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Trademark Tension, Part I

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In this Intellectual Property Viewpoints series, we tend to focus on copyright and patent law – the "big two" IP regimes that govern innovation in the arts and sciences. But there is a third IP regime, a cousin to copyright and patent, which is important to almost any enterprise, even if its business has nothing to do with innovation. That's trademark law.

Over the last several decades, trademark law has grown from its modest roots and experienced an expansion that rivals that of its more high-profile cousins. In this essay and the next, I will discuss this phenomenon, and in particular an emerging tension within trademark law that might act as a natural limit on its continued expansion.

First, the modest roots. Trademark liability used to be about keeping competitors from deceiving consumers about the source of goods in the marketplace. A hypothetical example will help explain this point. Suppose that PepsiCo grows tired of seeing its PEPSI product finish second to COKE in the soft drink market. So PepsiCo decides not to fight fair anymore; instead, it starts to sell its cola product using the COKE brand name, the stylized COCA-COLA script, and the instantly recognizable red-and-white color scheme. In other words, PepsiCo begins to pass off its cola product as COKE.

PepsiCo's deception would victimize cola consumers, because COKE aficionados would think they were buying COKE but would really be buying PEPSI. But the deception would also victimize Coca-Cola Co., the COKE manufacturer, because each consumer that PepsiCo deceives would represent a lost sale for Coca-Cola.

In the old days, however, the law provided a remedy for the deceived consumer (a fraud case against PepsiCo), but did not provide a remedy for Coca-Cola – even though Coca-Cola not only suffered a harm, but also had more of an incentive to sue. Trademark law emerged as the solution to this problem. If Competitor X diverted sales from Competitor Y by using Y's brand name, thereby confusing consumers into thinking that Y was the source of X's goods, then X would be liable to Y for trademark infringement.

So trademark liability was traditionally about allowing one *competitor* to sue another when the latter *confused*consumers about the *source* of the goods, resulting in diversion of sales.

Now that we understand the roots of trademark liability, we can consider the expansion. Today trademark law reaches far beyond the regulation of competitors in the marketplace, and applies in many contexts in which no consumers are confused about the source of the goods they are buying.

Two examples will suffice to illustrate this point. First, consider the role of trademark in sports merchandising. If Nike sells t-shirts bearing the NEW ENGLAND PATRIOTS mark, there is no consumer confusion about the *source* of the good; everyone knows the source is Nike. And there is no *competition* between Nike and the football team; Nike competes with other sporting goods companies like Reebok and Adidas, while the Patriots' competitors are the Jets and Ravens (or perhaps other pro sports leagues, like the NBA and MLB). Yet today's expanded trademark law nevertheless makes Nike liable for selling those t-shirts without the team's permission. The idea is that, although consumers would not be confused as to the *source* of the product, they might be confused into thinking that the Patriots *sponsored* Nike's manufacture of the t-shirts, and that this sort of confusion is equally harmful. (Note that actionable confusion of this sort is not limited to team names; the case law includes suits based on the unauthorized use of team colors and even catchphrases – such as the controversy involving the New Orleans Saints and ownership of "Who Dat?".)

A second example will further demonstrate that modern trademark law has abandoned its traditional focus on competition between the parties and confusion as to the source of goods. Today the owner of a famous trademark can successfully sue a business that adopts a similar mark *in a completely unrelated industry*. So if someone wants to open a car repair shop using the brand name SPRITE, Coca-Cola Co. (which owns the trademark SPRITE for soft drinks) could sue to prevent the use of that name, even though there would be no *competition* between the two businesses and even though no consumer would ever be confused into thinking that Coca-Cola was the *source* (or even the sponsor) of the car repair services. This kind of liability is called trademark "dilution," because the perceived harm is that the addition of a new SPRITE mark into the world somehow dilutes the original SPRITE's distinctiveness – *i.e.*, reduces the uniqueness and singularity of the existing SPRITE mark – thus lowering its value.

Trademark owners have, unsurprisingly, welcomed these expanded approaches to trademark liability. But, to quote Spider-Man, with great power comes great responsibility, and trademark law is no exception. The expanded reach of trademark liability brings with it expanded pressures on trademark owners to monitor uses of the mark and enforce their new rights in contexts far afield from their own industries. And the mark owner that fails to do so might not only lose those new rights, but also lose all rights in its trademark altogether. In the next entry in this series, I will discuss this tension between expanded liability and the increased burden that accompanies it.