from watches certified as SWISS MADE.

349. *See supra* Parts IV.A, IV.B.1 (indicating how rules will likely need to be applied to unforeseen situations, thus creating opportunities for misapplication or a lack of comprehensiveness for the rule).

350. *See supra* Part II.

flexible standards than to certifiers with more comprehensive rules. This Subpart considers three possible ways to oversee certification decisionmaking procedurally to safeguard trademark law's goals: disclosure of certification decisions and reasoning, procedural protections for businesses in that decisionmaking, and random audits of certifiers' decisionmaking.

a. Disclosure of certification decisions and reasoning

A direct way to ensure that certifiers are undertaking their certifications fairly, consistently, and in line with certification mark law's purposes is to require certifiers to disclose their certification decisions, while possibly requiring them to include the reasoning behind each decision. This body of certification "precedent," so to speak, is helpful to businesses seeking certification for two related reasons: They can learn why certification decisions were made, giving them the ability to assess whether the decisions are in line with the certification test. They can also see if those decisions are consistent with previous decisions for other businesses that are similarly situated. If the certification decision is out of line either with the certification test or with prior certification decisions, the business seeking certification can legitimately complain that the certifier has contravened trademark law. That is, according to the law, a certification mark owner may not "discriminately refuse[] to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies."<sup>351</sup> By refusing a certification to a business's goods or services that deserve it by virtue of the certification standard or prior certification decisions, the certifier is not carrying out the compulsory licensing scheme trademark law conceives for it and is not deserving of certification mark protection. Disclosure of certification decisions and reasoning can thus help suss out certifiers that are behaving counterproductively because such certifiers are more likely than well-behaved certifiers to be acting contrary to their certification test or treating businesses inconsistently. In this way, disclosure can discipline certifiers to behave in accordance with trademark law's goals and detect and punish those who are not.

Requiring certifying organizations to divulge how they interpret and apply their certification tests would be akin to the clarifying effect that public case law applying legal standards in varied factual contexts has on communicating the scope of legal standards.<sup>352</sup> Similarly, one of the effects of adhering to judicial precedent with a rule of stare decisis is to ensure that there is

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351. 15 U.S.C. § 1064(5)(D) (2015); *see supra* text accompanying notes 32-36 (analyzing this statutory requirement).

352. *Cf.* Kaplow, *supra* note 44, at 577-79 (describing how case precedent can transform less-than-clear standards into clearer rules).

consistency in the law and that like situations are treated alike.<sup>353</sup> And if situations appear similar but courts treat them differently, it is helpful and expected for the later court to articulate justifiably why the situations are dissimilar enough to warrant differential treatment.<sup>354</sup>

Case law ruling on a legal standard might need to be more elaborate to explain how to apply the standard to the particular factual situation at hand. Case law explicating a legal rule, on the other hand, might be able to tersely apply the elaborate rule.<sup>355</sup> Similarly, certification decisions based on a certification rule will generally not need as much reasoning to explain these decisions; a pointer to the rule, or subrule, at hand will often suffice. By contrast, certification decisions based on a certification standard typically ought to include more reasoning to apply the standard to the facts at hand and explain the certification decision. Over time, the body of certification decisions applying a certification standard can yield more predictability akin to a rule.<sup>356</sup>

It is worth noting that some certifiers—particularly those whose certification qualities are hard for the public to observe and those with certification standards (rather than rules)—have moved toward greater disclosures in their certification decisions. As Errol Meidinger has explained, some forest certification programs, whose certification qualities are not easily observable by the public, “have . . . been moving towards greater transparency, even in individual certifications,” as “there is growing pressure to provide as much public information as possible regarding the quality and content of the certification decision.”<sup>357</sup> And the MPAA’s movie rating decisions—based on

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353. Cf. Larry Alexander, *Constrained by Precedent*, 63 S. CAL. L. REV. 3, 17-28 (1989) (advocating for a rule model of precedent, in which “the precedent court has authority not only to decide the case before it but also to promulgate a general rule binding on courts of subordinate and equal rank” and indicating that this model has the advantages of consistent treatment and guidance for future decisionmaking); Frederick Schauer, *Precedent*, 39 STAN. L. REV. 571, 596-97 (1987) (transforming the idea of judicial fairness as consistency into “the more difficult question of whether we should base our decisionmaking norm on relatively large categories of likeness, or by contrast leave a decisionmaker more or less at liberty to consider any possible way in which this particular array of facts might be unique”).

354. Cf. Alexander, *supra* note 353, at 17-28 (discussing a similar effect obtained under a rule model of precedent, in which rules are refined); Schauer, *supra* note 353, at 597 (“If we are to find arguments directly addressing the question of precedent, we must look for substantive reasons to choose larger rather than smaller categories of decision.”).

355. Cf. Joseph William Singer, *The Rule of Reason in Property Law*, 46 U.C. DAVIS L. REV. 1369, 1387-88 (2013) (“Standards are often more predictable than we may think because they are elaborated through the case law system in a way that produces generalizations that approach the form of rules.”).

356. See *id.* As discussed above, this body of certification decisions can substitute for a lack of upfront disclosure in the certification standard. See *supra* Part I.A.1.a (discussing disclosure of certification standards).

357. Meidinger, *supra* note 48, at 269.

certification standards, as discussed above<sup>358</sup>—have taken a turn toward more transparency. Since 1990, the MPAA has included rating descriptors, briefly explaining the reasons for its rating.<sup>359</sup> More recently, this descriptor has been given greater visual prominence in the movie rating display.<sup>360</sup> Some descriptors are extremely specific, such as those for *The Skateboard Kid II* (“Rated PG for brief mild language and an adolescent punch in the nose”), *Twister* (“Rated PG-13 for intense depiction of very bad weather”), and *Team America: World Police* (“Rated R for graphic crude and sexual humor, violent images and strong language—all involving puppets”).<sup>361</sup> Others are vaguer, such as the descriptor for *Charlie and the Chocolate Factory*: “Rated PG for quirky situations, action and mild language.”<sup>362</sup> Yet others are revealingly judgmental, such as the descriptor for *Secretary*, a movie about a sadomasochistic relationship between an employer and employee: “Rated R for strong sexuality, some nudity, depiction of behavioral disorders, and language.”<sup>363</sup> Even if there is significant room for improvement in these disclosures of certification decisions and reasoning, they are a step in the right direction toward effectuating the goals of certification marks.

b. Procedural protections for businesses in decisionmaking

In addition to disclosure of certification decisions and their reasoning, it is important for businesses to be protected procedurally in decisionmaking to ensure that certification decisions are made fairly and accurately and to prevent counterproductive wielding of certification marks. Some of these protections might be put in place during initial certification decisionmaking, such as ensuring that the actual certifier does not have a conflict of interest<sup>364</sup> and giving the business seeking certification an opportunity to be heard.<sup>365</sup>

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358. See *supra* Part IV.B.1.a (excerpting the test for a PG-13 rating and citing the MPAA’s rating manual).

359. MPAA Classification & Rating Admin., *What: Guide to Ratings*, FILMRATINGS.COM, <http://filmratings.com/what.html> (last visited Jan. 1, 2017).

360. *Id.*

361. Jason Bailey, *The Funniest MPAA Ratings Descriptions of All Time*, FLAVORWIRE (Jan. 9, 2015), <http://flavorwire.com/498012/the-funniest-mpaa-ratings-descriptions-of-all-time> (quoting these descriptors).

362. *Id.* (quoting this descriptor).

363. *Id.* (quoting this descriptor).

364. *Cf., e.g.,* *Tumey v. Ohio*, 273 U.S. 510, 532-33 (1927) (finding a defendant’s due process rights to have been violated when the adjudicator had a pecuniary interest at stake in convicting the defendant of unlawfully possessing intoxicating liquor).

365. *Cf., e.g.,* *Mathews v. Eldridge*, 424 U.S. 319, 333 (1976) (“The fundamental requirement of due process is the opportunity to be heard ‘at a meaningful time and in a meaningful manner.’” (quoting *Armstrong v. Manzo*, 380 U.S. 545, 552 (1965))).



Other protections might include an appeal process for certification decisions, either internal or external to the certifier.<sup>366</sup>

To give one example where some procedural protections have been put in place, the MPAA has a movie rating appeals board.<sup>367</sup> A majority of the members of this board can come from the MPAA, the MPAA's member movie studios, and the National Association of Theatre Owners.<sup>368</sup> A small number of members of the board are chosen by independent film producers, some of them with some oversight by the MPAA.<sup>369</sup> According to the MPAA's rules, a movie producer or distributor can appeal an initial rating decision only so long as a number of procedural requirements are met, including that the appellant is seeking only the next less restrictive movie rating.<sup>370</sup> The appellant may submit a written statement to be read by the appeals board or may be represented at the appeal by someone involved in the movie's production or distribution before the initial rating decision.<sup>371</sup> These representatives can speak at the appeal for up to fifteen minutes, followed by the chair of the rating board in defense of the initial rating decision for up to fifteen minutes and then questions.<sup>372</sup> According to the rules, "[t]he parties' statements may refer to similar content in any other motion picture that received a . . . rating," so long as the appeals board members are instructed that "[e]ach motion picture is unique and should be evaluated as a whole and the content of that motion picture should be analyzed in context."<sup>373</sup> In considering whether to change the initial rating, the appeals board "will consider whether the majority of American parents would believe that a less restrictive rating should have been assigned to the motion picture" at issue, and it can overturn the rating board's rating only if two-thirds of the voting members of the appeals board think it was "clearly erroneous."<sup>374</sup> Appeals board members and observers are required to treat the appeal proceedings as completely confidential.<sup>375</sup>

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366. *Cf., e.g.,* *Evitts v. Lucey*, 469 U.S. 387, 400-01 (1985) ("The right to appeal would be unique among state actions if it could be withdrawn without consideration of applicable due process norms.").

367. MPAA RATING RULES, *supra* note 9, art. IV. The MPAA and National Association of Theatre Owners have a hand in selecting up to two other members of the appeals board. *Id.*

368. *See id.* art. IV, § 1.A(1)-(4).

369. *See id.* art. IV, § 1.A(6)-(7).

370. *See id.* art. IV, § 3.

371. *Id.* art. IV, § 4.C.

372. *Id.* art. IV, § 4.G-H, K. Each side can reply for up to ten minutes prior to questions. *Id.* art. IV, § 4.I-J.

373. *Id.* art. IV, § 4.N.

374. *Id.* art. IV, §§ 2.D, 4.T.

375. *Id.* art. IV, § 2.E.

While the MPAA's appeals board is surely better than the absence of one, there have been many criticisms of it. For one thing, it operates in virtual secrecy, so it is hard to build precedent or ensure consistent treatment for parties over time.<sup>376</sup> For another, some filmmakers have criticized the appeals board (and the rating process generally) for not giving enough guidance on certification standards in the first instance. They complain that the MPAA should show the way to yield a desired rating, or at least be as helpful in this regard to independent filmmakers as to those working with major movie studios. As one example, Trey Parker and Matt Stone expressed their frustration in attempting to secure an R rating for their independent film, *Orgazmo*, rather than the initial NC-17 rating they were given.<sup>377</sup> They noted that the board told them that it does not give out information on how to improve ratings.<sup>378</sup> Yet when they later initially received an NC-17 rating for their studio film, *South Park: Bigger, Longer & Uncut*, the board gave them a detailed list of exactly what to change in the film to secure a more palatable R rating.<sup>379</sup>

As this example illustrates, if procedural protections are put in place for businesses undergoing certification, it is imperative that the law outline or require best practices to ensure that these protections are not undercut with the unfairness they are designed to prevent.

c. Certification audits

A third way to protect the integrity and fairness of certification decisionmaking is to ensure that there is some reasonable probability of detection of certifiers deploying their certification standards to exclude some businesses counterproductively. One tried-and-true technique to do so, as is frequently recognized in the context of income tax compliance, is for government officials to conduct random audits of certification decisions and penalize those who fail these audits.<sup>380</sup> The most natural penalty is already a part of trademark law: certifiers that are found to be inappropriately applying their standard in the counterproductive ways addressed in Part III can be said to no longer be deserving of certification mark protection for having “discriminately

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376. See *THIS FILM IS NOT YET RATED*, *supra* note 108.

377. *Id.*

378. *Id.*

379. *Id.*

380. Cf. Joshua D. Blank & Daniel Z. Levin, *When Is Tax Enforcement Publicized?*, 30 VA. TAX REV. 1, 5 (2010) (“The government may issue tax enforcement press releases in the weeks prior to Tax Day in an attempt to cause some taxpayers to conclude that the probability of an audit and the severity of a penalty for tax noncompliance are greater than they are in reality.”).

refus[ed] to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies.”<sup>381</sup>

All in all, these sketches of possible forms of procedural regulation—be they improved disclosure of certification tests, review of test clarity and comprehensiveness, and notice-and-comment standardmaking and revision as ways to regulate certification standardmaking, or disclosure of certification decisions and reasoning, procedural protections for businesses in decisionmaking, and certification audits as approaches to regulate certification decisionmaking—are intended to start a conversation about how best to bring some productive regulation to oversee the unregulated certification mark(et). Some of these forms of regulation might prove wiser than others. Pertinently, there will be costs to applying these regulations (not only the direct financial costs of implementation but also perhaps unintended consequences for other aspects of certification). If these costs outweigh the benefits of regulation, generally or in some contexts, they will not be worth implementing.<sup>382</sup> Perhaps, as discussed above with regard to disclosure of certification tests, it might be preferable for certifiers to choose from different menus of procedural regulations the ones that best fit their certification practice, such as whether they are applying certification rules or certification standards.<sup>383</sup>

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381. 15 U.S.C. § 1064(5)(D) (2015); *see supra* text accompanying notes 32-33.

382. *Cf., e.g.*, David M. Driesen, *Is Cost-Benefit Analysis Neutral?*, 77 U. COLO. L. REV. 335, 398 (2006) (discussing how the Office of Management and Budget “often opposes regulation when monetized costs outweigh[] monetized benefits”). Importantly, competition among certifiers—something that is hard to achieve in the certification space, *see supra* text accompanying notes 272-81—might itself lead to better practices for certification that might obviate the need to regulate. Yet the costs of regulation might prove high enough that they might serve as an additional barrier to entry for new certifiers, which could further exacerbate the problems discussed in this Article.

More generally, the costs of regulation might prove intolerable, in which case the government might incur some duty to communicate to consumers writ large that they should not trust certification marks too much because of the counterproductive concerns discussed in this Article.

383. *See supra* Part IV.B.1.a. Many of the suggestions laid out in this Subpart on oversight of certifiers parallel the abundant literature on standard setting and the problems that patent rights on standards can cause. For starters, certification marks are conceptual cousins of industry standards. *See* Chon, *Marks of Rectitude*, *supra* note 3, at 2320-29 (drawing out the connection between standards and certification marks). In particular, Margaret Chon observes that “[o]ften standards are accompanied by labels, marks, or seals that rely on information as a means of reinforcing the standard.” *Id.* at 2322 (quoting Steve Charnovitz, *International Standards and the WTO* 3 (George Wash. Univ. Law Sch. Pub. Law & Legal Theory, Working Paper No. 133, 2005)). Industry standards can facilitate innovation and interoperability, Mark A. Lemley & Carl Shapiro, *A Simple Approach to Setting Reasonable Royalties for Standard-Essential Patents*, 28 BERKELEY TECH. L.J. 1135, 1136 (2013), but they invoke two concerns that are similar to those this Article excavates for certification marks: exclusionary standard setting and exclusions from deploying standards once they are set. Standard setting can be a process by which some businesses are excluded, either by barring them from the process or by manipu-

*footnote continued on next page*

C. Antitrust Scrutiny

As Part III above shows, certification marks can be used anticompetitively<sup>384</sup> in ways antitrust law is designed to cover and to which it ought to be attentive. The possibility of a certifier's anticompetitive behavior is troublesome enough on its own, but it is particularly worrisome in light of trademark law's goals of promoting competition and protecting consumers.

When certifiers have market power, either as to certification or in the certifier's downstream market,<sup>385</sup> it would likely be inadvisable to break this possibility with heavy-handed market regulation. There are many paths to certifier success in the marketplace, and it would seem more hurtful than helpful to limit certifiers' options in ways that might ultimately prove detrimental to competition and consumer protection.<sup>386</sup> For example, were there to be a guaranteed degree of competition in certification marks, consumers might become overwhelmed by the number of certification marks in a space, provoking information overload and undermining the utility of certification marks to convey information to them.<sup>387</sup> Or to eliminate the possibility of downstream market power, the government itself might take over the job of certification, as some European countries do in certain contexts.<sup>388</sup> Yet there is a vast body of literature cautioning how some market

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lating the standard to make it easier for some businesses to comply with the standard (say, if they have better access to supplies that will comply with the standard). *See id.* at 1138, 1140. Once the standards have been set, further exclusion might be effectuated if a private party deploys patent rights to the standard to bar others from using the standard, or at the very least to make it extremely costly for them to do so. *See id.* at 1140. All of these forms of exclusion can have a negative effect on competition and consumer welfare. *See id.* at 1165. As such, the law and norms have evolved to prohibit these exclusions by ensuring that these patents are licensed on fair, reasonable, and nondiscriminatory terms and by paying attention to standard-setting activities as an antitrust matter. *See id.* at 1136-37; *cf. infra* Part IV.C (discussing antitrust scrutiny for holders of certification marks).

384. *See supra* Part III.B.2.

385. *See supra* Part III.B.2.

386. *Cf. supra* Part IV.A-B (preferring procedural over substantive regulation for similar reasons).

387. *See Barron, supra* note 14, at 432-33. *But cf. Manta, supra* note 11, at 403 ("There is likely to be some disparity in the quality of certification-mark management amongst different owners, with some of these owners being more careful about awarding and monitoring marks than others. This lack of homogeneity allows for the possibility of competition between different certification marks. It also gives individuals who want to affix said marks a greater variety of choices between slightly different marks and lets them choose the certification-mark owners that provide the most effective services.").

388. *See Chon, Marks of Rectitude, supra* note 3, at 2341 (noting the pitfalls of decentralized standards and the possibility of centralized management of standards, such as by governments, to avoid some of the problems). For one example of such European  
*footnote continued on next page*

regulation is preferable to wholesale government regulation in important ways.<sup>389</sup> Moreover, there are particular concerns with the similar possibility of governmental substantive regulation of certification standards and operations, as discussed in detail above.<sup>390</sup>

The better idea, rather, is to scrutinize a certifier's behavior attentively in situations in which its behavior is consistent with anticompetitive action (even if it has a possible procompetitive explanation as well), when the certifier has certification or downstream market power. The federal government—be it through the Department of Justice or the Federal Trade Commission—should be emboldened to institute investigations of and enforcement actions against certifiers in these circumstances.<sup>391</sup> The government can draw on the well-known antitrust concerns with regard to collective marks, as the Supreme Court, scholars, and others have exposed, to shed light on investigating and preventing certifiers' anticompetitive behavior.<sup>392</sup>

One of the most important actions to undertake in this regard is to make these enforcement agencies aware that there are substantial antitrust concerns with regard to deployment of certification marks. Courts and scholars frequently underscore that the anticompetitive behavior that can be undertaken by those who hold patent and copyright rights is less of a possibility for those who hold trademark rights.<sup>393</sup> In principal, they indicate that market power is unlikely to emerge from trademark rights per se, as opposed to the goods or services the rights signify.<sup>394</sup> There are very few cases connecting antitrust violations to trademark protection, underscoring the need for awareness with regard to anticompetitive uses of certification

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regulation, consider the regulation of ingredients in French breads. Randal Oulton, *French Bread Law (1993)*, COOK'S INFO, <http://www.cooksinfo.com/french-bread-law-1993> (last visited Jan. 1, 2017).

389. See, e.g., Daniel J. Hemel & Lisa Larrimore Ouellette, *Beyond the Patents-Prizes Debate*, 92 TEX. L. REV. 303, 327-33 (2013) (comparing government prizes to market rewards for innovation and in particular noting that “[p]atents’ ability to take advantage of private information is well recognized in the innovation-policy literature”).

390. See *supra* Part IV.A.

391. Moreover, perhaps broader notions of standing, articulated in *Lexmark International, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1391 (2014), the Supreme Court's recent decision on the Lanham Act's false advertising provisions, might help businesses seeking certification act as private attorneys general to bring to light certifiers' anticompetitive behavior. Cf. Chon, *Marks of Rectitude*, *supra* note 3, at 2335-38, 2349 (noting uncertainty about whether consumers have standing to petition for cancellation of a certification mark and proposing that standing rules could be liberalized to allow consumer challenges).

392. See *supra* text accompanying notes 176-82 (discussing the well-documented anticompetitive worries associated with collective marks).

393. See *supra* note 266.

394. See *supra* note 266.

marks.<sup>395</sup> Moreover, even though antitrust enforcers, courts, and thinkers realize there can be concerns with standard-setting organizations for many of the reasons pointed out herein,<sup>396</sup> they have not yet focused on how the principally unregulated certification mark(et) can exacerbate anticompetitive concerns.<sup>397</sup>

In sum, the certification mark(et) needs better oversight. Currently, certification mark law's goals are vulnerable to subversion due to lack of oversight. As this Part demonstrates, a combination of thoughtful procedural regulation and antitrust scrutiny ought to right the certification mark ship.

### Conclusion

This Article has explored the underpinning justifications of certification mark law: promoting fair competition and consumer welfare. These two overarching goals line up with trademark law's key goals. Yet owing to the ways in which certification marks are designed to be different from trademarks generally, there are important distinctions. The statutory rules for certification marks are more restrictive. The need for consumers to perceive the certification standard signified by the corresponding certification mark is heightened. Moreover, there are grave concerns that the mostly unregulated certification mark has led to and can lead to certifier behavior that is at cross-purposes with the law's goals of promoting fair competition and consumer welfare. The law can diminish the possibility of this behavior through better regulation.

These are concerns peculiar to certification marks, which justifiably should be treated differently from general trademarks. Before concluding, this Article maintains that certification marks are nonetheless properly maintained as a branch of trademark law. A reader persuaded by this Article's principal arguments might conclude that certification marks are their own beast that need special (perhaps *sui generis*) oversight beyond what the PTO can provide

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395. For example, there is ongoing antitrust litigation against Blue Cross and Blue Shield health insurers alleging cartel operations of market allocation. See Anna Wilde Mathews, *Antitrust Lawsuits Target Blue Cross and Blue Shield*, WALL ST. J. (May 27, 2015, 5:06 PM ET), <http://on.wsj.com/1PNT6KJ>. These insurers are asserting in defense that they each have exclusive rights to the Blue Cross and Blue Shield marks because of trademark licenses from the Blue Cross Blue Shield Association conferring exclusive geographic rights. See *id.* In that case, however, trademark law is being asserted as a shield to the antitrust allegations rather than as a source of market power. See *id.*

396. See *supra* note 383 (discussing parallels between concerns for these organizations and the concerns discussed herein).

397. See, e.g., 1 HOVENKAMP ET AL., *supra* note 266, § 35.4 (discussing the anticompetitive concerns with regard to standard-setting organizations without reference to trademark or certification mark law).

or that their basis in consumer protection and fair competition is strong enough that the Federal Trade Commission ought to oversee them instead. While these cases might be made, it is imperative not to lose sight of the genetic connection certification marks have to trademarks, a connection that ought to have primacy in implementing any oversight of them. As explored above, certification marks—like trademarks—permit a markholder to communicate complicated information about the mark’s signifier—for certification marks, a certification standard—via a succinct mark. The markholder can rightly choose the signifier it wants as the mark and how best to grab the attention of consumers with its choice of mark. In all of these important ways (and even though they need further special refinement to operate effectively), certification marks fit squarely and importantly within trademark law.<sup>398</sup>

This Article began with a question crying out for a witty punchline: “What do a trendy kosher restaurant in SoHo, an independent movie about a serial killer, and a Swiss watchmaker have in common?” Pursuant to this Article’s analysis, the less-than-snappy punchline that can now be shared is, “It depends.” For each of these three worrisome cases, there are two plausible storylines: one that is in line with and supportive of certification mark (and trademark) law’s goals of promoting competition and protecting consumers, and one that cuts against them. Yet it is certification mark law’s lack of regulation itself that

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398. One might take a further step and query whether the procedural regulations proposed herein—principally regulation of certification test definition and transparency—to promote fair competition and consumer welfare ought to be applied more generally across trademark law to promote its parallel goals. In fact, American trademark law used to be worried about many concerns analogous to those analyzed in this Article. Principally, trademark law has not wanted marks to be redefined to signify something too different from their original or longstanding use. For example, trademark law can—though very rarely—find abandonment of a mark should an existing mark come to be applied to radically changed products. See *Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co.*, 571 F.3d 873, 878 (9th Cir. 2009) (“Trademark owners are permitted to make small changes to their products without abandoning their marks . . . . The record supports the district court’s conclusion that [the] changes did not significantly alter the product because it held nearly constant the activity levels of the enzymes, which were the most important component of the product.”); *Indep. Baking Powder Co. v. Boorman*, 175 F. 448, 456 (C.C.D.N.J. 1910) (holding that the manufacturer of SOLAR alum baking powder abandoned its trademark rights by selling the trademark to a third party that substituted phosphate for alum); Paul Ohm, *Branding Privacy*, 97 MINN. L. REV. 907, 975 (2013) (discussing the rarity of this rule’s application). But see Laura A. Heymann, *Naming, Identity, and Trademark Law*, 86 IND. L.J. 381, 435 (2011) (opining that a company “can make changes in the quality of one of its branded products without having to abandon its trademarks”). Moreover, one might also abandon one’s trademark rights for nakedly licensing a mark, see *supra* text accompanying note 40, or assigning a mark in gross to another firm without the trademark’s accompanying goodwill, see 15 U.S.C. § 1060 (2015). The question is intriguing but lies beyond this Article’s scope.

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gives rise to the latter possibility, which undercuts the law's goals, thereby undermining competition and hurting consumers. Until the law gets serious about regulating trademark law to remove the incentives certifiers have to behave counterproductively through their wielding of too-flexible standards to exclude improperly, or even more so, to behave anticompetitively, it will not be clear what these three case studies have in common. The general solution lies in greater procedural regulation of certifiers as a quid pro quo for receiving certification mark protection and in greater antitrust scrutiny of certifiers.