Harm, Benefit, and Justification in Trademark Law

Stacey L. Dogan

Recent years have seen a rash of articles deploring the state of trademark law. Many of these critiques focus on the law's increasingly incoherent approach to harm. Trademark law used to target "real" harm – acts like passing off, in which an imposter diverts consumers away from their intended purchases through use of another party's mark. Today's trademark law, by contrast, reaches all sorts of real or imagined confusion among consumers about relationships, permissions, or affiliation between parties.[1] Critics have largely denounced these expansions, though they differ over their root cause. Some blame the dominant economic model of trademark law,[2] while others contend that courts have misapplied that model.[3]

At the core of these critiques lies an assumption that trademark scholars have taken for granted: that trademark law *should* limit itself to preventing harm, either to the trademark holder or to the public. Absent some likelihood of injury, most scholars contend that trademark law should stand aside and let the free market do its work. Nominally, the principal trademark statutes are consistent with

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[1] *See generally* Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010). For famous marks, it also protects against uses that dilute or tarnish. *See* 15 U.S.C. § 1125(c) (2012).

[2] *E.g.*, Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007); Jeremy Sheff, *Veblen Brands*, 96 MINN. L. REV. 769 (2012); Alfred C. Yen, *The Constructive Role of Confusion in Trademark*, [X] N.C. L. REV. (forthcoming DATE).

[3] *E.g.*, Robert G. Bone, *Hunting Goodwill: A History of the Concept of Dilution in Trademark Law*, 86 B.U. L. REV. 547 (2006); Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461 (2005) [hereinafter *The Merchandising Right*]; Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004) [hereinafter *Trademarks and Consumer Search Costs*].

the harm-avoidance model. Trademark infringement is defined by reference to "confusion, … mistake," or "decei[t]" that causes damage.[4] Even dilution law – which does not require any consumer confusion – ostensibly requires trademark holders to prove the likelihood of injury to their famous marks.[5] And both courts and Congress invoke harm-avoidance as the justification for trademark law and the feature that distinguishes it from its patent and copyright cousins.[6]

In practice, however, trademark law has, for many years, retreated from a strictly harm-based model. From merchandise rights to cybersquatting legislation to anti-counterfeiting laws to dilution law (as applied),[7] courts and Congress have created trademark rights that make little sense for a law designed to prevent injury. While lawmakers sometimes dress up these rights in harm-based rationales, their reasoning generally collapses under scrutiny.[8] The truth is that trademark law – at least in some contexts – gives trademark owners rights to prevent others from

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[4] 15 U.S.C. § 1125(a)(1)(A, B) (2012) (defining infringement as uses "likely to cause confusion, or to cause mistake, or to deceive" about source or affiliation, and creating a private right of action by "any person who believes that he or she is or is likely to be damaged by such act").

[5] *See* 15 U.S.C. § 1125(c)(2)(B, C) (2012) (defining dilution by blurring as a use "that impairs the distinctiveness of the famous mark," and dilution by tarnishment as a use that "harms the reputation of the famous mark").

[6] *Cf.* United States v. Alvarez, 132 S. Ct. 2537, 2554 (2012) (noting that trademark laws "typically require a showing of likely confusion, a showing that tends to assure that the feared harm will indeed take place").

[7] On its face, the dilution statute requires likelihood of either tarnishment or loss of distinctiveness of the famous trademark. 15 U.S.C. § 1125(c) (2012). Yet the factors that courts must consider to evaluate the likelihood of dilution have little to do with harm, leading to an internally inconsistent statute and litigation outcomes disconnected with any concept of harm. *See infra* notes 2-3 and accompanying text.

[8] *See*, *e.g.*, *The Merchandising Right*, *supra* note 3; Greg Lastowka, *Trademark's Daemons*, 48 HOUS. L. REV. 779, 790 (2011) ("Courts sometimes perform their multifactored analysis in such bizarre ways that some sort of doctrinal mischief is clearly afoot."); Sheff, *supra* note 2.

profiting from use of their marks, without regard to whether the trademark holder or consumers have suffered any loss.[9] Some corners of trademark law serve not to prevent damage, but to capture benefits associated with the use of protected marks by parties perceived to be reputational free-riders.[10]

The trend toward a benefits-capturing model, however, has been neither uniform nor universal. For some types of alleged trademarks, courts have emphasized the social value that copying confers and have denied or limited trademark rights.[11] They have also crafted or broadened defenses for certain types of unauthorized uses of marks, even in the face of profit motives and, indeed, at the risk of consumer confusion. If we looked only at Supreme Court opinions, trademark holders would appear to have hit a roadblock at the turn of the twenty-first century, with the Court ruling against them in every substantive trademark

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[9] *See* David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117, 132 (2004) ("There seems to be a basic conviction in the human consciousness that free-riding is wrong. This conviction is fairly simple and straightforward and probably accounts for the plaintiff success rate in dilution cases.").

[10] Of course, the very distinction between harms and benefits is arguably illusory; whether a law avoids harms or confers benefits depends on one's starting baseline. *See*, *e.g.*, Wendy J. Gordon, *Of Harms and Benefits: Torts, Restitution, and Intellectual Property*, 21 J. LEGAL STUD. 449, 451 (1992) ("One can verbally transform most benefit questions into 'harms' and vice versa by juggling the baseline from which effects are measured."). Indeed, philosophers and legal theorists have debated for centuries about the meaning of "harm." *See generally* Scott Hershovitz, *Two Models of Tort (and Takings)*, 92 VA. L. REV. 1147 (2006); Stephen Perry, *Harm, History, and Counterfactuals*, 40 SAN DIEGO L. REV. 1283 (2003). This article views harm in its conventional sense, as a "setback to interests." *See* Hershovitz, *supra,* at 1161. Under this approach, trademark law exists to prevent acts that leave consumers or producers worse off than they would have been without the act. An unjust enrichment or anti-free-riding approach, in contrast, would apply to behavior that has no material effect on the trademark holder, except for creating an opportunity to capture rewards.

[11] *E.g.*, TrafFix Devices, Inc. v. Mktg. Displays, Inc., 523 U.S. 23, 29 (2001) ("Allowing competitors to copy will have salutary effects in many instances.").

decision since 2000.[12] And while lower courts have made some foolish pro-trademark-holder rulings,[13] they have also re-shaped doctrines to restrain trademark rights.[14] The recent history of trademark law, in other words, is more complicated and less relentlessly expansionist than the popular scholarly narrative suggests.

So what accounts for the willingness of courts to invoke limiting principles in some trademark cases but not others? The answer, I believe, lies in courts' implicit moral judgments about the social value of various uses of marks. Rights-holders bear the formal burden of proof in trademark suits: they must prove the likelihood of confusion or dilution of their mark. If a defendant adopts a mark that happens to resemble the plaintiff's, the plaintiff must establish that the defendant's mark will likely cause harm.[15] The calculus is different, however, for parties that deliberately use or evoke someone else's protected trademark. Just as they do with celebrity images,[16] many courts recoil at the notion that someone with no apparent

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[12] KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111 (2004); Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003); Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003); TrafFix 523 U.S.; Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205 (2000).

[13] *See*, *e.g.*, [cases cited in Lemley/McKenna. At least some of the most egregious decisions have self-corrected over time. E.g., Playboy/Netscape]

[14] *See*, *e.g.*, [cases applying Rogers/Grimaldi broadly and in different factual contexts].

[15] Or at least cause confusion. Equating confusion with harm may lead to over-protection even in this context. *See*, *e.g.*, Lemley & McKenna, *supra* note 1; Yen, *supra* note 3.

[16] *See*, *e.g.*, White v. Samsung Elecs. Am., Inc., 971 F.2d 1395, 1399 (9th Cir. 1992) ("The [right of publicity] protects the celebrity's sole right to exploit [her publicity] value whether the celebrity has achieved her fame out of rare ability, dumb luck, or a combination thereof."). *See generally* Stacey L. Dogan, *Haelan Laboratories v. Topps Chewing Gum: Publicity as a Legal Right*, in INTELLECTUAL PROPERTY AT THE EDGE: THE CONTESTED CONTOURS OF IP (Jane Ginsburg & Rochelle Dreyfuss, eds., forthcoming

connection to a trademark can profit from it. As a result, those who use a mark without permission must justify their behavior, by demonstrating that their use has some social value that distinguishes it from mere exploitation.

This requirement that defendants justify their use sits uncomfortably with trademark theory and traditional trademark doctrine. Under the consequentialist, economic account of trademark law, legal intervention should occur only when necessary to protect consumer expectations and to ensure the reliability of information in markets. Absent market failure or misinformation that could threaten the competitive process, economics teaches that robust competition will bring the best results for consumers and society. And trademark doctrine – whatever its initial motivations – historically limited itself to this kind of market-distorting confusion. It's tempting, then, to characterize the current approach as a radical break from conventional trademark law and theory.

When considered against the broader backdrop of trademarks' legal and commercial history, however, the requirement that defendants justify their use of marks becomes, if not defensible, at least less surprising. In my view, four factors have converged to give rise to the justification-focused approach. First, despite the current dominance of the economic account, trademark and unfair competition law has always reflected a streak of non-consequentialist, morality-based reasoning. Even as they applied legal standards focused on harm, early judges frequently berated defendants for reaping the benefits of others' reputational investments. Second, the turn toward confusion-based rather than diversion-based infringement

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2014, Cambridge Univ. Press).

analysis in the mid-twentieth century created an opportunity for courts to cloak their unjust enrichment impulses in superficially neutral inquiries into the likelihood of confusion. Unlike the staunchest search-costs critics, I do not believe that the search-costs model normatively drove trademark law's expansion. Yet the critics have it partially right: by shifting the focus to a malleable notion like "confusion," modern infringement analysis created a new vehicle for courts to channel their preexisting *non-economic* instinct that profiting from others' marks was morally problematic.

Third, the growing ubiquity of branding in our economy, paired with trade dress protection for the shape and features of products, makes it more difficult to separate the "goodwill of the article" from reputation-related value of the brand.[17] Like the shift to confusion, narrowly drawn trade dress protection finds support in the economic model, but its slipperiness creates another opening for trademark holders complaining about exploitation. Who's to say whether a seller of a red-soled shoe is merely delivering an appealing product or capturing the allure of Louboutin's famous brand?[18] The difficulty of disentangling the two means that much product copying now stimulates lawmakers' anti-exploitation impulse.[19]

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[17] Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 121-22 (1938). Deven Desai has written a series of articles describing the rise of corporate branding and exploring its relationship to trademark law. *See*, *e.g.*, Deven R. Desai, *Bounded by Brands: An Information Network Approach to Brands*, 47 U.C. DAVIS L. REV. 821 (2014); Deven R. Desai, *Brands, Competition, and the Law*, 2010 B.Y.U.L. REV. 1425 (2010); Deven R. Desai, *From Trademarks to Brands*, 64 FLA. L. REV. 981 (2012).

[18] *See* Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc., 709 F.3d. 140 (2nd Cir. 2013)..

[19] *See* Louis Vuitton Malletier v. Dooney & Burke, Inc., 454 F.3d. 108 (2nd Cir. 2006)..

Finally – and critically – many of the concerns that have historically motivated narrow trademark rights apply less forcefully – if at all – to the deliberate use of protected marks. Trademark limits have often come from a desire to promote competition and to preserve language, symbols, and product features that have value apart from their role as a brand. To the extent that defendants are seeking to profit directly from brand value, these concerns have less salience, which may contribute to the increased insistence that defendants justify their particular use.

Whatever the cause, it seems clear that today's law puts a thumb on the scale for any trademark holder whose mark is used deliberately and without permission for some other party's commercial gain. The thumb is not heavy; when courts appreciate a tangible social value promoted by certain uses of alleged trademarks, they often craft limiting principles to protect those uses. But their sympathies are context-specific rather than generalized. Despite scholars' best efforts to dissuade them, courts and legislatures are instinctively troubled by what they perceive as exploitation of trademark holders' reputations. Overcoming that instinct requires more than a blanket statement that free riding benefits society; it requires a demonstration that the particular use before the court promotes some legitimate social value. The value may be one of speech, competition, or deference to other intellectual property laws; but courts must appreciate an upside to someone other than the defendant.

This is not to say that defendants have a formal burden to disprove infringement, or even that they must prove the social value of every unauthorized use of a mark. The need to show justification varies with the type of mark and the

nature of the defendant's use. In the prototypical trademark case – involving similar marks and/or similar products, but no apparent intention to evoke plaintiff's trademark – the burden of proof and persuasion remain with the plaintiff. Even in cases involving deliberate imitation, rules such as functionality offer support for the copying of certain product features.[20] Classes of privileged uses, moreover, have begun to emerge – uses whose benefits are sufficiently evident and generalizable that courts are unwilling to presume infringement from mere use of a protected mark. Often, these uses were initially treated as infringement; with time and experience, courts saw their social value and opted to protect them – or at least to insist that the trademark holder prove harm on a case-by-case basis.[21] Yet the fact-specific nature of these inquiries reinforces the general notion that trademark law has shifted toward a benefits-capturing approach, with commercial use of marks inherently suspect and the real action in identifying forms of such use that are socially beneficial.[22]

This project is largely descriptive. While I personally view the shift toward a benefits-capturing model as socially costly,[23] it has entrenched itself in at least some

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[20] Supreme Court was convinced that combination of error costs and patent deference justified a strict rule in favor of defendants.
[21] Example is the keyword cases against advertisers themselves.
[22] In some ways, trademark rights have begun to resemble the right of publicity, which grants individuals the presumptive right to prevent the use of their name or likeness "for commercial purposes." *See generally* Kristine Boylan, *The Corporate Right of Publicity in Federal Dilution Legislation*, 88 TRADEMARK REP. 349 (1998).
[23] *See also* Lastowka, *supra* note 8, at 820 ("I fear that the Supreme Court's invitation in *KP Permanent* to clarify and expand the doctrine of trademark fair use may ultimately wind up backfiring, by taking us further away from the roots of trademark law and further into the conception of trademark law as a broad property right limited only by a range of narrow defenses."). *See generally The*

areas of trademark law. As a result, although the article speculates about the normative engine behind trademark law's reorientation, it aims mainly to reveal the shift and to consider its implications. On a general level, the analysis suggests that trademark law would benefit from a more honest conversation about why we value – or don't value – particular uses of trademarks.[24] More specifically, scholars and advocates concerned about trademark law's expansion should consider directing their efforts toward projects that demonstrate the social value of unauthorized uses. Until now, commentators have largely taken for granted the fact that the public benefits from a limited, harm-focused trademark law. They have assumed that unauthorized uses are generally worth preserving. In the new trademark paradigm, the public benefit from unauthorized use requires articulation and demonstration on a context-specific basis.

Part I begins with a theoretical and historical account of the relationship between trademark law and harm. The dominant economic model conditions legal intervention on misinformation or, at least, loss of informational clarity in the marketplace. Yet the narrative of trademark law that has played out in the courts reflects a more complicated story. At least initially, trademark doctrine did require harm as a condition for infringement, but the normative values driving courts in trademark cases have always revealed an interaction between harm-avoiding and benefits-capturing intuitions. Initially, the two complemented one another, but, as

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Merchandising Right, *supra* note 3; *Trademarks and Consumer Search Costs*, *supra* note 3.

[24] *See* Franklyn, *supra* note 9, at 132 ("There seems to be a basic conviction in the human consciousness that free-riding is wrong. This conviction is fairly simple and straightforward and probably accounts for the plaintiff success rate in dilution cases.").

Part II demonstrates, several trademark doctrines now impose liability without regard to any harm to the trademark holder or the public. In particular, those who deliberately use or evoke other parties' trademarks are often presumed to have wronged, even if no consumer purchasing decision could have been affected by their behavior. This presumption, however, is not absolute, and indeed does not apply at all to certain types of asserted marks. Part III describes a series of doctrines that courts have invoked when the copying of a claimed trademark promotes some tangible social value. These doctrines reflect a cluster of values that can override courts' instinctive anti-exploitation impulse. Part IV closes by considering implications for scholars and advocates concerned about the appropriate reach of trademark law.