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OWNING MARK(ET)S[†]

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Trademark owners regularly rely on claims that the defendant is “free riding” on their mark by making money using that mark, money the trademark owners say should belong to them. We analyze those free-riding claims and find them wanting. The empirical data shows that defendants in unrelated markets can benefit from using a well-known mark, but that neither mark owners nor consumers suffer any injury from that use. A legal claim that a defendant is unjustly benefiting by using a plaintiff’s mark is hollow unless it is accompanied by a theory of why that benefit should rightly belong to the plaintiff. And unlike real property, or even other types of intellectual property, trademark law has no such theory. The result is that free-riding claims fall back on empty circularity. Yet these arguments are—explicitly or implicitly—behind the most problematic expansions of trademark law in recent years. We suggest that trademark law needs a theory of trademark injury that distinguishes harm to legitimate interests the law should protect from a mere desire to capture a benefit enjoyed by another.

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INTRODUCTION

Black & Decker recently focused its marketing efforts for its DEWALT line of power tools on Hispanic soccer fans, seeking to grow the DEWALT brand by “building and executing relevant cultural events and contests.”¹ In its El Tricolor Contest by DEWALT, for example, Black & Decker gave soccer fans a chance to win “a signed Adidas Mexico jersey, \$1,000 dollars in Eurosport/SOCCER.COM gift cards, DEWALT Compact Lithium-Ion combo tool kits, DEWALT Worksite Radio Chargers and gear signed by Mexican Primera Division players.”² Black & Decker also ran a variety of promotions linked to soccer matches, like the “Futbol con DeWalt” promotion in which Black & Decker gave two VIP tickets to the September 27, 2007, match between DC United and Chivas to anyone who purchased \$1,500 worth of DEWALT products. The flyer Black & Decker distributed for this promotion referred to the match as the 2007 DEWALT CUP, though this was not an official name.³ For Black & Decker, these promotions were simply targeted marketing, using Hispanic soccer fans’ interest in the sport to draw attention to the new DEWALT products.

Soccer United Marketing (“SUM”), owner of commercial and match promotion rights for Major League Soccer, the US Soccer Federation, the Mexican Men’s national team, and other international teams such as Chivas and FCBarcelona, saw things differently. To SUM, Black & Decker was engaged in “ambush marketing,” wrongly profiting from SUM’s trademarks. SUM therefore filed suit. Though it nominally framed the issue as trademark infringement, SUM’s complaint makes abundantly clear that its main objection to Black & Decker’s promotions was that Black & Decker was

1. Press Release, DEWALT Partners with Eurosport to Launch New Compact Lithium Cordless Products (Oct. 6, 2009), <http://www.hispanicprwire.com/News/in/15642/18/dewalt-partners-with-eurosport-to-launch-new-compact%20-lithium-cordless-products> (internal quotation marks omitted). Black & Decker focused these marketing efforts primarily on “key Hispanic markets”: Chicago, Houston/Austin, and Miami. *Id.*

2. *Id.* The Mexican national team is often referred to by its nickname, El Tricolor. *See, e.g.,* La Plaza, <http://latimesblogs.latimes.com/laplaza/2009/08/mexico-shows-us-is-no-match-in-soccer.html> (Aug. 13, 2009, 10:25 PST).

3. Complaint at ¶ 38, Soccer United Mktg., L.L.C. v. Black & Decker Corp., No. 09–CIV–10378 (S.D.N.Y. Dec. 22, 2009).

interfering with SUM's ability to license its marks exclusively, in this case particularly because SUM had sold Makita an exclusive license to use the MLS and DC United marks on power tools.⁴ Black & Decker, according to SUM, was confusing the public into believing that Black & Decker had a right to utilize the names of the teams SUM represents, to depict the jerseys it was giving away, to promote and give away tickets to games in which SUM's teams participated, or to set up product displays outside the stadiums in which those teams were playing.⁵ On SUM's account, only those who pay money to SUM should be able to do these things.

Given the expansiveness of modern trademark law, SUM's arguments are not obvious losers. SUM is arguing that consumers who encounter Black & Decker's promotions are likely to be confused about whether there is some type of sponsorship relationship between Black & Decker and SUM's soccer teams. If consumers are confused in this way, of course, it's only because courts have accepted that sports teams should have such exclusive licensing rights and have thereby created the very expectations they presume consumers have.⁶ But even if consumers do wonder if Black & Decker had permission, what harm could possibly befall DC United if Black & Decker sells DEWALT tools in the parking lot outside one of its games? Consumers are extremely unlikely to attribute to the soccer team any disappointment they have with DEWALT tools—indeed, they would be very unlikely to do so even if they were explicitly told there was a sponsorship relationship between DC United and DEWALT.⁷ It's possible consumers acquire some information about DEWALT tools from their misperception of a relationship with one of the soccer teams, but we find it hard to believe that information has anything to do with the quality of DEWALT tools. And if it doesn't, any confusion about sponsorship or affiliation is unlikely to affect consumers' decisions to purchase DEWALT tools and ought to be irrelevant to trademark law.⁸

Given the difficulty of articulating harm in conventional trademark terms, it is not surprising that SUM's complaint makes very little attempt to demonstrate that consumers will hold DC United responsible for the quality of DEWALT tools, or that Black & Decker's promotions will harm consumers. Instead, the complaint is filled with accusations that Black & Decker is free riding and wrongfully benefitting from the soccer teams' goodwill, and that Black & Decker's actions impair SUM's ability to reap the benefits of the soccer teams' investments in their brands because "MLS and SUM can

4. *Id.* at ¶¶ 15, 31.

5. *Id.* at ¶¶ 31, 36.

6. *See infra* notes 35–39 and accompanying text (discussing these cases).

7. *See* Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. 63, 114–15 (2009) (describing marketing studies focusing on brand alliances and concluding that consumers do not routinely blame a host brand for its partner's mistakes).

8. Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 436–46 (2010).

no longer guarantee that, by entering into a licensing agreement, [licensees] would have the exclusive use of the SUM Marks.”⁹

SUM’s free-riding argument is based on the assertion that the owner of a mark in one context should have the right to control ancillary uses of that mark in other contexts because the later users are mere free riders, reaping what they have not sown. These claims are sometimes justified on the theory that failure to enforce rights against junior, noncompeting users would impede the senior user’s ability to enter ancillary markets itself. In other words, trademark owners argue they should be able to preempt uses of a mark even in markets in which they do not currently participate, against the possibility that they will want to use the mark in that market in the future.¹⁰ This claim is contrary to trademark law’s long-held maxim that trademark rights are not rights in gross.¹¹ But ultimately, the free-riding claims are even more sweeping than ownership of marks: trademark owners sometimes are effectively asserting the right to own markets themselves because, as in SUM’s case, the relevant market owes its origin to their brands.

Free-riding and market preemption arguments are not new in trademark law. But those arguments generally have been tacked on to primary arguments regarding the potential that a later, noncompetitive use might negatively impact the senior mark owner’s reputation for quality. And because those primary arguments have been so widely accepted, neither courts nor scholars have expended any serious energy evaluating the market preemption or free-riding arguments. That has been a mistake. First, we believe the sentiments behind the market preemption and free-riding arguments have actually motivated courts to impose liability in a number of questionable cases. Second, as we demonstrated in our prior work, the empirical case for the reputational dilution claim is much weaker than one might expect,¹² and the claim that consumers are injured by the defendant’s use of a mark in an unrelated market is implausible except under specialized circumstances, circumstances that trademark plaintiffs should have to prove.¹³ By contrast, the empirical evidence confirms both that third parties can benefit from uses of known marks in markets ancillary to the senior mark owner’s and that those third-party uses can impair the senior user’s ability to expand its own product lines.¹⁴ Put another way, the evidence suggests that third parties like Black & Decker might benefit from use of, or proximity to,

9. Complaint, *supra* note 3, at ¶ 37.

10. See *infra* notes 16–24 and accompanying text.

11. United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97 (1918) (“The asserted doctrine is based upon the fundamental error of supposing that a trade-mark right is a right in gross or at large, like a statutory copyright or a patent for an invention, to either of which, in truth, it has little or no analogy.”).

12. Lemley & McKenna, *supra* note 8, at 429–32; McKenna, *supra* note 7 at 1010–14; cf. Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507 (2008) (demonstrating the weakness of empirical evidence of dilution).

13. Lemley & McKenna, *supra* note 8, at 432–35, 449–56.

14. See *infra* Section III.B and sources cited therein.

SUM's trademarks, but not that SUM is harmed by such use. The result is a puzzle for the law: what, if anything, should trademark law do to prevent practices that benefit the defendant but do not harm the plaintiff?

In this Article, we confront the market preemption and free-riding arguments directly. We believe these arguments actually depart fundamentally from the traditional bases of trademark law and theory, and in ways that could prove quite troubling in a competitive economy. The claim that trademark owners are injured by not being able to control use in a remote market is ultimately a circular claim—mark owners are injured if, but only if, we define their trademark rights *ex ante* to include control over that remote market. The arguments in favor of doing so, however, turn out to be remarkably weak, and we argue that they do not justify expanding trademark law. If that means that others free ride on the effort a trademark owner puts into building a brand or making a market, so be it. Free riding itself is bad only if we think there is some reason to prevent it. We have such a reason, generally, in the patent and copyright contexts: we affirmatively want to encourage the creation of new works or inventions, and we're concerned that free riding might undermine incentive to create them. But we don't have any reason to affirmatively encourage the creation of new brands. In fact, absent confusion regarding responsibility for the quality of the goods at issue, free riding on brands is likely a good thing, not a bad one, and in any event isn't the sort of harm trademark law is particularly good at addressing. The relevant issue should in fact be harm to consumers or to the market as a whole, not simply the benefit a mark confers on others.

As a result, we propose a "trademark injury" requirement akin to the "antitrust injury" requirement currently used to weed out undeserving antitrust plaintiffs: to sustain an infringement claim, a plaintiff should have to demonstrate that the defendant's conduct is likely to cause material confusion in the minds of consumers, and allegations of other types of "harm" should be insufficient.

If we're right, our argument has implications for a number of current trademark doctrines in which the market preemption and free-riding arguments have come to the fore: broad sponsorship or affiliation claims, including those in the merchandising context and in the context of expressive works; initial interest and post-sale confusion; and dilution. But it also has broader implications for the way trademark cases are argued and reasoned. The anti-free-riding impulse can corrupt even cases ostensibly decided on more traditional trademark grounds. As a result, courts must be particularly vigilant to avoid finding confusion in unlikely circumstances because of the pull of free-riding concerns.

In Part I, we explain the market preemption and free-riding arguments and how they differ from the traditional justifications for trademark law. In Part II, we explain why those arguments are important, and why they are increasingly driving results in trademark cases. In Part III, we evaluate those arguments on the merits, finding them wanting. In Part IV, we draw some broader implications from those evaluations, and in Part V, we suggest that a

trademark plaintiff should have to show “trademark injury” in order to prevail.

I. THE TRADITIONAL—AND THE IMPLICIT—CASE FOR TRADEMARK PROTECTION

The arguments for trademark protection in the core cases—those involving directly competing goods—are fairly straightforward and not terribly controversial. Trademark law prevents parties from using a mark that is likely to confuse consumers about the source of their goods. In the context of competing goods, this protects mark owners from diverted trade and consumers from making mistaken purchases. When a second company comes along and sells Apple computers, that company can capitalize on consumers’ confusion about the source of the new products to divert to itself customers who are familiar with Apple products and who are trying to patronize the same Apple company from which they’ve bought computers before. Apple, Inc. is harmed directly by this confusion because it loses sales it otherwise would have made, and indirectly because consumers are likely to lose confidence that they can rely on the Apple mark to distinguish desirable from undesirable products. Consumers are harmed here too—directly because they bought something different than they expected, and indirectly because they won’t get to rely on the Apple mark in the future to tell them which computer products to buy. Hence, mark owner and consumer interests converge to support trademark protection in these cases of competitive goods.¹⁵

15. See WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 167–68 (2003); Nicholas Economides, *Trademarks*, in 3 *THE NEW PALGRAVE DICTIONARY OF ECONOMICS AND THE LAW* 601, 602 (Peter Newman ed., 1998) (describing the savings for consumers in product searches as one of “[t]he primary reasons for the existence and protection of trademarks”); Nicholas S. Economides, *The Economics of Trademarks*, 78 *TRADEMARK REP.* 523, 525–27 (1988) (discussing the economic benefits of marks that apprise consumers of products’ unobservable features); William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 *J.L. & ECON.* 265, 268–70 (1987) (identifying the lowering of brand recognition costs to consumers as the justification for trademark law); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 *YALE L.J.* 1687, 1690–94 (1999) (describing economic justifications for trademarks and advertising); I. P. L. Png & David Reitman, *Why Are Some Products Branded and Others Not?*, 38 *J.L. & ECON.* 207, 208–11, 218 (1995) (analyzing empirical search cost data and suggesting that “consumers of products subject to performance uncertainty will pay for brand-name assurance”); John F. Coverdale, Comment, *Trademarks and Generic Words: An Effect-on-Competition Test*, 51 *U. CHI. L. REV.* 868, 869–70 (1984) (noting that trademark law encourages competition, which potentially decreases the cost to consumers); Brian A. Jacobs, Note, *Trademark Dilution on the Constitutional Edge*, 104 *COLUM. L. REV.* 161, 164 (2004) (noting search costs rationale); see also *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163–64 (1995) (explaining that trademark law “reduce[s] the customer’s costs 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”) (internal quotation marks omitted); *Union Nat’l Bank of Tex., Laredo v. Union Nat’l Bank of Tex.*, Austin, 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.”); cf. *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942) (“A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants.”).

Trademark law protects the integrity of the marketplace by preventing deceptions that change the way consumers buy goods.

But beyond cases of directly competing goods, the arguments get a little more complicated. The predominant producer-side arguments in favor of protection against noncompeting uses have focused on the possibility of negative feedback to the producer's original market. Specifically, the claim has been that consumers who believe their Apple watches come from the same company that produced their iPod are likely to direct any dissatisfaction with their watches at the iPod-producing Apple, leading them to question whether iPods are really that good after all. The worry is that consumers' quality experience in the new market "feeds back" to the original market. We addressed that argument in our prior paper, surveying the marketing literature and finding surprisingly little evidence that consumers punished the core brand for what they saw as poor quality extensions into new markets.¹⁶

Two other arguments have frequently been offered in addition to the quality feedback arguments, and those additional arguments are our primary focus here. First is the argument that, regardless of whether a mark owner is held responsible for negative experiences with a junior user's products, the mark owner is harmed by a noncompeting use because that use might impede the mark owner's ability to expand—either into the same market as the junior use or other related markets. This argument is not about the present harm to the producer from third-party uses, but rather the potential future benefits foreclosed by those uses. Thus, for example, even if Apple, Inc. is not directly affected by another party's use of the Apple mark for watches because consumers do not hold Apple, Inc. responsible for the quality of Apple watches, Apple, Inc. could still claim to be harmed because it would be unable to expand into the watch market using the Apple mark.

The notion that a mark owner is preempted by a junior user from entering another market operates on a background assumption that the senior user ought to have a superior right to enter other markets under "its" mark. Specifically in the context of the hypothetical above, this argument assumes that any value the Apple mark has in the watch market rightfully belongs to Apple and no one else.¹⁷ It is the loss of this market opportunity that qualifies as "harm" to Apple. This is a market preemption argument analogous to the derivative works right in copyright.¹⁸ The claim is that the trademark

16. Lemley & McKenna, *supra* note 8. For a detailed analysis of the relevant marketing literature, see McKenna, *supra* note 7.

17. Schechter clearly accepted this proposition:

Quite apart from the destruction of the uniqueness of a mark by its use on other goods . . . once a mark has come to indicate to the public a constant and uniform source of satisfaction, its owner should be allowed the broadest scope possible for 'the natural expansion of his trade' to other lines or fields of enterprise.

Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 823 (1927).

18. See *infra* notes 160–168 and accompanying text.

holder owns not just the right to use a particular mark in connection with particular goods, but the mark itself, wherever it has value.

A related theory of harm from preemption might focus on the costs a producer would be required to incur in re-educating consumers about the quality of its goods if and when it entered the same market as the junior user. If, for example, Borden—the maker of condensed milk—was unable to prevent another company from using the Borden name for ice cream¹⁹ and was forced to enter the ice cream market under a different name (since the other company would have established priority in the ice cream market), it would lose the benefits of name recognition among consumers who bought both ice cream and condensed milk. Here too the claimed injury is that the defendant's use interferes with the plaintiff's expansion, as this "harm" could come to fruition only if the senior user in fact expands.²⁰

The market preemption claim is based on a theory of harm to the trademark owner. Because the harm is bound up with the trademark owner's anticipated entry into another market, the plausibility of the claim is a function of how likely that entry is. That is a fact-specific question; it seems reasonable to conclude that Borden would move from making condensed milk to making ice cream, but perhaps less reasonable that Apple will go into the watch-making business. Notably, however, when trademark owners argue market preemption they rarely tie it to concrete evidence of planned entry and likely injury.²¹ Instead, what is nominally a factual question about injury to the trademark owner is often simply presumed as injury: I must have been hurt because I no longer have an opportunity I once had.

In fact, however, the preemption "injury" also presumes that the trademark owner had a legal right to exclusive use of the mark in that secondary market. Even if the mark owner can show actual preparations to expand, there is a deeper question about whether—and why—they should have a superior right to use the mark in the ancillary market.²² True, in many of the cases in which the mark owner is in fact planning to expand, the goods are sufficiently related that consumers are likely to believe the mark owner is responsible for their quality. And if consumers do believe that, the mark owner will effectively be protected in their ability to expand under a theory of consumer harm.²³ But if the goods are not so closely related that consum-

19. This was indeed the result in an early case, *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510, 514 (7th Cir. 1912), though we are quite confident courts would not reach the same result today. See Lemley & McKenna, *supra* note 8, at 428 & n.59.

20. We thank Stacey Dogan for suggesting this alternative preemption argument.

21. Indeed, because the traditional likelihood of confusion test includes the likelihood that the plaintiff will expand into the defendant's market as a factor, *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 354 (9th Cir. 1979); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961), there is arguably no reason to assert market preemption as a separate theory of injury except in the very cases in which that expansion is unlikely.

22. In the geographic context, the Lanham Act has long permitted such concurrent uses. See 15 U.S.C. § 1057(c) (2006).

23. We explained this in *Irrelevant Confusion*. See Lemley & McKenna, *supra* note 8, at 433–36.

ers will draw inferences about product quality from the use of a mark, it is far less clear that the mere fact that a mark owner was planning to enter a distant market should give it the right to do so. Indeed, in the antitrust context, courts have rejected a very similar argument that firms suffer cognizable injury when excluded from a market which they are not currently prepared to enter, but hope to enter in the future.²⁴

The second argument advanced in support of a trademark owner's right to control the use of the mark in unrelated markets is a free-riding argument that is at least nominally distinct from market preemption. On this theory, a third party that uses Apple for watches simply free rides on the goodwill developed by Apple, Inc., and third parties should not be allowed to claim for themselves any value the Apple mark has in the watch market. This argument appears to be distinct from the market preemption argument in that the objection to free riding does not depend on a claim that the Apple watch company harms Apple, Inc., but simply reflects the belief that Apple ought to own whatever value the Apple mark has in the watch market. While the market preemption argument says that a mark owner will eventually be harmed by the defendant's conduct, the free-riding argument claims instead that the defendant will benefit from the plaintiff's conduct, and that any such benefit is itself unjust and ought to be paid as a windfall to the trademark owner.

But these claims of harm and benefit ultimately run together, particularly in intellectual property ("IP"), where the entire concept of harm is in some sense an artificial construct based on the government's decision to create a right. Trademark owners might claim a harm from free riding by using the circular argument that if someone benefits from the use of a mark they own, that benefit belongs to them, and therefore they have been injured by not being paid a license fee for the right to authorize that use. A similarly circular argument seems to have carried the day in copyright, undermining the fair use doctrine.²⁵ Despite the ability to turn any benefit to a third party into a claim of harm to oneself, we think it is important to understand that claims that the trademark owner is injured by market preemption are ultimately claims that are based on the asserted ability to capture benefits from others. The idea that a mark owner is harmed because a defendant interferes with its ability to expand operates on a presumption that the mark owner ought to have the right to expand without interference. It's not a harm to the mark owner to interfere with expansion if we don't define the right *ex ante* to include the right to expand.

Thus, market preemption arguments that are not based on actual consumer harm are in essence claims of free riding. Both are premised on the idea that the law should give a particular trademark owner a right to control someone else's use of the mark even if consumer decisions aren't affected, on the theory a mark owner has a claim to any value derived from use of that

24. *IIA PHILLIP AREEDA ET AL., ANTITRUST* ¶ 349a (3d ed.).

25. *See* Am. Geophysical Union v. Texaco, Inc., 60 F.3d 913 (2d Cir. 1994); Mark A. Lemley, *Should a Licensing Market Require Licensing?*, 70 LAW & CONTEMP. PROBS. 185 (2007).

mark. The next Part explains why these arguments are important, and why they need to be addressed directly.

II. THE GROWING ROLE OF MARKET PREEMPTION AND FREE-RIDING ARGUMENTS

The most obvious reason to take market preemption and free-riding arguments seriously is that those arguments are, in fact, actually motivating courts' decisions in a variety of cases, particularly those at the edges of trademark protection.

First, market preemption and free-riding arguments have played prominent roles in courts' expansion of trademark law to encompass noncompeting goods. In the late nineteenth and early twentieth century, courts allowed mark owners to assert claims only against direct competitors, and they routinely denied claims when the parties' goods were even modestly different.²⁶ But courts gradually began to take a more liberal view and allowed claims against uses of a mark for goods that were only related to those of the senior user. In *Aunt Jemima Mills Co. v. Rigney & Co.*,²⁷ one of the earliest cases to enforce trademark rights against a noncompetitor, the court allowed the owner of the AUNT JEMIMA mark for syrup to assert its rights against a later user of AUNT JEMIMA for flour.²⁸ Though flour and syrup are clearly not the same goods, so "no one wanting syrup [can] be made to take flour," the court believed the products were "so related as to fall within the mischief which equity should prevent."²⁹ Confusion about the source of the syrup would put Aunt Jemima's reputation in the defendant's hands and "will enable [the defendant] to get the benefit of the complainant's reputation and advertisement."³⁰ Likewise, in *Stork Restaurant, Inc. v. Sahati*,³¹ the court allowed the owner of a New York club called The Stork Club to assert its rights against a San Francisco club of the same name, even though such geographically remote clubs clearly do not compete with each other.³² The court was impressed with the value of the Stork Restaurant mark

26. See *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912) (rejecting the plaintiff's claim that use of the BORDEN mark for ice cream infringed its rights in BORDEN for milk and related products); see also JAMES LOVE HOPKINS, *THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION* § 3, at 12 (2d ed. 1905) ("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." (quoting DUNCAN M. KERLY, *THE LAW OF TRADEMARKS, TRADE-NAME, AND MERCHANDISE MARKS* 475 (2d ed. 1901))).

27. 247 F. 407 (2d Cir. 1917).

28. *Id.* at 410.

29. *Id.* at 409–10.

30. *Id.*

31. 166 F.2d 348 (9th Cir. 1948).

32. *Id.* Because geographically remote uses cannot divert trade that otherwise would have gone to the mark owner, trademark law traditionally limited a party's rights to the geographic areas in which it actually used a mark. See, e.g., *Thomas J. Carroll & Son Co. v. McIlvaine & Baldwin*,

which it thought “wholly adventitious, [and] brought about by continued, expensive, and spectacular advertising—such as the giving away of one thousand dollar bills.”³³ In light of this value, the court thought “[t]he conclusion [was] inescapable that the appellees [were] seeking to capitalize on the publicity that the appellant ha[d] built around the name.”³⁴

In *Precision Tune, Inc. v. Tune-A-Car, Inc.*,³⁵ the court characterized the defendant’s use of a confusingly similar mark in a different geographic market as “depriv[ing] [the plaintiff] of an opportunity to expand its market.”³⁶ As long as the defendant “continue[d] to employ the deceptively similar marks and trade dress, [the mark owner could not] attempt to open a franchise because it [could not] guarantee its franchisee’s exclusive use of the mark.”³⁷ And in *Scarves by Vera, Inc. v. Todo Imports Ltd.*,³⁸ the court found that the defendant’s use of Vera for cosmetics and toiletries infringed the plaintiff’s rights in the same mark, which it had used for women’s scarves, sportswear, and linens.³⁹ In so doing, the court emphasized the plaintiff’s interest in being able to enter a related field at some future time.⁴⁰

We think the influence of the free-riding and market preemption arguments also explains the merchandising cases. These cases involve uses of the names or logos of professional sports franchises or universities to adorn clothing or other merchandise. They strain traditional trademark principles because, at least at the time the cases first arose in the 1970s and 1980s,⁴¹ there was little reason to think consumers believed the franchises or universities were the sources of merchandise simply because it depicted their marks. In spite of the weakness of the confusion arguments, courts in some cases found infringement because they were moved by their belief that the defendants were mere free riders. In *Boston Professional Hockey Association v. Dallas Cap & Emblem Manufacturing, Inc.*,⁴² for example, the first case to expand trademark rights to include merchandising, the court found the conclusion “inescapable that, without plaintiffs’ marks, defendant would

183 F. 22, 26–28 (2d Cir. 1910) (distinguishing between the Baltimore and New York markets for whiskey and denying the plaintiff, which had prior rights in Baltimore, the right to prevent use of the same mark in New York).

33. *Stork Rest., Inc.*, 166 F.2d at 356.

34. *Id.*

35. 611 F. Supp. 360 (W.D. La. 1984).

36. *Id.* at 368.

37. *Id.*

38. 544 F.2d 1167 (2d Cir. 1976).

39. *Id.* at 1172.

40. *Id.* The court identified two other relevant interests: the mark owner’s interest in “protecting the good reputation associated with his mark from the possibility of [it] being tarnished by inferior merchandise of the junior user,” and the “public’s interest in not being misled by confusingly similar marks.” *Id.*

41. See generally Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461 (2005) (discussing the recent vintage of merchandising claims).

42. 510 F.2d 1004 (5th Cir. 1975).

not have a market for his particular product among ice hockey fans desiring to purchase emblems embroidered with the symbols of their favorite teams.”⁴³ And the case that gave the Boston Athletic Association exclusive control over Boston Marathon t-shirts was even clearer about its rationale: “Defendants’ shirts are clearly designed to take advantage of the Boston Marathon and to benefit from the good will associated with its promotion by plaintiffs. Defendants thus obtain a ‘free ride’ at plaintiffs’ expense.”⁴⁴

The “right” to control merchandise that includes a school or team name—a right unheard of before 1975—has since expanded apace, to the extent that you can now violate a university’s trademark rights without using its name or logo at all, merely by selling t-shirts in the colors of the school.⁴⁵ The culprit again is the anti-free-riding impulse: “Smack’s alleged competitive disadvantage in the ability to sell game day apparel relates solely to an inability to take advantage of the Universities’ reputation. . . . This is not an advantage to which it is entitled under the rubric of legitimate competition.”⁴⁶

Something similar seems to be driving the results in a third set of trademark cases, those involving products based on copyrighted works. Authors of books, comics, and movies create characters and worlds. They are entitled to copyright in the works they create, including characters that are sufficiently well delineated.⁴⁷ But they have also managed to persuade courts that they should have trademark rights not just in titles or brands, but in those same characters and other objects that appear within their creative works. The argument is again a free-riding argument—that no one should be

43. *Id.* at 1011.

44. *Boston Athletic Ass’n v. Sullivan*, 867 F.2d 22, 33 (1st Cir. 1989); *see also* *Univ. of Ga. Athletic Ass’n v. Laite*, 756 F.2d 1535, 1547 (11th Cir. 1985) (enjoining use of Battlin’ Bulldog beer when “the confusion stems not from the defendant’s unfair competition with the plaintiff’s products, but from the defendant’s misuse of the plaintiff’s reputation and good will as embodied in the plaintiff’s mark”); *Sigma Chi Fraternity v. Sethscot Collection*, No. 98-CV-2102, 2000 WL 34414961, at *9 (S.D. Fla. Aug. 7, 2000) (“[T]he confusion factor is met where, as here, the registered mark . . . is the triggering mechanism for the sale of the product.”); *cf.* *Univ. Book Store v. Bd. of Regents*, 33 U.S.P.Q.2d (BNA) 1385 (T.T.A.B. June 22, 1984) (“[The] antiquated view of trademarks as harmful monopolies which must be rigorously confined within traditional bounds [is] outmoded and not in accordance with more recent cases.”).

45. *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 477–78 (5th Cir. 2008) (holding that universities’ color schemes are protectable and that others’ use of those colors on t-shirts evoking the universities infringed their rights).

46. *Id.* at 488.

47. Judge Learned Hand famously described the difference between protectable and unprotectable characters in *Nichols v. Universal Pictures Corp.*:

If Twelfth Night were copyrighted, it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare’s “ideas” in the play, as little capable of monopoly as Einstein’s Doctrine of Relativity, or Darwin’s theory of the Origin of the Species. It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly.

45 F.2d 119, 121 (7th Cir. 1930).

able to sell products or write books that evoke Wolverine or James Bond, not because doing so hurts the creator, but because it makes money for the user, and that money should belong to the creator. In *Warner Bros., Inc. v. Gay Toys, Inc.*,⁴⁸ the court justified a copyright owner's trademark control over toy replicas of the General Lee, an automobile featured in Warner's television series *The Dukes of Hazzard*, by claiming that "deny[ing] Warner Bros. injunctive relief would . . . enable Gay Toys 'to reap where [i]t ha[d] not sown.'"⁴⁹ And DC Comics has prevailed in a number of cases against writers who featured similar superheroes.⁵⁰ Notably, the courts in those cases found it unnecessary to engage in classical likelihood-of-confusion analysis, instead resting their liability findings on evidence of similarity between the characters.⁵¹

Courts have reached similar results in replica cases outside the copyright context. Vehicle manufacturers have sued companies that make toy replicas of the vehicles in which their manufacturers claim trade-dress rights. In *General Motors Corp. v. Lanard Toys, Inc.*,⁵² for example, GM sued a company that sold toy military vehicles that resembled the Humvee military vehicle, claiming the toy vehicle infringed its trade-dress rights in the design of the real Humvee.⁵³ Though the markets for toy military vehicles and Humvees obviously are quite distinct, the court found the "relatedness of the goods and services" factor to favor General Motors, suggesting "the toy car is quite closely related to the actual car on which the registered trademark of the grille is found."⁵⁴ Influenced by that determination and its conclusion that Lanard had bad intent because "there [was] undisputed evidence that the design of the front grille of Lanard's toys was copied directly from the Hummer vehicle,"⁵⁵ the court concluded that Lanard's toy was likely to

48. 724 F.2d 327 (2d Cir. 1983).

49. *Id.* at 334 ("It is *because* of that association, the identification of the toy car with its source, Warner's television series, that the toy car is bought by the public. That is enough [for an infringement claim against an imitator].").

50. See, e.g., *DC Comics Inc. v. Unlimited Monkey Bus.*, 598 F. Supp. 110 (N.D. Ga. 1984); *DC Comics Inc. v. Filimation Assocs.*, 486 F. Supp. 1273 (S.D.N.Y. 1980).

51. *Filimation*, 486 F. Supp. at 1276–77. For criticism of these decisions, see Valerie McConnell, *The Expansion of Trademark Rights in Graphic Characters and the Need for a Trademark Misuse Defense* (working paper 2010) (on file with author).

52. 468 F.3d 405 (6th Cir. 2006).

53. *Id.* at 405. Lanard originally produced and sold a toy vehicle called the "Mudslinger," which was modeled after the Humvee, including a similar grille design. In fact, the box for the Mudslinger referred to the toy vehicle as a "Hyper Humvee." After correspondence with AM General, however, Lanard agreed to stop using the "Humvee" name on its toys. Lanard continued to manufacture the Mudslinger toy, but later ceased selling the Mudslinger and began producing another vehicle with a similar design called "THE CORPS! ATK." That toy was the subject of the lawsuit. *Id.* at 411.

54. *Id.* at 414.

55. *Id.* at 413.

cause confusion and enjoined the use.⁵⁶ GM itself never made replica Humvees, nor had it licensed anyone else to do so.⁵⁷ And it's hard to imagine how toy vehicles in any way harm GM's sales of real military vehicles. GM's concern was that Lanard's toy Humvees would interfere with any future licensing of the Humvee design to toy makers. Perhaps inspired by GM's success, Paccar, Inc. recently filed a similar suit against the maker of replica, scaled model trucks that resembled Paccar's KENWORTH and PETERBILT trucks.⁵⁸ Paccar claimed that the defendant's replica trucks harmed it because the replicas competed with scaled model trucks produced under license from Paccar.⁵⁹

Courts have understood in these cases, as in the merchandising cases, that substantial value was at stake, and their sense that the value belonged to the mark owner clearly influenced their decisions. And the same is true of many commentators. Indeed, in arguing against the so-called "trademark use doctrine," Dinwoodie and Janis express concern that reading the "'use as a mark' requirement strictly as incorporating the notion of the mark as a 'source-identifier[]' . . . might undermine the multi-billion dollar industry of brand merchandising and product design."⁶⁰

Fourth, we see evidence of free-riding concerns in keyword advertising cases. Competitors commonly buy from search engines the right to have their advertisements triggered by search queries that include others' trademarks (a process known as "keyword advertising"). While trademark owners sometimes articulate an argument that advertisers are confusing consumers by placing ads that appear opposite search results, a growing number of cases allege that the direct infringer is not the advertiser but the search engine itself.⁶¹ No one would think that an internet search engine necessarily sponsors or endorses the whatever products are found in the search, which is probably why the plaintiffs in these cases do not even allege confusion

56. *Id.* at 405. The court also rejected Lanard's functionality defense, finding that "the plain appearance of the vehicle shows that the elements which comprise its trade dress are inherently non-functional." *Id.* at 417. We don't know what "inherently non-functional" means either.

57. This explains the court's findings that:

The factors of "marketing channels used" and "likelihood of expansion of product lines" do not strongly favor either party There appears to be no evidence of how the marketing for either product might overlap, and while General Motors states it has considered making Hummer toys, there is no real proof that the company is seriously considering this possibility.

Id. at 414. It makes the finding on relatedness of goods rather odd, however.

58. Complaint, Paccar Inc. v. Malibu Int'l Ltd. (W.D. Wash. Apr. 8, 2009), available at <http://seattletrademarklawyer.com/storage/Paccar%20Inc.%20v.%20Malibu%20International%20Ltd.%20-%20Complaint.pdf>.

59. *Id.* at ¶ 16.

60. Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1654 (2007).

61. See, e.g., *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009); *Am. Airlines, Inc. v. Yahoo!, Inc.*, No. 4:08-CV-626-A, 2009 WL 381995 (N.D. Tex. Jan. 16, 2009); *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JF (RS), 2007 WL 1159950 (N.D. Cal. April 18, 2007); *Gov't Emps. Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004).

about the source of the search engines' services.⁶² Nonetheless, courts have permitted claims against search engines to proceed on the theory that the search engine is making money in a way that involves some internal use of a trademark.⁶³

Fifth, we see the influence of the free-riding impulse in initial-interest and post-sale confusion cases. Mark owners claim initial-interest confusion in cases where the defendant does something that draws attention to itself in a way that might momentarily confuse consumers, but where any such confusion is likely to be dispelled before consumers make any purchasing decisions. Precisely because initial-interest confusion is temporally disconnected from purchasing decisions, these cases are difficult to justify with ordinary confusion-based arguments. Hence, not surprisingly, courts tend to fall back on epithets here, too. In *Brookfield Communications Inc. v. West Coast Entertainment Corp.*,⁶⁴ for example, the court concluded the defendant's use of "moviebuff" in the metatags for its website violated the plaintiff's rights in that mark because search engines used the metatags to generate search results in which the defendant's site appeared higher in the rankings than the plaintiff's.⁶⁵ While the court conceded that confusion was unlikely,⁶⁶ it believed consumers, now presented with both websites in response to a search employing "moviebuff" as a search term, might choose the defendant's website rather than the plaintiff's:

Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using "moviebuff.com" or "MovieBuff" to divert people looking for "MovieBuff" to its web site, West Coast *improperly benefits from the goodwill that Brookfield developed in its mark.*⁶⁷

Similarly in *Mobil Oil Corp. v. Pegasus Petroleum Corp.*,⁶⁸ the court found that Pegasus Petroleum infringed Mobil Oil's flying horse (a Pegasus) by adopting the name Pegasus Petroleum for its oil trading company.⁶⁹ The Second Circuit was moved by its belief that an oil trader "might listen to a cold phone call from Pegasus Petroleum . . . when otherwise he might not,

62. As one of us has explained, aside from the "trademark use" issue, these claims ought to fail because they do not allege actionable infringement under the Lanham Act. See Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 819–21 (noting that these cases fail to allege confusion about the source of the search engines' services).

63. See, e.g., *Rescuecom*, 562 F.3d at 129.

64. 174 F.3d 1036 (9th Cir. 1999).

65. *Id.* at 1066.

66. *Brookfield*, 174 F.3d at 1062 ("[I]t is difficult to say that a consumer is likely to be confused about whose site he has reached or to think that Brookfield somehow sponsors West Coast's web site.").

67. *Id.* (emphasis added).

68. 818 F.2d 254 (2d Cir. 1987).

69. *Id.* at 260.

because of the possibility that Pegasus Petroleum is related to Mobil.”⁷⁰ And in *Elvis Presley Enterprises v. Capece*,⁷¹ the court noted that “initial-interest confusion is beneficial to the Defendants because it brings patrons in the door” which “is even more significant because the Defendants’ bar sometimes charges a cover charge for entry, which allows the Defendants to benefit from initial-interest confusion before it can be dissipated by entry into the bar.”⁷²

In the post-sale confusion cases, courts have found use of a mark infringing even when there is no evidence consumers of the defendant’s goods are likely to be confused at the time of purchase. Mark owners in these cases claim, and courts have accepted, that it is enough if others who come into contact with the goods after purchase might be confused. Courts in these cases do not demand proof the allegedly confused nonpurchasers are ever likely to be consumers of the mark owner’s goods, nor do they demand evidence the alleged confusion away from the point of sale would actually affect purchasing decisions. They don’t demand this evidence, in our view, because these are really cases about free riding, not confusion.

In the earliest post-sale confusion case, *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*,⁷³ Judge Frank was concerned that:

[A]t 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.⁷⁴

As Professor McCarthy has noted, the real concern of these cases is that “consumers could acquire the prestige value of the senior user’s product by buying the copier’s cheap imitation.”⁷⁵

More recently, the Ninth Circuit made abundantly clear what it saw as the basis for the post-sale confusion doctrine: “Post-purchase confusion creates a free-rider problem.”⁷⁶ And in the Ninth Circuit’s view, free riding is such a problem that it trumps the first-sale doctrine, collapsing yet another trademark “defense” into the prima facie case.⁷⁷ Hence, in *Au-Tomotive Gold*

70. *Id.* at 259. Importantly in that case, Mobil had used the name Pegasus in addition to its flying horse logo in its own oil business. *Id.* at 256.

71. 141 F.3d 188 (5th Cir. 1998).

72. *Id.* at 204.

73. 221 F.2d 464 (2d Cir. 1955).

74. *Id.* at 466.

75. 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:7, at 23–54 (4th ed. 2010).

76. *Au-Tomotive Gold Inc. v. Volkswagen of America, Inc.*, No. 08-16005, 2010 WL 1794018, at *5 (9th Cir. May 6, 2010).

77. See William McGeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 66–71 (2008) (describing the ways courts tend to subject trademark defenses to the condition that the use not cause confusion).

the court found the defendant's conduct infringing when it purchased genuine Volkswagen badges from an authorized Volkswagen dealer and used the badges to adorn license plate frames.⁷⁸ It found infringement even though no purchasers of the license plate frames were confused about the source of the frames and Auto Gold packaged the frames with labels making clear that the frames were not produced or sponsored by Volkswagen.⁷⁹ The concern was simply that "a person on the street who sees an Auto Gold marquee license plate with a VW badge will associate the plate with Volkswagen," because "customers buy marquee license plates principally to demonstrate to the general public an association with Volkswagen."⁸⁰ This post-sale "association" was enough for the court to find infringement: "If the producer purchases such a trademarked product and uses that product to create post-purchase confusion as to the source of a new product, the producer is free riding even though it has paid for the trademarked product."⁸¹

This result is particularly problematic because it takes the idea of owning markets to another level.⁸² In the noncompeting-goods context, mark owners are arguing that they should have the exclusive right to use a mark in the ancillary markets. They claim, in other words, to own the right to use the mark in any market in which that mark has value. But in *Au-Tomotive Gold*, as in the merchandising cases, the court allowed a mark owner to use trademark law to capture an actual market, as Volkswagen owners were not likely to be satisfied with accessories bearing a Toyota logo or without any logo at all.⁸³ Volkswagen owners want Volkswagen accessories for the same reason farmers with green farm equipment want other green farm equipment⁸⁴ and

78. 2010 WL 1794018, at *4–5.

79. *Id.* at *1.

80. *Id.* at *4. This is consistent with Professor McCarthy's acknowledgement that the real concern in post-sale confusion cases is that "consumers could acquire the prestige value of the senior user's product by buying the copier's cheap imitation." MCCARTHY, *supra* note 75, § 23:7, at 23–54.

81. *Au-Tomotive Gold*, 2010 WL 1794018, at *5.

82. The result is problematic as a pure doctrinal matter as well. The first-sale doctrine is a defense to a trademark cause of action. And a defense that does not apply whenever infringement is shown—which is what the court holds—isn't much of a defense. *See* KP Permanent Make-up, Inc. v. Lasting Impression I, 543 U.S. 111, 121 (2004) (rejecting a parallel conclusion by the Ninth Circuit about the fair use defense).

83. This is the intuition expressed by Justice Breyer in the oral argument for *American Needle, Inc. v. National Football League*:

And I just heard you say that . . . you want the Red Sox to compete in selling T-shirts with the Yankees; is that right? [MR. NAGER: The ability to compete. Yes.] Yes. Okay. I don't know a Red Sox fan who would take a Yankees sweatshirt if you gave it away. I mean, I don't know where you're going to get your expert from that is going to say there is competition . . . between those two products. I think they would rather—they would rather wear a baseball, a football, a hockey shirt.

Transcript of Oral Argument at 17, 130 S. Ct. 2201 (No. 08-661), available at http://www.supremecourt.gov/oral_argument_transcripts/08-661.pdf.

84. *See* Deere & Co. v. Farmhand, Inc., 560 F. Supp. 85, 96–98 (S.D. Iowa 1982), *aff'd*, 721 F.2d 253 (8th Cir. 1983) (finding the color green functional for front-end loaders because farmers prefer the coloring of their loaders to that of their tractors).

owners of baroque-style silverware want other baroque silverware.⁸⁵ Yet the court was unconcerned about giving Volkswagen control over the market for Volkswagen accessories: “It may be true that Auto Gold’s activities serve to reduce the price paid by consumers for marquee plates. But trademark law protects trademark holders from the competition that results from trademark infringement, irrespective of its effect on prices.”⁸⁶ And in the Ninth Circuit, at least, it apparently prevents competition even by those who are reselling goods they have already bought from the trademark owner.

Finally, theories of market preemption also seem to underlie the doctrine of trademark dilution.⁸⁷ One of us has argued that, properly construed, dilution is based on a theory of consumer harm.⁸⁸ But there is no question that much of the rhetoric used by both courts and commentators to justify dilution has focused on the idea of a trademark as a property right that confers control over noncompeting uses whether or not consumers are hurt.⁸⁹ Indeed, the Supreme Court—in the course of restricting dilution law—said that “[u]nlike traditional infringement law, the prohibitions against trademark dilution . . . are not motivated by an interest in protecting consumers.”⁹⁰ And Judge Posner has even suggested that free riding itself can be considered a form of dilution.⁹¹

Several cases that might be regarded as dilution-by-tarnishment cases depend in significant part on the courts’ perceptions that the defendants were making illegitimate use of the plaintiff’s marks as “triggering mechanisms” in order to sell their own goods. In *Chemical Corp. of America v.*

85. See *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 80–81 (2d Cir. 1990) (finding the design of Wallace’s GRANDE BAROQUE line functional because baroque design elements are necessary to compete in the market for baroque silverware); see also *Keene Corp. v. Paraflex Indus.*, 653 F.2d 822, 826 (3d Cir. 1981) (finding the design of a lighting fixture functional because it was designed to match the architecture of the building in which it was mounted).

86. *Au-Tomotive Gold*, 2010 WL 1794018, at *6. This statement would be accurate, and unproblematic, if it were confined to cases in which the defendant’s use caused confusion about the actual source of a product. Our ability to sell “M&M” candies for less than Mars, Inc., for example, should not lead courts to conclude that our use of the M&M mark does not infringe when applied to candies. But it’s much different to say that trademark law protects Mars from competition from an ice cream shop that buys genuine M&M’s and mixes them into its ice cream.

87. See 15 U.S.C. § 1125(c).

88. See Dogan & Lemley, *supra* note 41. The other of us doubts the empirical premises on which this argument rests; cf. Tushnet, *supra* note 12 (exploring the foundations of blurring claims in cognitive science). But that’s an argument for another day.

89. See Jerre B. Swann, *An Intuitive Approach to Dilution*, 89 TRADEMARK REP. 907 (1999); Jerre B. Swann & Theodore H. Davis, Jr., *Dilution, An Idea Whose Time Has Gone; Brand Equity as Protectable Property, The New/Old Paradigm*, 84 TRADEMARK REP. 267 (1994).

90. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 429 (2003). Courts are not alone in this regard. Though he is careful to note that an investment in goodwill is not enough by itself to create trademark rights, Tom McCarthy, the author of the leading trademark treatise, argues that “[t]he creation of value in a trademark requires ‘the expenditure of great effort, skill and ability’ and a competitor should not be permitted to take a ‘free ride’ on the trademark owner’s good will and reputation.” 1 MCCARTHY, *supra* note 75, § 2:30, at 2–54.

91. *Ty Inc. v. Perryman*, 306 F.3d 509, 512 (7th Cir. 2002).

Anheuser-Busch, Inc.,⁹² for example, the court found the defendant's use of the slogan "Where there's life, there's bugs" to infringe the plaintiff's slogan "Where there's life, there's Bud" because of the defendant's "brazen . . . effort . . . to capitalize on the good will created by . . . the plaintiff" and the "peculiarly unwholesome association" the slogan created with Budweiser beer.⁹³ Anheuser-Busch also won a tarnishment claim against the Buttweiler brand of dog toys.⁹⁴ Not surprisingly, the success of these "association" claims has encouraged others, like The North Face's recent lawsuit against a company called "The South Butt," which makes clothing featuring, well, a butt.⁹⁵

And it is not just in the United States that courts strive to prevent free riding even absent a theory of harm to the plaintiff. A Canadian court interpreted a provision of the Canadian Trade-Marks Act⁹⁶ to prevent truthful comparative advertising on the theory that that advertising enabled the defendant to "free ride" on the plaintiff's brand investment.⁹⁷ And more recently, the European Court of Justice declared that European Union law prevents companies from taking advantage of the prestige of well-known marks in order to boost sales, even if the copycat products do not directly harm the owner of the mark or create a likelihood of confusion.⁹⁸ In that case, L'Oréal objected to Bellure NV, a Belgian perfume manufacturer, advertising and selling perfume that imitated L'Oréal products but obviously did not come from L'Oréal. In particular, L'Oréal was upset with the packaging of Bellure's perfume, which was similar to that of some of L'Oréal's famous fragrance brands, including Tresor and Miracle. L'Oréal also found Bellure's advertising unfair, as Bellure advertised its scents on a list alongside L'Oréal's scent names. The court found that, despite the lack of any consumer confusion, Bellure took advantage of the distinctive character of L'Oréal's marks in order to benefit from the prestige and power of attraction of those marks and to exploit the marketing efforts expended by L'Oréal.⁹⁹

92. 306 F.2d 433 (5th Cir. 1962).

93. *Id.* at 437–38. *But see* Ringling Bros.–Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir. 1999) (rejecting a similar claim: that the Utah slogan "Greatest Snow on Earth" diluted the plaintiff's slogan "Greatest Show on Earth").

94. *Anheuser-Busch, Inc. v. VIP Prods., LCC*, 666 F. Supp. 2d 974 (E.D. Mo. 2008). Amazingly, the court also found for Anheuser-Busch on likelihood-of-confusion grounds after crediting Anheuser-Busch's survey, which purported to show "that 30.3% of those surveyed had the mistaken belief that 'Buttweiler' is made or put out by or with the approval or sponsorship of the maker of 'Budweiser'—Plaintiff—or that there is a business relationship between the maker of 'Budweiser' and the maker of 'Buttweiler.'" *Id.* at 983.

95. See Sarah Netter, *The North Face vs. The South Butt: Entrepreneurial Teen Undaunted by Lawsuit Threat*, ABCNEWS, Oct. 1, 2009, <http://abcnews.go.com/Business/teens-south-butt-apparel-irks-north-face/story?id=8712101>.

96. Trade-marks Act, R.S.C., ch. T-13, § 22(1) (2010) ("No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.").

97. *Clairol Int'l Corp. v. Thomas Supply & Equip. Co.*, [1968] 2 Ex. C.R. 552.

98. Case C-487/07, *L'Oréal SA v. Bellure NV*, 2009 ECJ EUR-Lex LEXIS 532.

99. *Id.*

The ruling by Europe's highest court opens the door for brand owners to take renewed action against the producers of look-alike products and represents a major shift in European IP law, which has typically supported the legitimacy of comparative advertising.¹⁰⁰

We should be clear that our objection is not to any of these various doctrines per se. Trademark owners may—or may not—be able to show that consumers are injured by sports merchandise sold by a manufacturer unaffiliated with a team, by Google selling ad space opposite search results, by web sites momentarily diverting surfers' attention with a URL, or by homeless people wearing knock-off Rolexes.¹⁰¹ Similarly, trademark owners may or may not be able to show that consumers are actually made worse off by the blurring or tarnishment of marks. What is notable is that each of these doctrines are extensions of basic trademark law into areas in which the harm to consumers is questionable at best.¹⁰² And yet courts don't seem to be asking the hard questions about that putative consumer harm. The market preemption and free-riding arguments have served to distract attention from the question of whether consumers are in fact confused to their detriment—or, in the case of dilution, whether they are otherwise harmed—by such uses. In so doing, those arguments have contributed to the expansion of trademark law beyond its traditional conceptual moorings.

III. EVALUATING CLAIMS TO OWN MARK(ET)S

Notwithstanding their strong emotional appeal, free-riding claims actually run counter to what has long been a fundamental principle of trademark law: its grant, not of rights in a mark “in gross,” but of rights tailored to the actual use made of a mark by its owner. Trademark owners do not own words, at least not traditionally.¹⁰³ Rather, they own the right to prevent the

100. As Dev Gangjee and Robert Burrell state:

It must be remembered that the [Misleading and Comparative Advertising Directive (“MCAD”)] exists to prevent a blanket prohibition on comparative advertising and the default position under the MCAD is that such advertising is allowed. By adopting an expansive reading of Art. 3a(1)(h), the “imitations and replicas” exclusion, the ECJ may have insulated reputed marks from a range of competitive comparisons.

Dev Gangjee & Robert Burrell, A Brief Note on L'Oreal and the Prohibition on Free Riding 14 (Dec. 9, 2009) (unpublished manuscript), available at <http://ssrn.com/abstract=1491402>.

101. Though we rather doubt they can.

102. On the merits of these various claims, see, for example, Lemley & McKenna, *supra* note 8 (sponsorship or affiliation claims); Dogan & Lemley, *supra* note 41 (merchandising); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004) (keyword advertising); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507 (2005); Michael Grynberg, *The Road Not Taken: Initial Interest Confusion, Consumer Search Costs, and the Challenge of the Internet*, 28 SEATTLE U. L. REV. 97 (2004) (initial interest confusion); Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960 (1993) (luxury goods and post-sale confusion).

103. Ringling Bros.—Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 459 (4th Cir. 1999) (“[W]e simply cannot believe that, as a general proposition, Congress could have intended, without making its intention to do so perfectly clear, to create property rights in gross, unlimited in time (via injunction), even in ‘famous’ trademarks.”).

use of certain similar words in certain places in connection with the sale of certain goods in a way that is likely to confuse consumers.¹⁰⁴ Market preemption claims presuppose a right to control use outside those boundaries. While some such claims—like the *Borden* case—can be justified on consumer harm grounds, most cannot. They therefore stretch the traditional account of trademark theory. And if market preemption claims stretch trademark theory, free-riding claims discard that theory altogether, claiming trademarks are precisely what trademark law and theory have long maintained they aren't: rights in gross over a mark itself.

The fact that these arguments run counter to tradition is not, of course, sufficient reason to reject them. But it does mean that the arguments are worthy of close scrutiny—scrutiny that has so far been lacking. For if we are persuaded that market preemption and free riding are appropriate considerations in shaping the scope of trademark law, we may well find ourselves with a radically different trademark law—indeed, one that would have to change even more than it already has. Specifically, if we are to take seriously the logic of market preemption and free-riding arguments, trademark law need not retain the likelihood-of-confusion determination as its central feature.¹⁰⁵ Market preemption arguments are essentially about allocation of markets. That allocation need not have anything to do with whether consumers are confused. It is probably no wonder, then, that we see these arguments carrying the most weight precisely in those cases in which the consumer confusion arguments are weakest.

We believe the time has come for these arguments to be given serious attention in the trademark context. In this Part, we examine the empirical evidence behind both the market preemption and the free-riding claims.

*A. Traditional Quality Feedback Arguments Lack Empirical Support*¹⁰⁶

The empirical case for the argument most frequently offered in favor of broad trademark protection—the quality feedback argument—is much

104. To that end, the Supreme Court has held:

There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business.

United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97 (1918).

105. See Swann & Davis, *supra* note 89, at 269 (recognizing that courts fudge the likelihood-of-confusion analysis in cases in which the defendant is perceived to have taken a free ride). Swann and Davis argue that “[g]iven the current economic function and acceptance of trademarks, and recognition of their value and performance in the market place,” evidence of the defendant using the mark as a “triggering mechanism” to capitalize on the good will created by the plaintiff “alone should mandate relief whether or not confusion is present.” *Id.*

106. Sections III.A and B are adapted from McKenna, *supra* note 7, and Lemley & McKenna, *supra* note 8.

weaker than most suppose. Research regarding brand extensions suggests that consumers generally do not alter their global evaluations of brands (i.e., their assessments of the brand's quality) when they encounter negative information about related products offered under the same mark.¹⁰⁷ Even negative personal experiences with a product are likely to have an effect only for closely related products, and even then only for family branded rather than sub-branded extensions.¹⁰⁸ Moreover, even in the context of successive extensions the only apparent risk to a core brand from a failed extension is that consumers will evaluate *future* extensions more negatively than they otherwise might have.¹⁰⁹ And even when negative information does affect a parent brand, it does so only in an abstract sense; it does not impact brand image for the parent brand in the context of the goods the parent previously offered.¹¹⁰

Extension information is also unlikely to negatively impact specific brand beliefs, even when the extension is incongruent with those brand beliefs.¹¹¹ And just as with global brand beliefs, any impact an extension has on

107. The few studies that have found some effect on global brand assessments have involved umbrella branding of extremely closely related products. In one study, for example, Tülin Erdem estimated a model using scanner data regarding purchases of umbrella-branded toothbrushes and toothpaste. Tülin Erdem, *An Empirical Analysis of Umbrella Branding*, 35 J. MARKETING RES. 339, 347 (1998). Erdem concluded that variance in the quality of toothbrushes given away as free samples from the owner of a known toothpaste brand had some cross-category effects (i.e., consumers updated their quality expectations of the toothpaste and bought less of it). But even here the effects were "small in magnitude," and that was in a study in which the brand owner explicitly tied the extension product to the core product. Any uses that would fall in this category of sufficiently closely related uses almost certainly fall within the zone we describe in *Irrelevant Confusion*. Lemley & McKenna, *supra* note 8.

108. See Sanjay Sood & Kevin Lane Keller, *The Effects of Brand Name Structure and Product Experience on Brand Extension Evaluations and Parent Brand Dilution* (unpublished manuscript) (draft on file with authors). Sood and Keller tested extensions of the Pepsi and Tropicana brands to vitamin fortified cola and sodium free orange juice. Subjects in their pretest regarded vitamin fortified cola as similar to Pepsi but dissimilar to Tropicana, and sodium free orange juice as dissimilar to Pepsi and similar to Tropicana. Sood and Keller tested these similar and dissimilar extensions under family branding (Tropicana cola) and sub-branding (Quencher by Tropicana cola) conditions. They found that "dilution effects in parent brand evaluations are evident only when consumers 1) have a negative experience with a brand extension that 2) has a high degree of similarity (e.g., in the case of a family-branded line extension)." *Id.* at 21. Sood and Keller also find that "sub-branding strategies can offer the 'best of both worlds' by both enhancing extension evaluations and protecting the parent brand from any unwanted negative feedback." *Id.* at 22.

109. See *infra* note 146.

110. Thus, for example, Joseph Chang found that the general brand image of the parent brand of Sprite products was diluted by both of two unfavorable extension products: Sprite orangeades and Sprite washing-up liquids. Joseph W. Chang, *Will a Family Brand Image be Diluted by an Unfavorable Brand Extension? A Brand Trial-Based Approach*, 29 ADVANCES CONSUMER RES., 299, 302 (2002). At the same time, however, neither unfavorable extension diluted the image of Sprite lemonades, the original product offered under the parent brand. *Id.*

111. Congruence here is defined in terms of keeping with the dominant concept of the brand, which is conceived of as primarily functional, symbolic, or experiential. Congruence differs from product category-related effects in that an extension could be seen as incongruent even when it is in a similar product class. Consumers, for example, might regard a new Rolls-Royce economy car as incongruent with the Rolls-Royce brand image, even though the new car is in the same broad category as Rolls-Royce luxury vehicles. Helge Thorbjørnsen, *Brand extensions: brand concept congruency and feedback effects revisited*, 14 J. PRODUCT & BRAND MGMT. 250, 250–51 (2005); see also Henrik Sjödin & Fredrik Törn, *When communication challenges brand associations: a frame-*

specific brand beliefs is likely limited to the parent brand generally. Stated differently, an extension has little or no impact on the brand in the context of particular products. Thus, even if an extension affects consumers' general view of the Neutrogena brand as "mild," it is unlikely to affect their belief that Neutrogena *hand lotion* is mild.

This is true, generally speaking, regardless of how familiar the brand is to consumers. Consumers are less motivated to process information about less familiar brands, and unmotivated consumers tend to use a "sub-typing" strategy, storing information about the atypical extension in a separate cognitive category.¹¹² As a result, relatively unfamiliar brands are likely to be insulated from feedback from incongruent extensions.

But this point appears generalizable: after reviewing the relevant literature to distill "main tendencies," Sjödin and Törn conclude that negative evaluation of incongruent extension information will not affect evaluation of the parent brand.¹¹³ The authors explain this somewhat counterintuitive result by suggesting consumers *generally* use a sub-typing strategy to resolve incongruous information.¹¹⁴ But whether or not sub-typing explains the lack of impact on familiar brands in addition to unfamiliar ones, Sjödin and Törn's conclusion that incongruous information is unlikely to impact parent brands fits comfortably with other research demonstrating that that consumer perceptions of well-known brands are quite resistant to change.¹¹⁵ It therefore seems unlikely that incongruence negatively impacts even well-known brands. This likely explains why numerous cultural icons that lack any trademark protection and are therefore free for use—Uncle Sam, the Eiffel Tower, the Statue of Liberty, the *Mona Lisa*, Mount Rushmore, the works of Shakespeare, and the characters Frankenstein (and his monster),

work for understanding consumer responses to brand image incongruity, 5 J. CONSUMER BEHAV. 32, 38 (2006).

112. Thorbjørnsen, *supra* note 111.

113. Sjödin & Törn, *supra* note 111.

114. *Id.*

115. See Stephen J. Hoch, *Product Experience Is Seductive*, 29 J. CONSUMER RES. 448, 451 (2002) ("Using a simply associative learning procedure, [researchers] showed that, in a few trials, people learn brand associations that later block the learning of new predictive attribute associations."). Even Jacob Jacoby, perhaps dilution's biggest proponent, admits that truly well-known marks are essentially unshakable. Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for an Elusive Concept*, 19 J. PUB. POL'Y & MARKETING 265, 274 (2000) ("It appears that very strong brands are immune to dilution because their memory connections are so strong that it is difficult for consumers to alter them or create new ones with the same brand name."). There is abundant evidence outside the branding context of the robustness of initial judgments. See, e.g., Jon D. Hanson & Douglas A. Kysar, *Taking Behavioralism Seriously: The Problem of Market Manipulation*, 74 N.Y.U. L. REV. 630, 646–54 (1999) (discussing a number of empirical demonstrations of the persistence of initial judgments, even in the face of contradictory or ambiguous hard data). Even conscious consumers who try to reason through additional information are unlikely to change their perceptions; attempts at rationalization may actually serve to increase confidence in a faulty intuitive judgment, a phenomenon known as confirmation bias. See *id.* at 647–50, 660–62; Nicholas Epley & Thomas Gilovich, *The Anchoring-and-Adjustment Heuristic: Why the Adjustments are Insufficient*, 17 PSYCHOL. SCI. 311, 312 (2006) ("[P]eople evaluate hypotheses by trying to confirm them.").

Dracula, Scrooge, and King Arthur—nonetheless seem impervious to either blurring or tarnishment from incongruous uses.¹¹⁶

Moreover, even if incongruous uses did impact a few moderately well-known brands—those for which consumers would likely be highly motivated to process information but which are not well known enough to be impervious to change—consumers with high levels of involvement are less likely to be confused by uses of a similar mark in the first place, or at least are likely to be confused by different types of similarity than are consumers in low-involvement situations. According to Howard, Kerin, and Gengler, consumers in high-involvement situations are unlikely to be confused by uses of a mark that is similar to the core mark in sight or sound, though relatively more likely to be confused by uses of marks that are similar in meaning.¹¹⁷ Together these lines of research suggest both that consumers are unlikely to be confused by similarity in circumstances of high involvement,¹¹⁸ in which harm is most likely to follow from confusion, and that confusion is unlikely to be harmful in those cases where confusion is more likely.

Finally, any effect on consumers' specific brand beliefs is unlikely to matter to purchasing decisions because evaluations of specific brand beliefs generally don't impact consumers' decisions: consumers evaluating a new product tend to rely on global attitudes towards a brand rather than attempting to recall and process specific brand attributes.

116. See Mark A. Lemley, *Ex Ante Versus Ex Post Justifications for Intellectual Property*, 71 U. CHI. L. REV. 129, 146 (2004); Justin Hughes, "Recoding" *Intellectual Property and Overlooked Audience Interests*, 77 TEX. L. REV. 923, 961 (1999). For a discussion of the marketing literature on why these well-known marks are essentially impervious to harm, see McKenna, *supra* note 7, at 105. A significant upshot of this conclusion is that the preemption and free-riding arguments are particularly important in the context of well-known brands since the feedback arguments are even weaker for those brands.

117. Daniel J. Howard et al., *The Effects of Brand Name Similarity on Brand Source Confusion: Implications for Trademarks Infringement*, 19 J. PUB. POL'Y & MARKETING 250, 257–58 (2000). Even these findings are probably overstated. The authors of the study tested confusion by showing participants a variety of goods, including two different bottles of drain cleaner and two different containers of car wax. They varied the difference between the two brands such that the second sometimes was similar in meaning (Hurricane vs. Cyclone) and sometimes in sound (Hurricane vs. Hurri-Drain). The authors then measured confusion about common source by telling study participants:

The first set of products you reviewed yesterday included a brand of drain cleaner (car wax).
The second set of products you just reviewed also included a brand of drain cleaner (car wax).
How likely or unlikely is it that those two brands of drain cleaner (car wax) were made by the same company?"

Id. They then scored the responses on a seven-point scale ranging from "very likely" (1) to "very unlikely" (7). This formulation likely led to overstated levels of confusion generally, since the question seems to have primed respondents to consider common source. Confusion also was likely overstated because the authors used the same trade dress for all the test objects (both drain cleaners, for example). See *id.*

118. If Thorbjørnsen is right that high familiarity correlates with higher involvement, see Thorbjørnsen, *supra* note 111, then it seems likely that consumers are less likely to be confused about third-party uses that are similar to familiar brands only in sight or sound.

The argument that mark owners are harmed by reputational feedback in the context of pure sponsorship or affiliation relationships is even weaker.¹¹⁹ The most relevant information here comes from studies of negative spillover from information about brand alliance partners.¹²⁰ In one such study, Votolato and Unnava focused on the consequences to a partner of negative information about a supplier or a celebrity endorser of the partner's products.¹²¹ Specifically, the authors sought to measure the effect of information that a fictitious clothing company's partners had behaved immorally or had been incompetent on consumers' attitudes toward the company.¹²² There wasn't any. The lesson is simple, if remarkable: *negative information does not have any feedback effect on the partner absent some additional information about the partner's culpability for the failing.* This is true regardless of whether the information relates to competence or a moral failing and regardless of whether the information is about another company or a person with which the partner is associated. The authors note:

[A] host brand may generally be quite impervious to negative publicity surrounding its partner brand; the host brand [in the study] was only affected when participants were led to believe that the host knew of and condoned the partner's behavior. Spillover from the partner brand to the host brand did not occur unless this condition was present.¹²³

We think these findings cast serious doubt on the assumption that consumers will hold a mark owner responsible for the quality of unrelated goods bearing the same mark even if they are confused about the mark owner's relationship with those goods. As a result, they call into serious question

119. See Lemley & McKenna, *supra* note 8, at 416.

120. Brand alliances are "partnership[s] between two entities in which efforts are combined for a common interest or to achieve a particular aim." Nicole L. Votolato & H. Rao Unnava, *Spillover of Negative Information on Brand Alliances*, 16 J. CONSUMER PSYCHOL. 196, 196 (2006). Such partnerships can take many forms, but the two most common forms are joint promotions (e.g., McDonald's using Kung Fu Panda toys in its Happy Meals) and co-branding arrangements (e.g., Edy's Loaded Cookie Dough Ice Cream with Nestle Toll House cookie dough).

121. *Id.* at 198.

122. Previous research suggested that consumers might react differently to different types of negative information—information about competence, on the one hand, and moral misdeeds on the other. *Id.* at 197 (citing Tom J. Brown & Peter A. Dacin, *The Company and the Product: Corporate Associations and Consumer Product Responses*, 61 J. MARKETING 68 (1997); Bogdan Wojciszke et al., *Effects of Information Content and Evaluative Extremity on Positivity and Negativity Biases*, 64 J. PERSONALITY & SOC. PSYCHOL. 327 (1993)). Specifically, this earlier research suggested that consumers react more negatively to competence-based information than moral failures when the target of the information is a company; just the reverse is true when the target of the information is a person. *Id.* at 197.

123. *Id.* at 201. These findings, as the authors also note, may help explain why spillover effects are not frequently reported in practice. *Id.* It is also worth emphasizing that respondents in this study were told explicitly that the partner had a relationship with the third party about which the negative information was provided. Thus, there was no ambiguity about affiliation—respondents understood that the partner was affiliated with the third party. Hence, spillover is unlikely to occur absent some information—additional information, beyond the mere fact of association—demonstrating the host brand's specific culpability. In other words, as Votolato and Unnava note, the evidence suggests that "consumers do not routinely blame a host brand for its partner's mistakes." *Id.* at 198.

the first-line argument that trademark owners are harmed by a defendant's use of the same mark in another market.

*B. Empirical Evidence Supports the Existence
of a Benefit to Junior Users*

On the other hand, the available empirical evidence suggests that junior users can benefit significantly from use of a known mark, and that junior uses can sometimes impede a mark owner's own expansion. In other words, known marks do sometimes add value to new products or services, and third-party uses do sometimes affect expansion.

One branch of marketing literature attempts to study the conditions under which information about the existing ("parent") brand transfers to a new product offered under that brand, thereby reducing the costs of entry and increasing the likelihood that consumers will accept the new product or service. The effects these studies attempt to measure are *spillover effects*—that is, they focus on the potential benefits accruing to a new product offered under a known brand name rather than the effects on the brand name in its original context. These studies therefore measure the expansion potential of a brand and speak most directly to the arguments regarding free riding, as they seek to identify when the junior use will benefit from goodwill associated with the senior use.

According to this literature, the success of any particular extension is primarily a function of three factors: (1) the perceived quality of the core brand; (2) the similarity or "fit" of the proposed extension with the family (or core) brand; and (3) the perceived credibility of the family brand.¹²⁴ Consumers favorably evaluate extension products when the core brand is high quality and they perceive the extension product as a good fit with existing products.¹²⁵ Conversely, when an extension is not perceived as a good fit, the goodwill associated with the core brand will not lead to favorable evaluations of the extension products.¹²⁶

Fit in this context can be measured in terms of complementarity, substitutability, and transferability. Complementarity refers to the extent to which consumers view the extension product as a complement to the goods offered by the parent brand. Products are complementary if both are consumed

124. See Kevin Lane Keller & David A. Aaker, *The Effects of Sequential Introduction of Brand Extensions*, 29 J. MARKETING RES. 35, 47 (1992) (discussing the factors that contribute to a successful brand extension).

125. While in one study Keller and Aaker found that extensions from high-quality brands may be evaluated favorably even when they are somewhat more remote—that is, high-quality core brands "stretch farther"—the relatively dissimilar products in that study were still quite close to those offered under the core brand. See *id.* at 40–44 (testing extensions deemed close, medium, and far from the core brand product, where ice cream was the "far" extension of a brand known for potato chips); Sood & Keller, *supra* note 108.

126. Keller & Aaker, *supra* note 124, at 45.

jointly to satisfy some particular need.¹²⁷ For example, ski clothing is a complementary extension for the ROSSIGNOL brand, which originally was known for downhill skis.¹²⁸ Substitutability refers to the extent to which consumers view the extension product as a substitute for the goods offered by the parent brand. Substitute products tend to have common applications and use contexts such that one product could replace the other in usage and satisfy the same needs.¹²⁹ Cross-country skis or ice skates therefore would be substitute extensions for ROSSIGNOL.¹³⁰ Finally, transferability relates to the relevance of a brand owner's expertise in the extension product category. Specifically, transferability depends on the extent to which consumers believe a parent brand owner can use its people, facilities, and skills to make the new product or offer the new service.¹³¹ Transferability is related to credibility, which is a function of perceived expertise and trustworthiness.¹³²

Extension products also benefit to the extent particular concrete or abstract brand attribute associations transfer to the new product.¹³³ As Keller and Aaker explain, "[e]xtension evaluations will depend primarily on whether the specific attribute or benefit associations for the core brand are viewed as relevant in the extension product category and, if so, how favorable those inferred associations are [in the context of the extension product]."¹³⁴ Consumers may value a particular brand association highly in one context but not in another, even when there is fit between the products or services. Despite the similarity between products, for example, consumers may value thickness in tomato-based juices but not in children's fruit-flavored drinks.¹³⁵ Likewise, pulp is related to high quality in orange juice but to low quality in apple juice.¹³⁶ The extent to which particular brand attribute associations transfer to the extension product therefore depends "not only on the strength of association" with the parent brand, but

127. David A. Aaker & Kevin Lane Keller, *Consumer Evaluations of Brand Extensions*, 54 J. MARKETING 27, 30 (1990).

128. *Id.*

129. *Id.* (discussing the importance of product classes when determining complements).

130. *Id.*

131. *Id.*

132. *See id.* Perceived expertise and trustworthiness are highly correlated and may depend on the perception of previous extensions. The effect of previous extensions on new extension evaluation appears to depend more on the success of the previous extensions than the relative similarity of the intervening extensions. Aaker and Keller found no differences in perceived credibility (and presumably in evaluations of proposed extensions) based on fit between an intervening extension and the core brand. *See id.*

133. Keller & Aaker, *supra* note 124, at 36–37. Concrete brand attribute associations relate to tangible product characteristics, and abstract brand attribute associations relate to intangible image characteristics. *Id.*

134. *Id.*

135. Valarie A. Zeithaml, *Consumer Perceptions of Price, Quantity, and Value: A Means-End Model and Synthesis of Evidence*, 52 J. MARKETING 2, 7 (1988).

136. *Id.*

also on the “appropriateness of the association” in the new context and “whether cues are present to activate an association.”¹³⁷

Importantly, all of these findings depend on the consumer connecting the new extension to the original brand.¹³⁸ If the consumer does not believe that the original trademark owner manufactured (or at the very least is partly responsible for) the new extension, she will not attribute the characteristics of the original brand to the extension. As a result, the evidence for benefits to third parties from adopting an established brand from another market frequently depends on evidence that consumers are actually confused about the relationship between those brands. Indeed, in the studies we cite, there is no ambiguity about source: subjects are told explicitly that the extensions come from the brand owner or that the alliance actually involves particular brand owners.

Moreover, the extent to which new products benefit from use of the known mark depends substantially on the nature of the respective products and how they are positioned in the marketplace. Whether global assessments of a parent brand will benefit a new product depends on the nature of the new product and its “fit” with the parent brand. And product characteristics also determine whether many relevant brand attribute associations—like thickness—will transfer to the new product. Thus, while it is undeniably true that modern marketing focuses on brand identity and producers’ ability to create associations with a brand, it is also clear that the product or product class to which the mark has been applied is a central component in the meaning of a mark to consumers.

Cumulatively, this research suggests to us that a third party stands to benefit from use of an established brand to offer a new product or service when (1) consumers believe that the original brand owner makes or is somehow responsible for the new product, (2) that new product or service is perceived as a good fit with the brand owner’s other products, and (3) particular brand attribute associations transfer to the new product from the old. These benefits particularly redound to uses of brands believed to be high quality. Hence, a third party that makes use of a known high-quality brand to offer its own products may, in some cases, reap benefits from the association with the established brand that it would not if it created its own new brand.

A final way in which third parties might benefit from the use of a known brand is by drawing on the emotional valence of that brand. Specifically, consumers’ familiarity with a brand may translate to an initial preference for new goods bearing that mark, a preference that is independent of specific brand attributes.¹³⁹ This effect might be particularly pronounced in situations of low involvement, where consumers lack motivation to process informa-

137. Aaker & Keller, *supra* note 127, at 29.

138. In the studies we report, the brand extensions are in fact made by the trademark owner, not by unauthorized third parties.

139. See Laura R. Bradford, *Emotion, Dilution, and the Trademark Consumer*, 23 BERKELEY TECH. L.J. 1227, 1264–66 (2008).

tion about the products with which they are confronted.¹⁴⁰ In those situations, consumers may simply rely on their familiarity with the known brand, which will redound to the benefit of the junior user.

Brand alliance studies also confirm that certain alliances have synergistic effects, positively affecting consumers' evaluations of the alliance product or service in ways neither alliance partner could itself. Similar to the lessons of the brand extension literature, these studies suggest that consumers' evaluations of brand alliances depend on pre-existing attitudes towards the alliance partners as individual entities (and particularly their levels of perceived quality) and on the fit of the brands in the alliance.¹⁴¹ Specifically, brands prove beneficial to a brand alliance if they can "signal high quality cues that transfer to the other alliance brand, or provide information on product attributes that benefits the alliance."¹⁴² Indeed, "transfer of perceived quality is enhanced when brands fit together."¹⁴³

Fit in the context of brand alliances, like in the brand extension context, can relate to the types of products or services primarily associated with the alliance partners or to brand personality characteristics.¹⁴⁴ And fit in both senses can enhance consumer evaluations of the alliance product or service. Thus, according to one study, an alliance between Filofax and Sony to offer an electronic personal organizer is better received by consumers than an alliance between Filofax and Calvin Klein to offer the same product.¹⁴⁵ At the same time, either of those alliances (Filofax and Sony or Filofax and Calvin Klein) is likely to be better received than an electronic organizer offered jointly by Calvin Klein and Vidal Sassoon, neither of which offers any expertise in electronics.

C. Evidence of Market Preemption Through Restricted Expansion

A third-party use can directly preempt use of a mark in the later market because it establishes priority in the junior user. If the brand owner was in fact going to enter the market using the same brand name, it may now be unable to do so. And as some of the research we discussed above indicates, some uses can indirectly impact a brand owner's ability to expand by affecting consumer perceptions of the parent brand such that, even if the brand owner gets to a new market first, consumers are less likely to accept the

140. *Id.* It is worth emphasizing that while third parties benefit from the familiarity of the known mark in these circumstances, that third party's very use may increase the brand's familiarity and benefit the mark owner in its market as well. See McKenna, *supra* note 7, at 110–12.

141. Akshay R. Rao & Robert W. Ruekert, *Brand Alliances as Signals of Product Quality*, 36 SLOAN MGMT. REV. 87 (1994); Bernard L. Simonin & Julie A. Ruth, *Is a Company Known By the Company It Keeps? Assessing the Spillover Effects of Brand Alliances on Consumer Brand Attitudes*, 35 J. MARKETING RES. 30 (1998).

142. David O. James et al., *Does the Tail Wag the Dog? Brand Personality in Brand Alliance Evaluation*, 15 J. PRODUCT & BRAND MGMT. 173, 174 (2006).

143. *Id.* at 175.

144. *Id.*

145. *Id.* at 176.

extension product or will be less attracted to it. These uses need not be negative in the sense that the products with which they are used are of poor quality or carry offensive connotations. A junior use can hamper the brand owner's ability to expand when the junior product fails,¹⁴⁶ leading consumers to evaluate later extensions more negatively than they otherwise might have.¹⁴⁷ Or the junior use can interfere by affecting global beliefs about the brand (e.g., the belief that Neutrogena products are "mild") and therefore making certain other extensions less likely to be accepted by consumers.

Such effects on global brand beliefs, however, operate at an abstract level, and not in the context of the goods the parent previously offered.¹⁴⁸ The effect of an extension on specific brand beliefs also tends to be limited to the parent brand in the abstract, but specific brand beliefs are less important for extension purposes. Research suggests that consumers evaluating a new product tend to rely on global attitudes toward a brand rather than attempting to recall and process specific brand attributes.¹⁴⁹ Thus, any interference with expansion would result primarily from those few cases in which a third-party use negatively impacted global brand attitudes. And of course any such impact wouldn't prevent product expansion entirely; it would merely make it more difficult for the owner of a mark in one market to use the same mark in other markets. Many companies in fact use entirely different marks when they expand into new markets; nothing in the literature we discuss suggests that a brand owner that sought to expand under a different mark would be harmed at all by another company's use of the brand owner's core mark in a different market.

D. Summary

In short, the available marketing evidence suggests several things. First, the traditional claim of harm to trademark owners from noncompeting uses—that consumers will attribute the poor quality of the defendant's

146. As we noted before, in Aaker and Keller's study, successful brand extensions increased evaluations of later extensions and of the core brand itself, at least when the core brand was of average quality. Aaker & Keller, *supra* note 127, at 43 (also noting that successful extensions had no impact on high-quality core brands).

147. *Id.* at 46; Erdem, *supra* note 107, at 347. Notably, while unsuccessful intervening extensions affected consumer evaluations of future extensions, they did not affect evaluations of the core brand. Keller & Aaker, *supra* note 124, at 46. And even this risk regarding future evaluations appeared significant only for moderate-quality core brands. Unsuccessful extensions had no impact on evaluation of extensions by high-quality brands. An interesting parallel finding was that an unsuccessful extension, even when it affects credibility and prevents the core brand from expanding to less similar products, does not appear to prevent the core brand from "backtracking" and later introducing a more similar extension. *Id.* at 48. This may be because subjects tended to find the core brand owner equally credible even after receiving information about a brand extension they regarded as a bad fit. *Id.* at 45.

148. See *supra* note 110.

149. See Girish N. Punj & Clayton L. Hillyer, *A Cognitive Model of Consumer-Based Brand Equity for Frequently Purchased Products: Conceptual Framework and Empirical Results*, 14 J. CONSUMER PSYCHOL. 124, 125 (2004) (stating that consumers tend to rely predominately on attitudes toward a brand when evaluating new products); see also Bradford, *supra* note 139.

goods to the plaintiff, undermining the plaintiff's reputation—is not persuasive. Even when consumers do attribute the defendant's goods to the plaintiff, they do not punish the plaintiff for perceived lapses in a different market. Second, some uses can in fact interfere with a brand owner's own potential use in a new market, either by getting to that market before the brand owner or by making consumers less willing to accept certain extensions, perhaps by giving those consumers a more negative initial impression of the brand extensions. This might be seen as a disadvantage to brand owners, but only if they were in fact going to enter that market using the same name.¹⁵⁰ And third, junior users can benefit from using the marks of an established brand in a different market. In the next Part, we discuss the implications these findings have for trademark law.

IV. EVALUATING CLAIMS TO OWN MARK(ET)S

We begin with the market preemption arguments that purport to fit within the framework of producer harm. We then turn to claims that trademark owners should be able to own mark(et)s themselves, appropriating any value that can trace its origin to the mark or the mark owner. In the absence of consumer injury, neither a claim that the producer has been injured in a market in which it does not compete nor a claim that someone else has benefited from using the mark provides a persuasive reason to hold a defendant liable for trademark infringement.

A. Claims of Producer Harm

Once we have set aside cases in which consumers are confused about the actual source or quality of the goods, the “injury” a trademark owner suffers from the adoption of the same mark by another company for unrelated goods seems to be that it is more difficult for the trademark owner to expand into new markets using the same mark. That difficulty can be a result of market preemption—the mark owner can't enter the same market as the defendant with the same mark without causing confusion. It can also be a more diffuse problem—consumers may react differently to brand extensions in a third market if they have seen what they mistakenly believed were extensions by the mark owner in other markets.

But merely because the trademark owner wants the ability to enter an unrelated market using its “home” trademark doesn't mean it has a legal right to do so. After all, many, perhaps most, trademarks are not unique; mark owners frequently coexist with third parties that own the same mark in other markets.¹⁵¹ The question, then, is whether trademark law ought to prefer a particular mark owner over a junior user in those cases in which the

150. Whether it is a legal injury is a question to which we turn in the next Part.

151. Among countless examples, consider Dell, United, American, Delta, Apple, Amazon, and Visa (notwithstanding Judge Kozinski's claim in *Visa Int'l* that there is only one Visa). See *Visa Int'l Serv. Ass'n v. JSL Corp.*, 610 F.3d 1088 (9th Cir. 2010).

third party uses a mark in a way that does not suggest the mark owner is responsible for the quality of the junior user's goods. More particularly, the question is whether a senior user ought to have superior rights to use a mark in ancillary markets because third-party use of the mark would interfere, directly or indirectly, with the senior user's ability to enter other markets under that mark.

It is an important question because extending trademark rights broadly into unrelated markets has real costs. We detailed those costs in a prior paper.¹⁵² Briefly, they include the generation of numerous legal conflicts between marks that would otherwise coexist; the unsuitability of existing legal frameworks to resolving those conflicts when not directed at traditional forms of confusion; the risk of actually increasing consumer confusion by changing consumer beliefs about the role of brands; and the chilling effect on speech about trademarks and trademark owners.¹⁵³ Because of these costs, we cannot be indifferent about the initial allocation of trademark rights. Mark owners allocated broad trademark rights are likely to exploit those rights to their specific benefit even if consumers and other producers are hurt as a result. Nor can we blithely assume that parties will simply bargain to reallocate rights when third parties value the use more than the mark owner. Many socially valuable uses—such as parodies and criticisms—are precisely those that trademark owners would never license. And cognitive biases are likely to interfere even for those uses mark owners ordinarily would be inclined to license. For one thing, mark owners tend to be strongly attached to “their” marks, and as a result, the “endowment effect” is likely to be particularly pronounced here.¹⁵⁴ Mark owners may also be overly optimistic about their own ability to expand into ancillary markets.¹⁵⁵

The claim of injury to trademark owners from the foreclosure of market entry is circular. Because consumers have not been injured and trademark owners have not suffered injury in their core markets, the difficulty mark

152. Lemley & McKenna, *supra* note 8, at 438–43.

153. *Id.*

154. The “endowment effect” refers to the difference in value people attach to goods when they own them as compared to when they are considering purchasing them. People are reluctant to part with their property, and as a result, the price at which they are willing to sell it generally far exceeds the amount that others are willing to pay to acquire it. See Russell Korobkin, *The Endowment Effect and Legal Analysis*, 97 Nw. U. L. REV. 1227, 1231–35 (2003). For a demonstration of the endowment effect in the context of creative works, see Christopher J. Buccafusco & Christopher Jon Sprigman, *Valuing Intellectual Property: An Experiment*, 91 CORNELL L. REV. (forthcoming 2010).

155. See generally David A. Armor & Shelley E. Taylor, *When Predictions Fail: The Dilemma of Unrealistic Optimism*, in HEURISTICS AND BIASES: THE PSYCHOLOGY OF INTUITIVE JUDGMENT 334, 334 (Thomas Gilovich et al. eds., 2002) (“By a number of metrics and across a variety of domains, people have been found to assign higher probabilities to their attainment of desirable outcomes than either objective criteria or logical analysis warrants.”). See also Christopher J. Buccafusco & Christopher Jon Sprigman, *The Creativity Effect*, 78 U. CHI. L. REV. (forthcoming 2010), available at <http://ssrn.com/abstract=1647009> (finding that creators substantially overvalue their works as compared to mere owners and attributing the difference in substantial part to optimism bias of the creators).

owners have in expanding their brands to new markets is a cognizable legal harm if, but only if, trademark owners have a legal right to control the use of their marks in unrelated markets. But that is precisely the question we are trying to decide. To decide it, we must do more than simply assume the conclusion. We must explore the reasons we might want to grant or withhold control over brand extensions. That debate—and the entire claim of producer harm through market preemption—is bound up with the free-riding arguments, to which we now turn.

B. *Free Riding*

The market preemption argument is a specific instance of a more general claim: that trademark owners should control words or markets altogether, on the theory that the defendant who uses a mark on unrelated goods, or who makes goods that derive from the plaintiff's original market, is free riding on the goodwill built up by the trademark owner. The claim is not that either consumers or trademark owners are harmed by this free riding, except in the circular sense that if the law allowed trademark owners to get paid for it they would have made more money. Rather, the claim is that defendants benefit from the use of the mark, the benefit is unjust, and so it should be paid to the plaintiffs.

As we saw in Part III, there is some truth to the claim that a defendant starting up can benefit from using an established brand name on unrelated goods, although the likelihood and degree of the benefit depends on the context of the use and how consonant it is with the image of the underlying brand. And of course if a defendant hopes to sell goods based directly on the plaintiff's mark—t-shirts featuring a cartoon character or a famous line from a movie, for instance—it has little choice but to use the established character or movie line. And despite the fact that characters and lines often will not constitute trademarks,¹⁵⁶ both types of uses are regularly swept within the rubric of free riding on a plaintiff's mark.

"Unjust enrichment" is not redundant, however. The fact that defendants are enriched by using the plaintiff's mark should begin the inquiry, not end it. A defendant's enrichment is only unjust if there is some reason to believe the value of a trademark in ancillary markets should belong to the plaintiff in the first instance. The unjust enrichment rationale simply assumes that

156. Trademarks are devices used to brand goods; characters in a book usually don't serve that purpose. Indeed, even titles of movies and books are generally not treated as trademarks unless the title is common to multiple works in a series. *See* *Herbko Int'l, Inc. v. Kappa Books, Inc.*, 308 F.3d 1156, 1162 n.2 (Fed. Cir. 2002) ("While titles of single works are not registrable, they may be protected under section 43(a) of the Lanham Act upon a showing of secondary meaning."); *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 267–69 (5th Cir. 1999) (viewing single book titles as descriptive of the contents, and requiring proof of secondary meaning); *Estate of Jenkins v. Paramount Pictures Corp.*, 90 F. Supp. 2d 706, 710 (E.D. Va. 2000), *aff'd*, 7 F. App'x 270 (4th Cir. 2001) ("[T]itles of expressive works are treated differently from other trademarks, in that titles, even if suggestive, arbitrary, or fanciful, nonetheless require secondary meaning to receive trademark protection, while other suggestive, arbitrary, and fanciful marks do not.").

conclusion,¹⁵⁷ and it therefore fails to provide a standalone explanation for expanding trademark law.

The following sections look more closely at four theories of why a trademark owner should own the value of a mark in ancillary markets. As we demonstrate, none is terribly persuasive.

1. Preventing Consumer Confusion

The most straightforward reason to prevent defendants from using a plaintiff's mark is that consumers are likely to be confused by the use in a way that harms them. That last point is critical, however: it is not enough that consumers misunderstand the relationship between the plaintiff's and the defendant's goods. If that misunderstanding has no consequence for consumers—if they are not hurt as a result—it is not something trademark law should care about.¹⁵⁸

The evidence we discussed in the previous section suggests that consumers are actually quite sophisticated about brand extensions. They are able to think of the extension separately from the underlying brand, and to evaluate the quality of each independently. As a result, in the ordinary run of cases, consumers are unlikely to be harmed by a defendant's use of a plaintiff's brand in an unrelated market. There may be circumstances, however, in which consumers are confused to their detriment by an apparent brand extension. We think those circumstances are likely to be ones where the junior use is sufficiently related to the mark owner's use that consumers are likely to believe the mark owner is responsible for the quality of the junior user's goods. If a defendant's confusing use of a plaintiff's mark actually injures consumers, there is good reason for the law to prevent it.

It is worth emphasizing, however, that this is not in fact a theory of producer harm or of free riding at all. In this set of cases, we enjoin the defendant in order to protect consumers. We may also require defendants to disgorge profits in some limited circumstances in order to deter intentional deception.¹⁵⁹ But any such disgorgement is a windfall to the trademark owner, who is unlikely to have suffered harm, not compensation for something rightfully theirs.

2. Incentive Theory

The argument that a senior user of a trademark ought to have superior rights to ancillary markets is troubling in a market economy because it presupposes the right to control use of a mark in a market in which that mark

157. See William P. Kratzke, *Normative Economic Analysis of Trademark Law*, 21 MEM. ST. U. L. REV. 199, 223 (1991) (arguing that declaring competitive behavior to be “free riding” is a conclusory epithet, not a workable economic principle).

158. We explain this in detail in our prior work. Lemley & McKenna, *supra* note 8, at 448–49.

159. See 15 U.S.C. § 1114(1) (2006) (permitting court to award profits if infringement is intentional).

owner does not compete. Such a right to control ancillary markets bears striking resemblance to the derivative work right in copyright law.¹⁶⁰

a. *Incentives in Copyright Law*

Precisely because such rights are departures from ordinary conceptions of competition, they are usually justified in copyright law by the same sort of incentive theory as copyright law as a whole.¹⁶¹ According to Paul Goldstein, for example, the derivative work right “enables prospective copyright owners to proportion their investment in a work’s expression to the returns expected not only from the market in which the copyrighted work is first published, but from other, derivative markets as well.”¹⁶² Landes and Posner similarly suggest that derivative rights increase the incentive to engage in creative activities, encourage earlier publication of an original work by making it unnecessary to withhold the publication in order to gain a lead time in derivative markets, and reduce transactional costs by concentrating the control over derivative works on the copyright owner.¹⁶³ To make it more concrete, Landes and Posner suggest that an author will have greater incentive to create (and the publisher greater incentive to distribute) the next great American novel if the author or her publisher can prevent third parties from creating a movie or a Broadway play based on the novel. Alternatively, consolidating the right to control follow-on works to the novel is sometimes asserted to be more efficient.¹⁶⁴

These arguments are far from universally accepted even in copyright. Scholars have argued, for example, that the derivative right is not necessary to induce production of creative works because creators rely primarily on returns from the original work itself to recover their costs.¹⁶⁵ And some have

160. See 17 U.S.C. § 106(2) (2006) (“Subject to section 107 through 122, the owner of copyright under this title has the exclusive right[] . . . (2) to prepare derivative works based upon the copyrighted work.”). The Copyright Act defines a derivative work as “a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.” *Id.* § 101.

161. See *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (noting that a copyright is “intended to motivate the creative activity of authors and inventors by the provision of a special reward”).

162. Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT SOC’Y 209, 216 (1983); see also PAUL GOLDSTEIN, *COPYRIGHT* § 5.3 (2d ed. Supp. 2004) (repeating the analysis).

163. William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 353–57 (1989).

164. Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON. 265, 275–76 (1977); see also F. Scott Kieff, *Property Rights and Property Rules for Commercializing Inventions*, 85 MINN. L. REV. 697 (2001). For an explanation of why the commercialization argument falls short in intellectual property more generally, see Lemley, *supra* note 116, at 132–41.

165. Stewart E. Sterk, *Rhetoric and Reality in Copyright Law*, 94 MICH. L. REV. 1197, 1215–16 (1996). Even Landes and Posner ultimately accept that the derivative right is not necessary to give adequate incentives to create new works of authorship. Landes & Posner, *supra* note 163, at 354.

argued that, whatever marginal incentive the derivative right provides—particularly in light of courts’ expansive construction of the reproduction right—is outweighed by the costs of impeding vigorous competition for works that build on an original work.¹⁶⁶ But the terms of the debate are more or less accepted: derivative rights are evaluated under the same sort of utilitarian calculus as copyright law generally.¹⁶⁷ Copyright law generally—and the derivative works right in particular—intentionally reduce market competition in order to overcome a public goods problem that leads to the underproduction of hard-to-create, easy-to-copy works.¹⁶⁸

b. Incentives to Create New Marks

It is hard to conceive of a similar public goods problem in trademark law that would justify market allocation of noncompeting goods in incentive-based terms. Whether or not we need to allocate additional markets to authors and playwrights in order to motivate them to create books and plays, it seems implausible to think that we need to award rights in words themselves in order to motivate the creation and use of new trademarks.¹⁶⁹ The Fourth Circuit once famously said that a reasonably smart person could come up

166. This criticism applies with almost equal force to many reproduction cases in which the defendant is deemed to have copied despite having created a new work that differs significantly from the original work.

167. There are some alternative accounts of the derivative right. See, e.g., Michael Abramowicz, *A Theory of Copyright's Derivative Right and Related Doctrines*, 90 MINN. L. REV. 317, 322 (2005) (arguing the derivative right “is best understood not solely as a means of furthering the incentive to create works, but more significantly as a means of providing an author control over the release of adaptations and limiting the production of adaptations that would be close substitutes for one another” and thereby reducing redundancy). But the only alternative account with any significant traction is one based on moral rights. On that argument, the right to control derivative uses flows from the author’s interests in the integrity of her work. This is, as one of us has recognized, a problematic justification even for the derivative right, not least because moral rights arguments focus on authors, while the derivative right is alienable and therefore may well be held by someone other than the author. Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989, 1031–34 (1997). And the moral rights argument would be particularly unpersuasive in the trademark context, since moral rights are thought to derive from the intimate connection an author has with her work. The “authors” of trademarks, which generally are corporate entities, have no human dignity at stake when others use their marks. We discuss this moral claim in more detail *infra* notes 180–192 and accompanying text.

168. Lemley, *supra* note 167, at 993–97.

169. See Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1200–01 (1948) (disapproving of cases in which “admiration for innovation obscure[s] the soundness of rules designed to foster free and easy competition” and arguing that “the only interests in trade symbols worth protecting are those against loss of sales or loss of reputation”); Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language In the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 399 (1990) (“[T]here is little need to create economic incentives to encourage businesses to develop a vocabulary with which to conduct commerce.”). This isn’t to say that there aren’t any reasons to want new trademarks—at the very least, trademarks might create a placebo effect that enhances the effectiveness of certain products. But the question is not whether we want new trademarks; it’s whether we need protection to incentivize their creation.

with plenty of new marks in an afternoon's work.¹⁷⁰ While that may overstate the case—there is work that goes into proper branding—the effort expended is hardly of the same order of magnitude as the creation of a new movie, much less a new drug. Moreover, if we did think the incentive-to-create theory motivated trademark law, we would probably design that law rather differently, giving much more weight to creation and relatively less to use as a central feature. And we would surely not allow firms to claim ownership rights in terms they didn't invent, but borrowed from others, like Federated or American or United or National.¹⁷¹

c. Incentives to Invest in Quality or Market Entry

To be sure, there is an incentive-based argument that is typically offered in support of trademark law generally. Courts and commentators both frequently suggest that trademark rights allow a producer to invest in the quality of its goods or services, as “a firm with a valuable trademark would be reluctant to lower the quality of its brand because it would suffer a capital loss on its investment in the trademark.”¹⁷² Hence, “legal protection of trademarks encourages the production of higher-quality products.”¹⁷³ On this account, trademark rights don't themselves create the incentives. Market competition provides plenty of incentive to brand and distinguish one's

170. *Ambrosia Chocolate Co. v. Ambrosia Cake Bakery*, 165 F.2d 693, 697 (4th Cir. 1947) (“[A] man of ordinary intelligence could easily devise a score of valid trade-marks in a short period of time.”).

171. This might mean granting trademark rights to the marketing firms that thought up the brand names, rather than to the companies that used them. Even more certainly, we would not endow companies with ownership of marks created by the public, as many courts have. *See Nat'l Cable Television Ass'n v. Am. Cinema Editors, Inc.*, 937 F.2d 1572, 1577–78 (Fed. Cir. 1991) (“Moreover, even without use directly by the claimant of the rights, the courts and the Board generally have recognized that abbreviations and nicknames of trademarks or names used *only* by the public give rise to protectable rights in the owners of the trade name or mark which the public modified. Such public use by others inures to the claimant's benefit and, where this occurs, public use can reasonably be deemed use ‘by’ that party in the sense of a use on its behalf.”) (footnote omitted); *see also Johnny Blastoff, Inc. v. L.A. Rams Football Co.*, 188 F.3d 427, 434 (7th Cir. 1999) (quoting *Nat'l Cable Television*, 937 F.2d at 1577); *Volkswagenwerk AG v. Hoffman*, 489 F. Supp. 678, 681 (D.S.C. 1980) (recognizing VW's rights in “Bug” based on public usage of the nickname without VW's protest); *Coca-Cola Co. v. Busch*, 44 F. Supp. 405, 407 (E.D. Pa. 1942) (finding the public use of “Coke” to refer to Coca-Cola's soft drink sufficient to create rights for Coca-Cola in that term); *Am. Stock Exch., Inc. v. Am. Express Co.*, 207 U.S.P.Q. 356, 362–64 (T.T.A.B. 1980) (attributing to American Express rights in “AMEX” based on public use of that designation to denote American Express); *Norac Co. v. Occidental Petroleum Corp.*, 197 U.S.P.Q. 306, 315 (T.T.A.B. 1977) (earlier use of “OXY” by public determined priority); *Pieper v. Playboy Enters.*, 179 U.S.P.Q. 318, 320 (T.T.A.B. 1973) (recognizing Playboy's rights in “Bunny Club”).

172. Landes & Posner, *Trademark Law: An Economic Perspective*, *supra* note 15, at 270.

173. LANDES & POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW*, *supra* note 15, at 179; Ariel Katz, *Beyond Search Costs: The Linguistic and Trust Functions of Trademarks*, 2010 B.Y.U. L. REV. (forthcoming). It would be more accurate to state that protection of trademarks encourages production of products with consistent quality, rather than high quality. While it is true that trademark protection allows a mark owner the opportunity to reap the benefits of investments in quality—since consumers will know who to credit for that quality—how much any particular mark owner actually invests in quality depends on the position of the relevant goods or services in the market. There are plenty of well-known trademarks that are used with consistently low-quality products.

goods. Trademark law merely preserves business incentives by making sure the party in control of the quality of the goods gets appropriate credit or blame for that quality. This is a critical distinction between trademarks and the rest of IP law. Patents and copyrights are government efforts to interfere with the operation of the market, skewing production away from what would happen in a competitive economy in hopes of enhancing social welfare. Trademark law, by contrast, is not designed to create above-market incentives, but to ensure that the competitive market functions well.

Further, this traditional incentive-based argument for trademark law is not an argument for granting rights for the purpose of preventing market preemption, nor is it an argument particularly focused on ancillary markets. Indeed, the argument makes much more sense in the context of competing, or at least closely related, goods. If a company is not producing goods in a market or actively considering entering that market, it has no reputation to protect in that market, and there are no goods whose quality might be influenced. And the derivative works rationale surely doesn't justify an anti-free-riding impulse. The fact that an unrelated company in an unrelated market benefits from using the same mark as me doesn't reduce my incentive to make high-quality products in any way.

Incentive-based arguments for trademark protection must therefore focus on any possible feedback that the sale of unrelated products bearing the same mark might have on consumers' perceptions of the trademark owner's core product, and hence on its incentives to maintain the quality of that product. We agree it would be a problem if trademark law were structured in a way that had negative effects on these incentives. But we think it is important to think carefully about the scope of trademark protection that is necessary to preserve these incentives. First, the available empirical evidence suggests that consumers are very unlikely to alter their perceptions of the quality of a core brand based on negative information about noncompetitive goods offered under the same mark.¹⁷⁴ And if the image of the core product is intact, the trademark has served its quality-protection function.

Even in the few cases in which the poor quality of an unrelated good might affect consumers' views of a brand, mark owners should have sufficient reason to invest in quality under a trademark system that affords a claim against uses that imply control over quality. The quality of any product that is sufficiently remote, such that use of the same mark causes no confusion about who is responsible for the quality of the product, won't be attributed to the mark owner. Hence, the mark owner has no reputation for quality at stake.

We can imagine a few cases in which the prospect of being able to control ancillary markets could affect the quality of a mark owner's goods in its core market even though consumers don't penalize the mark owner for the quality of the goods in those ancillary markets. But for this story to hold, we would have to believe that a trademark owner planned to expand into separate markets hoping for additional returns from doing so, and that the mark

174. McKenna, *supra* note 7, at 115.

owner wouldn't invest enough in product quality in its core market unless we give it those returns. We are skeptical that this often happens in practice outside of specialized contexts like Disney, which produces movies with one eye on the marketing tie-ins they will create. But even if it does happen, it doesn't follow that trademark law should encourage it. Trademark law is designed to ensure that consumers can draw the right connection between the product and its maker, so that they understand the quality of the products they are buying. Allowing a trademark owner to capture spillovers in other markets distorts that relationship. Companies who try to build up a core brand in hopes of parlaying it into sales elsewhere are actually *overinvesting* in product quality in the core brand, hoping to use that investment to capture rents in a different market. It is as though we took one and only one area of the economy—say, carpentry—and gave out lottery tickets to carpenters. More people would become carpenters (and fewer people would go into other professions of equal worth) because they were offered an additional, government-provided bonus found nowhere else.

Nor do we think broader trademark rights are necessary to preserve incentives to enter new markets, even assuming we want to encourage such entry. The current trademark infringement paradigm grants mark owners claims against any uses likely to confuse consumers about who is responsible for the quality of the goods at issue, and mark owners therefore have sufficiently robust protection to prevent against wasted investments preparing to enter closely related markets. We can, however, imagine circumstances in which a mark owner should not have to take the chance. The risk here would materialize only in cases in which a mark owner is actively preparing to enter a new market under its existing brand, but that new market is sufficiently remote from the brand owner's core market that consumers are not likely to believe the brand owner is currently responsible for the quality of any third party's goods.

The most likely set of cases are those in which the preparation is publicly known and is of sufficient importance to attract attention from those who seek to divert consumer attention. For example, sports teams that change cities or names, or build new stadiums, may invite such rent seeking.¹⁷⁵ And large companies that plan to expand abroad often find their marks in the hands of so-called "trademark pirates." In those cases, the brand owner stands to risk its investments preparing to enter the new market if another party can enter the market and establish priority there.

This is, in our view, the best justification for an intent-based registration option.¹⁷⁶ And we think the intent-to-use system is the best way to deal with these circumstances. In fact, we think a mark owner should not be able to simply assert a trademark infringement claim against a junior user in these

175. See *Md. Stadium Auth. v. Becker*, 806 F. Supp. 1236 (D. Md. 1992) (deciding a case in which the owner of the new stadium of the Baltimore Orioles, Camden Yards, brought a trademark infringement action against a vendor that used the "Camden Yards" mark on t-shirts and clothing items).

176. See 15 U.S.C. § 1051(b) (2006) (permitting applications to register on the basis of a "bona fide intention" to use a trademark in commerce).

contexts and try to prove its preparations to enter the market. Instead, a mark owner that wants protection of its investment should have to file the intent-based application to signal a real investment in entering the new market.¹⁷⁷ But if a party does file an ITU application, the law should treat that party as senior to any other party that subsequently makes actual use, even though the applicant was actually the later entrant into the market.¹⁷⁸ And indeed courts generally find a way to achieve that result, though sometimes through the problematic rhetoric of free riding.¹⁷⁹

d. *Incentives to Invest in the Brand*

An alternative incentive-based argument might focus on a mark owner's incentive to invest in the brand itself—particularly in the brand's personality or “atmospherics.” This is a more controversial argument because it isn't clear we want to encourage greater investment in brands themselves. Several scholars have suggested such investments can be wasteful, as they may encourage “irrational” brand loyalty and create barriers to entry.¹⁸⁰ But even assuming for the sake of argument that we do want mark owners to invest at least to some degree in their brands above and beyond their investment in the goods they represent, we think the value the mark owners can realize in their core markets gives them ample incentive to do so. Marketing research suggests that most consumers categorize marks in terms of their product categories and that brand personalities distinguish brands within their markets. And while it's true that some aspects of a brand image play a role in determining the likelihood a particular extension will be accepted by consumers, the payoff from investments in the brand should generate sufficient returns in a mark owner's primary market to make such investments worth-

177. See *Aycock Eng'g, Inc. v. Airflite, Inc.*, 560 F.3d 1350, 1360 (Fed. Cir. 2009) (declining trademark protection based on mere potential to create a competing product); *RealNetworks, Inc. v. QSA ToolWorks, LLC*, No. C07-1959MJP, 2009 WL 2512407, at *4 (W.D. Wash. Aug. 14, 2009) (“A party may not allege trademark protection or confusion based on its *potential* to develop a competing product.”).

178. We think a similar efficiency-based argument can be made regarding the registration system more generally, particularly the nationwide priority feature. To begin with, many geographic expansions don't need a market preemption or free-riding justification because consumers are likely to believe that the Crate and Barrel store opening in their town is run or controlled by the national Crate and Barrel chain. But even when consumers in the new geographic market might not be familiar with the mark owner, registration enables that mark owner to make the necessary investments to expand without worrying those investments will be lost. But here, too, we think parties that want to claim priority beyond their actual use should have to actually file for a registration as a signal of real investment. And we think the *Dawn Donut* rule plays an important role in limiting the extent to which such registrations actually preempt remote geographic uses. See *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959) (refusing to enjoin geographically remote use absent likely consumer confusion even when the plaintiff had a federal registration).

179. Cf. *Md. Stadium*, 806 F.Supp. at 1241 (finding liability despite the fact that the plaintiff wasn't in the market because of worries about free riding).

180. See Brown, *supra* note 169, at 1181–83; Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367 (1999); cf. Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020 (2005) (noting the controversy over whether advertising expenditures create irrational brand loyalty).

while. Moreover, a trademark infringement standard that focuses on responsibility for quality will generate rights broader than just directly competitive uses.

Having said this, we concede it's possible that refusing to protect a mark against some uses outside the control-over-quality range we have advocated will somewhat reduce the incentive to invest in this brand "personality." But we think that whatever incentive is created by this incremental difference in scope is small, particularly since third-party uses in ancillary markets can also benefit mark owners by making their marks more familiar and therefore more likeable. Such a small incentive effect clearly doesn't warrant the costs of expanding trademark protection. As we explained in our prior work, those costs are substantial: claims to own rights in noncompeting goods are harder to evaluate, interfere with free speech and social dialogue, and may actually make consumers more rather than less confused.¹⁸¹ And it is no accident that those costs are at their greatest precisely in the cases in which the incentive story is at its weakest.

3. Accession and Default Ownership

Some argue that defendants should be prevented from using a mark because, even if the producer is not harmed by that use, *someone* must own the right to use the mark in ancillary markets, and the trademark owner has a better claim than anyone else. This argument finds its origin in property theory and is primarily concerned with the disposition and use of real property. Tom Merrill has argued that the real-property principle of accession justifies assigning certain intellectual assets to someone, and that the logical owner is the one "most prominently connected" to the asset—the person who can make the highest and best use of the property.¹⁸²

One of us has elsewhere criticized the effort to fit IP into the rubric of property, pointing out that doing so often ends up warping IP rules because the nature of intangible property is so different than the nature of real and chattel property around which property doctrines were built.¹⁸³ The idea of accession seems to us a perfect case in point. The principle of accession is a way of allocating rights in new property—land that has been deposited on a

181. See Lemley & McKenna, *supra* note 8, at 439–45.

182. Thomas W. Merrill, *Accession and Original Ownership*, 1 J. LEGAL ANALYSIS 459 (2009). To be clear, Merrill argues from the principle of accession, which he regards as a general principle of property allocation. This is not to be confused with the doctrine of accession, which is only one doctrine among many Merrill identifies as flowing from the principle of accession. See *id.* at 465–66. In addition to the doctrine of accession (which deals with mistaken improvers of personal property), Merrill identifies the doctrine of increase (which awards offspring to the owner of the mother), the doctrine of accretion (which provides a riparian landowner whose land is gradually augmented by alluvial formations ownership of the new land), and even the *ad coelum* doctrine (which declares that the owner of surface land owns from the depths to the sky) as examples of the principle of accession. See *id.* at 7–12.

183. Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031 (2005); see also Richard A. Posner, *Misappropriation: A Dirge*, 40 HOUS. L. REV. 621, 623 (2003) ("The only point I want to emphasize is that the *free riding* that creates a need for IP law is economically distinct from that involved in the theft of tangibles.") (emphasis added).

river bank, for instance, or fixtures and other improvements that have been attached to land by someone other than the owner of that land.¹⁸⁴ The underlying presumption—as it seems to be with real property in general—is that someone must own the new asset, and the owner of some existing, nearby asset—the owner of existing land to which the new land is attached, for example—seems the most natural choice, particularly since divided ownership of attached things creates its own set of problems.¹⁸⁵

Whether or not the presumption that all property must be owned makes sense for land or other tangible property—and there are some important reasons to question it¹⁸⁶—it certainly doesn't make sense for IP.¹⁸⁷ Patent and copyright law not only permit but affirmatively *demand* that the residuum of ideas and creations remains unowned, free for all to use. This public domain does not lead to a “tragedy of the commons,” as some have argued an analogous commons would in the physical world,¹⁸⁸ for the simple reason that consumption of ideas is non-rivalrous.¹⁸⁹ And while it's true that the value of that new asset may be partly rivalrous,¹⁹⁰ the rivalry of value generally does not warrant assigning exclusive control. There is substantial, and rivalrous, value in an exclusive right to operate in any market, but we ordinarily prefer that value be shared by competitors, who create consumer welfare through their competition. In a market economy it is not reasonable to simply as-

184. See, e.g., 2 WILLIAM BLACKSTONE, COMMENTARIES *404–05; Earl C. Arnold, *The Law of Accession of Personal Property*, 22 COLUM. L. REV. 103, 118 (1922).

185. See, e.g., MICHAEL HELLER, *THE GRIDLOCK ECONOMY* (2008); Michael A. Heller, *The Tragedy of the Anticommons: Property in the Transition from Marx to Markets*, 111 HARV. L. REV. 621, 623–24 (1998).

186. For critiques of the claim that real property must be owned, see, for example, ELINOR OSTROM, *GOVERNING THE COMMONS: THE EVOLUTION OF INSTITUTIONS FOR COLLECTIVE ACTION* (1990); Brett M. Frischmann, *An Economic Theory of Infrastructure and Commons Management*, 89 MINN. L. REV. 917 (2005); and Carol Rose, *The Comedy of the Commons: Custom, Commerce, and Inherently Public Property*, 53 U. CHI. L. REV. 711, 720–21 (1986).

187. For critiques of this assumption, see Dogan & Lemley, *supra* note 41, at 478–81 (critiquing unjust enrichment justification for merchandising rights in the trademark context); Lemley, *supra* note 116, at 144–47; and Diane Leenheer Zimmerman, *Fitting Publicity Rights into Intellectual Property and Free Speech Theory: Sam, You Made the Pants Too Long!*, 10 DEPAUL-LCA J. ART & ENT. L. 283, 307–08 (2000).

188. E.g., Garrett Hardin, *The Tragedy of the Commons*, 162 SCI. 1243, 1244–45 (1968).

189. This may well be why, notwithstanding the ancient pedigree of many of the doctrines on which Merrill focuses, and grounding of the principle of accession in the writings of early English writers like Hume and Blackstone, early IP law, and particularly early trademark law, recognized nothing like a principle of accession. Derivative rights were not recognized by copyright law, and the right of reproduction was interpreted much more narrowly than it is now. And this was not because authors didn't recognize the potential value of broader rights—copyright did not extend to translations, for example, even though translations were widely used and clearly contemplated by authors and the creators of the copyright system. And trademark rights also were traditionally much narrower, explicitly limited to directly competing uses. See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007).

190. May, but not must. We can think of plenty of examples in which simultaneous use of an intangible asset by multiple parties increases, rather than decreases, its value. Facebook, for instance.

sume that someone must own the right to compete in particular ways.¹⁹¹ As one of us has noted:

It is true that if we gave only one person control over a particular [trade-mark], that person would restrict the [use of that trademark], raise its price, and make more money than providers do in a competitive market. But society as a whole would be worse off, since buyers who could afford to pay more than what it costs to provide the information still would not receive it.¹⁹²

In other words, exclusive rightsholders prevent dissipation of the value of exclusivity by acting like monopolists, complete with the requisite supra-competitive prices. “But that supracompetitive return is not found money; it comes directly out of consumer surplus. And basic economics teaches us that what the owner gains from exclusive control is less than what consumers lose.”¹⁹³ Absent some offsetting consideration—like material consumer confusion—there is no reason to accept this outcome.

If we really believed the principle of accession ought to be applied to trademarks—that someone must own them, and that ownership should entail control of use in ancillary markets—there is no reason to stop with existing marks that have already acquired goodwill. We could parcel out ownership rights to every word in the English language to different claimants, by lottery or auction, and record those words in a registry so everyone would know with whom they needed to deal to use the words. The fact that we don’t—that the whole idea seems ludicrous—is pretty good evidence that words are not like land when it comes to ownership.

Moreover, even if we were to accept that someone must own the right to use a trademark in a particular ancillary market, it’s not clear why we would give ownership of the term (“Exxon” as applied to gloves, for example) to the first user of that mark in a different market (Exxon Oil company) rather than the first user in the new market (the company that had first used the term for gloves). Indeed, trademark law has always assumed the opposite: trademark rights are awarded on the basis of first use of a mark in a particular geographic and product market.¹⁹⁴

191. As Ralph Brown put it, “Competition is copying.” Ralph S. Brown, *The Joys of Copyright*, 30 J. COPYRIGHT SOC’Y 477, 481 (1983); see also Robert C. Denicola, *Freedom to Copy*, 108 YALE L.J. 1661, 1661 (1999) (“[L]aws that restrain copying . . . restrain competition.”). See generally Peter Jaffery, *Merchandising and the Law of Trade Marks*, 3 INTELL. PROP. Q. 240 (1998) (noting that trademark law does not support a general merchandising right).

192. Lemley, *supra* note 116, at 144.

193. *Id.* at 145.

194. See Lanham Act of 1946 § 32, 15 U.S.C. § 1114 (2006) (prohibiting “reproduction, counterfeit, copy, or colorable imitation of a registered mark”); MCCARTHY, *supra* note 76, § 2:9, at 2-16 to -18. The first-use rule has historical pedigree. See *Am. Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 287 (6th Cir. 1900) (“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.”) (quoting *George v. Smith*, 52 F. 830, 832 (C.C.N.Y. 1892)).

Accession, as Merrill acknowledges, is an alternative to first possession, and the case for preferring it over first possession depends on a determination that the party to whom the asset is assigned is the most prominently connected to the asset.¹⁹⁵ Prominent connection, if it can be reliably determined,¹⁹⁶ is important to Merrill both because it serves as a proxy for being a competent manager of the asset and because it appears to lower the cost of determining who owns the asset so that coordination can take place.¹⁹⁷ But information costs are not really at stake here, because as trademark law has long recognized, first use of a mark in a particular market is generally a sufficiently clear indication of ownership. And the only cases in which we may have reason to believe the senior user is a more competent manager of a mark are those in which the junior use is for relatively closely related products where the quality signal conveyed by a mark might be meaningful. Yet those are precisely the cases in which our approach to infringement—focusing on responsibility for quality—would already extend protection. Outside of those cases there is no reason to suspect that the senior user is a better, more competent manager of the asset. Indeed, we might well assume the opposite: by getting to a new market first, a junior user might be thought to have demonstrated superior foresight or greater ability to exploit that new market.

Nor is there any reason to fear costly races in the trademark context. Development of trademark rights in a new market entails relatively little investment because the amount of use necessary to trigger trademark rights is small. And while there are costs in developing new branding, those costs by definition are reduced if the mark has already been created.

In the end, the persuasiveness of accession depends on whether we think there is any harm to the “overuse” of a mark in an unrelated market in a way that does not confuse consumers about the source or quality of the goods being sold. As we have seen, the evidence of such harm simply isn’t there. The only “injury” the trademark owner can be said to suffer is a possibly reduced ability to use the same mark in an entirely different market. But that is an injury only if we define the scope of the trademark owner’s legal entitlement to include control over those markets. The idea of accession doesn’t help here, because it assumes the conclusion—that someone must own the right to use a term across all markets.

195. Merrill, *supra* note 182, at 482–88.

196. This is a big “if.” Merrill does not identify a principle by which this decision is to be made; rather, he more or less simply asserts that “[a]ccession . . . awards ownership based on status—the status of owning something prominently connected to the disputed object” *Id.* at 481. But what is connected to what? Merrill argues that certain solutions have a “natural” prominence and that ownership runs from ownership of “big” things to “small” things. Merrill, *supra* note 182, at 25–26. But in the trademark context, it isn’t obvious that use in one market is “bigger” or more valuable than the use in another market.

197. *Id.* at 482–93.

4. Natural Rights and the Property Instinct

Another possible argument for such broad rights is that trademark owners have some natural right not just to use their mark to brand their goods, but to prevent others from similarly branding unrelated goods, or even from selling goods that draw their market in part from the allure of something the plaintiff has created. The instinct here is one Rochelle Dreyfuss has derided as “if value, then right”¹⁹⁸: there is value to the use of a mark on unrelated goods, and so the trademark owner deserves that value. This type of argument increasingly shows up in scholarly commentary about trademarks.¹⁹⁹ The natural rights argument is striking because trademark law in the nineteenth and early twentieth century was frequently justified in natural rights terms—and courts that relied on natural rights principles created significantly *narrower* rights than modern trademark law recognizes.²⁰⁰ Specifically, courts relying on a natural rights theory of trademark rights strictly limited trademark rights to markets in which the mark owner actively competed. They did so because, while they aimed to protect the fruits of a producer’s honest labor by preventing competitors from stealing its trade,²⁰¹ they also felt compelled to avoid interfering with the rights of others to develop their own trade.²⁰² Courts distinguished between legitimate and illegitimate diversions of the mark owner’s trade by focusing on deception. Indeed, this distinction is critical to understanding why trademark infringement was grouped with other forms of unfair competition: competition was an essential element of the claim, and courts gave content to the “unfair” component by distinguishing between honest and dishonest actions. Use in

198. Dreyfuss, *supra* note 169, at 405; see also Felix Cohen, *Transcendental Nonsense and the Functional Approach*, 35 COLUM. L. REV. 809, 815 (1935) (noting the circularity inherent in this argument).

199. See, e.g., David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117, 140–42 (2004); Swann & Davis, *supra* note 89, at 276–77; Corina I. Cacovean, Note, *Is Free Riding Aided by Parody to Sneak Between the Cracks of the Trademark Dilution Revision Act?*, 31 HASTINGS COMM. & ENT. L.J. 441, 458–59 (2009).

200. For a detailed description of that natural rights theory and its application to traditional trademark law, see McKenna, *supra* note 189, at 1873–95.

201. See, e.g., *Lawrence Mfg. Co. v. Tenn. Mfg. Co.*, 138 U.S. 537, 546 (1891) (describing 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,” which is infringed when it is “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”); *Wolfe v. Barnett*, 24 La. Ann. 97, 99 (1872) (noting that the leading principle of the law is 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 hands 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 those of the other” (quoting FRANCIS H. UPTON, A TREATISE ON THE LAW OF TRADE MARKS, WITH A DIGEST AND REVIEW OF THE ENGLISH AND AMERICAN AUTHORITIES 97 (1860))).

202. See, e.g., *Avery & Sons v. Meikle & Co.*, 81 Ky. 73, 102 (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 injure the property of another”).

different markets wasn't dishonest because consumers could not be tricked by those uses into buying one product believing it to be another.²⁰³

Modern natural rights arguments seek something much different—broad ownership of a mark independent of any particular market on the theory the senior user owns any value attributable to the mark. And here the argument is not simply disconnected from history; it loses its conceptual coherence. Natural rights theories—at least those that don't depend directly on the will of a god—grant property rights on the basis of productive use of an asset, and courts operating in the natural rights tradition viewed customer patronage as the relevant asset in which a producer had a property interest. Trademark rights therefore existed solely for the purpose of preventing competitors from luring away a producer's customers by misrepresenting themselves as the mark owner. Whatever one's view of the natural rights theory generally, customer patronage is much more obviously the result of a mark owner's productive labor than is a trademark itself, and uses of the mark by direct competitors to divert customers who otherwise would have gone to the mark owner are much more clearly interfering with that productive labor. The value modern natural rights arguments seek to protect is a much broader brand value, and substantially less of that value is clearly attributable to the mark owner. Indeed, in many of the cases in which this argument would have significance, the uses at issue draw on the mark's value as a social referent—value created largely by the public.²⁰⁴

If we did think that the use of a word—or control over a market—in fact belonged as a matter of right to the person who created its value, it is not obvious to us that the rightful owner would be the company that first used the mark in an unrelated context rather than the first user of that mark in the new market. (Remember that natural rights are here being used to justify ownership of the mark for unrelated goods, not simply for goods on which the first user has actually used the mark.) In other IP contexts, advocates of a natural rights theory offer it in order to justify conferring rights on authors or inventors, not on record companies or semiconductor manufacturers.²⁰⁵ The fact that trademark law expressly protects companies, not individuals, also makes a natural rights theory seem out of place, at least to the extent that theory arises from claims of desert based on individual dignity.

Finally, if we did accept a natural rights theory of trademark law, trademark doctrine would look radically different than it does today. Trademark law has long countenanced simultaneous use of the same or similar marks in

203. And it's not as if courts never considered the question of whether trademark rights should extend to noncompeting goods. Even in those different commercial times, mark owners sought protection of their marks outside their own markets, only to be consistently turned away by courts. *See, e.g., Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510, 514 (7th Cir. 1912).

204. *Cf. Deborah R. Gerhardt, Consumer Investment in Trademarks*, 88 N.C. L. REV. 427, 449–67 (2010) (noting the important role consumers play in determining which brands succeed in a world in which eight out of ten brands fail).

205. *See, e.g., Roberta Rosenthal Kwall, Copyright and the Moral Right: Is an American Marriage Possible?*, 38 VAND. L. REV. 1 (1985).

different product and geographic markets. But if the adoption of a mark were to confer on its adopter a natural right to control the word in other markets, that coexistence would become problematic. Every mark would have to be unique, or at least so insulated from any other that the users wouldn't share consumers. A natural rights approach would similarly sweep away the likelihood of consumer confusion test that lies at the heart of trademark law, since a defendant would run afoul of the first user's rights whether or not consumers were confused. After all, natural rights are being used here precisely to justify ownership of a mark in circumstances in which consumers are not materially confused by a use. The hierarchy of mark protection would probably have to go as well: if I have a natural right to my mark once I create it, it is not clear why it should matter what market I use it in, and whether it is descriptive, suggestive, or arbitrary in that market. On the other hand, if creation is the act that imbues a mark with its natural rights, perhaps trademark law should protect only fanciful marks, as those are the only marks that are really created. Either way, the protectability spectrum doesn't seem to mesh with a natural rights approach. Nor do defenses such as functionality, abandonment, nominative use, and certainly not genericide.²⁰⁶ If I own the mark, politicians, newspapers, and parodists should have just as much obligation to refrain from using it as companies who sell products in different markets under that mark. After all, they are profiting from the use of the mark, generally far more directly than is a company in a different market that happened to adopt the same name. So, too, are gas stations and stores that deliberately locate across the street from their branded competitors,²⁰⁷ and for that matter ordinary consumers who use a brand as shorthand in conversation.²⁰⁸

The problem is that an *a priori* decision to define the scope of a legal entitlement can easily be an arbitrary one unless it is tied to some sort of social welfare calculus. We could have given the inventor of the steamboat (whom-ever that turned out to be)²⁰⁹ a potentially perpetual legal right to prevent the making of steamboats that worked the same way, or a legal right to prevent

206. See 15 U.S.C. § 1064(3) (requiring cancellation of marks for abandonment, functionality, and genericide); *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 218–21 (3d Cir. 2005) (establishing the nominative use defense in that circuit).

207. This seems to be a universal practice, not just one engaged in by discounters. See Deven Desai, *Why Do Competitors Set Up Shop Near Each Other?*, MADISONIAN.NET, Dec. 21, 2009, <http://madisonian.net/2009/12/21/why-do-competitors-set-up-shop-near-each-other/>; see also Eric Goldman, *Brand Spillovers*, 22 HARV. J.L. & TECH. 381, 384–97 (2009) (describing retailers' ubiquitous practice of capitalizing on brand spillovers yet avoiding trademark liability).

208. While one of us has argued that trademark law should apply only to defendants who use the mark as a brand, Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669 (2007), a category that would exclude ordinary consumers, that argument has not carried the day, see, e.g., *Rescuecom v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009) (finding that a search engine engaged in "trademark use" by permitting companies to run ads opposite search results).

209. For a brief history of the competing claims to steamboat patents, see, for example, Dotan Oliar, *The (Constitutional) Convention on IP: A New Reading*, 57 UCLA L. REV. 421, 449–50 (2009); and Frank D. Prager, *The Steamboat Pioneers Before the Founding Fathers*, 37 J. PAT. OFF. SOC'Y 486 (1955).

the making of any steamboats, or a legal right to prevent the making of any transportation devices that relied on steam power, or a legal right to prevent the making of any transportation devices that relied on any machine for power.²¹⁰ Similarly, we could decide *a priori* that trademarks confer only rights to prevent competing uses, or rights to prevent competing and analogous uses, or rights to prevent all commercial uses, or rights to prevent all uses of any type, including use of the word in conversation. Saying “someone must (or deserves to) own this,” even if true, doesn’t help answer the question of who should own it and what the scope of their ownership right should be. Those questions can be answered only by resort to social welfare. Absent a reason to believe the world would be a better place if we created a new property right, the fact that it *is* a property right is no reason to do so. And the only plausible reason that has been offered to protect trademarks is to protect consumer perceptions and prevent mistaken purchasing decisions.

In short, it is hard to credit some sort of pre-existing natural entitlement to a trademark. And even if we did credit it, it wouldn’t justify trademark law in anything like its current form.

How, then, to explain the seemingly universal instinct that free riding is bad and must be stopped? We begin by questioning the universality of that instinct. People react to the sale of t-shirts bearing university logos as free riding, but seem to have no similar objection to Little League teams adopting the names of professional baseball clubs. People who think companies should be entitled to control uses of a common English word like “apple” in markets entirely removed from computers and phones see nothing wrong with a gas station deciding to locate across the street from a competitor. The instinct, in other words, seems to be contingent—dependent not on the economic facts of a use but on how accustomed we are to seeing it and how it can be characterized.

One might perhaps turn to sociobiology: it may be that we are hard-wired with some version of the Golden Rule, and that free riding—when painted as such—offends our sense of justice. But if so, our genes are serving us ill. For as we discuss in the next section, what might make sense in the world of rivalrous goods makes little sense when applied to non-rivalrous goods like ideas.

C. Spillovers

Our point is not merely that there is no evidence to justify extending trademark law beyond cases of consumer harm. An unjust enrichment approach—one that attempts to identify and weed out free riding—may

210. Cf. Yochai Benkler, *Some Economics of Wireless Communications*, 16 HARV. J.L. & TECH. 25, 25–27 (2002) (drawing an analogy to England in the 17th century, which could have defined a property right in “trading with India” and assigned that property right to a single company, a result that would certainly have been inefficient).

actually do affirmative economic harm. While law and economics theorists focused on real property have often spoken of a desire to internalize externalities, thereby allowing a producer to capture the full benefits of its product, students of the economics of innovation have increasingly come to recognize that in fact uncompensated positive externalities, or spillovers, serve a valuable social function. Far from interfering with incentives, empirical evidence suggests that these spillovers actually drive further innovation. Industries with significant spillovers generally experience more and faster innovation than industries with fewer spillovers.²¹¹ Dietmar Harhoff finds empirical evidence that firms in high-technology industries (the most innovation-intensive ones) are likely to increase rather than decrease their investment in research and development in the face of significant intra-industry spillovers.²¹²

The computer industry shows this dynamic at work. Both Annalee Saxenian and Ron Gilson have shown that spillovers drove innovation in that industry: Silicon Valley thrived while Boston's Route 128 withered in the 1980s and 1990s in significant part because employees and knowledge moved freely to new companies in Silicon Valley, but not in Boston.²¹³ And as Alan Hyde puts it, no shortage of innovation resulted:

In California, employees are normally free to change jobs without a lawsuit alleging . . . breach of a covenant not to compete There is no evidence of any social harm from this. In particular, there is no evidence that firms lack incentives to invest in the production of information.²¹⁴

More generally, Brett Frischmann and Mark Lemley have argued:

[T]here is no reason to think that complete internalization of externalities is necessary to optimize investment incentives; at some point, there are decreasing returns (in terms of improved incentives) to allowing property owners to capture more of the value from their inventions. Spillovers do not always interfere with incentives to invest; in some cases, spillovers actually drive further innovation. . . . [E]ven where internalizing externalities

211. See, e.g., Dietmar Harhoff, *R&D Spillovers, Technological Proximity, and Productivity Growth—Evidence from German Panel Data*, 52 SCHMALENBACH BUS. REV. 238, 258 (2000) (“High-technology firms react more sensitively to spillovers in terms of their R&D spending, and their direct marginal productivity gain from spillovers (in excess to the effect from enhanced R&D spending) is considerably larger than the respective gain for less technology-oriented firms.”). Indeed, the positive relationship is so strong that some economists use spillovers as a measure of innovation! See Tobias Schmidt, *An Empirical Analysis of the Effects of Patent and Secrecy on Knowledge Spillovers* 1 (Ctr. for Eur. Econ. Res., Discussion Paper No. 06-048, 2006), available at [ftp://ftp.zew.de/pub/zew-docs/dp/dp06048.pdf](http://ftp.zew.de/pub/zew-docs/dp/dp06048.pdf).

212. Harhoff, *supra* note 211, at 258.

213. See Ronald J. Gilson, *The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenants Not to Compete*, 74 N.Y.U. L. REV. 575, 577–78 (1999); AnnaLee Saxenian, *Inside-Out: Regional Networks and Industrial Adaptation in Silicon Valley and Route 128*, CITYSCAPE, May 1996, at 41, 44–45.

214. ALAN HYDE, *WORKING IN SILICON VALLEY: ECONOMIC AND LEGAL ANALYSIS OF A HIGH-VELOCITY MARKET* 43 (2003).

increases incentives to invest, the social costs of relying on property rights to do so still may exceed the benefits.²¹⁵

If consumers aren't hurt by the use of a mark on noncompeting goods or on products that relate to and draw strength from the mark owner's goods, there is little reason to worry even if defendants in these cases are free riding on the plaintiff's mark. And there may be good reason to celebrate that costless use. If the mark has value in the other market, and if another firm can get to that market first, there is consumer benefit to allowing that firm to get there, since the consumers aren't confused to their detriment by the new mark, and (by hypothesis) affirmatively value it. For instance, in our world the University of Southern California and the University of South Carolina, which have both been in existence for over 125 years, could continue to co-exist even though they both go by the monikers "SC" and "USC." There is no room for that coexistence in the anti-free-riding world: if consumers overlap, someone's use of a mark must surely be a detriment to someone else.²¹⁶ But this is simply a positive externality generated by the first mark owner, and there is no reason it should be stopped absent good evidence it somehow harms consumers or the mark owner.

A more concrete case of spillover benefits comes in cases in which defendants sell products built on a literary or movie character or a mark that owes its origin to the plaintiff. If consumers aren't confused about the source or quality of the goods and if the trademark owner doesn't need to control the market for these derivative products in order to induce it to invest in quality,²¹⁷ there is simply no harm to allowing "ambush marketing" by companies that manufacture goods designed to appeal to sports fans, or who write fan fiction featuring literary characters from the trademark owner's work, or who sell plush dolls featuring those characters. And there is substantial social benefit, not only to the seller but to consumers, who get a wider variety of mark-related goods, generally at a lower price and of higher quality than the mark owner alone would license,²¹⁸ and who get takes on the trademarked goods and characters that the trademark owner would never permit if given control. Trading on the goodwill of an established brand without confusing consumers in material ways can also serve as a way for a new product to enter a marketplace and therefore expand competition by

215. Brett M. Frischmann & Mark A. Lemley, *Spillovers*, 107 COLUM. L. REV. 257, 258 (2007); see also Frischmann, *supra* note 186, at 1018; Lemley, *supra* note 183, at 1032.

216. See *Univ. of S. C. v. Univ. of S. Cal.*, No. 2009-1064, slip op. (Fed. Cir. Jan. 19, 2010) (rejecting South Carolina's attempt to register the SC mark on the grounds that it was too similar to the Southern California mark, despite absence of evidence of consumer confusion).

217. See *supra* notes 144–163 and accompanying text (making the argument that this is extremely unlikely).

218. Indeed, as sports leagues have tightened up on merchandise licensing, restricting the number of authorized producers of merchandise, see *Am. Needle, Inc. v. Nat'l Football League*, 538 F.3d 736 (7th Cir. 2008), *rev'd*, 130 S. Ct. 2201 (2010), they have also acted to raise prices across the board by terminating discounters, see, e.g., Ken Belson, *The N.F.L. is Squeezing Discounters Over Apparel*, N.Y. TIMES, Jan. 20, 2010, at B11.

giving consumers information about the new product.²¹⁹ In fact, there is good evidence that consumers benefit when they can use familiar packaging features to generalize product qualities.²²⁰ More generally, there are consumer benefits to autonomy—to being able to “make whatever associations she wants with the marks she encounters, even if those associations are not the ones the mark holder would prefer.”²²¹ Some think of these uses as harmful because they involve free riding. But we should think of them as positive spillovers—benefits conferred on defendants without corresponding harm to plaintiffs or consumers.

Wendy Gordon explained two decades ago that “[a] culture could not exist if all free riding were prohibited within it.”²²² Trademark law seems perfectly designed to prove her point. It is designed to facilitate a competitive marketplace by allowing consumers to know what they are buying, or at least from whom. But a trademark law that is distorted into a right to own markets—one that seeks out and tries to forbid all free riding on a mark—ends up interfering with rather than enabling competition.

V. TOWARD A “TRADEMARK INJURY” DOCTRINE

Arguments about market preemption that assume a trademark owner’s right to control use of a mark in remote markets, and free-riding arguments that take for granted that defendants should not make money using marks plaintiffs first adopted, carry substantial currency in court. Upon examination, though, those arguments are circular and lack empirical support. The simple solution, then, would be to reject the arguments outright.

In fact, however, the world may be more complicated. While the market preemption and free-riding instincts seem to be driving the results in a disproportionate number of the most troubling trademark cases, those cases are often nominally decided under doctrines that at least claim to find consumer harm, such as initial-interest confusion, post-sale confusion, and dilution.

219. Bradford, *supra* note 139, at 1286–96.

220. As we noted above, in the context of competitive products, research suggests that consumers are more likely to generalize product attributes from one brand to another when their packaging is more similar. “In other words, physical appearance of the brands had a measurable influence on perceptions of brand performance and quality.” Ellen R. Foxman et al., *An Investigation of Factors Contributing to Consumer Brand Confusion*, 24 J. CONSUMER AFFAIRS 170, 173–74 (1990); see also George Miaoulis & Nancy D’Amato, *Consumer Confusion and Trademark Infringement*, 42 J. MARKETING 48, 54 (1978) (finding that subjects in a field study often purchased the competitive brand because of product expectations “stimulated by the visual impact of the product”). Interestingly, according to Miaoulis and D’Amato, the primary cue for association between the two brands was not the name but the visual appearance. *Id.*

221. Laura A. Heymann, *The Public’s Domain in Trademark Law: A First Amendment Theory of the Consumer*, 43 GA. L. REV. 651, 656–57 (2009).

222. Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutory Impulse*, 78 VA. L. REV. 149, 167 (1992); see also Marina Lao, *Free Riding: An Overstated, and Unconvincing, Explanation for Resale Price Maintenance*, in *HOW THE CHICAGO SCHOOL OVERSHOT THE MARK: THE EFFECT OF CONSERVATIVE ECONOMIC ANALYSIS ON U.S. ANTITRUST* 196, 197 (Robert Pitofsky ed., 2009) (“[F]ree riding exists throughout the economy and the law generally does not ban it.”).

When claims of consumer injury are mixed with unexamined but attractive claims about producer injury or unjust enrichment, it has proven all too easy for courts to find a violation without seriously considering the claims of consumer injury.

We propose to solve this problem by creating a “trademark injury” doctrine. Just as courts in antitrust cases created an antitrust injury doctrine in the 1970s to try to weed out facially appealing but ultimately anticompetitive antitrust claims,²²³ courts should require trademark plaintiffs to show trademark injury as a condition of standing. The situations are quite parallel.²²⁴ Antitrust plaintiffs are supposed to be vindicating not just their own injuries, but the injuries of consumers more broadly, just as trademark plaintiffs are. And, as with antitrust plaintiffs, trademark plaintiffs sometimes complain of conduct that injures them personally but actually benefits competition overall.

The antitrust injury doctrine requires plaintiffs to show that they have suffered “injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants’ acts unlawful.”²²⁵ Something similar would be appropriate in trademark cases. Trademark owners should be permitted to bring trademark suits only if they can prove that their “injury” is in fact representative of injury to consumers rather than merely a benefit to someone else. In our view, this would mean that trademark plaintiffs should have to demonstrate (1) that their injury flows from confusion about the actual source of the defendant’s goods or about who is responsible for the quality of those goods, or (2) that the defendant’s use causes confusion about some other relationship that is material to consumer purchasing decisions. When consumers are confused about actual source or about responsibility for quality, the “injury” to mark owners, if there is one, is caused by conduct that harms the marketplace more generally. But other forms of confusion have, at best, ambiguous effects on competition. In order to assure that mark owners are allowed claims only when consumers are negatively impacted in their ability to make decisions, in these cases plaintiffs should bear the burden of demonstrating materiality. If mark owners can neither show confusion about source or responsibility for quality nor that the alleged confusion is material, then any “injury” the mark owner suffers is not a trademark injury.

In some of the cases lacking a trademark injury there will be other legal mechanisms through which perceived harms can be addressed. In the cases involving characters, for example, authors can rely on copyright law to remedy certain forms of free riding. But where copyright does not offer a

223. *Cargill, Inc. v. Monfort of Colo., Inc.*, 479 U.S. 104 (1986); *Assoc. Gen. Contractors v. Cal. State Council of Carpenters*, 459 U.S. 519, 540–45 (1983); *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 489 (1977).

224. Cf. Christopher Sprigman, *Copyright and the Rule of Reason*, 7 J. TELECOM. & HIGH TECH. L. 317 (2009) (proposing to limit copyright by drawing analogous doctrines from antitrust law).

225. *Brunswick*, 429 U.S. at 489.

remedy, trademark law should not step in. Copyright serves different values, and it is not trademark law's role to backstop copyright protection to ensure that the author captures all of the value of a work. Copyright leaves certain uses open for a reason.

A trademark injury doctrine is not a panacea. Courts determined to sneak market preemption and free-riding concerns into trademark cases could probably still do so. But requiring courts to assess the ways in which a defendant's conduct does or does not affect competition should give them a greater awareness of the need for plaintiffs to prove injury. It will require the parties and the courts to focus on exactly what is asserted to be wrong with the defendant's use. And if nothing else, it will make clearer the role of free-riding claims in deciding trademark cases.

CONCLUSION: INSTINCTS AND EVIDENCE

The anti-free-riding impulse is a deep-seated one, despite its quite recent importation into trademark law. Perhaps this results from applying our intuitions about land, or perhaps we have internalized the incentive stories of other, quite different IP regimes. Whatever the reason, the impulse has seeped sufficiently far into the public moral consciousness that the reader's instinct may well rebel at the idea that someone else should be able to use *my mark* to make money.

If we persuade you of nothing else, we hope at least to have convinced you that this instinctive reaction is worth examining. And once we do examine it, the free-riding instinct proves remarkably hard to support. Not history, nor economics, nor logic support giving the owner of a mark in one market the power to control all uses of that mark everywhere. And the consequences of trying to squelch all free riding will be substantial. Owning marks should not mean owning markets.

