2007

Why the Customer Isn't Always Right: Producer-Based Limits on Rights Accretion in Trademark

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116 Yale L.J. (The Pocket Part) 352-357 (2007)

THE YALE LAW JOURNAL POCKET PART

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Why the Customer Isn't Always Right: Producer-Based Limits on Rights Accretion in Trademark

James Gibson's article *Risk Aversion and Rights Accretion in Intellectual Property Law*[1] offers valuable insights into the extra-judicial dynamics that have contributed to the seemingly unending expansion of copyright and trademark rights over the past few decades. This Response focuses on the trademark side of that expansion. The theoretical basis for granting trademark rights is that, if consumers perceive that a mark or other symbol indicates that a single source is responsible for a product or service—whether through physical production, licensing, sponsorship, or other approval—then the law should give effect to that consumer perception. Trademark rights thus protect consumers from deception and producers from unfair competition. When it comes to expansive rights claims, trademark's dual nature is its strength: core trademark doctrines recognize the legitimate interests of producers as limits on the licensing-based rights accretion that a pure consumer protection theory could justify.

Gibson persuasively explains how producers can create licensing markets that have feedback effects on consumer expectations, thereby expanding trademark rights without changing the substantive law. It's even worse than he suggests, given that trademark owners now license even traditionally taboo or "tarnishing" uses of their marks, such as New York City's recent foray into condoms branded with subway logos[2] and dual-licensed "rivalry figurines" that show one school's mascot being humiliated by another's.[3] In such a pervasively licensed world, consumers may attribute unauthorized parodies to trademark

1. 116 YALE L.J. 882 (2007).

2. *See* Richard Pérez-Peña, *Wrapped in Subway Logos, Free City Condom Is a Hit*, N.Y. TIMES, Apr. 5, 2007.

3. *See, e.g.*, Universal Shopping, Rivalry Figurines, http://www.universalshopping.com/rivalry.html (last visited Apr. 15, 2007). Interestingly, the victimizer gets a larger percentage of the license fee than the victim.

owners, which would justify the owners' control over even traditionally unlicensed critical speech. Yet even though consumer perceptions stand at the center of trademark law, trademark law has more tools than copyright law for resisting licensing-based rights accretion—indeed, trademark law possesses a comparatively rich arsenal of limiting doctrines *as a consequence* of the centrality of consumer perceptions.

Copyright law's interest in licensing markets arises mainly in the fourth factor of the test permitting "fair use" of copyrighted works.[4] That factor considers the effect of the disputed use on existing or likely markets available to the rights-holder. Thus, analysis of licensing markets in copyright law has proceeded with relatively little consideration of such markets' effects on copyright law's overall goals of promoting "progress" and expression. Although courts supposedly balance the four fair use factors, they often declare the existence of a licensing market to be crucial, as Gibson explains. By contrast, trademark law must routinely consider the tradeoffs between consumer protection/expectation rationales and other policy goals, such as free competition in unpatented goods and First Amendment concerns. Gibson identifies important limits on trademark's feedback loops when consumer perceptions do not align with actual licensing markets, but he does not spend much time on instances in which trademark law does not rely on consumer beliefs. It is true, as Gibson says, that legislation cannot itself halt changing consumer perceptions, but trademark law need not—and in fact does not—use consumer perceptions as its only guidance.

Numerous trademark doctrines serve to cabin the ability of trademark owners to claim licensing rights. For example, the functionality doctrine holds that product features that make a product cheaper or more effective cannot be protected by trademark law, even if the features have a "de facto" secondary meaning that signals the product's source to consumers. Thus, even though Nabisco's patent on shredded wheat biscuits probably led consumers to assume—correctly, during the period of the patent—that Nabisco was the sole source of shredded wheat, when the patent expired, other competitors were free to produce the patented good despite that consumer belief.[5] At times, trademark's genericity doctrine serves the same purpose of encouraging competition by preventing a single producer from obtaining rights in a phrase that is necessarily generic even if consumers associate the phrase with the market leader—as with AOL's use of "You've Got Mail."[6]

4. 17 U.S.C. § 107(4) (2000).

5. *See* Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938).

6. *See* America Online, Inc. v. AT&T Corp., 243 F.3d 812, 822 (4th Cir. 2001).

Likewise, trademark law's descriptive fair use doctrine explicitly tolerates a higher-than-usual likelihood of confusion when a competitor uses a term that both describes its products and has trademark meaning for a competitor. Some confusion is acceptable because the payoff is greater freedom for producers to compete by accurately describing their products. Nominative fair use, a related doctrine, allows the use of a mark to identify a particular product or service if it's the best way to do so, if the use is no greater than necessary, and if the user does nothing else to suggest endorsement. For example, in the case that first named the nominative fair use defense, the Ninth Circuit held that *USA Today* and *Star Magazine* could run for-profit telephone polls asking about readers' favorite New Kid on the Block, even though those polls competed with the New Kids' own for-profit telephone services and even though the ordinary confusion factors might seem to favor the plaintiffs. In such nominative fair use cases, the court ruled, confusion is unlikely as a matter of law.[7] That is, the Ninth Circuit holds that there exists an apparently irrebuttable presumption that consumers are not confused, regardless of what the evidence might show about any particular nominative use.

In other situations, judges presume that a defendant's use of another's trademark does not confuse consumers and does not lead consumers to believe that the defendant obtained permission from the trademark owner; then, the judges do not consider evidence that might rebut those presumptions. Usually, this helps add empirical punch ("There's no confusion here!") to normative conclusions that free speech or free competition outweigh any risk of confusion. The Second Circuit's influential *Rogers v. Grimaldi* rule[8] is an example of this reasoning. The court, relying on intuitions rather than evidence, held that titles incorporating trademarks are less likely to cause consumer confusion than other types of uses, and simultaneously held that First Amendment interests outweigh the likelihood of confusion when a title is artistically relevant and not explicitly misleading as to source or sponsorship.

In another case, a writer wished to use characters, situations, and catchphrases from *Amos 'n' Andy* in a new play. CBS asserted trademark rights, even though it had stopped commercially exploiting the *Amos 'n' Andy* properties because of the negative racial stereotypes embodied in the show. CBS did, however, license excerpts from *Amos 'n' Andy* programs "for limited

7. *See, e.g.*, New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d 302, 308 (9th Cir. 1992) ("Such *nominative use* of a mark—where the only word reasonably available to describe a particular thing is pressed into service—lies outside the strictures of trademark law: . . . such use is fair *because it does not imply sponsorship or endorsement* by the trademark holder.") (second emphasis added).

8. 875 F.2d 994, 999-1000 (2d Cir. 1989).

use in connection with documentary and educational programs"[9] and argued that this licensing precluded a finding that it had abandoned its marks.

The Second Circuit held that "sporadic licensing of essentially non-commercial uses of a mark is not sufficient use to forestall abandonment. Such uses do not sufficiently rekindle the public's identification of the mark with the proprietor, which is the essential condition for trademark protection."[10] The court specifically referred to the playwright's First Amendment interests in creating new works based on *Amos 'n' Andy* scripts whose copyright had expired as a factor favoring a finding of abandonment, even though it is difficult to see how that interest could affect whether the public still perceived *Amos 'n' Andy* products as emanating from a single source. Such merger of prescriptive and descriptive claims about public perceptions is common in trademark cases; it operates to minimize the acknowledged costs of consumer deception resulting from free competition and free speech. In fact, the abandonment rule in general—which looks at whether a producer has ceased use of a mark without intent to resume it, rather than whether consumers still associate the mark with a specific source[11]—prioritizes free competition over avoiding consumer confusion. The goal is not to protect consumers, but to create bright lines so that producers will know what marks are free to use.

Recently, there has been controversy over the extent to which "use as a mark" can limit expansive trademark concepts. For example, search engines have been sued for selling trademarked terms as keywords used to generate ads for competing products or services; the search engines are clearly not using the trademarks to brand *their own* products or services, yet some courts find infringement, or at least potential infringement.[12] As Gibson notes, by requiring a plaintiff trademark owner to prove that a defendant used its trademark "as a mark," courts could protect search engines from direct liability in this circumstance. Proponents of such a "use as a mark" requirement argue that keyword sales are no different from the standard supermarket practice of

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9. Silverman v. CBS Inc., 870 F.2d 40, 47 (2d Cir. 1989).

10. *Id.* at 48.

11. Concern over confusion inevitably creeps into some courts' analysis of abandonment, and arguably the rule should be altered so as to explicitly consider persistent consumer perceptions even if that keeps unused marks unavailable for anyone to use. But the fact remains that the Lanham Act defines abandonment solely in producer-focused terms. *See* 15 U.S.C. § 1127 (2000) ("A mark shall be deemed to be 'abandoned' . . . (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment.").

12. *See, e.g.*, Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020 (9th Cir. 2004); Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700 (E.D. Va. 2004).

stocking house brands next to popular national brands, using the value of the national trademark to attract consumer attention, but only in a legitimate, comparative way. Gibson's summary of the developments in sponsorship/approval doctrine explains why a "use as a mark" requirement is both attractive and difficult to manage. Under current case law, he writes, "the focus shifts from whether the plaintiff sponsored or approved of the *defendant's product* to whether the plaintiff acquiesced in the defendant's use of the *plaintiff's mark*."[13] Thus, if consumers believe that Google needs GEICO's permission to run "Sponsored Links" along with search results for "GEICO," there can be infringement.[14] And that infringement exists even if consumers understand that GEICO has no connection with any of the competing advertisers whose links appear in the result list. If we can imagine trademark owners successfully persuading consumers that any reference to a mark requires permission, whether in a book, a search result, or a product review, then trademark owners will have amazingly broad rights to control discourse about themselves.

A requirement that trademark owners prove "trademark use"—that is, use to indicate the source or sponsorship of a product or service as a whole—seems to be a useful way to unite, rationalize, and expand current defenses like nominative fair use and descriptive fair use, as well as to preserve the traditional distinction between direct and contributory infringement. But the requirement of "trademark use" has difficulty dealing with the problem that consumers may reasonably believe that Coca-Cola is a sponsor of *American Idol* because its products appear on the show. If that isn't trademark use, what is it? Can it be distinguished from Google's practices, or from supermarket shelving patterns, in any normative way? "Normative" is the key term, because of the dynamic that Gibson identifies allowing trademark owners to change consumers' beliefs about whether permission is required. An external perspective, weighing potential consumer confusion—and the harm that could be done by such confusion, which as Gibson points out will often be minimal—against other interests can help us answer that question.

It's easy to assume that a consumer-protection focus cabins trademark owners' expansive property claims. But as Mark McKenna has shown in chronicling the disappearance of the old rule that only direct competition could infringe a trademark, focusing on consumer confusion can easily lead to

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13. Gibson, *supra* note 1, at 911.

14. *See, e.g.*, *Gov't Employees Ins. Co.*, 330 F. Supp. 2d at 704 ("[W]hen defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so.").

expansion of trademark rights.[15] Trademark law's continued reliance on concepts of free competition, as well as free speech, allows it to keep consumer confusion from turning trademark law into a right to control all references to a mark. The reforms Gibson tentatively suggests to prevent excessive risk aversion extend rather than replace the countervailing normative principles that already exist within trademark law. Far too much has already been done in the name of protecting consumers against evanescent and irrelevant "confusion." Acknowledging and fortifying trademark's well-established balancing doctrines is the best way to break out of the feedback loops Gibson rightly decries.

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Preferred Citation: Rebecca Tushnet, *Why the Customer Isn't Always Right: Producer-Based Limits on Rights Accretion in Trademark*, 116 YALE L.J. POCKET PART 352 (2007), http://yalelawjournal.org/2007/04/25/tushnet.html.

15. *See generally* Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. (forthcoming 2007).