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Schechter's Triumph? The Real Shift in Trademark Law's Normative Foundation

Mark P. McKenna

Abstract

This paper challenges the conventional wisdom that trademark law traditionally sought to protect consumers and enhance marketplace efficiency. Contrary to widespread contemporary understanding, early trademark cases were decidedly producer-centered. Trademark infringement claims, like all unfair competition claims, were intended to protect producers from illegitimate attempts to divert their trade. Consumer deception was relevant in these cases only to the extent it was the means by which a competitor diverted a producer's trade. Moreover, American courts from the very beginning protected a party against improperly diverted trade in part by recognizing a narrow form of property rights in trademarks. Those rights were derived from the natural rights theory of property that predominated in the nineteenth century and were defined quite narrowly.

Reframing traditional trademark law in this way leads to two important conclusions. First, although the broad forms of protection trademark law now provides deserve sustained scrutiny, any criticisms leveled against modern doctrines must stand on their own merits and fairly confront the policy goals of modern trademark law. The criticisms cannot draw their normative force by pointing to information transmission principles that did not animate traditional trademark law. Second, and somewhat counterintuitively, expansion of trademark law in the twentieth century was more a consequence of the modern search cost rationale than a deviation from that model. Traditional trademark law contained very specific and workable restrictions on the scope of trademark protection that were weakened or rejected in the twentieth century as courts and commentators embraced the information transmission model. The limitations counted on by proponents of the new model have proven almost infinitely pliable and have failed to halt trademark law's growth.

Schechter's Triumph? The Real Shift in Trademark Law's Normative Foundation [*]

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[1] Assistant Professor of Law, Saint Louis University. This paper benefited from feedback received at workshops at Seton Hall Law School and Saint Louis University School of Law, and at the Works-In-Progress Intellectual Property Colloquium in St. Louis. I also thank Eric Goldman, Fred Bloom and Eric Claeys for particularly valuable insights, and Kelly Doherty and David Kullman for excellent (and often tedious) research assistance.

Trademark law has come unhinged from its traditional consumer protection moorings. That is the clear message of modern scholarship. Doctrinal innovations like dilution and initial interest confusion are illegitimate, many commentators suggest, because they reflect a property-based conception of trademarks that is inconsistent with trademark law's core policies of protecting consumers and improving the quality of information in the marketplace.

These critics are only half right. Trademark law now covers much more ground than it did at the beginning of the twentieth century, and it has expanded in ways fundamentally inconsistent with the traditional goals of trademark protection. But the critics have mischaracterized traditional trademark law and therefore misunderstand the nature of this shift in trademark law's normative foundation. As this paper demonstrates, trademark law traditionally was not intended primarily to protect consumers. Instead, trademark law, like all unfair competition law, sought to protect producers from illegitimate diversions of their trade by competitors. Courts did focus on consumer deception in these cases, but only because deception was what distinguished unfair competition, which was actionable, from mere competition, which was not. In fact, courts denied relief in many early trademark cases despite evidence consumers were likely to be confused by the defendant's use. Invariably they did so because the circumstances did not permit the inference that the defendant was using confusion to divert the plaintiff's customers.

Moreover, American courts protected producers from illegitimately diverted trade in part by recognizing property rights. This property-based system of trademark protection was largely consistent with the natural rights theory of property that predominated in the nineteenth century, when American trademark law developed. Significantly, this approach did not generate broad and absolute rights in a trademark. Instead, traditional trademark rights protected the exclusive right to use a trademark only within a particular field of trade, and courts imposed a variety of reasonable limits on the scope of those rights.

Reexamination of traditional trademark principles teaches several important lessons. First, it reveals as inaccurate the popular contention that trademark law recently departed from its traditional focus on consumers to embrace a property-based form of protection. Consequently, it steals the normative force of many of the modern criticisms of trademark law, which focus on trademark law's deviation from its supposed sole purpose of improving the quality of information in the marketplace. While modern trademark law deserves sustained scrutiny, any criticisms must fairly confront the policy goals of modern trademark law. The criticisms cannot draw their normative force by contrasting modern doctrines with "traditional" principles that did not exist.

This lesson hints at a broader methodological flaw in some applications of the law and economics approach. Law and economics scholars gained prominence in trademark discourse, as they did in many other contexts, in part by making purportedly descriptive claims about various legal doctrines. Underneath the formal doctrinal means through which courts reached their results, they argued, many legal doctrines could be explained as attempts to promote economic efficiency.[2] Courts simply lacked sufficient

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[2] See RICHARD A. POSNER, ECONOMIC ANALYSIS OF LAW 6 (1973) ("As we shall see, many areas of the law, especially the great common law fields of property, torts, and

background in economics to explicate the true bases of their decisions.[3] Some scholars then used these descriptive claims to lend legitimacy to their normative agenda.[4]

This form of intellectual bootstrapping cannot be sustained, however, when the descriptive claims prove erroneous. And in the trademark context, at least, courts were not motivated by economic efficiency when they developed doctrine. Courts deciding trademark cases did sometimes reach outcomes that improved the quality of information in the marketplace.[5] But they also tolerated substantial confusion in many cases. Rather than forcing square pegs into the round holes of economic efficiency, advocates of the efficiency approach should acknowledge that courts traditionally operated under a different theoretical framework and be upfront about their own normative agenda.

The second lesson that this reexamination of traditional trademark law teaches is that the doctrinal expansions critics widely decry are more a consequence of the

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contracts, bear the stamp of economic reasoning. Few legal opinions, to be sure, contain explicit references to economic concepts and few judges have a substantial background in economics. But *the true grounds of decision* are often concealed rather than illuminated by the characteristic rhetoric of judicial opinions.") (emphasis added).

[3] *Id*. at 25 ("It would not be surprising to find that many legal doctrines rest on inarticulate gropings toward efficiency. Many legal doctrines date back to the nineteenth century, when a laissez-faire ideology based on classical economics was the dominant ideology of the educated classes."). Without assessing the accuracy of Posner's general statement about the ideology of the nineteenth century educated classes, I believe his claim is demonstrably inaccurate with respect to nineteenth century property law and theory.

[4] *Cf*. Mario J. Rizzo, The Mirage of Efficiency, 8 HOFSTRA L. REV. 641, 641-43 (1980) (discussing the folly of conflating normative and positive economic accounts of the law).

[5] Posner, then, might view those results as "efficient." The significance of that conclusion is questionable, however, because modern law and economics scholars tend to operate under an artificially narrow definition of efficiency. See, *Id*. at 641-48 (criticizing Posner, among others, for restricting the notion of efficiency in their positive analysis). Rizzo also criticizes law and economics scholars for making normative arguments that focus on partial-efficiencies when we cannot determine "with any reasonable degree of accuracy when an overall efficiency improvement has occurred." *Id*. at 642.

consumer protection approach than a deviation from it. Traditional trademark rights were intended only to prevent competitors from dishonestly diverting customers who otherwise would have gone to the mark owner. Thus, trademark rights traditionally were quite limited in scope. In the twentieth century courts rejected trademark law's traditional theoretical construct in favor of the information transmission model and, in the process, greatly expanded its reach.

Trademark law traditionally saw a trademark as little more than a proxy for the mark owner's underlying business. Marks were necessary so that customers who were satisfied with a producer's product could continue to patronize that producer. But, on this view, value lay in the business, and the business of the producer was the ultimate object of protection. By contrast, modern law sees a mark itself as a repository for value and meaning, which may be deployed across a wide range of products and services. Modern trademark law, in other words, amounts to little more than industrial policy intended to increase brand value.[6]

This article proceeds in four parts. First, it sets out the common objection in modern trademark scholarship that trademark law has lost its consumer focus and reveals as historically inaccurate the premise on which the objection is based. Second, the article revisits "traditional" trademark principles and identifies trade diversion as the ultimate evil pursued by trademark law. Third, the article situates traditional trademark protection

[6] Because Schechter was the first to articulate a view of trademarks as valuable themselves and not merely as a proxies, his article *The Rational Basis of Trademark Protection* probably was the most influential contribution to twentieth century trademark law, even though the dilution claim he proposed has developed in fits and starts. See, Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927) (hereinafter "*Rational Basis*"). As we will see, however, modern law in many ways goes much further than even Schechter imagined.

within the natural property rights tradition that nineteenth century judges generally operated. Fourth, and finally, it describes the modern doctrinal developments and identifies more accurately trademark law's fundamental shift from customer-centered to mark-centered protection. It argues that these modern doctrinal expansions deserve sustained analysis, but that the analysis must evaluate modern law on its own terms.

I. The Conventional Wisdom About Trademark Law

It would be difficult to overstate the consensus in the literature that the goal of trademark law is to improve the quality of information in the marketplace and reduce consumer search costs. Trademarks, the conventional wisdom holds, are means by which consumers can organize information about products or services. Trademark law works protects consumers in both a narrow sense (by protecting them from being deceived into buying products they do not want) and a broad sense (by allowing consumers to rely on source indicators and thereby reduce search costs in the market generally).[7]

According to Glynn Lunney, trademark "[o]wnership was assigned to the person who adopted the mark for her trade, not because she had created it or its favorable associations, but because such person was conveniently placed and strongly motivated to vindicate the broader public interest in a mark's ability to identify accurately the source of the goods to which it was attached."[8] Trademark protection enhances marketplace efficiency, Lunney argues, because

> by enabling consumers to connect information to precise product[s] more accurately, trademarks help consumers express more accurately their preferences and tastes for the varying mix of product features, quality, and

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[7] See WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 166-68 (Harvard Univ. Press 2003).
[8] Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 417 (1999).

> prices each finds desirable. Trademarks can, therefore, help ensure that the pricing signals received by producers from the market (or "expressed demand") more accurately reflect consumers' actual tastes and preferences (or "actual demand").[9]

Stacey Dogan and Mark Lemley similarly argue that trademark law evolved to prevent higher search costs for consumers and to give incentives to firms to invest in quality products and services. "Trademark law … aims to promote more competitive markets by improving the quality of information in those markets."[10] Dogan and Lemley even go so far as to argue that "since consumers are the ultimate intended beneficiaries of trademark protection, one could argue that it made more sense to vest [the right to control use of trademarks in the merchandising context] in consumers, not producers."[11] This view of trademark law's normative goals, often associated with the Chicago School of law and economics, is rampant in the literature,[12] and widely embraced by courts.[13]

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[9] *Id*. at 432.
[10] Stacey L. Dogan & Mark A Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 467 (2005) [hereinafter "*The Merchandising Right*"]. The authors see also describe concerns about the effect of particular rights on consumers or competitors, and on the competitiveness of the marketplace as a whole, as the "core values of trademark law." *Id*. at 475.
[11] *Id.* at 479 n.74.
[12] See 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.1 (4th ed. 1996) (citing Landes and Posner for the proposition that trademark law is best understood as trying to promote economic efficiency); Stacey L. Dogan and Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 778 (2004) (arguing that the historical normative goal of trademark law is to foster the flow of information in markets, thereby reducing search costs for consumers); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1690-93 (1999) [hereinafter "*Death of Common Sense*"] (stating that the single purpose of trademark law is to "enable the public to identify easily a particular product from a particular source"); John F. Coverdale, *Trademarks and Generic Words: An Effect-on-Competition Test*, 51 UNIV. CHI. L. REV. 868, 869-70 (1984); Nicholas Economides, *Trademarks*, in the NEW PALGRAVE DICTIONARY OF ECONOMICS AND THE LAW 601 (1998); Nicholas Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 525-27 (1988); I.P.L Png. & David Reitman, *Why are Some Products Branded and*

Indeed, the information transmission model so dominates discussion of trademark law that that Barton Beebe recently argued that "[t]he Chicago School of law and economics has long offered a totalizing and, for many, quite definitive theory of American trademark law … The influence of this analysis is now nearly total … No alternative account of trademark doctrine currently exists."[14]

Working from this unquestioned premise, commentators have sharply criticized modern trademark law, which has expanded to cover more attenuated forms of confusion

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Others Not?, 38 J.L. & ECON. 207, 208-11 (1995) (presenting empirical evidence in support of search cost rationale); Diego Puig, *To God What is God's and to Caesar What is Caesar's: Aesthetic Functionality as a Value Between Trademark Rights and Religious Freedoms*, 9 J. TECH L. & POL'Y 81, 91 (2004) (describing the first policy reason behind trademark protection as consumer protection by "ensuring purchasers are not confused about the source" of the product and thereby reducing transaction costs); Clarisa Long, *Dilution,* 106 COLUM. L. REV. 1029, 1033-34 (2006) (contrasting dilution protection with traditional trademark protection and arguing that the former is producer-centered while the latter is consumer-centered). Some commentators have described as a second purpose of trademark protection protecting producers' goodwill, though even then they describe that goal in market efficiency terms, arguing that trademark law seeks to protect producer goodwill in order to encourage investment in product quality. See Eric Goldman, Deregulating Relevancy in Internet Trademark Law, 54 EMORY L.J. 507, 554-55 (2005); LANDES & POSNER, *supra* note 7 at 166-68.

[13] Courts mention more frequently than commentators the additional goal of protecting producers' goodwill, though they too generally describe that goal in market efficiency terms. See Qualitex Co. v. Jacobsen Products Co., 514 U.S. 159, 163-64 (1995) (stating that trademark law "reduce[s] the customer's cost of shopping and making purchasing decisions," and "helps assure a producer that it (and not an imitating competitor) will reap the financial reputation-related rewards associated with a desirable product"); Union National Bank of Texas, Laredo, Tex. v. Union National Bank of Texas, Austin, Tex., 909 F.2d 839, 844 (5th Cir. 1990) ("The idea is that trademarks are 'distinguishing' features which lower consumer search costs and encourage higher quality production by discouraging free-riders.").

[14] Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 U.C.L.A. L. REV. 621, 623-24 (2004). Beebe's alternative account describes trademark protection in terms of semiotic theory. Trademark law, according to Beebe, developed largely, though unintentionally, to protect sign value and the integrity of a sign's meaning. Beebe's excellent account, however, is entirely descriptive. It makes no judgment as to whether trademark law *should* protect sign value at the expense of other values.

on the part of more people. Dilution is the most popular target for criticism,[15] but expansions of trade dress protection and recognition of new forms of actionable confusion have also raised the ire of trademark scholars.[16] The critics almost universally characterize these expansions as reflecting an evolution of the law away from confusion-based protection and towards a property-based regime that is focused only superficially on consumers.[17]

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[15] See, e.g., Wendy J. Gordon, *Introduction*, 108 YALE L.J. 1611, 1614 n.19, 1615 (1999) (calling dilution a "disaster"); *Death of Common Sense*, supra note 12 at 1698 (arguing that "dilution laws represent a fundamental shift in the nature of trademark protection").

[16] See, e.g., Lunney, supra note 8 at 391-410; Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105 (2005) (criticizing the initial interest confusion doctrine); Goldman, supra note 12 (same). Interestingly, there are some doctrines within trademark law that are also inconsistent with the consumer-based market efficiency justification of trademark law but have escaped the attention of scholars. For example, the idea of inherent distinctiveness – that some marks receive protection based solely on their categorization and without any evidence that consumers actually associate the mark with a particular source – seems incompatible with trademark law based on matching consumer expectations. Indeed, most justifications of the concept of inherent distinctiveness reflect a sort of incentive/reward structure typical of patent and copyright. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 770-71 (1992) (accepting the Court of Appeals' reasoning that "[w]hile the necessarily imperfect (and often prohibitively difficult) methods for assessing secondary meaning address the empirical question of current consumer association, the legal recognition of an inherently distinctive trademark or trade dress acknowledges the owner's legitimate proprietary interest in its unique and valuable informational device, regardless of whether substantial consumer association yet bestows the additional empirical protection of secondary meaning.").

[17] See, e.g., Margaret Jane Radin and R. Polk Wagner, *The Myth of Private Ordering: Rediscovering Legal Realism in Cyberspace*, 73 CHIC.-KENT L.REV. 1295, 1305 n.29 (1998) ("Modern trademark law is moving … towards a … property rights regime."); Mark A. Lemley, *Romantic Authorship and the Rhetoric of Property*, 75 TEX. L. REV. 873, 900 (1997) (arguing that trademark owners "are well on their way to owning the exclusive right to pun"); Lunney, supra note 8 at 371-72 (describing "radical and ongoing expansion of trademark protection" as a shift from "deception-based trademark," which focused on a trademark's value merely as a device for conveying otherwise indiscernible information about a product, to "property-based trademark," which regards a trademark as a valuable product in itself). Lemley says, on this basis, that trademark law reflects "the death of common sense." Lemley, *Death of Common Sense*, supra note 12 at 1688

This characterization is important to critics for two reasons. First, it situates the debate about trademark expansion within the raging debate regarding whether the objects of intellectual property law should be regarded as "property."[18] Second, and more importantly for this paper, the characterization of modern trademark law having moved towards a property-based regime pits modern doctrinal innovations against the normative premises of trademark law. It suggests that, not only do expanded trademark rights impose costs on competitors and the public, they cannot be justified on their own terms. In other words, criticisms of trademark law tend not to engage in a balancing of legitimate interests but instead claim there is only one legitimate goal (to improve the quality of information in the marketplace) and that the law is illegitimate to the extent it deviates from that goal.[19]

(arguing that the changes in trademark doctrine "loosed trademark law from its traditional economic moorings and have offered little of substance to replace them").

[18] For some discussion of this debate, see Richard A. Epstein, *Liberty Versus Property? Cracks in the Foundation of Copyright Law*, 42 SAN DIEGO L. REV. 1 (2005); Adam Mossoff, *Is Copyright Property?*, 42 SAN DIEGO L. REV. 29 (2005); Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1037-39 (2005).

[19] Even Bob Bone, who has studied trademark law's historical development, suffers from this law and economics myopia. Bone recognizes that a focus on producer goodwill fits uneasily with the information transmission model. Nevertheless, he criticizes courts for departing from the information transmission model even in the very cases that created trademark law and despite the fact that producer goodwill has a much longer pedigree in trademark law than does the economic view of trademarks. See Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 BOSTON UNIV. L. REV. __ (forthcoming 2006). As I demonstrate below, the growth of trademark law was not a result of courts' focus on goodwill, but rather expansion of the definition of goodwill that ensued when trademark law was unplugged from its traditional natural rights moorings.

This criticism, however, is premised on a "falsely imagined past."[20] In reality, "traditional" American trademark law was unapologetically producer-centered. Trademark law, indeed all of unfair competition law, developed to promote commercial morality and to protect producers from illegitimate attempts to divert their trade. Consumer confusion was relevant to the traditional determination of infringement only for instrumental reasons; confusing consumers was a particularly effective way of stealing a competitor's trade. To put it another way, if Bork was right that antitrust laws exist only to promote consumer welfare, and not to protect competitors, though competitors might also benefit,[21] then traditional trademark law was its conceptual mirror image. Trademark law traditionally sought to regulate the relationship among competitors, though consumers might also have benefited from protection.

Moreover, American courts from the very beginning protected producers' interests against illegitimate diversions of trade by recognizing property rights. Because those property rights were grounded in the natural rights theory of property that most judges and commentators relied on in the nineteenth century, however, the property rights courts traditionally recognized were considerably narrower than the rights recognized today. Specifically, trademark owners were entitled to relief only against others that illegitimately interfered with their ability to profit from their labors by dishonestly marking their products and passing them off as those of the trademark owner.

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[20] ROBERT H. BORK, THE ANTITRUST PARADOX: A POLICY AT WAR WITH ITSELF 15 (2d ed. 1993) (1978) ("One of the uses of history is to free us of a falsely imagined past. The less we know of how ideas actually took root and grew, the more apt we are to accept them unquestioningly, as inevitable features of the world in which we move.").
[21] BORK, supra note 20 at 51.

This characterization of traditional trademark law poses serious problems for modern criticisms of trademark law. If "traditional" trademark law was not intended primarily to protect consumers, then the fact that modern trademark law seems producer-centered is not particularly damning. More importantly, it suggests that the critics delude themselves when they seek to limit trademark law by tying protection to consumer expectations. Virtually all of trademark law's modern doctrines are more difficult to square with the natural property rights approach nineteenth century judges applied than with the economic efficiency theory currently in vogue. To take just one example: there is a reasonable argument that information clarity would be promoted, not hindered, if trademark law prevented *all* conflicting uses of a mark. After all, a market with only one party using APPLE or FORD is the easiest one for consumers to navigate.

The following section revisits traditional American trademark law in greater detail and describes the theoretical construct in which the law developed. It demonstrates that the law traditionally focused exclusively on illegitimate trade diversion.

II. A Second Look At Early Trademark Protection

Use of marks to identify and distinguish one's property dates to antiquity, and regulations regarding use of those marks are almost as old. Much of the history has been investigated thoroughly, and I do not intend to offer a complete historical account here.[22]

[22] For historical accounts reaching further back in time, see FRANK I. SCHECHTER, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS (Columbia Univ. Press 1925) [hereinafter "HISTORICAL FOUNDATIONS"]; Edward S. Rogers, *Some Historical Matter Concerning Trade-Marks*, 9 MICH. L. REV. 29 (1911); Sidney A. Diamond, *The Historical Development of Trademarks*, 65 TRADEMARK REP. 265 (1975); Benjamin G. Paster, *Trademarks – Their Early History*, 59 TRADEMARK REP. 551 (1960); Daniel M. McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADEMARK REP. 305 (1979).

This article focuses in particular on the traditional normative premises of American trademark law. Understanding the origins of American trademark law, however, necessarily requires historical context, including some understanding of the English trademark law on which American law explicitly was based.

A Medieval Marks as Liabilities

Scholars have identified a number of ways in which individuals and producers historically have used distinguishing marks. Most basically, merchants used marks to demonstrate ownership of physical goods, much in the way that ranchers use cattle brands to identify their cattle.[23] Use of marks to indicate ownership of goods was particularly important for owners whose goods moved in transit, as those marks often allowed owners to claim goods that were lost. Producers often relied on identifying marks, for example, to demonstrate ownership of goods recovered at sea.[24]

Marks also were quite important to the operation of the guild system in medieval England. Local guilds often developed reputations for the quality of their products, and when they did, the names of the towns or regions in which those guilds operated became repositories of goodwill. To maintain that goodwill, guilds needed to be able to restrict membership and identify and punish members who produced defective products. Guilds therefore required their members to affix distinguishing marks to their products so they could police their ranks effectively.[25]

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[23] Diamond, supra note 23 at 273; HISTORICAL FOUNDATIONS, supra note 22 at 20-21.
[24] HISTORICAL FOUNDATIONS, supra note 22 at 26-31. Owners also carved identifying marks into the beaks of swans they were allowed to own by royal privilege. *Id*. at 35-37.
[25] HISTORICAL FOUNDATIONS, supra note 22 at 38-63. Not coincidentally, these mandatory marks also made it possible for the Crown to regulate conduct, particularly in the printing industry, where the Crown policed heresy and piracy. *Id*. at 63-77 See also,

Importantly, guilds required members to display their marks for the purpose of developing and maintaining collective goodwill for the guild; marks were *not* used for the purpose of establishing individual producer goodwill. Indeed, intraguild competition was strictly forbidden.[26] Moreover, these regulations were not motivated primarily by a concern for consumers. Even in the cutlers' trade, where marks seem to have been the most analogous to modern trademarks,[27] regulation was intended for "guidance and control of those working in rivalry, rather than to protect purchasers."[28] In fact, though it is not clear how often mark owners sought enforcement of their marks during this period, there is evidence that enforcement attempts generally were motivated by a guild member's concern about being held responsible for products it did not make.[29]

B English Trademark Cases

Commentators often cite *Southern v. How*[30] for the proposition that English cases based on a party's replication of an identifying mark have been identified as early as the seventeenth century.[31] Popham's report of that case stated that

> An action upon the case was brought into the common pleas by a clothier that whereas he had gained great reputation for his making of his cloth by

PAUL GOLDSTEIN, COPYRIGHT'S HIGHWAY 42 (1994) (discussing the crown's use of copyright to censor).

[26] HISTORICAL FOUNDATIONS, supra note 22 at 42-47 (describing guild efforts to prevent members from establishing individual goodwill).

[27] There are some examples in the cutlers' trade of the government treating marks as property that could be passed by will and of owners advertising to suppress piracy. *Id.* at 119-20.

[28] *Id*. at 120.

[29] *Id*. at 55.

[30] 2 Popham 144 (K.B. 1618).

[31] See FRANCIS H. UPTON, A TREATISE ON THE LAW OF TRADE MARKS WITH A DIGEST AND REVIEW OF THE ENGLISH AND AMERICAN AUTHORITIES 11-12 (1860); JAMES LOVE HOPKINS, THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION at § 6 at 15-16 (1905).

> reason of which he had great utterance to his great benefit and profit, and that he used to set his mark to his cloth whereby it should be known to be his cloth and another clothier perceiving it used the same mark to his ill made cloth on purpose to deceive him, and it was resolved that the action did well lie.[32]

In his seminal work *The Historical Foundations of Trademark Law*, however, Frank Schechter raised significant questions about the accuracy of Popham's report on *Southern v. How*. Popham's was only one of five known reports of the case,[33] and other reports are inconsistent with Popham's description. Some of the reports contain no reference at all to the clothier's case,[34] and at least one of the reports suggests that it was the deceived customer who brought the action.[35] This disagreement about the nature and basis of the clothier's case foreshadowed years of imprecision regarding the basis of trademark claims, and Popham's characterization of *Southern v. How* played a prominent role in the development of the law. In fact, several English judges deciding trademark cases in the eighteenth and nineteenth centuries relied on Popham's report for the proposition that

[32] 2 Popham at _.
[33] The other reports were in J. Bridgeman's Reports 125 (1659); Croke's Reports, Cro. Jac. 469 (1659); and two reports in Rolle's Reports, 2 Rolle 5 (1676) and 2 Rolle 28. The report attributed to Popham, moreover, was not even reported by Popham himself but was included in the volume in the section titled "Some Remarkable Cases Reported by other learned Pens since his death."
[34] See J. Bridgeman's Report and the report at 2 Rolle 5 (1676).
[35] Croke's Report stated: "Dodderidge cited a case to be adjudged 33 Eliz. in the Common Pleas: a clothier of Gloucestershire sold very good cloth so that in London if they saw any cloth of his mark they would buy it without searching thereof; and another who made ill cloths put his mark upon it without his privity; and an action on the case was brought *by him who bought the cloth*, for this deceit; and adjudged maintainable." Cro. Jac. 469 (emphasis added). The second of Rolle's Reports, 2 Rolle 28, is somewhat ambiguous, but that report also suggests it may have been the purchaser who brought the case.

cases based on use of another's mark could be brought as actions on the case, sounding in deceit.[36]

(1) Trademarks in Courts of Law and Equity

The first reported decision clearly based on a competitor's use of a trademark was issued by a court of equity in *Blanchard v. Hill* in 1742.[37] In that case, Lord Hardwicke rejected the request for injunctive relief by the plaintiff, a maker of playing cards who sought an injunction restraining the defendant from "making use of the Great *Mogul* as a stamp upon his cards, to the prejudice of the plaintiff, upon a suggestion, that the plaintiff had the sole right to this stamp, having appropriated it to himself, conformable to the charter granted to the cardmakers' company by King Charles the First."[38] The factual context of *Blanchard* is particularly noteworthy; the plaintiff was seeking protection of a mark for playing cards pursuant to a royal charter, and charters granting exclusive rights to cardmakers had been at the center of a long political struggle between Parliament and the Crown.[39] Thus the decision was clearly colored by the important role marks played in the contested charter scheme.[40] Lord Hardwicke noted that he believed that "the

[36] See, e.g., Blanchard v. Hill, 2 Atkyns 484 (1742); Crawshay v. Thompson, 4 Man. & G. 357, 385-86 (1842) (citing Popham's and Croke's reports); Burgess v. Burgess, 3 De. G. M. & G. 896, 902 (1853); Hirst v. Denham, L.R. 14 Eq. 542, 549 (1872).
[37] 2 Atkyns 484 (1742).
[38] *Id*. at 484.
[39] For a discussion of the struggle between Parliament and the Crown over who would be able to grant exclusive privileges, see Thomas Nachbar, *Monopoly, Mercantilism, and the Politics of Regulation*, 91 VA. L. REV. 1313 (2005).
[40] See The Case of Monopolies, 11 Co. Rep. 84 b, 77 Eng. Rep. 1260, 1266 (K.B. 1603) (calling the playing card monopoly granted by Queen Elizabeth under her royal prerogative an "odious monopoly"). Marks were an important part of that privilege scheme because cardmakers were required to use their seals so that the exclusive privilege could be enforced.

intention of the charter [under which the plaintiff claimed rights] [was] illegal,"[41] and said the court would "never establish a right of this kind, claimed under a charter only from the crown, unless there ha[d] been an action to try the right at law."[42]

Lord Hardwicke's concerns about granting an injunction, however, seem to have been focused on situations in which the plaintiff's claim was based on an exclusive right attendant to a monopoly granted by charter. In fact, Lord Hardwicke distinguished the case from the clothier's claim referenced in Popham's report of *Southern v. How* on the ground that, unlike the plaintiff in *Blanchard* who based his claim simply on the defendant's use of the plaintiff's mark, the clothier in *Southern v. How* based its case on the defendant's "fraudulent design, to put off bad cloths by this means, or to draw customers from the other clothier."[43] When the defendant intended to pass off its goods as those of the plaintiff, Lord Hardwicke implied, an injunction might be appropriate.

Despite the initial reluctance of courts of equity to recognize exclusive rights in trademarks and Lord Hardwicke's obvious suggestion to pursue trademark claims in courts of law, the first reported decision by an English common law court was the 1824 decision in *Sykes v. Sykes*.[44] In that case, the court upheld a verdict for the plaintiff against defendants who marked their shot-belts and powder-flasks with the words "Sykes

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[41] Blanchard, 2 Atkyns at 485.
[42] *Id*.
[43] Blanchard, 2 Atkyns at 485.
[44] 3 B. & C. 541 (K.B. 1824). There are some accounts of an earlier decision in a case called Cabrier v. Anderson, apparently tried before Lord Mansfield in 1777, in which the court awarded the plaintiff damages of £ 100 under a statute of William III when the defendant put plaintiff's name on defendant's watches. There are no published reports of the case, though contemporary press accounts claimed that the case was "remarkable … and the first of its kind." See HISTORICAL FOUNDATIONS, supra note 22 at 137-38 (quoting St. James Chronicle, Dec. 4, 1777).

Patent" in imitation of the plaintiff's use of the same mark for its shot-belts and powder-flasks.[45] After specifically noting that the plaintiff's sales had decreased after the defendants began selling their identically labeled products, the court concluded that the defendants were liable for having marked their goods so as "to denote that they were of the genuine manufacture of the plaintiff" and "[selling] them to retail dealers for the express purpose of being resold as goods of the plaintiff's manufacture."[46]

Several common law cases following the *Sykes* decision recognized similar claims and imposed liability when the defendant sought to pass off its goods as those of the plaintiff.[47] Those cases generally were brought as actions on the case, in the nature of deceit.[48] Yet one must be careful not to read those cases through modern lenses – despite the form of action, courts in these early cases invariably described the harm as resulting from fraud *on the plaintiff*.[49]

Courts of equity became more solicitous of trademark claims in the first part of the nineteenth century, around the same time common law courts began deciding trademark cases. Of particular significance, courts very early on came to agreement that, where a claimant could demonstrate an exclusive right to use a particular mark, equity

[45] Sykes, 3 B. & C. at 543.
[46] *Id*.
[47] See, e.g., Blofeld v. Payne, 4 B. & Ad. 410 (K.B. 1833)
[48] See, e.g., Edelsten v. Edelsten, 1 De. G. J. & S. 185, 199 (1863) (stating that in actions for trademark infringement "at law the proper remedy is by an action on the case for deceit; and proof of fraud on the part of the defendant is the essence of the action").
[49] See Blofeld, 4 B. & Ad. at ___ (upholding the verdict for the plaintiff and holding that the defendant's use of envelopes resembling those of plaintiff's, and containing the same words, was a "fraud against the plaintiff"). See also, Jamieson & Co. v. Jamieson, 15 Rep. Pat. Cas. 169, 191 (1898) (holding that the case was not based on "a breach of any right of property in the Plaintiffs. It is merely an exercise by the Plaintiff of a right that he has that he should not be injured by the fraud of the Defendant in pretending that the goods manufactured by him, the Defendant, are of the Plaintiff's manufacture.").

intervened to protect a property interest and evidence of fraudulent intent was not necessary. Despite limited reported decisions following *Blanchard v. Hill*,[50] for example, Lord Cottenham confidently held in *Millington v. Fox*[51] that equity could be invoked to protect the plaintiff's title to his marks, even absent evidence that the defendant knew of the plaintiff's marks or intended to defraud her.[52] Likewise in *Hall v. Barrows*,[53] the court noted that the "jurisdiction of the Court of Chancery in the protection of trade marks rests upon property, and fraud in the defendant is not necessary for the exercise of that jurisdiction."[54]

As Lord Westbury said in *Leather Cloth Co. v. American Leather Cloth Co.*,[55] rejecting any contention that courts of equity based jurisdiction on fraud:

> [t]he true principal, therefore, would seem to be that the jurisdiction of the Court in the protection of trademarks rests upon property, and that the Court interferes by injunction, because that is the only mode by which property of this description can be effectually protected.[56]

Significantly, Lord Westbury reached this conclusion after noting that holding out one's goods as those of another gave no right to the latter to complain unless the act caused him

[50] A prior instance of an injunction restraining trademark infringement was noted, with no elaboration, in ROBERT HENLEY EDEN, A TREATISE ON THE LAW OF INJUNCTIONS 314 (1821) (citing Day v. Day (1816)).
[51] 3 Myl. & Cr. 338 (1838). In that case, the court said that it would interfere *to protect the plaintiff* if ordinary or unwary purchasers are likely to be misled to mistake the defendant's goods for the plaintiff's. *Id*. *See also* Singer Machine Manufacturers v. Wilson, L.R. 3 App. Cas. 376 (1877).
[52] Millington, 3 Myl. & Cr. at 352. *See also*, HISTORICAL FOUNDATIONS, supra note 22 at 138-39.
[53] 4 D.J. & S. 150 (1863).
[54] *Id*. at 156.
[55] 4 De G.J. & S. 137, 141 (1863).
[56] *Id*. at 141.

some pecuniary loss or damage.[57] "Imposition on the public, occasioned by one man selling his goods as the goods of another, cannot be the ground of private right of action."[58] The court in *Levy v. Walker*[59] was even more explicit that the protection of trademarks was not intended for the benefit of consumers: "The Court interferes solely for the purpose of protecting the owner of a trade or business from a fraudulent invasion of that business by somebody else. It does not interfere to prevent the world outside from being misled into anything."[60]

(2) Reconciling Law and Equity Approaches

Some readers of the English trademark cases have viewed courts of law and equity as having developed incompatible theories of trademark protection, one based on fraud (law) and the other on property (equity).[61] That reading is understandable, since many early courts were not particularly clear about the relationship between actions at law and in equity. For example, in *The Leather Cloth* case, Lord Westbury thought it evident that, at law,

> the remedy for the piracy of a trade mark is an action on the case in the nature of a writ of deceit. This remedy focused on fraud, and originally it seems that an action was given not only to the trader whose mark had been pirated, but also to the buyer in the market, if he had been induced by the fraud to buy goods of an inferior quality.[62]

[57] *Id*. at 140.
[58] *Id*.
[59] L.R. 10 Ch. Div. 436 (1879).
[60] *Id*. at 448.
[61] See *Hunting Goodwill*, supra note 19 at __.
[62] Leather Cloth, 4 De G.J. & S. at 139. Here it is clear that the various reports of *Southern v. How* created some confusion as to whether the action on the case was brought by the clothier, the purchaser, or both.

Notwithstanding this characterization of claims at law as fraud claims, he believed that equity intervened to protect a property interest that courts of law could not adequately protect. "In equity, the right to give relief to the trader whose trade has been injured by the piracy appears to have been originally assumed by reason of the inadequacy of the remedy at law, and the necessity of protecting *property of this description* by injunction."[63]

To make matters more confusing, courts often discussed the same precedents and spoke in the same terms regardless of the form of action. As a result, in many cases it is difficult to tell whether the action was brought in equity or at law based solely on the way the court is discussing the nature of the wrong. In *Croft v. Day*,[64] for example, an equity action, the court enjoined the defendant's use after describing the harm in types of fraud:

> The principal in these cases is, that no man has a right to dress himself in colors, or adopt and bear symbols, to which he has no peculiar or exclusive right, and thereby impersonate another person, for the purpose of inducing the public to suppose either that he is that other person, or that he is connected with and selling the manufacture of such other person, while he is really selling his own. It is perfectly manifest, that to do these things is to commit a fraud, and a very gross fraud.[65]

Likewise in *Hogg v. Kirby*,[66] the chancery court intervened because it considered the publication by the defendant of what appeared to be a continuation of plaintiff's magazine "a fraud upon the goodwill of [the plaintiff's] periodical."[67]

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[63] *Id.* at 139-140 (emphasis added).
[64] 7 Beavan 84 (Rolls Court 1843).
[65] *Id*. at 88.
[66] 8 Ves. 215 (1803).
[67] *Id*. at __. See also See Hall v. Barrows, 4 D. J. & S. 150, 159 (1863) ("Imposition on the public is indeed necessary for the plaintiff's title, but in this way only, that it is the test of the invasion by the defendant of the plaintiff's right of property; for there is no injury if the mark used by the defendant is not such as is mistaken, or is likely to be mistaken, by the public for the mark of the plaintiff; but the true ground of this Court's

This apparent ambiguity regarding the real basis of trademark law ultimately was more semantic than substantive. Common law actions were denominated actions on the case sounding in deceit because of the peculiarities of pre-merger forms of action. At law, parties could bring two different claims to recover for injuries to their interests: trespass and case. To oversimplify, a party brought a trespass action when its injury was direct and brought an action on the case to remedy indirect injuries.[68] Because the trademark cases litigated in courts of law were cases where the defendant's use was not considered categorically illegitimate but only illegitimate to the extent it was intended to deceive,[69] the mark owner's injury in those cases would have been considered indirect.

The important point is that plaintiffs in these actions at law were not vindicating the rights of consumers – they were making claims based on injury to their own interests that resulted indirectly from deception of consumers.[70] Courts intermingled talk of fraud and property, not because they were unclear about the basis of protection, but because in

jurisdiction is property, and the necessity of interfering to protect it by reason of the inadequacy of the legal remedy.").

[68] See Reynolds v. Clarke, 92 Eng. Rep. 410 (K.B. 1726) ("[I]f a man throws a log into the highway, and in the act it hits me, I may maintain trespass, because it is an immediate wrong; but if as it lies there I tumble over it, and receive an injury, I must bring an action upon the case; because it is only prejudicial in consequence, for which originally I could have no action at all."). For a very brief general discussion of the difficulty of distinguishing trespass and case, see RICHARD A. EPSTEIN, CASES AND MATERIALS ON TORTS 90-99 (8th ed. 2004).

[69] See Section __ below.

[70] Cf. Rice v. Manley, 66 N.Y. 82 (1876) (finding actionable despite the lack of an enforceable contract defendant's fraud in falsely notifying third party that the plaintiff no longer wanted the cheese it had ordered so that the defendant could purchase the cheese).

all these cases their real concern was that the defendant improperly diverted the plaintiff's trade.[71]

Nor were trademarks protected as property solely to gain the jurisdiction of courts of equity: injuries to property interests were remediable at law through trespass actions and actions on the case (depending on whether the injury was direct or indirect), and courts of equity would enter injunctions even in the absence of a right in a particular name or mark if there was evidence that the defendant sought to sell his own goods as those of another.[72]

What determined whether a party could invoke equity jurisdiction was whether a plaintiff could establish exclusive rights in its mark or whether the defendant might have a legitimate reason for using the designation at issue. An action warranted interference by equity, in the first instance, when a plaintiff could demonstrate title to a mark by showing substantially exclusive use of the mark. In those cases, the defendant had no legitimate reason to use the same mark. If the mark owner could not demonstrate exclusive rights, perhaps because the mark had descriptive significance, the defendant's

[71] See Perry v. Truefitt, 6 Beavan 66 (1842). Bone argues that, "[b]ecause trademark law was based on preventing fraud and the fraud at question was perpetrated on the public at large, it was not clear what individual stake the trademark owner had that could justify injunctive relief." *Hunting Goodwill*, supra note 19 at 19. These cases solve the riddle, demonstrating that the mark owner's stake, both at law and in equity, was its returning customers.

[72] See, e.g., Croft v. Day, 7 Beav. 84, 89-90 (1843) (noting that the decision to enjoin the defendant was not dependant on "any peculiar or exclusive right of the Plaintiffs" but on the fact that the Defendant was using the mark "in a manner calculated to mislead the public, and to enable the Defendant to obtain, at the expense of [the Plaintiff], a benefit for himself, to which he [was] not, in fair and honest dealing, entitled."). As the court said in Farina v. Silverlock, 6 De. G. M. & G. 214, 217 (1856), a plaintiff's right to "equity is founded on the jurisdiction of [courts of equity] to give relief in the shape of preventive justice in order to make more effectual a legal right, the legal right [in trademark cases] being a right to have a particular trade-mark to designate a commodity."

use could not categorically be deemed illegitimate, and the plaintiff was forced to prove its right to relief at law before it could earn the right to an injunction.[73]

C Early American Trademark Jurisprudence

(1) Trademark Law Targets Dishonest Trade Diversion

As noted above, I read the decisions of the English common law courts and courts of equity as reflecting the same fundamental concern. In both types of cases, courts were singularly focused on the harm to a producer from improper diversion of trade, and they worked with existing forms of action to remedy with that harm.[74] American courts continued that focus, repeatedly making clear that the purpose of trademark law was to protect a party from illegitimate attempts to divert its trade.[75]

[73] See Farina, 6 De G. M. & G. 214 (holding that, where plaintiff's mark consisted of a label in a certain form and there was evidence that labels the same or similar to it might be sold for a legitimate purpose, and where there was no proof of actual fraud, it would refrain from entering an injunction until plaintiff established his case at law). See also, EDMUND ROBERT DANIELL, THE PRACTICE OF THE HIGH COURT OF CHANCERY 1516 (2nd ed. 1845) ("if the legal right is disputed, the Court does not, except in a strong case, interfere in the first instance by injunction, but it puts the party upon establishing his right at Law before it confers the equitable remedy."); Croft v. Day, 7 Beav. at 87 (identifying cases in which the injunction is granted at once and those in which the injunction is refused until the plaintiff has established his right at law).

[74] In Rodgers v. Nowill, for example, the court recognized the awkwardness of being forced to deal with the case as one of the recognized forms. 5 C.B. 109 (1847). In that case, counsel responded to the judge's question "Is this an action on the case for a deceit?" by noting that "there is no other title under which such an action can be classed." *Id*. at 116.

[75] Like its English predecessor, American trademark law was predominantly a product of judicial decision. Prior to the first federal Trademark Act in 1870, 16 Stat. 210, statutory protection, to the extent it existed, was highly trade-specific. Massachusetts, for example, passed a law specifically regulating the use of marks on sail-cloth and the sail-makers pressed Congress for federal protection. See HISTORICAL FOUNDATIONS, supra note 22 at 130-32. The first federal trademark legislation in 1870 was followed by additional legislation in 1876 that imposed criminal sanctions against one who fraudulently used, sold or counterfeited trademarks. 19 Stat. 141 (1876). Both statutes ultimately were declared unconstitutional in The Trademark Cases, 100 U.S. 82, 99

In *Coats v. Holbrook*,[76] for example, the court said that "a person is not allowed to imitate the product of another and 'thereby attract to himself the patronage that without such deceptive use of such names would have enured to the benefit of that other person."[77] Likewise, in *Partridge v. Mench*,[78] the court

> proceed[ed] upon the ground that the complainant ha[d] a valuable interest in the good will of his trade or business, and that having appropriated to himself a particular label, or sign, or trademark, … he [was] entitled to protection against any other person who attempt[ed] to pirate upon the goodwill of the complainant's friends or customers, or of the patrons of his trade or business, by sailing under his flag without his authority or consent.[79]

Francis Upton recognized this foundational principle when he wrote at the beginning of his 1860 treatise that, the whole purpose of adopting a trademark was to "enable [the merchant] to secure such profits as result form a reputation for superior skill, industry or enterprise."[80]

(1879). Even after the Trademark Act of 1870, trademark law remained a creature of common law. The Lanham Act, 15 U.S.C. § 1051 et seq., is widely noted to have predominantly codified existing common law. See, e.g., Robert C. Denicola, *Some Thoughts on The Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, 59 LAW & CONTEMP. PROBS. 75, 79-80 (1996) ("Putting aside statutory innovations directly linked to the public notice provided by the Act's registration system, the Lanham Act codifies the basic common law principles governing both the subject matter and scope of protection."); Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519, 520 (1993) ("the Lanham Act's primary, express purpose was to codify the existing common law of trademarks and not to create any new trademark rights").

[76] 2 Sand. Ch. 586, 7 N.Y. Ch. Ann. 713 (C.C.N.Y. 1845).

[77] *Id*. at __.

[78] 5 N.Y.Leg.Obs. 94, 2 Barb.Ch. 101, 5 N.Y. Ch. Ann. 572, 47 Am.Dec. 281 (C.C.N.Y. 1847).

[79] 2 Barb. Ch. at 103.

[80] UPTON, supra note 31 at 2.

In *Delaware & Hudson Canal Co. v. Clark*,[81] Justice Strong stated the premises of trademark law with certainty:

> [i]n all cases where rights to the exclusive use of a trade-mark are invaded, it is invariably held that the essence of the wrong consists in the sale of the goods of one manufacturer or vendor as those of another, and thus it is only when this false representation is directly or indirectly made that the party who appeals to the court of equity can have relief. This is the doctrine of all the authorities.[82]

Thus, traditional American trademark law sought to protect a producer's interest against illegitimate trade diversion. Moreover, American courts concluded very early on that this protection in many cases was based on a property right,[83] following essentially the approach of English courts of equity.[84]

(2) Trademarks and Unfair Competition

Because the purpose of trademark protection traditionally was to prevent trade diversion by competitors, it has long been regarded as a species of the broader law of unfair competition,[85] and even more broadly, as part of the law governing other fraudulent (and unfair) business practices.[86] This view of trademark protection as a

[81] 80 U.S. 311 (1871).
[82] *Id*. at 322-23.
[83] See, e.g., Derringer v. Plate, 29 Cal. 292, 294-95 (1865); Blackwell v. Armistead, 3 F.Cas. 546, 548 (W.D. Va. 1872); Trade-Mark Cases, 100 U.S 82, 92 (1879); Avery & Sons v. Meikle & Co., 4 Ky.L.Rptr. 759 (1883). See also, HISTORICAL FOUNDATIONS, supra note 22 at 141-44, 150-53, 154 n.1. (and cases cited therein).
[84] Thus, even if English law and equity decisions did reflect a deeper disagreement about the basis of trademark protection, decisions of American courts reveal no similar disagreement.
[85] See Oliver R. Mitchell, *Unfair Competition*, 10 HARV. L. REV. 275, 275 (1896) ("Logically speaking, the fact is that Unfair Competition is properly a generic title, of which trade mark is a specific division.").
[86] "The entire substantive law of trademarks … is a branch of the broader law of unfair competition. The ultimate offense always is that defendant has passed off his goods as and for those of the complainant." G. & C. Merriam Co. v. Saalfield, 198 F. 369, 373

species of unfair competition was not, as some have suggested, a post-hoc conflation of two branches of the law. From the very beginning, trademark cases and those only "analogous" to trademark cases have stated clearly the fundamental principle that no person has the right to pass off his goods as those of another. In his 1859 essay "The Morals of Trade", Herbert Spencer wrote that:

> It is not true, as many suppose that only the lower classes of the commercial world are guilty of fraudulent dealing. Those above them are to a great extent blameworthy. On the average, men who deal in bales and tons differ but little in morality from men who deal in yards and pounds. Illicit practices of every form and shade, from venial deception up to all but direct theft, may be brought home to the higher grades of our commercial world. Tricks innumerable, lies acted or uttered, elaborately-devised frauds, are prevalent; many of them established as 'customs of the trade'' nay, not only established, but defended … *We cannot here enlarge on the not uncommon trick of using false trademarks, or of imitation another maker's wrappers*.[87]

Similarly, James Love Hopkins wrote that "[u]nfair competition consists in passing off one's goods as the goods of another, or in otherwise *securing patronage that should go to another*, by false representations that lead the patron to believe that he is patronizing another person."[88] Trademark infringement was a form of unfair

(6th Cir. 1912); *see also*, Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412-13 (1916) ("The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another. This essential element is the same in trademark cases as in cases of unfair competition unaccompanied with trademark infringement. In fact, the common law of trademarks is but a part of the broader law of unfair competition.") (internal citations omitted); Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 428 (2003) ("Traditional trademark infringement law is part of the broader law of unfair competition, that has its sources in English common law …) (internal citations omitted).

[87] HERBERT SPENCER, THE MORALS OF TRADE (1859), quoted in HOPKINS, supra note 31 at author's note p. vi (emphasis added).

[88] HOPKINS, supra note 31 at § 2 at 2-3 (emphasis added). According to Hopkins, commentators had argued that the right of those engaged in commerce to be subjected to none but fair competition was "closely allied" to recognized property rights in patents and copyrights. *Id*.

competition, as was apparent to Hopkins, because copying a producer's marks was the simplest means of depriving another of the trade he had built up. "This is the easiest method of stealing his trade, and most universal because of the general use of marks or brands upon personal property."[89] This language regarding improper diversion of trade runs throughout the trademark and unfair competition cases as the "true principle" upon which the cases depend. Courts perceived no conceptual distinction between trademark infringement and other forms of unfair competition.

At some point in the late nineteenth or early twentieth century, American courts began to use the term "unfair competition" slightly differently. Those courts divided the universe of distinguishing marks into "technical trademarks," which were protected in actions for trademark infringement, and "trade names," which were protected in actions for unfair competition.[90] In general courts denied technical trademark status to surnames and descriptive terms.[91] This distinction was a more formal version of a distinction some English courts made between cases where the plaintiff could prove exclusive title to a mark (in which case equity would act to enjoin others' use of the mark immediately and without evidence of fraud) and those cases in which the plaintiff could not demonstrate title (in which case equity would not act until the plaintiff had establish at law that the

[89] *Id*. at § 2 at 3.
[90] Technical trademarks were arbitrary of fanciful terms applied to particular products. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1993). See also MCCARTHY, supra note 12 at § 4:4 (defining technical trademarks as marks that were "fanciful, arbitrary, distinctive, non-descriptive in any sense and not a personal name").
[91] Tradenames then cumulatively can be thought to comprise what we now think of as indicators which lack inherent distinctiveness and are protectable only with evidence of secondary meaning.

defendant nevertheless acted to divert his trade).[92] The analogy is not perfect, however, because the English cases did not speak in terms of technical trademarks and trade names, even when the marks in question consisted of surnames, which later cases would have considered trade names.

In practice, cases of trademark infringement and those of unfair competition differed only in terms of what the plaintiff had to prove. Whereas unfair competition claimants had to prove that the defendant intended to pass off its products as those of the plaintiff, trademark infringement plaintiffs did not have to prove intent.[93] Use of another's technical trademark was unlikely to have a legitimate explanation, whereas use of another's trade name may have had a purpose other than deception.

Whether the American cases were based on trademark infringement or unfair competition, however, the underlying concern, just as it was in English cases, was trade diversion.[94] Indeed, many of the doctrinal limitations applied to both types of cases,[95] and courts often even made explicit reference to the close conceptual relationship between trademark infringement cases and other cases of unfair competition.[96] As a

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[92] See Note 70, supra.
[93] See HISTORICAL FOUNDATIONS, supra note 22 at 161.
[94] See Hanover Star Milling, 240 U.S. at 413 (Th[e] essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement."); HOPKINS, supra note 31 at § 4 at 12 ("The principles involved in trademark cases and tradename cases have been substantially identical.").
[95] "The qualified right in the tradename [or a trademark], a right to prevent a defendant from passing off his goods as those of the plaintiff by the use of it – exists only with regard to goods of the kind for which the plaintiff uses it, and to which the connection with his business suggested by the use of the name extends." HOPKINS, supra note 31 at § 5 at 15 quoting KERLY ON TRADEMARKS 475 (2d. ed. London 1901).
[96] *See, e.g.*, Marsh v. Billings, 61 Mass. 322, 330 (1851).

result, commentators were comfortable arguing that trademark infringement and unfair competition claims were based on the same principles.[97]

(3) Benefits to Consumers an Added Bonus

Though both American and English trademark law focused on protecting producers, the benefits to consumers were not entirely lost on courts. In fact, some courts even said that prevention of fraud on the public was one of the bases for protection. In *Amoskeag Mfg. Co. v. Spear*,[98] for example, Justice Duer wrote, "consider[ing] the nature of the wrong that is committed when the right of an owner of a trade-mark is invaded"[99] that

> He who affixes to his own goods an imitation of an original trade-mark, by which those of another are distinguished and owned, seeks, by deceiving the public, to divert and appropriate to his own use, the profits to which the superior skill and enterprise of the other had given him a prior and exclusive title. He endeavors, by a false representation, to effect a dishonest purpose; he commits a fraud upon the public and upon the true owner of the trade-mark. The purchaser has imposed upon him an article that he never meant to buy, and the owner is robbed of the fruits of the reputation that he had successfully labored to earn.[100]

[97] HOPKINS, supra note __ at § 2 at 3 ("It is true, as well, that the development of the law of the technical trademark tended to encourage the buccaneers of commerce to invent new and subtler means of stealing another's trade without trespassing upon his trademark rights. But the law, steadily though slowly, extended its bulwark of protection about the legitimate trader, until at length he was afforded legal redress in some form, not always adequate or complete, against the fraudulent diversion of his trade, in whatever form it might appear."). See also, Mitchell, supra note 85 at 284 ("In every unfair competition case the defendant's attempt is to appropriate to himself some part of the good will, or the entire good will, of the plaintiff's business.").
[98] 2 Sandf. 599 (N.Y. Super. 1849).
[99] *Id*. at 605. Note that, although he would elaborate on the harm, Justice Duer framed the issue in terms of the rights of the trademark owner.
[100] *Id*. at 605-06. See also Alff & Co. v. Radam, 14 S.W. 164 (1890) (plaintiff entitled to protection against deception not because of his trademark, but because of fraud and deception practiced by the defendant upon the plaintiff and the public); Goldwyn Pictures Corp. v. Goldwyn, 296 F. 391 (2d Cir. 1924) (noting that, in unfair competition cases, fraud is the basis of the complaint and the court acts to promote honesty and fair dealing,

Upton similarly claimed that the right of property in trademarks was of "immense and incalculable value to the manufacturer – the merchant – and the public."[101] Indeed, even in 1860 it was

> the well established doctrine, that the exclusive property of the manufacturer, or merchant, in his trade marks, is of that nature and character, that its adequate security and protection, by the exercise of the highest power of the courts, is an imperative duty, as well as for the safety of the interests of the public, as for the promotion of individual justice.[102]

When courts or commentators mentioned the benefit to the public, however, Upton's formulation was typical - they generally made clear that the benefit to the public was a secondary benefit. As the court explained in *Boardman v. Meriden Britania Co.*[103]

> The object or purpose of the law in protecting trademarks is twofold: First, to secure to him who has been instrumental in bringing into market a superior article of merchandise, the fruit of his industry and skill; second to protect the community from imposition, and furnish some guaranty that an article purchased as the manufacture of one who has appropriated to his own use a certain name, symbol or device as a trademark is genuine. Consequently, the violation of property in trademarks works a twofold injury; the appropriator suffers, in failing to receive that remuneration to which he is justly entitled, and the public in being deceived and induced to purchase articles made by one man, under the belief that they are the production of another.[104]

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and because no one has a right to sell his own goods as the goods of another; the court seeks to protect the purchasing public from deception and also the property rights of the complainant).

[101] UPTON, supra note __ at 15-16. Foreshadowing contemporary economic justifications of trademark protection, Upton noted that a trademark is "the means, and in many instances, the only means, by which [the manufacturers] are enabled to inspire and retain public confidence in the quality and integrity of the things made and sold – and thereby secure for them a permanent and reliable demand – which is the life of manufacturing and mercantile operations. And it is also… the only means, by which the public is protected against the frauds and impositions of the crafty and designing …" *Id*.

[102] UPTON, supra note __ at 13.

[103] 35 Conn. 402 (1868).

[104] *Id*. at __. See also, Taylor v. Carpenter, 2 Sand. Ch. 603, 604 (1846) ("It is a fraud upon both the trademark owner and the public to allow another to deceive purchasers and

Importantly, this formulation did not depend on whether the claim formally was considered a trademark claim or one for unfair competition. In both types of cases, courts primarily focused on a producer's diverted trade, sometimes mentioning the

… to deprive the owners thereof of the profits of their skill and enterprise."); WILLIAM D. SHOEMAKER, TRADE-MARKS, Vol. I at 4 (1931) ("This protection is afforded, not only as a matter of justice to him, but to prevent imposition upon the public.").

public's interest as well.[105] It was not until the middle of the twentieth century that courts inverted these policy goals in their discussions.[106]

[105] One commentator did claim that "the interference of courts of equity, instead of being founded upon the theory of protection to the owner of trademarks, is now supported mainly to prevent fraud upon the public." CHARLES E. CODDINGTON, A DIGEST ON THE LAW OF TRADEMARKS § 36 (1878). The authorities Coddington cites, however, do not support his conclusion. In fact, each of the cases he cites fairly clearly seeks to protect the mark owner from trade diversion. In Lee v. Haley, for example, the court held that, while the plaintiff had no exclusive right in the name Guinea Coal Company, "the principle upon which the cases on this subject proceed is, not that there is a property in the word, but that it is a *fraud on a person who has established a trade*, and carries in on under a given name, that some other person should assume the same name, or the same name with a slight alteration, in such a way as to induce persons to deal with him in the belief that they are dealing with the person who has given a reputation to the name." Lee v. Haley, 5 Chy. App. Cas. (Law R.) 155, 161 (1869) (emphasis added). In Wotherspoon v. Currie, the court noted that "the employment of [a name that has become a trade denomination and as such the property of a particular person who first gives it to a particular article of manufacture] by another person for the purpose of describing an imitation of that article, is an invasion of the right of the original manufacturer, who is entitled to protection by injunction." 5 Eng. & I. App. (Law R.) 508 (1872). See also, *Id*. at 521-22 (referring to the Glenfield mark as plaintiff's property). Newman v. Alvord is the only one of Coddington's cases that even mentions a benefit to consumers, and it makes the consumer benefit a secondary one. Newman v. Alvord, 51 N.Y. 189, 193, 195 (NY Sup. Ct. 1877) (stating, in the summary preceding the decision that "the principle upon which relief is granted is that defendant shall not be permitted by the adoption of a trade-mark which is untrue and deceptive, to sell his own goods as those of plaintiff, thus injuring the latter and defrauding the public" and noting several times that the defendant "injured the plaintiff and defrauded the public"). Thus, it is probably no surprise that Coddington's was a rather isolated opinion. See HOPKINS, supra note __ at § 19 at 40a n. 21 (arguing that Coddington "erred in ascribing [fraud on the public] as the only reason for trademark protection. The prevention of fraud upon the person whose goods are pirated is equally important and cogent.").

[106] See, e.g., Zippo Mfg. v. Rogers Imports, Inc., 216 F. Supp. 670, 694-95 (S.D.N.Y. 1963) ("the law of unfair competition has traditionally been a battleground for competing policies. The interest of the public in not being deceived has been called the basic policy. Moreover, a plaintiff's interest in not having the fruit of his labor misappropriated should not be disregarded. But there is also the policy of encouraging competition from which the public benefits."); Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 570-71 (2d Cir. 1959), cert. denied, 362 U.S. 919 (1960) ("Distaste for sharp or unethical business practices has often caused the courts to lose sight of the fundamental consideration in the law of unfair competition – protection of the public.").

In most cases, the question of whether trademarks were protected for the benefit of producers or the public was not particularly important since both interests generally suggested the same outcome. The real animating force in these cases is most apparent in cases where interests of the public and those of the producer did not necessarily coincide. And in those cases, courts sided with producer interests and made clear that trademark protection was not, in fact, intended primarily for public benefit.

(a) Evidence of Confusion was Not Sufficient

If protection of the public were trademark law's primary concern, then we could expect to find cases where courts enjoined uses that caused confusion even if there was not particularly compelling evidence that the confusion would lead to lost sales by the particular plaintiff. In fact we find just the opposite: courts sometimes denied relief even in the face of potential confusion where the plaintiff could not prove that the confusion would result in diversion of *its* customers. The deception of the public, standing alone, was not a sufficient condition for relief.

This principle goes all the way back to English trademark decisions like *The Leather Cloth Co. v. American Leather Cloth Co.*[107] In that case, Lord Westbury explained that it was a prerequisite to relief, even in cases where the defendant held out his goods as those of the plaintiff, that the plaintiff "sustains, or is likely to sustain, from the wrongful act some pecuniary loss or damage."[108] The right to a trademark, according to Lord Westbury, was a right in property, and

> the mistake of buyers in the market under which they in fact take the Defendant's goods as the goods of the Plaintiff, that is to say, imposition n the public, becomes

[107] 4 De G.J. & S. 137 (1863).
[108] *Id*. at 141.

the test of the property in the trade mark having been invaded and injured, and not the ground on which the Court rests its injunction.[109]

The same view is evident in a number of American cases. In *New York & Rosendale Cement Co. v. Coplay Cement Co.*,[110] for example, the court denied injunctive relief against the defendant's use of the "Rosendale" designation for its cement, even though it was not, as plaintiff was, one of the fifteen to twenty cement manufacturers located in Rosendale, New York. The court denied relief despite its belief that consumers were likely to be confused and that confusion was regrettable: "no doubt the sale of spurious goods, or holding them out to be different from what they are, is a great evil, and an immoral, if not illegal, act."[111] Nevertheless, the plaintiff was not entitled to a remedy. Because it was not the only manufacturer of cement made in Rosendale, the plaintiff could not say that the defendant was intending to palm its products off as those of the plaintiff, as opposed to one of the other many manufacturers who made their cement in Rosendale.[112] "[I]f a person seeks to restrain others from using a particular trade-mark,

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[109] *Id*.
[110] 44 F. 277 (C.C.E.D. Pa. 1890).
[111] *Id*. at 278-79.
[112] Pillsbury-Washburn Flour Mills Co. v. Eagle, 86 F. 608 (7th Cir. 1898), cert denied 173 U.S. 703 (1899), provides an interesting comparison. In that case, the plaintiffs consisted of all the companies milling flour in Minneapolis, and the court granted them injunctive relief against the defendant, which was located in Chicago and sold flour milled in Milwaukee under the "Minnesota Patent" label. Joseph Bauer suggests that the case reflects a broader understanding of unfair competition law since the court rejected the "property right" prerequisite suggested by the *Rosendale Cement* and *American Washboard* cases when it said that "in cases where the question is simply one of unfair competition in trade it is not essential [that] there should be any exclusive or proprietary right in the words or labels used, in order to maintain the action." Joseph P. Bauer, *A Federal Law of Unfair Competition: What Should Be The Reach of Section 43(a) of the Lanham Act?*, 31 U.C.L.A. L. Rev. 671, 676 (1984). But, as we have seen, a proprietary right was never a prerequisite to unfair competition relief – the lack of such a proprietary right only meant that the plaintiff had to prove intent to pass off. In the *Pillsbury* case,

trade-name, or style of goods, he must show that he has an exclusive ownership or property therein. To show that he has a mere right, in common with others, to use it, is insufficient."[113]

Similarly the Supreme Court held in *Canal Co. v. Clark*[114] that the plaintiff had no exclusive right in the geographically descriptive term "Lackawanna" and therefore could not prevent the defendant from truthfully describing his coal as having originated from that place.[115] The plaintiff lacked a remedy even though the court recognized "that the use by a second producer, in describing truthfully his product, of a name or a

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the plaintiffs could allege that the defendants were diverting trade that otherwise would have gone to them since they collectively comprised all of the companies milling flour in Minneapolis.

[113] Rosendale, 44 F. at 279. Where a plaintiff used a geographic designation to which it did not have exclusive rights, it was forced to demonstrate that the defendant intended to sell its products as those of the plaintiff in order to prevail. See Newman v. Alvord, 51 N.Y. 189 (1872) (finding for plaintiff, which had no exclusive right to designate its cement as originating from "Akron," on the ground that the plaintiff was the sole manufacturer of cement from stone near Akron at the time of the suit and the defendant sought to sell its goods as those of the plaintiff); Lea v. Wolf, 13 Abb.Pr.(N.S.) 389 (N.Y. Sup. 1872) (holding that plaintiff had no exclusive right to designate its product "Worcestershire sauce," since that mark consisted of the name of the place the sauce was manufactured and the descriptive name of the article, but granting an injunction against defendant's use of labels and wrappers that so resembled plaintiff's that defendant's intent to divert plaintiff's customers was clear); Anheuser-Busch Brewing Ass'n v. Piza, 24 F. 149 (S.D.N.Y. 1885) (holding that Anheuser-Busch had no exclusive right to "St. Louis Lager Beer," but granting injunction since AB was the only party exporting beer under that name, and the defendant, who was not from St. Louis, sought to divert AB's trade by misleading customers); Southern White Lead Co. v. Cary, 25 F.125 (N.D. Ill. 1885) (holding plaintiff entitled to injunction where defendants stamped their kegs "Southwestern, St. Louis" in the same form as plaintiff stamped its kegs "Southern Company, St. Louis," and where there was evidence defendants' kegs could be and were sold as the plaintiff's).

[114] 80 U.S. 311 (1871).

[115] *Id.* at 323 ("No one can claim protection for the exclusive use of a trade-mark or trade-name which would practically give him a monopoly in the sale of any goods other than those produced or made by himself. If he could, the public would be injured rather than protected, for competition would be destroyed.").

combination of words already in use by another, may have the effect of causing the public to mistake as to the origin or ownership of the product."[116] It rejected the plaintiff's claim despite this risk of consumer confusion because

> if it is just as true in its application to his goods as it is to those of another who first applied it, and who therefore claims an exclusive right to use it, there is no legal or moral wrong. Purchasers may be mistaken, but they are not deceived by false representations and equity will not enjoin against telling the truth.[117]

The Court reached a similar result in *American Washboard Co. v. Saginaw Mfg. Co.*[118] There, the plaintiff manufactured washboards with aluminum-coated facings and sold the washboards under the "aluminum" trade name. The defendant also designated its washboards as "aluminum," even though those products actually were made of zinc. While there was little dispute that the defendant had in fact misrepresented the nature of its goods, the court denied injunctive relief.

Since "aluminum" was merely the descriptive title of a kind of washboard, no single producer could claim the term as its own. Without something more than defendant's use of the "aluminum" trade name, the plaintiff could not claim that the defendant was "passing off" its goods as those of the plaintiff; but only that the defendant

[116] *Id*. at 327.
[117] *Id*. Commentators often refer to the bar on claiming descriptive terms as trademarks as evidence of concern for consumers. *Canal Co.* does provide some support for that view, given its statement that "[n]o one can claim protection for the exclusive use of a trade-mark or trade-name which would practically give him a monopoly in the sale of any goods other than those produced or made by himself. If he could, the public would be injured rather than protected, for competition would be destroyed." *Id*. at 323. But to read *Canal Co. v. Clark* that way would be to take one statement out of context and ignore the rest of that decision, which recognized the potential for confusion but still determined that the defendant's actions were legitimate.
[118] 103 F. 281 (6th Cir. 1900).

was misrepresenting the nature of its goods.[119] The court noted that the plaintiff had "los[t] sight of the thoroughly established principle that the private right of action in [these] cases is not based on fraud or imposition upon the public, but is maintained solely for the protection of the property rights of a complainant."[120]

These cases underscore the traditional producer-centered view of trademark law: trademark law was not intended to protect consumers, but rather to protect the producer against competitors fraudulently stealing their consumers by passing off their goods. As the *American Washboard* court said, "[a producer] has a right to complaint when another adopts this symbol or manner of marking his goods so as to mislead the public into purchasing the same as and for the goods of complainant."[121] The mark owner "comes into a court of equity in such cases for the protection of his property rights. The private action is given, *not for the benefit of the public,* although that may be its incidental effect, but because of the invasion by defendant of that which is the exclusive property of complainant."[122]

[119] Today, such a false description of the nature of one's product would be a clear violation of § 43(a) of the Lanham Act. See 15 U.S.C. § 1125(a).

[120] American Washboard, 103 F. at 285. Importantly, the court was only concerned about the defendant fraudulently stealing consumers by passing off its goods as those of the plaintiff. Id. at 284-85. One could easily describe the defendant as having fraudulently stolen American Washboard's customers. There is no doubt that the defendant misrepresented to consumers that its product was made of aluminum. *Id*. at 285; *see also* Bauer, supra note __ at 673 n.17. And since plaintiff in that case was the only domestic manufacturer of aluminum washboards, and as a result, defendant's sales clearly came at the plaintiff's expense. But the plaintiff could not show that any such trade diversion resulted from the defendant's passing off its goods as the plaintiff's.

[121] American Washboard, 103 F. at 284.

[122] *Id*. (emphasis added); see also Bates Mfg. Co. v. Bates Numbering Mach. Co. 172 F. 895 (C.C.N.J. 1909) (quoting American Washboard); Avery & Sons v. Meikle & Co., 4 Ky.L.Rptr. 759, __ (1883) (fraud upon the public is not sufficient to invoke jurisdiction unless probable or possible injury to plaintiff is shown).

Perhaps the clearest expression of this understanding that trademark law protected a producer's property interest came from the court in *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*[123] In that case, the court denied relief to the plaintiff, which sold milk under the Borden name, against a defendant which used the Borden name for ice cream. The court recognized the potential for consumer confusion but said, echoing Lord Westbury in *The Leather Cloth* case:

> It has been said that the universal test question in cases of this class is whether the public is likely to be deceived as to the maker or seller of the goods. This, in our opinion, is not the fundamental question. The deception of the public naturally tends to injure the proprietor of a business by diverting his customers and depriving him of sales which otherwise he might have made. This, rather than the protection of the public against imposition, is the sound and true basis for the private remedy. That the public is deceived may be evidence of the fact that the original proprietor's rights are being invaded. *If, however, the rights of the original proprietor are in no wise interfered with, the deception of the public is no concern of a court of chancery*.[124]

Notably, in these cases where the interests of producers and consumers diverged, including *New York & Rosendale Cement Co.* and *American Washboard,* the courts understood that their decisions would not protect consumers and anticipated that any relief for them would have to come from a lawsuit filed by a deceived member of the public or from a lawsuit filed by the state.[125] The notion that consumers might have their

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[123] 201 F. 510 (7th Cir. 1912).

[124] Id. at 513. Very similar language appears in Taylor v. Carpenter, 23 F.Cas. 742 (C.C.D. Mass. 1844); The Trademark Cases, 100 U.S. 82, 93-94 (1879); Chadwick v. Covell, 23 N.E. 1068 (1890) (Holmes, J.); Crescent Tool Co v. Kilborn & Bishop, 247 F. 299 (2d Cir. 1917); Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 413-15 (1916); Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 206-07 (1942).

[125] Rosendale, 44 F. at 279; American Washboard, 103 F. at 285 ("It is doubtless morally wrong and improper to impose upon the public by the sale of spurious goods, but this does not give rise to a private right of action unless property rights of the plaintiff are

own claims was not a new development – courts had for many years suggested that consumers might have their claims for having been deceived.[126] That courts viewed such relief as distinct indicates their traditional understanding that trademark law protected producers' interests.

(b) The Cases Involving Expired Patents Are Consistent With the Trade Diversion Conception

Commentators also have pointed to the cases involving trademark rights in the post-patent period as evidence of trademark law's consumer focus. I do not dispute that concerns for consumers gave additional weight to the conclusions courts drew in those cases, but those decisions too can be seen careful applications of the historical underlying goal of trademark law – preventing competitors from stealing customers under false pretenses.

In *Singer Mfg. Co. v. June Mfg. Co.*,[127] the court refused to prevent competitors that had entered the market after Singer's patent on the sewing machine expired from manufacturing and selling competing sewing machines of the same shape as the Singer machines or from using the term "Singer" to refer to those machines. The court said "[i]t follows, as a matter of course, that on the termination of the patent there passes to the

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thereby invaded. There are many wrongs which can only be righted through public prosecution, and for which the legislature, and not the courts, must provide a remedy.").

[126] See, e.g., Levy v. Walker, L.R. 10 Ch. Div. at 448 ("If there is any misleading, that may be for the Criminal Courts of the country to take notice of, or for the Attorney-General to interfere with, but an individual Plaintiff can only proceed on the ground that, having established a business reputation under a particular name, he has a right to restrain any one else from injuring his business by using that name."). See also, HISTORICAL FOUNDATIONS at 143. Depending on the accuracy of the various reports of *Southern v. How*, a claim on behalf of the defrauded purchaser might well have been what the court was contemplating there.

[127] 163 U.S. 169 (1896).

public the right to make the machine in the form in which it was constructed during the patent."[128] Having acquired the right to make the machine, the public must also acquire the "designated name which was essentially necessary to vest the public with the full enjoyment of that which had become theirs by the disappearance of the monopoly."[129] Consequently, the court would not prevent the defendant from using the "Singer" mark altogether or from making machines in the same shape as Singer's.

Despite rejecting the plaintiff's claim of exclusive rights, however, the court believed that the defendant had attempted to divert the plaintiff's trade illegitimately and ordered an accounting of the defendant's wrongfully obtained profits. It found the defendant's conduct punishable because "the defendant had not marked its machines with a sufficiently prominent disclosure of the actual source of manufacture, and … some of [the] defendant's advertisements did not adequately disclose the true source of the goods."[130]

By distinguishing the use of the Singer name and the shape of the product from additional marking requirements, the court simply applied trademark law's traditional principles to allow competition and yet prevent illegitimate trade diversion. If consumers had become accustomed to a calling the machines "Singer" machines and expected those machines to be made in a particular shape, then the defendant's use of the Singer name to sell its similarly shaped machines was not illegitimate. Certainly the defendant sought to capture some consumers who otherwise would have bought from Singer, which was the

128 *Id*. at 185.
129 *Id*.
130 David S. Welkowitz, *The Supreme Court and Trademark Law in the* New *Millennium*, 30 WM. MITCHELL L. REV. 1659, 1664 (2004); Singer, 163 U.S. at 200-04.

only manufacturer of these machines during the patent period. But that diversion was legitimate because it was precisely what the patent system anticipated after patent expiration.[131] The marking requirement was intended to prevent competitors from stealing Singer's customers *by making them think they were buying a machine made by Singer*.

The court's order that the defendant pay to the plaintiff his wrongfully obtained profits further reinforces this interpretation. David Welkowitz suggests that the order was based on a desire to protect the public from deception,[132] but the compensatory nature of the monetary relief is hard to square with that interpretation. Instead, the award of compensation reflects a belief that, but for the defendant's trickery, those profits would have been Singer's. If the court only was concerned about consumers, it could have just entered the injunctive relief.

Kellogg Co. v. National Biscuit Co.[133] also fits squarely within this understanding. In that case the Supreme Court, as it did in *Singer*, refused to allow the owner of an expired patent to prevent competitors from making a product in the shape to which consumers had grown accustomed or from calling that product by the name by which customers knew that product. Unlike the defendant in *Singer*, however, Kellogg took care to delineate clearly the source of its cereal by making its biscuits in a different size and prominently displaying the Kellogg name on the product's packaging.[134] By clearly

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[131] As discussed below, courts and commentators of the nineteenth century were quite careful to make this distinction between legitimate and illegitimate attempts to steal competitors' customers. See Section __, below.
[132] See Welkowitz, supra note 130 at 1664.
[133] 305 U.S. 111 (1938).
[134] *Id*. at 120-22.

marking the source of its product, Kellogg showed that it was not trying to divert National Biscuit Company's consumers by making them believe they were getting a National Biscuit product. They were trying to take some of National Biscuit's market to be sure, but not through deception.

III. Traditional Trademark Law's Natural Rights Origins

Two clear conclusions emerge from this restatement of trademark law. First, "traditional" American trademark law was primarily concerned with protecting producers' interests. In many cases protecting those interests yielded an additional benefit to consumers, but that side benefit did not motivate decisions. Second, American courts protected producers' interests by recognizing property rights.[135] Admittedly, however, courts deciding trademark cases in the eighteenth and nineteenth centuries often were not clear about the nature of the property interest at stake. In some cases courts referred to the trademark as property, in other cases it is clear that the interest is in the flow of consumers the narrow form of goodwill. This lack of clarity has allowed for some confusion about the significance and role of "property" in the trademark discourse.

The simplest explanation of the classification of trademark rights as property is formal – claimants wanted injunctions to halt and prevent trade diversion, and courts of equity had the power to enjoin invasions of property rights.[136] Under that view, trademark claims were considered property claims purely as a matter of convenience. But as I alluded to above,[137] the formalism explanation is *too* simplistic. First, claims

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[135] See HOPKINS supra note 31 at § 10, at 18 n.35 (citing cases decided prior to 1900 that declared trademark rights property rights).
[136] Bone essentially takes this position. Bone, *Hunting Goodwill*, supra note 19 at 19-20.
[137] See Section II(B)(2) above.

based on invasions of property rights could be brought in courts of law even prior to the merger of law and equity.[138] Thus, calling a right "property" did not determine the venue in which that right would be vindicated. Second, equity would take jurisdiction and enter injunctions to protect trade reputation even in cases where the court found that the plaintiff did not have exclusive property rights.[139]

The formalism explanation is therefore insufficient. Ultimately, the attractiveness of that that view derives from a misunderstanding of the dominant property theory in which most judges of that era operated.[140] While the cases themselves did not always explicitly link trademark protection to the natural rights tradition,[141] by looking both at what courts said in deciding cases and at the contours of the doctrine they created we can find strong evidence that courts developing trademark law were relying on a natural rights theory that focused on protecting and encouraging productive labor. In the end, it may be that the cases lack rigorous description of the property they protected because it was not particularly important to courts that they identify the property precisely. Whether the property was the underlying physical assets, the mark itself, or, as I think

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[138] See supra notes 63-64 and accompanying text.

[139] McLean v. Fleming, 96 U.S. 245, 254 (1877) (right to injunction not based on rights in a specific mark); Thompson v. Winchester; Perry v. Truefitt; Avery v. Meikle; Cook v. Starkweather, CMTM 221 (N.Y. Sup. 1872); Amoskeag v. Spear, 2 Sand. S.C. 599.

[140] There are a couple of other intellectual histories of trademark law that attempt to describe the relationship between the evolution of trademark law and contemporaneous thought about property law. See Kenneth Vandevelde, The New Property of the Nineteenth Century: The Development of the Modern Concept of Property, 29 BUFF. L. REV. 325, 341-48 (1980); McClure, supra note 22 at 306-10; Bone, *Hunting Goodwill*, supra note 19 at 19-25. All of those works make important contributions to the literature, but I believe that each misunderstand the development of trademark law in a couple of important respects.

[141] Some commentators did. See WILLIAM HENRY BROWNE, A TREATISE ON THE LAW OF TRADEMARKS AND ANALOGOUS SUBJECTS § 86 (2d ed. 1885) (describing property rights in trademarks as having their foundation in "immutable law").

most plausible, the flow of honestly acquired consumers, courts focused primarily on channeling productive labor and could have constructed sensible rules under any of those understandings.

In order to evaluate competing views of the nature of the property trademark cases sought to protect, the following section briefly describes the natural rights property theory from which eighteenth and nineteenth century property decisions predominantly were derived.[142]

A Natural Rights Principles

Property rights, according to natural rights theory, aim to preserve for individuals a zone of free action and the ability to reap the benefits of their own labor or industry.[143] This concern about labor and industry is well-known. Equally important however, natural rights theory recognized that conflicting claims were inevitable, and property

[142] There is abundant of evidence that judges in this era were heavily influenced by natural law principles. Legal treatises, including Chancellor Kent's well-known *Commentaries,* cited and relied on natural rights philosophers. 1 JAMES KENT, COMMENTARIES ON AMERICAN LAW 16-18 (O.W. Holmes, Jr. ed., 12th ed. 1873) (1826) (stating that "Grotius [is] justly considered the father of the law of nations," and listing Pufendorf, Wolff, Burlamaqui, and Rutherforth, as "the disciples of Grotius."). Judges also considered the writings of natural rights philosophers legitimate sources of authority. *See, e.g.,* Pierson v. Post, 3 Cai. R. 175 (N.Y. Sup. Ct. 1805). *See also* Adam Mossoff, *What is Property? Putting the Pieces Back Together,* 45 ARIZ. L. REV. 371, 406 n.140 (2003) (hereinafter "Mossoff, What is Property?") (listing nineteenth-century property decisions and noting the common practice of lawyers and judges of citing to and relying on natural rights philosophers and legal scholars).

[143] This notion of labor giving rise to property is most often associated with John Locke. JOHN LOCKE, TWO TREATISES OF GOVERNMENT (Peter Laslett ed., Cambridge Univ. Press 1988) (1690). Locke argued that God gave the world "to the use of the industrious and rational," and that one acquired property by mixing his labor with the common. *Id*. at ch. 5, §§ 27, 34. Thus, the proper object of the law is to promote "the honest industry of mankind." *Id*. at § 42.

rights required sensitivity to the like rights of others.[144] Thus, the positive law sought to balance the legitimate interests of various property owners. Eric Claeys summarized the approach to property this way:

> "[i]f one could ask nineteenth-century jurists to reduce the natural-right approach to a slogan, they might say that the object of all property regulation is to secure to every owner an 'equal share of freedom of action' over her own property. On this understanding, every owner is entitled to some zone of non-interference in which to use her possessions industriously, productively, and consistent with the health, safety, property, and moral needs of her neighbors."[145]

This notion of "equal and free action" with respect to property is often overlooked by critics of propertization, but it is important because it provides the general normative principle that delineates the scope of property rights. This principle was reflected in the "regulations" of property rights nineteenth century judges accepted. The most common form of "regulation" was a "harm-prevention" law, which prevented property owners from interfering too much with other property owners' use of their property.[146] Other regulations such as conveyancing laws, traffic laws, and the locality rules in nuisance

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[144] Locke's concern for the rights of others is manifested in the so called Lockean proviso, which allows for property acquisition so long as one leaves "as much and as good" for others. Id. at § .

[145] Eric R. Claeys, *Takings, Regulations, and Natural Property Rights*, 88 CORNELL L. REV. 1549, 1556 (2003) (hereinafter "Claeys, Takings"). Several leading natural law commentators discussed this conception of property. Chancellor James Kent, for example, concluded that "[e]very individual has as much freedom in the acquisition, use, and disposition of his property, as is consistent with good order, and the reciprocal rights of others." 2 JAMES KENT, COMMENTARIES ON AMERICAN LAW 319 (2d ed., Halsted 1832). Similarly, James Madison wrote that "[i]n its larger and juster meaning, [property] embraces every thing to which a man may attach a value and have a right; and *which leaves to every one else the like advantage*." James Madison, *Property*, NAT'L GAZETTE, Mar. 27, 1792, at 174, *reprinted in* 14 THE PAPERS OF JAMES MADISON 266 (Robert A. Rutland et al. eds., 1983). See also, JAMES WILSON, *Lectures on Law, in* 1 THE WORKS OF JAMES WILSON 67 (Robert Green McCloskey ed. 1967); ZEPHANIAH SWIFT, A SYSTEM OF THE LAWS OF THE STATE OF CONNECTICUT (1795).

[146] Claeys, Takings supra note 145 at 1586-87

"secured an average reciprocity of advantage,"[147] by applying government force to enlarge the rights of all affected.[148]

Translating to the trademark context, natural rights theory called on courts to protect the fruits of a producer's honest labor by preventing competitors from stealing his trade.[149] At the same time, concern about the like rights of others cautioned against interfering with legitimate competition. Courts therefore were forced to distinguish carefully between legitimate and illegitimate diversions of the mark owner's trade.[150]

Keeble v. Hickeringill[151] is one example of such a balancing act. In that case, the court found that an action on the case did lie when Hickeringill fired his guns near Keeble's property with the purpose of frightening away the ducks from the decoy pond Keeble had created.[152] The court said:

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[147] Penn. Coal Co. v. Mahon, 260 U.S. 393, 415 (1922).
[148] *See* Claeys, Takings, supra note 145 at 1587-89, 1599-1604.
[149] See, e.g., Wolfe v. Barnett, 24 La. An. 97 (1872) (describing as the "leading principle of the law" to secure to the "honest, skillful and industrious manufacturer or enterprising merchant … the first reward of his honesty, skill, industry or enterprise" and protect him from deprivation at the ands of another who "appropriates and applies to his productions the same, or a colorable imitation of the same name, mark, device or symbol, so that the public are, or may be deceived or misled into purchase of the productions of the one, supposing them to be of the other"); Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U.S. 537, 546 (1891) (describing the a mark owner's interests as "the custom and advantages to which the enterprise and skill of the first appropriator had given him a just right" and describing infringement as that custom being "abstracted for another's use … by deceiving the public, by inducing the public to purchase the goods and manufactures of one person supposing them to be those of another").
[150] See Avery & Co. v. Meikle & Co., 4 Ky.L.Rptr. 759, __ (1883) (referring to "that great generic rule which lies at the foundation of all law, that a man must so use his own property as not to injury the property of another).
[151] 11 East 574, 103 Eng. Rep. 1127 (Q.B. 1707).
[152] A duck decoy "provided an efficient system for capturing wild ducks on a commercial scale. A typical decoy consisted of a large pool of water from which radiated creeks, called pipes, that were roofed with netting. Ducks were attracted to the pool by the use of decoys; then a specially trained dog, a piper, would appear at the front of a pipe and lure

> Every man that hath a property may employ it for his pleasure or profit, as for alluring and procuring decoy ducks to come to his pond. To learn the trade of seducing other ducks to come there in order to be taken is not prohibited either by the law of the land or the moral law; but it is as lawful to use art to seduce them, to catch them, and destroy them for the use of mankinds, as to kill and destroy wildfowl or tame cattle. Then when a man useth his art or his skill to take them, to sell and dispose of for his profit; this is his trade; and he that hinders another in his trade or livelihood is liable to an action for so hindering him.[153]

The *Keeble* court recognized a right that sprang out of productive use of other property for the purpose of establishing a "trade or livelihood."[154] At the same time, the court delineated the scope of that right so as to respect the right of others to make free productive use of their property. The court treated as the actionable only "violent or malicious" interferences with a man's ability to generate a livelihood: "where a violent or malicious act is done to a man's occupation, profession, or way of getting a livelihood, there an action lies in all cases."[155]

This distinction between legitimate and illegitimate forms of interfering with one's property was drawn out by the *Keeble* court's discussion of the 1410 Schoolmaster case.[156] In that case, "one schoolmaster set up a new school to the damage of an antient school, and thereby the scholars [were] allured from the old school to come to his

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them closer (ducks, like humans, are curious and aggressive animals). When the ducks were well into a pipe a decoy man, previously hidden by a screen, would appear behind them (but out of sight of the pool) and frighten them farther into the pipe, where they were trapped. This technique enabled the capture of very large numbers of ducks, but didn't work well if there were disturbances – such as guns going off." JESSE DUKEMINIER & JAMES E. KRIER, PROPERTY 34 ( ).

153 Keeble, 11 East at 575, 103 Eng. Rep. at 1128.

154 *Id*.

155 Keeble, 11 East at 576, 103 Eng. Rep. at 1128. Note that, just as in the case of common law actions trademark infringement, these types of interferences with property rights were remedied through actions on the case.

156 11 H. 4, 47 (Y.B. 11 H.IV, 47).

new."[157] An action did not lie in such a case, the *Keeble* court noted, because the new schoolmaster expended his own labor in a legitimate exercise of his liberty in relation to his own property.[158] But by contrast, the court noted, if Mr. Hickeringill had gone to the school with his guns and frightened the boys from going to school, and their parents would not allow the children to go there, then the schoolmaster might have an action for the loss of his scholars.[159] Such an action by Mr. Hickeringill would have interfered with the older school's trade, but not as a result of productive labor on Hickeringill's part.

Applying the lessons of the Schoolmaster's Case to the facts in *Keeble*, Chief Judge Holt concluded that Hickeringill had violated Keeble's property rights by firing his guns because Hickeringill acted only maliciously and did not make any productive use of his property.[160] He would not have violated any of Keeble's rights, however, if he had merely set out to compete with Keeble for the ducks. "If a man doth him damage by using the same employment; as if Mr. Hickeringill had set up another decoy on his own ground near the plaintiff's, and that had spoiled the custom of the plaintiff, no action would lie, because he had as much liberty to make and use a decoy as the plaintiff."[161]

Keeble was not a trademark case, but it drew the same distinction courts in trademark cases would draw between malicious acts (which were illegitimate) and those that were merely exercises of another party's equal liberty of action with respect to their own property (with which courts would not interfere). In fact, nineteenth and early twentieth century trademark cases routinely used very similar language to distinguish

[157] Keeble, 11 East at 576, 103 Eng. Rep. at 1128.
[158] *Id*.
[159] *Id*.
[160] *Id*.
[161] *Id.* at __.

infringement from "mere competition." In *Croft v. Day*,[162] for example, Lord Langdale said of the defendant

> He has a right to carry on the business of a blacking manufacturer honestly and fairly; he has a right to the use of his own name; I will not do anything to debar him from the use of that, or any other name calculated to benefit himself in an honest way; but I must prevent him from using it in such a way as to deceive and defraud the public, and obtain for himself, at the expense of the Plaintiffs, and undue and improper advantage.[163]

Likewise Senator Spencer wrote in *Taylor v. Carpenter*[164] that

> [protection of trademarks] does not at all trench upon the rights of others, by a course of conduct equally deserving and praiseworthy, to enter the lists of competition, and bear off the palm. But it will not allow them by falsehood, fraud, and forgery, to filch from another his good name, and share it in common with him, or destroy or impair it.[165]

In *Mogul S.S. Co. v. McGregor, Gow & Co.*,[166] the court even spoke of this distinction between infringement and competition in terms of balancing the mark owner's rights and the like rights of others, noting that "the right of the plaintiffs to trade is not an absolute but a qualified right, a right conditioned by the like right in the defendants and all Her Majesty's subjects, and a right therefore to trade subject to competition."[167] The court continued

> Competition exists when two or more persons seek to possess or to enjoy this same thing: it follows that the success of one must be the failure of another, and no principle of law enables us to interfere with or to moderate that success or that failure so long as it is due to mere competition. I say mere competition, for I do not doubt that it is unlawful and actionable for one man to interfere with another's

[162] Croft v. Day, 7 Beav. 84 (1843).
[163] Id. at 89-90.
[164] 2 Sand. Ch. 603 (C.C.N.Y. 1846)
[165] *Id*. at __.
[166] L.R. 23 Q.B. 598-625 (1889).
[167] *Id*.

> trade by fraud or misrepresentation, or by molesting his customers, or those who would be his customers, whether by physical obstruction or moral intimidation.[168]

When courts acted to prevent trademark infringement, they did not interfere with mere competition because, by targeting actions that misled customers, they sought only to prevent illegitimate deception. As the court said in *Coats v. Merrick Thread Co.*,[169]

> [r]ival manufacturers may lawfully compete for the patronage of the public in quality and price of their goods, in the beauty and tastefulness of their inclosed packages, in the extent of their advertising, and in the employment of agents, but they have no right, by imitative devices, to beguile the public into buying their wares under the impression they are buying those of their rivals.[170]

This was the principle the court relied on in *Canal Co. v. Clark* when it refused to enjoin the defendant's use of a geographically descriptive term, even if consumers were confused as a result of the use, because the consumers were not deceived by *false* representations.[171] A similar principle animated the rule that the right to use one's surname as a business name was qualified by the right of others of the same name to use it, so long as those others exercised their right so as to avoid confusion.[172]

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[168] *Id*.
[169] 149 U.S. 562 (1892)
[170] Id. at 566. See also, Hilton v. Hilton, 104 A. 375, __ (N.J. Err. & App. 1918) (quoting Vice Chancellor Wood's definition of goodwill in Churton v. Douglas, 28 L.J. Ch. 841 (1859) as including every affirmative advantage acquired by a firm in carrying on its business, but not the negative advantage of competitors refraining from carrying on their business).
[171] Canal Co. v. Clark, 80 U.S. 311, 327 (1871). See also Avery & Sons. v. Meikle & Co., 4 Ky.L.Rptr. 759, __ (1883) ("This limit must be observed, that if the means used are such as are common to all, or not exclusively appropriated by another, and injury follows which is not the result of design and improper use of those means, no remedy exists. There may be a design in adopting lawful means to absorb another's trade reputation; yet, if those means are the common property of all, and are used in a lawful manner, and damage ensue, it would be *damnum absque injuria*.") (emphasis in original).
[172] See Mitchell, supra note _ at 286-87 (citing cases). See also, Marsh v. Billings, 61 Mass. 322, 331 (1851) (noting that the defendants had a perfect right to carry passengers

Putting these cases in proper philosophical and historical context makes clear why trademark infringement was grouped with other forms of unfair competition as opposed to some type of information management policy.[173] Competition was critical, and courts gave content to the "unfair" component by distinguishing between honest and dishonest actions.[174]

B The Nature of the Property

With some understanding of the natural rights property framework within which eighteenth and nineteenth century judges created trademark law, we can now return to the question of what "property" the trademark cases sought to protect. There are at least three reasonable possibilities: that the right to a mark was merely incidental to rights in physical property; that trademarks themselves were protected as property; and that trademarks merely symbolized goodwill, which was the property. The following sections look more closely at each.

(1) Trademarks as Incident to Physical Property Rights

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from the station to the Revere House and to use the words "Revere House," provided they did not do so in circumstances likely to deceive).

[173] Proponents of the information transmission model seem to assume that the title "unfair competition" was arbitrarily chosen to denominate claims that really seek to promote information flow. These proponents have never explained why confusion is so central to trademark law if the goal is merely better information. Consumer confusion obviously can interfere with transmission of information, but so can too much information. I am unaware of any claim for information overload.

[174] This distinction between legitimate and unfair competition persists, at least superficially, in The Restatement of Unfair Competition, which insists that the freedom to compete, including the right to induce prospective customers to do business with the actor rather than the actor's competitors, is a fundamental premise of the free enterprise system. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, Chap. 1 § 1 cmt a (1995). What normative guide one uses to determine what is unfair is at this point a mystery.

A first possible reading of the cases is that trademark rights were simply incident to underlying property rights in physical assets. In other words, protecting the exclusive right to use a trademark was required to protect one's right to make full use of other property, and to reap the economic benefits thereof. This is an understandable reading since some strains of nineteenth century property theory were relatively physicalist – property rights were discussed in relation to some thing, a physical or reified intangible object.[175] Some of the trademark doctrines nineteenth century courts developed also are consistent with this view, particularly trademark law's initial refusal to allow trademark assignment without transfer of the underlying physical assets of the business.[176] Ultimately, however, this view does not sufficiently account for the way the majority of courts articulated of the harm of trademark infringement, which rarely mentioned physical assets and focused on the flow of customers.[177] The view of trademark rights simply as incident to rights in business assets also may not explain the traditional restriction of trademark rights to the particular trade in connection with which the mark owner used his mark.[178] A right intent on protecting free use of physical assets probably would not determine the range of uses to which the assets could be put.

(2) Property Rights in a Trademark Itself

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[175] See Vandevelde, supra note 140 at 331-32 (claiming that Blackstone's conception of property was "physicalist"):

[176] See Vandevelde, supra note 140 at 334-38. I discuss treatment of licensing in Section ___ below.

[177] See, e.g., Taylor v. Carpenter, 2 Sand. Ch. 603, 7 N.Y. Ch. Ann. 720 (1846).

[178] See HOPKINS, supra note 31 at § 5, at 15, quoting KERLY ON TRADEMARKS 475 (2d. London 1901) ("The qualified right in the tradename [or a trademark], a right to prevent a defendant from passing off his goods as those of the plaintiff by the use of it – exists only with regard to goods of the kind for which the plaintiff uses it, and to which the connection with his business suggested by the use of the name extends.").

A second possible reading of the cases, one that at least some commentators have embraced,[179] is that courts sought to protect a property right in the trademark itself. That is also an understandable reading. To begin with, courts sometimes said that exclusive use of a mark made it the producer's property.[180] Also, there is a natural tendency to relate property rights to an identifiable *res*, and clearly the mark was the locus of attention. I believe there is a better reading of the cases that makes more sense of the various doctrinal rules courts developed, but contrary to some suggestions, it is possible to conceive of a property right in the mark itself that is coherent and sufficiently attenuated to account for the doctrinal restrictions courts placed upon trademark rights.

This conception of property in the mark itself has troubled other commentators because trademark rights traditionally were so limited. As we have seen, a mark owner traditionally had only the exclusive right to use of the mark in connection with particular products and services. Infringement of those rights took place then only when the mark was used by others in competitive proximity. Trademark owners could not prevent others from using the mark in non-competitive contexts, and they could not alienate the mark independent of the underlying business.

Some have suggested that these restrictions make the notion of property rights in the mark incomprehensible because, during the nineteenth century, property rights were

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[179] See Bone, Hunting Goodwill, supra note 19 at 19-24; Mossoff, What is Property? at 418-23; Vandevelde, supra note __ at 341-48. Those who embrace this view presumably mean that courts treated the words or symbols that actually made up the mark as property. If, by saying that it protects "the mark itself" commentators mean something broader than that – the property being the meaning of the mark – that is closer to what trademark law has become today.
[180] See, e.g., Derringer v. Plate, 29 Cal. 292, 294-95 (1865) (describing trademark rights as property which accrues without the aid of statute, "like the title to the good will of a trade, which it in some respects resembles").

"absolute" and impossible to limit or reduce.[181] But that view is based on a misunderstanding of nineteenth century property law and theory. While it is true that judges and commentators sometimes referred to property rights as absolute, in contrast to "relative" rights,[182] those terms generally had different meaning than they do today. "Pre-1900, 'absolute' was a rough synonym for 'personal' and 'pre-political'—as opposed to 'relative,' which referred to a political right, or a right necessarily created in civil society."[183] Under that framework, "the right of religious conscience is absolute, the right to vote is relative, and the right of property is a combination of an absolute right to one's labor and the relative rights created by a society's civil property laws."[184] Thus, while American natural property rights might have been considered "absolute" in the sense that they were pre-political, they were never "absolute" in the sense that they were not qualified for the rights of others or for the public.[185]

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[181] Bone, for example, criticized the conception of property rights in the trademark itself, which he believed nineteenth century jurists accepted, on the ground that the doctrinal rules were much less absolute than real "property" rights recognized in that era. Bone, Hunting Goodwill, supra note 19 at 19-23. See also, Vandevelde, supra note 140 at 345 ("By creating limited property [in trademarks], the courts essentially robbed the term 'property' of its meaning.").

[182] See UPTON, supra note 31 at 10 ("Property in trademarks, exclusive and absolute, has existed and been recognized as a legal possession which may be bought and sold and transmitted, from the earliest days of our recorded jurisprudence.").

[183] Eric R. Claeys, Jefferson Meets Coase: Train Sparks, Natural Rights, and Law and Economics at 22-23 (unpublished draft on file with author) (hereinafter "Claeys, Train Sparks") citing 1 Blackstone's Commentaries at 121-124; Robert P. Burns, *Blackstone's Theory of the "Absolute" Rights of Property*, 54 U. CIN. L. REV. 67, 71-73 (1985).

[184] Claeys, Train Sparks, supra note 183 at 23. In fact, this is the sense of "absolute" property rights that Bone described in his article *Normative Theory and Legal Doctrine in American Nuisance Law: 1850 to 1920*, 59 S. CAL. L. REV. 1101, 118 (1985).

[185] Many who hold that nineteenth century property rights were absolute in the modern sense cite as evidence Blackstone's description of property as "that sole and despotic dominion which one man claims and exercises over the external things of the world." See Vandevelde, supra note 140 at 332-33. But careful reading of Blackstone's

The conception of trademark law protecting property in the trademark itself, then, is not objectionable simply because the rights courts recognized were highly qualified.[186] Nevertheless, I do not find this understanding particularly helpful. First, courts frequently referred to the value of the business as the relevant property, probably more frequently than they referred to the mark as property. Second, and more importantly, the harm of trademark infringement almost universally was described in the same terms as the harms caused by other forms of unfair competition that did not involve use of the mark at all.[187]

Consequently, it makes more sense, in my view, to focus on the interest courts uniformly referred to as central to the trademark system: the interest in avoiding illegitimate diversions of consumers who were habituated to patronizing the mark

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discussion demonstrates that Blackstone did not view property rights as incapable of restriction: Blackstone specifically acknowledged that property could be taken through eminent domain and regulated in many ways by the civil law. 2 BLACKSTONE, COMMENTARIES, at *2; *see* 1 *id.* at *134-35; 2 *id.* at *2-*15. Cf. Thomas W. Merrill, Henry E. Smith, *What Happened to Property in Law and Economics?*, 111 YALE L.J. 357, 361 (2001) ("Blackstone's talk about property being a "sole and despotic dominion" was clearly a bit of hyperbole and is inconsistent with the balance of his treatment of property, not to mention with the complexities of modern property law."); Carol M. Rose, *Canons of Property Talk, or, Blackstone's Anxiety*, 108 YALE L.J. 601, 604 (1998) (describing Blackstone's talk of an exclusive right to property as "a rhetorical figure describing an extreme or ideal type rather than reality").

[186] Trade secrets also were regularly protected, though highly qualified, property rights. See Peabody v. Norfolk, 98 Mass. 452, 457-58 (1868) (analogizing trade secrets to trademarks and calling both instances of courts protecting business goodwill as "property").

[187] See, e.g., Perry v. Truefitt, 6 Beavan 66 (stating that "the principle on which both courts of law and equity proceed, in granting relief and protection in cases of this sort, is very well understood. A man is not to sell his own goods under the pretense that they are the goods of another man; he cannot be permitted to practice such a deception, nor to use the means which contribute to that end.").

owner.[188] Thus, I would define the property interest as the right to be subject only to fair competition for consumers a producer had attracted through labor.

(3) Property Rights in Honestly Acquired Customer Flows

As was clear in Upton's 1860 treatise, the property in trademarks has always been quite distinct from that protected by patent or copyright. Trademarks were

> a property, not in the words, letters, designs or symbols, as things – as signs of thought – as productions of mind – but, simply and solely, as a means of designating things – the things thus designated being productions of human skill, or industry, whether of the mind or the hands, or a combination of both: and this property has no existence apart from the thing designated – or separable from its actual use, in accomplishing the present and immediate purpose of its being.[189]

This is what the court in *Hanover Star Milling Co. v. Metcalf*[190] understood when it said that:

> [i]n the English courts it often has been said that there is no property whatever in a trademark, as such. But since in the same cases the courts recognize the right of the party to the exclusive use of marks adopted to indicate goods of his manufacture, upon the ground that 'a man is not to sell his own goods under the pretense that they are the goods of another man; he cannot be permitted to practise such a deception, nor to use the means which contribute to that end. He cannot therefore be allowed to use names, marks, letters, or other *indicia*, by which he may induce purchasers to

[188] Courts frequently referred to this flow of customers seeking the mark owners' goods as "goodwill." Courts that did so borrowed from a concept developed elsewhere in the law to describe a similar phenomenon. In Cruttwell v. Lye, for example, the court considered whether a purchaser in bankruptcy could prevent the bankrupt from carrying on the same trade as the old established trade. See, e.g., Cruttwell v. Lye, 17 Ves. Jun. 335 (1810). The court defined "the good-will, which had been the subject of sale," as "nothing more than a probability that old customers will return to the old place," and held that, absent evidence that the bankrupt fraudulently diverted those who would return to the old place, it could not enjoin the bankrupt from carrying on his trade. Id. at 346. As Bob Bone recently observed, the goodwill courts have protected in trademark cases has undergone dramatic expansion. See Bone, Hunting Goodwill, supra note __ at 24-28, 34-44.

[189] UPTON, supra note __ at 15. Upton further notes that even in 1860 it was recognized that "an unlawful encroachment on the good will of a business is sometimes the essence of the wrong involved in the violation of a trade mark." *Id*. at 59.

[190] 240 U.S. 403 (1916).

> believe that the goods which he is selling are the manufacture of another person;' it is plain that in denying the right of property in a trademark it was intended only to deny such property right except as appurtenant to an established business or trade in connection with which the mark is used.[191]

In other words, trademark rights were protected as property, but it was not the words or the symbols themselves that were the property; those were merely manifestations of the property.[192] Property rights arose out of particular uses of words or symbols in connection with a business, which was the ultimate object of protection.[193]

When a plaintiff brought a trademark infringement claim, "[t]he gist of the complainant [sic] [was] that the defendant, by placing the complainant's trade-mark on goods not manufactured by the plaintiff, ha[d] induced persons to purchase them, relying

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[191] 240 US at 413-14. See also, HISTORICAL FOUNDATIONS at 158 (describing trade reputation as the property at issue).

[192] See Hanover Star Milling, 240 U.S. at 413 ("Common-law trademarks, and the right to their exclusive use, are, of course, to be classed among property rights; but only in the sense that a man's right to the continued enjoyment of his trade reputation and the good will that flows from it, free from unwarranted interference by others, is a property right, for the protection of which a trademark is an instrumentality.") (internal citations omitted).

[193] Id. at __ ("It is not the trade-mark, but the trade, the business reputation and good will, that is injured; and the property or right in the trade is protected from injury by preventing a fraud-doer from stealing the complainants trade by means of using the complainant's 'commercial signature.'"). See also, Peabody v. Norfolk, 98 Mass. at 457 ("If a man establishes a business and makes it valuable by his skill and attention, the good will of that business is recognized by the law as property."); Chadwick v. Covell, 151 Mass. 190, 193-94 (1890) ("When the common law developed the doctrine of trade-marks and trade-names, it was not creating a property in advertisements more absolute than it would have allowed the author of Paradise Lost, but the meaning was to prevent one man from palming off his goods as another's, from getting another's business or injuring his reputation by unfair means, and, perhaps, from defrauding the public."); Perry v. Truefitt, 6 Beavan 66 (1842) (referring to a trademark simply as a means which contributes to the end of palming off one's goods).

on the trade-mark as proving them to be of plaintiff's manufacture."[194] A trademark, as Shoemaker stated plainly, "merely distinguishes and designates the business in which it is used, and *it is the business which is to be protected, and not the trade-mark as a mere collection of words or symbols*."[195]

Earlier cases did not always describe this right in one's business as "goodwill" as courts would become accustomed to doing, since that terminology was just developing in the nineteenth century.[196] But the concept of rights in the flow of business dates back at least as far as the early eighteenth century, when the court in *Keeble,* citing a case from the early fifteenth century, protected the right to the fruits of legitimate labor: "when a man useth his art or his skill to take [the ducks he has lured], to sell and dispose of for his profit; this is his trade; and he that hinders another in his trade or livelihood is liable to an action for so hindering him.[197]

C The Natural Rights Theory Explains a Variety of Long-Standing Doctrines

While the natural rights approach to trademark rights may seem to modern readers a bit anachronistic, that approach had one significant virtue: it was capable of determining in most cases what ought to count as someone's property and what should

[194] American Washboard Co. v. Saginaw Mfg. Co., 103 F. 281, 284 (6th Cir. 1900) (quoting Lord Cranworth in Leather Cloth Co. v. American Leather Cloth Co., 11 H.L. Cas. 523).
[195] Shoemaker, supra note __, at 5 (citing Carrol v. McIlvaine & Baldwin, 183 F. 22 (2d Cir. 1910) (emphasis added)).
[196] The notion of "goodwill" as a legal concept is often traced to Crutwell v. Lye, 17 Ves. Jun. 335 (1810). See note 187, supra.
[197] Keeble v. Hickeringill, 11 East 574, 575, 103 Eng. Rep. 1127, 1128 (1707). *Peabody v. Norfolk* suggested that trade secrets also protected a manifestation of goodwill. See Peabody, 98 Mass. at 457-58. Thus, contrary to Bone's reading of the nineteenth century trademark cases, I do not accept that there was a shift from protection of the trademark itself to protection of the goodwill as property.

not. In fact, the natural rights perspective's ability to identify the limits of legitimate protection is demonstrated by a number of ancient doctrines that delineated the scope of protection but which seem an odd fit with the consumer protection rationale.

(1) Trademark Use as a Proxy for Labor

As all trademark lawyers know, trademark rights are a function of use of the mark in connection with particular products or services. One acquires rights through use, and priority as between competing users is determined by first use.[198]

The first use rule fits uneasily with a consumer protection justification. If trademark law were intended simply to enhance marketplace efficiency, we might expect the law to award the right to use a particular mark to the party with whom the majority of consumers associate the mark, regardless the parties' respective first use dates. To do otherwise is to dash the expectations of the greater number of consumers and create confusion rather than remedy it.[199] But the natural rights approach focused on encouraging productive expenditure of labor, and therefore called for rules that gave primacy to use. The relevant labor was labor expended to build one's business, and the trademark acted as a proxy for the property interest in that business. Thus, a junior user of a mark, even if that user was substantially larger and more visible than the senior user,

[198] McCarthy, supra note __ at § 2:9. The first use rule has historical pedigree. See American Washboard Co. v. Saginaw Mfg. Co., 103 F. 281, 287 (6th Cir. 1900) (quoting George v. Smith, 52 F. 830, 832 (C.C.N.Y. 1892) ("It is the party who uses [a designation] first as a brand for his goods, and builds up a business under it, who is entitled to protection, and not the one who first thought of using it on similar goods, but did not use it. The law deals with acts, not intentions.").

[199] One possible efficiency explanation for the first use in commerce trigger is that it provides a predictable benchmark against which parties can plan. But if clarity and ease of administration is the goal, a first to file regime seems obviously preferable. Moreover, even if it were true that first use was the clearest marker, its appeal is based on a different kind of efficiency and may lead to results contrary to consumer expectations.

interfered with the senior user's established property right and with the incentives to labor industriously. A natural rights theory of trademark protection, unlike the consumer protection theory, is makes no attempt to value the respective uses of labor.[200]

(2) Unfair Competition Requires Competition

Just as use of a mark was significant as a trigger for trademark rights, the scope of those rights was dependant on the scope of the mark owner's use. Thus, courts traditionally restricted the scope of a party's rights to a particular line of trade. This rule was clear even as early as the decision in *The Leather Cloth Company, Ltd. v. The American Leather Cloth Company*,[201] in which Lord Westbury stated that the "property in a trade mark is the right to an exclusive use of some mark, name or symbol in connection with a particular manufacture of vendible commodity."[202] As the court said in *Hanover Star Milling*, quoting Vice Chancellor Wood in *Ainsworth v. Walmsley*,[203] an 1866 English decision:

[200] This discussion of use and priority raises a possible objection that the natural rights theory cannot explain the reverse confusion doctrine. See McCarthy § __ (describing reverse confusion as confusion regarding the source of the plaintiff's product in light of the defendant's use). That doctrine did not exist during the nineteenth century, so it is possible that judges operating in the natural rights tradition would have refused the plaintiff a remedy in the reverse confusion fact scenario. Junior users who are larger and more visible than the senior user are not likely to divert consumers who otherwise would have gone to the smaller senior user. But certainly the natural rights approach offers a better explanation of reverse confusion than an economic efficiency justification. If our concern was to enhance marketplace efficiency and recognize consumer expectations, trademark law should award the rights to the junior user if and when consumers predominantly associate a mark with it. Natural rights theory, on the other hand, might preference the senior user despite consumer understanding because the senior user was the first laborer and therefore staked out her rights.

[201] 4 De. G. J. & S. 137 (1863)

[202] Id. At 137.

[203] L.R. 1 Eq. 518, 524 (1866).

> This court has taken upon itself to protect a man in the use of a certain trademark as applied to a particular description of article. He has no property in that mark *per se*, any more than in any other fanciful denomination he may assume for his own private use, otherwise than with reference to his trade. If he does not carry on a trade in iron, but carries on a trade in linen, and stamps a lion on his linen, another person may stamp a lion on iron; but when he has appropriated a mark to a particular species of goods, and caused his goods to circulate with this mark upon them, the court has said that no one shall be at liberty to defraud that man by using that mark, and passing off goods of his manufacture as being the goods of the owner of that mark.[204]

Similarly, trademark rights traditionally were restricted to the geographic markets in which the mark owner operated.[205]

Since natural property rights were concerned with protecting labor, courts sought to protect mark owners from illegitimate interferences in the markets in which the mark owners had labored to acquire customers. Mark owners, however, were not entitled to interfere with the like rights of others to use a mark in markets in which the mark owners had not labored. Infringement then was defined by situations in which the defendant attempted to steal a competitor's *existing* customers. As the court said in *The Leather Cloth* case, "[i]t is indeed true that, unless the mark used by the Defendant be applied by him to the same kind of goods as the goods of the Plaintiff, and be in itself such, that it may be, and is, mistaken in the market for the trade mark of the Plaintiff, the Court will not interfere, because there is no invasion of the Plaintiff's right …"[206]

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[204] Hanover Star Milling v. Metcalf, 240 U.S. 403, 413 (1916).

[205] See Thomas J. Carroll & Son Co. v. McIlvaine & Baldwin, 183 F. 22 (2d Cir. 1910) (distinguishing between the Baltimore and New York markets for whisky and denying the plaintiff, which had prior rights in Baltimore, the right to prevent use of the same mark in New York).

[206] 4 De G.J. & S. at 141. See also HOPKINS, supra note __, at § 5 at 15, quoting KERLY ON TRADEMARKS, supra note __ at 475 ("The qualified right in the tradename [or a trademark], a right to prevent a defendant from passing off his goods as those of the

(3) Evidence of Fraud Not Required

Conceiving of the property right as one in continued patronage also sheds light on the distinction English courts made between cases where the plaintiff had established title in a mark and was therefore entitled to an injunction and cases in which title was unclear and the plaintiff had to prove the defendant improperly sought to divert the plaintiff's customers. If a plaintiff had substantially exclusive use of a mark that was not descriptive, then consumers were likely to associate that term with the senior user. In those circumstances, any use of the same mark by competitors was likely to divert customers who were trying to patronize the senior user, whether or not the junior user intended to defraud anyone. And because in those circumstances the mark had no descriptive significance, competitors had no legitimate need to use the mark.[207] Thus it made sense that, where a party had established exclusive rights, evidence of intent was not necessary.

American courts, as noted above, essentially followed this approach of the English courts of equity in not requiring evidence of fraud. Thus, in *Taylor v. Carpenter*, the court held that

> where one intentionally uses or closely imitates another's trade marks, on merchandise or manufactures, the law presumes it to have been done for the fraudulent purposes of inducing the public, or those dealing in the article, to believe

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plaintiff by the use of it – exists only with regard to goods of the kind for which the plaintiff uses it, and to which the connection with his business suggested by the use of the name extends.")

[207] See Wotherspoon v. Currie, 5 Eng. & I. App. (Law R.) 508 (1872) (finding that the defendant had infringed the plaintiff's rights in "Glenfield" for starch and noting that the defendant's use of that term itself served as evidence of bad intent because the defendant had no need to use that term since it was not a location recognized on a map).

> that the goods are those made or sold by the latter, and of supplanting him in the good will of his trade or business.[208]

Likewise in *Elgin National Watch Co. v. Illinois Watch Case Co.*,[209] the court wrote that "[i]f a plaintiff has an absolute right to the use of a particular word or words as a trade mark, then if an infringement is shown, the wrongful or fraudulent intent is presumed...."[210]

(4) Trademarks and Trade Names

American trademark law's rough proxy for the distinction English courts drew between cases where the mark owner could demonstrate title and those in which it could not was the distinction between "technical trademarks" and "trade names." As noted above, "trade names" were protected in actions for unfair competition only on a showing of secondary meaning.[211] Though the law no longer makes any significant distinction between technical trademarks trade names,[212] the requirement that claimants demonstrate secondary meaning for surnames and descriptive terms to warrant protection persists.[213]

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[208] 2 Sand. Ch. at 603.
[209] 179 U.S. 665 (1901).
[210] Id. at 674. See also, Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U.S. 537, 549 (1891).
[211] See MCCARTHY, supra note __ at §§ 4:5, 15:1. "To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself." Inwood Laboratories v. Ives Laboratories, 456 U.S. 844, 851 n.11 (1982). "Secondary meaning" is a term from the common law; the Lanham Act uses the phrase "has become distinctive" to refer to marks that become protectable. 15 U.S.C. § 1052(f). See also, Application of Hehr Mfg., 279 F.2d 526, 528 (C.C.P.A. 1980).
[212] Plaintiffs now do not need to show fraudulent intent even in cases involving trade names, though some courts have suggested that evidence of intent can obviate the need to demonstrate secondary meaning. See MCCARTHY, supra note __ at § 23:106 ("Modern Common Law Rule: Intent not Essential"); Upjohn Co. v. Schwartz, 246 F.2d 254 (2d Cir. 1957) (holding that a manufacturer's intentional efforts to induce retailers to

There are several possible explanations for the distinction between trade names with and without secondary meaning. It makes sense from a search cost perspective: if parties acquired rights to words that accurately described a product, consumers could be hurt because they could not use those terms to search.[214] On the other hand, if those terms come to designate a particular producer, then consumers would not need to use the term to search for other entities. The rule might also encourage parties to adopt arbitrary or distinctive marks, which "while hardly trenching at all upon the common right, affords equal protection to the user."[215] Historically, however, the rule developed as an application of the natural rights approach focused on trade diversion.

Surnames and descriptive terms have one thing in common – consumers are less likely to attach source significance to those terms than they are to coined or arbitrary terms. If consumers do not attach singular significance to a term, then we cannot reliably conclude that consumers who purchase a junior user's products were seeking the senior user and therefore fraudulently diverted.[216] In other words, competitors have legitimate reasons to use those terms in some cases, and we cannot categorically condemn every

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substitute his product for other products requested by buyers, constituted intentional palming off and grounds for an injunction even absent of proof of secondary meaning).

[213] See Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 790-91 (5th Cir. 1983); 15 U.S.C. § 1052(e)-(f).

[214] Cf. Stacey L. Dogan & Mark A. Lemley, Trademarks and Consumer Search Costs on the Internet, 41 Hous. L. Rev. 777, 792-93 (2004) (making a similar argument regarding the rule that generic terms cannot serve as trademarks).

[215] Mitchell, supra note __ at 285.

[216] See Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U.S. 537, 546 (1891) (stating that a "trade-mark must, either by itself or by association, point distinctively to the origin or ownership of the article to which it is applied," because "unless it does, neither can he who first adopted it be injured by any appropriation or imitation of it by others, nor can the public be deceived").

use. Thus, a party must produce additional evidence to demonstrate that a particular use is illegitimate.[217]

The traditional requirement that, in order to infringe, the defendant use a mark as a source designator (*as a trademark*) is a further application of this principle. A party using a mark in a non-source designating sense cannot use that mark to sell their goods as those of the mark owner.[218] Thus, under traditional trademark principles, it made no sense to suggest that non-trademark use infringed. Notably, the trademark use requirement need not be a feature of trademark law intended to promote information transmission. Non-trademark uses also have the potential to interfere with information clarity.

(5) Abandonment Rules Reflect Trade Diversion Theory

Given trademark law's traditional focus on use, it should come as no surprise that a trademark owner traditionally was deemed to have abandoned its rights in a mark the

[217] See Alff v. Radam, 14 S.W. 164, 164-65 (Tex. 1890) (noting that a party has "no right to appropriate a sign or symbol which, from the nature of the fact that it is used to signify, others may employ with equal truth, and therefore have an equal right to employ, for the same purpose" but allowing for the possibility that a plaintiff might nevertheless prevail in such a case if the defendants intentionally simulated the peculiar device or symbol employed by the plaintiff in order to deceive consumers); Elgin Nat'l Watch, 179 U.S. at __ (noting that competitors have good reasons to use terms in their primary sense, but cannot use terms to divert a producer's trade); Thompson v. Montgomery, 41 Ch. Div. 35 (holding that, the plaintiff's had no exclusive right to the use of "Stone Ale" alone as against the world, or any right to prevent the defendant from selling his goods as having been made at Stone, but could prevail against a defendant who used the words fraudulently to pass off its goods).
[218] See, e.g., Avery & Co. v. Meikle & Co., 4 Ky.L.Rptr. 759, __ (1883) (noting that the law allows use of terms that are common property for the ideas which those terms commonly express, so long as the use is not misleading).

moment it ceased use of that mark and lacked intent to resume use.[219] This rule makes little sense viewed through a consumer protection lens because consumers' association of the mark with a particular user may persist for some time after the party has ceased use. As a result, some modern courts have refused to find abandonment of a mark when there is evidence of persisting goodwill.[220]

Traditional trademark law, however, was concerned with consumer confusion not for its own sake, but only as a proxy for diverting trade. With that focus, continuing goodwill is entirely immaterial. Absent intent to serve its former market, a party owner cannot claim its sales will be diverted by the defendant's use; the former mark owner has no sales to divert. Thus, even if consumers continued to associate a mark with one party, traditional trademark law would not have found a violation because the former owner's "property is in no wise interfered with."[221]

(6) Assignment and Licensing Rules Reflect Connection to Trade

[219] For an articulation of the traditional rule of abandonment regardless of continuing goodwill, see Exxon Corp. v. Humble Exploration Co., 695 F.2d 96 (5th Cir. 1983).
[220] See Defiance Button Machine Co. v. C & C Metal Products Corp., 759 F.2d 1053 (2d Cir. 1985), cert. denied, 474 U.S. 844 (1985); Ferrari S.p.A. Esercizio Fabriche Automobili e Corse v. McBurnie, 11 U.S.P.Q.2d 1843, (S.D. Cal. 1989) (finding no abandonment of DAYTONA SPYDER mark when cars still driven extensively and Ferrari maintained residual goodwill); American Motors Corp. v. Action-Age, Inc., 178 U.S.P.Q. 377 (T.T.A.B. 1973) (holding that the auto model mark RAMBLER was not abandoned four years after the mark owner ceased production in part because "a considerable reservoir of goodwill in the mark RAMBLER in this country that inures to [American Motors] as a consequence of the large number of RAMBLER vehicles still on the road").
[221] Borden Ice Cream Co. v. Borden's Condensed Milk Co., 201 F. 510, 513 (7th Cir. 1912).

Assignment or licensing of a trademark traditionally was prohibited unless attendant to a transfer of the related business. The court in *Memahan Pharamacal Co. v. Denver Chemical Manufacturing Co.*,[222] summarized the bar as follows:

> A trade-mark cannot be assigned, or its use licensed, except as incidental to a transfer of the business or property in connection with which it was used. An assignment or license without such a transfer is totally inconsistent with the theory upon which the value of a trade-mark depends and its appropriation by an individual permitted. The essential value of a trade-mark is that it identifies to the trade the merchandise upon which it appears as of a certain origin, or as the property of a certain person. When its use has been extensive enough to accomplish that purpose, and not till then, it becomes property, and when it so becomes property it is valuable for two purposes: (1) as an attractive sign manual of the owner, facilitating his business by its use; (2) as a guaranty against deception of the public … Disassociated from merchandise to which it properly pertains, it lacks the essential characteristics which alone give it value, and becomes a false and deceitful designation. It is not by itself such property as may be transferred.[223]

This refusal to accept the disassociation of a trademark from the underlying business is consistent with the natural law theory on which trademark law originally was based. Trademarks were understood to indicate the actual source of or origin of the product or service with which it was used, and if the mark was assigned or transferred without the owner's business, its use by others would not divert customers from the entity consumers had come to expect.[224] Since, trademarks were not protected *per se,* but only as a proxy for an attempt to steal away business, separation of the mark from the underlying business destroyed its significance.[225]

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[222] 113 F. 468 (8th Cir. 1901).
[223] *Id*. at 475.
[224] See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 33 (1995); NIMS ON UNFAIR COMPETITION AND TRADE-MARKS 66 (3d ed. 1929)
[225] See, e.g., Chadwick v. Covell, 151 Mass. 190, 193-95 (1890) (refusing plaintiff's attempt to enjoin a defendant from using the same name on the ground that, although

IV. Expansion of American Trademark Law

Critics of modern trademark law are indisputably correct about one thing: trademark law has significantly broadened since the beginning of the twentieth century. But as this review of traditional trademark law makes abundantly clear, the evolution of trademark law cannot be described as a shift from "consumer-centered" to "producer-centered" or from "confusion-based" protection to "property-based" protection. Trademark law traditionally was predominantly producer-centered and was based on a property right.

Recent doctrinal expansions, however, do reflect a fundamentally different approach to the question of what property trademark law seeks to protect. Early cases regarded the "property" as the mark user's customer base and protected the mark owner from illegitimate diversions of those customers. By contrast, modern trademark law, taken as a whole, views the brand, construed broadly, as the relevant property.

The reasons for this shift are many, and it is always risky to attempt to isolate them. Nevertheless, there are at least two factors that seem clearly to have influenced the evolution of trademark law. First, traditional trademark law was built upon a conception of commerce as predominantly local and limited to a small range of closely related products. While that view many have accurately reflected nineteenth century commerce, the economy evolved in the twentieth century as producers diversified this product offerings and broadened their geographic reach. As a result, producers began to view a

plaintiff purportedly received a gift of Dr. Spencer's recipes and trademarks for medicines, she made the medicine with her own ingredients, tools, plant, and contrivances and did not succeed to Dr. Spencer's manufactory or plant). Chadwick represents an era where courts equated goodwill with a physical location rather than simply ongoing business operations of the same type.

trademark law that focused on parties in close competitive proximity as overly restrictive.[226] Thus, there was social and economic pressure to broaden trademark law's conception of the goodwill embodied in a trademark.[227]

Second, and simultaneously, the institution of property as it was known came under attack at the hands of the Legal Realists. Trademark law and the property rights it claimed to protect were not immune from attack on this front. In fact, Felix Cohen, one of the original Realists, specifically mentioned trademarks as an example of the *transcendental nonsense* property had become.[228] During this time the argument that property generally, and trademarks in particular, protected a form of monopoly, made a re-appearance.[229]

This was not the first brush trademark law had with "monopoly-phobia": at various points in the history of trademark law, opponents have argued that allowing companies exclusive rights in their marks was tantamount to granting monopolies.[230]

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[226] See Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731, 776-78 (2003).
[227] See Bone, Hunting Goodwill, supra note __ at 34-44.
[228] Felix S. Cohen, Transcendental Nonsense and the Functional Approach, 35 COLUM. L. REV. 809, __ (1935) add parenthetical
[229] See Lunney, supra note __ at 367-69 (describing the re-emergence of the "trademarks as monopoly" argument and attributing it in large part to the work of Edward Chamberlain and his work The Theory of Monopolistic Competition). Chamberlain expressed concern about the ability of firms to exercise market power on the basis of the artificial differentiation trademarks enabled. This argument was picked up, most notably, by Ralph Brown. Ralph S. Brown, Advertising and the Public Interest: Legal Protection of Trade Symbols, 57 Yale L.J. 1165 (1948). It also served as the basis for the Federal Trade Commission's opposition to broad trademark protection. See Lunney, supra note __ at 368 n.8 (and sources cited therein).
[230] When Parliament and the American Congress debated enacting trademark laws, lawmakers frequently raised concerns about fraudulent uses and sales of trademarks and about the monopolies that would result from recognition of trademarks as property. See also HISTORICAL FOUNDATIONS at 140-41, 162-64.

And in one sense, this concern about creating monopolies was reasonable. Unfair competition law was intended to prevent competitors from stealing each other's customers. Interpreted broadly, such claims strike at the heart of a market economy; after all, attempting to steal a competitor's customers is what competition is all about.

Supporters of trademark protection recognized this potential conflict between trademark law and competition, however, and they defended against it by distinguishing between honest competition, with which trademark law did not interfere, and dishonest infringement. Doctrinally that distinction manifested itself in limitations on the scope of protection to situations where consumers were likely to be confused as to the actual source of the product. Courts following the natural rights tradition were interested, in other words, in preventing only a very specific type of trade diversion – that which resulted from tricking consumers into thinking they were getting something they were not. There were innumerable ways in which competitors could lure away customers that were not "unfair competition."

That traditional distinction no longer satisfied critics in the early twentieth century, in part because they were worried about a different sense in which protecting trademarks might create market power – the "artificial" differentiation problem. Supporters of trademark rights responded to these concerns about property and monopoly by focusing on the limited scope of trademark rights and arguing that, by preventing consumer confusion, the law actually enabled competition and benefited consumers.[231]

[231] See, e.g., Pattishall, supra note __ at 979-80. These counterarguments were made during the debates over the Lanham Act. See S. Rep. No. 1333 (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1274-75 ("Trademarks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to

This line of argument apparently was so persuasive that it engendered a kind of selective amnesia whereby courts and commentators began believing not only that trademark protection ultimately benefited consumers, but that consumers were the actual intended beneficiaries all along.[232]

Notably, as courts and commentators began to embrace the consumer protection model as a justification for a claim by a trademark user, courts stopped referring to possible actions by consumers themselves for fraud or deceit. Thus, while courts traditionally distinguished conceptually between trademark claims and claims aimed at protecting consumers, courts in the twentieth century began to conflate the two interests.[233]

Despite the rise of the consumer protection rationale as an alternative justification of trademark law, however, courts maintained most of the doctrinal structure that was created under the natural rights conception. But when stripped of the theoretical framework that had always limited the scope of trademark rights, the concepts that had been so central to traditional trademark law, such as "goodwill" and "likelihood of confusion," became susceptible to a variety of meanings.

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distinguish one from the other."). The line of argument was not altogether new, however. See Dixon Crucible Co. v. Guggenheim, 2 Brewst. 321 (Pa. 1869) (noting historical concerns about creating monopolies in trade but concluding that the "more enlightened position" is that protection of marks is an encouragement to competition).

[232] See, e.g., Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 570-71 (2d Cir. 1959) ("Distaste for sharp or unethical business practices has often caused the courts to lose sight of the fundamental consideration in the law of unfair competition--protection of the public."), cert. denied, 362 U.S. 919 (1960).

[233] Ironically, around the same time proponents shifted their focus more to the consumer protection rationale, Frank Schechter concluded consumer protection was no longer a necessary consideration in light of development of commercial fraud courts and the Federal Trade Commission. See HISTORICAL FOUNDATIONS at 164-65

A Modern Doctrinal Expansions

The scope of trademark rights steadily expanded during the twentieth century. This was, I suggest, somewhat inevitable. Loosed from its natural rights moorings and tied only to the possibility of consumer confusion, however remote, modern trademark law essentially embodies a one-way ratchet to greater protection. With every doctrinal change that grants trademark owners broader rights, consumers grow to expect that trademark owners have increasingly broad control over their marks. These changed consumer expectations then become the basis for even broader trademark rights.[234]

The following sections discuss some of the most significant doctrinal changes of the last century, each of which has contributed to the near total control mark owners now enjoy. This is not intended to be an exhaustive catalog of trademark law's expansion, but only highlights some of the most significant changes from a normative standpoint.

(1) Unfair Competition No Longer Presupposes Competition

Traditional trademark protection, as I have characterized it above, focused on producers' attempts to steal away customers from those in close competitive proximity. Producers' property interests were defined with respect to the markets in which they operated, because the "property" traditionally recognized was in the mark owner's business and not in the mark itself. Consistent with this understanding of trademark law, courts defined trademark rights to give the mark owner the exclusive right to use a mark in a particular trade.

[234] Jim Gibson describes one way in which trademark law suffers from this form of feedback loop as a result of consumer understanding of licensing practices. See James Gibson, Risk Aversion and Rights Accretion in Intellectual Property Law 21-39 (draft manuscript on file with author).

Courts therefore refused to find infringement when the defendant did not use the mark on competitive products, even when the defendant used an identical mark to that of the plaintiff. In *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*,[235] for example, the court found that the defendant's use of "Borden" for ice cream infringed the plaintiff's rights in "Borden" for milk products (including malted milk ice cream specially adapted for use in hospitals).[236] Because the purpose of unfair competition law was to protect a company from diversion of its trade, the court noted that "unfair competition presupposes competition of some sort."[237] Without competition, the plaintiff could not demonstrate that the defendant was using the mark to divert *its* customers.

As the economy evolved into one in which producers entered a wider array of product markets, however, courts began to view competition as overly restrictive, and trademark law gradually moved away from its insistence on competition and that consumers be confused as to the physical source of a product. This development was far from an orderly linear progression from the restrictive view to the modern, more expansive view. Nevertheless, it can be described generally as a marked expansion of the range of uses against which trademark owners can assert infringement claims.

The first step in that expansion was the Trademark Act of 1905,[238] which required that the defendant use the same or a similar mark on goods of "substantially the same descriptive properties."[239] This slightly loosened the requirement of direct competition between the two parties, allowing claims against uses for goods that were descriptively

[235] 201 F. 510, 513 (7th Cir. 1912).
[236] Id. at 514.
[237] Id.
[238] 15 U.S.C. § 96. Repealed by Lanham Act § 46(a) (1947)
[239] *Id.*; MCCARTHY, supra note __ at § 24:2.

similar, even if the proprietors did not directly compete with one another.[240] On its face, this was only a modest expansion, and courts at first continued to reject claims against uses for goods that were only related.[241]

Some courts, however, began to allow claims against uses of a mark on unrelated products, at least where the plaintiff was likely to enter into the defendant's market. The Second Circuit's decision in *Aunt Jemima Mills Co. v. Rigney & Co*.[242] is often cited as the beginning of that trend. In that case, the court allowed the owner of the mark AUNT JEMIMA for pancake batter to prevent defendant's use of the same mark for pancake syrup. The court made little effort to come to terms with governing language of the 1905 Act, finding that while "no one wanting syrup could possibly be made to take flour," the products were "so related as to fall within the mischief which equity should prevent."[243] Because the public might conclude that the defendant's syrup was made by the plaintiff, the plaintiff's reputation was put in the hands of the defendants.[244] If a customer was unsatisfied with the AUNT JEMIMA syrup, they might impute that poor quality to AUNT JEMIMA pancake batter.

Likewise, in *Yale Electric Corp. v. Robertson*,[245] the court allowed the owner of the YALE mark for locks to prevent registration of YALE for flashlights and batteries.

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[240] The rule of the 1905 Act was sometimes expressed as a requirement that the defendant's use be for goods of the "same descriptive class" as the plaintiff's goods. See, e.g., Beech-Nut Packing Co. v. P. Lorillard Co., 7 F.2d 967 (3d Cir. 1925); Consumers Petroleum co. v. Consumers Co. of Illinois, 169 F.2d 153 (7th Cir. 1948); California Fruit Growers Exchange v. Sunkist Baking Co., 166 F.2d 971 (7th Cir. 1947).
[241] See Kotabs, Inc. v. Kotex Co. 50 F.2d 810 (3d Cir. 1931).
[242] 247 F. 407 (2d Cir. 1917).
[243] *Id*. at 409-10.
[244] *Id*. at 410.
[245] 26 F.2d 972 (2d Cir. 1928).

Judge Learned Hand conceded that his decision "[did] some violence" to the language of the statute, but determined that the statute could not be as restrictive as its language suggested.[246] The court echoed the decision in *Aunt Jemima* when it expressed concern that the trademark owner's reputation could be injured if its mark was used by another, "whose quality no longer lies within his control."[247] Turning the traditional rule on its head, Judge Hand claimed that "it ha[d] come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful."[248]

Courts did not unanimously accept the related goods doctrine,[249] but Congress ultimately embraced it when it passed the Lanham Act in 1946.[250] Under the statute, mark owners were not required to prove that the junior user directly competed with the senior user in the market in which the senior user gained recognition.[251] Nor was the mark owner required to prove that the products themselves were related in the sense that they are complimentary or sold in proximate markets. Instead, as courts would interpret the Lanham Act, any use that caused confusion as to a producer's potential connection

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[246] *Id*. at 974.
[247] *Id*.
[248] *Id*. at __.
[249] See Arrow Distilleries, Inc. v. Globe Brewing Co., 117 F.2d 347 (4th Cir. 1941) (finding that beer and liqueur cordials were from different product "classes" and defendant's use of the ARROW mark therefore did not infringe plaintiff's use).
[250] 15 U.S.C. §§ 1052(d) 1114(1) 1125(a); MCCARTHY, supra note __ at § 24:4.
[251] Ball v. American Trial Lawyers Ass'n, 14 Cal. App. 3d 289, 92 Cal. Rptr. 228 (2d Dist 1971) ("Although the appellation 'unfair competition' is still used to denominate the equitable doctrine and rules operative in the field of disputes over tradenames, direct competition between the parties is not a prerequisite to relief. Emphasis is now placed upon the word 'unfair' rather than upon 'competition.'"). *See also*, Pike v. Ruby Foo's Den, Inc., 232 F.2d 683 (D.C. Cir. 1956) (calling the notion that there can be no unfair competition without competition "outmoded");

with the junior user constitutes infringement.[252] As a result, the scope of a party's rights is tied exclusively to consumer understanding.

This was a tremendously significant change in trademark law – a much more significant change than commentators generally recognize. It was not, as McCarthy suggests, "a mere historical accident that the label 'unfair competition' was adopted to denominate a certain area of the law."[253] Rather, the label "unfair competition" was particularly apt because competition was at the theoretical and doctrinal cynosure of all of the claims in that constellation.[254]

A company unrelated to the Coca-Cola Company, for example, would infringe Coca-Cola's rights in its COKE mark only if it used COKE to sell soda, or at least some drink product, that consumers believed was made by Coca-Cola. The harm of passing off

[252] See e.g., Standard Oil Co. v. Standard Oil Co., 56 F.2d 973 (10th Cir. 1932); Tiffany & Co. v. Tiffany Productions, Inc., 147 Misc. 679, 264 N.Y.S. 459 (1932), aff'd 237 A.D. 801, 260 N.Y.S. 821 (1932), aff'd 262 N.Y. 482, 188 N.E. 30 (1933); Brooks Bros. v. Brooks Clothing of California, Ltd., 60 F. Supp. 442 (D. Cal. 1945), supplemental op., 5 F.R.D. 14 (D. Cal. 1945), aff'd, 158 F.2d 798 (9th Cir. 1947), cert. denied, 331 U.S. 824 (1947); Stork Restaurant, Inc. v. Sahati, 166 F.2d 348 (9th Cir. 1948) (recognizing claim by New York night club against use of "Stork Club" for San Francisco bar). See also, MCCARTHY, supra note __ at §§ 24:13-14.

[253] MCCARTHY, supra note __ at § 24:14. (arguing that there should be "no fetish about the word 'competition,'" because focusing on competition "puts semantics above legal and commercial reality" and is analogous to defending against a manslaughter charge on the ground that the person killed was a woman). McCarthy's analogy is a poor one because the normative foundation of manslaughter does not depend on the sex of the person killed. The traditional normative foundation of trademark law, on the other hand, was intimately bound up with competition. Moreover, since McCarthy is arguing precisely about what the legal reality should be, it is hard to imagine how insisting on a longstanding legal tradition like the presence of competition could possibly ignore legal reality.

[254] For another example of unfair competition, see Funk & Wagnalls Co. v. American Book Col, 16 F.2d 137 (S.D.N.Y. 1926) (finding actionable defendant's substitution of its dictionary for the plaintiff's on lists of school books required by the district, to the effect that sales were diverted from the plaintiff).

was that it diverted to a deceptive competitor customers whose patronage Coca-Cola had earned. Passing off is conceptually impossible if the mark owner and the defendant do not make substitute goods.

Under the modern "related goods" theory, mark owners are protected against a much more attenuated risk than traditionally actionable. Purchasers of the junior user's products, the argument goes, may be disappointed with their experience and impute their disappointment to the senior mark owner, which they mistakenly believe stood behind the junior use. The senior user then might lose future sales in its market as a result of disappointment with an experience in the junior user's market. Alternatively, unrestrained use outside of the senior user's market might create a barrier to the senior user entering other markets, or at least force the senior user to battle the potentially negative consequences of the junior user's use.

These are plausible risks, but allowing mark owners claims in these situations reflected a fundamental shift in trademark theory. Traditional trademark law protected only a trademark owner's existing business in its own market, because natural property rights focused on labor and investments one had already made. A mark owner made no investment in markets in which it had never been a participant, nor could it have developed rights to hypothetical future customers.[255] Modern trademark law has been

[255] See Borden, 201 F. at 514-15 (noting that the defendant may use the name "Borden" for any products the plaintiff had not already made and offered under that name and rejecting a claim based on plaintiff's contention that it intended some day to make ice cream because the party who "uses [a mark] first as a brand for his goods, and builds up a business under it, who is entitled to protection, and not the one who first thought of using it on similar goods, but did not use it. The law deals with acts and not intentions.").

freed from these natural law restraints and protects a trademark owner's hypothetical future business in its market and other potential markets.

There is great irony here. Though natural rights theories are often derided for being overly protective of property, trademark law's great expansion in fact is a direct result of its rejection of the natural rights conception. Unfair competition law focused on passing off was relatively simple and had natural boundaries. Moreover, by unplugging trademark law from the requirement of competition, courts were left with no normative framework within which to judge if a particular practice was "unfair"[256] and no obvious method for determining infringement. Thus, it was only after courts jettisoned the requirement of competition that they were forced to develop the unpredictable likelihood of confusion factors.[257] Not surprisingly, this unpredictability has worked in mark owners' favor.[258]

(2) Expansion of Actionable Forms of Confusion

[256] Supporters of more expansive trademark protection often quote approvingly the California Court of Appeal's statement that "emphasis is now placed on the word "unfair" rather than upon "competition." See Ball v. American Trial Lawyers Ass'n, 14 Cal. App. 3d 289, 303 (2d Dist. 1971).

[257] The well-known Polaroid factors were developed explicitly to gauge the likelihood of confusion in the case of non-competing products. See Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492, 495 (2d Cir. 1961) ("Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers."). Each of the federal Circuits has its own, non-exhaustive set of likelihood of confusion factors, though there is substantial overlap among them. See Restatement (Third) of Unfair Competition at § 20-23 (identifying and cataloging eight foundational factors).

[258] See Gibson, supra note __ at __ (describing unpredictability and risk aversion of potential defendants).

(a) Initial Interest Confusion

Several courts have gone further in attenuating the link between confusion and purchasing decisions by allowing claims against uses of a trademark to gain initially the attention of consumers, even if consumers ultimately are not confused about any type of relationship between the trademark owner and the third-party user of the trademark.[259] This doctrine of "initial interest confusion" was judicially created a little over thirty years ago but has been applied most frequently in the internet context.[260] It has been particularly notorious for its application in metatag and keyword advertising cases and in cases involving internet search engines and their search terms.[261]

In its most defensible form, the initial interest confusion doctrine would apply to combat bait and switch schemes. In those situations, a party uses a competitor's mark to mislead consumers, who otherwise likely would have avoided the junior user altogether, into coming into contact with that party. Once the contact is achieved, any possible confusion is dispelled on the hope that the consumer will decide, for lack of time or interest or because she has been persuaded of the competitor's superior product, to purchase the competitor's product rather than continue her search.[262] Such a claim would

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[259] Jennifer E. Rothman, Initial Interest Confusion: Standing at the Crossroads of Trademark Law, 27 CARDOZO L. REV. 105, 108 (2005) (noting that "initial interest confusion" is something of a misnomer because courts have based findings of trademark infringement on their conclusions that consumers might initially be "interested," "attracted," or "distracted" by the third-party's use of a trademark).
[260] Id. at 109-110 (noting that there were relatively few published cases relying on the initial interest confusion doctrine before 1990, and many more published cases between 1990 and 2005, and attributing the rise to its use in the internet context and its increasing application offline).
[261] See Eric Goldman, Deregulating Relevancy, 54 Emory L.J. 507, 572-75 (2005)
[262] Perhaps Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254 (2d Cir. 1987) is most susceptible of this type of characterization. In that case, Pegasus Petroleum was

fit less neatly within the natural rights framework of trademark rights, but might ultimately be deemed justifiable if there were real evidence of deception at the outset rather than mere attention-getting.

But most initial interest confusion involve no attempt to affect a bait and switch. Indeed in some cases it is not clear that the defendant even knew about the plaintiff's use of the mark prior to using the term in some manner.[263] In the worst of the initial interest confusion cases courts have premised liability on the use of a mark, such as in metatags or in keywords, for the purpose of making competitive information available to consumers and where there is no likelihood of confusion at all. In *Brookfield*, for example, the court concluded that the defendant's use of "moviebuff" in the metatags for its web site was infringement because search engines used that term to generate search results that listed the defendant's site higher than the plaintiff's. While the court conceded that confusion was unlikely, it believed that consumers, now presented with both web sites in response to a search employing "moviebuff" as a search term, might choose the defendant's web site rather than the plaintiff's.[264]

These types of cases treat a trademark itself as the exclusive property of a mark owner, and suggest that only the mark owner may use the mark to generate business,

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deemed to have infringed Mobil Oil's flying horse (a Pegasus) by adopting the name Pegasus Petroleum for its oil trading company. The Second Circuit concluded, in characteristically speculative fashion, that an oil trader "might listen to a cold phone call from Pegasus Petroleum … when otherwise he might not, because of the possibility that Pegasus Petroleum is related to Mobil." *Id*. at 259. Importantly in that case, Mobil also had used the name Pegasus, in addition to its flying horse logo, in its own oil business.

[263] See Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1059 (9th Cir. 1999) (noting that the defendant, West Coast Video, used the term "moviebuff" in its slogan "The Movie Buff's Movie Store" and that "movie buff" has generic significance as a term for movie enthusiasts.

[264] Brookfield, 174 F.3d at 1062-63.

whether or not others do so through deception. The cases, then, lose sight of a fundamental distinction traditional trademark law drew between attempts to divert trade (competition) and attempts to divert trade *deceptively*. Recognition of such a doctrine is contrary to supporters' assurances that competition would be restricted only in a narrow class of cases: if traditional trademark law focused on instances of the junior user "stealing" the senior user's customer, initial interest confusion targets "stealing" in a much broader sense than traditionally embraced.[265]

(b) Relevant Confusion Includes Non-Purchasers

Since traditional trademark law targeted passing off, the only relevant confusion was that of actual consumers of the junior user's products (which, because of the requirement of competition, were also consumers of the senior user's products). The issue was whether those shared consumers were likely to be misled at the point of sale.

Some modern cases go much further, making actionable confusion of non-purchasers based on their interaction with a product post-sale. In the earliest such case, *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches*,[266] the defendant copied the distinctive appearance of the plaintiff's expensive "Atmos" clock. Though it was clear that consumers would not be misled into purchasing the defendant's clock as that of the plaintiff, Judge Frank wrote that:

[265] Only in the most extreme circumstances – where initial diversions might impose significant additional search costs and therefore jeopardize consumers' ability to rely on a mark as an organizing principle – does recognizing initial interest confusion do much to protect consumers. It is deeply ironic then, given the relative ease of navigating through the online world, that the internet age drove expansion of the initial interest confusion doctrine.
[266] 221 F.2d 464 (2d Cir. 1955), cert. denied, 350 U.S. 832 (1955).

> at least some customers would buy [the copier's] cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. [The copier's] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock. … [T]he likelihood of such confusion suffices to render [the copier's] conduct actionable.[267]

Trademark law traditionally focused on uses likely to mislead consumers actively searching for a party's goods. The modern cases, by contrast, allow claims based on potential confusion among non-consumers, about whom we have no reliable information with respect to future purchasing potential. Notwithstanding attempts to characterize the post-sale confusion doctrine as a manifestation of the trade diversion rationale,[268] these cases clearly seek to ensure a mark owner that only it will reap the benefits of its desirable products. The real concern of these cases, as McCarthy notes, is that "consumers could acquire the prestige value of the senior user's product by buying the copier's cheap imitation."[269]

(3) Expansion of Trade Dress Protection

During the nineteenth century trademark law was predominantly concerned with word marks and, on occasion, with labels applied to goods. The natural rights theory did not rule out claims based on other features, as long as consumers in fact associated the relevant features with a particular source and those features were used by competitors for

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[267] Id. at 466.

[268] McCarthy's characterization of the harm of post-sale confusion is typical. After admitting that the concern really is that consumers could purchase a cheaper substitute, he argues that "the senior user suffers a loss of sales diverted to the junior user, the same as if the actual buyer were confused," because "even though the knowledgeable buyer knew that it was getting an imitation, viewers would be confused." McCarthy, supra note __ at § 23:7. The only lost sales to which McCarthy could possibly be referring are potential future sales to viewers of the product who are turned off by the imitation and take it out on the original manufacturer.

[269] McCarthy at § 23:7

the purpose of diverting trade that would have gone to the senior user. But there is a good reason why cases involving trade dress were less frequent in the nineteenth and early to mid-twentieth century. Because the only goal was preventing trade diversion, there was little reason to recognize and protect secondary or tertiary indications of source for when products could be labeled effectively. Thus, courts generally required parties claiming trade dress protection, particularly in cases involving product design, to demonstrate that the claimed features had acquired source significance[270] and were material to consumers purchasing decisions.[271]

Since trademark plaintiffs no longer need to demonstrate the potential of trade diversion, they can and have claimed rights in product packaging, and product design, much more frequently. Courts have developed limitations on trade dress rights,[272] but those limitations generally have been driven by concerns about trade dress protection conflicting with patent law, rather than because of some internal limitation.

(4) Licensing of Trademarks Has Been Liberalized

[270] See, e.g., Crescent Tool Co. v. Kilborn & Bishop Co., 247 F. 299, 300 (2d Cir. 1917).
[271] Id. ("The critical question of fact at the outset always is whether the public is moved in any degree to buy the article because of its source and what are the features by which it distinguishes that source."); see also, Lunney, supra note __ at 376-77.
[272] The two most important restrictions are the requirement that product configuration, as opposed to product packaging, have secondary meaning to earn protection, and the functionality doctrine. See Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 216 (2000) (product design protectable only with secondary meaning); TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 33 (2001) (a feature is functional, and therefore ineligible for trade dress protection, when it is essential to the use or purpose of the device or when it affects the cost or quality of the device).

Like the other traditional doctrines, the bar on licensing or assignment discussed above was not universally or consistently applied.[273] The evolution of the law relating to licensing, however, has generally liberalized together with other trademark doctrines. As courts embraced the view that trademarks might designate relationships other than physical source, such as sponsorship or affiliation, courts dropped the absolute bar on licensing and replaced it with a flexible rule that allowed licensing as long as the mark owner ensured a consistent level of quality in the products or services offered under its mark.[274] This change reflects the broader notion of goodwill protected under current law. Instead of goodwill attaching to the business of a particular producer, it attaches to the mark and travels with it into other markets.

(5) Merchandising

Use of a mark or logo on ancillary merchandise, such as caps or t-shirts, has been the subject of some recent attention.[275] A complete analysis of the legal issues related thereto is beyond the scope of this article. While it does represent an extreme expansion of the relevant likelihood of confusion standard, the fact that some courts have recognized claims by universities or sports teams against parties that used their logos or marks on merchandise should not really be a surprise.

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[273] Examples of cases in which the court allowed some form of licensing include McCardel v. Peck, 28 How. Pr. 120 (Sup. Ct. N.Y. 1864); Kidd v. Johnson, 100 U.S. 617 (1879); Martha Washington Creamery Buttered Flour Co. of United States v. Martien, 44 F. 473 (C.C.D. Pa. 1890); Nelson v. J.H. Winschell & Co., 89 N.E. 180 (Mass. 1909).
[274] See Harry Schniderman, Trade-Mark Licensing – A Saga of Fantasy and Fact, 14 LAW & CONTEMP. PROBS. 248, 265 (1949)
[275] See Dogan and Lemley, Merchandising

Modern law condemns any use that is likely to cause confusion as to a mark owner's sponsorship of or affiliation with a particular use.[276] This test is bounded only by consumer understanding: if consumers believe a particular use requires permission, then it does. Importantly, while use of the mark by the junior party to sell products or services was an important feature of traditional trademark law, there is no reason why consumers' beliefs about sponsorship or affiliation would necessarily be so limited. Virtually any type of use of the mark is potentially within the mark owner's control if consumers believe that it is. And since the evidence suggests that consumers believe names and creative content, some of which are marks, are subject to substantial control.[277]

[276] See 15 U.S.C. § 1125(a) (making actionable any use that causes confusion as to an "affiliation, connection or association" with a trademark holder, or causes confusion "as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities . . . .").

[277] See Gibson, supra note __ at 35 (citing a 1983 study in which 91.2% of respondents agreed that "[n]o product can bear the name of an entertainer, cartoon character, or some other famous person unless permission is given for its use by the owner of the name or character"). Gibson notes, correctly, that this belief cannot be attributed solely to consumers understanding of licensing practices. Id. The impression probably also results from information campaigns engaged in by mark owners, legal notices that suggest broad control, and media statements. See, e.g., http://www.wisc.edu/licensing/policies.html ("Only companies that are officially licensed by the University are permitted to produce items using University trademarks."); http://www.whirlpoolcorp.com/general/terms/legal.asp ("Users are prohibited from using any Marks for any purpose including, but not limited to, use as metatags on other pages or sites on the World Wide Web without the written permission of Whirlpool Corporation or such third party which may own the Marks."); Andrew Lavallee, "Hollywood's Take on the Internet Often Favors Fun Over Facts," The Wall Street Journal Online, May 1, 2006 (available at http://online.wsj.com/public/article/SB114417762246516812-JafduzlqqrJNqD9QzSSA0d3LIk8_20060508.html?mod=blogs) (suggesting that "[p]rominently showing an AOL email screen or Google search page, for example, requires approval from the companies"). These statements shape consumer expectations even if they are inaccurate assessments of current law.

Assuming that evidence translates even approximately to beliefs about use of marks or logos on merchandise, then modern law would grant mark owners the control consumers believe they have.

(6) Dilution Does Note Even Require Evidence of Confusion

Dilution claims are the most clearly antithetical to the traditional natural rights approach to trademark rights. Dilution claims focus on cases where there is no potential confusion and no risk at all that the junior user will steal away customers from the senior user. Use of the mark BUICK for shoes harms the senior user, in theory, not because anyone who is looking for a new car will buy it from the wrong party, but because BUICK will no longer occupy as prominent a position in consumers' minds and Buick will have to work harder to lure future purchasers.[278] Notably, the dilution defendant is not likely the beneficiary of any of Buick's lost business. The defendants gain is a result of its borrowing the "selling power" or "commercial magnetism" of the mark, but it is using the mark in a different market than the senior user and not siphoning any customers. So, while the shoe manufacturer's gain and Buick's loss are linked in some remote sense, the additional purchasers of Buick shoes are not people who otherwise would have bought Buick cars.[279]

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[278] Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 830-33 (1927).

[279] The linkage is even more tenuous in the case of dilution by tarnishment, where the plaintiff's claim is that the defendant used the mark in some unwholesome way that is likely to affect negatively the associations consumers have with the mark. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 comment g (1995) ("To prove a case of tarnishment, the prior user must demonstrate that the subsequent use is likely to come to the attention of the prior user's prospective purchasers and that the use is likely to undermine or damage the positive associations evoked by the mark."). In those cases, the defendant is not competing with the plaintiff, and in some cases is not even selling

Even though dilution is the clearest example of a shift in trademark principles, by the time it was widely accepted as an alternative basis for relief, it was not a particularly significant change.[280] By then the relevant likelihood of confusion standard had expanded so far that owners of truly distinctive and famous trademarks, those to which the Federal Trademark Dilution Act are supposedly limited,[281] could achieve through likelihood of confusion arguments virtually all of the results of a dilution claim.[282] If the FTDA has been significant at all, it has only been to encourage courts to expand further the number of "famous" marks to which dilution claims apply.[283]

(7) Trademarks as Domain Names

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anything. Thus, the argument is that defendant affects the plaintiff's ability to attract future customers, not because they would be diverted to the defendant, but because they would be turned off to the plaintiff. See Coca-Cola Co. v. Gemini Rising, Inc., 346 F.Supp. 1183, 1190-91 (E.D.N.Y. 1972) (finding that "a strong probability exists that some patrons of COCA-COLA will be "turned off" rather than "turned on" by defendant's so-called "spoof," with resulting loss to plaintiff. … [P]laintiff's good will and business reputation are likely to suffer in the eyes of those who, believing it responsible for defendant's poster, will refuse to deal with a company which could seek commercial advantage by treating a dangerous drug in such jocular fashion.").

[280] See Long, supra note _ at __ (finding that federal dilution claims not often pursued; judicial enforcement "not robust" and eroding over time). Long's findings are limited to litigation following enactment of the Federal Trademark Dilution Act, 15 U.S.C. 1125(c). Her conclusion that judicial enforcement is eroding is ironic because the statute was meant to regularize dilution law in the face of fairly persistent reluctance by courts to accept a cause of action de-linked from consumer confusion.

[281] See 15 U.S.C. § 1125 (c) (1) ("The owner of a famous mark shall be entitled…")

[282] See Stadler Nelson, supra note _ at 805 ("As members of the trademark bar have argued for an infringement law made in the image of dilution, courts have obliged, interpreting the confusion doctrine so as to punish association--the 'sine qua non of dilution.'"). Courts even have strained to find a likelihood of confusion in situations that seem like typical tarnishment scenarios. See Anheuser Busch, Inc. v. Balducci Pubs., 28 F.3d 769 (8th Cir. 1994) (finding defendants "Michelob Oily" parody cartoon likely to cause confusion with plaintiff's Michelob mark).

[283] See id. at 735 ("As a result, being the owner of a trademark today is much like being a parent in Lake Wobegon, where "all the children are above average"--for under modern dilution law, nearly every trademark has become dilutible.").

Very recently, courts and Congress sought to address the registration and use of domain names that correspond to pre-existing trademarks. While parties sought relief under a variety of legal theories when another registered their mark as a domain name applied, Congress passed the Anticybersquatting Consumer Protection Act[284] particularly for the purpose of protecting mark owners from this practice. The details of that statute are mostly beyond the scope of this article. What is important to recognize is conception of trademarks on which the statute is based. In granting trademark owners a claim against third parties who use their mark as a domain name, the statute tends to view the mark devoid of the type of context traditional trademark law relied on for assurance that a junior user intended to divert sales from a particular mark owner. In fact, the ACPA is so far removed from a requirement that the junior and senior user be in competition that the statute does not even require a comparison of the businesses of the parties but rather condemns domain names that are confusingly similar to a mark on a purely semantic basis.[285] Indeed, it is irrelevant under the ACPA that confusion about a website's source or sponsorship could be resolved by visiting the website identified by the accused domain name.[286]

[284] 15 U.S.C. § 1125(d).
[285] The Act states that liability is determined "without regard to the goods or services of the parties," thus removing from consideration differences between the goods or services of the disputing parties. See 15 U.S.C. § 1125(d). Indeed, intent to divert consumers is only relevant to one of the non-exclusive factors relating to bad faith. See § 1125(d)(1)(B)(i)(V). Even then, the intent need not be to divert customers who would have purchased the mark owner's goods, but only "intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site."
[286] Coca-Cola Co. v. Purdy, 382 F.3d 774 (8th Cir. 2004).

B The Cumulative Effect of Modern Doctrinal Changes

Virtually every doctrinal development in of the last century has worked to provide mark owners greater control over the use and the meaning of their brands so that they can use those brands to create wealth. Dilution, which is at least nominally limited to famous marks, is the most obviously beneficial to extremely valuable brands, but it is hardly the only such expansion. The likelihood of confusion analysis is itself heavily influenced by brand building. Strong marks are given much broader protection against uses that courts believe suggest "sponsorship or endorsement,"[287] and advertising expenditures are generally considered as highly probative of the strength of a mark.[288] Similarly, initial interest confusion, to the extent it reflects a real phenomenon, is based on recognition of a well-known mark, and post-sale confusion is also much more likely for brands that are immediately recognizable. Cybersquatting protection depends on bad faith, and courts have held that use of a well known mark is presumptively bad faith.[289]

Succinctly stated, the doctrinal innovations of the twentieth century reflect a concerted effort to protect to protect brand value.[290] This expansion was at least enabled

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[287] See McCarthy § 11:73 and cases cited therein.

[288] See, e.g. Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 631 F.Supp. 735, 741 (S.D.N.Y. 1985) (citing as evidence of a mark's strength evidence of sales success, advertising expenditures, and length and exclusivity of use); Bose Corp. v. QSC Audio Prods., Inc., 293 F.3d 1367, 1371 – 72 (Fed. Cir. 2002) (citing advertising as evidence of fame of mark for purposes of likelihood of confusion analysis in opposition proceeding).

[289] Cf. Victoria's Cyber Secret Ltd. Partnership v. V Secret Catalogue, Inc., 161 F.Supp.2d 1339 (S.D. Fla. 2001) ("The taking of an identical copy of another's famous and distinctive trademark for use as a domain name creates a presumption of confusion among Internet users as a matter of law.").

[290] This expansion to protect a broader range of branding practices was by no means accidental, and it has not been lost on trademark owners and their advocates. See Julie Manning Magid, Anthony D. Cox and Dena S. Cox, Quantifying Brand Image: Empirical

by courts' and commentators' rejection of the natural rights conception of trademark rights, which freed courts from many of trademark law's traditional limits. Consumer expectations now carry all the weight for those who hope to limit trademark protection, yet those expectations have proven almost infinitely pliable. Indeed, when tied only to consumer understanding, expansion is self-reinforcing – broader protection begets consumer expectations of greater control, which begets even broader protection.

There may be good reasons to be concerned about the scope of modern trademark law, which essentially amounts to nothing more than industrial policy.[291] It may be shortsighted and may be the result of a particularly serious public choice problem. And even if the goal is worthy, it may place unacceptably high burdens on speech. But because critics have mischaracterized traditional trademark law, they have misunderstood the reasons for its expansion. If it has accomplished anything, this paper will have freed us from our falsely imagined past and will allow us to get beyond claims that modern trademark law is illegitimate because it does not sufficiently focus on consumers. Because it never really did.

Evidence of Trademark Dilution, American Business Law Journal 1 (Spring 2006). ("Trademark law now endorses the branding efforts of trademark owners.").

[291] Bone criticizes the moral and economic arguments for protection of a broader notion of goodwill. Bone, Hunting Goodwill at 84-91.