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# JOURNAL OF THE PATENT AND TRADEMARK OFFICE SOCIETY

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# Betty Boop Almost Lost Her “Bling-Bling”: *Fleischer Studios v. A.V.E.L.A.* and The Re-Emergence of Aesthetic Functionality in Trademark Merchandising Cases

Tracy Reilly\*



## Abstract

This article analyzes the original Ninth Circuit opinion in *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.* in which the court provided a *sua sponte* discussion of the dispraised doctrine of aesthetic functionality in the context of the contemporary merchandising practices of trademark owners, which analysis was subsequently withdrawn in its entirety by the court six months later when it substituted its former opinion with a new holding on grounds other than aesthetic functionality. The article will begin with an explanation and history of the Lanham Trademark Act, focusing on its twin goals of protection against consumer confusion over the source of goods in the marketplace, as well as the promise offered to producers of goods to secure the goodwill associated with such products. It will then explore the history and development of trademark licensing, particularly focusing on the contemporary phenomenon of brand evolution or trademark merchandising, which caters to the fulfillment of consumer connection, affiliation, and overall “experience” with valued materialistic commodities, which I term the “bling-bling” fac-

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\* Associate Professor of Law, University of Dayton School of Law, Program in Law & Technology. Copyright © 2012–Tracy Reilly. I am extremely grateful to Dean Paul McGreal and former Dean Lisa Kloppenberg at the University of Dayton School of Law for their support of the research efforts within the Program of Law & Technology (“PILT”). I extend special thanks to Executive Director Kelly Henrici and all the PILT faculty members, as well as my husband Mark Budka, for their undying encouragement of my scholarly endeavors.



tor. The article will then trace the history of court opinions that have interpreted aesthetic functionality and other provisions in the Lanham Act in conjunction with the evolving practice of trademark licensing, particularly critiquing the first *Fleisher Studios* opinion for reinstating the doctrine and arguing that it: (1) fails to account for protecting the needs of contemporary consumption; (2) thwarts the incentive of trademark owners to develop goodwill in branding practices; and (3) discounts to an unacceptable degree the phenomenon of rampant, unauthorized third-party use of marks by neglecting to distinguish a competitor from a free rider in the marketplace. Finally, the article will conclude with a plea to all circuits and the Supreme Court to extinguish the aesthetic functionality doctrine by showing that it is not a rational extension of the traditional principle of utilitarian functionality originally conceived by the drafters of the Lanham Act.

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## Introduction

In the 1920s, Walt Disney created the lovable and endearing Mickey Mouse character. (I did not, Walt Disney did). A decade later, Max Fleisher designed the iconic image of Betty Boop. (I did not, Max Fleischer did). But if the Ninth Circuit's original decision interpreting the doctrine of aesthetic functionality in *Fleischer Studios, Inc. v. A.V.E.L.A., Inc. ("Fleischer Studios I")*<sup>1</sup> had not been withdrawn a mere six months after its issuance, I would nonetheless have strong legal ground on which to stand in waging an argument for the right to sell t-shirts emblazing either of those ornamental characters without having to seek a license of the famous marks from their owners. Those endorsing the legal tenets espoused by the court in its opinion would argue this is a *good* thing.<sup>2</sup> After all, I can make a decent ancillary profit during the summer months in which I am not teaching by producing modest quantities of my Betty and Mickey t-shirts cheaper since my basement operation would not command the same overhead as does Fleischer Studios and the Walt Disney Corporation. I can sell these products to my Mickey and Betty loving neighbors for \$10 a pop, whereas if they were "forced" to purchase an officially sponsored Disney or Fleischer branded shirt, they would pay much, much more.

This scenario, according to some, best serves efficient and effective competition in the marketplace, which is the underlying driving force behind trademark jurisprudence in the United States.<sup>3</sup> Many would argue, therefore, that as long as I do not deceive my neighbors into thinking they are purchasing "official" or "sponsored" t-shirts authorized by the original trademark owners, and provided they are not confused as to the source of the goods, so-called *competitors* such as myself "ought to have access to the mark as product without incurring the cost of labeling [such product] as an 'unofficial' product."<sup>4</sup> Others—albeit apparently a lone few—believe that defendants like the A.V.E.L.A. merchandising company (or would-be basement t-shirt producers, like me) are not entitled to free ride on the goodwill created by a trademark owner like Fleischer Studios in the burgeoning and wildly successful merchandising market in today's economy.<sup>5</sup>

The progressing trend toward demonizing the merchandising rights of trademark owners is substantiated by scholarly notions that are similar to those that were set forth by early opponents of the dilution right, namely, the argument that there is no traditional theoretical or philosophical justification for the right and that recognizing the right will have the potential to undermine trademark jurisprudence and lead to

1 *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 636 F.3d 1115 (C.A.9 Cal. 2011).

2 See e.g., Stephanie Frank, *Showing Your School Spirit: Why University Color Schemes and Indicia do not Deserve Trademark Protection*, 92 B.U. L. REV. 329, 368 (2012) ("[C]ourts can and should rein back trademark protection and stop reinforcing the merchandising right.").

3 See, *infra* notes 19-23 and accompanying text.

4 Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 505-06 (2005). ("[T]he public should have the benefit of competition in the sale of products that they desire, including products whose primary aesthetic feature constitutes a trademark. If—and only if—such competition risks creating misperceptions as to whether the trademark holder endorsed the product, the solution lies in correcting those misperceptions through disclaimers and corrective advertising, not through enjoining use of the mark.").

5 See, e.g., Christopher R. Perry, *Trademark as Commodities: The "Famous" Roadblock to Applying Trademark Dilution Law in Cyberspace*, 32 CONN. L. REV. 1127, 1139 (2000) ("Trademark owners have invested a significant amount of time, money, and sweat to make their trademarks distinctive. When their labor results in trademarks that take on value on their own, why shouldn't the trademark owners be able to cash in on their investments?").

the downright “stifling threat of monopoly.”<sup>6</sup> This alarming denouncement of the valid legal rights earned and owned by trademark holders as it has most recently culminated in the *Fleischer Studios I* holding has three consequences which those who pronounce it have failed to fully consider. First, it denies the contemporary consumer the opportunity to participate in conspicuous consumption, product snobbery, or what I will refer to in this article as the “bling-bling” effect. Second, it fails to both validate the creation and protect the maintenance of goodwill earned by the trademark owner. And third, it discounts to an unacceptable degree the phenomenon of free riding and neglects to distinguish the subtle but important differences between one who validly competes and one who commonly free rides in the marketplace.

This article contains six sections which will ultimately debunk the myths that opponents of merchandising often assert in order to dissuade courts from holding defendants liable for the use of third-party marks in non-authorized settings. Section I provides an explanation of the “bling-bling” phenomenon associated with modern branding and the cultural and societal underpinnings of trademark merchandising. Section II is a brief, historical analysis of the purpose and policy behind trademark law. Section III discusses how modern trademark licensing practices have evolved and significantly changed from the common law function of mere source identification into the contemporary phe-

nomenon which allows the consumer to both express herself and socially and psychologically connect as a member of a group *via* conspicuous product choices. Section IV provides a summary of the cases in which courts have inconsistently interpreted the doctrine of aesthetic functionality in the context of merchandising and have overwhelmingly concluded that defendants in infringement actions should not rely on the doctrine to condone unauthorized uses of others’ trademarks. The fifth section consists of a detailed analysis and critique of *Fleischer Studios I*, outlining the three main problems with the case outcome and showing how the court’s holding and *dicta* proscribe a death knell for the practice of trademark owners who exclusively control their marks *via* licensing, merchandising, and sponsorship practices. Finally, the article will conclude in Section VI with a plea to all circuits and the Supreme Court to extinguish the aesthetic functionality doctrine once and for all by showing that it is not a rational extension of the traditional principle of utilitarian functionality that was originally conceived by the drafters of the Lanham Act.

## I. The “Bling-Bling” is the Thing

The term “bling-bling” became a widespread phrase in the hip-hop culture “referring to flashy, ostentatious or elaborate jewelry and ornamented accessories that are carried, worn or installed” after rap artist B.G.’s 1999 release of a song with the same title that hit the Top 40.<sup>7</sup> In 2000, the

<sup>6</sup> Simone A. Rose, *Will Atlas Shrug? Dilution Protection for “Famous” Trademarks: Anti-Competitive “Monopoly” or Earned “Property” Right?*, 47 FLA. L. REV. 653, 681-82 (1995) and Simone A. Rose, *Patent “Monopolyphobia”: A Means of Extinguishing the Fountainhead?*, 49 CASE W. RES. L. REV. 509, 511-12 (1999) (companion articles by the author, each of which evaluates whether intellectual property rights are best viewed as property or monopoly). See also Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1029 (2006).

<sup>7</sup> See WIKIPEDIA entry for “bling-bling,” available at <http://en.wikipedia.org/wiki/Bling-bling> (last visited on Jun. 28, 2011). See also, “Bling Bling” from “Chopper City Ghetto” by B.G. on CASH MONEY RECORDS (released April 20, 1999). The lyrics to the chorus of the song are: “Bling bling, everytime I come around yo city/Bling bling, pinky ring worth about fifty/Bling bling, everytime I buy a new ride/Bling bling, Loriners on Yokahama tires.” See <http://www.stlyrics.com/lyrics/allaboutthebenjamins/blingbling.htm> (last visited on Jun. 28, 2011).

saying hit the mainstream when L.A. Lakers basketball star Shaquille O'Neal began using bling-bling to symbolize the team's goal of a trophy-winning season after viewing highly ornamental championship trophies that were on display at Phil Jackson's cabin in Montana.<sup>8</sup> Today, "[t]he expression is so common that the mainstream media regularly use 'bling-bling' without defining it"<sup>9</sup> and yet the Oxford Dictionary has officially coined the term to mean "expensive, ostentatious clothing and jewelry, or the wearing of them," the origin of which is attributable to being "imitative of light reflecting off jewelry, or of jewelry clashing together."<sup>10</sup> While the original connotation of the term bling-bling was used to celebrate the "rags-to-riches . . . truly Horatio Alger-worthy tale" of the ascent of the hip-hop music genre "from the street corners of New York City to become a global million-dollar culture machine,"<sup>11</sup> it has most certainly evolved to become a mantra used today in popular society to indicate anything that is fancy, expensive, brand new, or "over the top," as well as any symbol of prosperity or an overtly materialistic pursuit.<sup>12</sup>

Sociologists, psychologists, and marketing experts more formally term the bling-bling effect as "snob" purchasing or

"conspicuous consumption," a phrase coined by twentieth-century American economist Thorstein Veblen in describing the evolving purchasing habits of the post-modern industrialist leisure class which exemplified a need to ostentatiously display "primarily socially useless goods" in order to "fix and demonstrate to others their place within a social hierarchy."<sup>13</sup> As will be discussed more fully in Section III.C, trademarks have become the vehicle by which snob or "Veblen goods" are used by consumers in order to communicate their social status and identity—a trend that many legal scholars find dismaying and antithetical to traditional trademark theory.

The story of the success and continued popularity of Betty Boop is a perfect example of how the bling-bling has come to exist in characters, cartoons, and other popular creative icons that share elements protectable by both copyright and trademark law. The merchandising power of the sassy and sexy, yet shyly innocent, character of Betty Boop is more pervasive than ever in today's market despite the fact that she was initially put to ink over 70 years ago. To put it simply, people want more Betty than ever before. She is the subject of various recent co-branding arrangements by Fleischer Studios, including having been chosen

8 Renee Tawa, "Bling-Bling" in the Oxford Dictionary? That's Phat, L.A. TIMES, July 9, 2003, available at <http://articles.latimes.com/2003/jul/09/entertainment/et-tawa9> (last visited on Jun. 28, 2011) ("That November, 'bling-bling' was inscribed on the team's championship rings, and during the victory parade, fans held signs that picked up on the mantra.")

9 *Id.* (News stories in 2003 reported that rap star Lil' Kim recovered her bling-bling after several pieces of designer jewelry went missing from her luggage at Kennedy International Airport.)

10 See OXFORD DICTIONARIES.COM entry for "bling (bling)," available at <http://oxforddictionaries.com/definition/bling?region=us> (last visited on Jun. 28, 2011).

11 Aaron Leitko, *The Brains Behind the "Bling-Bling,"* WASH. POST, Jan. 16, 2011, available at <http://www.washingtonpost.com/wp-dyn/content/article/2011/01/14/AR2011011406910.html> (last visited on Jun. 28, 2011) (chronicling the development of the hip-hop movement from Sugar Hill's 1979 hit "Rapper's Delight" to the successes of current rap stars such as Lil Wayne and Jay-Z).

12 Virginia Rohan, *Bling-Bling Fling Goes Mainstream,* SUN SENTINEL.COM, Apr. 29, 2003, available at [http://articles.sun-sentinel.com/2003-04-29/lifestyle/0304280200\\_1\\_bling-chris-aire-hip-hop/2](http://articles.sun-sentinel.com/2003-04-29/lifestyle/0304280200_1_bling-chris-aire-hip-hop/2) (last visited on Jun. 28, 2011) (noting that the term was an "easy fit" for the materialism representative of the 1990s when the economy was booming).

13 MARTYN J. LEE, THE CONSUMER SOCIETY READER 31 (2000).

as the “fantasy” cheerleader for the United Football League.<sup>14</sup> The Florida Lottery now features Betty on a series of its \$2-million scratch-off lottery tickets.<sup>15</sup> Products ranging from apparel, underwear, and swimwear to home goods, drink mixes, and auto accessories (and everything imaginable in between) can be purchased on the official Betty Boop website that is operated and maintained by Fleischer Studios.<sup>16</sup> The year 2010 marked the inauguration of the annual Betty Boop Festival held in Wisconsin Rapids, witnessing events such as animation demonstrations, motorcycle shows, a Betty look-alike contest and film festival.<sup>17</sup> Betty Boop clearly still has bling-bling in the minds of purchasing consumers worldwide despite the attempts of courts like *Fleischer Studios I* that would prefer to douse the cachet of this and other famous characters. The tale of how Betty almost recently lost her bling-bling must proceed with a brief account discussing the history of trademark law, particularly focusing on how the law enforces licensing and merchandising agreements and trademark owners’ rights thereto.

## II. The Purpose of Trademark Law

Trademarks are governed by the Lanham Act of 1946 (the “Act”), a federal statute.<sup>18</sup> Section 43(a) of the Lanham Act fosters the protection of trademarks by prohibiting the use in commerce of “any word, term, name, symbol, device, or any combination thereof ... which is likely to cause confusion or mistake, or to deceive as to the affiliation, connection, or association ... to the origin, sponsorship, or approval.”<sup>19</sup> The dual purpose of trademark law is to serve the following economic functions: (1) to encourage the production and quality of goods and services; and (2) to protect consumers by fostering fair competition in the marketplace.<sup>20</sup> By attempting to serve these two purposes simultaneously, “an inevitable tension exists” in trademark law; “[h]owever, avoiding consumer confusion is at the core of both of these rationales and is the common concern driving trademark law.”<sup>21</sup>

Whereas copyright and patent law are intended to promote the progress of in-

14 *Iconic Cartoon Character to Become United Football League Fantasy Cheerleader*, VEGAS.COM, Jul. 28, 2010, available at <http://www.vegasnews.com/28589/iconic-cartoon-character-betty-boop-to-become-united-football-league-fantasy-cheerleader.html> (last visited on June 5, 2011).

15 *See Betty Boop Stars in New Florida Lottery Scratch-Off Ticket*, ORLANDO SENTINEL, June 4, 2008, available at [http://blogs.orlandosentinel.com/news\\_lottery/2008/06/berry-boop-star.html](http://blogs.orlandosentinel.com/news_lottery/2008/06/berry-boop-star.html) (last visited on June 16, 2011).

16 *See* <http://bettyboop.shop.musictoday.com/Default.aspx> (last visited on June 16, 2011).

17 *A Complex History of Betty Boop*, Aug. 9, 2001, available at <http://www.complex.com/art-design/2011/08/a-complex-history-of-betty-boop#11> (last visited on Aug. 18, 2011).

18 Codified, as amended, at 15 U.S.C. §§1051-1127 (2010).

19 15 U.S.C. § 1125(a).

20 Radiance A. Waiters, *Partial Forfeiture: The Best Compromise in Trademark Licensing Protocol*, 91 J. PAT. & TRADEMARK OFF. SOC’Y 126, 128 (2009). *See also*, *Lorillard Tobacco Co. v. Amouri’s Grand Foods, Inc.*, 453 F.3d 377, 383 (6th Cir. 2006) (The “two fundamental purposes of trademark law” are “preventing consumer confusion and deception in the marketplace and protecting the trademark holder’s property interest in the mark”). If an unauthorized third party adopts someone else’s trademark, the Lanham Act provides remedies to the trademark owner, such as the ability to obtain an injunction, monetary damages, and the destruction of products which bear the appropriated mark. *See* Jason B. Binford, *Supreme Court Passes on Assumption and Assignment of Trademark License Agreements*, 28-JUN AM. BANKR. INST. J. 36, 37 (2009). To determine infringement, courts perform a multi-part “likelihood of confusion” analysis, the essence of which is to determine whether the defendant’s use of a challenged mark is likely to confuse the ordinary consumer as to the source and origin of goods sold in connection with the mark. *See generally*, 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:78 (4th ed. 2009).

21 Virginia Welch, *Contributory Trademark Infringement: Who Bears the Burden of Policing Online Counterfeit Activity?*, 13 SMU SCI. & TECH. L. REV. 361, 363 (2010).



novation and the arts pursuant to the Progress Clause of the Constitution, the goal of trademark law is to prevent unfair competition as regulated by the Commerce Clause.<sup>22</sup> Thus, the dominant view of trademark theory is primarily concerned with the consumer and grounded in the economic goal to reduce consumer search costs, which invariably, if not directly, leads to an incentive by trademark owners to produce products that have a consistent quality, as well as protecting the trademark owner's interest in the goodwill built up in its business that is connected to the mark.<sup>23</sup> The Supreme Court as early as 1916 acknowledged the value and importance of creating goodwill surrounding trademark ownership by recognizing that "the common law of trademarks is but a part of the broader law of unfair competition," and noting that:

"The redress that is accorded in trademark cases is based upon the party's right to be protected in the good will of a trade or business. The primary and proper function of a trademark is to identify the origin or ownership of the article to which it is affixed. Where a party has been in the habit of labeling his goods with a distinctive

mark, so that purchasers recognize goods thus marked as being of his production, others are debarred from applying the same mark to goods of the same description, because to do so would in effect represent their goods to be of his production and would tend to deprive him of the profit he might make through the sale of the goods which the purchaser intended to buy. Courts afford redress or relief upon the ground that a party has a valuable interest in the good will of his trade or business, and in the trademarks adopted to maintain and extend it. The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another."<sup>24</sup>

Additionally, a review of the legislative history of the Lanham Act makes it quite clear that the drafters acknowledged that, in addition to the primary goal of protecting the consumer from confusion, a secondary goal was to ensure "where the owner of a trade-mark has spent energy, time and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats."<sup>25</sup> Hence, it cannot be denied that trademark law is meant to protect the

22 Joshua N. Mitchell, *Promoting Progress With Fair Use*, 60 DUKE L.J. 1639, 1649 (2011) ("Federal trademark law is therefore an enactment under the Commerce Clause rather than the IP Clause, and the restrictions on Congress's power to enact trademark law are those of the Commerce Clause, not of the IP Clause"). See also Susanna Monseau, *European Design Rights: A Model for the Protection of all Designers from Piracy*, 48 AM. BUS. L.J. 27, 76 (2011) (noting that "the purpose of trademark law is the protection of reputation rather than the encouragement of creativity in design").

23 Michael S. Mireles, *Towards Recognizing and Reconciling the Multiplicity of Values and Interests in Trademark Law*, 44 IND. L. REV. 427, 439-41 (2011) (noting that "the interests of the producer and the consumer are aligned" because "the producer will enforce its trademark rights if there is a likelihood of confusion and dilution and, thus, harm to goodwill").

24 *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412-13 (1916). See also William M. Landes and Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. OF L. & ECON. 265, 270 (1987) ("The free-riding competitor will, at little cost, capture some of the profits associated with a strong trademark because some consumers will assume (at least in the short run) that the free-rider's and the original trademark holder's brands are identical. If the law does not prevent it, free-riding will eventually destroy the information capital embodied in a trademark, and the prospect of free riding may therefore eliminate the incentive to develop a valuable trademark in the first place.").

25 See S. Rep. No. 79-1333, at 3 (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1274.

goodwill of the owner (even if primarily on behalf of the consumer) and should be called to task when it fails to accomplish this most important goal.

Nonetheless, goodwill is not an outright property interest, as the manner in which trademarks are legally assigned and licensed in the marketplace today has historically been dictated by “the assumption that trademarks cannot be protected as commodities *per se*, but only as conveyers of commercial information and as symbols of business goodwill.”<sup>26</sup> The premise that a trademark cannot exist apart from the goodwill it represents is a well-accepted black letter rule in trademark law.<sup>27</sup> As such, trademarks cannot be traded “in gross” but instead must be assigned along with the goodwill of the business they represent and licensed only if the licensor exercises quality control of products displaying the licensed mark.<sup>28</sup>

While the goal of trademark law is by no means to provide for the monopolization by businesses over words or phrases, the reason these terms are protected by use from others is to aid consumers in distinguishing sources of products in the marketplace “and by allowing producers to accumulate and benefit from a good reputation.”<sup>29</sup> Any modern entrepreneur would agree that a business cannot thrive without methodically and consistently establishing goodwill to its customers as rep-

resented by its trademarks. As will be further discussed in Section V.B. below; however, “[t]he reputation necessary to gain trademark protection . . . is not built in a day because consumers need time to build the association in their minds.”<sup>30</sup>

### III. The Evolution of Trademark Licensing

Trademark licensing occurs when the owner of a legally protected trademark authorizes third parties to manufacture, distribute, and sell products branded with the mark in exchange for a royalty or percentage of the profits received by the licensee for such activities.<sup>31</sup> This type of arrangement is usually accompanied by a written trademark license which contains negotiated clauses specifically outlining the responsibilities of both parties, including exclusivity, territorial and product scope, advertising, specific quality control standards, indemnities, as well as royalty rate structures and payment schedules.<sup>32</sup> While the decision by a trademark owner to enter into a trademark license agreement first began as “an uncommon and mystified business practice,” it has throughout history evolved “to one of the most accepted and lucrative company strategies,”<sup>33</sup> particularly with respect to marks that are well-established in the marketplace. Today, most major law firms house lawyers who spe-

26 Irene Calboli, *What If, After All, Trademarks Were “Traded in Gross”?*, 2008 MICH. ST. L. REV. 345, 346 (2008).

27 W.J. Keating, *Promotional Trademark Licensing: A Concept Whose Time Has Come*, 89 DICK. L. REV. 363, 363-64 (1984-1985).

28 Calboli, *supra* note 26, at 346.

29 Eric E. Johnson, *Intellectual Property’s Need For a Disability Perspective*, 20 GEO. MASON U. CIV. RTS. L.J. 181, 192 (2010) (emphasis added). See also, 1 MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION, § 2.6 (2d ed. 1984) (explaining that what is impaired by infringing acts of defendant is both the right of the consumer not to be confused as well as the trademark owner’s right to a non-confused consumer and to control of his or her reputation in connection with products sold).

30 Jesse R. Dill, *Possessing Trademarks: Can Blackstone or Locke Apply to Fast Food, Grocery Stores, and Virtual Sex Toys?*, 14 MARQ. INTELL. PROP. L. REV. 371, 383 (2010).

31 Calboli, *supra* note 26, at 343.

32 PETER K. YU, INTELLECTUAL PROPERTY AND INFORMATION WEALTH: TRADEMARK AND UNFAIR COMPETITION 177 (2006).

33 *Id.* at 175.

cialize in trademark licensing and the shelves of law libraries are replete with primers on effective techniques for the negotiation of these types of contracts for their clients (especially in determining proper royalty rates).<sup>34</sup>

### A. The Initial "Single Source" Rule

Because trademark licensing is commonplace—indeed, rampant—in today's economy, it difficult to comprehend that the practice was considered "taboo" at common law.<sup>35</sup> This historical rationale was predicated on the notion that because goods that were licensed did not technically emanate from a single source it was assumed that consumers would be confused and deceived by the practice,<sup>36</sup> thus thwarting the main objective of trademark law. In fact, before the Lanham Act was passed, many early courts held that a trademark owner completely abandoned its rights in any mark it transferred separately from the entire business in connection with which the mark had been used.<sup>37</sup> Thus, the early view of trademarks was that they served the sole function of conveying to consumers the product's single physical source or origin,<sup>38</sup> and the main function of "classic" trade-

mark law was to protect consumers from being defrauded by any third party's use of a trademark it did not own.<sup>39</sup> In accordance with such reasoning, "courts in the traditional era conceived of 'source' literally—only uses that caused confusion regarding the *actual, historical source* of a good were actionable."<sup>40</sup> Moreover, any practice of licensing that involved outsourcing of product manufacture by parties other than the trademark owner was considered "philosophically impossible."<sup>41</sup>

### B. The Modern "Quality" Theory

As the seeds of the Industrial Revolution grew and changed the course of economics and trade practices in developing countries such as the United States, intellectual property strategies and regimes developed and changed to meet the needs of owners of intellectual property products and the consumers who purchased such products.<sup>42</sup> Attendant with this amazing growth of innovation, as early as 1927, courts began to recognize that the traditional "single source" trademark rule was outdated because it no longer reflected the fact that consumers had become increasingly more sophisticated, nor did it account for

<sup>34</sup> See, e.g., ERIK W. KAHN, TRADEMARK LICENSE AGREEMENTS LINE BY LINE: A DETAILED LOOK AT TRADEMARK LICENSE AGREEMENTS AND HOW TO CHANGE THEM TO MEET YOUR NEEDS (2009); GREGORY J. BATTERSBY & CHARLES W. GRIMES, LICENSING ROYALTY RATES (2010); and RUSSELL PARR, ROYALTY RATES FOR LICENSING INTELLECTUAL PROPERTY (2007).

<sup>35</sup> Kevin Parks, "Naked" is not a Four-Letter Word: Debunking the Myth of the "Quality Control Requirement" in Trademark Licensing, 82 TRADEMARK REP. 531, 533 (1992).

<sup>36</sup> *Id.*

<sup>37</sup> See, e.g., Reddy Kilowatt, Inc. v. MidCarolina Electric Cooperative, Inc., 240 F.2d 282, 289 (4th Cir. 1957); American Broadcasting Co. v. Wahl Co., 121 F.2d 412, 413 (2d Cir. 1941); and Everett O. Fisk & Co. v. Fisk Teachers' Agency, Inc., 3 F.2d 7, 9 (8th Cir. 1924).

<sup>38</sup> Macmahan Pharmacal Co. v. Denver Chem. Mfg. Co., 113 F. 468, 475 (Cal. Ct. App. 1901).

<sup>39</sup> Sheldon W. Halpern, *Trafficking in Trademarks: Setting Boundaries for the Uneasy Relationship Between "Property Rights" and Trademark and Publicity Rights*, 58 DEPAUL L. REV. 1013, 1014 (2009).

<sup>40</sup> Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 777 (2009).

<sup>41</sup> Calboli, *supra* note 26, at 360-61.

<sup>42</sup> CURTIS COOK, PATENTS, PROFITS & POWER: HOW INTELLECTUAL PROPERTY RULES THE GLOBAL ECONOMY 18 (2004). With the rapid increase in mass production of goods in Western society, people were no longer self-sufficient in obtaining material goods from the household and instead began to rely on the marketplace to sustain them. See THOMAS O'GUINN, CHRIS ALLEN & RICHARD J. SEMENIK, ADVERTISING AND INTEGRATED BRAND PROMOTION 77 (2008).



the reality that the individual businesses operated by the trademark owners could not themselves manufacture the quantity and variety of goods demanded by the burgeoning marketplace.<sup>43</sup> This “modern view” recognized that consumers no longer rationally expected nor believed that products they purchased in connection with a particular mark would necessarily be produced by a single physical source.<sup>44</sup>

Trademark law theory and practice adapted to this change with a gradual loosening of the historical restrictions on outsourcing of manufacture and trademark licensing by “reconceptualizing” the meaning of product source.<sup>45</sup> As long as the trademark licensor utilized a sufficient amount of control over the quality of the goods produced by its licensees, the licensor would still legally be considered the source of the goods.<sup>46</sup> Congress soon followed suit and with the adoption of the Lanham Act, licensing was acknowledged as a valid and legal practice, provided that the owner’s marks are used by “related companies,”<sup>47</sup> even if that relatedness was only achieved by contract.<sup>48</sup> While the Act does not require direct control of a licensee by its licensor, it does state that the trademark cannot be “used in such a manner as to deceive the public.”<sup>49</sup> In fact, the Act

was amended in 1962 to eliminate the previously restrictive “source of origin” language and “make it clear that actionable confusion may also exist as to sponsorship,”<sup>50</sup> thus expanding the scope of infringement to encompass the act of using similar marks on similar goods resulting in any type of confusion or deception in order “to protect the ‘business’ of the trademark owner, as well as the reputation of the trademark owner as the *implied* source of origin of the goods.”<sup>51</sup>

Pursuant to this revised trademark theory, courts today assess whether trademark licensors have adequately exercised quality control over their licensees on a case-by-case basis.<sup>52</sup> The types of quality control asserted can fall into the following categories: (1) actual control by the licensor; (2) a mere contractual right to control; (3) control by an agent of the licensor; (4) control by a third party; (5) reasonable reliance on the licensee to control itself; and (6) control by stock ownership.<sup>53</sup> While scholars are correct to criticize the non-uniformity and inconsistency of court decisions that run the gamut of pontificating on what specific types and in what specific manners of exerting quality control are adequate in order to achieve the ultimate goal of preserving the integrity of the mark via the purchasing

<sup>43</sup> Parks, *supra* note 35, at 533. See also, Frank I. Schechter, *The Rational Basis for Trademark Protection*, 40 HARV. L. REV. 813, 813 (1927) (explaining that these “vigorous judicial expressions of impatience with the old theories of trademark protection are indicative of a desire to keep abreast of and to serve the needs of modern business”).

<sup>44</sup> Parks, *supra* note 35, at 533.

<sup>45</sup> McKenna, *supra* note 40, at 790.

<sup>46</sup> *Id.*

<sup>47</sup> Calboli, *supra* note 26, at 344.

<sup>48</sup> McKenna, *supra* note 40, at 790.

<sup>49</sup> 15 U.S.C. § 1055 (2004).

<sup>50</sup> Jerre B. Swann, Sr., David A. Aaker & Matt Reback, *Trademarks and Marketing*, 91 TRADEMARK REP. 787, 806 (2001).

<sup>51</sup> Keating, *supra* note 27, at 370 (emphasis added).

<sup>52</sup> Timothy W. Gordon, *Intellectual Property*, 73 DENV. U. L. REV. 829, 838 (1996).

<sup>53</sup> *Id.* (citing William M. Borchard & Richard M. Osman, *Trademark Sublicensing and Quality Control*, 70 TRADEMARK REP. 99, 100-04 (1980)).

consumer,<sup>54</sup> it nonetheless remains true that some form of meaningful quality control is legally required before licensors may engage in the outsourcing of products that contain their marks.<sup>55</sup>

The first "major explosion" in licensing that utilized the principle of quality control came after World War II with the development of franchise marketing, in which the franchisor was required to set up and impose strict and balanced standards of quality control for any franchisee who was allowed to market goods and services in connection with the licensed franchisor trademark.<sup>56</sup> If the franchisor failed to maintain a set and determined program of quality control, courts routinely held that the trademark license was invalidated.<sup>57</sup> An increase in personal income, the explosion in population, and the development of a large middle class of "active consumers" helped to spark the demand for high-quality, nationally recognized brands during this period.<sup>58</sup> Along with these socio-economic forces that developed in the marketplace of goods, so too "the law was updated through the adoption of an

expanded, quality assurance theory of trademarks, which held that although consumers may not be justified in relying on a mark as a symbol of a single physical source, the mark could nevertheless be relied on as an accurate indicator of the quality of trademarked goods,"<sup>59</sup> as policed by the owner.

### C. The Contemporary "Brand" Notion

Trademark merchandising, commonly referred to as "secondary exploitation," is a subset of trademark licensing that occurs when a company engages in any use of its trademark that is beyond the main product or service which the company had originally offered in the marketplace.<sup>60</sup> Contemporary society has become "fascinated" with such ancillary products sold directly or *via* authorized licensees of the trademark owner, as witnessed by the scramble of manufacturers, merchants, and other enterprises to market and sell a host of products adorned with the trademarks and symbols of popular companies, sports teams, musical groups, universities, and

<sup>54</sup> See generally, Calboli, *supra* note 26.

<sup>55</sup> Xuan-Thao N. Nguyen, *Bankrupting Trademarks*, 37 U.C. DAVIS L. REV. 1267, 1280 (2004) ("Whether a trademark arrangement is a simple license or a complex franchise agreement, the quality control of the use of the trademark is an important issue.")

<sup>56</sup> Keating, *supra* note 27, at 365.

<sup>57</sup> *Id.*

<sup>58</sup> Swann, Aaker & Reback, *supra* note 50, at 789-90.

<sup>59</sup> Parks, *supra* note 35, at 533-34.

<sup>60</sup> GORDON V. SMITH, TRADEMARK VALUATION 69 (1996). The story of the GUESS brand is particularly representative of this phenomenon. In 1981, the Marciano brothers and founders of Guess left France in pursuit of the American Dream. "Inspired by a European influence, the Marcianos put their innovative touch on the apparel industry, redefining denim." They initially offered a few items of apparel, including the "Marilyn," a stone-washed, slim-fitting jean; however, it did not take long for the Marciano brothers to drive their vision of the brand into new frontiers, as Guess "became a symbol of a young, sexy and adventurous lifestyle... Today, Guess is a global lifestyle brand with a full range of apparel and accessories," including shoes, jewelry, wallets, fragrance, eyewear, and watches, among other products besides the denim jeans originally offered by the Marcianos. See the official Guess website, available at <http://www.guess.com/worldofguess/#/heritage> (last visited on June 14, 2011). See also, Leslie Earnest, *Guess Finds Answer*, NY TIMES, July 16, 2006, available at <http://articles.latimes.com/2006/jul/16/business/fi-guess16> (last visited on June 14, 2011) (tracing the dramatic shift in the structuring of the Guess business and reporting that the company expected that its revenue would surpass the \$1-billion mark for the first time in 2006).

other entities.<sup>61</sup> As Americans rapidly scale Abraham Maslow's pyramid of societal/psychological needs, we no longer are satiated by the utilitarian and primary aspects of products such as clothing to keep warm, lamps to light rooms, or mugs to hold beverages.<sup>62</sup> The "real" or "lower-order" needs of food, clothing, and shelter give way in an affluent society and are replaced by more psychologically based needs like luxury goods.<sup>63</sup> Because Americans began to demand that their otherwise useful products become embellished with their favorite cartoon characters, status symbols, and professional and personal/emotional affiliations, "starting in the 1920s, corporations gradually shifted their attention and resources from the production of material goods to the production of consumer desires."<sup>64</sup>

It is at this point in time that trademarks evolved into brands, which progressively "became the platforms employed to attach feelings and images to physical commodities. They were the primary means of establishing emotional bonds and loyalty

relationships with consumers in a market saturated with goods. Brands extended the products, adding symbolic dimensions to the physical items."<sup>65</sup> Trademarks, particularly those that evolved into famous brands, no longer encompassed functional economic benefits, but began to "satisfy emotional and self-expressive needs" of the consumers who purchased items for associational and experiential purposes.<sup>66</sup> Some of the needs that contemporary trademarks help us fulfill include expressions of religion, sports affiliations, and group membership experiences, all of which, ironically "have negligible source relevance."<sup>67</sup>

More interesting than that, consumers today are often less concerned with the quality of the product and more compelled by the social connotation or informational element that the product conveys regarding one who consumes it<sup>68</sup> and they are often willing to pay substantially more money for products so trimmed with their favorite marks.<sup>69</sup> This is not to say that quality has become irrelevant; to the con-

61 Veronica J. Cherniak, *Ornamental Use of Trademarks: The Judicial Development and Economic Implications of an Exclusive Merchandising Right*, 69 TUL. L. REV. 1311, 1312-13 (1995). See also, Gerald T. Tschura, *Likelihood of Confusion and Expressive Functionality: A Fresh Look at the Ornamental Use of Institutional Colors, Names and Emblems on Apparel and Other Goods*, 53 WAYNE L. REV. 873, 877-78 (2007) ("The purchasing public undoubtedly exhibits a tremendous fascination with wearing and possessing apparel and other products bearing the names, colors, and logos of their favorite academic institution(s). These names and symbols are common on sweatshirts, mugs, home fashions, and a host of other goods.").

62 Twentieth-century psychologist Abraham Maslow theorized that human needs can be categorized into five ascending categories. First and foremost, we must ensure that our physiological needs for food, water, and sex are satisfied. The needs for safety (security and protection) are next on the rung, after which societal needs encompass the desire for affection and a sense of belonging. Esteem needs include societal recognition and status. The last category on the pyramid is self-actualization, at which point we are able to achieve individualized self-development and self-accomplishment. Professional marketers view Maslow's social hierarchy as a "useful tool for understanding human motivation" when purchasing goods. See RONALD D. MICHMAN, EDWARD M. MAZZE & ALAN JAMES GRECO, *LIFESTYLE MARKETING: REACHING THE NEW CONSUMER* 61-62 (2003). See also Laura R. Bradford, *Emotion, Dilution, and the Trademark Consumer*, 23 BERKELEY TECH. L. J. 1227, 1256 (2008). ("People consume goods and services for more than utilitarian reasons; we use acquired goods to scale the last three rungs of Maslow's pyramid (social needs, ego needs, and self-actualization).")

63 Shahar J. Dilbary, *Famous Trademarks and the Rational Basis For Protecting "Irrational Beliefs"*, 14, GEO. MASON L. REV. 605, 611 (2007).

64 Katya Assaf, *Brand Fetishism*, 43 CONN. L. REV. 83, 92 (2010).

65 *Id.*

66 Jerre B. Swann, *An Interdisciplinary Approach to Brand Strength*, 96 TRADEMARK REP. 943, 953-54 (2006).

67 Swann, Aaker & Reback, *supra* note 50, at 792.

68 Assaf, *supra* note 64, at 96. ("Marketing literature suggests that in the modern market, products have little material differences" and, to consumers, "the emotional dimension is actually more important than the product itself.")

69 Tschura, *supra* note 61, at 878 (noting the demand for merchandising products of sports teams and the fact that, even though the goods cost more, consumers are nonetheless "willing to pay more, often significantly more, than similar or identical goods without the desired collegiate ornamentation").

trary, in today's competitive marketplace, quality is the necessary starting point; however, contemporary consumers "typically look beyond mere quality" since "they want to satisfy psychological as well as physical needs, and they are often more concerned with identifying themselves than with identifying the source of the goods they buy. A brand, therefore, that denotes only source and quality is wanting in the added ingredients that consumers now demand"<sup>70</sup> because today's consumer "is actually purchasing a bundle of three products: a physical product, information about the physical product, and an intangible product, such as fame, prestige, peace of mind, or a pleasant feeling."<sup>71</sup> Professor Jeremy Sheff goes so far as to say that consumers of Veblen goods "care less about the actual features of the product than about the product's social connotations"; therefore, the function of the trademark in such context is to provide information about the people who purchase the product more than even the product itself.<sup>72</sup> Brands have undeniably evolved from being "an easy way to show us who made the product" to symbolizing "a more abstract idea of quality in our minds."<sup>73</sup>

Perhaps this "quality plus experience" brand phenomenon is best explained with a personal example. After her first trip to New York as a young child, my step

daughter Christine took a fascination with the city, which prompted my husband and I to plan annual weekend vacations with her to indulge and encourage such enculturation. Much to our chagrin, as a young teen, Christine discovered the HERSHEY'S mega-store in Times Square which opened in 2002 and is accurately described as "an interactive candy store festooned with an elaborate electronic billboard."<sup>74</sup> Offering an unimaginable assortment of all candies made by the company and boasted by brands such as the original HERSHEY, TWIZZLERS and REESE'S (including personalized chocolate bar wrappers), as well as a staggering and embarrassingly overpriced variety of ancillary merchandise such as clothing, toys, and other unnecessary trinkets, the store has become an economic success story in the redevelopment of Times Square that began in the late 1990s. It was not necessarily that our daughter wanted to engage in a chocolate-eating frenzy (that would be bad enough) but she was also interested in gifting the trinkets to her friends back home in the Midwest in conjunction with talking about her unique Times Square *experience* to those who had never visited New York.<sup>75</sup> Scholarly articles on the subject of branding are replete with other examples of "experience" purchasing or conspicuous consumption of Veblen goods, as elo-

70 Swann, Aaker & Reback, *supra* note 50, at 796. When a consumer opens a package made by master-brand Tiffany, it "will feel different from opening a Macy's package—the feeling will be more intense, more special. Further, the wearing of a Tiffany bracelet may even make the wearer feel more attractive and confident." *See id.* (citing marketing specialist DAVID A. AAKER, *MANAGING BRAND EQUITY* 158 (1991)).

71 Dilbary, *supra* note 63, at 605. Professor Dilbary appropriately describes this phenomenon as the "pleasant aura for which the consumer paid" and explains how "branding creates a new intangible good that must piggyback on the physical one." *See id.*, at 608-09.

72 Jeremy N. Sheff, *The Ethics of Unbranding*, 21 *FORDHAM INTELL. PROP. MEDIA & ENT. L. J.* 983, 1001 (2011).

73 TIM PHILLIPS, *KNOCKOFF: THE DEADLY TRADE IN COUNTERFEIT GOODS* 14 (2005).

74 *See* Charles V. Bagli, *Sweet on Times Square, Hershey is to Open Store*, *NY TIMES*, Jun. 8, 2002, available at <http://www.nytimes.com/2002/06/08/nyregion/sweet-on-times-square-hershey-is-to-open-store.html?src=pm> (last visited on Jun. 29, 2011). For a visual image of the store and other information, *see* the official Hershey's store website, available at <http://www.thehersheycompany.com/about-hershey/visit-hershey/retail-stores/times-square.aspx> (last visited on Jun. 29, 2011).

75 Happily, I can report that in more recent years, Christine has refined her definition of a New York experience from Hershey shopping to theatre and museum going.

quently summarized by Swann, Aaker and Reback as follows:

“Emotional benefits are achieved when there are positive feelings associated with a brand. A person can feel safe driving a VOLVO, energetic and vibrant when drinking PEPSI, important while shopping at NORDSTROM, and caring when buying a HALLMARK card... When consumers can communicate a favorable self-image through a brand, they receive self-expressive benefits. They can define themselves as adventurous and daring by owning K2 powder skis, hip by buying fashions from GAP, successful by owning a MERCEDES, competent by using MICROSOFT software, or a nurturing parent by serving QUAKER OATS hot cereal. A cook using WILLIAMS-SONOMA kitchen equipment to host a dinner will enhance his reputation among guests who value quality housewares. Not only will he garner the functional, use-benefit of the cookware, and enjoy the emotional benefit of cooking well with quality equipment, but he also will express himself subtly as someone who can afford the best and who merits the admiration of his guests

for his good taste and a presumed culinary aptitude. Brands [therefore] can communicate a wide array of consumer messages in a succinct, efficient manner across innumerable contexts...”<sup>76</sup>

As the above examples undeniably show, the purchase of branded goods help consumers achieve “positive emotional and self-expressive experiences.”<sup>77</sup> A change in the way the public consumes and identifies with purchased commodities has ensued and “[a] substantial line of commerce has developed in which the consumer is more interested in identification with the trademark owner than in the quality of the goods bearing the trademark.”<sup>78</sup> This change has horrified some (perhaps rightfully so) and led to a body of trademark merchandising scholarship that seeks to utilize the law to alter the modern purchasing habits of consumers “for their own good”<sup>79</sup> and attempts to influence courts that the most prudent course of action is to re-establish some form of the outmoded single source trademark theory.<sup>80</sup> Others, particularly the trademark owners who are in the position to capitalize on the altered market demand care much less (if at all) about the reasons *why* consumers are willing to pay a much higher premium for goods that are ornamented in a manner which allows them to

<sup>76</sup> Swann, Aaker & Reback, *supra* note 50, at 801.

<sup>77</sup> *Id.* at 800.

<sup>78</sup> Keating, *supra* note 27, at 363.

<sup>79</sup> See, e.g., Assaf, *supra* note 64, at 146-47 (“Legally protecting brand personalities . . . is undesirable. The fact that people today have a certain deficit of community, ideology, and religion does not mean that these needs should be fulfilled by commercial channels; it certainly does not mean that the law should actively facilitate this process. . . . If trademark protection is constrained to the informational function of the mark, there will be much less of an incentive for corporations to strive to satisfy our spiritual needs with commercial brands.”); and Ralph S. Brown, Jr., 57 YALE L. J. 1165, 1165-66 (1948) (describing advertising as “a black art whose practitioners are part of the larger army which employs threats, cajolery, emotions, personality, persistence and facts in what is termed aggressive selling”).

<sup>80</sup> See, e.g., Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 414 (2010) (“We think trademark law needs to . . . anchor once again to the core case of confusion regarding the actual source of a defendant’s product); and Frank, *supra* note 2, at 368 (“[C]ourts should interpret the Lanham Act’s language to require that the mark be used to identify the source of goods.”).



self-express, identify with a group, or set themselves apart as "special."<sup>81</sup> Within this dichotomy of thought exists the tension surrounding the progression of modern merchandising cases, as outlined in the following section.

#### IV. The Merchandising Cases

Since the ownership of trademarks and the goodwill associated with them has always rested in the owners of those marks and has been protected from infringing acts of third parties by the Lanham Act, it is not surprising that the owners of such marks would attempt to capitalize on the market for bling-bling or Veblen goods that have come to bedazzle modern consumers. As consumers continue to demand more of these associational and diverse goods, the market is happy to so provide. Even the pioneers of the bling-bling movement—the entertainment personalities who helped coin and subsequently define the term—have modified their public personae by choosing which ancillary clothing companies, sports drinks, and car manufacturers they will officially sponsor and promote.<sup>82</sup> In short, branding, merchandising, and sponsorship relationships are those that drive the lust for luxury goods and consumer identifications with the beloved superstars who blatantly and fragrantly consume and sponsor them.<sup>83</sup> Until recently, the law has kept pace with

the changing and growing practice of trademark licensing; however, the adjudication of cases involving branding shows that it is currently failing to embrace the increasing consumer trend to emotionally identify with brands. Application of the aesthetic functionality doctrine in the context of merchandising has, at best, been inconsistent throughout the circuits and, at worst, has allowed the courts to manipulate key trademark concepts and engage in "judicial policy-making" regarding the proper scope of trademark rights and issues of ownership.<sup>84</sup>

##### A. The Early Sports Merchandising Cases

The public obsession with and connection to favored sports teams on both the professional and college levels led to the early court decisions that paved the way for the growth and expansion of branding and merchandising of trademarks that continues today. In 1975, both the National Hockey League (the "NHL") and the National Football League ("NFL") "persuaded courts to enjoin the sale of unlicensed emblems bearing the marks of their member teams."<sup>85</sup>

Perhaps no other case has been more cited and, unfortunately, more misunderstood in the context of merchandising than *Boston Professional Hockey Association v. Dallas Cap & Emblem Manufacturing*.<sup>86</sup> In *Boston Hockey*, the NHL along with thirteen of its

<sup>81</sup> Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603, 604 (1984).

<sup>82</sup> Lola Ogunnaiké, *Sweeten the Image, Hold the Bling-Bling; Eyeing Mainstream Success, Rappers Clean up Their Act and Cultivate Their Philanthropy*, NY TIMES, Jan. 12, 2004, available at <http://www.nytimes.com/2004/01/12/arts/sweeten-image-hold-bling-bling-eyeing-mainstream-success-rappers-clean-up-their.html?src=pm> (last visited on July 23, 2011) (referring to P. Diddy and Jay-Z as effective "brand managers").

<sup>83</sup> See Sheff, *supra* note 72, at 985 (noting how audiences of popular reality shows such as "Jersey Shore" are affected by the luxury purse carrying habits of superstars such as Nicole "Snooky" Polizzi).

<sup>84</sup> Cherniak, *supra* note 61, at 1314-15.

<sup>85</sup> Dogan & Lemley, *supra* note 4, at 473.

<sup>86</sup> 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868, *reh'g denied*, 423 U.S. 991 (1975).

member teams sued Dallas Cap after it manufactured and sold patches that displayed registered and unregistered team trademarks owned by the NHL as service marks in connection with ice hockey entertainment.<sup>87</sup> The defendant, who was in the business of making and selling popular sports merchandise, sought to capitalize on the ever-growing sport of hockey by pursuing a license from the plaintiffs to market goods displaying the famous team logos, such as the BOSTON BRUINS, CHICAGO BLACKHAWKS, and VANCOUVER CANUCKS.<sup>88</sup> Since the plaintiffs had previously granted a similar, exclusive license to a competing manufacturer, Lion Brothers Company, Inc. (“Lion Brothers”), they turned down the defendant’s offer. That, however, did not stop the defendant, who “deliberately reproduced plaintiffs’ marks on embroidered emblems and intended the consuming public to recognize the emblems as the symbols of the various hockey teams and to purchase them as such.”<sup>89</sup>

In reversing the trial court’s finding that the defendant’s acts did not constitute infringement because no purchaser of the goods was likely to be confused by thinking that the defendant’s patches originated with or were sponsored by the plaintiffs, the Fifth Circuit made the following observation about the modern analysis of trademark confusion and consumer association with commodities and services offered by trademark owners:

“The confusion question here is conceptually difficult. It can be said that the public buyer knew that the emblems portrayed the teams’ symbols. Thus, it can be argued, the buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams’ trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.”<sup>90</sup>

That same year, the Illinois Appellate Court heard a similar case in which it upheld the district court’s issuance of a preliminary injunction restraining the defendant emblem manufacturing company from manufacturing or selling emblems specifically bearing the identifying trademarks owned by the member clubs of the NFL and also licensed to Lion Brothers for exclusive reproduction and sale.<sup>91</sup> In rejecting the defendant’s claim that it only

<sup>87</sup> *Boston Hockey*, 510 F.2d at 1008. The plaintiffs alleged trademark infringement of their registered marks, false designation of origin, and common law unfair competition. *Id.* at 1009.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> *Id.* at 1012.

<sup>91</sup> *Nat’l Football League Props., Inc. v. Consumer Enters., Inc.*, 327 N.E.2d 242, 244 (Ill. App. 1975).

copied and sold the plaintiff's marks and sold the emblem designs as merely decorative products that were not "performing the trademark function of *source identification*," the court noted that "[t]hrough the extensive licensing arrangements developed and perpetuated by plaintiff and its licensees, the buying public has come to associate the trademark with the *sponsorship* of the NFL or of the particular member team involved."<sup>92</sup>

Both the *Boston Hockey* and *National Football League Properties* courts, then, embrace the modern realities of consumer/good connection that go well beyond the outmoded source identification function and, instead, represent the experience-related association that occurs in the contemporary marketplace of trademarked goods. In assessing the sponsorship/merchandising rights of trademark owners, both courts evaluated such rights as constituting goodwill of the plaintiffs and provided an implicit message that organizations such as the NFL and NHL "should have the right to obtain all proceeds from the sale of items bearing their trademarks."<sup>93</sup> The cases also recognize from the consumer's standpoint that in today's market the archaic notion of "viewing trademarks as only a means of communicating information about the product to which they are attached is naïve" since "[t]he mark has become a good of its own. In its new incarnation, the mark is

emancipated from the physical product to which it had previously been attached."<sup>94</sup>

### ***B. Job's Daughters: The Emergence of a "Brands are Bad" Mentality***

A few years after the NFL and NHL cases were decided, however, the trend toward protecting the valuable merchandising and sponsorship rights for the benefit of owners of trademarks began to swing decidedly in favor of defendants who copied and sold products bearing the exact marks of others on aesthetic items, such as jewelry. In *The International Order of Job's Daughters v. Lindeburg*,<sup>95</sup> Job's Daughters sued fraternal jewelry maker Lindeburg for manufacturing and selling jewelry that contained the plaintiff's trademarked women's fraternal order insignia consisting of a depiction of three girls within a double triangle.<sup>96</sup> Like the defendant in *Boston Hockey*, Lindeburg sought and was refused a license from the plaintiff, yet continued to sell unauthorized merchandise despite a formal request to cease from Job's Daughters.<sup>97</sup>

Unlike the courts in the NHL and NFL cases, however, the Ninth Circuit in *Job's Daughters* refused to recognize that the modern trademark continues to morph from having in the past a mere source identifying function to one in which consumers experientially identify with the

<sup>92</sup> *Id.* at 246 (emphases added).

<sup>93</sup> Keating, *supra* note 27, at 371.

<sup>94</sup> Dilbary, *supra* note 63, at 620 (noting that the process of outsourcing trademarks on ancillary products that are today manufactured by third parties related to the mark owner only *via* a merchandising agreement should be legally protected).

<sup>95</sup> 633 F.2d 912 (9th Cir. 1980).

<sup>96</sup> *Id.* at 914.

<sup>97</sup> *Id.* at 914. In 1957, Lindeburg requested that Job's Daughters designate it an "official jeweler" along with other jewelers so licensed by the fraternal organization. Job's Daughters refused and in both 1964 and 1966 requested that Lindeburg cease selling jewelry with its emblem, with which request Lindeburg did not comply. In 1973, Lindeburg again sought permission to be an official jeweler for Job's Daughters, which request was granted for one year and subsequently withdrawn. Plaintiff's suit was filed soon thereafter. *Id.*



mark itself. In finding that the defendant in *Job's Daughters* used the plaintiff's marks not in a trademark sense but merely "on the basis of their intrinsic value" or aesthetic appeal to consumers, the court essentially rejected the right of owners to engage in and control merchandising activities associated with their trademarks by claiming that "[a] trademark owner has a property right only insofar as is necessary to prevent consumer confusion as to who produced the goods and to facilitate differentiation of the trademark owner's goods."<sup>98</sup>

Moreover, in stating that the scope of trademark law is "narrower" than as interpreted by *Boston Hockey* and is only "to protect consumers against deceptive designations of the origin of goods and, conversely, to enable producers to differentiate their products from those of others,"<sup>99</sup> the court not only ignored the trademark owner's protectable interest in the goodwill it had built in connection with the mark, but also unacceptably broadened the "aesthetic functionality" doctrine used to limit the rights of trademark owners when their marks consist of common design or aesthetic elements that should be left in the public domain and for use by competitors.<sup>100</sup>

The doctrine of aesthetic functionality is an offshoot of "utilitarian functionality"

which was originally used by courts to ensure that the "public [is not] deprived of the benefits of robust competition by precluding use of utilitarian product features" and preventing trade dress protection for elements of the owner's product that should, instead, be sought by means of obtaining a utility patent.<sup>101</sup> Pursuant to the utilitarian functionality standard, a design feature "will be functional, and not entitled to trademark or trade dress protection, if it is dictated by *utilitarian* characteristics or by the *functions* that the relevant product or trade dress is intended to serve."<sup>102</sup> In *TraFFix Marketing, Inc. v. Marketing Displays, Inc.*,<sup>103</sup> the Supreme Court articulated the following test to determine functionality: (1) whether the feature to be protected by trademark is essential to the use or purpose of the article; (2) whether the feature affects the cost or quality of the article; or (3) whether a feature's exclusive use would place competitors of the trademark owner at a significant non-reputation-related disadvantage.<sup>104</sup>

The traditional functionality doctrine has been extended by courts in the wake of *TraFFix* to include the concept of "aesthetic functionality," which "focuses on the extent to which an aesthetically pleasing design feature contributes to a product's consumer appeal or salability" by promoting competition when denying protection

<sup>98</sup> *Id.* at 918-19. In expressly rejecting the reasoning of *Boston Hockey*, the *Job's Daughters* court opted to follow "traditional trademark principles." See Tschura, *supra* note 56, at 881.

<sup>99</sup> *Int'l Order of Job's Daughters*, 633 F.2d at 918.

<sup>100</sup> See, e.g., *Bauer Lamp Co. v. Shaffer*, 941 F.2d 1165, 1170 (11th Cir. 1991) (In order to establish trade dress infringement, the plaintiff must show that the features to be protected are non-functional).

<sup>101</sup> See, e.g., *Fabrication Enters., Inc. v. Hygenic Corp.*, 64 F.3d 53, 55 (2d Cir. 1995).

<sup>102</sup> *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 429 (5th Cir. 1984) (emphases added) (The district court's finding that the plaintiff's bottle design was functional and not distinctive overruled).

<sup>103</sup> 532 U.S. 23 (2001).

<sup>104</sup> *TraFFix*, 532 U.S. at 32 (Road signs with a dual spring design that had been covered by a utility patent that expired were not eligible for trade dress protection).

to "features that are an integral part of consumer demand."<sup>105</sup> In finding that a floral design pattern on hotel china cannot be protected as a trademark because of aesthetic functionality, the Ninth Circuit in *Pagliari v. Wallace China Co.* held that the particular feature copied by the defendant was not actionable because it was "an important ingredient in the commercial success of the product" and not related to indicia of source or trademark usage.<sup>106</sup> The defendants persuaded the court that one of the essential selling features of hotel china is the design, leading it to hold that what the defendant copied was not "a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality" which contrarily may be protected "since effective competition may be undertaken without imitation."<sup>107</sup>

Citing with alacrity the aesthetic functionality principles outlined in *Pagliari*, the *Job's Daughters* court held that "the [plaintiff's] name and emblem are functional aesthetic components of the jewelry, in that they are being merchandised on the basis of their intrinsic value, not as a designation of origin or sponsorship" despite the fact that the court acknowledged that, unlike in *Pagliari*, what the defendant copied was a collective trademark "indisputably" used by the plaintiff to identify its fraternity members.<sup>108</sup> The court set forth a test to be used in determining whether a defendant's use of an image and name was a functional use or trademark purposes: "[A] court

must closely examine the articles themselves, the defendant's merchandising practices, and any evidence that consumers have actually inferred a connection between the defendant's product and the trademark owner."<sup>109</sup> In finding no infringement by defendant pursuant to this test, the court held:

"Lindeburg was not using the Job's Daughters name and emblem as trademarks. The insignia were a prominent feature of each item so as to be visible to others when worn, allowing the wearer to publicly express her allegiance to the organization. Lindeburg never designated the merchandise as "official" Job's Daughters' merchandise or otherwise affirmatively indicated sponsorship. Job's Daughters did not show a single instance in which a customer was misled about the origin, sponsorship, or endorsement of Lindeburg's jewelry, nor that it received any complaints about Lindeburg's wares. Finally, there was evidence that many other jewelers sold unlicensed Job's Daughters jewelry, implying that consumers did not ordinarily purchase their fraternal jewelry from only 'official' sources."<sup>110</sup>

What the *Job's Daughters* court failed to consider in this holding was that several courts had previously explicitly rejected the doctrine of aesthetic functionality. For

<sup>105</sup> Melissa R. Gleiberman, *From Fast Cars to Fast Food: Overbroad Protection of Product Trade Dress Under Section 43(a) of the Lanham Act*, 45 STAN. L. REV. 2037, 2045 (1993).

<sup>106</sup> *Pagliari v. Wallace China Co.*, 198 F.2d 339, 343-44 (9th Cir. 1952).

<sup>107</sup> *Id.* at 343.

<sup>108</sup> *Int'l Order of Job's Daughters*, 633 F.2d at 918.

<sup>109</sup> *Id.* at 919.

<sup>110</sup> *Id.* at 920.

example, shortly after the *Pagliari* decision, a California district court rejected the argument that an aesthetic ashtray design was merely functional, stating that “[i]f the aesthetic quality of the form were held to be functional, then every feature of a product, even the ornamental and nonutilitarian, would be functional.”<sup>111</sup> Similarly, decisions immediately after *Job’s Daughters* such as that of the Third Circuit in *Keene Corp. v. Paraflex Industries* also readily dismissed a broad aesthetic functionality standard, claiming that it discourages the production of new aesthetic product features, holding:

“[T]he inquiry should focus on the extent to which the design feature is related to the utilitarian function of the product or feature. When the design itself is not significantly related to the utilitarian function of the product, but is merely arbitrary, then it is entitled to protection as a ... trademark.”<sup>112</sup>

Three years later, the Fifth Circuit followed suit, exclaiming that “defining functionality as anything that is ‘an important ingredient in the commercial success’ of a

product would almost always permit a second comer freely to copy the trade dress of a successful product that has accumulated good will.”<sup>113</sup> In the 2008 *Smack Apparel* case, the Fifth Circuit reiterated its position in refusing to acknowledge the aesthetic functionality doctrine, holding “[w]e do not believe that the [Supreme] Court’s dictum in *Traffix* requires us to abandon our long-settled view rejecting recognition of aesthetic functionality.”<sup>114</sup> Indeed, “[e]ven the Ninth Circuit, the creator of the *Pagliari* standard, has since limited its application” in more recent cases,<sup>115</sup> culminating in *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*, in which it drastically limited aesthetic functionality to product features that serve an aesthetic purpose wholly independent of any source-identifying function on grounds that holding otherwise would allow anyone to free ride on the mark of any competitor as long as “there is some ‘aesthetic’ value to the mark that customers desire.”<sup>116</sup> “While a handful of courts had previously relied on *Pagliari* to deny protection to a large variety of product types, even they gradually came to reject the aesthetic functionality doctrine as it had been established via *Pagliari* by the late 1980s and early 1990s.”<sup>117</sup>

<sup>111</sup> *Haeger Potteries, Inc. v. Gilner Potteries*, 123 F. Supp. 261 (S.D. Cal. 1954).

<sup>112</sup> 653 F.2d 822, 825 (3d Cir. 1981).

<sup>113</sup> *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 427-28 (5th Cir. 1984).

<sup>114</sup> *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 487-88 (5th Cir. 2008).

<sup>115</sup> Gleiberman, *supra* note 92, at 2046 (citing *Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769 (9th Cir. 1981), in which the court narrowed the broad language of *Pagliari* by stating that it disagreed with the lower court finding “insofar as it found that any feature of a product which contributes to the consumer appeal and saleability of the product is, as a matter of law, a functional element of that product” and *Fabrica Inc. v. El Dorado Corp.*, 697 F.2d 890 (9th Cir. 1983) where the court stated that it “has specifically limited application of the *Pagliari* functionality test to product features and has refused to apply the test to cases involving trade dress and packaging”). See also *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1382 n.3 (9th Cir. 1987) (limiting, if not rejecting, the aesthetic functionality test in favor of utilitarian functionality) and *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1260 (9th Cir. 2001) (purely aesthetic features cannot be functional).

<sup>116</sup> *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*, 457 F.3d 1062, 1064-74 (9th Cir. 2006), cert. denied, 549 U.S. 1282 (Mar. 19, 2007) (rejecting the argument that use of Volkswagen and Audi trademarks on defendant-manufactured keychains and other merchandise was aesthetically functional and finding, similar to the reasoning in *Boston Hockey*, that the plaintiff’s marks themselves were what the consumer is interested in purchasing).

<sup>117</sup> Yevgeniy Markov, *Raising the Dead: How the Ninth Circuit Avoided the Supreme Court’s Guidelines on Aesthetic Functionality and Still Got Away With it in Au-Tomotive Gold*, 6 NW. J. TECH. & INTELL. PROP. 197, 199 (2008).

The most persuasive holding that exposes the irrationality of the aesthetic functionality doctrine is the *Clicks Billiards, Inc. v. Sixshooters, Inc.* in which the court had to determine whether the combination of a pool hall operator's design decisions were protectable trade dress or whether aesthetic functionality operated as a bar to prevent Lanham Act protection over such elements.<sup>118</sup> The court astutely observed that "trade dress cannot be both functional and purely aesthetic. Such a formulation is internally inconsistent and at odds with the commonly accepted view that functionality denotes utility."<sup>119</sup> Renowned trademark expert J. Thomas McCarthy echoes this precept when claiming that appending both the words "utilitarian" and "aesthetic" to the same base word "functionality" is semantically misleading.<sup>120</sup> "Aesthetic functionality" is an oxymoron. Ornamental aesthetic designs are the antithesis of utilitarian designs.<sup>121</sup> This premise is buttressed by comparing the ordinary dictionary definitions of "functional," meaning "having or serving a utilitarian purpose"<sup>122</sup> and "aesthetic," meaning "pertaining to a sense of the beautiful."<sup>123</sup>

In light of the negative reaction by most courts to the interpretation of aesthetic

functionality as applied to trademarks, most commentators agree that the canon has all but faded away in the last three decades.<sup>124</sup> If, indeed, that had been the past trend, the holding in *Fleischer Studios I* certainly sought to reverse it by attempting to breathe life back to the dying doctrine and concurrently sound the death knell to exclusive merchandising rights for trademark owners.

## V. Fleischer Studios I: A Death Blow to Merchandising Rights

In 1930 Max Fleisher, head of Fleischer Studios, created the original character of Betty Boop, which was described as a "loveable victim" who regularly got into trouble in her cartoons and "had virtually no facial expressions, except her wink, a look of dismay, and a boop-boop-a-doop."<sup>125</sup> For approximately ten years, Fleischer licensed the image of Betty for use in connection with merchandise such as toys and dolls until he sold his rights in both the character and cartoons and dissolved Fleischer Studios in 1946.<sup>126</sup> In the 1970s, Fleischer's family members reincorporated Fleischer Studios and attempted to repurchase the copyright and trademark rights to Betty Boop, after which time they entered into

<sup>118</sup> *Clicks Billiards, Inc.*, 251 F.3d at 1256.

<sup>119</sup> *Id.* at 1260-62.

<sup>120</sup> 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:81 (4th ed. 2000).

<sup>121</sup> *Id.*

<sup>122</sup> See DICTIONARY.COM, available at <http://dictionary.reference.com/browse/functional> (last visited on March 3, 2012).

<sup>123</sup> See DICTIONARY.COM, available at <http://dictionary.reference.com/browse/aesthetic> (last visited on March 3, 2012).

<sup>124</sup> See Charles E. Coleman, *A Red-Leather Year for Aesthetic Functionality*, 4 No. 2 LANDSLIDE 26, 28 (2011) ("Thus, it may come as no surprise that after *Auto Gold*, the doctrine went into something of a hibernation period. A survey of federal court opinions filed from August 2006 to August 2010 containing the phrase 'aesthetic functionality' indicates that the defense was raised relatively infrequently in the wake of *Auto Gold*. Further, even when raised during this period, the defense was virtually always rejected, often with reference to the 2006 decision.")

<sup>125</sup> NORMAN M. KLEIN, *7 MINUTES: THE LIFE AND DEATH OF THE AMERICAN ANIMATED CARTOON* 81 (1993). Interestingly, while Max Fleischer is usually credited for creating Betty Boop, it was actually his employee Grim Natwick who originally conceived her character. *Id.* at 60.

<sup>126</sup> *Fleischer Studios, Inc.*, 636 F.3d at 1118-19.

exclusive licensing arrangements with third parties who manufactured and sold merchandise featuring the cartoon character.<sup>127</sup> A.V.E.L.A., who also sells Betty Boop merchandise without the authorization of Fleischer Studios, disputed the infringement claims of Fleischer Studios, maintaining that Fleischer Studios' alleged copyright and trademark rights in the Betty Boop image were without merit.<sup>128</sup> On appeal, the Ninth Circuit upheld A.V.E.L.A.'s motions for summary judgment dismissing both the plaintiff's copyright and trademark infringement claims.<sup>129</sup>

The court's discussion regarding dismissal of the plaintiff's copyright claims is outside the scope of this article; however, with respect to Fleischer Studios' trademark claims, the court was faced with several issues, including whether: (1) cartoon characters are proper subject matter for protection by trademark law; (2) Fleischer Studios validly owns registered and/or common law trademarks in the name and image of Betty Boop; (3) the "fractured ownership" of the Betty Boop copyright precludes Fleischer Studios' trademark claims; and (4) A.V.E.L.A. infringed Fleischer Studios' marks.<sup>130</sup> In an unprece-

dent and shocking maneuver, however, the court held that all of these issues were mooted in light of its *sua sponte* discussion of what it considered the direct applicability of the *Job's Daughters* case and the doctrine of aesthetic functionality, despite the fact that neither party cited that case in its briefs, nor did the district court rely on it in its holding below.<sup>131</sup>

Utilizing the aesthetic functionality test set forth in the revived, yet disesteemed *Job's Daughters* holding, the *Fleischer Studios I* court held that "A.V.E.L.A. is not using Betty Boop as a trademark, but instead as a functional product" since: (1) like *Job's Daughters*, Betty Boop was a prominent feature displayed on the defendant's items to be visible by others when worn; (2) A.V.E.L.A. did not designate its products as official Fleischer merchandise or otherwise indicate sponsorship; and (3) Fleischer was unable to show that any of its customers were misled about the origins of A.V.E.L.A.'s products.<sup>132</sup> Commentary immediately following issuance of the opinion seemed to unanimously support the notion that the court erred by reviving the aesthetic functionality doctrine.<sup>133</sup>

<sup>127</sup> *Id.* at 1118.

<sup>128</sup> *Id.*

<sup>129</sup> *Id.* at 1117.

<sup>130</sup> *Id.* at 1122.

<sup>131</sup> *Id.*

<sup>132</sup> *Id.*

<sup>133</sup> See, e.g., Brief for the International Trademark Association as Amicus Curiae in Support of Rehearing or Rehearing *En Banc*, p. 10, *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, No. 09-56317 (2011) ("The majority, in applying the discredited *Job's Daughters* approach to aesthetic functionality, did not cite or even consider *Au-Tomotive Gold* or any of the other cases since *Job's Daughters*. By ignoring those precedents, the majority's decision effectually overrules *Au-Tomotive Gold*, which puts its decision in conflict with decisions of other panels of this Court. It also puts the Ninth Circuit in conflict with every other Circuit that has considered this issue. . . Because established precedents make clear that Appellees' use of the Betty Boop trademarks should not be deemed aesthetically functional, INTA urges the full Court to grant rehearing and overrule the majority's opinion on this issue."); Tonya J. Gisselberg, *Betty Boop Court Misses the Mark*, SEATTLE COPYRIGHT WATCH, Mar. 10, 2011, available at <http://www.seattlecopyrightwatch.com/trademark/betty-boop-court-misses-the-trademark/> (last visited on Jul. 8, 2011) (questioning whether the court's holding suggests that trademarks should have a limited duration, as copyrights do); and Kate Spellman, *An Opinion That Cries Out For A 9th Circuit En Banc Review ... Betty Boop and The Tangled Character Copyright and Trademark Chain of Title*, COBALT LAW BLOG, available at <http://www.cobaltlaw.com/news/an-opinion-that-cries-out-for-a-9th-circuit-en-banc-review-%E2%80%A6-betty-boop-and-the-tangled-character-copyright-and-trademark-chain-of-title> (last visited on Jul. 8, 2011) (Fleischer opinion "flies in the face of 9th Circuit opinions that state that when the trademark is the very thing that is being infringed, that that infringement is not insulated by the functionality doctrine.").



Not surprisingly, six months after waging war against the merchandising rights of trademark owners, the court withdrew its opinion and issued a second opinion ("*Fleischer Studios II*") in which its analysis of *Job's Daughters* and aesthetic functionality is completely removed and the trademark issues remanded to the district court on procedural grounds in order to determine whether Betty Boop has sufficient secondary meaning to qualify in order to be considered a common law trademark.<sup>134</sup> Even though *Fleischer Studios I* is, thankfully, no longer a standing opinion in the wake of the Ninth Circuit's action, it nonetheless has the potential to influence scholars and other courts to wage future arguments for the revival of aesthetic functionality as applied to merchandising cases. The remaining sections of this article, therefore, will attempt to dissuade such notions by proposing that the court's failed first opinion: (1) does not adequately account for protecting the needs of contemporary purchasing habits of consumers; (2) thwarts the ability of trademark owners to develop goodwill in brand activities lucrative to their businesses; and (3) discounts to an unacceptable degree the phenomenon of rampant unauthorized third-party use of marks by refusing to distinguish a competitor from a free rider in the marketplace.

### ***A. Let Them Be Snobs: Why the Lanham Act Should Protect the Contemporary Purchasing Desires of the Consumer***

As demonstrated throughout this article, it is undoubtedly true that "trademark use is not separable from consumer understanding," as witnessed by the fact that "every significant limitation in trademark law — from the existence of protectable rights to the scope of those rights and the availability of defenses—depends on consumer understanding."<sup>135</sup> Like it or not, the modern consumer appreciates that a strong brand designates more than source or even quality; it is an announcer of association. In fact, "[a] brand that today only denotes source and quality is thus often lacking in added attributes or content that consumers now want, demand and need."<sup>136</sup> Brands and advertising concerning them can be viewed as having positive consumer identification traits in that they act as an educating tool to inform others about the taste, beliefs, and stature of the owner of the product purchased.<sup>137</sup> In this manner, trademarks provide "a sophisticated language of cultural identity" and "fit neatly into the modernist enterprise of simultaneously allowing the construction of a more unified culture and allowing the splintering of this culture into a myriad of separate, self-fashioned identities."<sup>138</sup>

<sup>134</sup> *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958, 968 (9th Cir. 2011).

<sup>135</sup> McKenna, *supra* note 40, at 776.

<sup>136</sup> Jerre B. Swann, *The Trademark Reporter As Catalyst*, 101 TRADEMARK REP. 81, 89 (2011).

<sup>137</sup> Dilbary, *supra* note 63, at 622.

<sup>138</sup> Steven Wilf, *The Making of the Post-War Paradigm in American Intellectual Property Law*, 31 COLUM. J.L. & ARTS 139, 161 (2008).

Thus, the first and most problematic shortcoming of the *Fleischer Studios I* opinion is that its rationale taken to the extreme corners of trademark jurisprudence will invariably restrict the ability of consumers to participate in brand affiliation that is structured, driven, and controlled by the original trademark owner. If trademark owners like the plaintiff in *Fleischer Studios I* cannot rely on courts to protect their valuable rights to exclusively commission merchandising companies to create the wares they sell, the consumer is ultimately the party that loses most since his or her associational and personal understanding of what it means to purchase a particular product from a particular producer will be ransacked.<sup>139</sup> If everyone can reproduce a Betty Boop or Mickey Mouse t-shirt without any oversight by the owners of these marks, then the cachet or bling-bling associated with these characters (and likely even the images of the characters themselves) will eventually be washed away, as owners will no longer have any incentive to maintain quality control of marks that have lost their legal value and for which they can no longer receive any monetary benefit for the goodwill previously developed in the mark.<sup>140</sup> Indeed, “the ‘branded experience’ is possible only if famous and highly distinctive trademarks possess a separable ‘image’ or ‘persona’ which allows the myth or association to extend be-

yond the brand name.”<sup>141</sup> To make claims that consumers simply do not care whether the conspicuous goods they purchase are officially sponsored by the owner of the mark bearing those goods<sup>142</sup> unduly discounts the fact that the modern Veblenistic consumer, whether she knows it or not (or is willing to admit it or not) is very concerned about broadcasting that *this* producer is connected to *that* particular product that is providing the bling-bling effect.

If, indeed, “the primary, perhaps singular purpose of a trademark is to provide a means for a consumer to separate or distinguish one manufacturer’s goods from those of another,”<sup>143</sup> why are courts and most scholars so loathe to recognize that the contemporary consumer achieves this purpose in the context of a strong merchandising program offered and monitored solely by the trademark owner, albeit not pursuant to traditional trademark standards that have become outdated in the modern marketplace? In fact, even the Ninth Circuit in *Job’s Daughters*, arguably the strongest holding against protection for merchandising rights, acknowledged that “there is some danger that the consumer may be more likely to infer endorsement or sponsorship when the consumer is a member of the group where the collective mark or the trademark is being marketed.”<sup>144</sup> Scholars also generally agree that “con-

139 Rose, *supra* note 5, at 723 (“Protecting [the mark’s] persona also ensures that the public can effectively rely on the ‘quality image’ which surrounds related or unrelated goods sold under ‘famous marks.’”).

140 See discussion of quality control in Section V.B.

141 Rose, *supra* note 5, at 714. (“These [famous] marks evoke a quality image which helps consumers buy a projection of themselves as possessing [certain] qualities. Thus, although I may not expect the WIMBLEDON tennis organization to manufacture a new line of sports cars, I would still purchase a sports car bearing this trademark because in driving this car I now become part of the myth or quality image of ‘the elite,’ and, more importantly, I convey this quality image to the general public who will recognize and similarly become taken with my new ‘image’”). *Id.* at 719.

142 See e.g., Dogan & Lemley, *supra* note 4, at 486-88 and Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2154-55 (2004).

143 See *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1265 (5th Cir. 1975).

144 *Int’l Order of Job’s Daughters*, 633 F.2d at 919 (emphasis added).

sumers do assume that any apparel provider who uses [a famous trademark] is required to have authorization from the [trademark owner]."<sup>145</sup> All of these facts suggest that applying aesthetic functionality to modern merchandising cases will *not* facilitate the purchasing needs of today's materialistically minded consumer.

There has been a plethora of legal and social criticism of the post-modern American aspiration to consume and both materially and mentally associate personal identity *via* product accumulation,<sup>146</sup> much of which scholarship is valid, and with which I personally agree.<sup>147</sup> Trademark law, however, is not the proper vehicle by which to change cultural perceptions or make our society more moral, and yet many scholars are very willing to use it as such. For example, in advocating for the obliteration of merchandising rights, Professor Katya Assaf claims that trademarks should not be legally sanctioned as tools for personal communication because "there are good reasons not to encourage materialistic communication and materialistic culture in particular."<sup>148</sup> Professor Assaf goes so far as to make claims such as:

"[t]he legal system should generally refrain from exerting cultural influence by providing individuals with certain types of communication channels; it certainly does not mean that the law should actively facilitate this process"; and "[i]f trademark protection is constrained to the informational function of the mark, there will be much less of an incentive for corporations to strive to satisfy our spiritual needs with commercial brands"; and "when brands retreat from the spiritual spaces of our society, alternative, non-consumerist visions of the good life will have a fair chance of rising to the fore."<sup>149</sup> In other words, judges and lawmakers should actively work to legally bash the bling-bling as moral governmental arbiters who dictate how folks "should" strive to find happiness.

Regardless of whether such lofty aims are socially and psychologically desirable in general, modifying established trademark law principles in order to moralize according to the patronizing beliefs of an elite few (and in obvious contradiction to the desires of contemporary consumers) is ill advised. Professor Graeme W. Austin discusses the thrust of the debate in terms

<sup>145</sup> David Franklin, *League Parity: Bringing Back Unlicensed Competition in the Sports Fan Apparel Market*, 86 CHI-KENT L. REV. 987, 996 (2011) (citing MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §24:9 (4th Ed. 1994)).

<sup>146</sup> See Wilf, *supra* note 138, at 161, 164 (noting the increased discomfort with the perceived "manipulation of mass psychology" by means of advertising by social critics such as José Ortega y Gasset and intellectual elitists such as H.L. Mencken and T.S. Eliot).

<sup>147</sup> In his study on the negative social effects of materialism, Professor Tim Kasser has observed that: "Humanistic and existential psychologists tend to place qualities such as authentic self-expression, intimate relationships, and contribution to the community at the core of their notions of psychological health. From their viewpoint, a strong focus on materialistic pursuits not only distracts people from experiences conducive to psychological growth and health, but signals a fundamental alienation from what is truly meaningful. For example, when spouses spend most of their time working to make money, they neglect opportunities to be with each other and do what most interests them. No matter how many fancy designer clothes, cars, and jewels they might obtain, no matter how big their house or how up-to-date their electronic equipment, the lost opportunity to engage in pleasurable activities and enjoy each others' companionship, will work against need satisfaction, and thus against psychological health." See TIM KASSER, *THE HIGH PRICE OF MATERIALISM* 3 (2002). See also, NEIL POSTMAN, *AMUSING OURSELVES TO DEATH* 128 (1985) (lamenting the "distance between rationality and advertising," as evidenced by television commercials that are no longer "about the character of products to be consumed" but rather "about the character of the consumers of products and have, thus, "oriented business away from making products of value and toward making consumers feel value."); and A.H. MASLOW, *THE FURTHER REACHES OF HUMAN NATURE* 140 (1971) ("Many experiments show that social suggestion, irrational advertising, social pressure, propaganda, have considerable effect against freedom of choice and even freedom of perception.").

<sup>148</sup> Assaf, *supra* note 64, at 145.

<sup>149</sup> *Id.* at 146-48.



of “sovereign” versus “susceptible” consumers.<sup>150</sup> He describes the sovereign consumer as “part of a cluster of commitments and economic ideals that valorize, and regard as central to societal welfare, the ability of individuals to express private preferences, largely unimpeded by governmental regulation” on the one hand and the susceptible consumer as one “whose vulnerability to making irrational choices is caused and exacerbated by advertising and the promotion of trademarks” on the other.<sup>151</sup> While Professor Austin points to empirical research studies that support the susceptibility of consumers to the manipulative effects of advertising, which research may buttress an argument to reduce or even eliminate merchandising rights altogether, he rightly points out that “judicial disapprobation of advertisers’ selling techniques has never led to much serious questioning of the judicial, or, indeed, the legislative, function in upholding trademark rights per se”<sup>152</sup> and the notion of rewiring the consumer for his own good *via* altering established trademark doctrine “might strike many as excessively paternalistic to the extent that the analysis privileges certain attributes over others.”<sup>153</sup>

In fact, unfair competition law, particularly in the Federal Trade Commission cases, has long recognized that in the absence of any legal wrongdoing on the part of producers, purchasers must be left to

pursue their personal reasons for consumption in the marketplace, even when those choices result from ignorance or a desire to engage in Veblenistic pursuits. For example, in a 1934 Supreme Court ruling on unfair competition, Justice Cardozo wrote that “the public is entitled to get what it chooses, though the choice may be dictated by caprice or by fashion or perhaps by ignorance.”<sup>154</sup> Citing Justice Cardozo, the Second Circuit in 1942 similarly held that “people like to get what they think they are getting, and courts have steadfastly refused in this class of cases to demand justification for their preferences. Shoddy and petty motives may control those preferences; but if the buyers wish to be snobs, the law will protect them in their snobbery.”<sup>155</sup>

### ***B. Let Them Get Rich: Why Trademark Owners Should be Allowed to Reap the Rewards Associated With Merchandising of Their Marks***

If anti-merchandising proponents have their way, “everyone could make unauthorized use of the spiritual dimension of another’s trademark. Trademark owners could not internalize their investment in these dimensions. Consequently, they would not have sufficient economic incentives to build up brands with personalities and souls.”<sup>156</sup> Since modern trademarks

<sup>150</sup> Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 *BROOK. L. REV.* 827, 854-55 (2004).

<sup>151</sup> *Id.*

<sup>152</sup> *Id.* at 857.

<sup>153</sup> *Id.* at 922. See also Eric A. Posner, *Symbols, Signals, and Social Norms in Politics and the Law*, 27 *J. LEGAL STUD.* 765, 798 (1998) (noting that the results of efforts by the government to influence or change the symbolic behavior of people “whether through legal devices or official exhortation, are inherently unpredictable”).

<sup>154</sup> *Federal Trade Commission v. Algoma Lumber Co.*, 291 U.S. 67, 78, 54 S.Ct. 315, 78 L.Ed. 655 (1934).

<sup>155</sup> *Benton Announcements, Inc. v. Federal Trade Commission*, 130 F.2d 254, 255 (C.A.2 1942) (Order of the Federal Trade Commission directing defendant to cease and desist from using words “engraved,” “engraving” or “engravers” to describe their stationery and process by which they made it affirmed).

<sup>156</sup> Assaf, *supra* note 64, at 106.

are pursued by consumers for the very essence of their personalities and souls, then modern trademark owners will no longer have *any* incentives to invest in the traditional activities that build goodwill into their brands.

The anti-brand bandwagon proceeds with the unbridled assumption that owners of famous marks are base corporate entities who are wielding a power over the consumer that is unfounded and unjustified, yet it is not only the "big bad corporation" who takes a sting when its merchandising program is jeopardized, but also a wide variety of smaller companies and individuals.<sup>157</sup> Those leading the bandwagon are conveniently overlooking a fundamental economic premise that has governed trademark law through all its permutations, both ancient and modern: the expense of resources that is necessary to develop the advertising strength of a trademark for the purpose of lowering the search costs for the consumer.<sup>158</sup> This basic premise has been succinctly and accurately described by Professor Simone Rose as follows:

Under the economic model of trademarks, there is a direct incentive to spend resources to develop the advertising property or strength of a trademark. The more the product is advertised under its trademark or brand name, the broader the con-

sumer base becomes. An increase in potential consumers also increases the rate at which the favorable features associated with the product or service will become well known, thereby lowering consumer search cost. By lowering the consumer's search cost, the seller can raise the price for its goods or services, which will quickly offset the initial advertising costs and increase corporate profitability. This translates into higher priced goods/services for firms with strong marks, not because of any particular market power, but because of the lower search costs associated with the quality control benefit. Thus, a firm has a vested economic interest in both marketing and advertising its trademark, while simultaneously ensuring a consistent level of quality and features for the advertised goods or services.<sup>159</sup>

Merchandising efforts can, indeed, be extremely lucrative for the trademark owner.<sup>160</sup> The merchandising of items ancillary to the trademark owner's original product line has become so pervasive that some believe it is impossible to become a leading brand in today's economy without such add-on product extensions.<sup>161</sup> All of these efforts will not have an immediate effect on the bottom-line but, rather, are pur-

<sup>157</sup> PHILLIPS, *supra* note 73, at 12-13.

<sup>158</sup> Irene Calboli, *The Case for a Limited Protection of Trademark Merchandising*, 2011 U. ILL. L. REV. 865, 900 (2011) (acknowledging that scholars who ideologically criticize merchandising "have frequently ignored the principle that the general scope of trademark law and policy has historically included protecting business good-will against misappropriation").

<sup>159</sup> Rose, *supra* note 5, at 693-94.

<sup>160</sup> LYNETTE OWEN, *SELLING RIGHTS* 3D ED. 289 (2001). For example, the *Batman* film series returned an estimated \$4 billion in merchandising revenue, which funds far exceeded the amount received at the box office. Modern merchandising efforts can also serve to rejuvenate interest in older films such as *Star Wars*, as witnessed by the 1999 prequel *Episode One: The Phantom Menace*, which witnessed poor box office revenue returns, yet commanded \$6 billion in merchandising funds. *Id.*

<sup>161</sup> Assaf, *supra* note 64, at 101 (noting a belief that the decrease in market share of Levi Strauss & Co. may be attributable to the fact that the company has not extended its well-known brand for jeans to a substantial number of related products).

sued for the eventual purpose of making the business more valuable and enhancing its shareholder value, while concurrently providing products to meet modern consumer demands.<sup>162</sup> In short, everyone wins if the company's merchandising program is a success.

So, yes, merchandising is lucrative to the brand owner, but it also comes with an initial cost and risk. After the risk is taken and consumer desire for the branded goods or services is heightened, why should the owner not be allowed to reap the awards of such association, whether it is source driven or desire driven? After all, trademark law is intended to reward producers who make efforts to build a strong brand.<sup>163</sup> Merchandising programs are no exception to this corollary, as evidenced by the fact that successful secondary exploitation requires as a prerequisite "a mark that has firmly established itself and has a strong image."<sup>164</sup> Moreover, while brand-to-product association by the consumer takes a long time to acquire, it can much more readily be destroyed, as evidenced by cognitive science studies which have shown a "surprising range of acts that might interfere with consumer understanding."<sup>165</sup>

Merchandising efforts associated with a new or weak mark will undoubtedly diminish the marketplace response to the program since it will be less clear to consumers what specific quality and "brand personality" is represented by the mark.<sup>166</sup> Indeed, "[t]he cost to create a new brand in the current marketing environment can be huge" and "the success rate of new brands is dismal."<sup>167</sup> Merchandising licenses are usually granted for a short, two to three-year term with an option to renew if the arrangement is successful.<sup>168</sup> While the popularity of some characters that are the subject of merchandising, like Betty Boop, can seem to have an almost infinite lifespan, other characters are much more short-lived, due largely to overexposure in the marketplace, especially when viewed on television or in the cinema.<sup>169</sup>

Lawyers who represent owners of famous trademarks understand fully well that their clients are legally obligated to police and protect their marks from unauthorized use, or face allegations from their authorized licensees that they are not upholding the terms of their merchandising agreements.<sup>170</sup> Whereas patents or proprietary technology can be farmed out with-

<sup>162</sup> SMITH, *supra* note 9, at 73-74.

<sup>163</sup> Benjamin M. Arrow, *Real-Life Protection for Fictional Trademarks*, 21 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 111, 114 (2010).

<sup>164</sup> SMITH, *supra* note 9, at 69.

<sup>165</sup> Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 98 TRADEMARK REP. 1086, 1115-1116 (2008) (Once the JUST DO IT slogan had become associated with Nike by consumers, its use on a t-shirt by a third-party producer "would have clearly interfered with the integrity of that association.").

<sup>166</sup> SMITH, *supra* note 9, at 69.

<sup>167</sup> Swann, Aaker & Reback, *supra* note 50, at 811.

<sup>168</sup> LYNETTE OWEN, SELLING RIGHTS 3D ED. 289 (2001).

<sup>169</sup> *Id.* at 290.

<sup>170</sup> See Kate Thomas, *In Cape Cod League, It's Tradition vs. Trademark*, NY TIMES (Oct. 23, 2008), available at <http://www.nytimes.com/2008/10/24/sports/baseball/24capecod.html> (last visited on June 7, 2011). Many small-town minor baseball leagues have adopted with permission the famous names of the majors owned by Major League Baseball, such as the Chatham "Athletics" in Cape Cod. In order to honor its longstanding arrangements with local vendors to sell team attire, the Cape Cod team chose to change its name to the "Anglers" so as to avoid a brewing trademark dispute in which Major League Baseball was requiring it to purchase its uniforms and other merchandise solely through official licensed dealers. While some decried the act as "picking on" the Cape Cod team, a spokesman for Major League Baseball explained that it was contractually required to honor merchandising agreements with its dealers and would risk losing its rights in the major teams' names if it did not police its marks. *Id.* The Anglers' new website is located at <http://www.chathamanglers.com/> (last visited on June 7, 2011).

out future licensor supervision or contact with the licensee or any of its products that are manufactured utilizing such know-how, "[a]ll trademark exploitation is done by the trademark owner who seeks to continually exert quality control over the products or services that bear his mark."<sup>171</sup> In fact, if a licensor does not exert sufficient quality control over its licensed products, it is susceptible to a finding that it has engaged in "naked licensing," which usually results in a finding of abandonment of the mark in the Patent & Trademark Office (the "PTO").<sup>172</sup> It is indeed, an axiom of trademark law that "[a] system that does not maintain and enforce an effective quality control strategy is not likely to survive in the competitive marketplace."<sup>173</sup>

Although trademark licensors regularly inspect and police the actual products and services connected with their licensed marks to ensure quality and consistency in such market commodities, quality control is also exerted by methodical programs that are devised by licensors to ensure proper usage of the licensed marks themselves.<sup>174</sup> Trademark owners who are "brand-conscious" create extensive trademark usage or "style guides" that particularly set forth both the proper and improper usage of style, color, format, size, and placement of their licensed marks, as well as how these marks should appear on websites and in advertising<sup>175</sup> so that licensees "will use

and promote a consistent visual image for the organization's brands."<sup>176</sup> Regardless, there are still those who understate the importance of the maintenance of quality control to consumer welfare, by making claims such as "[g]oodwill protection has nothing directly to do with facilitating consumer choice or safeguarding the quality of market information."<sup>177</sup> Another popular argument is that "ornamental and promotional uses of a trademark, *even if unauthorized*, will increase the value of the mark" since they increase the visibility of the mark and could assist the trademark owner in expanding into a new market.<sup>178</sup> To the contrary, whenever a trademark owner cannot directly control an unlicensed party's exact usage of its mark there is a threat to the continued viability and value of the mark, specifically because there is no contractual incentive or direction provided to such party.<sup>179</sup>

For example, in the introductory example set forth in this article, I explained a viable post-*Fleischer Studios I* scenario in which I would be allowed to produce Betty Boop t-shirts in my basement and sell them for half the price that the owner of the Betty Boop trademark would charge. If I were allowed to open this operation without a Fleischer Studios style guide or other supervision of my reprinted images of Betty by the owner, how would I know exactly what shade of red to use in decorat-

<sup>171</sup> SMITH, *supra* note 9, at 69.

<sup>172</sup> GREGORY J. BATTERSBY AND CHARLES W. GRIMES, 2004 LICENSING UPDATE §402[D] 52 (2004).

<sup>173</sup> ANDREW J. SHERMAN, FRANCHISING AND LICENSING: TWO POWERFUL WAYS TO GROW YOUR BUSINESS IN ANY ECONOMY 37 (2003).

<sup>174</sup> INTELLECTUAL PROPERTY DESKBOOK FOR THE BUSINESS LAWYER BY COMMITTEE ON INTELLECTUAL PROPERTY 94 (2007).

<sup>175</sup> *Id.*

<sup>176</sup> LESLEY ROSENTHAL, GOOD COUNSEL: MEETING THE LEGAL NEEDS OF NONPROFITS 196 (2012) (suggesting that trademark branding or style guides should also contain information regarding spacing, typesetting, and the proper use of ®, ™, etc.). See also, Anne M. Wall, *Intellectual Property Protection in China: Enforcing Trademark Rights*, 17 MARQ. SPORTS L. REV. 341, 405 (2006).

<sup>177</sup> Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 549 (2006).

<sup>178</sup> Cherniak, *supra* note 61, at 1344 (emphasis added).

<sup>179</sup> ROBERT GOLDSCHIEDER, LICENSING BEST PRACTICES 187 (2002).

ing Betty's dress or how big her head should be graphed in proportion to her body without oversight by the owner? Now add to the mix thousands of unauthorized basement operations and the next thing you know, Betty Boop is tall, blonde, and wearing a blue dress, yet ironically "naked" pursuant to the standards of the PTO! At this point, in addition to losing her value to Fleischer Studios, Betty has most certainly lost her bling-bling in the eyes of consumers because she is no longer the consistent image that consumers have come to identify and adore.

Quality control is also maintained by concerted decisions of the trademark owner *not* to license uses of the mark since oversaturation or "overbranding" in the marketplace can quickly lead to the opposite desired goal: if a licensor becomes overzealous and does not spend enough time and resources in researching the "zone of appropriateness" for a brand extension program, it can be a disaster from a consumer perspective.<sup>180</sup> Luxury goods producer Pierre Cardin learned this lesson the hard way in the 1980s; after licensing his name in connection with approximately 800 products, including toilet seat covers, "the distinctiveness of his brand was quickly diluted, clearing the way for the rise of other luxury brands more careful about the risks of overexposure."<sup>181</sup> Professor Robert Denicola admits that overexposure in the marketplace is "the

most serious difficulty with uncontrolled ornamental use" because when there exists an overabundance of branded merchandise, "demand for all such items may decrease. The public may simply grow bored with ornamental use of a mark if they encounter it too frequently. Unrestrained use may effectively spoil the market for everyone."<sup>182</sup> Another commentator has provided a poignant example of the dangers of overuse of a brand in the marketplace, as follows:

"If the owner of KODAK should permit its use by others on washing powders, shoes, candy bars, or cosmetics, or if The Coca-Cola Company should permit COCA-COLA or COKE to be used for rain coats, cigarette lighters, golf balls, or jewelry not of its manufacture, it would not take long for even these giants in the trademark world to be reduced to pigmy size."<sup>183</sup>

While it seems entirely rational to suggest that uncontrolled ornamental use by others besides the trademark owner invariably leads to diminishment of the mark's distinctiveness or uniqueness, the majority of scholars writing on the topic of merchandising have nonetheless remained skeptical of the validity of the merchandising right.<sup>184</sup> Those who decry the expansion of merchandising or sponsorship

<sup>180</sup> Wall, *supra* note 176, at 374-75 (While GAP successfully extended its jean brand to sell perfume, a similar attempt by HARLEY DAVIDSON to extend its motorcycle brand to cigarettes failed miserably since "consumers were not convinced that the motorcycle manufacturers had a brand that would lend quality and value to a pack of smokes.").

<sup>181</sup> Barton Beebe, *Intellectual Property Law and the Sumptuary Code*, 123 HARV. L. REV. 809, 821 (2010). See also Suzy Menkes, *The Label and the Man: Pierre Cardin*, NY TIMES (July 23, 1991), available at <http://www.nytimes.com/1991/07/23/style/23iht-card.html> (last visited on June 15, 2011) (Cardin's own colleagues "say he has exploited his name and cheapened the prestige of high fashion.").

<sup>182</sup> See Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603, 640 (1984).

<sup>183</sup> Julius R. Lunsford, Jr., *Trademark Basics*, 59 TMR 873, 879 (1969).

<sup>184</sup> Calboli, *supra* note 158, at 892.



rights which rest exclusively within the control of the trademark owner often make spurious and unsupported claims that "when licensing their marks into collateral markets, trademark owners usually do not engage in quality control programs."<sup>185</sup> Another recent foundationless claim argues that mark owners will not suffer if courts refuse to prohibit unauthorized uses of their marks because such a policy "is unlikely to significantly affect [owners'] licensing revenue."<sup>186</sup> The author seems to justify this statement by claiming that since licensees are often willing to pay "massive amounts of resources" to a trademark owner in order to become the exclusive manufacturer of merchandise bearing the owner's mark, that the mark owner is adequately compensated by its authorized licensees and should not be heard to complain about unauthorized uses by other parties.<sup>187</sup> Still others maintain that "there is no obvious investment [made by the trademark owner] that will be lost if the broad merchandising theory is rejected," and thus, "we can reject the argument that a merchandising right provides needed financial support for the trademark owner."<sup>188</sup>

In fact, such claims cannot be further from the truth. While it is accurate to note that there are not any registration requirements or administrative procedures that

exist in the United States to review and approve quality control programs of owners who license their trademarks, "quality control remains a fundamental aspect of valid [trademark] licensing...and the courts are called upon to rule on the sufficiency of quality control under specific circumstances."<sup>189</sup> Like most corporate ventures, the decision to engage in secondary exploitation of a mark can be a risky proposition and actions for the long-term success of the program are extremely difficult, but important, to evaluate.<sup>190</sup> Any company seeking a successful merchandising program must, therefore, perform a magnitude of prior due diligence, research and planning, including, *inter alia*, valuation of the trademark at issue, as well as the other tangible and intangible assets of the business; identifying constituencies; estimating the added expenses of entering new markets and introducing different products (including raw materials, costs of recruiting new employees, producers, and salespeople, advertising expenditures, research and development, *etc.*); and attracting more investors to help finance such added costs.<sup>191</sup>

Licensors must also account for professional expenses, most importantly in the negotiation and creation of the merchandising agreement itself, which can take up to six months to prepare—well before any

185 Assaf, *supra* note 64, at 88 (offering no source or authority to substantiate the claim).

186 Frank, *supra* note 2, at 368 (offering no source or authority to substantiate the claim).

187 *Id.*

188 Dogan & Lemley, *supra* note 4, at 485. ("Trademark owners won't lose their protection against consumer confusion or dilution. Nor can the trademark owner make a plausible case that a competing sale of, say, Dallas Cowboys hats will weaken the connection between the mark and the team. True, the Cowboys might make less money than they would if trademarks were absolute property rights, and they might argue that this 'discourages investment' in football. But so what?"). *Id.* at 484.

189 NEIL J. WILKOF & DANIEL BURKITT, TRADE MARK LICENSING 113 (2005).

190 SMITH, *supra* note 9, at 74.

191 *Id.* at 75.

income is returned to the licensor in the form of royalty payments.<sup>192</sup> If the licensee is located in another country, the trademark owner can expect added expenditures for various travel, cultural, accounting, and record-keeping practices.<sup>193</sup> Due to quality control requirements, trademark licensors in particular must account for the proper administration and approval of product samples and packaging, branding, and inspection of manufacturing facilities.<sup>194</sup> In fact, some licensing practitioners have estimated that a licensor will pay an average of \$25,000 per license, per year, in order to cover these administrative expenses alone.<sup>195</sup> Entire treatises—such as the two cited in the footnotes to this paragraph—have been written to assist trademark lawyers in counseling their clients with respect to assessing additional risks and expenses associated with licensing programs.<sup>196</sup> In addition to the expenditures associated with the creation and maintenance of goodwill and quality control borne by all trademark owners, those who own marks associated with luxury goods have experienced

heightened struggles in the wake of the recent global economic crisis despite the fact that the luxury-goods industry has historically been considered “recession proof.”<sup>197</sup>

The *Fleischer Studios I* decision, therefore, frustrates the “settled expectations” of trademark owners (and consumers) that have relied on the protections offered by the Lanham Act when engaging in licensing practices.<sup>198</sup> Particularly, it disregards the presumption of validity that is afforded by the Act to trademarks registered in the PTO<sup>199</sup> and results in an inconsistent message to trademark owners that they should invest goodwill into marks, as long as the marks are not *too* aesthetically pleasing to consumers, thus creating a bifurcated system of quality control for different types of marks. If left unchecked, this growing judicial presupposition that ornamental marks should somehow be afforded less recognition with respect to the goodwill surrounding them will eventually lead to a breakdown of quality control programs that are legally required by owners of all marks.<sup>200</sup> The trademark owner is truly caught between a rock and a hard

192 GORDON V. SMITH & RUSSEL L. PARR, *INTELLECTUAL PROPERTY: LICENSING AND JOINT VENTURE PROFIT STRATEGIES* 193 (2004) (explaining that provisions which mandate the licensor to indemnify the licensee in the event of a trademark ownership or validity dispute are “[t]he most troublesome license provisions to quantify,” often involving a subjective analysis that requires the licensor to evaluate whether the proposed field of use is one with a history of litigation and competition, whether similar marks exist in the same or similar fields, and whether there exist major competitors of the licensee who can readily fund expensive infringement litigation, among other considerations).

193 *Id.*

194 *Id.*

195 *Id.*

196 See Calboli, *supra* note 158, at 893-94 (noting the growing body of manuals, guides, and publications directed to the management, advertising, and marketing of modern brands).

197 Abby Liebskind, *Nothing is Recession-Proof: The Impact of the Global Financial Crisis on the Luxury Goods Industry*, April 2009, available at [http://www.abbyliebskind.com/portfolio/undergraduate-work/economics/nothing\\_is\\_recession\\_proof\\_.pdf](http://www.abbyliebskind.com/portfolio/undergraduate-work/economics/nothing_is_recession_proof_.pdf) (last visited on Feb. 21, 2012). See also, Eric Pfanner, *Once Wary of the Web, Luxury Brands Embrace It*, *NY TIMES* (Nov. 18, 2009) available at <http://www.nytimes.com/2009/11/18/business/global/18lux.html> (last visited on Feb. 21, 2012) (the recession has even threatened some well-known brand names with extinction).

198 Deborah S. Cohn, *Mere Ornamentation and Aesthetic Functionality: Causing Confusion in the Betty Boop Case*, 101 *TRADEMARK REP.* 1218, 1222 (2011).

199 *Id.* at 1218.

200 *Id.* at 1222 (“If aesthetic functionality becomes an accepted defense to infringement, there would be little incentive to build a successful brand around an appealing image”).

place since it is both encouraged and required by the Act to create goodwill associated with the mark on the one hand, yet on the other hand, after public demand for the product increases and popularity of the mark inevitably results from such practice, the owner cannot recoup expenditures from its efforts because the mark has become aesthetically functional and, thus, tossed into the public domain for use by all.<sup>201</sup> Indeed, prior to its unprecedented ruling in *Fleischer Studios I*, the Ninth Circuit in *Au-Tomotive Gold* had more correctly rejected its previous position in *Job's Daughters* by holding that "the fact that a trademark is desirable does not, and should not, render it unprotectable"<sup>202</sup> since such an "approach distorts both basic principles of trademark law and the doctrine of functionality in particular."<sup>203</sup>

***C. Let Them Beware:  
Why Free Riding Should be  
Distinguished From Competition  
and not Defendable Under the  
Lanham Act***

In 1927, Frank Schechter lamented that "[t]rademark pirates are growing more subtle and refined. They proceed circumspectly, by suggestion and approximation, rather than by direct and exact duplication of their victims' wares and marks."<sup>204</sup> The rise in consumer demand for ancillary

products combined with the lucrative sales that can be achieved with modern merchandising programs has led to the phenomenon of "ambush marketing," which is particularly prominent in the field of professional and collegiate sports, and is described as

"... the set of activities that companies use to create the impression of an association with a given event or sport property. Typically, these activities are aimed at creating the impression, in the minds of consumers, that a company is a paying sponsor of an event or an official partner with the sport property (*i.e.*, collegiate athletic department).<sup>205</sup>

While some believe that ambush marketing can be viewed as encouraging healthy competition in the marketplace,<sup>206</sup> others take the position that it "poses a real threat to sponsorees because it reduces the incentive for companies to spend millions of dollars on sponsorships when they can potentially achieve the same advertising results through ambush marketing at significantly lower costs."<sup>207</sup> Again, utilizing my fictional Betty Boop basement t-shirt operation example, my would-be actions should be treated as those of a free, "ambush marketer," or interloper of the type

201 See Scott R. Miller, *Is Aesthetic Functionality Rising From the Grave?*, 23 No. 11 INTELL. PROP. & TECH. L.J. 3, 3 (2011).

202 *Au-Tomotive Gold*, 475 F.3d at 1072. See also Miller, *supra* note 173, at 5 ("The *Au-Tomotive Gold* court "expressly refused to apply the rationale of the Ninth Circuit panel in *Job's Daughters* and noted that allowing these kinds of uses would destroy the ability of trademark holders to control their valuable trademark rights.").

203 *Au-Tomotive Gold*, 475 F.3d at 1064.

204 Schechter, *supra* note 43, at 825.

205 Steve McKelvey, Sheranne Fairley & Mark D. Groza, *Caught in the Web?: The Communication of Trademark Rights and Licensing Policy on University Official Athletic Websites*, 20 J. LEGAL ASPECTS SPORT 1, 22-23 (2010) (citing Kent, A. & Campbell, R.M., *An Introduction to Freeloading: Campus-Area Ambush Marketing*, SPORT MARKETING QUARTERLY, 16(2), 118-122 (2007)).

206 See generally, Mark A. Lemley & Mark A. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137 (2010).

207 Patrick Donohue Sheridan, *An Olympic Solution to Ambush Marketing: How the London Olympics Show the Way to More Effective Trademark Law*, 17 SPORTS LAW. J. 27, 28 (2010).



that Professor Schechter was concerned, not as a valid competitor in the free market.

The dictionary meaning of compete “implies having a sense of rivalry and of striving to do one’s best as well as to outdo another,”<sup>208</sup> while the dictionary meaning of a free ride is connotative of “something obtained without effort or cost” or “participation without contributing anything.”<sup>209</sup> Utilizing a different example, if I were to invest in an animation company like Max Fleischer and Walt Disney and hire artists to create my own sexy girl cartoon image (say Jessica Rabbit) or mouse (say Mighty Mouse) that tickles the fancy of worldwide consumers, I would, indeed, be properly labeled a competitor. The marketplace world be richer and more fulsome if some consumers can identify with Betty or Mickey, while others choose to define themselves by Jessica or Mighty (or perhaps, an altogether new minx or mouse that I choose to create). But what I am doing in my original example is similar to what Dallas Cap, A.V.E.L.A., and other free-riding defendants have done to the owners of famous marks who have painstakingly accumulated decades of investment in their marks—I am usurping their goodwill without having made the contribution or investment to the consumer that is one of the lynchpins of traditional trademark jurisprudence. The Fifth

Circuit in *Boston Hockey* attempted to highlight this distinction when it held:

“The conclusion is inescapable that, without plaintiffs’ marks, defendant would not have a market for his particular product among ice hockey fans desiring to purchase emblems embroidered with the symbols of their favorite teams.

. . . .

Through extensive use, plaintiffs have acquired a property right in their marks which extends to the reproduction and sale of those marks as embroidered patches for wearing apparel. What plaintiffs have acquired by use, the substantive law of trademarks as it is embodied in the Lanham Act will protect against infringement. There is no overriding policy of free competition which would remove plaintiffs, under the facts of this case, from the protective ambit of the Lanham Act.”<sup>210</sup>

To say, therefore, as Professor Denicola does, that I would be entirely “excluded from the market” were I not able to sell Betty shirts and can “sell to no one” is oblique.<sup>211</sup> If that were true, it would mean that Max Fleisher would have been precluded from entering the marketplace of

<sup>208</sup> See DICTIONARY.COM, available at <http://dictionary.reference.com/browse/compete?o=100074> (last visited on Jun. 30, 2011).

<sup>209</sup> See DICTIONARY.COM, available at <http://dictionary.reference.com/browse/free+ride?o=100074> (last visited on Jun. 30, 2011).

<sup>210</sup> *Boston Hockey*, 510 F.2d at 1011, 1014. See also, Keating, *supra* note 27 (Defendants in this scenario are misappropriating “the thing of value created by the plaintiff” or the “symbols of institutional loyalty, admiration, or sympathy” and not merely a utilitarian aspect of the product at issue).

<sup>211</sup> See Denicola, *supra* note 147, at 613. The Au-Tomotive Gold court responded to a similar argument made by the defendant as follows: “Auto Gold complains that if precluded from using the famous marks, it would be unable to compete in the market for auto accessories bearing Volkswagen and Audi’s marks. This argument is just another way of saying “If I can’t trade on your trademark, I can’t compete.” But this argument has no traction here because the mark is not a functional feature that places a competitor at a “significant non-reputation-related advantage.” See *Au-Tomotive Gold*, 475 F.3d at 1074, n9 (citing *TrafFix*, 532 U.S. at 33, 121 S.Ct. at 1255).

competitive cartoon figure creation in the wake of Walt Disney and would be helpless to sell a thing without the necessity of having to recreate Disney's previously trademarked assets. Instead, we live in a world where Fleisher (via Betty) competes with Disney (via Mickey) who competes with Warner Brothers (via Bugs Bunny), and on and on and on. When Reilly creates her new mouse X, she enters into the vibrant market of cartoon character competition and must painstakingly dump as much goodwill into her new character as her competitors have *vis-a-vis* their characters in the past. When Reilly reproduces Mickey or Mighty, she is, point blank, a free rider.<sup>212</sup> Worse than that, her latter conduct will actually harm the consumer because by choosing not to create her new mouse X she is, therefore, not "increasing the number of comparable products available to the public."<sup>213</sup>

Most importantly—as well as undeniably contrary to the bulk of contemporary legal scholarship—the owners of the valued prior marks should expect the law to protect their interests and should not have to defend against arguments of third-party entitlement to their investments.<sup>214</sup> After all, "[i]nstead of taking anything from the

public, the trademark owner, like an inventor, confers on it the greatest benefits. Although a trademark owner may select a word from the public domain to identify her goods, she contributes 'new property' to the public in the quality assurance and source indication functions of the mark."<sup>215</sup> Third parties, therefore, are not excluded from selling competing *goods or services* which "may be freely sold on their own merits and under their own trade symbols. All that the plaintiff in such cases asks is the preservation of a valuable, though possibly anonymous link between him and his consumer, that has been created by his ingenuity and the merit of his wares or services. 'All the rest of infinity is open to defendant.' So limited a 'monopoly' as that cannot affect legitimate competition, and is of the very essence of any rational system of individual and exclusive trade symbols."<sup>216</sup>

The *National Football League Properties* court acknowledged this important distinction when it held: "We note that defendant is in the business of manufacturing and selling embroidered emblems; it can place any design it wishes on the emblems. However, it has chosen to copy the marks of the NFL teams because they are very

212 See *Au-Tomotive Gold*, 475 F.3d at 1064 ("Auto Gold's incorporation of Volkswagen and Audi marks in its key chains and license plates appears to be nothing more than naked appropriation of the marks. The doctrine of aesthetic functionality does not provide a defense against actions to enforce the trademarks against such poaching.")

213 Calboli, *supra* note 158, at 911. (By directly recognizing the merchandising rights of trademark owners, competitors could use alternative and original designs on their products, thereby providing consumers with access to a greater number of similar promotional products and enhancing "societal creativeness."). See also, Keene Corp., 653 F.2d at 825 ("The difficulty with accepting such a broad view of aesthetic functionality, which relates the doctrine to the commercial desirability of the feature at issue without consideration of its utilitarian function, is that it provides a disincentive for development of imaginative and attractive design. The more appealing the design, the less protection it would receive."); and PHILLIPS, *supra* note 73, at 220 ("[W]e have to decide that intellectual property works. We have to stop imagining that economies based around knocking off other people's ideas will suddenly and spontaneously develop new innovations and create their own industries, unless there is a way that their innovations and ideas can be protected. This isn't going to be easy, if their experience is that anything can be ripped off.")

214 Rose, *supra* note 5, at 664 (advocating for elimination of the prevailing negative presumption surrounding ownership rights in trademarks and calling for replacing this notion with a "positive presumption that the creator has earned this right and is entitled to a reasonable scope of protection which will not detract from the free flow of information and ideas").

215 *Id.* at 662.

216 Schechter, *supra* note 43, at 833 (quoting *Coca-Cola Co. v. Old Dominion Beverage Corp.*, 271 Fed. 600, 604 (C. C. A. 4th, 1921)).

distinctive and are associated with highly successful football teams.”<sup>217</sup> As Judge Posner most aptly stated, “[o]rnamental, fanciful shapes and patterns are not in short supply, so appropriating one of them to serve as an identifying mark does not take away from any competitor something that he needs in order to make a competing brand”<sup>218</sup> and, thus, “the fact that a design feature is attractive does not . . . preclude its being trademarked.”<sup>219</sup> The Seventh Circuit reaffirmed this position by holding that “marks that are so distinctive that competitors’ only reason to copy them would be to trade on the goodwill of the original designer” cannot be held to restrict the design options for competitors in aesthetic functionality cases.<sup>220</sup> As such, while Reilly’s t-shirts may be sold at a much cheaper price than her competitors who own the official marks can sell them, the Lanham Act, unfortunately, does not permit that result.<sup>221</sup>

The *Boston Hockey* court also attempted to point out another important factor that those who advocate the move away from an exclusive merchandising right fail to address: the fact that “defendant sought and ostensibly would have asserted, if ob-

tained, an exclusive right to make and sell the emblems.”<sup>222</sup> In other words, Dallas Cap, in its initial attempt to negotiate an exclusive merchandising right to sell goods labeled with plaintiff’s emblems, in essence acknowledged the very rights asserted against it in the lawsuit filed by plaintiff. While similar facts existed in the *Job’s Daughters* case, that court dismissed them entirely, stating only that it “must closely examine” the defendant’s merchandising practices in determining whether consumers would infer sponsorship or affiliation with the plaintiff-owner, which would invariably lead to a finding of infringement.<sup>223</sup> The defendant in *Au-Tomotive Gold* also made “several attempts” to secure an authorized license from plaintiff owner and, when denied, used the marks anyway.<sup>224</sup>

The reality of the matter is that had the plaintiffs in *Boston Hockey*, *Job’s Daughters*, or *Au-Tomotive Gold* complied with the licensing requests of the defendants and the parties engaged in the time and expenses associated with the type of trademark license arrangement described in Section V.B. of this article, the defendants in each case would surely had taken a different

217 *Nat’l Football League Props., Inc. v. Consumer Enters., Inc.*, 327 N.E.2d 242, 246-47 (Ill.App. 1975).

218 *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 339 (7th Cir. 1985).

219 *Id.* at 343. See also, Apostolos Chronopoulos, *Trade Dress Rights As Instruments Of Monopolistic Competition: Towards a Rejuvenation Of The Misappropriation Doctrine in Unfair Competition Law and a Property Theory of Trademarks*, 16 MARQ. INTELL. PROP. L. REV. 119, 166 (2012) (“A number of theories of aesthetic functionality have been put forward to confine the right-holder to reputational advantages and to prevent him from obtaining economic benefits as a consequence of the trademark protection of an aesthetically pleasing design (identification theories of aesthetic functionality). The application of those theories reduces the scope of trade dress protection for aesthetically pleasing product design. This line of argumentation is flawed because it does not consider that product differentiation is, in terms of competition policy, desirable and one of trademark law’s substantive valuations.”).

220 *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 861 (2010). (The court cited *Service Ideas, Inc. v. Traex Corp.*, 846 F.2d 118, 1123-24 (7th Cir. 1988) for the proposition that “purposeful copying of a beverage server’s arbitrary design indicated a lack of aesthetic functionality.”).

221 *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 428 (5th Cir. 1984). (“We particularly reject the suggestion that the doctrine of functionality insulates a second comer from liability for copying the first comer’s design whenever the second comer can merely cite marketing reasons to justify the copying.”).

222 *Boston Hockey*, 510 F.2d at 1011.

223 *Job’s Daughters*, 633 F.2d at 919 (emphasis added).

224 *Au-Tomotive Gold*, 475 F.3d at 1065.

stance in their interpretation of what rights are validly protected by trademark merchandising law.

While courts are inconsistent in their determinations of whether the defendant's bad faith in using the plaintiff's intellectual property after unsuccessfully requesting a license should be a factor to consider in an infringement analysis,<sup>225</sup> it is the opinion of this author that the law must not allow for such situational flip-flopping and instead, should be constant, clear, and consistent regarding when and under what circumstances unauthorized third-party use of another's marks is justified, particularly in the realm of fictional characters who are trademarked.<sup>226</sup> Although failure to seek a license should not in and of itself be determinative of the infringement issue,<sup>227</sup> courts should nonetheless adjudge the defendant's bad faith in using the plaintiff's mark by assessing such behaviors, particularly due to the fact that defendant's intent is a distinct factor to be considered in the likelihood of confusion analysis in trademark infringement suits.<sup>228</sup> As is evident in most merchandising cases, "[w]here the right in the mark is clear, as is the case with the right to affix a mark to the

same goods with respect to which the goodwill has been established, the intention [of the defendant to pass off its goods as those of the plaintiff] can usually be assumed."<sup>229</sup> Moreover, such intent cannot be eviscerated, as many scholars argue, by merely attaching a notice to the defendant's product disclaiming affiliation with the trademark owner because packaging and tags that contain such disclaimers are usually removed by the original purchasers and can thus result in "post-sale" confusion issues, or when someone other than the purchaser sees the item and is confused as to source.<sup>230</sup>

## VI. Conclusion

"Trademark law is 'troubling' in part because of the lack of consensus about what protecting trademarks is meant to achieve."<sup>231</sup> This phenomenon is particularly evident in the context of the contemporary merchandising practices of trademark owners. Some scholars and courts, particularly the Ninth Circuit in *Fleischer Studios I*, assert that the doctrine of aesthetic functionality is the proper vehicle by which to rein in the ropes on what

225 See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 585 & n.18 (1994) (the fact that the defendant had unsuccessfully requested a license to use the plaintiff's copyrighted musical work should not weigh against fair use when the work is later used without permission); and *Fisher v. Dees*, 794 F.2d 432, 437 (CA9 1986) (the defendant's conduct in using the plaintiff's song after the plaintiff specifically denied permission not considered sufficiently blameworthy by the court to negate the defendant's parody defense in copyright infringement action). But see *Grand Upright Music v. Warner Bros. Records*, 780 F. Supp. 182, 185 (S.D.N.Y. 1991) (claiming that when performer Biz Markie released his song "Alone Again" after plaintiff Gilbert O'Sullivan refused to grant him requested clearance to use O'Sullivan's song "Alone Again, Naturally" it was clear from the court's perspective that such act demonstrated that "the defendants knew that they were violating the plaintiff's rights" and was evidence of the defendant's "callous disregard for the law and for the rights of others").

226 See, e.g., DOROTHY J. HOWELL, *INTELLECTUAL PROPERTIES AND THE PROTECTION OF FICTIONAL CHARACTERS* ix (1990). ("Those who create or promote fictional characters for all the media or popular culture need a pragmatic understanding of how and to what extent their creations can be legally protected.")

227 *Blanch v. Koons*, 467 F.3d 244, 256 (2d Cir. 2006).

228 *Au-Tomotive Gold*, 475 F.3d at 1075-76 (The Ninth Circuit employs the following eight-factor test to determine the likelihood of confusion in trademark cases: (1) strength of the mark(s); (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels; (6) degree of consumer care; (7) defendant's intent; (8) likelihood of expansion).

229 See Austin, *supra* note 146, at 847-48.

230 Franklin, *supra* note 143, at 1012-13. See also *Au-Tomotive Gold*, 457 F.3d at 1077 (holding that courts have historically been "justifiably skeptical" of the effectiveness of disclaimers, particularly when the defendant has copied the plaintiff's mark exactly).

231 Austin, *supra* note 147, at 838.

is considered an unacceptable broadening of the scope of trademark rights in the merchandising arena. To the contrary, it is manifestly clear that the unworkable and irrational doctrine is ripe for a complete death, as witnessed by the fact that the same court that heard the original *Fleischer Studios I* case withdrew its analysis on the issue and issued a new opinion on completely alternate grounds six months later.

The chaotic approach to aesthetic functionality applied across circuits and even within the same circuits through time is demonstrative evidence that the doctrine is fundamentally flawed and truly has become the step-child of modern trademark jurisprudence. In this article, I have demonstrated several reasons why future courts should decline to follow the flawed reasoning that reawakened aesthetic functionality in *Fleischer Studios I*. First, applying the doctrine in order to exonerate the acts of defendants like A.V.E.L.A. who engage in unauthorized uses of famous marks does not comport with the desire of the modern consumer who often purchases goods for Veblenistic purposes and who, thus, expects mark owners to control the quality of such goods so that these pur-

suits, materialistic as they may be, can be realized. Second, the doctrine also fails to account for the bargain struck by the Lanham Act to mark owners that if they properly police marks and build goodwill for the benefit of the consumer then the law will protect such investments. Last, encouraging free riders who unjustly benefit by riding on the dovetails of goodwill created by others will not encourage the type of vigorous competition contemplated by the Lanham Act and other doctrines such as unfair competition.

It is not clear exactly why the Ninth Circuit decided to remove its entire discussion of aesthetic functionality from *Fleischer Studios II*, especially since *Fleischer Studios I* was met with such criticism and bewilderment in the legal community. What is clear is that, by its determination not to address the issue in the second opinion, it has left ample opportunity for defendants in the Ninth Circuit, and others, to argue that the doctrine is alive and well. For the sake of trademark owners and consumers alike (conspicuous or otherwise), it is the hope of this author that aesthetic functionality will not once again be resurrected from its ugly grave.