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Trademark Tension, Part II

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In the previous entry in this series, I discussed the narrow foundations of trademark law and its more recent expansion – in particular, how new approaches to trademark liability have departed from the law's traditional focus on disputes about the *source* of competing goods. I continue that theme now by considering a tension that emerges from this expansion. Although trademark *liability* has expanded beyond source-identification, other aspects of trademark law have not, and these more traditional aspects can rise up and trap the unwary mark owner, or at least turn its expanded rights into expanded costs.

To understand the tension between the traditional roots of trademark and its recent expansion, one must understand how trademark rights can be lost. The most familiar scenario occurs when a trademark becomes so well-known that consumers adopt it as the generic term for the entire class of products, rather than using it as a source-identifier associated with one particular producer's products. This is known as "genericide," and when it happens the trademark owner loses all rights in the mark. (Marks that have suffered genericide in the past include thermos, escalator, and yo-yo, all of which began as trademarks. Potential victims going forward include KLEENEX, XEROX, and POST-IT.)

The same loss of rights occurs when a trademark owner fails to control the quality of goods being sold under the mark. Suppose that McDonald's Corp. allows any old fast-food joint to use the McDONALD'S mark, as long as it pays a licensing fee. This would result in an explosion in the number of McDONALD'S establishments. But the brand name itself would become meaningless, because one would never know what to expect from a given franchise; one McDONALD'S might sell nasty fried chicken while the next sells tasty vegetarian cuisine. The mark would therefore no longer represent a single *source* of fast food, but would instead represent a bunch of different and unrelated sources. This practice is called "naked licensing" – but that's not as much fun as it sounds, because when a trademark owner fails to monitor use of its mark and maintain consistency in the goods and services that mark represents, we say the mark has been "abandoned." And just as with genericide, abandonment means the trademark rights are lost.

So even though trademark's liability standards have expanded in ways that disregard the traditional focus on source, other trademark doctrines like genericide and abandonment continue to emphasize the importance of source to trademark rights. What does this mean for today's trademark owner?

Well, consider the following case. In 2007, Arizona State University sent a cease-and-desist letter to a Virginia Beach high school, alleging that the high school's SUNDEVILS mascot infringed on ASU's SUN DEVILS mascot. There was clearly no confusion as to source; no one is going to think that the high school team from Virginia was really the college team from Arizona. Yet ASU pressed the case anyway. And this was hardly an isolated incident; Florida State, the University of Cincinnati, and the University of Wisconsin have raised similar concerns with various high schools (the latter reportedly more than 20 times).

Why would universities pursue this course of action? They may be motivated by a fear of the consequences of inaction. Recall that the owner of a famous mark (like SUN DEVILS) can sue for trademark dilution whenever anyone *in any industry* uses a similar mark, confusingly or not. To win a dilution case, however, the mark owner must allege harm to the distinctiveness of its famous mark, a lessening of the mark's singularity. This means that the mark owner basically must sue every new user of the mark, because otherwise it allows its mark's distinctiveness to be chipped away bit by bit – to the point at which, when the mark owner finally decides to sue, there are so many users of the mark that one more will have no effect on its distinctiveness.

Consider, for example, how many businesses use the DELTA mark. Delta Air Lines Inc. and Delta Faucet Co. are the most well-known, but there are dozens of others, if not hundreds or thousands. So even though Delta Air Lines might have a famous mark in DELTA, it would be hard-pressed to win a dilution claim against a new user of that mark; there are so many other users already that one more can hardly be said to have an effect on the mark's distinctiveness. A trademark owner like ASU might therefore feel that the expanded liability that dilution provides obligates it to be very aggressive in enforcement, lest it allow too many SUN DEVILS to flourish and lose its ability to sue for dilution ever again.

This dilution analysis shows how unmooring trademark liability from consumer confusion might impose unwanted monitoring and enforcement costs on trademark owners. One response, however, might be that parties like ASU *are* in fact worried about confusion, not dilution – in particular, confusion as to sponsorship (one of the new theories of liability under the modern expansion). Even if true, this concern imposes certain costs on the mark owner. Indeed, inattention to the nuances of the sponsorship-based liability might result in loss of trademark rights altogether.

To appreciate this tension, consider how the ASU case might be resolved. Most civil suits settle under terms that split the baby; neither party gets everything it wants, but the risks of trial are avoided. In a copyright or patent case, this might mean that the defendant gets to continue the allegedly infringing conduct, but has to pay the plaintiff for the privilege.

Such an approach won't work in trademark. ASU can't allow an infringing use to continue, even if the high school pays it a licensing fee. Why not? Because that's naked licensing, and naked licensing means trademark abandonment and loss of rights, as in the McDONALD'S example above. In other words, if ASU cuts such a deal, the SUN DEVILS mark will no longer represent a single source of sports entertainment (ASU), but will instead represent multiple sources (ASU and the high school).

So unless ASU somehow figures out how to control the quality of the high school's sports "services" – a laughable proposition – it would have little choice but to press for full capitulation by the high school. The expanded reach of trademark liability thus imposes monitoring and enforcement costs and limits the trademark owner's ability to tolerate *de minimis* infringements.

This is not to say that expanded trademark liability is a net loss for trademark owners. On the whole, it is probably not; the added burdens are likely smaller than the gains. But it does suggest that trademark's expansion has created traps for the unwary. Some day there may come a reckoning in which one of the two sides of trademark law has to give in – either its expanded liability or its traditional source-focused limitations.