

DESIGNATIONS OF SOURCE—ARE THEY NECESSARY TO SUPPORT ENTERTAINMENT INDUSTRY MERCHANDISING RIGHTS?

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I. INTRODUCTION

The image, name, or title from one entertainment medium is often used in connection with the sale of a "collateral product." A motion picture, television series, record album, or stage play may be considered a primary entertainment medium. A poster, toy, T-shirt, or record which capitalizes on a primary entertainment medium may be termed a collateral product. This Article will examine the extent to which the merchandised image, name, or title¹ must designate its source or sponsorship in order to achieve court enforceable protection.

Merchandising rights are usually protected by trademark and unfair competition law,² right of publicity,³ and copyright law.⁴ These legal theories are sometimes interrelated. The purpose of trademark and unfair competition law is the prevention of consumer confusion as to the source or sponsorship of a name,

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¹ For purposes of this Article, the term "merchandising" will refer to the use of an image, name, or title from a primary entertainment medium in connection with the sale of a collateral product. See generally Grimes & Battersby, *The Protection of Merchandising Properties*, 69 TRADEMARK REP. 431 (1979).

² See, e.g., *Warner Bros. v. Gay Toys, Inc.*, 658 F.2d 76 (2d Cir. 1981) (sales of toy cars with markings similar to those used on car in television series *The Dukes of Hazzard*); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979) (cheerleader uniforms used in pornographic film found to be strikingly similar to those worn by the Dallas Cowboys' cheerleaders); *Lone Ranger Inc. v. Cox*, 124 F.2d 650 (4th Cir. 1942) (use of phrases "Lone Ranger" and "Hi, yo Silver" enjoined); *DC Comics, Inc. v. Filimation Assocs.*, 486 F. Supp. 1273 (S.D.N.Y. 1980) (comic characters having similar features); *Wyatt Earp Enter. v. Sackman, Inc.*, 157 F. Supp. 621 (S.D.N.Y. 1958) (producer of successful television series enjoined defendant from using historical name "Wyatt Earp" on children's playsuits).

³ E.g., *Factors Etc., Inc. v. Pro Arts, Inc.*, 444 F. Supp. 288 (S.D.N.Y. 1977) (Elvis Presley memorial poster).

⁴ 17 U.S.C. § 102(a) (1982).

mark, or symbol.⁵ The right of publicity, originally associated with the right of privacy,⁶ is based on the concept that a person owns the right of commercial exploitation of one's name and likeness for personal economic benefit.⁷ Copyright arises out of original authorship, such as the creation of artwork.⁸ However, copyright may not be available for certain simple logos, symbols, or groups of words;⁹ and, even if some copyright protection were available, its scope of protection would be quite limited.¹⁰

Trademark-related law provides the bulk of rights for merchandising properties. However, this law focuses on the issue of designations of source. Does the consumer who buys a T-shirt with a rock group's name on it expect or care that the rock group manufactured the T-shirt? Does the consumer care about the quality of a T-shirt so long as the name of a favored musician or musical group is emblazoned on the front? These questions were considered by one court¹¹ which refused to grant a preliminary injunction against the marketing of T-shirts bearing silk-screened images of Beethoven, J.S. Bach, and Brahms.¹² Unable to prove copyright infringement, the plaintiff sought recovery for common law trademark infringement and unfair competition.¹³ These plaintiffs' claims were rejected because the images were considered mere ornamentation rather than designations of source of origin.¹⁴ The court stated that "plaintiffs [have not] established that the public is as much concerned with who produces the product as it is with the *idea* of sweatshirts bearing im-

⁵ See Trademark Act § 32(1), 15 U.S.C. § 1114(1) (1982). For a more complete discussion of the Trademark Act, see notes 41-63 and accompanying text.

⁶ W. PROSSER & W. KEETON, PROSSER & KEETON ON THE LAW OF TORTS § 117 (5th ed. 1984).

⁷ See, e.g., Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866 (2d Cir.), cert. denied, 346 U.S. 816 (1953).

⁸ 17 U.S.C. § 102(a). For examples of other types of protected work, see Poe v. Missing Persons, 745 F.2d 1238 (9th Cir. 1984) (swimsuit); Kieselstein-Cord v. Accessories by Pearl, Inc., 632 F.2d 989 (2d Cir. 1980) (belt buckle).

⁹ See, e.g., Bailie v. Fisher, 258 F.2d 425 (D.C. Cir. 1958) (cardboard star with folding flaps not subject matter of copyright).

¹⁰ See Elekes v. Bradford Novelty Co., 183 F. Supp. 730 (D. Mass. 1960) (multi-pointed spherical Christmas tree star decoration not infringed by translucent spherical star).

¹¹ Eagle-Freedman-Roedelheim Co. v. Allison Mfg., 204 F. Supp. 679, 682 (E.D. Pa. 1962) (names "Beethoven," "Bach," or "Brahms" used in connection with sale of sweatshirts indicated ornamentation rather than origin).

¹² Cf. Damn I'm Good Inc. v. Sakowitz, Inc., 514 F. Supp. 1357, 1363 (S.D.N.Y. 1981) (inscription "DAMN I'M GOOD" on jewelry is a functional and aesthetic feature and may be freely appropriated by others). But cf. Winterland Concessions Co. v. Creative Screen Design, Ltd., 210 U.S.P.Q. (BNA) 6 (N.D. Ill. 1980) (issue of source not discussed and "right of publicity" appears to be an overriding factor).

¹³ Eagle-Freedman-Roedelheim, 204 F. Supp. at 681-82.

¹⁴ *Id.* at 682.

printed portraits of the composers."¹⁵

Later decisions involving merchandising properties have stated the requirement that trademarks must be designations of source in order to be protectable. For example, the Ninth Circuit in *International Order of Job's Daughters v. Lindeburg & Co.*,¹⁶ refused to grant the plaintiff relief against a defendant who had sold jewelry with the plaintiff organization's insignias.¹⁷ The court specifically disapproved the often cited Fifth Circuit case, *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg.*,¹⁸ which provided relief for the unauthorized sale of National Hockey League embroidered emblems. The Ninth Circuit emphasized that infringement of trademark-related rights does not occur where the merchandised image is used in a "functional" manner¹⁹ and its use is not likely to confuse the public as to source or sponsorship.²⁰

This Article will first review the basic law of trademarks, touching on the developing right of publicity as it relates to trademark law. It will then examine the requirements of source in different jurisdictions. Finally, this Article will offer suggestions on how to deal with merchandising in light of the obstacles imposed by the requirements of source or sponsorship, and the trend toward acknowledging the dilution doctrine²¹ more readily.

¹⁵ *Id.* (emphasis in original).

¹⁶ 633 F.2d 912 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981); *see infra* text accompanying notes 230-38, 251-65. *Job's Daughters* was followed by the Ninth Circuit in *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 790 (9th Cir. 1981).

¹⁷ 633 F.2d at 914.

¹⁸ 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975); *see infra* text accompanying notes 214-19.

¹⁹ *Job's Daughters*, 633 F.2d at 917.

²⁰ *Toho*, 645 F.2d at 791. The distinction between a "functional" use of a mark and a use which designates source is now of less import in California. The California legislature amended § 14330 of California's Business and Professional Code in 1985. The amended § 14330 provides that injunctive relief is available to a trademark proprietor "notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services" where the purpose is to enhance the value of the products or services. CAL. BUS. & PROF. CODE § 14330(a) (West Supp. 1987).

²¹ One definition of the dilution doctrine can be found in the Fifth Circuit decision of *Holiday Inns, Inc. v. Holiday Out In Am.*, 481 F.2d 445, 450 (5th Cir. 1973):

Dilution is a concept most applicable where a subsequent user uses the trademark of a prior user for a product so dissimilar from the product of the prior user that there is no likelihood of confusion of the products or sources, but where the use of the trademark by the subsequent user will lessen the uniqueness of the prior user's mark with the possible future result that a strong mark may become a weak mark.

II. TRADEMARK BASICS AND RELATED LAW

A. *Acquiring Rights by Use*

A trademark is commonly considered to be a word, slogan, or symbol used to designate the source or origin of a product or a service. It is used to distinguish the goods or services of one manufacturer or supplier from those of another.²² One's initial right to use a trademark and to exclude others from using a confusingly similar mark is based on "first use" of the mark as opposed to any form of registration or reservation.²³ "Use" generally means the sale of goods with the mark affixed to the goods,²⁴ or the use of advertisements or brochures bearing the mark in connection with the sale of services.²⁵

B. *Scope of a Mark*

The scope of protection accorded to a mark is measured by the variety and extent to which goods or services with which it has been used. Its protection is also based on its degree of distinctiveness in relation to those goods and services.²⁶ A basic aspect of trademark law is the policy against allowing individuals to appropriate "descriptive"²⁷ or "generic" marks.²⁸ Unlike "de-

²² Service marks differ from trademarks in that they represent the origin of services rather than goods. The treatment by the law is essentially the same, except as to the manner of use, as there are no "goods" to which one could affix the mark. See 15 U.S.C. § 1127, for the definition of service mark. For a discussion of what can constitute trademark use, see *In re Kotzin*, 276 F.2d 411 (C.C.P.A. 1960) (location of label held not to be a trademark, but court left door open for particular types of tags).

²³ *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918). However, unlike the United States, in most foreign countries registration, rather than use, establishes initial rights. See *Crocker Nat'l Bank v. Canadian Imperial Bank of Commerce*, 223 U.S.P.Q. (BNA) 909 (T.T.A.B. 1984).

²⁴ *Bayuk Cigars, Inc. v. Schwartz*, 1 F. Supp. 283 (D.N.J. 1932) (priority granted to first to use mark affixed to goods rather than first to use in advertising).

²⁵ 15 U.S.C. § 1127(b).

²⁶ *Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176, 1182 (11th Cir.), *cert. denied*, 106 S. Ct. 134 (1985).

²⁷ A "descriptive" mark has been defined as a mark which "directly describe[s] a characteristic or quality of the [product or] service, and can only be protected if [it] acquire[s] a 'secondary meaning' [as defined by 15 U.S.C. § 1052]." *Freedom*, 757 F.2d at 1182 n.5; see also *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183-84 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981); *Vision Center v. Optics, Inc.*, 596 F.2d 111, 115 (5th Cir. 1979), *cert. denied*, 444 U.S. 1016 (1980); D. BURGE, *PATENT AND TRADEMARK TACTICS AND PRACTICE* 125 (2d ed. 1984). The policy behind providing significant protection to distinctive marks and limited protection to descriptive marks is that there are a limited number of words in the language to describe particular products. Public policy does not favor allowing one proprietor to exclusively appropriate descriptive words for its own use. *E.g.*, *Telechron, Inc. v. Telicon Corp.*, 198 F.2d 903, 906 (3d Cir. 1952) ("Telechron" suggestive, but not descriptive of clocks).

²⁸ A "generic" mark has been defined as a mark which "refer[s] to a particular genus or class of which an individual [product or] service is but a member; such mark[] may never receive servicemark protection." *Freedom*, 757 F.2d at 1182 n.5; see *Soweco*, 617

scriptive" marks, "arbitrary" or "fanciful" marks,²⁹ which bear little or no relation to the goods, or the quality of the goods, are most readily protectable on initial use. These marks are known as "strong" marks³⁰ and generally have a wide scope of protection.³¹ Not quite as strong, but still protected upon first use, are marks known as "suggestive" marks.³² These are marks which, although not immediately causing the consumer to think of the goods, suggest in some oblique way, that the goods or services are connected to the mark used.³³

A mark which is descriptive of the goods, their nature or quality, or their geographic origin is not initially protected upon first use. Such mark is protected when it acquires a "secondary meaning." A secondary meaning attaches when a significant segment of the public recognizes the mark as identifying the source or origin of the goods.³⁴ Literary, motion picture, and play titles, like descriptive marks, are only protected when they acquire a "secondary meaning".³⁵

C. Territoriality

The scope of common law protection given a trademark is coextensive with its geographic use.³⁶ Thus, if a mark is used in a

F.2d at 1183; *Vision Center*, 596 F.2d at 115. It is important to note that "[t]he term 'generic' is synonymous with the phrase 'common descriptive name,' as used in the Lanham Act [at] 15 U.S.C. §§ 1064(c), 1065(4)." *Soweco*, 617 F.2d at 1183 n.13.

²⁹ An "arbitrary" or "fanciful" mark has been defined as a "word in common usage applied to a [product or] service unrelated to its meaning . . ." *Freedom*, 757 F.2d at 1183 n.5; see *Soweco*, 617 F.2d at 1184; D. BURGE, *supra* note 27, at 124.

³⁰ A "strong mark" has been defined as a mark which "because of its fame or its uniqueness, is more likely to be remembered and more likely to be associated in the public mind with a great[] breadth of products or services . . ." *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) (subsequent history omitted).

³¹ *Frisch's Restaurant, Inc. v. Shoney's Inc.*, 759 F.2d 1261, 1264 (6th Cir. 1985).

³² A "suggestive mark" has been defined as a mark which "subtly connote[s] something about the [product or] service so that a customer could use his or her imagination and determine the nature of the [product or] service." *Freedom*, 757 F.2d at 1183 n.5; see *Soweco*, 617 F.2d at 1184; *Vision Center*, 596 F.2d at 115-16; D. BURGE, *supra* note 27, at 124-25.

³³ See, e.g., *Modular Cinemas of Am., Inc. v. Mini Cinemas Corp.*, 348 F. Supp. 578, 586-87 (S.D.N.Y. 1972).

³⁴ *Armstrong Paint and Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315 (1938) (NU-ENAMEL acquired secondary meaning under both trademarks and unfair competition theories).

³⁵ *Fishler v. Twentieth Century-Fox Film Corp.*, 159 F. Supp. 215 (S.D. Cal. 1958) (Play entitled *Virgin Queen* not protected against subsequent motion picture of the same name. Secondary meaning was not established in mind of consuming public and widespread distribution of the written play among the industry did not create that association with the general public.); see Angel, *Legal Protection for Titles in the Entertainment Industry*, 52 S. CAL. L. REV. 279 (1979); Netterville & Hirsch, *Piracy and Privilege in Literary Titles*, 32 S. CAL. L. REV. 101 (1959).

³⁶ *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916).

single locale, such as Los Angeles or Manhattan, the right to use the mark is confined to that area. Generally, the first user within a state acquires statewide protection.³⁷ For example, a rock group that has no recordings distributed in New York City, but has performed in New York, may acquire rights throughout the state. In addition, even though a mark is not used in a particular region, if its reputation has traveled to another geographical area, its use in that second area may be protected.³⁸

D. *Likelihood of Confusion*

Trademark law has developed over the years primarily as a means of protecting consumers from confusion and deception in the marketplace.³⁹ A considerable body of common law in the United States sets forth the basis for acquiring and enforcing trademark rights. Enforcement is significantly based on the concept of how likely the consuming public will confuse the source or origin of the alleged infringer's goods with those of the proprietor. The determination of infringement generally involves a weighing process which involves consideration of numerous factors.⁴⁰

E. *Lanham Act*

The Lanham Act,⁴¹ originally enacted in 1946, greatly affected the common law framework of trademark protection. The Lanham Act provides a nationwide system for registering claims

³⁷ *Federal Glass Co. v. Loshin*, 224 F.2d 100, 102 (2d Cir. 1955) ("Although the exact territorial extent of a trade name is a question of fact, the narrowest limit that could reasonably be imposed today would be that of a state.").

³⁸ See *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609 (7th Cir. 1965) (owner of service mark AMERICANA for hotels, used in Miami Beach, New York City, and San Juan, enjoined defendant's use in Chicago).

³⁹ See generally *Hanover Star Milling Co.*, 240 U.S. 403.

⁴⁰ *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979), set forth eight relevant, though not exclusive, factors:

- (1) strength of the mark;
- (2) proximity of the goods;
- (3) similarity of the marks;
- (4) evidence of actual confusion;
- (5) marketing channels used;
- (6) type of goods and the degree of care likely to be exercised by the purchaser;
- (7) defendant's intent in selecting the mark; and
- (8) likelihood of expansion of the product lines.

⁴¹ Trademark Act of July 5, 1946, ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1127 (1982 & Supp. III 1985) [hereinafter alternately "Lanham Act" or "Trademark Act"]. The Lanham Act is not the first congressional statutory scheme for trademarks but is the current and most pertinent federal legislation. The Act repealed all inconsistent acts and certificates of registration issued under the Trademark Act of Mar. 3, 1881, ch. 138 and Act of Aug. 5, 1882, ch. 393).

of ownership in trademarks.⁴² Registration is said not to create additional substantive rights in marks⁴³ that are acquired through adoption and use of the mark. In fact, application for registration⁴⁴ generally may not be made until after the initial "first use" affecting commerce.⁴⁵ Although "reservation" of marks is not possible⁴⁶ in the United States, federal registration serves to enhance existing common law trademark rights. Federal registration on the Principal Register⁴⁷ is constructive notice of the registrant's claim of ownership.⁴⁸ Constructive notice precludes a defense of innocent adoption in a trademark infringement action;⁴⁹ this prevents expansion of an infringing party's unregistered mark to new territories.⁵⁰ Once registered, no one can adopt, use, or acquire superior rights to a mark that is confusingly similar to the mark registered anywhere within the United States.⁵¹ Even though competition in the same geographic marketplace may be required to bring a successful infringement ac-

⁴² 15 U.S.C. § 1051.

⁴³ Professor McCarthy points out that substantive rights are created by the Lanham Act and generally parallel the common law. However, these rights are separate and distinct. 1 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 19.4 (2d ed. 1984).

⁴⁴ Foreign applicants may apply for registration based on the International Convention of Paris for the Protection of Industrial Property, even without use in the United States. See 15 U.S.C. § 1126; *Crocker Nat'l Bank*, 223 U.S.P.Q. (BNA) 909, 918 (T.T.A.B. 1984). If, in the future, the Senate should enact enabling legislation for the Trademark Registration Treaty, initial use requirements as a prerequisite for registration could be eased. For a discussion of the extent to which marks have been protected abroad absent registration or use, see Hoffman & Brownstone, *Protection of Trademark Rights Acquired by International Reputation Without Use or Registration*, 71 TRADEMARK REP. 1 (1981).

⁴⁵ The Lanham Act requires that the applicant for registration specify "the date of applicant's first use of the mark [and] the date of applicant's first use of the mark in commerce." 15 U.S.C. § 1051(a)(1).

⁴⁶ "Mere adoption of a mark without bona fide use, in an attempt to reserve it for the future, will not create trademark rights." *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1267 (5th Cir. 1975) (citing *Circle Cab Co. v. Springfield Yellow Cab Co.*, 137 N.E.2d 137 (Ohio App. 1954); *Western Leather Goods Co. v. Blue Bell, Inc.*, 178 U.S.P.Q. (BNA) 382 (T.T.A.B. 1973)).

⁴⁷ The Principal Register provides registration of marks which are initially distinctive or have become distinctive. Section 2 sets forth what may not be registered and those categories of marks which are not initially considered distinctive. A second register, called the Supplemental Register, is available for marks if they are capable of being distinctive, *i.e.*, acquiring a secondary meaning. Constructive notice of registration is available only to marks registered on the Principal Register. 15 U.S.C. § 1072. Constructive notice is not accorded marks on the Supplemental Register. The mark should be published upon registration in the Official Gazette of the Patent and Trademark Office. 15 U.S.C. § 1092.

⁴⁸ 15 U.S.C. § 1072.

⁴⁹ *Value House v. Phillips Mercantile Co.*, 523 F.2d 424, 429 (10th Cir. 1975); *Armstrong Cork Co. v. Armstrong Plastic Covers Co.*, 434 F. Supp. 860, 872 (E.D. Mo. 1977).

⁵⁰ *John R. Thompson Co. v. Holloway*, 366 F.2d 108, 114 (5th Cir. 1966).

⁵¹ 15 U.S.C. § 1115(b); *Allied Tel. Co. v. Allied Tel. Sys. Co.*, 565 F. Supp. 211, 215-16 (S.D. Ohio 1982).

tion, subsequent entry into the new territory will likely suffice.⁵² If one adopts a mark confusingly similar to a registered mark, that person risks liability in the event the registrant uses the mark in the same area.⁵³

In addition to providing principal and supplemental registers for marks, the Lanham Act provides for federal question jurisdiction allowing trademark infringement suits to be brought in federal court.⁵⁴ A claim for relief generally requires that infringing use involve "commerce," such as goods or services sold in interstate commerce.⁵⁵ The Act also has provisions which inhibit, as well as remedy, unfair competition. Section 43(a) of the Lanham Act⁵⁶ has become increasingly important, particularly in the last decade, in preventing acts of unfair competition in the nature of trademark infringement, even when no trademark registration exists.⁵⁷ The objective of trademark infringement as a cause of action is the prevention of consumer confusion or deception. Section 43(a) has the identical objective and has been construed in the same manner.

As a practical matter, it can take about a year to register a mark in the United States Patent and Trademark Office.⁵⁸ A mark which becomes well known very quickly may have a fairly limited market life. When marks have not been registered, section 43(a) may provide a cause of action for false designations of origin, false descriptions, and false representations.⁵⁹

Section 43(a) has been particularly helpful in the entertain-

⁵² *Fairway Foods, Inc. v. Fairway Markets, Inc.*, 227 F.2d 193, 198 (9th Cir. 1955).

⁵³ *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 360 (2d Cir. 1959) (In upholding the dismissal of the complaint, the court held "that because of the effect of the constructive notice provision of the Lanham Act, should the plaintiff expand its retail activities into the six county area, upon a proper application and showing to the district court, it may enjoin defendant's use of the mark.").

⁵⁴ 15 U.S.C. § 1121.

⁵⁵ *Id.* § 1114(1).

⁵⁶ *Id.* § 1125(a).

⁵⁷ *New West Corp. v. NYM Co. of Cal.*, 595 F.2d 1194, 1201 (9th Cir. 1979) (common law trademark, like statutory trademark, are both aspects of the larger area of unfair competition).

⁵⁸ Then Commissioner of Patents and Trademarks, Gerald Mossinghoff, announced a goal of thirteen months to "dispose" of trademark applications, in a speech before the Patent, Trademark and Copyright Section of the American Bar Association on August 8, 1981, *reported in* 1981 SUMMARY OF PROCEEDINGS at 85, 88. Commissioner Quigg, in a speech before the Patent, Trademark and Copyright Section of the American Bar Association on July 8, 1985, *reported in* 1985 SUMMARY OF PROCEEDINGS at 67, 70, stated that "the time to [sic] registration or abandonment is 14.5 months now, and by the end of the year, will be at 13 months."

⁵⁹ 15 U.S.C. § 1125(a); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979) (cheerleader uniforms used to advertise film held to be false designation of origin); *DC Comics, Inc. v. Filmation Assoc.*, 486 F. Supp. 1273 (S.D.N.Y. 1980) (comic characters having similar features held to be false designation of origin).

ment industry. It has been used to: enjoin the use of confusingly similar film titles;⁶⁰ attribute proper authorship;⁶¹ prevent the exhibition of a severely edited work amounting to a "mutilation";⁶² and police the general area of merchandising.⁶³ As with unfair competition law, section 43(a) involves a determination of likelihood of confusion as to source.⁶⁴

F. *Dilution*

Likelihood of confusion will be more readily found where the infringing goods are similar to those on which the mark has previously been used by the trademark proprietor.⁶⁵ Traditionally, actual competition between the proprietor's and the purported infringer's goods was a prerequisite to a finding of infringement. However, at present, it is generally sufficient if the goods are related.⁶⁶

Under the dilution doctrine, use of a mark on an entirely different product may have a tendency to dilute the value of goodwill attached to the mark and tarnish the trademark. Thus, where the alleged infringer's goods are unrelated to those in connection with which the proprietor has used the mark, some relief still may be available. The public need not confuse the source or origin;⁶⁷ it is usually sufficient that the proprietor's mark be conjured up by the consumer. The doctrine, still somewhat hazy, has not been fully accepted by the courts,⁶⁸ and is generally available

⁶⁰ See generally Angel, *supra* note 35; Netterville & Hirsch, *supra* note 35.

⁶¹ See, e.g., Smith v. Montoro, 648 F.2d 602 (9th Cir. 1981) (cause of action stated for removal of actor's name from film credits and the advertising and substitution of the name of another).

⁶² Gilliam v. American Broadcasting Cos., 538 F.2d 14 (2d Cir. 1976) (cutting and editing of three programs of *Monty Python's Flying Circus* series was actionable by the originating artists).

⁶³ Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975) (emblems embodying the teams' trademarks manufactured by a commercial company enjoined because of unauthorized use).

⁶⁴ International Order of Job's Daughters v. Lindeburg & Co., 633 F.2d 912 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981).

⁶⁵ See Beech-Nut Packing Co. v. P. Lorillard Co., 7 F.2d 967 (3d Cir. 1925), *aff'd on other grounds*, 273 U.S. 629 (1927) (the plaintiff's food products were not similar to the defendant's tobacco products).

⁶⁶ Kiki Undies Corp. v. Promenade Hosiery Mills, Inc., 411 F.2d 1097 (2d Cir. 1969), *cert. dismissed*, 396 U.S. 1054 (1970) (hosiery, tights and headbands sufficiently related to women's undergarments and pajamas for trademark infringement).

⁶⁷ See generally Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TRADEMARK REP. 289 (1984) [hereinafter *Dawning Acceptance*]; Pattishall, *The Dilution Rationale for Trademark-Trade Identity Protection, Its Progress and Prospects*, 67 TRADEMARK REP. 607 (1977).

⁶⁸ 2 J. MCCARTHY, *supra* note 43, at § 24:13 (1984).

only for famous marks.⁶⁹ In the past, courts had been unwilling to apply the doctrine to less known marks. They feared that such application would usurp the entire trademark law and grant rights to the trademark proprietor which were not required to benefit the public.⁷⁰

The trademark dilution doctrine appears in the Model Trademark Law,⁷¹ and has been enacted by a minority of state jurisdictions.⁷² There is no specific federal law for dilution; the concept is absent from the Lanham Act.⁷³ Dilution does, however, have a place in the area of merchandising. The very reason that marks seem to have importance when used on unrelated and collateral products is because of their celebrated status. That status can emerge rather rapidly as a result of nationwide publicity. The point at which the image or name gains sufficient fame to be protected under this doctrine must be determined.

The dilution doctrine has been used to enjoin the sale of posters with phrase "Enjoy Cocaine" in the familiar COCA-COLA script.⁷⁴ In some situations, the doctrine has been applied to prevent an association not desired by the owner of the mark.⁷⁵ Where the dilution doctrine is strictly applied, the concept of likelihood of confusion need not be addressed by the court. For

⁶⁹ Sykes Laboratory, Inc. v. Kalvin, 610 F. Supp. 849, 858 (C.D. Cal. 1985) (citing 2 J. MCCARTHY, *supra* note 43, at § 24:14).

⁷⁰ *E.g.*, Coffee Dan's Inc. v. Coffee Don's Charcoal Broiler, 305 F. Supp. 1210, 1217 n.13 (N.D. Cal. 1969) (COFFEE DAN'S not considered distinctive, *i.e.*, it is a weak mark).

⁷¹ Section 12 of the Model Act, titled "Injury to Business Reputation; Dilution" provides as follows:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

Model State Trademark Act § 12, *reprinted in* 5 R. CALLMANN, UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES § 40.35 (4th ed. 1984).

⁷² *See, e.g.*, CAL. BUS. & PROF. CODE § 14330 (West Supp. 1987); N.Y. GEN. BUS. LAW § 368-d (McKinney 1984 & Supp. 1987).

⁷³ Jean Patou, Inc. v. Jacqueline Cochran, Inc., 201 F. Supp. 861 (S.D.N.Y. 1962), *aff'd on other grounds*, 312 F.2d 125 (2d Cir. 1963) (descriptive use of "Joy of Bathing" on packaging beneath primary mark FLOWING VELVET not an infringement of plaintiff owner's trademark of JOY for perfume and toilet water).

⁷⁴ Coca-Cola Co. v. Gemini Rising, Inc., 346 F. Supp. 1183 (E.D.N.Y. 1972).

⁷⁵ Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 467 F. Supp. 366 (S.D.N.Y. 1979), *aff'd*, 604 F.2d 200 (2d Cir. 1979) (cheerleader uniforms used to advertise adult film). The dilution theory has not fared well, particularly where the facts are not quite as strong, where fraud or intent to palm off is not present, or perhaps when important first amendment issues are present. *E.g.*, Stop the Olympic Prison v. United States Olympic Comm., 489 F. Supp. 1112 (S.D.N.Y. 1980) (political poster depicting Olympic Committee symbol); Pillsbury Co. v. Milky Way Prod., Inc., 215 U.S.P.Q. (BNA) 124 (N.D. Ga. 1981) (*Screw* magazine depicted Pillsbury trade characters and jingles).

example, while it is possible that some consumers could think that radio tubes might be manufactured by Rolls Royce,⁷⁶ that Tiffany's could have a restaurant,⁷⁷ or that Bacardi makes or sponsors jewelry,⁷⁸ likelihood of confusion is not a significant aspect of the dilution doctrine.⁷⁹ In all of these fact situations, the doctrine was held to provide relief to the trademark proprietor, even though confusion as to source was not shown. These courts simply needed to find that the plaintiff's reputation would be tarnished or that the public's image of the mark was diluted by the defendant's acts.

1. The Apparent Trend—Broad Interpretation and Greater Frequency

Dilution laws provide injunctive relief against noncompetitive products. Two important developments in the dilution area have occurred: 1) a trend toward broader interpretation,⁸⁰ and 2) a recent amendment to the California dilution statute,⁸¹ effective January 1, 1986. This parallels in some manner California's right of publicity statute,⁸² which created, in effect, a limited property or merchandising right in a registered trademark. However, it does not set forth a catalog of exemptions which might adequately protect and circumscribe first amendment rights. This new dilution right does enhance the ability to formulate an effective remedy against those who appropriate merchandising properties without authorization.

2. Distinctiveness Necessary

Limitations on the enforcement of the dilution statute are

⁷⁶ *Wall v. Rolls-Royce of America*, 4 F.2d 333 (3d Cir. 1925).

⁷⁷ *Tiffany & Co. v. Boston Club, Inc.*, 231 F. Supp. 836, 842 (D. Mass. 1964) (restaurant adopted name "Tiffany" at time of release of film *Breakfast at Tiffany's*).

⁷⁸ *Bacardi & Co., Ltd. v. Bacardi Mfg. Jewelers Co.*, 475 F.2d 1406 (7th Cir. 1973), *aff'g* 174 U.S.P.Q. (BNA) 284 (N.D.Ill. 1972).

⁷⁹ *But see* *Girl Scouts of the United States of Am. v. Personality Posters Mfg. Co.*, 304 F. Supp. 1228 (S.D.N.Y. 1969) (depiction of pregnant girl in Girl Scout uniform); *Cue Publishing Co. v. Colgate-Palmolive Co.*, 45 Misc. 2d 161, 256 N.Y.S.2d 239, *aff'd*, 23 A.D.2d 829, 259 N.Y.S.2d 377 (1965) (use of mark CUE for toothpaste will not tarnish *Cue* magazine).

⁸⁰ *Dawning Acceptance*, *supra* note 67, at 289; Wolf, *Trademark Dilution: The Need for Reform*, 74 TRADEMARK REP. 311 (1984).

⁸¹ CAL. BUS. & PROF. CODE § 14330 (West Supp. 1987).

⁸² CAL. CIV. CODE § 3344 (West Supp. 1987). Remedies resulting from California legislation regarding the right of publicity are beyond the scope of this Article. Coverage of this area may be found in Brassell & Kulzick, *Life After Death for the California Celebrity*, THE LOS ANGELES LAWYER 10 (January 1985); Rohde, *Dracula Still Undead*, 5 THE CALIFORNIA LAWYER 51 (April 1985).

exemplified by *AMF, Inc. v. Sleekcraft Boats*,⁸³ in which the mark SLEEKCRAFT was held not to be strong enough to be diluted. The court found that the evidence did not show that the use of the defendant's mark would tarnish plaintiff's image.⁸⁴ In *Toho Co. v. Sears Roebuck & Co.*,⁸⁵ GODZILLA was not entitled to protection against dilution against the mark BAGZILLA when used in connection with plastic trashbags. Similarly, in *Victory Pipe Craftsmen, Inc. v. Faberge, Inc.*,⁸⁶ the mark CELLINI, as used in connection with pipes and tobacco products, was held not strong enough to be diluted by the use of the mark in connection with cosmetics and men's clothes under the Illinois Anti-Dilution Act.⁸⁷ The original version of the California anti-dilution statute speaks only of "the distinctive quality of a mark."⁸⁸ The New York statute⁸⁹ requires that the plaintiff must first possess a trademark or name that is of truly distinctive quality, or one that has acquired secondary meaning in the mind of the public.⁹⁰

3. Likelihood of Confusion and Competition Are Not Required

The original California anti-dilution statute has been held not to require consumer confusion.⁹¹ The purpose is different, with the focus being on the damage to the mark's inherent value as a symbol rather than on whether consumers had been misled as to origin or sponsorship.⁹²

The purpose of the anti-dilution statutes was noted by the Southern District of New York in *Aris-Isotoner Gloves, Inc. v. Fownes Bros. & Co.*⁹³ in which it stated:

[t]he New York statute authorizes injunctive relief in cases where there is a "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name." . . . As the New York Court of Appeals has noted,

⁸³ 599 F.2d 341 (9th Cir. 1979).

⁸⁴ *Id.* at 353.

⁸⁵ 645 F.2d 788 (9th Cir. 1981).

⁸⁶ 223 U.S.P.Q. (BNA) 258 (N.D. Ill. 1984).

⁸⁷ Trade-Marks, Etc., Registration of Trade-Marks § 15; ILL. ANN. STAT. ch. 140, para. 22 (Smith-Hurd 1986).

⁸⁸ CAL. BUS. & PROF. CODE § 14330(a).

⁸⁹ N.Y. GEN. BUS. LAW § 368 (McKinney 1984 & Supp. 1987).

⁹⁰ *Plus Products, Inc. v. Plus Discount Foods, Inc.*, 564 F. Supp. 984, 995 (S.D.N.Y.), *modified*, 722 F.2d 999 (2d Cir. 1983).

⁹¹ *Golden Door, Inc. v. Odisho*, 437 F. Supp. 956, 966 (N.D. Cal. 1977), *aff'd*, 646 F.2d 347 (9th Cir. 1980).

⁹² *Steinway & Sons v. Robert Demars & Friends*, 210 U.S.P.Q. (BNA) 954, 962 (C.D. Cal. 1981).

⁹³ 594 F. Supp. 15 (S.D.N.Y. 1983).

“[t]he evil which the legislature sought to remedy was not public confusion caused by similar products or services sold by competitors, but a cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trademark or name.”⁹⁴

The Second Circuit in *Warner Bros., Inc. v. American Broadcasting Cos.*,⁹⁵ included, *inter alia*, a claim under the New York anti-dilution law.⁹⁶ Likelihood of confusion as to source was unnecessary; the court noted that the mark must be one “of sufficient distinction to warrant the statute’s special protection and there must be a blurring or tarnishing of the plaintiff’s mark sufficient to constitute dilution.”⁹⁷ This case involved an action related to the use of THE GREATEST AMERICAN HERO brought by those owning the rights to SUPERMAN. Similarities included the use of capes; the Greatest American Hero wore a red and black outfit similar to Superman’s red and blue costume. The court found:

[e]ven if we assume that the Superman character and related indicia function as trademarks with the requisite distinctiveness, plaintiffs have failed as a matter of law to present a triable issue as to the blurring or tarnishing of their marks. . . . Even if Superman’s trademarks are not as indestructible as the character that spawned them, no reasonable jury could find that the *Hero* series or “promos” blurred or tarnished those marks.⁹⁸

In *Sally Gee, Inc. v. Myra Hogan, Inc.*,⁹⁹ the court determined that the marks SALLY GEE and SALLY LEE, both used for clothing, were not likely to create consumer confusion because of noncompetition in the marketplace; therefore, there was no trademark infringement. While pointing out that likelihood of confusion and competition are not necessary for dilution claims, the lower court found no instances of any tarnishing of the product’s reputation.¹⁰⁰ Under the New York statute,¹⁰¹ the Second Circuit found that: 1) no evidence on a “blurring” theory of product identification was presented; 2) no conjuring up of the plaintiff’s mark was estab-

⁹⁴ *Id.* at 24 (citations omitted).

⁹⁵ 720 F.2d 231, (2d Cir. 1983).

⁹⁶ N.Y. GEN. BUS. LAW § 368-d (McKinney 1981).

⁹⁷ 720 F.2d at 248.

⁹⁸ *Id.*

⁹⁹ 699 F.2d 621 (2d Cir. 1983); *see also* *Estee Lauder, Inc. v. Cinnabar 2000 Haircutters, Inc.*, 218 U.S.P.Q. (BNA) 191 (S.D.N.Y. 1982) (CINNABAR 2000 for hair styling salons tends to dilute CINNABAR for beauty products).

¹⁰⁰ *Sally Gee*, 699 F.2d at 623-24.

¹⁰¹ N.Y. GEN. BUS. LAW § 368-d (McKinney 1981).

lished; and 3) no predatory intent was shown.¹⁰²

4. A Trend to Broadened Acceptance?

Courts have recently been relying on dilution statutes in granting injunctive relief. Perhaps the most striking example of this was *Hyatt Corp. v. Hyatt Legal Services*,¹⁰³ in which the Seventh Circuit held that the HYATT mark was sufficiently distinctive to warrant protection.¹⁰⁴

An Oregon court has held that its anti-dilution statute was sufficient enough to enable Wedgwood Homes, Inc. to prevent the defendant's use of its mark in connection with other enterprises WEDGWOOD PLACE and WEDGWOOD DOWNS.¹⁰⁵

Where tradename owners have created a favorable association between their name and their product, they possess a valuable marketing tool. This aura of recognition enhances the value of plaintiff's name. Subsequent use of the name with a nonrelated product broadens the associations linking name and product in the minds of consumers of plaintiff's product and diminishes the specific associations plaintiff seeks to foster. "[U]nrelated use erodes selling power by destroying the automatic identification of the trademark with the original product and the favorable images created by advertising."¹⁰⁶

The trademark anti-dilution laws are a creation of state statutes and are not a part of the Lanham Act.¹⁰⁷ The anti-dilution laws typically are activated in a trademark infringement lawsuit when the plaintiff has difficulty in establishing competition between the parties or when there is likelihood of confusion. Courts have previously hesitated to apply the dilution doctrine literally, fearing it may "swallow up" the whole trademark law, and thus have reserved its use for situations where there has been a high level of distinctiveness.

Courts have been quick to apply the doctrine where "tarnishment" is likely.¹⁰⁸ In *Pillsbury Co. v. Milky Way Productions, Inc.*,¹⁰⁹ the

¹⁰² *Sally Gee*, 699 F.2d at 626.

¹⁰³ 736 F.2d 1153 (7th Cir. 1984), *cert. denied*, 469 U.S. 1019 (1984).

¹⁰⁴ 736 F.2d at 1159-60.

¹⁰⁵ *Wedgwood Homes, Inc. v. Lund*, 222 U.S.P.Q. (BNA) 446 (Or. Sup. Ct. 1983).

¹⁰⁶ *Id.* at 451 (quoting from Greiwe, *Antidilution Statutes: A New Attack on Comparative Advertising*, 72 TRADEMARK REP. 178, 186 (1982)).

¹⁰⁷ See generally Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TRADEMARK REP. 269 (1985).

¹⁰⁸ See *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204-05 (2d Cir. 1979) (dilution by showing "sexually depraved film" using distinctive uniforms "almost identical" to those of plaintiffs).

¹⁰⁹ 215 U.S.P.Q. (BNA) 124 (N.D. Ga. 1981).

court granted injunctive relief under the Georgia anti-dilution statute¹¹⁰ for the use of the Pillsbury POPPIN' FRESH character in a sexually explicit parody in *Screw* magazine, while denying copyright infringement claims based on the grounds of fair use.¹¹¹ It would appear that either first amendment considerations should apply, or that some form of a fair use argument would be equally applicable in a trademark context, where there is an even weaker policy argument for enforcing rights than in the copyright arena.¹¹²

5. Public Policy Behind the Trademark Laws

The primary difficulty in using trademark and unfair competition statutes in connection with merchandising is the nature of the trademark laws.¹¹³ Trademark laws were initially enforced and enacted on the basis of consumer protection.¹¹⁴ The government should not interfere in free enterprise absent some compelling public benefit.¹¹⁵ Enforcement of other types of intellectual property law arises out of different policy considerations.

Copyright law is based on the constitutional mandate that "[t]he Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."¹¹⁶

The copyright proprietor creates, and is given, the limited right to prevent copying.¹¹⁷ That right does not go so far as to protect ideas, but it does protect the embodiment and expression of those ideas.¹¹⁸ Patent rights are based on the same constitutional mandate from which Congress has enacted legislation. In this area, there is a potentially broader, yet limited, monopoly granted in exchange for the public disclosure of inventions. However, trademark laws are not rooted in the patent and copyright clause; they are based on the commerce clause of the

¹¹⁰ GA. CODE ANN. § 106-115 (1983).

¹¹¹ *Pillsbury*, 215 U.S.P.Q. (BNA) at 132. The court also denied plaintiff's copyright infringement claim because Pillsbury was unable to sustain its burden of proving that defendant copied the three dimensional dolls known as *Poppin Fresh* and *Poppie Fresh*. *Id.* at 129. However, plaintiff did succeed in proving that defendant infringed its copyrights in the cinnamon roll label (the model which defendant used to create its replica of the dolls) and in the jingle.

¹¹² *Compare* 215 U.S.P.Q. (BNA) at 128-32 (discussing copyright infringement) *with id.* at 132-35 (discussing trademark infringement).

¹¹³ See generally 2 J. MCCARTHY, *supra* note 43, at §§ 24.13-24.16.

¹¹⁴ *Cartier, Inc. v. Three Sheaves Co.*, 465 F. Supp. 123, 127 (S.D.N.Y. 1979).

¹¹⁵ *HMH Publishing Co. v. Brincat*, 504 F.2d 713, 716 (9th Cir. 1974).

¹¹⁶ U.S. CONST. art. I, § 8, cl. 8.

¹¹⁷ 17 U.S.C. § 102.

¹¹⁸ *Id.* § 102(b).

Constitution.¹¹⁹

Trademark laws were enacted to prevent the public from deception and confusion regarding the source or origin of goods and services.¹²⁰ In vindicating the rights of the trademark owner, the public is served by the prevention of deception. In a sense, the public is also served by the granting of strong trademark rights to the owner of a mark, as this facilitates brand recognition and prevents public deception. However, absent likelihood of confusion, the trademark laws are generally unenforced. Thus in *International Order of Job's Daughters v. Lindeburg & Co.*,¹²¹ the Ninth Circuit refused to grant an injunction against a jewelry manufacturer since consumers did not purchase the goods because of their concern as to the source, origin, or sponsorship of the jewelry, but because they wished to be identified with the jewelry.¹²²

In *University of Pittsburgh v. Champion Prod., Inc.*¹²³ the insignia PITT as used on T-shirts was held not intended to create a likelihood of consumer confusion. Of significance in both *Job's Daughters* and *University of Pittsburgh* is the issue of laches and the inordinate length of time during which the defendants used the marks without licenses from the plaintiffs.¹²⁴ However, the United States Patent and Trademark Office has recognized that the public expects that certain types of decorative uses of visual materials and words can indicate sponsorship of goods. Thus, registration was ultimately allowed for artwork appearing on decals for T-shirts.¹²⁵

6. The Amended California Statute—A New Merchandising Right

In addition to the traditional trademark dilution provision, the new California statute added a merchandising right provi-

¹¹⁹ U.S. CONST. art. I, § 8, cl. 3.

¹²⁰ 1 J. McCARTHY, *supra* note 43, at § 2:1.

¹²¹ 633 F.2d 912 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981).

¹²² *Damn I'm Good, Inc. v. Sakowitz, Inc.*, 514 F. Supp. 1357 (S.D.N.Y. 1981).

¹²³ 529 F. Supp 464 (W.D. Pa.), *aff'd in pertinent part, rev'd in part*, 686 F.2d 1040 (3d Cir.), *cert. denied*, 459 U.S. 1087 (1982).

¹²⁴ For more than forty years, the defendant, Champion, sold products bearing the University's insignia without the University of Pittsburgh demanding that Champion execute a license agreement with them. 529 F. Supp. at 466-68.

In *Job's Daughter*, defendant manufactured jewelry with plaintiff's insignia for nineteen years without plaintiff's permission, despite plaintiff's awareness of the infringement for at least sixteen years. 633 F.2d at 914. The court noted that Job's Daughter's long acquiescence in the infringement barred any award of damage. 633 F.2d at 915.

¹²⁵ *In re Paramount Pictures Corp.*, 213 U.S.P.Q. (BNA) 1111 (T.T.A.B. 1982) (title of television series *Mork & Mindy* granted registration as a mark).

sion¹²⁶ to its anti-dilution statute. The statute provides that one who infringes "irrespective of whether the mark is used primarily as an ornament, decoration, garnishment, or embellishment on or in products, merchandise, or goods, *for the purpose of enhancing the commercial value* of, or selling or soliciting purchases of, products, merchandise, goods or services, . . . shall be subject to an injunction."¹²⁷

The purpose of the California statute may be to provide a clear remedy for unauthorized collateral product merchandising. It fills the gaps left by traditional trademark and anti-dilution statutes. It does not matter if the mark is applied in a decorative manner or that the defendant does not use the mark as a trademark.

7. Trademark Registration Is a Prerequisite

A prerequisite for using paragraph (b) as opposed to paragraph (a) of the California statute is that the mark shall be registered either with the United States Patent and Trademark Office or with the California Secretary of State. No "distinctiveness" requirement¹²⁸ appears in this paragraph. Presumably, a mark must be distinctive to be registrable, but the degree of distinctiveness in supporting a trademark registration, at least traditionally, was much lower than that required to support a dilution claim.

Presumptions attaching to the validity of a state registration are of questionable value. The usual application examination procedure for state registrations, though varying from state to state, generally is not as rigorous as the United States Patent and Trademark office procedures. Nor need it be, as there is no attempt to preempt in some manner the words from the language across the country, but only in a single state. The effort by each of the offices to determine the degree of distinctiveness necessary to support a registration varies considerably. A typical application fee of ten dollars is probably not sufficient to warrant the state government to consider each application for registration in depth.

State registration is inexpensive and fast. Marks tend to be rejected less frequently at the state than at the federal level. The federal filing fee is established by the United States Patent and

¹²⁶ CAL. BUS. & PROF. CODE § 14330(b).

¹²⁷ *Id.* (emphasis added).

¹²⁸ See 15 U.S.C. § 1052(f). Under the Lanham Act, "distinctive" became synonymous with "secondary meaning."

Trademark Office.¹²⁹ State filing fees vary from state to state, but remain considerably less than the federal filing fee. While a state registration may be obtained in a few weeks, a simple federal registration may still take a year or more depending on the extent of correspondence required to resolve any refusals to register.¹³⁰ Traditionally, a state trademark registration offered few substantive rights for the owner of the mark.¹³¹ The state trademark registration had the effect of showing a state court judge that the owner was concerned enough to protect the owner's rights in a mark, and was *prima facie* evidence of ownership.¹³² With respect to the validity of the mark, state courts differ as to the evidentiary weight registration has; some states have held registration to be *prima facie* evidence of the mark's validity,¹³³ while others impose a standard that registration is merely admissible proof.¹³⁴

G. Licensing

Licensing enables the proprietor of merchandising property to fully exploit the potential market for products. A trademark license is generally an agreement between two parties granting certain limited rights in marks. In effect, it is an agreement to forebear from filing infringement suits. The use of the marks generally will be on a collateral product which is not likely to be manufactured or distributed by the proprietor.¹³⁵

Thus, if the proprietor of the mark is a motion picture company, a collateral product license might be granted to a pottery manufacturer to place a motion picture logo on coffee mugs.

Under older common law, trademark licensing was seriously questioned. If a mark was used in connection with goods other than those of the proprietor, it could not represent a unique source.¹³⁶ Trademarks allowed the public to distinguish the source or origin of goods as being from a particular manufacturer.¹³⁷ It became apparent that the public was not concerned

¹²⁹ The federal filing fees and charges may be found in 37 C.F.R. § 2.6 (1986). The current filing fee for an application is \$200.00.

¹³⁰ Telephone interview with Mary I. Sparrow, Trademark Examining Attorney, United States Dep't of Commerce, Patent & Trademark Office (Mar. 2, 1986).

¹³¹ 2 J. MCCARTHY, *supra* note 43, at § 22:1.

¹³² *Cole of Cal., Inc. v. Grayson Shops, Inc.*, 72 Cal. App. 2d 772, 165 P.2d 963, 966 (1946).

¹³³ *See, e.g., Thompson v. Spring-Green Lawn Care Corp.*, 126 Ill. App. 3d 99, 107, 466 N.E.2d 1004, 1011 (1984).

¹³⁴ 2 J. MCCARTHY, *supra* note 43, at § 22:1.

¹³⁵ 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 5.05[10] (1986).

¹³⁶ *Macmahan Pharmacal Co. v. Denver Chemical Mfg.*, 113 F. 468 (8th Cir. 1901).

¹³⁷ *Id.* at 475.

with the manufacturer's identity; the public only expected that all goods or services bearing the same mark either came from the same source or were sponsored by a specific entity.¹³⁸ As a result, the modern approach has been to allow owners of marks to license their rights as long as control over the quality of goods is retained by the proprietor.¹³⁹ The licensor has an affirmative duty to police activities of its licensees in a reasonable manner. "Naked licensing," licensing without control, will cause a forfeiture of trademark rights.¹⁴⁰

The Lanham Act also recognizes that licensing is proper where control is present, under the "related companies"¹⁴¹ doctrine.¹⁴² However, it is questionable whether the benefits of the related companies doctrine applies either to unregistered marks or to marks for which no application for registration has been made.¹⁴³

H. License Validity and License Estoppel

In the usual trademark or merchandising license, the licensee acknowledges the existence of goodwill associated with the licensor's mark or property.¹⁴⁴ In addition, the licensee agrees not to contest the validity of the trademarks or merchandising rights of the licensor should the license be terminated.¹⁴⁵ In the trademark area, some courts have held that contract law ap-

¹³⁸ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 155 (9th Cir.), cert. denied, 374 U.S. 830 (1963) (consumers likely to believe that "Black and White" beer is sponsored by makers of "Black and White" scotch, even if they do not know of its manufacturer).

¹³⁹ See I J. McCARTHY, *supra* note 43, at § 18:17; see also *Power Test Petroleum Distributors v. Calcu Gas Inc.*, 754 F.2d 91 (2d Cir. 1985); *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368 (5th Cir. 1977); *Turner v. HMH Publishing Co.*, 380 F.2d 224 (5th Cir.), cert. denied, 389 U.S. 1006 (1967).

¹⁴⁰ *E.I. duPont de Nemours & Co. v. Celanese Corp. of Am.*, 167 F.2d 484, 488 (C.C.P.A. 1948).

¹⁴¹ A "related company" is defined as "any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used." 15 U.S.C. § 1127.

¹⁴² 15 U.S.C. § 1055 (1982) states:

Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public.

¹⁴³ Note that 15 U.S.C. §§ 1127 and 1055 speak in terms of "registrant," "applicant for registration," "registered mark" and "mark sought to be registered."

¹⁴⁴ A mark and its goodwill has been described as being "as inseparable as Siamese Twins." I J. McCARTHY, *supra* note 43, at § 18:1B. This common law notion of the inseparability of trademark and goodwill has been codified at 10 U.S.C. § 1060.

¹⁴⁵ 15 U.S.C. § 1065.

plies.¹⁴⁶ Thus, a licensee who has agreed to a no-contest provision may not attack the validity of a plaintiff's trademark rights.¹⁴⁷ Even without an explicit no-contest provision, a licensee may be estopped by an implied covenant not to attack the validity of the contract.¹⁴⁸ Other courts have held that only facts which arise after the license has expired, such as the failure to exercise control, can be used as a basis on which to attack the validity of a license.¹⁴⁹ In particularly egregious licensing arrangements, such as where the licensor is involved in overreaching,¹⁵⁰ the doctrine of licensee estoppel may be of more limited application.¹⁵¹

It may be argued that the proposed license is not needed where the licensee cannot be attacked by the licensor as, for instance, if the use is decorative¹⁵² rather than a designation of sponsorship or origin. It would appear that even if the rights sought were of questionable validity when used in a "decorative" or "functional" manner on unrelated or collateral goods, the license still serves a useful purpose to the licensee. Enforcement of a licensing program by the licensor helps assure both licensee and licensor that unauthorized products, lacking adequate quality control, will not be marketed. Not only is the licensor's good will preserved, but the licensee is assured of avoiding litigation, which has an uncertain outcome at best. Additionally, this ac-

¹⁴⁶ See, e.g., *Joseph Bancroft & Sons Co. v. Shelley Knitting Mills, Inc.*, 212 F. Supp. 715, 741 (E.D. Pa. 1962).

¹⁴⁷ *Beer Nuts, Inc. v. King Nut Co.* 477 F.2d 326 (6th Cir.), cert. denied, 414 U.S. 858 (1973); cf. *Sheila's Shine Prod. v. Sheila Shine, Inc.*, 486 F.2d 114 (5th Cir. 1973).

¹⁴⁸ *Beer Nuts*, 477 F.2d 326 at 328 (descriptiveness defense not usable by defendant licensee); accord *Danskin, Inc. v. Dan River, Inc.*, 498 F.2d 1386 (C.C.P.A. 1974) (settlement agreement prohibiting party from opposing or petitioning to cancel trademark registration enforced); *Heaton Distrib. v. Union Tank Car Co.*, 387 F.2d 477 (8th Cir. 1967) (recognition of the manufacturer as the owner of the trademark under the agreement); see also *Pacific Supply Co-op. v. Farmers Union Central Exch., Inc.*, 318 F.2d 894 (9th Cir. 1963), cert. denied, 375 U.S. 965 (1964) (member of cooperative could not claim exclusive rights).

¹⁴⁹ *Professional Golfers Assoc. v. Bankers Life & Casualty Co.*, 514 F.2d 665, 671 (5th Cir. 1975); accord *Council of Better Business Bureaus v. Better Business Bureau of S. Fla.*, 200 U.S.P.Q. (BNA) 282, 288 (S.D. Fla. 1978) (defendant could not argue that mark is generic or descriptive without secondary meaning, where facts arose prior to termination of license).

¹⁵⁰ This would be similar to the effect of "naked licensing" where licensee has lost control of the mark. The licensee has placed the mark indiscriminately on a wide range of goods and services of varying quality. The mark then loses its significance. 1 J. McCARTHY, *supra* note 43, at § 18:15.

¹⁵¹ *Ritz Assocs. v. Ritz-Carlton Hotel Co.*, 35 Misc. 2d 425, 230 N.Y.S.2d 408 (Sup. Ct. N.Y. County 1962) (naked license of right to use RITZ in hotel name).

¹⁵² See *Vuitton et Fils, S.A. v. J. Young Enter.*, 208 U.S.P.Q. (BNA) 98, 100 (C.D. Cal. 1980), rev'd, 644 F.2d 769 (9th Cir. 1981); see generally W. FINKELSTEIN, *The Decorative View*, TRADEMARK LAW HANDBOOK, 147 (1980-81).

knowledge of validity maintains the integrity of the merchandising scheme for other licensees, and acts as a warning to third parties. California, in a limited manner, has reinforced this protection with new legislation providing that decorative use of a registered trademark which enhances the value of a product may be enjoined.¹⁵³

I. *Rights of Publicity*

The law of torts has developed a line of cases which provide a cause of action for invasion of privacy.¹⁵⁴ The right of publicity is an outgrowth of that concept.¹⁵⁵ Unlike the trademark-related area of unfair competition, a finding of false designation of origin is not required; however, it is often present.¹⁵⁶

As with trademark-related rights, the right of publicity is accorded protection commensurate with its use and its subject's fame. Recent developments in this area have focused on the descendibility of the right of publicity.¹⁵⁷ Where courts have rec-

¹⁵³ CAL. BUS. & PROF. CODE § 14330.

¹⁵⁴ W. PROSSER & W. KEETON, *supra* note 6, at § 117.

¹⁵⁵ The term "right of publicity" was coined by the Second Circuit in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866 (2d Cir.), *cert. denied*, 346 U.S. 816 (1953). There, plaintiff chewing gum manufacturer held an exclusive contract with a baseball player for product endorsement and brought an action against a rival manufacturer for infringement. In holding for the plaintiff, the court stated "that, in addition to and independent of that right of privacy, . . . a man has a right in the publicity value of his photograph. . . . This right might be called a 'right of publicity.'" 202 F.2d at 868.

¹⁵⁶ *Estate of Presley v. Russen*, 513 F. Supp. 1339 (D.N.J. 1981); *see Winner, Right of Identity: Right of Publicity and Protection for a Trademark's "Persona"*, 71 TRADEMARK REP. 193, 209-10 (1981) (suggesting that appropriation of a "persona" alone should be sufficient basis on which to enforce merchandising rights); *see also infra* text accompanying notes 185-89.

¹⁵⁷ In *Memphis Dev. Found. v. Factors Etc., Inc.*, 616 F.2d 956, 958-60 (6th Cir.), *cert. denied*, 449 U.S. 953 (1980), the Sixth Circuit reversed a Tennessee district court decision which applied what it determined to be Tennessee law in a diversity case. The suit by Factors, exclusive licensee of the rights of publicity of Elvis Presley, involved a claim against a non-profit organization for selling replicas of a statue of Elvis Presley. The Sixth Circuit held for Memphis Development, stating that the right of publicity terminated at death and fell into the public domain.

See also *Factors Etc., Inc. v. Pro Arts, Inc.*, 652 F.2d 278 (2d Cir. 1981), *cert. denied*, 456 U.S. 927 (1982). A preliminary injunction had been granted by the district court for the Southern District of New York to enjoin the sale and distribution of a poster "In Memorium" of Elvis. 444 F. Supp. 288 (D.N.Y. 1977). The injunction withstood an appeal, 579 F.2d 215, 222 (2d Cir. 1978), and the trial court ultimately granted a permanent injunction. 496 F. Supp. 1090, 1104 (S.D.N.Y. 1980). Again on appeal, however, the Second Circuit reversed, giving deference to the Sixth Circuit's decision in *Memphis Development* noting that such was not the law in New York. 652 F.2d at 281-84. *But see* *Factors Etc., Inc. v. Creative Card Co.*, 444 F. Supp. 279, 284 (S.D.N.Y. 1977). There, the court found that the right of publicity was descendible and valid after the death of Elvis. *Accord* *Commerce Union Bank v. Coors of the Cumberland, Inc.*, [Nov.-Oct.] Pat. Trademark & Copyright J. (BNA) No. 551 at A-3 (Tenn. Ch. Oct. 2, 1981) where the court held that the right of publicity was descendible.

ognized rights of publicity after the death of the celebrity,¹⁵⁸ they often have also noted the exploitation or assignment of the name and likeness during the celebrity's lifetime.¹⁵⁹

Pushing the right of publicity to its outer limits, a district court in New Jersey found that the plaintiff would be likely to succeed in proving infringement of its right of publicity by the defendant's live theatrical presentation of a performance of the late Elvis Presley.¹⁶⁰ However, the court refused to grant a preliminary injunction with regard to the right of publicity because the plaintiff had not shown irreparable economic harm.¹⁶¹ It is interesting to note that the court found that the use of various logos and symbols,¹⁶² constituted infringement of service marks. The court granted a preliminary injunction on that ground.

One reason for this difference in approach stems from the public deception which is part of the latter three causes of action [trade and service mark infringement, palming off, and section 43(a) of the Lanham Act], but not part of the right of publicity claim. As a result of such public deception or confusion as to *source*, the plaintiff is being harmed. The plaintiff is being unfairly compelled to place the control of the good will attached to its entertainment services in the hands of the defendant.¹⁶³

In addition, the court found that free expression played a greater role in allowing the entertainment to continue than did those causes of action which involved public deception. Thus merchandising rights may be limited by the requirement of showing actual harm and first amendment considerations in the area of right of publicity.¹⁶⁴

¹⁵⁸ See generally Note, *Lugosi v. Universal Pictures: Descent of the Right of Publicity*, 29 HASTINGS L.J. 751 (1978); Felcher & Rubin, *The Descendibility of the Right of Publicity: Is There Commercial Life After Death?*, 89 YALE L.J. 1125 (1980); Felcher & Rubin, *Privacy, Publicity, and Portrayal of Real People by the Media*, 88 YALE L.J. 1577 (1979).

¹⁵⁹ E.g., *Factors Etc. Inc. v. Pro Arts, Inc.*, 444 F. Supp. 288 (S.D.N.Y. 1977) (subsequent history omitted).

¹⁶⁰ *Estate of Presley*, 513 F. Supp. at 1361.

¹⁶¹ *Id.* at 1379.

¹⁶² *Id.* at 1365.

¹⁶³ *Id.* at 1378 (emphasis added).

¹⁶⁴ In *Groucho Marx Prod. v. Day & Night Co.*, 523 F. Supp. 485 (S.D.N.Y. 1981), *rev'd on other grounds*, 689 F.2d 317 (2d Cir. 1982), Judge Connor found that the right of publicity existed in the production of *A Day in Hollywood/A Night in the Ukraine*, a musical play depicting the style and appearance of the Marx Brothers. The play's producers infringed upon the plaintiff's right of publicity in the Marx Brothers' characters. Judge Connor also found that the producers of the play were not protected under the first amendment. 523 F. Supp. at 493. It is noted that Judge Connor's background prior to assuming the bench was in the intellectual property area; he was president of the New York Patent Law Association for the 1972-1973 term, and was awarded the Jefferson

To the extent that there is statutory language in a few states to prohibit the use of one's name or likeness,¹⁶⁵ it appears that the specific application of these laws is not affected by any requirement of designation of source, endorsement, or sponsorship.¹⁶⁶ Source is simply not an aspect of these statutes, which are tied in with the right of privacy.¹⁶⁷

Name and likeness statutes have limitations, however. For example, some courts have held that these statutes are not applicable to pseudonyms, or assumed names.¹⁶⁸ Nevertheless, these holdings do not appear to limit common law publicity rights, which may go beyond privacy based statutes.¹⁶⁹ A difficult question is raised in cases involving the use of pseudonyms or group names since a large number of performers' names may be of this genre. It would appear that the right of publicity is based on the infusion of personality and intellect with the name, likeness, and image which is highly publicized and exploited.¹⁷⁰ To the extent that those personal images are conjured up by the public, they tend to be protected. At least one court has upheld rock groups' names based on a right of publicity.¹⁷¹ If the group is large, such as a major league sports team, the

Medal by the New Jersey Patent Law Association in 1975. *THE AMERICAN BENCH: JUDGES OF THE NATION* 1610 (S. Livermore 3d ed. 1985/86).

¹⁶⁵ See, e.g., CAL. CIV. CODE §§ 990, 3344 (West Supp. 1987); N.Y. CIV. RIGHTS LAW §§ 50, 51 (McKinney 1984 & Supp. 1987); Brassell & Kulzick, *Life After Death for the California Celebrity*, 7 LOS ANGELES LAWYER 10 (Jan. 1985).

¹⁶⁶ See *Estate of Presley*, 513 F. Supp. at 1378-79.

¹⁶⁷ Note that recent Tennessee legislation takes on certain characteristics of trademark law in which rights of publicity are descendible for more than a limited time if the rights are exploited or used. The right may be terminated if the executor or heir fails to use the name, likeness or image for a period of two years after the initial ten year period. Tennessee Senate Bill No. 1566 (June 5, 1984).

¹⁶⁸ *Geisel v. Poynter Prods., Inc.*, 295 F. Supp. 331, 355 (S.D.N.Y. 1968) (assumed name, Dr. Seuss, may be used in connection with sale of dolls since use was accurate and was not done in a manner to imply his sponsorship or creation of the dolls); *Davis v. R.K.O. Radio Pictures*, 16 F. Supp. 195 (S.D.N.Y. 1936); *Jaccard v. R.H. Macy & Co.*, 176 Misc. 88, 89, 26 N.Y.S.2d 29, 830 (Sup. Ct. N.Y. County 1941), *aff'd*, 265 A.D. 15, 16, 37 N.Y.S.2d 570, 571 (1942) (name assumed for business purpose only and assigned to corporation).

¹⁶⁹ See 1 J. MCCARTHY, *supra* note 43, at § 10:21.

¹⁷⁰ See *Lugosi v. Universal Pictures*, 25 Cal. 3d 813, 603 P.2d 425, 160 Cal. Rptr. 323 (1979), in which it is suggested that Lugosi's heirs may have had a cause of action for the use of Bela Lugosi's facial appearance in the character of Dracula, if it was exploited during his lifetime. See also CAL. CIV. CODE § 990 (West Supp. 1987) (The deceased personality's name, voice, signature, photograph, or likeness is a property right which is freely transferable by trust or testamentary documents. Any person who, without authorization, uses the property right shall be liable for any damages sustained by the injured party, any profits from the unauthorized use, and punitive damages.).

¹⁷¹ See *Musidor, B.V. v. Great Am. Screen*, 658 F.2d 60 (2d Cir. 1981), *cert. denied*, 455 U.S. 944 (1982) (criminal contempt conviction upheld for violation of a preliminary injunction enjoining defendants from unauthorized merchandizing of T-shirts bearing trademarks of rock groups). In *Bi-Rite Enter. v. Button Master*, 555 F. Supp. 1188 (S.D.N.Y. 1983), a rock group's right of publicity was recognized. The court noted that the right only extends to groups having a sufficient persona to meet the elements of the

group may have to rely on unfair competition and trademark theories for enforcement of its merchandising image.¹⁷²

Where a personality exists which is derived from the use of completely fictional or fanciful characters, a right of publicity claim should not be allowed. For example, the developing relationship of a cartoon character to its environment and with other characters, creates personality. Extensive use of the personality may create a public identification with the character. A personal right of publicity does not appear to be present.¹⁷³ To enforce merchandising rights for fanciful fictional characters, such as those found in the motion pictures *E.T.* and *Star Wars*, courts will have to rely on trademark, unfair competition, and copyright theories of protection.¹⁷⁴ To do otherwise would be to totally disregard that the source of the right of publicity is the right of privacy, which is a personal cause of action.¹⁷⁵

J. Jurisdictional Problems

Problems which could arise from differing treatment among the circuits as to the requirement of source may not be as significant as they initially appear.¹⁷⁶ To the extent that the circuits take different positions, the trademark proprietor is provided

right as it applies to individuals. Recognizing that the right of publicity is an outgrowth of the tort of misappropriation derived from the right of privacy, *Bi-Rite*, 555 F. Supp. at 1198, the court nevertheless distinguished the theoretical underpinnings of privacy and publicity rights.

Privacy decisions limit actions to individuals, because the right of privacy is intended to protect individual personality and feelings. The right of publicity, on the other hand, seeks to protect the commercial value acquired by names and likenesses due to investments of time, energy, money, and talent. . . . It protects the persona—the public image that makes people want to identify with the object person, and thereby imbues his name or likeness with commercial value marketable to those that seek such identification. . . . A group that develops market value in its persona should be as entitled as an individual to publicity rights in its name

Id. at 1199 (citations and emphasis omitted).

¹⁷² See *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975) (plaintiff's claim was based on unfair competition and trademark infringement).

¹⁷³ See *Lahr v. Adell Chem. Co.*, 300 F.2d 256 (1st Cir. 1962) (action based on New York privacy statutes where plaintiff's voice imitated by anonymous person in duck cartoon film/television commercial).

¹⁷⁴ Typical cases involving non-human personality rights are based on trademark and unfair competition causes of action such as in *Ideal Toy Corp. v. Kenner Prods., Div. of General Mills Fun Group, Inc.*, 443 F. Supp. 291 (S.D.N.Y. 1977) (STAR WARS characters allegedly infringed by STAR TEAM name and characters); see *Winner*, *supra* note 156, at 197, in which the author suggests that trademark owners have a "Right of Identity" which should be protected.

¹⁷⁵ W. PROSSER & W. KEETON, *supra* note 6, at § 117.

¹⁷⁶ Thus, the extent to which the courts will grant protection is broader than that of protecting the public from deception.

with an opportunity for forum shopping. The user of merchandising images in a non-source indentifying manner, absent right of publicity problems, may similarly attempt to take advantage of the differences among the circuits and thereby avoid legal liability.

In infringement cases, "[t]he source of the right sued upon, not the ground on which federal jurisdiction is invoked, determines whether federal or state law applies."¹⁷⁷ Therefore, the initial inquiry will be to determine the source of the right claimed. Since there is no federal common law,¹⁷⁸ plaintiffs will assert either state common or statutory law or federal statutory law. Trademark infringement is a specific aspect of the common law, commercial tort of unfair competition.¹⁷⁹ However, the Lanham Act created federal protection for two types of unfair competition: infringement of a registered trademark, and the related tort of false designations of origin.

If jurisdiction is based on diversity, federal courts may hear claims arising under state laws. "[F]ederal courts ordinarily apply state law in diversity cases alleging infringement of an unregistered trademark."¹⁸⁰ Since federal and state laws regarding infringement frequently overlap, the question of which law applies is not particularly difficult.

The basis upon which subject matter jurisdiction is obtained in federal courts for an alleged infringement must be considered. If the cause of action is based on section 43(a) of the Lanham Act,¹⁸¹ access to federal courts is granted by 28 U.S.C. section 1338(a). Section 1338(a) provides for original jurisdiction of any civil action arising under any congressional act relating to trademarks.¹⁸² State trademark and unfair competition claims usually have separate grounds for jurisdiction under 28 U.S.C. section 1338(b),¹⁸³ which essentially codifies the doctrine of pendent ju-

¹⁷⁷ *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 915 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 540 n.1 (2d Cir. 1956); *see generally* P. BATOR, P. MISHKIN, P. SHAPIRO, H. WECHSLER, HART & WECHSLER'S, *THE FEDERAL COURTS AND THE FEDERAL SYSTEM*, 690-700 (2d ed. 1973).

¹⁷⁸ *Erie R.R. v. Tompkins*, 304 U.S. 64 (1938).

¹⁷⁹ *New West Corp. v. NYM Co. of Cal.*, 595 F.2d 1194, 1201 (9th Cir. 1979).

¹⁸⁰ *Job's Daughters*, 633 F.2d at 916 n.6.

¹⁸¹ 15 U.S.C. § 1125(a) (1982).

¹⁸² *Id.* §§ 1051-1127 (1982 & Supp. III 1985).

¹⁸³ 28 U.S.C. § 1338(b) (1982) states: "The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws."

isdiction described in *Hurn v. Oursler*.¹⁸⁴ Thus, even if federal issues are eventually dismissed, state claims may remain if the federal cause of action was substantial and related to the state claims.

Right of publicity claims, however, which do not require public confusion, may not fall within the *Hurn* doctrine¹⁸⁵ which is codified in 28 U.S.C. section 1338(b).¹⁸⁶ These claims may be joined based upon a court's ancillary jurisdiction.¹⁸⁷ However, if the cause of action related to confusion as to source is eliminated by summary adjudication, the right of publicity claim might not be retained. For those issues to be retained, the claim must arise from a "common nucleus of operative fact."¹⁸⁸ If there is a considerable overlap of the factual basis, absent the issue of source, then a court may decide it has jurisdiction to retain these issues on the grounds of pendent jurisdiction.¹⁸⁹

Diversity is the other basis on which federal jurisdiction is obtained;¹⁹⁰ state law is applied under *Erie R.R. v. Tompkins*.¹⁹¹ In those rare situations where state and federal law differ, there is a split of authority as to which law is to be applied to pendent claims.¹⁹²

K. *Personal Jurisdiction and Territorial Range of Injunctive Relief*

A federal court generally acquires personal jurisdiction by

¹⁸⁴ 289 U.S. 238, 246-47 (1933).

¹⁸⁵ *Id.*

¹⁸⁶ See *supra* note 183.

¹⁸⁷ Ancillary jurisdiction enables a federal district court to assume jurisdiction over additional parties and claims so that a case or controversy may be decided in its entirety. Thus the court may decide additional matters ancillary to the main case, even though these matters could not be independently brought within the court's jurisdiction. 13 C. WRIGHT, A. MILLER & E. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3523 (2d ed. 1984) [hereinafter WRIGHT & MILLER].

¹⁸⁸ *United Mine Workers of Am. v. Gibbs*, 383 U.S. 715, 725 (1966).

¹⁸⁹ The judicially created doctrine of pendent jurisdiction enables a federal district court which has properly assumed jurisdiction over a claim to extend its jurisdiction over other claims arising in the same action, even though these additional claims could not be brought independently to federal court. In this way, a case may be decided in its entirety by one court. 13B WRIGHT & MILLER, *supra* note 187, § 3567; see also *United Mine Workers of Am. v. Gibbs*, 383 U.S. 715 (1966).

¹⁹⁰ 28 U.S.C. § 1441.

¹⁹¹ 304 U.S. 64 (1938).

¹⁹² Compare *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 540-41 n.1 (2d Cir. 1956) ("[I]t is the source of the right sued upon, and not the ground on which federal jurisdiction over the case is founded, which determines the governing law.") (emphasis in original) with *Bulova Watch Co. v. Stolzberg*, 69 F. Supp. 543, 546 (D. Mass. 1947) (construing *Dwinell-Wright Co. v. National Fruit Prod. Co.*, 140 F.2d 618 (1st Cir. 1944)) (Since "there is a strong policy in favor of interstate uniformity in the field of unfair competition . . . [f]ederal law governs on the question of infringement of a registered trade-mark.") and *Bliss v. Gotham Indus.*, 316 F.2d 848, 852 (9th Cir. 1963) (state law applies only when claim is based upon diversity of citizenship).

effecting service within the territorial limits of the state.¹⁹³ The Lanham Act does not provide for service beyond the state's territorial limits.¹⁹⁴ Personal jurisdiction for state causes of action may be obtained in accordance with long arm statutes.¹⁹⁵ The question of jurisdiction was discussed in *Factors Etc., Inc. v. Creative Card Co.*,¹⁹⁶ where the claim was based on unfair competition. Since jurisdiction was based on diversity, the federal court had to determine the question of personal jurisdiction according to the laws of New York, the state in which it sat.¹⁹⁷ Under New York law, there is "jurisdiction over any nondomiciliary who commits a tortious act within the state."¹⁹⁸ According to the tort of unfair competition, "the wrong takes place . . . where the passing off occurs"¹⁹⁹ As to the trademark and unfair competition claims, the court held that the wrongdoing generally occurs where sales of infringing products give rise to confusion.²⁰⁰ Since the infringing merchandise was sold in New York, the court had jurisdiction over the defendant.²⁰¹ Lack of sales within the state by the named defendant may prevent the attachment of personal jurisdiction.²⁰²

The special venue statute applicable to patents and copyrights²⁰³ is not applicable to trademark actions. In a diversity suit, venue is governed by 28 U.S.C. section 1391(a), which per-

¹⁹³ FED. R. CIV. P. 4(f) provides in pertinent part, "[a]ll process other than a subpoena may be served anywhere within the territorial limits of the state in which the district court is held, and, when authorized by a statute of the United States or by these rules, beyond the territorial limits of that state."

¹⁹⁴ *Aamco Automatic Transmissions, Inc. v. Tayloe*, 368 F. Supp. 1283, 1291 (E.D. Pa. 1973).

¹⁹⁵ See, e.g., *Hanson v. Denckla*, 357 U.S. 235, 245 (1958) (Florida state law required jurisdiction over nonresident trust company before action could proceed. Quoting *Chicago v. Atchison, T. & S.F.R. Co.*, 357 U.S. 77, 83 (1958), the *Hanson* Court found that absence of a necessary party made Florida jurisdiction invalid because a defendant with "direct and substantial personal interest in the outcome" was necessary to challenge jurisdiction.).

The concept of long arm jurisdiction, as developed by *International Shoe Co. v. State of Washington*, 326 U.S. 310 (1945), extends jurisdiction over a defendant with "minimum contacts" within the state so long as "the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" 326 U.S. at 316, quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940); see 4 WRIGHT & MILLER, *supra* note 187, at § 1067.

¹⁹⁶ 444 F. Supp. 279 (S.D.N.Y. 1977).

¹⁹⁷ *Id.* at 286, citing *Arrowsmith v. United Press Int'l*, 320 F.2d 219, 223 (2d Cir. 1963) (en banc).

¹⁹⁸ 444 F. Supp. at 286, quoting N.Y. CIV. PRAC. L. & R. § 302(a)(2) (McKinney 1972).

¹⁹⁹ 444 F. Supp. at 286, quoting *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 639 (2d Cir.), cert. denied, 352 U.S. 871 (1956).

²⁰⁰ 444 F. Supp. at 288.

²⁰¹ *Id.* at 286.

²⁰² *Marvel Prods., Inc. v. Fantastics, Inc.*, 296 F. Supp. 783, 787 (D. Conn. 1968).

²⁰³ 28 U.S.C. § 1400 (1982).

mits venue, *inter alia*, where the claim arose. For a claim to arise within a certain district, the contacts that a defendant maintains there must be more than miniscule.²⁰⁴ In a trademark related action, the claim arises where the mark is applied²⁰⁵ and where consumer confusion occurs.²⁰⁶

Under the Federal Rules of Civil Procedure, “[e]very order granting an injunction . . . is binding only upon the parties to the action, their officers, agents, servants, employees and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.”²⁰⁷ Suppose the Fifth Circuit grants an injunction against individuals who engaged in infringing sales in that Circuit. If an individual sells merchandise in the Ninth Circuit in disregard of that injunction, a court in the Ninth Circuit may have to give full faith and credit to the Fifth Circuit’s judgment.²⁰⁸ The Second Circuit²⁰⁹ has, as a matter of comity, but without facts to support the granting of full faith and credit, followed the law expressed in a Sixth Circuit decision²¹⁰ on the descendibility of the right of publicity.²¹¹ The Second Circuit interpreted what it thought the law in the Sixth Circuit would be if a Tennessee state tribunal were deciding the issue, even though the tribunal’s decision differed from what the law would be in the Second Circuit.²¹²

²⁰⁴ *Honda Assocs., Inc. v. Nozawa Trading, Inc.*, 374 F. Supp. 886, 889 (S.D.N.Y. 1974).

²⁰⁵ The residence of a corporation for venue purposes is where it is licensed to do business or is doing business. *Scott Paper Co. v. Scott’s Liquid Gold, Inc.*, 374 F. Supp. 184, 190 (D. Del. 1974); 28 U.S.C. § 1391(c) (1982).

²⁰⁶ *Honda*, 374 F. Supp. at 190.

²⁰⁷ Fed. R. Civ. P. 65(d).

²⁰⁸ U.S. CONST. art. IV, § 1; see generally 1A J. MOORE, W. TAGGART, A. VESTAL & J. WICKER, *MOORE’S FEDERAL PRACTICE* ¶ 0.311[2] (2d ed. 1985) [hereinafter *MOORE’S FEDERAL PRACTICE*]; see 1A *MOORE’S FEDERAL PRACTICE* ¶ 0.311[1.—1] at n. 2; see also *Purcell v. Summers*, 145 F.2d 979, 989 (4th Cir. 1944).

²⁰⁹ *Factors Etc., Inc. v. Pro Arts, Inc.*, 652 F.2d 278, 283 (2d Cir. 1981).

²¹⁰ *Memphis Dev. Found. v. Factors Etc., Inc.*, 616 F.2d 956 (6th Cir.), *cert. denied*, 449 U.S. 953 (1980).

²¹¹ The Sixth Circuit concluded that the right of publicity, *i.e.*, the right to control and profit from the commercial use of a famous name and personality, was not a devisable right even where the right was exploited by the person during his lifetime. 616 F.2d at 958. The Second Circuit held the Sixth Circuit decision to be controlling when it reversed an earlier decision finding Elvis Presley’s right of publicity to be descendible. 652 F.2d at 279.

²¹² 652 F.2d at 283 n.8.

III. THE REQUIREMENT OF SOURCE

A. *Differences Among the Jurisdictions*

1. The Fifth and Ninth Circuits

Over the past decade, there has been a trend toward enhancing protection against unfair competition, particularly through the use of section 43(a) of the Lanham Act.²¹³ The Fifth Circuit encouraged expansion of merchandising protection in *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg.*²¹⁴ In *Boston Hockey*, the alleged infringers were manufacturers of embroidered cloth emblems. They negotiated to obtain a license to manufacture embroidered emblems from National Hockey League Services, Inc., the plaintiff's exclusive licensee.²¹⁵ When the negotiations failed, the defendants proceeded to manufacture the emblems without a license.²¹⁶ The trial court denied Lanham Act relief and granted limited relief for unfair competition.²¹⁷ The court only required that the defendants place a notice, on the emblems or packaging, that the emblems were neither authorized nor created by the plaintiffs. The appellate court reversed, acknowledging that:

Although our decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs, we think that the two become so intermeshed when viewed against the backdrop of the common law of unfair competition that both the public and plaintiffs are better served by granting the relief sought by plaintiffs.²¹⁸

The court further noted that:

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. . . . Where the consuming public had the certain knowledge that the source and origin of the trademark symbol was in the Toronto team, the reproduction of that symbol by defendant constituted a violation of [section] 1125.²¹⁹

²¹³ 15 U.S.C. § 1125(a) (1982).

²¹⁴ 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975).

²¹⁵ 510 F.2d at 1009.

²¹⁶ *Id.*

²¹⁷ *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg.*, 360 F. Supp. 459 (N.D. Tex. 1973).

²¹⁸ 510 F.2d at 1011.

²¹⁹ *Id.* at 1012-13.

Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.,²²⁰ decided by the Fifth Circuit after *Boston Hockey*, involved a suit under trademark and unfair competition theories. The franchisor, Kentucky Fried Chicken, sued a manufacturer who sold paper products to the plaintiff's franchisees. The defendant, Diversified Packaging, counterclaimed under the Sherman Antitrust Act,²²¹ asserting that the franchise agreements constituted an illegal tying arrangement.²²² The relevant consumers were the franchisees who were aware of the underlying "corporate configuration."²²³ The court stated that "[s]everal factors suggest that the finding of infringement in *Boston Hockey* need not control here."²²⁴ In *Boston Hockey*, the inference was plain that fans would believe that the product itself was endorsed by Boston Hockey, which was "more important than the quality of the stitchery."²²⁵ In contrast, in *Kentucky Fried Chicken*, the defendant was found to have made inaccurate and misleading statements by, *inter alia*, representing that its products met "all standards."²²⁶ Furthermore, the defendant responded to the franchisee's queries as to whether it was an "approved supplier" by stating it sold "approved boxes."²²⁷ It was primarily this conduct, not the use of the marks alone, which prompted the court to enjoin the defendant's activities. The court found that "the strictures of the antitrust laws deprive Kentucky Fried of any right to preserve for itself all the rewards of its trademarks' popularity."²²⁸

²²⁰ 549 F.2d 368 (5th Cir. 1977).

²²¹ 15 U.S.C. §§ 1-7 (1982).

²²² "A tie can be generally defined as an arrangement under which a seller agrees to sell one product (the 'tying product') only on the condition that the buyer also purchase a second product (the 'tied product')." 549 F.2d at 375 (citation omitted). Generally, the tying product is the franchise itself, and the tied products may be such things as the equipment the franchisee will use to conduct the business, the ingredients of the goods the franchisee will ultimately sell to consumers, or the supplies the franchisee will distribute to the public in connection with the main product.

Id.

²²³ 549 F.2d at 389. The court in *Kentucky Fried Chicken* distinguished *Boston Hockey* stating that "the buyers with whom we deal are not the consuming public but the franchisees fully familiar with the corporate configuration underlying the products." *Id.* (footnote omitted).

²²⁴ *Id.* at 389.

²²⁵ *Id.*

²²⁶ *Id.* at 374.

²²⁷ *Id.*

²²⁸ *Id.* at 389. The holding in *Kentucky Fried Chicken* was endorsed in *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145 (5th Cir. 1985), where the Fifth Circuit distinguished the broad injunction granted in *Kentucky Fried Chicken* from that which it was upholding in *Conans Pizza*. The court noted that the defendant's conduct in *Conans Pizza* was unlike the egregious conduct of the defendant in *Kentucky Fried Chicken*. *Conans Pizza*, 752 F.2d at 154-55. *Conans Pizza* is also notable for its extensive discussion of the laches and acquiescence issues. One of the proprietor's of the CONAN mark visited an alleged infringing restaurant. His actions and demeanor at that time communicated ap-

Litigants have attempted to stretch trademark protection further. They seek to include protection from the use of the mark, or from the licensing of the use of the mark on goods where the purchaser is less concerned about the brand name of the actual merchandise than about the fact that the merchandise bears the image, name, or title merchandised.²²⁹ This usage was questioned by several Ninth Circuit cases, primarily *International Order of Job's Daughters v. Lindeburg & Co.*,²³⁰ and *Toho Co. v. Sears, Roebuck & Co.*²³¹ These cases emphasized that infringement of trademarks and analogous rights occur only when the alleged infringement creates a likelihood of confusion as to source of sponsorship of the goods. Infringement generally will not be found where the merchandising image is used in a "functional" or decorative manner,²³² and is not likely to confuse the public as to source of sponsorship.²³³

In *Job's Daughters*, an organization allowed the defendant, Lindeburg, a jeweler, to manufacture and sell official jewelry bearing its logo and name. After Job's Daughters withdrew its authorization, Lindeburg continued to manufacture and sell jewelry with the Job's Daughters name and logo.²³⁴ It did not advertise the goods as being "official" jewelry.²³⁵ The court ruled that the use of the name and logo in this manner were "functional aesthetic components of the product, not trademarks. There could be, therefore, no infringement."²³⁶ The court thereby expressly disapproved the Fifth Circuit's reasoning in *Boston Hockey*.²³⁷

proval rather than objection to the defendant's use of the mark. 752 F.2d at 148-49. However, the court reversed that part of the district court's decision which refused to grant an injunction against operating restaurants outside the area of the defendant's first restaurant. The court held that the plaintiffs' laches and acquiescence in one locale did not "eternally foreclose[]" asserting its rights in the mark in another. 752 F.2d at 152.

²²⁹ See, e.g., *Musidor, B.V. v. Great Am. Screen*, 658 F.2d 60 (2d Cir. 1981), cert. denied, 455 U.S. 944 (1982) (defendants were convicted of violating a preliminary injunction barring them from merchandising T-shirts bearing images of famous rock groups).

²³⁰ 633 F.2d 912 (9th Cir. 1980), cert. denied, 452 U.S. 941 (1981).

²³¹ 645 F.2d 788 (9th Cir. 1981).

²³² *Job's Daughters*, 633 F.2d at 917.

²³³ *Id.* at 920.

²³⁴ *Id.* at 914.

²³⁵ *Id.* at 920.

²³⁶ *Id.*

²³⁷ "We reject the reasoning of *Boston Hockey*." *Id.* at 918. The court went into some length to criticize *Boston Hockey*.

The *Boston Hockey* decision transmogrifies this narrow protection into a broad monopoly. It does so by injecting its evaluation of the equities between the parties and of the desirability of bestowing broad property rights on trademark owners. A trademark is, of course, a form of business property. . . . But the "property right" or protection accorded a trademark owner can only be understood in the context of trademark law and its purposes. 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 Ninth Circuit followed *Job's Daughters in Toho Co.*²³⁸ The defendant in *Toho Co.* used the mark BAGZILLA along with a humorous caricature on garbage bags. The plaintiff, the exclusive licensee of the rights to GODZILLA, did not allege "facts that would permit a conclusion that consumers [would be] likely to be confused as to source or sponsorship of the garbage bags."²³⁹ The Ninth Circuit therefore concluded that the state court erred in assuming that an intent to capitalize was sufficient to prove trademark infringement.²⁴⁰ "In order to raise the inference of a likelihood of confusion, a plaintiff must show that the defendant intended to profit by confusing consumers."²⁴¹

If these cases were brought today under California statutory law, the relief available by the Ninth Circuit probably would be different. Under the new legislation, confusion as to source or sponsorship is not a relevant factor in determining infringement of the California merchandising right. The amended dilution statute only requires that the mark be used to enhance the value of the product.²⁴²

The issue of source had previously arisen in the Ninth Circuit. General Mills, whose subsidiary Parker Brothers sold the board game *Monopoly*, filed suit as a result of sales of another board game, *Anti-Monopoly*. A decision for the plaintiff was reversed by the Ninth Circuit for failure, *inter alia*, to make a determination as to source identification.²⁴³ "But all of these legitimate trademark purposes derive ultimately from the mark's representation of a single fact: the product's source. It is the source-denoting function which trademark laws protect, and nothing more."²⁴⁴

the trademark owner's goods. . . . The *Boston Hockey* court decided that broader protection was desirable. In our view, this extends the protection beyond that intended by Congress and beyond that accorded by any other court. . . .

Indeed, the court in *Boston Hockey* admitted that its decision "may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs." . . . We think that this tilt was not slight but an extraordinary extension of the protection heretofore afforded trademark owners. It is an extension we cannot endorse.

Id. at 918-19 (footnotes and citations omitted).

²³⁸ 645 F.2d at 790.

²³⁹ *Id.* at 791.

²⁴⁰ *Id.* at n.2, citing *Universal City Studios, Inc. v. Montgomery Ward & Co.*, 207 U.S.P.Q. (BNA) 852, 857 (N.D. Ill. 1980).

²⁴¹ *Id.* (emphasis in original).

²⁴² CAL. BUS. & PROF. CODE § 14330 (West Supp. 1987).

²⁴³ *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 611 F.2d 296, 307 (9th Cir. 1979), *cert. denied*, 459 U.S. 1227 (1983).

²⁴⁴ 611 F.2d at 301. The issue in this case was whether MONOPOLY referred to a product or was a generic term for that product. The effect of the *Anti-Monopoly* case has

In an earlier case, *Walt Disney Prods. v. Air Pirates*,²⁴⁵ Walt Disney Productions sued for copyright infringement, trademark infringement, and unfair competition because its characters appeared in "X-rated" underground comic books. The trial court found for the plaintiff on all theories,²⁴⁶ but the Ninth Circuit only upheld the lower court judgment for copyright infringement.²⁴⁷ It reversed on the other issues, stating that trademark infringement did not exist,²⁴⁸ nor did consumer confusion occur,²⁴⁹ since it was unlikely that the public would believe that the "X-rated" situations were licensed, sponsored, or endorsed by Walt Disney Productions.²⁵⁰

While *Job's Daughters*²⁵¹ appears to limit the protection for a trademark owner, a study of the parties' arguments, and the facts, warrants a less drastic conclusion. There were 31,000 retail jewelry stores that could purchase the jewelry wholesale and resell at retail.²⁵² Moreover, no evidence of actual confusion was offered.²⁵³ Lindeburg manufactured and sold jewelry products bearing the plaintiff's emblem for many years prior to the time when they were refused further use of the registered mark.²⁵⁴ Lindeburg requested that he be made an "official jeweler."²⁵⁵ "Job's Daughters simply declined to appoint him an 'official jeweler' and did not inform Lindeburg or indicate in any matter that his sale of Job's Daughters' emblematic items was considered in violation of Job's Daughters' rights."²⁵⁶

Lindeburg pointed out that if the Job's Daughters' emblems were available from 31,000 independent sources, it was "a factual and legal impossibility that the emblem [could] fulfill its basic and requisite function as a 'trademark' which [was] to indicate a *single* source of origin or sponsorship."²⁵⁷ Great emphasis was placed on

been set back somewhat by recent legislation overruling the "marketing motive" approach.

²⁴⁵ *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132 (1979).

²⁴⁶ *Walt Disney Prods. v. Air Pirates*, 345 F. Supp. 108 (N.D. Cal. 1972) (subsequent history omitted).

²⁴⁷ 581 F.2d at 758.

²⁴⁸ *Id.* at 759.

²⁴⁹ *Id.*

²⁵⁰ *Id.*

²⁵¹ 633 F.2d 912 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981).

²⁵² Appellant's Opening Brief at 12, *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980) (No. 78-1674).

²⁵³ 633 F.2d 920; Brief, *supra* note 252, at 13.

²⁵⁴ Brief, *supra* note 252, at 8.

²⁵⁵ *Id.* at 10.

²⁵⁶ *Id.*

²⁵⁷ *Id.* at 15-16. The Patent and Trademark Office, Trademark Trial and Appeal Board, in *In re Paramount Pictures Corp.*, 213 U.S.P.Q. (BNA) 1111, 1114 (1982), concluded that Job's Daughters' failure to police the use of its mark was the gravamen of the

the industry-wide practice of selling merchandise bearing the Job's Daughters' emblem; this rendered the emblem incapable of indicating an exclusive source of origin, an inherent function of any trademark.²⁵⁸

Lindeburg argued that the broad implications of *Boston Hockey*²⁵⁹ had been dispelled by the Fifth Circuit itself and was criticized in at least one jurisdiction.²⁶⁰ In support, Lindeburg cited *Kentucky Fried Chicken, Corp. v. Diversified Packaging Corp.*²⁶¹ The court in *Kentucky Fried Chicken*, however, did not disapprove of its decision in *Boston Hockey*, or the particular result obtained there. It pointed out that in *Boston Hockey* there was " 'certain knowledge of the buyer that the source and origin of the trademark symbols there were in [*Boston Hockey*].' " ²⁶² In addition, significant issues of estoppel and acquiescence were present in *Job's Daughters*. This included Job's Daughters' knowledge of Lindeburg's activities from virtually the moment Lindeburg started selling unauthorized jewelry. An additional aspect was Lindeburg's good faith and the affirmative encouragement and acquiescence by members of Job's Daughters to carry a line of emblematic products similar to those established for other fraternal jewelry.²⁶³

Lindeburg also argued that the use of the emblems and names on merchandise was "per se UTILITARIAN and [was] inherently incapable of functioning as 'trademarks'."²⁶⁴ For the sake of argument, Lindeburg stated that even if Job's Daughters was a valid trade name, and that its emblems were valid collective membership marks, the unlicensed and uncontrolled use by an entire industry of 31,000 retail, wholesale, and manufacturing jewelers resulted in the loss or abandonment of any such rights.²⁶⁵

If the Ninth Circuit had simply followed the position urged by Lindeburg, then perhaps the broad statements in its opinion concerning source or origin would not have been articulated. Much of

decision in that case. Having thus distinguished *Job's Daughters* the Board found that the paired names "Mork & Mindy," despite their decorative integration with the decal on which the names were placed, was a registrable mark.

²⁵⁸ Since the Ninth Circuit decision in *Job's Daughters*, the Court of Appeals for the Federal Circuit affirmed a Trademark Trial and Appeals Board decision cancelling the registration of the Job's Daughters mark on the grounds of collateral estoppel. *Job's Daughters*, 727 F.2d 1087, 1088 (Fed. Cir. 1984).

²⁵⁹ 510 F.2d 1004 (5th Cir.), cert. denied, 423 U.S. 868 (1975).

²⁶⁰ Brief, *supra* note 252, at 32-33.

²⁶¹ 549 F.2d 368 (5th Cir. 1977).

²⁶² *Id.* at 389 (emphasis in original) (quoting *Boston Hockey*, 510 F.2d at 1012).

²⁶³ Brief, *supra* note 252, at 35.

²⁶⁴ Appellant's Reply Brief at 13, *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980) (No. 78-1674).

²⁶⁵ Brief, *supra* note 252, at 34.

the effects of this decision could have been avoided if the merchandising entity or owner were quick to police all infringing activity, and thus avoid laches. Perhaps the law is now different, particularly in view of *Kentucky Fried Chicken*. However, a plaintiff in the Ninth Circuit will have to make a determined effort to convince the court that its mark or image tends to designate source.

2. The Second Circuit

The position of the Second Circuit parallels that of the Ninth Circuit as to the requirement of designations of source or sponsorship. In *American Footwear Corp. v. General Footwear Co.*,²⁶⁶ American Footwear marketed a hiking boot bearing the trademark BIONIC BOOT.²⁶⁷ This was inspired by the once popular television series *The Six Million Dollar Man*. Following American Footwear's entry into the market, General Footwear, acting as licensee of Universal Studios, the show's producer, sold children's shoes using the mark BIONIC.²⁶⁸ Both parties were denied injunctive relief. On appeal, the Second Circuit quoted from a district court decision:

"[O]ne cannot sell his product by misappropriating the good will of another through misleading the public into thinking that it is 'sponsored' by or derived from something else." . . . Yet, liability in this area for misimpression or misappropriation has been limited. For example, one can capitalize on a market or fad created by another provided that it is not accomplished by confusing the public into mistakenly purchasing the product in the belief that the product is the product of the competitor.²⁶⁹

More recently, in an action brought by the American Greetings Corporation, owner of the CARE BEARS trademark, the Southern District of New York found that the manner in which products with MESSAGE BEARS mark were sold did not result in Lanham Act relief.²⁷⁰ Evidence presented as to actual confusion was weak.²⁷¹

²⁶⁶ 609 F.2d 655 (2d Cir. 1979), *cert. denied*, 445 U.S. 95 (1980).

²⁶⁷ 609 F.2d at 659, n.1.

²⁶⁸ *Id.* at 658.

²⁶⁹ 609 F.2d at 662, *quoting* *Ideal Toy Corp. v. Kenner Prod. Div. of General Mills Fun Group, Inc.*, 443 F. Supp. 291, 305 (S.D.N.Y. 1977) and *citing* *Philip Morris, Inc. v. R.J. Reynolds Tobacco Co.*, 188 U.S.P.Q. 289 (S.D.N.Y. 1975).

²⁷⁰ *American Greetings Corp. v. Easter Unlimited, Inc.*, 579 F. Supp. 607 (S.D.N.Y. 1983); *see also* *Bi-Rite Enter., Inc. v. Button-Master*, 555 F. Supp. 1188 (S.D.N.Y. 1983), where the court refused to grant relief for the unauthorized use of the marks of various individual and group rock musicians on trademark and unfair competition grounds. The court did hold that the plaintiffs were entitled to relief on a theory of right of publicity. *See supra* note 171. However the court suggested that the use of marks on emblems,

The Message Bears carried a tag reading "Fun World."²⁷² Although the Message Bears capitalized on the demand for stuffed bears as a result of the Care Bears promotion, it did not do so by confusing customers as to actual source or sponsorship.²⁷³

Thus, in the Second Circuit, as in the Ninth Circuit, the failure to prove likelihood of confusion as to source or sponsorship can prevent enforcement of merchandising images.

3. The Third Circuit

In *University of Pittsburgh v. Champion Products, Inc.*,²⁷⁴ the court ruled that the University could not enjoin Champion Products from selling clothing and other items bearing the University of Pittsburgh insignia.²⁷⁵ No evidence of likelihood of confusion was found,²⁷⁶ nor was there any evidence that consumers cared who manufactured the clothing.²⁷⁷ The goods were clearly marked as Champion products; they were neither advertised as "official" University products nor were they sanctioned by the University.²⁷⁸ The court pointed out that such functional features were neither protected by the Lanham Act nor by state unfair competition law.²⁷⁹ The insignia merely allowed the wearer to display his support for the University.²⁸⁰ Like the defendant in *Job's Daughters*, Champion Products entered the market at an early date.²⁸¹ Additionally, there was no showing that the insignia had taken on a secondary meaning prior to Champion's entry into the market.

buttons and other novelty items in certain contexts could be confusing as to source, though ordinarily such use is merely decorative. 555 F. Supp. at 1195-96. For instance, had the plaintiffs established a record that the plaintiffs' use of the marks at the plaintiffs' concerts caused the public to assume the mark's owners sponsored the goods, then relief might be granted on trademark or unfair competition grounds. *Bi-Rite Enter.*, 555 F. Supp. at 1196.

²⁷¹ *American Greetings Corp.*, 579 F. Supp. at 613.

²⁷² *Id.* at 614.

²⁷³ *Id.* at 616-17.

²⁷⁴ 529 F. Supp. 464 (W.D. Pa.), *modified*, 686 F.2d 1040 (3d Cir.), *cert. denied*, 459 U.S. 1087 (1982).

²⁷⁵ 529 F. Supp. at 469.

²⁷⁶ *Id.* at 468 (no survey demonstrating consumer confusion as to source, authorization, or sponsorship was introduced); *see University of Pittsburgh v. Champion Prods., Inc.*, 566 F. Supp. 711, 714 (W.D. Pa.).

²⁷⁷ 566 F. Supp. at 716; *see also* 686 F.2d 1040 (3d Cir. 1982) (Appellate court reversed the trial court's refusal to grant an injunction on the laches issue. The courts' decisions were ultimately vacated on settlement.).

²⁷⁸ 529 F. Supp. at 468.

²⁷⁹ 566 F. Supp. at 720.

²⁸⁰ *Id.* at 716.

²⁸¹ 529 F. Supp. at 469; *see supra* note 124.

4. The Seventh Circuit

Different results appear to have been reached in the Seventh Circuit in factually similar cases. In *General Mills, Inc. v. Henry Regnery Co.*,²⁸² the Northern District of Illinois refused to grant a preliminary injunction to prevent distribution of a book entitled *Morey Amsterdam's Betty Cooker's Crock Book for Drunks*.²⁸³ It distinguished *General Mills* from *Boston Hockey* on the ground that in *Boston Hockey*, "the trademark *itself* was sold rather than the usual situation, as in the case at bar, where the trademark is being used to sell something other than the mark."²⁸⁴ In a later case, *Universal City Studios, Inc. v. Montgomery Ward & Co.*,²⁸⁵ the court found that likelihood of confusion existed due to the plaintiff's intent to capitalize on the name "Jaws." However, the court stated that the:

[p]laintiffs are . . . likely to succeed at trial under their claim for misappropriation of merchandising properties. . . . Likelihood of confusion is not required. Under the laws of Illinois, one may not use the mark of another to obtain a "free ride" on his efforts to promote that mark. [The law thus prevents] unjust enrichment²⁸⁶

More recently, the Seventh Circuit approved the grant of an injunction in a T-shirt bootlegging case involving right of publicity and Lanham Act claims.²⁸⁷ It found that the defendant stated an anti-trust cause of action,²⁸⁸ since the defendant alleged that the plaintiff engaged in a deliberate pattern of filing and dismissing lawsuits against infringers.²⁸⁹

5. Other Jurisdictions

Cases in other circuits which have dealt with the issue include the *Lone Ranger* case in the Fourth Circuit which found a

²⁸² 421 F. Supp. 359 (N.D. Ill. 1976).

²⁸³ *General Mills, Inc. v. Henry Regnery Co.*, 421 F. Supp. 359, 363 (N.D. Ill. 1976).

²⁸⁴ *Id.* at 362 (emphasis in original).

²⁸⁵ 207 U.S.P.Q. (BNA) 852 (N.D. Ill. 1980).

²⁸⁶ *Id.* at 858. In support of its decision, it cited two earlier Illinois state court cases, *National Football League Properties, Inc. v. Consumer Enter.*, 26 Ill. App. 3d 814, 327 N.E.2d 242, cert. denied, 423 U.S. 1018 (1975) and *National Football League Properties, Inc. v. Dallas Cap & Emblem Mfg.*, 26 Ill. App. 3d 820, 327 N.E.2d 247 (1975), both of which involved questions similar to those raised in *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg.*, 360 F. Supp. 459 (N.D. Tex. 1973), and both of which were decided in the same manner.

²⁸⁷ *Winterland Concessions Co. v. Trela*, 735 F.2d 257 (7th Cir. 1984) (defendant counterclaimed that T-shirt manufacturer's true intent in seeking to enjoin his production of shirts was to eliminate a competitor).

²⁸⁸ *Id.* at 262-64.

²⁸⁹ *Id.* at 263.

likelihood of confusion.²⁹⁰ In the Sixth Circuit, a district court refused to issue an injunction to prevent the use of "Here's Johnny" on portable toilets.²⁹¹ Subtle changes in the factual situation, suggesting that confusion may exist, could sway a court to grant relief. It appears, for the most part, that the requirement of confusion as to source is present even in the Fifth Circuit. It may simply be that the degree to which public confusion is shown will determine a court's ruling in specific situations.

B. *Effect of the Dilution Doctrine*

Could the doctrine of dilution have altered the result in *Job's Daughters*? The Ninth Circuit went to some length to point out that the plaintiff relied on section 43(a) of the Lanham Act²⁹² rather than upon state law.²⁹³ Courts have recognized that dilution does not apply to Lanham Act violations.²⁹⁴ Perhaps in the context of the consumer, *Job's Daughters*' insignia was sufficiently distinctive to warrant the application of the doctrine. Nonetheless, if under the dilution doctrine the insignia was capable of achieving a sufficiently distinctive status, the plaintiff's failure to actively police the mark's use may have prevented the plaintiff from prevailing. If applicable, the concept of trademark dilution bypasses the essential problem of *Job's Daughters* by eliminating the necessity of proving likelihood of confusion as to the source of defendant's goods. Were it not for the laches issue, it appears that the amendment to the California statute²⁹⁵ would directly address the situation, making relief available.

1. Dilution of Film and Song Titles

The Motion Picture Association of America's ("MPAA") Title Registration Bureau has achieved importance because of the difficulty involved in the registration of film titles in the United

²⁹⁰ *Lone Ranger, Inc. v. Cox*, 124 F.2d 650 (4th Cir. 1942) (likelihood of confusion with plaintiff's radio broadcasts existed when actor who played role of "Lone Ranger" in plaintiff's earlier motion picture appeared in small circus billed as the "Lone Ranger").

²⁹¹ *Carson v. Here's Johnny Portable Toilets, Inc.*, 498 F. Supp. 71 (E.D. Mich. 1980), *vacated on other grounds*, 698 F.2d 831 (6th Cir. 1983) (lack of similarity between men's apparel and entertainment services and portable toilets lessens consumer likelihood of confusion).

²⁹² 15 U.S.C. § 1125(a).

²⁹³ *Job's Daughters*, 633 F.2d 912, 918-19 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981).

²⁹⁴ *Jean Patou, Inc. v. Jacqueline Cochran, Inc.*, 201 F. Supp. 861, 866-67 (S.D.N.Y. 1962).

²⁹⁵ CAL. BUS. & PROF. CODE § 14330 (West 1964 & Supp. 1987).

States Patent and Trademark Office,²⁹⁶ and the lack of copyright protection for titles.²⁹⁷ A film title is considered to be descriptive since it only refers to a particular film.²⁹⁸ Thus, titles, like other descriptive marks, are generally considered to be ineligible for registration.²⁹⁹ If a film acquires a secondary meaning, it may be possible for the film title to indirectly be registered by usage in connection with other registered goods.³⁰⁰ Titles of series are specifically registrable.³⁰¹ Should laws similar to the new California dilution law be adopted elsewhere, it may become beneficial for titles to be registered in some manner if it appears that the title will have merchandising potential.

It is unlikely that an adult-film producer's parodying of the title of a major film would create consumer confusion. The public would probably not believe that one film was sponsored by the other; however, at least one court has found that the public would be confused.³⁰² Use of the title may enhance the adult film's commercial value, but probably not in the same manner as use of the mark PORSCHE might enhance the sale of unauthorized sunglasses.³⁰³

Although song titles are protectable under common law principles, they carry no copyright protection in the United States.³⁰⁴ Generally, song titles may be subject to the same infirmity as book and motion picture titles; titles are not registered as a trademark with the Patent and Trademark Office.³⁰⁵ If the title used as a mark were to be registered, would its use on various products be enjoined under the new California statute based on that registration? It appears that the use of the title on an article of merchandise would enhance its value.³⁰⁶

²⁹⁶ For an analogous fact pattern, see *In re Cooper* 254 F.2d 611 (C.C.P.A.), cert. denied, 358 U.S. 840 (1958).

²⁹⁷ *Warner Bros. Pictures v. Majestic Pictures Corp.*, 70 F.2d 310, 311 (2d Cir. 1934).

²⁹⁸ *Id.*

²⁹⁹ 15 U.S.C. § 1052(e).

³⁰⁰ See generally 1 J. MCCARTHY, *supra* note 43, at § 10:3.

³⁰¹ *In re Polar Music Int'l AB*, 714 F.2d 1567, 1572 (Fed. Cir. 1983), citing *In re Cooper*, 254 F.2d 611, 615 (C.C.P.A. 1958); *In re First Nat'l City Bank*, 168 U.S.P.Q. (BNA) 180 (T.T.A.B. 1970).

³⁰² See *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979).

³⁰³ See *Carrera Int'l Corp. v. Carrera Jeans Ltd.*, 481 F. Supp. 820, 824 (S.D.N.Y. 1979) (quoting affidavit of defendant corporation president).

³⁰⁴ *Armstein v. Porter*, 154 F.2d 464, 474 (2d Cir. 1946); *Weissman v. Radio Corp. of Am.*, 80 F. Supp. 612, 614 (S.D.N.Y. 1948).

³⁰⁵ See *supra* text accompanying notes 296-301.

³⁰⁶ CAL. BUS. & PROF. CODE § 14330. The key words in the statute are "for the purpose of enhancing the commercial value of, or selling or soliciting purchases of, products, merchandise, goods or services . . ." *Id.* at § 14330(b).

Remedies under this statute are limited to injunctive relief. Damages are not available, but often an injunction is the most important and more powerful remedy.

2. Exemptions

Not all uses of a registered mark are subject to an injunction by the California dilution statute and merchandising rights statute. Assume the selection of a film title involves the use of a word or symbol registered as a mark. As long as its use does not enhance the commercial value of the product, it would not fall within the scope of paragraph (b) of the California statute. Comparative advertising uses are specifically exempted by newly added paragraphs (c) and (d).³⁰⁷

One problem area which the statute fails to address is the potentially conflicting first amendment issues. For example, in *Stop the Olympic Prison v. United States Olympic Committee*,³⁰⁸ a village planned for housing athletes for the Olympics at Lake Placid was intended to be turned into a prison. A non profit organization, S.T.O.P. published a poster with the Olympic symbols and the words "Stop the Olympic Prison." The court noted, "more important, the Lanham Act should not be construed in a manner that would bring it into conflict with first amendment interests."³⁰⁹ The court held that the poster made and circulated by S.T.O.P. violated neither the Amateur Sports Act³¹⁰ nor the Lanham Act.³¹¹ The use of the interlocking rings and the word "Olympic" was held not a use "for the purpose of trade."³¹² However, there may be limits to which the first amendment may prohibit enforcement.³¹³

A related situation existed in connection with *Girl Scouts of the United States of Am. v. Personality Posters Mfg.*³¹⁴ The depiction of a pregnant girl in a girl scout uniform was held not to be an infringement, because the public lacked the requisite confusion as to source or origin of the poster. It appears that it would be easier to obtain injunctive relief in this situation based on the new

³⁰⁷ L.A. County Bar Assoc. Res. 3-6-85. Resolution proposed by the Los Angeles County Bar Association presented to the 1985 California State Bar Conference, withdrawn upon passage of AB 1900, ch. 478.

³⁰⁸ 489 F. Supp. 1112 (S.D.N.Y. 1980).

³⁰⁹ *Id.* at 1124.

³¹⁰ 36 U.S.C. § 380 (1982).

³¹¹ 15 U.S.C. §§ 1114, 1125 (1982).

³¹² 489 F. Supp. at 1121.

³¹³ *Id.* at 1120-21.

³¹⁴ 304 F. Supp. 1228, 1235 (S.D.N.Y. 1969) (the court refused to invoke first amendment protection thereby denying injunctive relief to the plaintiffs).

California statute. However, it is questionable whether prohibitions of this type of use of registered marks are in the public interest.

A graphic example of the limits of the dilution statute is illustrated by *Advertising the Contradictions*.³¹⁵ This publication is a collection of advertisement montages from the 1960's, which juxtaposes commercial advertisements against images of war victims and third world tragedies.³¹⁶ Each page bears an advertisement which includes a famous trademark. There is no likelihood of confusion under trademark infringement standards. Certainly, the public is not likely to believe that the publication is endorsed or sponsored by the owners of the marks appearing in the advertisements. Moreover, each page contains the disclaimer "(This is not an advertisement)." Under the dilution doctrine, the montages might tarnish the reputation of the trademark owner. First, marks are associated with negative images. Second, the thirty-six page booklet sells for \$6.95 and obviously has a commercial purpose. The booklet makes a statement about commercial images of American society contrasted against the cold realities of life outside the United States. It suggests a nebulous cause and effect relationship between the state of the world and the conspicuous consumption of mass advertised consumer goods. A court that might be faced with the issues raised by the use of the montages "need not, and should not, reach the First Amendment issue."³¹⁷ If one of these montages was sold as a poster, the new merchandising right established under the California statute might be applicable. The famous trademark would certainly increase the value of the poster. Inquiry would need to be made as to whether the famous mark was used to enhance the commercial value of the product, sell merchandise, prove a point, or make an artistic statement. Whatever the characterization, the

³¹⁵ V. RAY, *ADVERTISING THE CONTRADICTIONS* (1984). The fair use doctrine, codified in the copyright statute, is not well developed in the trademark related areas. See *Apple Corps Ltd. v. Leber*, 229 U.S.P.Q. (BNA) 1015 (Cal. Super. Ct. 1986) (fair use not established as a right of publicity defense in the Beatlemania case).

³¹⁶ One vivid scene depicts a Sears Die Hard car battery looming ominously above what appears to be a severely tortured Vietnamese. V. RAY, *supra* note 315, at 9. Another scene depicts a box of Carnation Slender, a packet of the product, an appetizing glass filled with the chocolate drink, an empty milk bottle, and a stirring spoon; this commercial presentation of a delicious-looking weight-loss product becomes the backdrop for a superimposed picture of a young, starving third world child holding in one hand what appears to be either rice or mush. *Id.* at 3.

³¹⁷ See *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1178 (5th Cir. 1980) (although this case concerns the conflict between the first amendment and copyright, the commercial use of the familiar *TV Guide* covers for publisher's promotional purposes may be considered analogous for this discussion).

application of the dilution doctrine may not be applicable, thus demarcating the statute's limitations.

In the case of *Conan Properties, Inc. v. Conans Pizza, Inc.*,³¹⁸ it was held that the mark CONAN THE BARBARIAN was infringed by pizza parlors. Whether or not likelihood of confusion is found in this type of factual situation, the new California statute appears to present a basis for issuing an injunction.

Assume a restaurant opens with the name "Casablanca." A court would probably find that there is no likelihood of consumer confusion as to source or sponsorship between the producers of the film, *Casablanca*, and the restaurant. The traditional dilution theory might not apply, as the usage may not result in harm to the mark CASABLANCA. However, if the use of the mark conjures up the name of the film, it might be actionable. Under the California type of statute, damage or injury is not required.³¹⁹ It is sufficient that the mark is both registered and used "for the purpose of enhancing the commercial value of, or selling or soliciting purchases of, . . . goods or services, without prior consent"³²⁰

Although the title of the film has acquired a secondary meaning, it nevertheless has an infirmity. Casablanca is geographically descriptive of the capital city of Morocco. Therefore, it is not an inherently distinctive mark.³²¹ Consequently, as a trademark, the title of the film is a weak mark, although it has acquired a secondary meaning.

Under the current trend in dilution law, it could be argued that even though the mark is initially weak, it is still capable of further dilution since it has acquired significant secondary meaning. In contrast, according to traditional doctrine, the mark must be intrinsically strong to support a claim for dilution.³²²

3. Preemption

One important issue generally pertaining to dilution statutes, and which has been the subject of limited case law treatment, is preemption.³²³ This necessitates inquiry into whether

³¹⁸ 752 F.2d 145 (5th Cir. 1985).

³¹⁹ CAL. BUS. & PROF. CODE § 14330.

³²⁰ *Id.*

³²¹ See Angel, *supra* note 35, at 294 (referring to a letter from Groucho Marx to Warner Brothers after threatening Marx with a lawsuit for using *A Night in Casablanca* as the title of a motion picture).

³²² See Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes*, 44 CAL. L. REV. 439, 449 (1956).

³²³ See Handler, *supra* note 107, at 283-87.

the federal scheme for regulating and enforcing trademarks preempts state statutory attempts by the dilution statutes.³²⁴ Generally, state trademark laws are not considered to be preempted by the Lanham Act because those statutes simply enhance or further the Act's objectives.³²⁵ That may not necessarily be true for dilution statutes because they are not based on a presumption of likelihood of confusion.³²⁶ Rather, they disregard the concept of likelihood of confusion and simply state that if the mark tends to dilute the distinctiveness of another mark, or tarnish it, an injunction may be issued.³²⁷ Moreover, dilution statutes interfere with the registration and notice system provided by the Lanham Act through the federal register of marks.³²⁸ It is questionable whether a company seeking to use a mark must now search all classes of goods to determine if a mark is available.

a. *Preemption as Applied to the Merchandising Rights Statute.* It is suggested that the new merchandising rights are probably less likely to be subject to claims of preemption than the ordinary dilution statute.³²⁹ That is because the specific type of right is not addressed by Congress through the Lanham Act. Only when the use of the mark enhances a product's value, is the California statute applicable.³³⁰

There are parallels to the ordinary dilution statutes.³³¹ In many situations the effect of dilution statutes is to prevent application of marks to enhance the value of goods or services.³³²

³²⁴ *Id.* at 283.

³²⁵ *Id.* at 285.

³²⁶ *See id.* at 283-87.

³²⁷ *Id.* at 286.

³²⁸ *See id.* at 285-86.

³²⁹ *See* CAL. BUS. & PROF. CODE § 14330(a), (b). Although the statute in subsection (a) gives protection against dilution, there is a possibility that it might be preempted by federal law. *See supra* text accompanying notes 323-28. The new merchandising rights established in subsection (b) go beyond the rights provided by the Lanham Act, state statutory law and state common law. *See* 1985 CAL. LEGIS. SERV. ch. 478 (West), wherein California's legislative counsel states "This bill would provide for injunctive relief under additional circumstances, with specified exceptions, where a person uses . . . a mark registered under the state trademark law or the United States Code . . ."

³³⁰ *See* CAL. BUS. & PROF. CODE § 14330(b).

³³¹ *Compare id.* § 14330(a) with N.Y. GEN. BUS. LAW § 368-d; *see also supra* text accompanying notes 65-79.

³³² Alexander, *Dilution- A Blessing or a Curse?: What Is It?; How Do You Prove It?; How Does It Fit in With Traditional Trademark Law?*, in CURRENT DEVELOPMENTS IN TRADEMARK LAW 1986 (229 Patents, Copyrights, Trademarks and Literary Property Course Handbook Series (PLI)) 211, 216-17; *see also* Polaroid Corp. v. Polaroid, Inc., 319 F.2d 830 (7th Cir. 1963). Under the Illinois antidilution statute, plaintiff's strong mark POLAROID, used for a wide variety of products, including optical devices and photographic equipment, prevented defendant from using the name "Polaroid" in connection with defendant's installation of refrigeration and heating systems.

Thus, when a famous mark, such as ROLLS ROYCE, is used in connection with other products, the purpose is to enhance the value of the goods, and a cause of action might result under both the ordinary dilution statute and the new California merchandising rights.³³³ There is a significant difference between the statutes and rights. Dilution statutes are designed to stop the situation where the strong mark is conjured up.³³⁴ The new merchandising right addresses the situation where the consumer not only thinks of the original mark in passing, but is motivated to buy the goods because the mark appears on them.

C. Licensee Estoppel and Public Policy

Assume a license agreement is based on rights to use a film's title on goods, such as toys or T-shirts. These goods are probably purchased by the public out of a desire to identify with the film, rather than out of concern for quality or sponsorship. In all likelihood, the consumer does not care whether all such products are manufactured or endorsed by a single entity. However, consumers are often responsive to advertising campaigns directed toward encouraging purchases of "official" goods. In some situations, however, it is conceivable that consumers would prefer to have goods which do not originate or are not sponsored by the official production entity. Such goods may have greater novelty and, hence, may be more desirable than the official goods. *Job's Daughters*³³⁵ raises questions as to the necessity for a license. The licensee may be able to contest the validity of the license on the ground that the defendant's use does not confuse the public as to designation of origin, and simply argue use for aesthetic and functional purposes. The scope of the license and the specific goods on which the license applies may have a bearing on the validity of its use. Public policy questions as to license validity are also raised.³³⁶

To obtain insight into whether public policy should prevent the licensee estoppel doctrine from applying to licenses which

³³³ See *supra* text accompanying notes 126-27.

³³⁴ See *Dawn v. Sterling Drug, Inc.*, 319 F. Supp. 358 (C.D. Cal. 1970) (injunction granted under California dilution statute § 14330 preventing defendant's use of slogan "tower of babble," although the court found that defendant's use resulted neither in the dilution of plaintiff's trademark nor did it injure plaintiff's business reputation). *But see Warner Bros., Inc. v. American Broadcasting Cos.*, 720 F.2d 231 (2d Cir. 1983) (trademark SUPERMAN not diluted by defendant's television parody, *The Greatest American Hero*).

³³⁵ See *supra* text accompanying notes 230-38, 251-65.

³³⁶ See generally 1 J. McCARTHY, *supra* note 43, at §§ 18:13-15, 18:18.

seek control beyond their legitimate scope, it may be helpful to consider other areas of intellectual property. In the copyright area, there is an apparent lack of case law on the subject. This is not true, however, in the patent area. In the landmark decision of *Lear, Inc. v. Adkins*,³³⁷ the Supreme Court stated that a licensee may challenge a license based on the validity of the patent on which the license was based.³³⁸

Different approaches may be reconciled by considering the scope of protection that is provided by each of the forms of intellectual property. The scope of copyright infringement is generally narrow.³³⁹ Infringement may be present in the case of blatant piracy, such as duplicating the sounds of a record album or duplicating a video tape or film.³⁴⁰ If piracy is not present, protection is more limited.³⁴¹

However, in patent law, infringement may occur where a person produces or sells a product that falls within the definition of a patented "invention" regardless of copying or independent creation.³⁴² The definition of the invention may be broad enough to significantly preempt an entire sphere of technology and product lines. In contrast, copyright infringement situations generally involve a more specific and limited area of property rights, albeit often with significantly higher value than may be placed upon patented products.

In the merchandising area, the public interest falls within the nebulous region between patent and copyright protection. The licensee will typically seek to merchandise goods which have no value in and of themselves, absent the extensive promotion and licensing activity of the licensor. If it were not for the licensor and his promotional efforts, there would be no intrinsic value in the merchandising images or names sought to be licensed.³⁴³

³³⁷ 395 U.S. 653 (1969).

³³⁸ *Id.* at 669-71.

³³⁹ See Copyright Act of 1976, 17 U.S.C. §§ 106, 501(a) (1982).

³⁴⁰ Of course copying must usually be proven by showing access and substantial similarity. See generally 3 M. NIMMER, NIMMER ON COPYRIGHT § 13.01[B] (1985). However, the person that uses certain ideas from a film without authorization and independently produces his own creation is not going to be found to have committed acts of infringement. 17 U.S.C. § 102(b) (1982) states, "[i]n no case does copyright protection for an original work of authorship extend to any idea, . . . concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work."

³⁴¹ See 3 M. NIMMER, *supra* note 340, at § 13.01.

³⁴² "[W]hoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent." 35 U.S.C. § 271(a) (1982).

³⁴³ Compare *Beer Nuts, Inc. v. King Nut Co.*, 477 F.2d 326 (6th Cir.), *cert. denied*, 414 U.S. 858 (1973) with *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969).

Contrast the patent policy considerations with those of trademark. If a patent licensee is not allowed to contest the validity of a patent, the patent holder's rights would be enlarged beyond the intended scope. Thus, the limited monopoly granted to the patent holder would be expanded, perhaps removing an additional sphere of technology from the public domain for a limited period of time. It is generally only the licensee who has a sufficient economic interest to contest the validity of the patent.³⁴⁴ Challenges to patents are encouraged by validity,³⁴⁵ which assures that technology will not be kept from public use by an invalid patent.³⁴⁶

Similarly, if a trademark or merchandising licensee is not allowed to contest validity, the trademark owner's rights would be greater than intended. This may remove some competition, but only as to designation of origin. Real competing products are not removed from the marketplace. Only artificially popularized products would be limited by a licensing agreement. The licensor, by suing for either infringement or breach of contract, has a tendency to encourage suits that may properly prevent public confusion and deception as to source or sponsorship. To allow the licensor to attack the validity of trademark rights is contrary to the policy of maintaining the integrity of contracts.³⁴⁷ Thus, a court may have to determine if the licensor was monopolizing goods without the benefit of preventing public deception or confusion, and if the harm to the public from the exclusion of such goods from the marketplace outweighs the intrusion into the enforcement of contracts. Such a situation may be rare when it arises in the context of merchandising rights in the entertainment industry.

IV. DEVELOPING AND ENFORCING MERCHANDISING RIGHTS

Certain precautions may be taken in connection with the development and use of marketing properties to lessen the likelihood of an adverse decision based on *Job's Daughters*.³⁴⁸ The following suggestions are not necessarily new, and many have been previously recommended in connection with licensing

³⁴⁴ *Lear, Inc.* C.R. 395 U.S. at 670; accord *Bard, Inc. v. Schwartz*, 716 F.2d 874 (Fed. Cir. 1983).

³⁴⁵ See *Lear, Inc.*, 395 U.S. at 669-71.

³⁴⁶ See *id.* at 672-74.

³⁴⁷ See *Medd v. Boyd Wagner, Inc.*, 132 F. Supp. 399 (N.D. Ohio 1955).

³⁴⁸ See *supra* text accompanying notes 230-38, 251-265.

programs.³⁴⁹

A. *Selecting Registerable marks*

While it is not always possible to foresee merchandising potential in many entertainment projects, some planning at the outset may be helpful to later capitalize on the project's merchandising potential. For example, in selecting a name for a rock group, one must be conscious that the name functions as a service mark. Therefore, descriptive names should be avoided. The names of contemporary groups tend to be anything but descriptive. However, some group names have had geographical significance, such as *Chicago* and *Kansas*. It may be more difficult to argue that placing a descriptive term on a T-shirt will have any trademark or merchandising significance. Probably of equal importance in selecting a group name is considering whether the name is likely to be considered offensive by the public or the court. While a name like *Kansas* may be innocuous, the name *Dead Kennedys* invites controversy and may overshadow fine points of law regarding enforcement of merchandising rights. An application for trademark registration will be refused if it "[c]onsists of or comprises immoral, . . . or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."³⁵⁰ Even if an attempt is made to enforce a mark which is offensive, how a court may treat the mark in providing relief must be considered. This is particularly true in situations where the use of the name as a designation of source is not clear. Protecting a potentially offensive trademark is certainly a value judgment. However, the marketing potential, as well as the artist's convictions, may be overriding considerations.³⁵¹

In connection with a television series or film title, descriptiveness presents more of a problem.³⁵² It is advisable to be crea-

³⁴⁹ See C.J. GILSON *Guidelines for Trademark Protection and Collateral Use* 1980-81 TRADEMARK LAW HANDBOOK 143-46; Grimes & Battersby, *supra* note 1; see also Clark, *The Trouble With T-Shirts: Merchandise Bootlegging in the Music Industry*, 6 COMM/ENT 1 (1983), for a discussion on how to combat the insidious problem of trademark bootleggers. Trademark bootleggers are those who willfully infringe another's merchandising rights. They are lured by the tremendous prospects for commercial gain and the relative ease of evading criminal and civil penalties.

³⁵⁰ 15 U.S.C. § 1052(a) (1982).

³⁵¹ See *Ex parte Parfum L'Orle, Inc.*, 93 U.S.P.Q. (BNA) 481 (1952) (LIBIDO not offensive mark since most customers would not consider it offensive); see generally 1 J. MCCARTHY, *supra* note 43, at § 19:27.

³⁵² See *supra* text accompanying notes 296-303.

tive in selecting distinctive, unique, arbitrary, and clever titles to obtain maximum trademark protection for the title and for future merchandising properties. Trademark searches are recommended for musical groups.³⁵³ A trademark searching firm may be employed to determine if there are confusingly similar marks or titles.³⁵⁴

Images and logos also should not be descriptive. Searching of logos and designs is possible to a limited extent. Again, trademark searching firms should be consulted. It is probably preferable to establish images that are simple yet distinctive.³⁵⁵ Consider the possibility of injecting the name or likeness of a living person or celebrity associated with the production or group into the images or marks sought to be merchandised. This will take advantage of the judicial attitude that "source" or likelihood of confusion is not an element of infringement of right of publicity.³⁵⁶ If this image is sufficiently intertwined, it may be more difficult for an infringer to establish a marketable product without these elements of personality.³⁵⁷

B. *Establishing Rights*

The proprietor who considers merchandising its new property faces a dilemma. The exploitation of the merchandising property in its original form, such as the advertising and exhibi-

³⁵³ Bigger, *Entertainment Group Names: Selection and Protection*, in THE MUSICIANS MANUAL 3 (Halloran, ed.) (this manual is sponsored by the Beverly Hills Bar Association Barristers Committee for the Arts).

³⁵⁴ Titles may be searched by any of several firms which engage in this type of work, such as Brylawski & Cleary in Washington, D.C. The Motion Picture Association of America's Title Registration Bureau may also prove helpful for finding what titles have been registered with this Association. See *supra* text accompanying notes 296-303.

³⁵⁵ See generally 1 J. MCCARTHY, *supra* note 43, at § 1-7:15.

³⁵⁶ Estate of Presley v. Russen, 513 F. Supp. 1339 (D.N.J. 1981).

³⁵⁷ Another way in which a certain amount of limited protection may be had for merchandising images is by creating artwork with sufficient authorship to support a copyright. Merely trivial or inconsequential arrangements of geometric figures may be insufficient to provide copyrightable authorship. See *supra* notes 8-10 and accompanying text. Certain images which may be protectable under trademark or unfair competition theories may not be protectable under copyright. However, if sufficient artistic authorship exists, for example, in the key art or logo for a film, then that artwork itself may be protected from copying. The test of copyright infringement is different from trademark related infringement. The test is whether there has been copying and appropriation of the expression of the author's work rather than likelihood of confusion. See generally 3 M. NIMMER, *supra* note 340, § 13.01. Published copies of the art should bear the proper copyright notice. 17 U.S.C. § 401 (1982). Registration of the claim to copyright should be prompt, 17 U.S.C. §§ 411-412 (1982), to enjoy the full panoply of copyright infringement remedies. 17 U.S.C. §§ 501-505 (1982). Failure to register a work prior to infringement (with the exception of published works registered within three months of publication) results in forfeiture of the right to claim statutory damages and attorney's fees. 17 U.S.C. § 412 (1982). But even as to copyrightable logos, third parties may still have the opportunity to use the name and film title in an entirely different manner.

tion of a film, creates the motivation and appeal for the public to purchase collateral goods bearing the merchandised image.³⁵⁸ If there is a question as to whether the property is likely to develop into a merchandisable property, it may not be worth the effort to develop a comprehensive program, at least until such time as the property has taken on profitable merchandisable characteristics. However, at the point that the property becomes marketable, others may have an interest in capitalizing on that image. Where it is possible to identify the strong merchandising value of a name or image at an early stage, it is wise to establish a systematic, organized approach toward establishing further rights.

The first step toward establishing other rights is to use the image on collateral goods which might be merchandised. This may involve the trademark proprietors in marking the goods and then placing them directly into interstate commerce. Thorough documentation of these transactions should be made. If the mark is expected to be used on different types of goods in the future, such uses should be effected immediately. The failure to continue to sell products bearing the marks for any lengthy period could defeat this procedure.³⁵⁹ All labeling laws should be complied with in order to avoid registration problems.³⁶⁰

The first use of the merchandising image in connection with a variety of different properties serves several purposes. The use establishes a priority date for trademark usage on particular goods.³⁶¹ This may avoid the necessity of having to rely on dilution and related doctrines for enforcement. In addition, the mark's use on various products in interstate commerce allows application for federal trademark registration.³⁶² While enforcement under section 43(a) of the Lanham Act³⁶³ may be possible, an actual trademark registration with its constructive notice of use may make enforcement easier.³⁶⁴ Registration establishes *prime facie* ownership in marks.³⁶⁵ This procedural advantage may increase efficiency in litigating and enforcing names and marks. *Prime facie* validity of information contained in the registration

³⁵⁸ See *supra* notes 1-20 and accompanying text.

³⁵⁹ See *Pet Inc. v. Bassetti*, 219 U.S.P.Q. (BNA) 911 (T.T.A.B. 1983) (initial sale followed by no sales for over four years was insufficient to create registerable rights).

³⁶⁰ 37 C.F.R. § 2.69 (1986).

³⁶¹ See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918). However, rights in foreign countries are based on registration. Foreign registration, if available, may be very expensive, particularly if a variety of types of goods are involved.

³⁶² 15 U.S.C. § 1051(a) (1982).

³⁶³ *Id.* § 1125(a).

³⁶⁴ *Id.* § 1072.

³⁶⁵ *Id.* § 1057(b).

shifts the burden of proof as to whether the plaintiff has such rights in the mark. In addition, applying for registration in itself may be beneficial by effectuating the related company doctrine. Although the Lanham Act section involving the related company doctrine³⁶⁶ is entirely statutory, it arguably requires an application for trademark registration to be on file.³⁶⁷ This allows the proprietor to license the trademark for use by a licensee while creating further rights for the licensor. The licensee may have a more difficult time when attempting to contest the validity of the license.

Many marks used in connection with the entertainment industry are not readily registrable. For example, titles of a single book have been held not to be initially registrable,³⁶⁸ as opposed to a series of books, television programs, or motion pictures.³⁶⁹ Even if a mark is registrable, it may be a more protracted process to prove that a nondistinctive mark, such as a title, has become distinctive.³⁷⁰

Usage of the mark on goods should be in the nature of a trademark. For example, the name of a rock group might be placed on a T-shirt. This is not, however, a foolproof procedure because the use of the name emblazoned on a T-shirt may be considered decorative or functional rather than a trademark usage. On the other hand, it may be construed as an ordinary use thus making it easier to obtain registrations through the Patent and Trademark Office.

Images should be used in connection with specific words or symbols which designate sponsorship. Thus, by using terminology such as "the official" or "endorsed by," the licensor is educating the public as to sponsorship on official goods. In some situations, the use of the indicia "TM" if unregistered,³⁷¹ and "®" if federally registered³⁷² may tend to have a similar effect on the public. The use of such symbols or words conditions the

³⁶⁶ *Id.* § 1055

³⁶⁷ See *In re Silenus Wines, Inc.*, 557 F.2d 806, 807 n.2 (C.C.P.A. 1977).

³⁶⁸ *In re Cooper*, 254 F.2d 611 (C.C.P.A.), *cert. denied*, 358 U.S. 840 (1958).

³⁶⁹ *In re Polar Music Int'l Ab.*, 714 F.2d 1567, 1572 (Fed.Cir. 1983), *citing In re Cooper*, 254 F.2d 611, 615 (C.C.P.A. 1958); *In re First Nat'l City Bank*, 168 U.S.P.Q. (BNA) 180 (T.T.A.B. 1970).

³⁷⁰ Under § 2(f) of the Lanham Act, 15 U.S.C. § 1052(f), it is possible to prove that a title of a single work has become distinctive. But, if the title of a single work has not been in use for any length of time, and substantial publicity has not yet surrounded the property, more than mere form declarations will probably be required to convince the Patent and Trademark Office examiner of that fact.

³⁷¹ 1 J. MCCARTHY, *supra* note 43, at § 19:55.

³⁷² 15 U.S.C. § 1111.

public to expect that when the image or name is used on goods, it designates sponsorship.³⁷³ To some extent that can have a negative effect. For example, if a name is subsequently used by a third party without the use of the statutory endorsement symbols, the third party can argue that there is no infringement because the public is not likely to believe that the mark is sponsored by the proprietor. However, the proprietor or licensor can make a strong argument that even without the use of specific words of endorsement, the public has come to expect that the mere use of the image, symbol, or name designates sponsorship. The public may not be sophisticated enough to distinguish the difference where specific words of sponsorship are or are not used and, therefore, a likelihood of confusion may exist. The licensed use of the words "official," "endorsed by," or "sponsored by" may also have a tendency to create a greater desire for "official" goods by the public.

C. *Licensing*

In licensing the mark, the licensor should be able to inspect and control the type and quality of goods in connection with the mark or image which is used. In addition, the licensor should be able to select the way in which the merchandising property itself is imprinted on the goods and the nature and types of trademark usages which are made. This will help to enhance the licensor's trademark rights. Additionally, merely providing for control is insufficient; control should be actually exercised, and a systematic method should be established to monitor the usage of the mark.

The licensing agreement should include a provision to prevent the further use of the mark in the event that the license is terminated. In doing so, the degree to which licensee estoppel is available should be considered. It may be possible for the licensee to contest the possibility of further use of the mark. This especially would be true if a court at some point had rendered a decision that the use of the mark in a particular manner does not create likelihood of confusion.

V. CONCLUSION

This Article has demonstrated the limitations of the protection of merchandising rights under cases such as *International Or-*

³⁷³ 1 J. McCARTHY, *supra* note 43, at § 19:55.

*der of Job's Daughters v. Lindeburg & Co.*³⁷⁴ These limitations can, to some extent, be removed by legislative fiat, as California has done in a narrow manner in amending its dilution statute.³⁷⁵ Yet, a degree of enforcement can be available under various legal theories, particularly if some time is taken at an early stage to consider the consequences of various approaches. This includes consideration of the initial image, the nature of promotion, the manner in which the merchandising image is used, the nature of the license, and the image which is conveyed to the public.

³⁷⁴ 633 F.2d 912 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981).

³⁷⁵ CAL. BUS. & PROF. CODE § 14330.