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Trademark Law's Faux Federalism

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Federal and state trademark laws regulate concurrently. The Lanham Act¹ does not preempt state law, and in fact many states have legislatively and/or judicially developed trademark and unfair competition laws of their own.² This state of affairs, which is now well accepted even if it has not always been uncontroversial, distinguishes trademark from patent and copyright law, since federal patent and copyright statutes preempt state law much more broadly. The Patent Act preempts state law completely with respect to nonsecret inventions,³ and the Copyright Act of 1976 preempts state copyright law with respect to all works fixed in a tangible medium of expression.⁴

According to the common wisdom, concurrent trademark regulation is an artifact of the historical primacy of state law, which federal law supplemented but did not supplant entirely. John Cross, for example, argues characteristically that the Lanham Act “builds upon a foundation of state-law rights, leaving states generally free to regulate the field of trademarks.”⁵ This chapter evaluates that claim and its

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¹ 15 U.S.C. §§ 1051 *et seq.* (2006).

² See 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 22:2 (4th ed. 2012) (citing state law cases).

³ See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). In fact, it is patent law rather than trademark law that works the primary preemption of state unfair competition law. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compeco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

⁴ 17 U.S.C. § 301 (2006). As a result, for any work created after January 1, 1978, state copyright law can apply only to unfixed works. State law is also valid to the extent that the rights it provides are not “equivalent to any of the exclusive rights” provided by the Copyright Act, or when it does not provide rights in works of authorship that “come within the subject matter of copyright.” *Id.* § 301(b)(1), (3). On the difficulty of applying this preemption provision, see Joseph P. Bauer, *Addressing the Incoherency of the Preemption Provision of the Copyright Act of 1976*, 10 VAND. J. ENT. & TECH. L. 1, 3–4 (2007).

⁵ See, e.g., John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 IOWA L. REV. 101, 127 (1994); see also Richard A. De Sevo, *Antidilution*

implied premise that state law has always played an important role in trademark law. As the chapter demonstrates, the historical role of state law is not straightforward, and the accuracy of the claim of state law primacy depends in substantial part on one's understanding of the status of general law before the Supreme Court's decision in *Erie Railroad Co. v. Tompkins*.⁶

To illustrate, this chapter describes the history of trademark and unfair competition in three periods: (1) the pre-*Erie* era, in which trademark and unfair competition claims were understood as distinct species of the same general legal right, both of which were substantively determined by the common law; (2) the period after *Erie* and straddling passage of the Lanham Act, before courts had settled on an interpretation of the new statute under which claims for infringement of unregistered trademarks could be brought under § 43(a);⁷ and (3) the modern period, in which the Supreme Court and Congress have accepted and cemented that interpretation of the statute, bringing most unfair competition claims under federal statute. It argues that, although state law has played some role in each of these periods, its only significant substantive role has been to broaden the scope of rights beyond the federal statute in certain contexts in the modern period.

Nevertheless, the persistent sense that federal and state law regulate concurrently has masked a significant federalization of trademark and unfair competition law over the last forty to fifty years. That federalization deserves some scrutiny, particularly because it depended on a broad understanding of the commerce power that has been criticized heavily in some quarters. If broad federal trademark law ultimately can be justified, then we should question any continuing role for state trademark law.

I. HISTORY OF TRADEMARK AND UNFAIR COMPETITION LAW IN THREE PERIODS

Until sometime in the second half of the twentieth century, courts understood trademark and unfair competition claims as distinct legal claims that vindicated the same general right. Trademark infringement claims were available against parties who used a plaintiff's technical trademark to designate the source of their directly competing goods. Unfair competition claims, by contrast, were available against defendants who did not use the plaintiff's technical trademark, but whose actions

Laws: The Unresolved Dilemma of Preemption Under the Lanham Act, 84 TRADEMARK REP. 300, 303 (1994) ("More important, as other courts have held, and the Supreme Court has indicated, the holdings in the two early decisions [holding that the Lanham Act preempted all of state trademark law] were clearly wrong. It cannot seriously be contended that in the Lanham Act Congress intended to 'enter[] and pre-empt[] the field of trade mark law in its application to inter-state commerce' when, as Judge Kozinski has noted, in the same statute Congress 'explicitly contemplat[ed] the continued existence of state law protection.'") (citations omitted).

⁶ 304 U.S. 64 (1938).

⁷ 15 U.S.C. § 1125(a) (2006).

were nevertheless likely to have the same effect of deceiving consumers and diverting the plaintiff's trade. Thus, trademark infringement and unfair competition claims targeted the same ultimate harm of deceptive trade diversion; the means by which the defendant accomplished that end determined which of the claims was available in any particular case.

As this description suggests, trademark infringement and unfair competition claims were always tightly linked at the conceptual level. This is why trademark law has always been considered part of the broader law of unfair competition. But the relationship between those claims was also a function of the ultimate dependence of both on the common law. The following sections describe this historic relationship between trademark infringement and unfair competition more completely and trace their evolution over the course of the twentieth century, paying particular attention to the sources of law governing those claims.

A. The Pre-Erie Period

The common law of trademarks and unfair competition substantially predates adoption of any federal statutes.⁸ Prior to the first federal trademark statute in 1870,⁹ the only statutes governing use of a mark were highly trade-specific state statutes. Massachusetts, for example, specifically regulated the use of marks on sailcloth.¹⁰ A handful of states later passed more general trademark statutes,¹¹ but overwhelmingly unfair competition law in the nineteenth century was a common law field – narrowly, in the sense that the law was decisional rather than statutory, and in a broader substantive sense.

Unfair competition law retained that common law character even after Congress began regulating in the area, because early federal trademark statutes were quite limited in scope.¹² First, registration under pre-Lanham Act statutes was available only to “technical trademarks,” which were distinguished from mere “trade names” and other matter that did not indicate the source of a party's goods.¹³ Second,

⁸ See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1850–63 (2007).

⁹ Act of July 8, 1870, ch. 230, 16 Stat. 198.

¹⁰ See FRANK I. SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS* 130–32 (1925). Other states later adopted statutes dealing with trademarks in particular industries, as Kentucky did when it regulated the use of marks by distillers and union and labor associations. See Act of March 27, 1896 Ky. Acts 65 (codified at § 2572c, Kentucky Statutes 1915 (Carroll, ed.)); Act of March 9, 1894 Ky. Acts 68 (codified at §§ 4749–4755 Kentucky Statutes 1915 (Carroll, ed.)).

¹¹ See, e.g., An Act to Protect Manufacturers from the Use of Counterfeit Labels and Stamps, 1895 Mass. Acts 519.

¹² The Act of 1870 was actually fairly ambitious – it even purported to allow registration of trademarks based on intent to use. See § 77, ch. 230, 16 Stat. 198, at 210. But it had little actual effect, because the Supreme Court promptly struck it down in the *Trade-Mark Cases*, 100 U.S. 82, 99 (1879) (invalidating the trademark legislation of 1870 and the Act of Aug. 14, 1876, ch. 274, 19 Stat. 141, which imposed criminal sanctions against one who fraudulently used, sold, or counterfeited trademarks).

¹³ Arbitrary or fanciful terms as applied to particular products were considered technical trademarks, and they were protected in actions for trademark infringement. See RESTATEMENT (THIRD) OF UNFAIR

only trademarks used in interstate commerce were registrable.¹⁴ Together these two limitations excluded many identifying marks from federal registration, which was important because the federal causes of action that pre-Lanham Act statutes created were available only to owners of registered trademarks whose marks were used by others in interstate commerce.¹⁵ Thus, only the owners of technical trademarks who had taken the initiative to register their marks could bring federal claims. Those claims under federal statutes were denominated trademark infringement actions because by definition they involved the use of technical trademarks.¹⁶ Unfair competition claims, by contrast, were common law claims brought by those who did not own technical trademarks and therefore could not have received a federal registration or brought a federal claim.¹⁷ And precisely because registration was more limited at the time, much of the conduct that we now regard as actionable under federal statute was then the province of common law unfair competition.

Even when a party owned a federal registration, its rights were substantively determined by the common law because federal statutes did not create trademark rights – those rights arose at common law through use, and the federal statutes merely created mechanisms for registering trademarks used in interstate commerce and means for enforcing those rights through a federal cause of action. Indeed, every federal trademark statute passed since *The Trade-Mark Cases* has taken for granted that the trademark rights arise at, and are defined substantively by, the common law.¹⁸ Section 1 of the Trademark Act of 1905, for example, provided that

COMPETITION § 9 cmt. g (1995); see also 1 MCCARTHY, *supra* note 2, at § 4:4 (defining technical trademarks as marks that were “fanciful, arbitrary, distinctive, non-descriptive in any sense and not a personal name”). Trade names included surnames, geographic terms, and descriptive terms – what we would now refer to as non-inherently distinctive designations. 1 MCCARTHY, *supra* note 2, at § 4:5.

¹⁴ See Trademark Act of 1905, ch. 592, § 1, 33 Stat. 724 (“[T]he owner of a trade-mark used in commerce with foreign nations, or among the several States, or with Indian tribes . . . may obtain registration . . .”).

¹⁵ See Trademark Act of 1905 § 16 (creating cause of action for infringement of registered marks); see also *id.* § 17 (granting federal courts jurisdiction in cases involving use of a registered mark in interstate commerce). The requirement that the defendant’s use affect interstate commerce was, formerly, a real limitation. See *United States Printing & Lithograph Co. v. Griggs, Cooper & Co.*, 279 U.S. 156, 157, 158–59 (1929) (refusing plaintiff’s claim under the 1905 Act that the defendant infringed its registered “Home Brand” trademark, which the plaintiff used in “certain named States of the Northwest” by printing and selling labels containing the word “Home,” on the ground that the defendant’s activities took place only within the limits of the state of Ohio and did not interfere with interstate commerce).

¹⁶ Common law trademark infringement claims also existed – those involving use of the same sort of “technical” trademark, but where the mark was never federally registered. Precisely because those marks were not registered, the claims were not federal.

¹⁷ Not every mark eligible to be federally registered was in fact registered. Consequently, although all federal claims were trademark infringement claims, not all trademark infringement claims were federal claims. There were also common law trademark infringement claims, brought to vindicate exclusive rights in unregistered trademarks, though many courts conflated those claims with unfair competition claims – seeing trademark infringement claims as one category consisting of claims under the federal statute, and common law unfair competition claims as the other category consisting of any claim not based on a registered mark.

¹⁸ *The Trade-Mark Cases*, 100 U.S. 82, 99 (1879) (invalidating trademark statutes of 1870 and 1876 on the ground that they exceeded Congress’s power under Article I § 8 cl. 8 (the IP Clause)).

“the owner of a trade-mark used in commerce . . . [could] obtain registration for such trade-mark by complying with the following requirements.”¹⁹ And according to § 29 of that statute, “[t]he term ‘trade-mark’ include[d] any mark which [was] entitled to registration under the terms of this Act.”²⁰ Thus, the statute made no attempt to define a “trade-mark” that was entitled to registration when it was used in commerce; Congress merely assumed that the concept of a “trade-mark” had preexisting content and that “trade-marks” came into existence prior to registration. It could make those assumptions because trademark rights existed independently of the statute according to principles of common law, and the federal statutes merely borrowed those common law concepts.²¹

The Lanham Act similarly assumes that trademark rights arise out of use independently of the statute – the statute provides a mechanism for registration and a federal cause of action to vindicate one’s rights, but it does not *create* trademark rights. Indeed, the entire statutory scheme is built on the underlying notion that trademark rights are logically prior to the statute. According to the Lanham Act, “[t]he owner of a trademark used in commerce may request registration of its trademark on the principal register.”²² For those indicators already in use, an applicant’s status as the “owner” of the mark precedes registration; the applicant already “owns” the mark, and the statute makes owners eligible to register their marks.²³ Registration thus simply records and amplifies the owner’s preexisting rights.²⁴ Indeed, the fact that

¹⁹ § 1, 33 Stat. at 724.

²⁰ § 29, 33 Stat. at 731.

²¹ *American Steel Foundries v. Robertson*, 269 U.S. 372, 381 (1926) (“[I]t reasonably may be assumed . . . that to the extent the contrary does not appear from the statute, the intention was to allow the registration of such marks as [the substantive law of trade-marks], and the general law of unfair competition of which it is a part, recognized as legitimate.”); *see also* H.R. REP. NO. 3147, at 7 (1904) (“Section 5 of the proposed bill [the 1905 Act] we believe will permit the registration of all marks which could, under the common law as expounded by the courts, be the subject of a trade-mark and become the exclusive property of the party using the same as his trade-mark.”).

²² 15 U.S.C. § 1051(a)(1). It defines a trademark as includ[ing] any word, name, symbol, or device, or any combination thereof –

- (1) used by a person, or
- (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

15 U.S.C. § 1127.

²³ Use is ultimately dispositive even for registrations issued on intent-to-use applications, since the intent-to-use mechanism simply allows a party to apply for registration prior to making use of the mark; no registration will ever issue unless the applicant actually makes use. *See* 15 U.S.C. § 1051(b), (d) (2006). The purpose of the intent-to-use provision, then, is simply to allow the registrant to rely for priority purposes on a date certain that precedes in time the date of actual use.

²⁴ A certificate of registration serves as *prima facie* evidence of the mark’s validity, shifting the burden to a defendant who wishes to contest the mark’s validity. 15 U.S.C. §§ 1057(b), 1115(a) (2006). Registered marks can achieve incontestable status, making several of those presumptions irrebuttable. *Id.* §§ 1065, 1115(b). Registration also endows the owner with nationwide priority, effective

trademark rights are not created by statute is why we can speak sensibly of § 43(a) providing a cause of action for infringement of unregistered trademarks – the federal cause of action protects common law rights that have accrued through use, independent of the statute.

This understanding that federal statutes did not create trademark rights was the reason courts in the early twentieth century routinely said that the pre-Lanham Act federal statutes created only procedural, and not substantive, rights.²⁵ As the Eighth Circuit said,

Mere registration under the Federal Act does not create a trade-mark and confers no new rights to the mark claimed, nor, indeed, any greater rights than already existed at common law without registration. Registration is a method of recording for the protection of dealers, the public, and owners of trade-marks. It is notice of the claims of the owner affecting his right to the mark. But the right to such a trade-mark must have accrued from actual use, because such right is not created by registration of the mark.²⁶

Federal statutes were intended merely to “provide appropriate procedure and to give the described protection and remedies where property rights existed. The acquisition of such property rights in trade-marks rested upon the laws of the several States.”²⁷ Indeed, it was not just that Congress did not mean for the federal statutes to create substantive rights; Congress *lacked the power* to legislate on the substantive law of trademarks.²⁸

As a result, and particularly in light of the paucity of state trademark statutes, courts developed nearly all of trademark law’s substantive rules at common law.

at the time of application, see *id.* § 1057(c), in contrast to the geographically limited, use-based rights one acquires at common law. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918).

²⁵ See, e.g., *American Trading Co. v. H. E. Heacock Co.*, 285 U.S. 247, 258 (1932) (“[T]he Federal statute did not attempt to create exclusive substantive rights in marks, or to afford a refuge for piracy through registration under the Act, but to provide appropriate procedure and to give the described protection and remedies where property rights existed. The acquisition of such property rights in trade-marks rested upon the laws of the several States.”); *American Steel Foundries*, 269 U.S. at 381 (“[S]ince [Congress] has been given no power to legislate upon the substantive law of trade-marks, it reasonably may be assumed, also, that to the extent the contrary does not appear from the statute, the intention was to allow the registration of such marks as that law, and the general law of unfair competition of which it is a part, recognized as legitimate”); *Estate of P. D. Beckwith, Inc. v. Comm’r of Patents*, 252 U.S. 538, 543 (1920) (“The Registration Act of 1905, without changing the substantive law of trade-marks, provided, in the manner prescribed, for the registration of marks (subject to special exceptions) which, without the statute, would be entitled to legal and equitable protection.”) (citations omitted); *Emerson Electric Mfg. Co. v. Emerson Radio & Phonograph Corp.*, 105 F.2d 908, 910 (2d Cir. 1939) (“We may start by at once laying aside the plaintiff’s registration of its name. That did not enlarge its substantive rights at all; all it did was to confer jurisdiction on the court and give the registrant certain procedural advantages.”).

²⁶ *Walgreen Drug Stores v. Obear-Nester Glass Co.*, 113 F.2d 956, 960 (8th Cir. 1940) (citations omitted).

²⁷ *American Trading*, 285 U.S. at 258 (referring to the 1905 Act).

²⁸ See *American Steel Foundries*, 269 U.S. at 381 (“[Congress] has been given no power to legislate upon the substantive law of trade-marks.”).

Federal registration gave rise to a federal claim that could, at least after 1905, always be heard in federal court, even if the parties lacked diversity of citizenship. Registration also entitled the mark owner to certain presumptions.²⁹ But the underlying content of trademark law, from issues of protectability to standards of infringement, was developed at common law. The common law also provided causes of action for infringement of unregistered trademarks and for unfair competition in cases where the defendant's use threatened the same harm but did not involve use of a trademark. Thus, it is no surprise that courts in this era always understood trademark infringement and unfair competition claims to be species of the same general legal right.³⁰ Indeed, many of the same doctrinal limitations applied in both types of cases, and courts often made explicit reference to the close conceptual relationship between trademark infringement cases and other cases of unfair competition.³¹

This description of the pre-*Erie* state of affairs uses “common law” in two different senses, both of which deserve some elaboration. The first sense describes the source of the unfair competition cause of action, under which plaintiffs who did not own rights to a federally registered mark brought claims against competitors engaged in passing off. Those unfair competition claims were common law claims in the

²⁹ *Emerson Electric Mfg. Co.*, *supra* note 25, at 910. Owners of technical trademarks, for example, did not have to prove intent; because use of a technical trademark was unlikely to have a legitimate explanation, intent was presumed. *See McKenna, supra* note 8, at 1861–62. Unfair competition plaintiffs, in contrast, were asserting rights against facially ambiguous uses – uses, for example, that might have been descriptive of the defendant's goods – so they were required to prove intent. *Id.*

³⁰ *See, e.g., JAMES LOVE HOPKINS, THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION*, § 4, at 12 (3d ed. 1917) (“The principles involved in trademark cases and tradename cases have been substantially identical.”). When trademark law began to evolve away from its traditional focus on parties in direct competition, some courts harbored uncertainty about whether the “doctrine of expansion of trade,” under which a plaintiff might be able to get relief against a noncompetitor in a line of business into which the plaintiff might naturally go, applied to technical trademark cases. *See, e.g., Walgreen Drugs Stores*, 113 F.2d at 963 (“It is doubtful whether the doctrine of expansion of trade is applicable in a case of alleged infringement of a technical registered trade-mark.”). The uncertainty was a result of the fact that the 1905 Act made infringement turn on whether the defendant's goods were of “substantially the same descriptive properties” as the plaintiffs. Pub. L. No. 58-84, § 16, 33 Stat. 724, 728 (1905). But courts ultimately read the statute broadly and accepted the doctrine in trademark law as well. *See, e.g., Dwinell-Wright Co. v. National Fruit Prod. Co.*, 140 F.2d 618, 622 (1st Cir. 1944) (“[I]f the doctrine [of expansion] applies to trade-mark infringement cases as well as cases of unfair competition, and we see no reason why it should not in spite of the doubts which have been expressed”); *see also Yale Electric Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) (refusing to allow registration of YALE for flashlights and batteries in light of the plaintiff's prior use of the YALE mark for locks, but admitting that the decision “[did] some violence” to the language of the statute).

³¹ *See, e.g., Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) (“Th[e] essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement.”); *Marsh v. Billings*, 61 Mass. (7 Cush.) 322, 330 (1851) (“This is an action on the case, sounding in tort. The principle involved in the merits of the case is one of much importance, not only to persons situated as the plaintiffs are, but also to the public. But this principle is by no means novel in its character, or in its application to a case like the present. It is substantially the same principle, which has been repeatedly recognized and acted on by courts, in reference to the fraudulent use of trade marks, and regarded as one of much importance in a mercantile community.”).

sense that the cause of action was not created by any federal or state statute, but was instead recognized by courts in the same way courts recognized causes of action for negligence and trespass.³² Unfair competition was a judicially created cause of action, and it was to be distinguished from trademark infringement, over which federal courts had jurisdiction because federal statutes created the cause of action.

The second sense in which unfair competition was a common law field relates to the content of the law governing trademark infringement and unfair competition cases, and not simply the source of the cause of action itself. That content was developed from the bottom up, by courts developing the law on a case-by-case basis, rather than from the top down, by interpretation of the text of a statute. And this was true, as the previous discussion suggested, not only of unfair competition claims, for which the cause of action was created entirely at common law, but even of trademark infringement claims. This is why we can say that, even if a federal statute created the cause of action for infringement of registered marks, the statute did not create substantive rights: the existence of trademark rights and the substantive rules of trademark infringement developed at common law, not through any sort of statutory interpretation or gap-filling exercise.

In the pre-*Erie* era, it was reasonably clear that this common law of trademarks and unfair competition was general law, although there is some controversy about the status of that general law. Specifically, disagreement persists over whether general law was a species of state law or was instead a separate body of law, distinct from both federal and state law. On one view, “state law came in two flavors – ‘local’ and ‘general.’”³³ The difference between those flavors was primarily reflected in the amount of deference federal courts extended to state supreme court precedents: courts deferred on questions of local law, but they exercised independent judgment on questions of general law. But, this account holds, “despite that difference in the federal courts’ practices, the ‘general’ law in force within any particular state on questions that lay within the state’s legislative competence was properly regarded as state law.”³⁴ On another account, however, general law “consisted of a ‘body of rules and principles separate from the law of any state,’ and the conflict-of-law rules applied in federal court sometimes told federal judges to draw rules of decision from this body of law rather than from state law.”³⁵

³² Some states did adopt trademark statutes as well, particularly near the end of the pre-*Erie* period, but those state statutes did not displace the general common law of unfair competition. See Articles 850–51, Title 23 – Brands and Trade-Marks, Complete Texas Statutes (1928); N.Y. GEN. BUS. LAW 360–369 (Thompson 1938). Both of those states’ laws were subsequently repealed and replaced by more current versions.

³³ Caleb Nelson, *A Critical Guide to Erie Railroad Co. v. Tompkins*, 54 WM. & MARY L. REV. 921, 928 (2012).

³⁴ *Id.*

³⁵ *Id.* (quoting John Harrison, *The Power of Congress over the Rules of Precedent*, 50 DUKE L.J. 503, 526 (2000)). As Nelson explained, “[p]eople who took this view of the ‘general’ law would have

Insofar as the issue with respect to the common law of trademarks and unfair competition is whether state law was substantively important, it is not necessary to choose sides in that debate. Whatever the technical status of the general law, it is clear that neither state nor federal courts acted as if deference was due to state court decisions in this area. Federal courts sitting in diversity decided many unfair competition cases before *Erie*, but their decisions did not refer to the laws of any particular state, let alone suggest that courts were bound by the decisions of any state supreme court. Moreover, the relatively fewer state court (compared to federal court) decisions from this era were substantively indistinguishable from federal court decisions.³⁶ As a result, whatever its technical status, the common law of trademark and unfair competition was substantially uniform across jurisdictions (federal and state), and federal courts never faced hard questions about when they might have been obligated to defer to state court decisions.³⁷ Indeed, it was only after *Erie* that federal courts seem to have given any thought to the source of these common law rules.³⁸

B. *The Middle Period (Post-Erie, but Premodern)*

In the years immediately following *Erie*, several courts concluded that common law unfair competition claims must be based on state law. In fact, because pre-Lanham Act statutes were widely understood to confer only procedural rather

acknowledged that with respect to matters within a particular state's legislative competence, the conflict-of-law rules applied in federal court pointed toward the 'general' law only in the absence of state statutes; if the state wanted to supersede the 'general' law, the state could pass a statute to that effect, and federal as well as state courts would then look to the statute rather than the 'general' law for rules of decision. But it was possible to acknowledge that fact without describing any portion of the 'general' law as state law." *Id.*

³⁶ See, e.g., *Alff v. Radam*, 14 S.W. 164 (Tex. 1890) (deciding a common law trademark infringement claim without reference to particular state law and relying extensively on *Amoskeag Mfg. Co. v. Trainer*, 101 U.S. 51 (1879), a Supreme Court decision on a common law trademark infringement claim, which itself made no reference to the law of any state); *Amoskeag Mfg. Co. v. Spear*, 2 Sand. 599 (N.Y. Super. Ct. 1849) (deciding a common law trademark infringement action without reference to the law of any state).

³⁷ Cf. Nelson, *supra* note 31, at 15–16 (discussing the role of general law in promoting national uniformity); see also Arthur John Keefe et al., *Weary Erie*, 34 CORNELL L.Q. 494, 504 (1949) (concluding that the Supreme Court's decisions about the content of general law "did promote uniformity to a substantial degree").

³⁸ See, e.g., *Philco Corp. v. Phillips Mfg. Co.*, 133 F.2d 663, 665–66 (7th Cir. 1943) ("In the field of trade-mark infringement and unfair competition it has long been recognized that all rights originally existed by virtue of the common law of the Several States. Thus, in one sense, there has not been thought to be a federal general common law in the field. But in another sense there has been a federal general common law and cases have been 'governed by federal law' within the meaning of the *Erie* doctrine, for federal courts have exercised independent judgment as to what 'the common law' was in all cases in the field. The instant case requires us to draw the line between those cases still 'governed by federal law' (federal courts make an independent determination of the law) and those 'governed by State law' (federal courts are bound by the views of a particular State court.)" (citation omitted).

than substantive rights, there was some question in the time between *Erie* and passage of the Lanham Act about whether state law controlled on questions of validity and infringement, even in cases involving *registered* trademarks. The Supreme Court accepted certiorari in *Pecheur Lozenge Co., Inc. v. National Candy Co., Inc.*, asking counsel to express their views as to “whether State law govern[ed] and, if so, what the applicable State law [was].”³⁹ It did so on the belief that the suit was “founded upon a trademark registered under the 1905 Act,” which the “complaint had ma[de] it appear.”⁴⁰ The Court, in other words, had accepted certiorari to determine the extent to which state law applied in cases involving registered marks. The Court never ruled on that question, however, because it vacated the decree after further examination of the record revealed that the registration referred to was a copyright registration rather than a trademark registration. And because the petitioner had not asserted a claim for copyright infringement, “[t]he only cause of action that [the] record could possibly support [was] for unfair competition and common law trademark infringement, to which local law applie[d].”⁴¹

Never having received a definitive answer from the Supreme Court, federal courts seem to have coalesced around the reasoning of the Seventh Circuit in its *Philco* decision, which concluded that federal law applied in cases involving registered marks.⁴² They did so even though the Seventh Circuit reached that conclusion by claiming, contrary to a number of previous Supreme Court decisions, that Congress had in fact created substantive rights when it passed the Act of 1905.⁴³ Federal law (of unspecified variety) therefore applied in trademark infringement cases brought under the statute. This set up a hard contrast with common law trademark and unfair competition cases, in which *Pecheur Lozenge* and many other cases made clear that state law applied.⁴⁴ That distinction worried several prominent trademark practitioners, who wondered about the continuing precedential value of the many pre-*Erie* unfair competition decisions issued by federal courts. Some even claimed that a new federal statute (which would become the Lanham Act) was needed to

³⁹ 315 U.S. 666, 667 (1942).

⁴⁰ *Id.*

⁴¹ *Id.* (internal quotation marks omitted).

⁴² *Philco*, 133 F.2d at 667 (“We believe that all such questions [relating to registrability, infringement, defenses, remedies, and validity] arising under the Act of 1905 are governed by federal law, since they involve the interpretation and application of a federal statute.”).

⁴³ *Id.* at 668 (“It is our opinion that Congress did create substantive rights in trade-marks by the passage of the Act of 1905.”). The *Philco* court’s conclusion regarding substantive rights under the 1905 act was transparently an attempt to avoid the consequences of the *Erie* decision in the context of registered marks. See *id.* (“If it were held that Congress created no substantive rights but only procedural rights, the *Erie* doctrine would require that State law govern substantive questions of trade-mark law, just as that doctrine would have required if it had been applied before the Act was passed.”).

⁴⁴ See Sergei S. Zlinkoff, *Erie v. Tompkins: In Relation to the Law of Trade-Marks and Unfair Competition*, 42 COLUM. L. REV. 955, 960 (1942) (“The basic policy underlying these decisions makes it clear that one class of trade-mark and unfair competition cases unmistakably comes within their scope, namely, the ordinary common law trade-mark and unfair competition action, wherein the jurisdiction of the federal court is predicated upon diversity of citizenship.”).

create a federal law of unfair competition because states emboldened by *Erie* would destroy the necessary national uniformity courts had achieved.⁴⁵

It is not clear why those advocates were so concerned about a loss of uniformity, because there was no evidence in the cases decided in the aftermath of *Erie* that uniformity was in jeopardy.⁴⁶ Some Lanham Act advocates suggested that certain states were considering statutes that would have instantiated state-specific rules, and later courts have even sometimes credited those concerns.⁴⁷ No such state statutes seem ever to have actually passed, however, and in any event the Lanham Act would have been only a partial solution to the problem of disparate state statutes. Indeed, despite much discussion of the incentives the new statute would provide to encourage registration, no one suggested that registration would be required or that the Lanham Act would displace the common law or state statutory law with respect to unregistered marks.

Whatever the validity of concerns about the potential effect of *Erie*, in fact uniformity was never seriously threatened. Federal courts called on to decide unfair competition cases after *Erie* needed to look somewhere for the substantive rules of decision. Previous federal court decisions had developed a general law of unfair competition, and the few state court decisions that existed largely relied on federal precedents.⁴⁸ Thus, courts looking for a rule of decision faced a landscape devoid of state-specific law, and as a result, state and federal courts alike continued to apply the general law of unfair competition. The Fifth Circuit's decision in *El Chico, Inc. v. El Chico Café* is representative here.⁴⁹ In that case the court expressly concluded that, because the plaintiff's claim was only for unfair competition and the

⁴⁵ See Edward S. Rogers, *Introduction* to DAPHNE ROBERT, *THE NEW TRADE MARK MANUAL: A HANDBOOK ON PROTECTION OF TRADE-MARKS IN INTERSTATE COMMERCE* xvi–xxi (1947) (arguing that *Erie* displaced what practitioners had assumed was federal common law).

⁴⁶ In his concurring opinion in *Two Pesos, Inc. v. Taco Cabana, Inc.*, Justice Stevens credited a statement in a 1939 House Report in relation to new federal legislation that the consequence of having previously left protection of trademarks to state law was that there were “almost as many different varieties of common law as there are States so that a person's right to a trademark in one State may differ widely from the rights which [that person] enjoys in another.” 505 U.S. 763, 782 (1992) (quoting H.R. REP. NO. 944 (1939)) (internal quotation marks omitted). Whether Congress actually was motivated by such a view of the common law when it later passed the Lanham Act, the statement clearly did not accurately describe the common law in practice pre-Lanham Act.

⁴⁷ See *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 640 n.10 (7th Cir. 1993) (claiming that the “Lanham Act was drafted in reaction to draconian state trademark legislation that threatened to interfere with interstate commerce” and that “[t]he Lanham Act differs in many respects from the common law standards”) (emphasis in original) (citing Edward S. Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 LAW & CONTEMP. PROBS. 173, 177–84 (1949) (reporting proposed state legislation that would have required registration of marks to maintain validity)).

⁴⁸ See Zlinkoff, *supra* note 42, at 968 (noting that the “freedom of the federal courts in relation to the decisions of state courts is particularly significant from the standpoint of the relation between the *Erie* doctrine and the law of trade-marks and unfair competition” because there was probably no other field in which the gaps in state law were as large or widespread); see *id.* at 969 (noting the extent to which state courts had relied on “federal precedents and doctrines”).

⁴⁹ 214 F.2d 721 (5th Cir. 1954).

case did not involve a registered mark, state law applied.⁵⁰ Yet the court did not bother to say which state's law it was applying, and it cited federal and state decisions (many of them pre-*Erie*) interchangeably in rejecting the plaintiff's claim for lack of proof of likely confusion.⁵¹

If some greater authority were needed, we have the Supreme Court's famous decision in *Kellogg Co. v. National Biscuit Co.* In that case, the National Biscuit Company alleged that Kellogg's "manufacture and sale of the breakfast food commonly known as shredded wheat" constituted unfair competition.⁵² The Court noted that "[m]ost of the issues in the case involve[d] questions of common law and hence [were] within the scope of *Erie*," but neither of the parties contended that local law differed from general law, and both relied almost entirely on federal precedents.⁵³ Thus, the Court proceeded to apply the general law of unfair competition, without reference to the law of any particular state.

This state of affairs largely persisted in the decades following the Lanham Act, as the *El Chico* case suggests. Just as they had before *Erie*, federal and state courts resolved unfair competition cases under the general law of unfair competition. Even when courts acknowledged that state law nominally governed, they typically made clear that the applicable state law was substantively identical to the general law.⁵⁴ States did increasingly adopt trademark statutes in this era, but those statutes tended not to have much substantive effect – with a few notable exceptions, courts generally regarded state statutes as codifications of general law principles.⁵⁵ Thus, at least in the unfair competition context, *Erie* simply led to a rearrangement of the deck chairs.

C. The Modern Period

Despite persistent uniformity of decisional law following *Erie*, many advocates remained interested in a federal statutory basis for unfair competition, and some claimed that the Lanham Act had in fact provided such a basis. Edward Rogers,

⁵⁰ *Id.* at 724.

⁵¹ See *id.* at 725 (citing, among other cases, *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) and *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918) (both pre-*Erie* Supreme Court decisions), as well as Fifth Circuit, Texas, Louisiana, New York, and Pennsylvania cases). The parties in *El Chico* were from New York and Texas, but the court never suggested that cases from either of those states were more important.

⁵² *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 113 (1938).

⁵³ *Id.* at 113 n. 1.

⁵⁴ See *Stork Rest. v. Sahati*, 166 F.2d 348, 352 (9th Cir. 1948) ("In California and elsewhere, a firmly established trade name receives the same protection from the law as a trade mark."); *id.* at 357 ("The rule [regarding confusion] has been repeatedly expounded by this and other Federal courts."); *Dior v. Milton*, 9 Misc. 2d 425, 434, 155 N.Y.S.2d 443, 454 (N.Y. Sup. Ct. 1956) (noting the expansion of the concept of unfair competition across a variety of courts and then stating that "[t]he doctrine of extending unfair competition beyond cases of 'palming off' has similarly been recognized and applied by the courts of this State").

⁵⁵ See, e.g., *Sahati*, 166 F.2d at 352–53 (noting that "[o]wnership of a trade name is a property right. It is made so by statute in California" and that "[t]he California rule accords with general law").

one of the Lanham Act's primary drafters, focused particularly on § 44 of the Lanham Act, which he argued could be interpreted broadly to create the federal law of unfair competition.⁵⁶ A few courts initially accepted that view,⁵⁷ but one had to read § 44 quite creatively to find in it a federal unfair competition cause of action, and most courts were not inclined to do so. That did not mean they were uninterested in finding statutory footing, however, and many courts soon turned their attention to § 43(a) – first to ground a federal unfair competition claim in cases not involving trademarks but other false statements,⁵⁸ and then eventually to allow federal claims for infringement of unregistered trademarks and trade dress.⁵⁹

To fit these latter types of claims into the text of the statute, courts interpreted the term “origin” broadly to refer not only to geographic origin but also to origin of manufacture.⁶⁰ The Supreme Court has on occasion shown some doubts about the legitimacy of that interpretation, but it has now clearly accepted the conclusion that § 43(a) provides a cause of action for infringement of unregistered marks.⁶¹ Over the same time period, courts began recognizing a much broader range of identifiers as trademark subject matter (and therefore potentially registrable) – including product packaging and design, colors, sounds, and even scents.⁶² Many of those more exotic designators previously would not have been considered trademarks, and

⁵⁶ See Rogers, *supra* note 43, at xvi–xxi (arguing that § 44(h) of the statute should be understood to give courts the ability to develop a uniform body of federal unfair competition law).

⁵⁷ See, e.g., *Stauffer v. Exley*, 184 F.2d 962 (9th Cir. 1950); *Pagliero v. Wallace China Co.*, 198 F.2d 339 (9th Cir. 1952).

⁵⁸ See, e.g., *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649 (3d Cir. 1954).

⁵⁹ See, e.g., *Scarves by Vera, Inc. v. United Merchants and Mfrs., Inc.*, 173 F. Supp. 625 (S.D.N.Y. 1959); *Catalina, Inc. v. Gem Swimwear, Inc.*, 162 F. Supp. 911 (S.D.N.Y. 1958).

⁶⁰ Professor McCarthy suggests that this trend took root in the 1970s, and he attributes the expansion to the decision in *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405 (6th Cir. 1963). See 5 MCCARTHY, *supra* note 2, at § 27:7. *Federal-Mogul-Bower* might have the most explicit construction of the statute along these lines, but as the previous notes reflected, several earlier decisions allowed claims under § 43(a) for infringement of unregistered trademarks.

⁶¹ See *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 29–30 (2003) (“Although a case can be made that a proper reading of § 43(a), as originally enacted, would treat the word ‘origin’ as referring only to the geographic location in which the goods originated, the Courts of Appeals considering the issue, beginning with the Sixth Circuit, unanimously concluded that it does not merely refer to geographical origin, but also to origin of source or manufacture, thereby creating a federal cause of action for traditional trademark infringement of unregistered marks.”); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) (“[T]he general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a).”) (citations omitted) (internal quotation marks omitted).

⁶² See, e.g., *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000) (holding that product design is protectable only with evidence of secondary meaning); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995) (holding that colors are capable of protection when they have secondary meaning); *Two Pesos*, 505 U.S. 763 (holding that inherently distinctive, nonfunctional trade dress is protectable without evidence of secondary meaning); *In re Clarke*, 17 U.S.P.Q.2d (BNA) 1238 (T.T.A.B. 1990) (holding that a scent is capable of serving as a trademark and is therefore registrable when shown to be distinctive); *In re Gen. Electric Broadcasting Co.*, 199 U.S.P.Q. 560 (T.T.A.B. 1978) (finding the

consequently, use of those designators by third parties would have been remediable only through (common law) unfair competition claims.

These interpretations, along with the broader interpretation of interstate commerce that courts embraced over the latter half of the twentieth century, substantially increased the number of marks eligible for federal registration and for enforcement under federal law. Importantly, the effect of these expansive interpretations of the Lanham Act was only partly to expand the field of trademark and unfair competition law as a whole. It was, more importantly, a shifting of subject matter (1) from common law to statutory law and (2) from state to federal law, at least as compared to the middle, post-*Erie*, period.

These shifts have not stripped trademark and unfair competition law of their common law character in every sense. Indeed, courts, rather than Congress, developed most of modern trademark law's substantive rules.⁶³ They expanded the scope of actionable confusion,⁶⁴ developed the functionality and nominative fair use doctrines,⁶⁵ and distinguished between product packaging and product design, allowing the latter protection only when it has developed secondary meaning.⁶⁶ Congress sometimes has ratified these rules and written them explicitly into the Lanham Act, and even in the few cases in which it has rejected court-developed rules, Congress has never questioned the appropriateness of courts developing trademark law through the common law process.⁶⁷ Thus, if "common law" is used narrowly to mean only judge-made law, then trademark law remains largely a common law field, or at least a statutory field in which courts have quite a bit of common lawmaking

sound of a series of bells capable of functioning as a service mark and registrable with evidence of secondary meaning).

⁶³ See, e.g., Robert C. Denicola, *Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, LAW & CONTEMP. PROBS. 75, 79–80 (1996) ("Putting aside statutory innovations directly linked to the public notice provided by the Act's registration system, the Lanham Act codifies the basic common law principles governing both the subject matter and scope of protection."); Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519, 520 (1993) ("[T]he Lanham Act's primary, express purpose was to codify the existing common law of trademarks and not to create any new trademark rights.").

⁶⁴ See McKenna, *supra* note 8, at 1904–09 (describing this expansion).

⁶⁵ See 1 MCCARTHY, *supra* note 2 § 7:63 ("For many decades, the functionality doctrine was followed by the courts as a matter of public policy. However, until 1998 there was no mention of it in the text of the Lanham Act."); *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992) (first articulating the concept of nominative fair use).

⁶⁶ *Wal-Mart*, 529 U.S. 205.

⁶⁷ For example, the Senate Report accompanying Congress's first substantial revision of the Lanham Act in 1988 made clear that the revisions to § 43(a) were "to codify the interpretation [the section] has been given by the courts," and that "[b]ecause Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expect[ed] the courts to continue to interpret the section." S. REP. NO. 100-515, at 40 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5603. See also Graeme B. Dinwoodie, *The Common Law and Trade Marks in an Age of Statutes*, in *THE COMMON LAW OF INTELLECTUAL PROPERTY: ESSAYS IN HONOUR OF PROFESSOR DAVID VAVER* 331, 333 (Catherine W. Ng, Lionel Bently & Giuseppina D'Agostino eds., 2010) ("[D]espite substantial legislative intervention, both Congress and the Supreme Court appear content that the development of trademark and unfair competition law in the United States remain heavily dependent on common law law-making by the courts.").

latitude. But because so little now lies outside the reach of the Lanham Act, this “common law” is now clearly federal law. And on the assumption that those concerned about federalism mean that concern to sound at least in part in vertical choice of law terms rather than simply in separation of powers terms, they may have missed something here. Trademark law is today much more federal than it used to be.

State law claims, of course, have remained technically available even as federal law has expanded, but those state law claims are substantively irrelevant in the vast majority of cases. For infringement claims, courts overwhelmingly see state law as redundant of federal law: courts’ discussions of state law claims generally consist entirely of simple statements, often in footnotes, explaining that state and federal law are identical.⁶⁸ The coincidence of state and federal law should not be particularly surprising, since courts frequently have held that state law cannot narrow the scope of federal law.⁶⁹ Where federal law reaches the same conduct – which, at this point, it essentially always does – states can implement their policy choices only in one direction: by expanding the scope of protection.⁷⁰

This is why state law has mattered over the last several decades only when it has offered broader rights than federal law.⁷¹ State statutory and common law dilution

⁶⁸ See 3 MCCARTHY, *supra* note 2, at § 22:1 (“In most states, courts have held that the state trademark common law and statutes on trademark law are to be given the same meaning and interpretation as the mainstream principles of common law and federal trademark law.”). The Model State Trademark Bill of 2007 explicitly links the substance of state law to the Lanham Act. See § 19(b) (“The intent of this Act is to provide a system of state trademark registration and protection substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946, as amended. To that end, the construction given the federal Act should be examined as persuasive authority for interpreting and construing the Act.”). Model State Trademark Bill of 2007, *reprinted in* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 22:9.25 (4th ed. 2012). A number of states have either copied this language directly into their state statutes or included such a statement in the legislative history. See, e.g., N.Y. GEN. BUS. LAW § 360 note (McKinney 1996 & Supp. 2012) (Historical and Statutory Notes) (“The intent of this act is to provide a system of state trademark registration and protection substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946, as amended. To that end, the construction given the federal act should be examined as persuasive authority for interpreting and construing this act.”).

⁶⁹ So, for example, a state registration cannot create rights throughout a state in contravention of federal law’s determination of the geographic scope of rights. See *Teddygram Inc. v. Boyce*, 53 U.S.P.Q.2d 1804, 1812 (N.D. Ga. 1999) (“[T]he mere fact that plaintiffs registered their service mark with the state of Georgia prior to the defendants’ federal registration is not dispositive on the issue of which party has territorial rights within the state of Georgia. . . . [G]iving plaintiffs’ Georgia service mark registration such effect would elevate Georgia’s registration process over the federal process and would be tantamount to overruling the Lanham Act’s regulations regarding continuous pre-registration usage.”). This is consistent with Congress’s statement of intent in the Lanham Act: “The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation.” 15 U.S.C. § 1127 (2006). See also *Spartan Food Sys., Inc. v. HFS Corp.*, 813 F.2d 1279, 1284 (4th Cir. 1987) (“[T]he Lanham Act effects a limited preemption of state law, resolving the conflict in favor of the federal registrant’s rights.”).

⁷⁰ Ironically, given that common law claims were traditionally the default, modern state-level innovation would likely have to be accomplished statutorily, because state courts now hear trademark or unfair competition relatively infrequently, federal claims nearly always being available.

⁷¹ Broader state protection is usually only preempted if application of state law would upset a “carefully constructed regulatory compromise.” *Attrezzi, LLC v. Maytag Corp.*, 436 F.3d 32, 42 (1st Cir. 2006).

claims, for example, played important roles before Congress passed the Federal Trademark Dilution Act in 1995 because there was until that point no federal cause of action for dilution.⁷² And those state claims regained significance after the Supreme Court interpreted the 1995 statute to require evidence of actual dilution, a standard most believed was impossible to meet in practice.⁷³ But state dilution law receded again in importance after Congress passed the Trademark Dilution Revision Act in 2006.⁷⁴ To be sure, federal law still leaves some room for state dilution law, but that is only because the new statute is (ostensibly, at least) circumscribed. Under the TDRA, dilution claims are available only for marks that are “widely recognized by the general consuming public of the United States.”⁷⁵ State law may therefore make dilution claims available to some mark owners for whom federal claims are unavailable – specifically those whose marks have only local or niche-market reputations. State law also might go beyond blurring and tarnishment, the only types of dilution actionable under the TRDA.⁷⁶ So far states have not taken much advantage of this freedom to operate, however, and several states have aligned their dilution laws with federal law in recent years,⁷⁷ a development many have encouraged.⁷⁸

Thus, courts have allowed state law to protect broader rights than the Lanham Act. *See* *Golden Door, Inc. v. Odisho*, 646 F.2d 347, 352 (9th Cir. 1980) (finding California law not preempted by the Lanham Act because “[b]y extending to federal registrants greater protection than is available under the Lanham Act, California law, like the Act, protects both the public from confusion about the services and products it is receiving and the public relations investment of plaintiff”).

⁷² *See* *Moseley v. V Secret Catalogue*, 537 U.S. 418, 432 (2003); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 227 (2d Cir. 1999); *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 42 (2d Cir. 1994).

⁷³ *Moseley*, 537 U.S. at 433 (holding that the statute “unambiguously require[d] a showing of actual dilution, rather than a likelihood of dilution”).

⁷⁴ 15 U.S.C. § 1125(c) (2006).

⁷⁵ *Id.* at § 1125(c)(2)(A). Dilution claims at the federal level have always been limited to “famous” marks, but not until the Trademark Dilution Revision Act was “fame” defined in the federal statute. Section 1125(c)(2)(A) now states that a mark is famous when it is “widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” *Id.*

⁷⁶ Some state dilution provisions, for example, have been interpreted to provide a claim against any use that “harms the reputation” of a mark. For example, N.Y. Gen. Bus. Law § 368-d, on which the decision in *Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39 (2d Cir. 1994) was based, provided that “[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.” *Id.* at 42. That section has since been repealed and replaced by the substantively identical § 360-l. N.Y. GEN. BUS. LAW § 360-l (McKinney Supp. 2012).

⁷⁷ In fact, the Model State Trademark Bill’s dilution language is identical to that of the current federal dilution statute. *See* Model State Trademark Bill of 2007 § 13, *reprinted in* 3 J. THOMAS MCCARTHY MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 22:9.25 (4th ed. 2012). California and Texas have both amended their state trademark laws since 2007 expressly for the purpose of bringing them in line with the Model State Trademark Bill. *See* 2011 TEX. GEN. LAWS 1359; CAL. BUS. & PROF. CODE § 14247 (West 2008).

⁷⁸ *See, e.g.*, David S. Welkowitz, *State of the State: Is There a Future for State Dilution Laws?*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 681, 682 (2008) (“[S]tate law has outlived its usefulness in this area.”).

One reason trademark law's federalization might have gone unnoticed is that federal statutory law expanded fairly gradually and was not easily traceable to a particular act of Congress. Federal trademark legislation was keyed to the commerce power long before the Lanham Act was passed in 1946, and even well before the New Deal. The Trademark Act of 1905 limited registration to trademarks used in interstate commerce,⁷⁹ and only the owners of registered marks could assert a cause of action under the Act.⁸⁰ Consequently, the scope of federal trademark law naturally expanded along with broader interpretation of the Commerce Clause, even without any additional legislative action.⁸¹ Over time, a wider range of uses qualified as uses in interstate commerce, which made federal statutory claims more readily available. First, more trademarks qualified for federal registration, which made a greater number of marks eligible for enforcement under the statute. And second, a number of intrastate uses that would not have been actionable under the statute were reclassified as interstate uses and therefore subject to enforcement under federal law.⁸²

Yet these expanding notions of interstate commerce were only partially responsible for the growth of federal law. Expansion of the *types* of indications eligible for registration and courts' interpretations of § 43(a) to embrace a cause of action for infringement of unregistered marks were more important contributing factors. Thus,

⁷⁹ Trademark Act of 1905, ch. 592, 33 Stat. 724. The Trademark Act of 1881 was even more limited: it allowed registration only of marks used in "commerce with foreign nations, or with the Indian tribes." Trademark Act of 1881, ch. 138, 21 Stat. 502. The legislative history of the Lanham Act clearly reflects Congress's understanding that the scope of the Act would be limited by the Commerce Clause. See H.R. REP. NO. 79-219, at 4 ("There can be no doubt under the recent decisions of the Supreme Court of the constitutionality of a national act giving substantive as distinguished from merely procedural rights in trade-marks in commerce over which Congress has plenary power."); S. REP. NO. 79-1333 at 5-6 (1946); *Hearings Before the Sub. Comm. on Patents, U.S. Senate*, 78th Cong. 43-48 (1944).

⁸⁰ Trademark Act of 1905 § 16. The cause of action was similarly limited under the 1881 Act, and the restriction had even more bite under that statute because registration was so much more limited. See Trademark Act of 1881 § 7.

⁸¹ Richard Epstein, like many other critics of modern Commerce Clause jurisprudence, identifies the New Deal cases – particularly *Wickard v. Filburn*, 317 U.S. 111 (1942); *United States v. Wrightwood Dairy Co.*, 315 U.S. 110 (1942); *United States v. Darby*, 312 U.S. 100 (1941); and *NLRB v. Jones & Laughlin Steel Corp.*, 301 U.S. 1 (1937) – as the end of limitations on the scope of the commerce power. See Richard A. Epstein, *The Proper Scope of the Commerce Power*, 73 VA. L. REV. 1387, 1443 (1987) ("The New Deal cases systematically removed each of the previous limitations on the scope of the commerce clause."). Notably, Epstein argues that this expansive interpretation of the commerce power was at least partly a result of the fact that "a narrow majority of the Court was in sympathy with the dominant intellectual belief of the time that national problems required national responses" – the same belief that seems to have motivated courts to broaden the scope of the Lanham Act. *Id.*

⁸² Compare *Samson Crane Co. v. Union Nat'l Sales, Inc.*, 87 F. Supp. 218 (D. Mass. 1949) (dismissing a Lanham Act claim against alleged misrepresentation that the defendant's store was being operated by unions or for their benefit on the ground there was no allegation of any misrepresentation in regard to the goods caused to enter interstate commerce) with *Drop Dead Co. v. S. C. Johnson & Son, Inc.*, 326 F.2d 87 (9th Cir. 1963) (finding defendant's sale of aerosol furniture wax solely within California actionable because it had a substantial impact on interstate commerce).

although it may be difficult to attribute expansion of federal law to specific legislative actions, that expansion clearly is traceable to judicial interpretation of a particular federal statute and not simply to a more expansive understanding of the background concept of interstate commerce.

It is also possible that expansion of federal law seemed unremarkable because Congress has never purported to displace state law, at least not generally; as a result the extent of federalization has been obscured by the appearance of concurrent regulation. Relatedly, some who view federalism in terms of states' autonomy to legislate their policy preferences might not have seen federalization of trademark law as a problem to the extent that the irrelevance of state law is traceable to states' own decisions to cede substantive regulatory control to Congress by tying the substance of their laws to federal law. States interested in effectuating their own policy objectives could simply take the lack of federal preemption seriously and more aggressively develop their own bodies of trademark and unfair competition law.

Aside from reducing federalism to a procedural concern, however, this view grossly overstates states' ability to make substantive policy choices in the trademark area. State regulation in this area is a one-way ratchet: state law can only have a meaningful effect to the extent it grants broader rights than are available under federal law. Ironically, this means that there is a sense in which states are *less* free to act in the trademark law context than they are with respect to patent and copyright. Even though the Patent and Copyright Acts both preempt state law much more broadly than does the Lanham Act, states are more genuinely free to effectuate their policy preferences in those areas where federal patent and copyright law do *not* preempt. States are free, for example, to have whatever trade secret law they wish, and they are free to regulate unfixed performances however they would like (or to forego such protection altogether). By contrast, states are not free to deviate downward in the trademark context.

II. ENDURING UNIFORMITY AND THE CASE FOR PREEMPTION

There are two other potential explanations for the lack of controversy regarding federalization of trademark law that deserve more extended discussion. First is the possibility that federalization did not provoke concern because it did not change much as a substantive matter. Whatever its status, trademark and unfair competition law have always been essentially uniform, even if (nearly) uniformly expansionary in the Lanham Act era. As a result, the only practical effect of federalization was to assure federal jurisdiction over a wider range of cases. The second explanation is that the countervailing interest in national uniformity grew so much stronger over the last half-century that even those otherwise inclined to take a skeptical view of federal power have been persuaded that federal regulation is appropriate here. I address those explanations in turn in the next sections.

A. Substantive Uniformity – Then and Now

The most likely explanation for the uncontroversial nature of trademark law's federalization is that reclassification of unfair competition claims as federal claims did not result in a flattening out of previously diverse bodies of law that reflected states' varying policy judgments. Prior to *Erie*, courts understood that federal statutes created only procedural, and not substantive rights – the content of the substantive rights came from the common law, as did the law of unfair competition. And that common law was general law. Whatever the status of general law (whether it was state law or instead stood outside of the law of any state), courts in the pre-*Erie* era clearly knew that this general law was not federal law, and they did not act as though they owed any deference to the highest court of any particular state. *Erie* superficially disrupted this arrangement, and courts after *Erie* recognized that the common law of unfair competition had to be understood as state law. But that recognition had little impact on the substance of the law, which remained essentially uniform across technically distinct sources of law. Thus, even when state law ostensibly controlled, there was little substantive diversity. In this sense, expansion of federal law had few costs, at least to the extent one sees federalism in terms of enabling states to develop their own law to reflect local policy preferences or as a means of creating laboratories of policy experimentation.

This explanation does more than simply describe a possible reaction to trademark law's federalization; it poses a modest challenge to the importance of federalism principles generally, at least insofar as federalism is seen as a means to the end of states' autonomous lawmaking.⁸³ Federalism advocates often frame their arguments about the scope of federal law in nostalgic terms, suggesting that something was lost as a result of the Supreme Court's modern Commerce Clause jurisprudence. But in the trademark area at least, substantive variety never really existed, even in the constitutional era to which most federalism advocates would have us return. Courts in that era often did not see themselves as creating distinctive state law, so although the law they were creating was not federal law, it was as substantively uniform as common law can be.

B. Federalization and National Uniformity

Lack of suspicion about expanding federal law might, alternatively, reflect general acceptance of the importance of national uniformity in the trademark area, or at least agreement on the relative unimportance of state-level diversity. After all, the

⁸³ Substantive diversity is not, of course, the only reason to be concerned about federalism values. For many, federalism is simply a check on federal power, limiting the size and scope of the federal government, irrespective of whether or how states use their autonomy. But those who view federalism in this way should have been concerned about trademark law's federalization regardless of its substantive effect, for there can be no dispute that federal power is much broader here than it once was.

legislative history of the Lanham Act suggests that Congress was motivated at least in part by its perception that uniform national trademark laws were needed. But this hypothesis is notable for at least two reasons. First, the idea that there was a felt need for national uniformity is inconsistent with the reality that trademark law has always been largely uniform, even when federal law was not compelling that uniformity. If little changed as a substantive matter when federal law expanded, then it is hard to believe that federalization was uncontroversial because it brought needed uniformity or because the need for national uniformity was perceived to be growing as the century went on – unless, of course, the perceived need for uniformity was created by the *Erie* decision itself, which drew attention to the fact that common law unfair competition law was state law. In other words, federal law may have been necessary not to make existing law more uniform, but instead because of concern that uniformity would dissipate to the extent states began to understand their prerogative.⁸⁴ Indeed, for those like Rogers who never accepted that unfair competition law was really state law in any meaningful sense, *Erie* injected unnecessary uncertainty, and broad interpretation of the Lanham Act simply guaranteed the law's historical stability.

Yet if it is true that federal law is appropriate here in the interests of national uniformity, then it is difficult to justify the present intermediate condition under which federal law controls nearly all of the time but state law is not expressly preempted. Under the current arrangement, states have latitude to effectuate their policy preferences only in the direction of broader trademark rights. Yet interests in uniformity are not only on one side of the case: would-be defendants are also often national companies, and uniform rules are important to them too. Google, for example, is equally disadvantaged by non-uniform laws whether it is a trademark plaintiff or defendant. In this sense, those who argued for preemption of state dilution laws in the years preceding recognition of a federal dilution cause of action were correct – there is no reason to think that trademark owners deserve the certainty of consistent nationwide protection, but that potential defendants should have to determine their ability to use a mark on a state-by-state basis.⁸⁵

Nor can the lack of preemption be justified on the ground that co-regulation allows the states to serve as laboratories of experimentation through which the best

⁸⁴ Hints of this concern are apparent in the House and Senate Reports accompanying the Lanham Act. See S. REP. NO. 79-1333, at 5 (1946) ("Many years ago the Supreme Court held and has recently repeated that there is no Federal common law. It is obvious that the States can change the common law with respect to trade-marks and many of them have, with the possible result that there may be as many different varieties of common law as there are States. A man's rights in his trade-mark in one State may differ widely from the rights which he enjoys in another. However, trade is no longer local, but is national.").

⁸⁵ Milton W. Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 287 (1985) ("[W]hat greater inconsistency can there be than for one body of law to uphold the defendant's right to use the challenged mark while another body of law prohibits such use?"); see also De Sevo, *supra* note 5.

substantive rules might surface. First, state law is overwhelmingly redundant of federal law, so very little experimentation has ever been done. Second, states are not particularly needed for experimentation here, because the various circuit courts of appeal have long provided adequate opportunity for competition. In fact, to the extent there has been disagreement among courts, that disagreement has traditionally been more significant among circuits ostensibly applying the same law than among states applying their own laws. And now that Congress has enacted federal dilution law, there are even fewer opportunities for substantive differences to arise.

The pockets of disagreement that remain do so only because Congress has yet to resolve an issue, and they might be the areas in which state law has the least claim to legitimacy. For example, the most prominent recent example of state law relevance is in the context of the well-known marks doctrine, which is an exception to the bedrock principle that trademark rights are territorial in nature.⁸⁶ The Second Circuit, in *ITC Ltd. v. Punchgini, Inc.*,⁸⁷ held that federal law does not recognize a well-known marks exception to the territoriality principle. The holding with respect to federal law was in conflict with the Ninth Circuit's earlier decision in *Grupo Gigante SA De CV v. Dallo & Co.*,⁸⁸ which held that the well-known marks exception *did* exist under federal law, and that a foreign mark owner could therefore enforce rights against American uses under certain conditions. But federal law was not the whole story in *Punchgini*, since the Second Circuit certified to the New York Court of Appeals the question of whether New York law recognized a well-known marks exception. And in contrast to the Second Circuit's ruling regarding federal law, the Court of Appeals held that an unfair competition claim is available under New York law when a defendant "appropriates" a party's reputation in the state of New York, even if that reputation derives from use outside the country.⁸⁹

On one level, this kind of result opens the door for states to make different policy choices, trading off the values of territoriality and protection against consumer confusion. But given the importance of the territoriality principle and the significance of the well-known marks to the United States' treaty obligations, it is hard to imagine this is the type of question on which it makes sense to allow states to develop their own law. The policy issues at stake seem precisely the ones we want resolved at a national level, and in fact the disagreement between the Second and Ninth Circuits is an example of precisely the kind of competition among venues that will either result in some consensus through the courts or will impel Congress to step in to resolve the question. The persistence of state law here promises only mischief.

⁸⁶ Thus, as the well-known marks doctrine would be applied in the United States, marks that are sufficiently "well-known" may receive protection, notwithstanding the fact that the senior foreign user of that mark has not used that mark within the United States, as is traditionally necessary to acquire legitimate rights. 3 MCCARTHY, *supra* note 2, at § 29:4.

⁸⁷ 482 F.3d 135 (2d Cir. 2007).

⁸⁸ 391 F.3d 1088 (9th Cir. 2004).

⁸⁹ *ITC Ltd. v. Punchgini, Inc.*, 880 N.E.2d 852 (N.Y. 2007).

More generally, if state law matters now only in these small corners of trademark law, areas in which state law may well be least appropriate, and if otherwise states only have the option of broadening trademark rights, then it is time to recognize the extent of trademark law's federalization and question the value of carrying forward a legal structure that only superficially is concerned with state prerogatives. Unless Congress is interested in repudiating important aspects of the last fifty years of trademark jurisprudence and carving out meaningful space for state policy making, it is time to take the final step and expressly preempt state trademark and unfair competition law.