Trademark Rights and Promotional Products: Balancing Exclusivity and Expressive "Fair Use"

This Article expands my previous analysis of the legal protection of trademark merchandising and focuses, in particular, on the concepts of “use in commerce” and expressive “fair use” in the context of trademark rights and promotional products. As we are reminded every day, the use of trademarks on promotional products—for profit or simply as advertising—constitutes an increasingly ubiquitous business practice in our society. Still, because of the departure from the traditional trademark functions—indicating commercial source and guaranteeing consistent product quality for consumers—in favor of a direct exploitation of marks as “things” per se, the legal acceptance of this practice has proven highly controversial. Generally, scholars have voiced the dangers that the legalization of trademark merchandising could entail for market competition and the detriment for society of this additional “monopolization” of language and symbols by a few trademark owners. Scholars have also questioned whether trademarks on promotional products could qualify as “use in commerce” within the scope of trademark protection, and have nonetheless stressed that the unauthorized use of marks on promotional products could create only an “irrelevant” confusion among the public. To the contrary, businesses and practitioners have strongly argued that trademark protection should apply to promotional products as to all other products and have highlighted the unfairness of unscrupulous free riding and the “relevant” confusion created for consumers in the market by counterfeited and unauthorized merchandises. Not surprisingly, most likely because of the growing economic relevance of merchandising, courts and legislators have also taken an increasingly “business friendly” approach and have indirectly accepted trademark rights on promotional products by extending the traditional infringement standard—likelihood of confusion—to include confusion as to the “sponsorship and affiliation.” Hence, as part of this trend, neither the courts nor the legislature have provided clear directions on the application of trademark defenses and “fair use” exceptions for unauthorized expressive trademark uses on promotional products. As a result, the terms of protections of this practice remain unclear for all interested parties—trademark owners, competitors, and “fair users”—leading to inevitable chilling and rent seeking effects resulting from aggressive trademark owners’ enforcement, high costs of litigation, and risk aversion of potential “fair users.” This Article argues against this uncertainty and offers a balanced solution in this important area to the benefit of both trademark owners and “fair users.” Specifically, this Article accepts that trademarks on promotional products constitute “use in commerce” and are subjected to trademark protection against consumer confusion, including “sponsorship and affiliation,” and dilution. Yet, this Article also strongly advocates for a better enforcement of existing “fair use” exceptions for unauthorized expressive trademark uses on promotional products by the courts, and offers specific suggestions to prevent the negative consequences for consumers and the market of a unbalanced trademark exclusivity in this increasingly important area of the law.