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Article

Brand Fetishism

KATYA ASSAF

This Article focuses on "brand fetishism"—the phenomenon of perceiving trademarks as spiritual entities rather than as informational devices. Modern corporations strive to create brands with personalities and souls, brands that tug at consumers' heartstrings. Meanwhile, trademark law is intended to protect trademarks as informational tools reducing consumers' search costs. This Article examines this dissonance between trademark law rationales and the current use of the corporate trademark.

Research demonstrates that emotional branding results in mistaken quality judgments and hinders rational purchasing decisions by consumers, thereby distorting market competition. Therefore, this Article proposes that trademark law should serve to discourage brand fetishism, and should act to restore the original informative function of trademarks. Yet, as this Article demonstrates, trademark law in practice supports and encourages brand fetishism. This Article surveys the various doctrines in trademark law that, deliberately or not, result in this undesirable outcome, and suggests subsequent changes.

ARTICLE CONTENTS

Brand Fetishism

KATYA ASSAF*

I. INTRODUCTION

"*What's in a name? That which we call a rose*
By any other name would smell as sweet."[1]

Shakespeare's *Romeo and Juliet* famously criticizes the human tendency to focus on a name or appearance, and to disregard substance. After discovering that Romeo is of Montague stock, and hence her sworn enemy, Juliet realizes that a name is a meaningless convention. What matters is who someone actually is, and not what he is called. Through his tragic story of star-crossed lovers, Shakespeare implies that humankind's natural tendency toward superficiality should be resisted, because it causes irrational and harmful behavior. To quote another common aphorism, one should not judge a book by its cover.

In the world of trademarks too, there is sometimes a conflation between label and substance. The primary purpose of trademark law has traditionally been to protect trademarks as labels, as tools enabling the consumer to identify products of various manufacturers. That is, in the legal sense, a trademark is a name, a designation, and not the rose itself. Just as the word "rose" indicates a flower with certain characteristics, so too should a trademark indicate a product with a certain level of quality. In practice, however, trademark owners often strive to elevate form over substance—the trademark over the physical products it signifies. At times they succeed.

For instance, consumers rate the taste of soda higher when it carries the name "Coca-Cola" than when it does not.[2] Clothing tags have migrated from their hidden location inside the collar to the outside, grown exponentially in size, and transformed items of clothing into mere carriers

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[1] WILLIAM SHAKESPEARE, ROMEO AND JULIET act 2, sc. 2.

[2] *See, e.g.*, Sanjoy Ghose & Oded Lowengart, *Taste Test: Impact of Consumer Perceptions and Preferences on Brand Positioning Strategies*, 10 J. TARGETING, MEASUREMENT & ANALYSIS FOR MARKETING 26, 30 (2001) ("In a blind taste test, Diet Pepsi was preferred by 51 per cent of the subjects while Diet Coke was preferred by 44 per cent. . . . [A] branded taste test resulted in Diet Pepsi being preferred by 23 per cent with Diet Coke being preferred by 65 per cent.").

of the brand they represent.[3] And the Harley-Davidson brand has been described as being so powerful as to be "in effect, a religious icon around which an entire ideology of consumption is articulated."[4]

As early as 1942, Justice Frankfurter observed: "The protection of trade-marks is the law's recognition of the psychological function of symbols."[5] Indeed, trademark law shines its spotlight on symbols, which at times carry with them strong psychological messages. Much of marketing research focuses on various strategies for building strong brands—brands that represent coherent sets of values and ideals, brands that evoke a consumer's feelings, and most importantly, brands that guarantee a consumer's loyalty.[6] Much of academic consumer research is dedicated to revealing how consumers perceive brands.[7]

Although marketing and consumer research dealt directly with the subject of trademark protection, the legal literature has, for many years, largely ignored its insights. Until recently, interdisciplinary research in trademark law has focused primarily on law and economics. Only in the past few years have trademark scholars begun to venture into other disciplines.[8]

Important as it may be, economic analysis provides little insight into the ways many successful trademarks function today. Traditional economic analysis views trademarks as devices that provide product information and reduce consumer search costs.[9] Yet, many consumers who are loyal to a certain brand of soft drinks or cigarettes, ostensibly because of the superior taste of the product, actually cannot distinguish their favorite brand in a blind taste-test.[10] Moreover, consumer research

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[3] NAOMI KLEIN, NO LOGO 28 (2002).

[4] John W. Schouten & James H. McAlexander, *Subcultures of Consumption: An Ethnography of the New Bikers*, 22 J. CONSUMER RES. 43, 50 (1995).

[5] Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942).

[6] *See infra* Part II.B (discussing the emergence of brand fetishism).

[7] *See infra* notes 44–66 and accompanying text (discussing various conclusions about brand conception from academic research).

[8] *See, e.g.*, Katya Assaf, *The Dilution of Culture and the Law of Trademarks*, 49 IDEA 1, 2–3 (2008) (suggesting a semiotic model to examine several doctrines of trademark law); Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 623–24 (2004) (applying tools of semiotics to trademark law); Thomas R. Lee et al., *Sophistication, Bridging the Gap, and the Likelihood of Confusion: An Empirical and Theoretical Analysis*, 98 TRADEMARK REP. 913, 914–15 (2008) (using theoretical models from consumer psychology and an empirical study to examine the factors influencing consumer confusion); Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for an Elusive Concept*, 19 J. PUB. POL'Y & MARKETING 265, 265 (2000) (detailing an empirical study examining the psychological effects of trademark dilution and suggesting the adoption of cognitive science as a normative basis justifying anti-dilution protection); Jerre B. Swann, *An Interdisciplinary Approach to Brand Strength*, 96 TRADEMARK REP. 943, 945 (2006) (using consumer research to explain the extensive legal protection of strong marks). A notable step forward in this context is LIONEL BENTLY ET AL., TRADE MARKS AND BRANDS: AN INTERDISCIPLINARY CRITIQUE (2008) (suggesting various interdisciplinary perspectives on U.K. trademark law).

[9] *See infra* Part II.A (discussing the traditional view of trademarks).

[10] Ghose & Lowengart, *supra* note 2, at 30.

shows that brands are frequently imputed to have character traits. Brands can even serve as viable relationship partners, and can evoke feelings of love and passion.[11] Some brands, such as Apple and Harley-Davidson, have been found to serve as objects of cult and ritual.[12] The existence of these phenomena, referred to collectively as "brand fetishism," is inconsistent with the basic premises of traditional economic analysis of trademark law, which takes a purely functional view of the trademark.

The tension between the trend toward brand fetishism and the economic analysis of trademark law has garnered scant attention from legal scholars. This Article seeks to remedy this gap in the literature. It first surveys data culled from the fields of marketing research and consumer research to provide insights into the phenomenon of brand fetishism. The Article then argues that brand fetishism distorts the primary economic function of trademarks and hinders efficient market competition. Therefore, this Article suggests that trademark law should act to discourage this practice.

In fact, brand fetishism enjoys extensive legal endorsement and encouragement. As an illustration, let us consider brand extensions into far-flung product fields, a topic which this Article will revisit.

Brand extensions are an extremely profitable commercial practice.[13] Marketing research has found that a brand is more extendible the more general its concept—that is, the less the concept is tied to a physical product.[14] Brands closely associated with a product category, such as Campbell's Soup, Chiquita, or Kleenex cannot be extended very far.[15] By contrast, brands with a high imaginary content are hardly restrained by product areas.[16] Thus, Harley-Davidson sells sunglasses, hair accessories, and underwear alongside its motorcycles; and Jaguar markets not only sports cars, but also perfume, lipstick, and body lotion.[17]

In other words, ironically, trademarks with highly informative,

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[11] *See infra* notes 47–51, 62 and accompanying text.

[12] *See infra* text accompanying notes 64–67.

[13] Julie Manning Magid et al., *Quantifying Brand Image: Empirical Evidence of Trademark Dilution*, 43 AM. BUS. L.J. 1, 31–32 (2006).

[14] DAVID A. AAKER & ERICH JOACHIMSTHALER, BRAND LEADERSHIP 154–55 (2000); JESPER KUNDE, CORPORATE RELIGION 81 (2000); C. Whan Park et al., *Evaluation of Brand Extensions: The Role of Product Feature Similarity and Brand Concept Consistency,* 18 J. CONSUMER RES. 185, 192 (1991).

[15] AAKER & JOACHIMSTHALER, *supra* note 14, at 154–55.

[16] *Id.*; Susan M. Broniarczyk & Joseph W. Alba, *The Importance of the Brand in Brand Extension*, 31 J. MARKETING RES. 214, 226–27 (1994); Mark S. Glynn & Roderick J. Brodie, *The Importance of Brand-Specific Associations in Brand Extension: Further Empirical Results*, 7 J. PRODUCT & BRAND MGMT. 509, 509 (1998); Park et al., *supra* note 14, at 192.

[17] *See, e.g.*, JAG COLLECTION, http://www.jagcollection.co.uk/ (last visited Sept. 25, 2010) (selling items such as clothing, fragrances, and teddy bears); *Motorclothes Merchandise*, HARLEY-DAVIDSON, http://www.harley-davidson.com/browse/browse_categories.jsp?asst=MotorClothes/ (last visited Sept. 25, 2010) (selling items such as sunglasses, accessories, and loungewear).

product-related content are less profitable in the current market economy.[18] In addition, to achieve the status of a leading brand, extensions are a necessity, rather than an option. Extending a brand far from its primary product demonstrates that the brand can be detached from its specific product area and operate as an independent entity.

Brand extensions into distant product fields, known as collateral markets, are thus an integral part of brand fetishism. Yet, trademark law extensively supports and encourages this commercial practice. Famous trademarks are protected today in virtually every product field. For example, "Hallmark," when used for an auto dealership, was found to infringe "Hallmark," as applied to greeting cards,[19] and owners of the "Lexus" automobile mark successfully sought injunction of the use of the mark on personal care products.[20]

Moreover, trademark law privileges marks that have been extended into collateral markets by granting them stronger legal protection. For instance, the mark "Harley-Hog" for pork was denied registration, because Harley-Davidson had used its marks for a wide variety of collateral products, including beer, wine coolers, chocolate bars, and more. The court concluded that a consumer having knowledge of these brand extensions would conclude that "Harley-Hog" pork products originate from Harley-Davidson.[21]

Meanwhile, when licensing their marks into collateral markets, trademark owners usually do not engage in quality control programs. They have no expertise in these product fields and are not in a position to specify quality standards or to exercise meaningful quality control over their licensees.[22] A trademark in collateral markets thus does not serve to provide product information and conserve consumer search costs—the trademark owner is not the origin of goods in any meaningful sense. Rather, the primary function of a trademark in such cases is merely to exploit its psychological influence on the consumer.

Trademark licensors are often exempted from tort liability for defective products of their licensees in collateral markets.[23] The legal system thus approves of the commercial practice of licensing the trademarked symbol as a mere trigger for purchase, without requiring the trademark owner to stand behind the licensed products in any meaningful way. This amounts to an explicit endorsement of brand fetishism.

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[18] AAKER & JOACHIMSTHALER, *supra* note 14, at 154.

[19] Hallmark Cards, Inc. v. Hallmark Dodge, Inc., 634 F. Supp. 990, 998–99 (W.D. Mo. 1986).

[20] Toyota Jidosha Kabushiki Kaisha v. Natural Health Trends Corp., No. CV 04-9028 DSF (Ex), 2005 U.S. Dist. LEXIS 10442, at *16–17 (C.D. Cal. Jan. 10, 2005).

[21] Harley-Davidson Motor Co. v. Pierce Foods Corp., 231 U.S.P.Q. (BNA) 857, 863 (T.T.A.B. 1986).

[22] *See infra* text accompanying note 302.

[23] *See infra* text accompanying notes 210–11.

As the example of collateral markets demonstrates, brand fetishism tends to strip trademarks of their informative content, transforming them into mere tools of psychological influence. Therefore, by supporting brand fetishism, trademark law acts contrary to its fundamental economic rationales.

After first arguing that brand fetishism—and its accompanying legal protection—distorts the primary economic function of trademarks, this Article examines whether there are alternative rationales for supporting brand fetishism. For instance, some trademarks serve as social tools of interpersonal communication, and at times are even used to satisfy spiritual needs of the consumers. Nonetheless, this Article demonstrates that these new functions of trademarks cannot provide an alternative basis for expanding legal protection.

This Article proceeds as follows: Part II describes the trend toward brand fetishism; Part III discusses how trademark law should react to this modern commercial reality; Part IV is dedicated to surveying the various mechanisms in trademark law that support and encourage brand fetishism; Part V examines whether there are alternative rationales for supporting brand fetishism; and finally, the conclusion suggests that trademark law should act to demystify brands and to restore their primary function—indicating the product's origin and quality.

II. BRAND FETISHISM

A. *Background: Fetishism of Commodities and Trademark Law*

A "fetish" is an object believed to have magical or supernatural powers.[24] "Fetishism" is the "veneration of objects believed to have magical or supernatural potency."[25] In 1867, Karl Marx borrowed this anthropological terminology to describe a phenomenon he famously entitled "fetishism of commodities." "Fetishism of commodities" is the state of affairs in a capitalist market, in which products are perceived as "commodities"—entities having an inherent value—whereas in fact their value is created by human labor.[26] Marx argued that this mystification of commodities bears great similarity to the religious beliefs of primitive societies, in which objects produced by human labor appear as independent

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[24] THE HARPERCOLLINS DICTIONARY OF RELIGION 360 (Jonathan Z. Smith et al., eds., 1995).

[25] *Fetishism*, ENCYCLOPEDIA BRITANNICA, http://www.britannica.com/EBchecked/topic/205502/fetishism (last visited September 25, 2010).

[26] 1 KARL MARX, CAPITAL 165 (Ben Fowkes trans., Penguin Classics 1990) (1867) ("There the products of the human brain appear as autonomous figures endowed with a life of their own, which enters into relations both with each other and with the human race. So it is in the world of commodities with the products of men's hands. I call this the fetishism which attaches itself to the products of labour as soon as they are produced as commodities, and is therefore inseparable from the production of commodities.").

beings endowed with life.[27] This perception of commodities emerged in the late nineteenth century against the background of the late Industrial Revolution—the rise of mass mechanical production and rapid distribution disconnected the goods from their producers, or, in Marx's terms, led to "alienation."[28]

At the same time, against the same economic backdrop, trademark law emerged in Europe and in the United States.[29] In a market of goods detached from their producers, it was necessary to create a mechanism that would allow the consumer to identify and distinguish the products of various manufacturers.[30] Thus trademark law was born to protect trademarks as indications of the origin of goods. In their early years, trademarks were thought to represent the physical source of manufacture. Under this "source theory," trademark licensing and assignment were viewed as philosophically impossible without the transfer of the entire business.[31] The "source theory" accorded with the commodity fetishism of Marx's times: a trademark indicated the owner of the factory as the meaningful source of the products, obscuring and devaluating the labor of the workers that stood behind these products.

In the late 1910s, courts began to gradually soften the "source theory," recognizing the possibility of licensing and selling trademarks without transferring the entire business. The new approach claimed that a trademark should connote a "single, albeit anonymous source."[32] That is, a trademark should not necessarily indicate the physical origin of the goods; it should solely communicate the message that all goods carrying the mark

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[27] *Id.* at 163–65.

[28] *Id.* at 203–04.

[29] The first volume of *Capital* was published in 1867. Some of the first trademark laws were passed around the same time. For example, in the United Kingdom, the Trade Mark Registration Act was passed in 1875, *Bass Feels a Bitter Draught*, INDEP. (London), Sept. 27, 1998, at 30; in France, the Manufacture and Goods Mark Act was enacted in 1857, *The IP Guide to . . . France*, NEW LEGAL REV., (Oct. 24, 2006), http://www.cpaglobal.com/newlegalreview/1175/the_ip_guide_to_france; and in the United States, the Federal Trade Mark Act was enacted in 1870, Act of July 8, 1870, ch. 230, 16 Stat. 198. The Federal Trade Mark Act was held unconstitutional in 1879. *In re* Trade-Mark Cases, 100 U.S. 82, 99 (1879).

[30] *See* Patricia K. Fletcher, Comment, *Joint Registration of Trademarks and the Economic Value of a Trademark System*, 36 U. MIAMI L. REV. 297, 302 (1982) ("From the English middle ages . . . through the nineteenth century, local businesses dominated the marketplace. The consumer and manufacturer were in close proximity. Thus, the consumer was familiar with the identity, size, location, and reputation of the local manufacturers from which he bought goods. . . . The technological advances of the industrial revolution, particularly in communication and transportation, caused the consumer and manufacturer to become distant. . . . The consumer no longer knew the identity of the producer of goods, and manufacturers recognized the resulting necessity of trademark use as a means of distinguishing their goods from those of competitors." (footnotes omitted)).

[31] *E.g.*, Am. Broad. Co. v. Wahl Co., 121 F.2d 412, 413 (2d Cir. 1941); MacMahan Pharmacal Co. v. Denver Chem. Mfg. Co., 113 F. 468, 474–75 (8th Cir. 1901); J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:39 (3d ed. 1992).

[32] *See, e.g.*, MCCARTHY, *id.* § 3:9.

are somehow linked with or sponsored by a single corporation.[33] This view was later complemented by the "quality theory": beginning in the 1930s, courts and legal scholars increasingly recognized that the most important function of a trademark is not its ability to denote the physical origin of goods, but its ability to indicate that all goods bearing the same mark have the same attributes and the same quality.[34] In other words, the consumer does not care about the physical origin of goods, as long as the quality of the goods is consistent. The "anonymous source theory" and the "quality theory" were codified into trademark law with the passage of the Lanham Act in 1946.[35]

The "anonymous source theory" and the "quality theory" advanced commodity fetishism into a level unimaginable in Marx's time. The "anonymous source theory" transformed the source of the product into an extremely abstract and amorphous concept, whereas the "quality theory" affirmed that the real, physical source of manufacture was an entirely insignificant aspect of the product. That is, trademark law explicitly recognized that a consumer should not be concerned with whether the sneakers she buys were produced by a well-paid American worker laboring under high standard working conditions or by a child subject to labor abuse in a Vietnamese sweatshop. As long as the trademark tells her it is a Nike sneaker, she can assume that the sneaker is somehow linked with or sponsored by the same corporation as other Nike sneakers. Thus, she can expect consistent quality, which is legally regarded as the only significant concern for her.

It is important to note that absent the development of the "anonymous source theory" and the "quality theory" in trademark law, this high level of commodity fetishism would have been impossible. Thus, trademark law was an essential tool that allowed the public perception of a product as a commodity—an object in its own right, independent from the human labor that created it—to reach its epitome.

B. *The Emergence of Brand Fetishism*

Since the invention of the "anonymous source theory" and the "quality theory," trademarks have advanced further along the fetishistic scale.

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33 Shredded Wheat Co. v. Humphrey Cornell Co., 250 F. 960, 962–63 (2d Cir. 1918); Manhattan Shirt Co. v. Sarnoff-Irving Hat Stores, Inc., 164 A. 246, 250 (Del. Ch. 1933); MCCARTHY, *supra* note 31, § 3:9.

34 MCCARTHY, *supra* note 31, §§ 3:10, 18:40.

35 Lanham Act of 1946, Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051–1127 (1946)); *see also* 15 U.S.C. § 1055 (2006) (stating that a mark may be used legitimately by "related companies" and such use shall not affect the validity of the mark); *id.* § 1127 (defining a "related company" as "any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used").

The twentieth century saw a plethora of technological developments, resulting in an enormous growth of mass production. The Western economy seemed to finally have reached its ultimate goal of satisfying the material needs of the great majority of the population.[36] Nevertheless, production remained the central measure of progress and national welfare, and constant market growth became the mythical aspiration of the modern economy.[37] To achieve this goal, demand had to grow constantly as well. Hence, starting in the 1920s, corporations gradually shifted their attention and resources from the production of material goods to the production of consumer desires.[38] The need to inspire imagination and provoke emotions in order to sell mass-produced products became common wisdom.[39]

Trademarks, as mere indications of product quality, could no longer survive in this new commercial reality. At this point, they evolved into brands.[40] Brands were the platforms employed to attach feelings and images to physical commodities. They were the primary means of establishing emotional bonds and loyalty relationships with consumers in a market saturated with goods.[41] Brands extended the products, adding symbolic dimensions to the physical items.[42] However, as suggestive marketing became widespread, emotion-laden brands became

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[36] *See* KALLE LASN, CULTURE JAM 59 (1999) (arguing that in the postwar years the American Dream seemed to have been achieved: a chicken in every pot, a car in every driveway); VANCE PACKARD, THE HIDDEN PERSUADERS 21 (1957) ("One big and intimidating obstacle confronting the stimulators was the fact that most Americans already possessed perfectly usable stoves, cars, TV sets, clothes, etc.").

[37] *See* JEAN BAUDRILLARD, THE CONSUMER SOCIETY: MYTHS AND STRUCTURES 41–42 (1998) (suggesting that productivity has the social function of a myth; comparing production and growth to black magic); JOHN KENNETH GALBRAITH, THE AFFLUENT SOCIETY 102–03 (1958) (discussing the reduction in risk that accompanies the growth of the modern corporation).

[38] *See* BENJAMIN R. BARBER, CON$UMED: HOW MARKETS CORRUPT CHILDREN, INFANTILIZE ADULTS, AND SWALLOW CITIZENS WHOLE 177–78 (2007) (describing the transition of capitalism "from a system that serviced wants to a system that produced wants"); GALBRAITH, *supra* note 37, at 127 (arguing that corporations create consumers' desires for the goods they produce); PACKARD, *supra* note 36, at 22 (quoting an ad executive as saying "[w]hat makes this country great is the creation of wants and desires, the creation of dissatisfaction with the old and outmoded").

[39] *See, e.g.*, Douglas B. Holt, *Why Do Brands Cause Trouble? A Dialectical Theory of Consumer Culture and Branding*, 29 J. CONSUMER RES. 70, 87 (2002) ("Brands that create worlds that strike consumers' imaginations, that inspire and provoke and stimulate, that help them interpret the world that surrounds them, will earn kudos and profits."); Craig J. Thompson et al., *Emotional Branding and the Strategic Value of the Doppelgänger Brand Image*, 70 J. MARKETING 50, 50 (2006) ("Over the past decade, emotional branding has emerged as a highly influential brand management paradigm.").

[40] *See* BARBER, *supra* note 38, at 177–78 ("Trademarks were only a way station on the road to brands, however. For trademarks still hued fairly closely to generic products and services and would prove insufficient to the task of awakening desires . . . . Brands were born . . . ."); KEVIN ROBERTS, LOVEMARKS: THE FUTURE BEYOND BRANDS 29–30 (2006) ("Brands were developed to create differences for products that were in danger of becoming as hard to tell apart as chunks of gravel.").

[41] BARBER, *supra* note 38, at 178–79 ("Where trademarks traded in generic goods, brands traded in generic sentiments, emotions which had little to do with the goods and services themselves but were surgically attached to them by professional market doctors.").

[42] *See* Burleigh B. Gardner & Sidney J. Levy, *The Product and the Brand*, HARV. BUS. REV., Mar.–Apr. 1955, at 33, 35 (asserting that a brand has a "public image," which plays an important role in purchasing decisions).

commonplace as well. Faced with fierce image competition, brands could no longer sustain consumer loyalty.[43] By the 1980s, brands were in serious trouble.[44]

At that time, new marketing concepts began to emerge. Marketing experts increasingly recognized that a brand should represent a consistent set of values and ideals, rather than vague emotions and associations. Advertising executives started talking about the need to create a "brand identity," "brand personality," "brand character," "brand DNA," "brand equity," and most dramatically, "brand soul."[45] Today it is already a widely accepted notion in marketing literature that a brand should resemble a human being, complete with a distinctive and coherent set of characteristics.[46]

Research has found that consumer satisfaction is not a predictor of consumer loyalty and that the correlation between satisfaction and loyalty is very weak.[47] Customers are much more loyal to a brand when their loyalty is based not on rational reasoning, but on emotional preference.[48] A consumer who considers factors such as product quality, when preferring one brand over another, is more likely than an emotionally attached consumer to switch brands when these factors change.[49]

Therefore, as marketing literature advises, loyalty is best achieved by creating quasi-personal relations between the consumer and the brand.[50] Consumer loyalty should be based on a strong emotional attachment,

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[43] *See, e.g.*, ROBERTS, *supra* note 40, at 35–36 (describing brands as "running out of juice").

[44] *See* KLEIN, *supra* note 3, at 12–15 (describing a sharp decline of brand loyalty and the emergence of "brand blindness" in the 1980s and 1990s).

[45] *See, e.g.*, AAKER & JOACHIMSTHALER, *supra* note 14, at 7–11 (suggesting a new strategy for brand management, "brand leadership," with one of the major tasks being to build a clear and elaborate brand identity and personality); JEAN-NOËL KAPFERER, STRATEGIC BRAND MANAGEMENT 42–48 (1992) (developing the concept of "brand identity" with six facets: physique, personality, relationship, culture, reflection, and self-image); SAL RANDAZZO, MYTHMAKING ON MADISON AVENUE 17 (1993) ("The brand's soul is its spiritual center . . . that defines the brand and permeates all other aspects of the brand."); Tom Kelly, *Brand Essence—Making Our Brands Last Longer*, 5 J. BRAND MGMT. 390, 390–91 (1998) (discussing brand "DNA").

[46] *See, e.g.*, Jennifer L. Aaker, *Dimensions of Brand Personality*, 34 J. MARKETING RES. 347, 347–48 (1997) (developing a framework of brand personality dimensions).

[47] KEKI R. BHOTE, BEYOND CUSTOMER SATISFACTION TO CUSTOMER LOYALTY 30–32 (1996).

[48] *See* C.N. Allen, *A Psychology of Motivation for Advertisers*, 25 J. APPLIED PSYCHOL. 378, 383 (1941) (describing the futility of rationalizing an emotional brand choice); Amitai Etzioni, *How Rational We?*, 2 SOC. F. 1, 10 (1987) ("Brand loyalty is another phenomenon that suggests non-rational commitment: people buy products to which they develop a commitment even in face of evidence that the products are no longer the 'best buy.'").

[49] Assaf, *supra* note 8, at 68–69.

[50] MARC GOBÉ, EMOTIONAL BRANDING: THE NEW PARADIGM FOR CONNECTING BRANDS TO PEOPLE xiv–xv, xxvii–xxxii (2001) ("Emotional Branding is the conduit by which people connect subliminally with companies and their products in an emotionally profound way."); DARYL TRAVIS, EMOTIONAL BRANDING: HOW SUCCESSFUL BRANDS GAIN THE IRRATIONAL EDGE 53–54 (2000) ("A transaction is like a one-night stand, and it's never going to be as satisfying or rewarding as falling in love. A transaction makes the cash register ring once. A relationship makes it ring again and again."); Thompson et al., *supra* note 39, at 51 ("Thus, the strategic objective of emotional branding is to forge strong and meaningful affective bonds with consumers.").

preferably feelings of love, towards the brand.[51] Marketing expert Kevin Roberts contends that a consumer's love toward the brand renders loyalty beyond reason.[52] A related vein of marketing research suggests that brand strategists should unearth the values and ideals that consumers strive to fulfill, and then imbue their brand with these values and ideals.[53] The brand should provide the consumer with a means of self-expression, self-identification, and self-actualization; it should serve as a conduit for the consumer to create her own lifestyle.[54]

A relatively recent trend in marketing literature goes so far as to encourage corporations to create "brand cults,"[55] "brand communities,"[56] and "brand religion."[57] Brand cults and brand communities are believed to breed consumer loyalty in its strongest form, to inspire religious-like devotion.[58]

Corresponding studies in the field of consumer research demonstrate that marketing experts were not unsuccessful in their missions. People can recognize "brand personalities": they attribute values and ideals to commercial products represented by brands.[59] Thus, a soft drink can represent noble ideals such as tolerance and open-mindedness.[60] Brands are believed to have traits and character, distinct from those of the corporate management; brand devotees sometimes even complain that the corporation does not have a proper understanding of its own brand.[61]

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[51] ROBERTS, *supra* note 40, at 56–57 ("I became convinced that only an emotion like Love could power the next evolution of branding."); TRAVIS, *supra* note 50, at 53–54.

[52] ROBERTS, *supra* note 40, at 66.

[53] DOUGLAS B. HOLT, HOW BRANDS BECOME ICONS: THE PRINCIPLES OF CULTURAL BRANDING 3–4 (2004) ("Acting as vessels of self-expression, the brands are imbued with stories that consumers find valuable in constructing their identities."); Holt, *supra* note 39, at 80 ("One of the first branding gurus, Earnest Elmo Calkins, developed the idea that manufacturers should strive to position their brands as concrete expressions of valued social and moral ideals.").

[54] *See, e.g.*, HOLT, *supra* note 53, at 3–4; Ian Phau & Kong Cheen Lau, *Conceptualizing Brand Personality: A Review and Research Propositions*, 9 J. TARGETING, MEASUREMENT & ANALYSIS FOR MARKETING 52, 52 (2000) ("Brands are perceived to possess a personality that consumers use as an avenue for self-expression . . . ."); Thompson et al., *supra* note 39, at 51 ("[B]rand strategists should focus on telling stories that inspire and captivate consumers. These stories must demonstrate a genuine understanding of consumers' lifestyles, dreams, and goals and compellingly represent how the brand can enrich their lives.").

[55] DOUGLAS ATKIN, THE CULTING OF BRANDS 106–10 (2004).

[56] *Id.* at 58; James H. McAlexander et al., *Building Brand Community*, 66 J. MARKETING 38, 38 (2002).

[57] KUNDE, *supra* note 14, at 47–95.

[58] ATKIN, *supra* note 55, at 67–73; McAlexander et al., *supra* note 56, at 43–51; Albert M. Muñiz, Jr. & Thomas C. O'Guinn, *Brand Community*, 27 J. CONSUMER RES. 412, 427 (2001).

[59] ATKIN, *supra* note 55, at 106–10 (describing an experiment in which people were divided into groups according to their favorite brands of soft drinks and asked to write manifestos for their brands; the manifestos clearly articulated a well-differentiated worldview for the brands).

[60] *Id.* at 108 (noting that SoBe drinkers mentioned these ideals as part of the value system of the brand).

[61] Muñiz & O'Guinn, *supra* note 58, at 424 (noting that members of the Saab and Apple brand communities "often feel that they have a better understanding of the brand than the manufacturer does"). For a most extreme example of this phenomenon, see Albert M. Muñiz, Jr. & Hope Jensen

Research shows that brands can serve as viable relationship partners for consumers. Relations between consumers and brands are characterized in terms of intimacy, interdependence, commitment, love, and passion.[62]

Several studies confirm that consumers incorporate brands into their lives as tools for shaping and expressing their own identities, and for perceiving the identities of others.[63] Some brands even serve as objects of cults and rituals, and their followers form "brand communities"; Apple, Saab, Bronco, and Harley-Davidson are the most prominent examples.[64] Mac users and Saab drivers regard brand community members who switch brands as having "betrayed the brotherhood."[65] The Harley-Davidson brand has been described as being so powerful as to be "in effect, a religious icon around which an entire ideology of consumption is articulated."[66] Many Harley-Davidson devotees even tattoo the revered logo onto their bodies.[67]

As this Article proceeds, the term "brand fetishism" will be used to signify the phenomenon described above: brand fetishism refers to the trend of accepting brands as spiritual beings, which can possess personalities and human characteristics, embed ideals and values, serve as

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Schau, *Religiosity in the Abandoned Apple Newton Brand Community*, 31 J. CONSUMER RES. 737 (2005) (exploring a brand community centered on the Apple Newton, a product that was abandoned by its manufacturer).

[62] Noël Albert et al., *When Consumers Love Their Brands: Exploring the Concept and Its Dimensions*, 61 J. BUS. RES. 1062, 1063 (2008) (detailing empirical research which examines the feelings of love toward brands); Susan Fournier, *Consumers and Their Brands: Developing Relationship Theory in Consumer Research*, 24 J. CONSUMER RES. 343 (1998) (describing an empirical and theoretical study developing a comprehensive framework for characterizing consumer-brand relationships).

[63] Russell W. Belk et al., *The Sacred and the Profane in Consumer Behavior: Theodicy on the Odyssey*, 16 J. CONSUMER RES. 1, 15 (1989) (noting that Chevrolet devotees characterize themselves as "Chevy people," as opposed to "Ford" people); Muñiz & O'Guinn, *supra* note 58, at 420, 423 (describing how Macintosh users feel superior to the "IBM herd"); Ronald W. Pimentel & Kristy E. Reynolds, *A Model for Consumer Devotion: Affective Commitment with Proactive Sustaining Behaviors*, ACAD. MARKETING SCI. REV., 2004, at 1, 24, *available at* http://www.amsreview.org/articles/pimentel05-2004.pdf ("[C]onsumers report that their own values are similar to the perceived values of the brand . . . .").

[64] Søren Askegaard, *Brands as a Global Ideoscape*, *in* BRAND CULTURE 91, 94–96 (Jonathan E. Schroeder & Miriam Salzer-Mörling eds., 2006) (discussing brand communities, noting that brands are taking on religious dimensions); Jonathan M.T. Balmer, *Corporate Brand Cultures and Communities*, *in* BRAND CULTURE, *supra*, at 34, 39 (asserting that brand communities are similar to faith groups); Robert V. Kozinets, *Utopian Enterprise: Articulating the Meanings of* Star Trek'*s Culture of Consumption*, 28 J. CONSUMER RES. 67, 68 (2001) (discussing the Star Trek brand community); McAlexander et al., *supra* note 56, at 38 (describing Jeep and Harley Davidson brand communities); Muñiz & O'Guinn, *supra* note 58, at 412 (describing the brand communities centered around Ford Bronco, Macintosh, and Saab); Muñiz & Schau, *supra* note 61, at 737 (describing the Apple Newton brand community).

[65] Muñiz & O'Guinn, *supra* note 58, at 424–25.

[66] Schouten & McAlexander, *supra* note 4, at 53; *see also* MARTIN LINDSTROM, BUY-OLOGY: TRUTH AND LIES ABOUT WHY WE BUY 123–26 (2008) (describing a brain scan study, which demonstrated that brands such as Coca-Cola, Harley-Davidson, and iPod generate similar emotions to those inspired by religious symbols).

[67] MATT HAIG, BRAND FAILURES 78 (2003).

relationship partners, and provide sources of ritual and community.

C. *Brand Fetishism Deepens*

As time went on, marketing experts came to believe that the emotional dimension of a commodity is not merely an additional feature that differentiates the core product from its counterparts and enhances its value. They came to believe that the emotional dimension is actually more important than the product itself.[68] Marketing literature suggests that in the modern market, products have little material differences;[69] many companies can produce good products,[70] and almost any innovative product has cheaper imitations.[71] Therefore, as marketing experts advise, corporations should move beyond product benefits and think about the meaning system their brands represent.[72] Commodity competition—that is, competition based on material product differences—and price competition are regarded as worst case scenarios for a corporation.[73] The prevalent marketing literature asserts that the only alternative is to build strong brands, brands that offer an opportunity to charge premium prices without offering superior products.[74]

Many successful corporations increasingly view products as means of entering the market of spiritual, symbolic competition.[75] Nike CEO Phil Knight stated:

> For years, we thought of ourselves as a production-oriented company, meaning we put all our emphasis on designing and manufacturing the product. But now we

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[68] GOBÉ, *supra* note 50, at xiv ("I believe that it is the *emotional* aspect of products . . . that will be the key difference between consumers' ultimate choice and the price that they will pay."); KLEIN, *supra* note 3, at 21 ("In the new model . . . the product always takes a back seat to the real product, the brand."); KUNDE, *supra* note 14, at 2–3, 9–10, 48–49 ("Emotional values are replacing physical attributes as the fundamental market influence.").

[69] ATKIN, *supra* note 55, at xii, 96; LINDSTROM, *supra* note 66, at 122 ("Once, when visiting a factory in China, I discovered that the factory tables were packed with one brand of clothing in the morning, another brand in the afternoon. The only difference: the cotton logo, which, as a finishing touch, workers placed carefully on each shirt, sweater, and hoodie, creating the sole, and staggering, price differential between branded shirts and unbranded ones.").

[70] KUNDE, *supra* note 14, at 109.

[71] ATKIN, *supra* note 55, at 96.

[72] *Id.* at 119; KUNDE, *supra* note 14, at 130.

[73] AAKER & JOACHIMSTHALER, *supra* note 14, at 14–16 (suggesting that the only option for a corporation in the face of price competition is to build brands); KLEIN, *supra* note 3, at 14 (describing the annual meeting of the U.S. Association of National Advertisers in 1988, during which the chairman berated the assembled executives for stopping to participate in "a commodity marketplace" rather than an image-based one); ROBERTS, *supra* note 40, at 29–30 ("For anyone in business, the rapid cycling of their valued products into generic stuff is a dark and constant fear.").

[74] AAKER & JOACHIMSTHALER, *supra* note 14, at 14–16; ATKIN, *supra* note 55, at 109–10 (arguing that brands can be "an opportunity to charge a premium without relying on the vicissitudes of product superiority").

[75] *See* ATKIN, *supra* note 55, at 96 (discussing how corporations build meaning around their brands).

> understand that the most important thing we do is market the product. We've come around to saying that Nike is a marketing-oriented company, and the product is our most important marketing tool.[76]

Marketing consultant Douglas Atkin explains that every company has the opportunity to gain strong brand loyalty, even if its product is not especially competitive—"just remember that emotional attachment trumps rational analysis."[77] The success of the iPod can illustrate this argument. When designing the iPod, Apple merely replicated already-existing technology, but its very successful marketing campaign led Apple to market dominance, while the pioneering companies have faded into oblivion.[78]

To a certain extent, we already live in a symbolic economy, where the illusory spirit of the brand is valued higher than the physical products. Strong brands are often valued at many times above the book value of the corporations that own them.[79] Many successful corporations, such as Tommy Hilfiger and Nike, largely leave the task of manufacturing products to other companies, and concentrate all their efforts on the most important task—creating and maintaining strong brands.[80] As Naomi Klein notes,

> Tommy Hilfiger . . . is less in the business of manufacturing clothes than he is in the business of signing his name. The company is run entirely through licensing agreements, with Hilfiger commissioning all its products from a group of other companies: Jockey International makes Hilfiger underwear, Pepe Jeans London makes Hilfiger jeans, Oxford Industries make Tommy shirts, the Stride Rite Corporation makes its footwear. What does Tommy Hilfiger manufacture? Nothing at all.[81]

Often the reality behind the brand is less important than the illusory world it embodies. For example, the Volvo brand may connote Sweden, though Volvo cars are exclusively manufactured by the American company, Ford.[82] Ben & Jerry's ice cream may suggest environmental and

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[76] BARBER, *supra* note 38, at 179.

[77] ATKIN, *supra* note 55, at 202; *see also* KUNDE, *supra* note 14, at 52 (making a similar argument).

[78] Ivan Abel, *From Technology Imitation to Market Dominance: The Case of iPod*, 18 COMPETITIVENESS REV. 257, 263–64 (2008).

[79] AAKER & JOACHIMSTHALER, *supra* note 14, at 18 (noting that BMW, Nike, Apple, and IKEA were found to have brand value over seventy-five percent of the firm's market value); Balmer, *supra* note 64, at 38 (stating that, at the time of its buyout by Philip Morris, the Kraft mark was valued at six times more than the book value of the company that owned it); Magid et al., *supra* note 13, at 8–9 (noting that over ninety percent of the value of the Coca-Cola Company is attributed to its marks).

[80] ATKIN, *supra* note 55, at 96, 119; KLEIN, *supra* note 3, at 24.

[81] KLEIN, *supra* note 3, at 28.

[82] Balmer, *supra* note 64, at 41–45.

ethical values, though the company was acquired by the Unilever conglomerate, which does not have a strong pedigree in environmental or ethical concerns.[83]

The symbolic dimension of consumption is growing ever more important. It is ever easier to indicate the brand of one's clothing, footwear, cars, drinks, etc. Products and brands sometimes even change roles. For instance, several clothing industry brands have increased the size of their labels exponentially; likewise, labels have migrated from their original inconspicuous location inside the collar to the outside of the garment, exposed to all and sundry.[84] Brands, once merely a symbolic extension of products, become in such cases the essence, and the products become secondary, material extensions of the brands.[85] Rather than identifying the product, conspicuously displayed brands have come to identify the consumer herself.[86]

Two additional phenomena constitute an integral part of the tendency toward brand fetishism: brand extensions and brand merchandising. These phenomena will be discussed in the following two sections.

D. *Brand Extensions*

Corporations have long recognized that strong brands provide an opportunity for "extension": a brand's reputation can be exploited to launch new products. The stronger brands became, the more corporations were tempted to extend them. By the 1980s, when corporations began imbuing brands with personalities and souls,[87] brand extensions turned into a guiding business strategy. Over half of the new products introduced in that decade were extensions of existing brands.[88] Since then, a growing body of marketing literature has emerged, trying to explore the enigma of successful brand extensions.[89] If successful, a brand extension results not only in profits gained from the new product; it also enhances the value of

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[83] *Id*. at 45. Unilever is a multi-national conglomerate that owns a great number of brands in various product fields, including Knorr, Lipton, Dove, Axe, and many others. *Our Brands*, UNILEVER, http://www.unilever.com/brands/?WT.GNAV=Our_brands (last visited Sept. 25, 2010).

[84] KLEIN, *supra* note 3, at 28.

[85] BARBER, *supra* note 38, at 178–79; KLEIN, *supra* note 3, at 28; KUNDE, *supra* note 14, at 102; Askegaard, *supra* note 64, at 100.

[86] BARBER, *supra* note 38, at 194, 198; HOLT, *supra* note 53, at 3–4; Muñiz & O'Guinn, *supra* note 58, at 420.

[87] *See supra* Part II.B.

[88] Barbara Loken & Deborah Roedder John, *Diluting Brand Beliefs: When Do Brand Extensions Have a Negative Impact?*, 57 J. MARKETING 71, 71 (1993); Dennis A. Pitta & Lea Prevel Katsanis, *Understanding Brand Equity for Successful Brand Extension*, 12 J. CONSUMER MARKETING 51, 51 (1995).

[89] *See infra* notes 92–95.

the core brand.[90] A poor brand extension, however, will not only decrease demand for the new product, but can also dilute and damage the core brand.[91]

During the 1980s and the early 1990s, researchers held a rather straightforward view of extensions: the greater the similarity between the core product of the brand and the newly-introduced product, the more likely the extension is to succeed.[92] This seems to be intuitive. The more similar the products, the more the consumer is likely to assume that the skill that stands behind the core product can be successfully applied to the new one.

But, this approach hardly serves to explain reality, in which the extension of the Virgin brand from music to airlines and cola succeeded, whereas the extension of the Cadillac brand to a less expensive "Cimarron" car model failed.[93] Hence, marketing studies have attempted to provide additional insights into the mysterious terrain of brand extensions. A new strand of research draws upon Murphy and Medin's theory on categorization thought[94] as a framework for evaluating brand extensions.[95]

According to this theory, people associate objects by categories. A category is based on a mental concept that can be something other than object similarity. Therefore, a mental category can tie together seemingly dissimilar objects.[96] Applying this theory to the field of brand extensions, researchers concluded that what is most important for a successful extension is to understand the concept of the brand in the consumer's mind—the extension should accord with this concept.[97] Empirical

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[90] David A. Aaker & Kevin Lane Keller, *Consumer Evaluations of Brand Extensions*, 54 J. MARKETING 27, 27 (1990); Lorraine Sunde & Roderick J. Brodie, *Consumer Evaluations of Brand Extensions: Further Empirical Results*, 10 INT'L J. RES. MARKETING 47, 53 (1993).

[91] Loken & John, *supra* note 88, at 71; C. Whan Park et al., *The Effects of Direct and Associative Brand Extension Strategies on Consumer Response to Brand Extensions*, 20 ADVANCES IN CONSUMER RES. 28, 28–30 (1993).

[92] Aaker & Keller, *supra* note 90, at 27; David M. Boush & Barbara Loken, *A Process-Tracing Study of Brand Extension Evaluation*, 28 J. MARKETING RES. 16, 16 (1991); David M. Boush et al., Consumer Behavior Seminar, Univ. of Minn., *Affect Generalization to Similar and Dissimilar Brand Extensions*, 4 PSYCHOL. & MARKETING 225, 226 (1987).

[93] Pitta & Katsanis, *supra* note 88, at 51 ("While the Cimarron was not actually a failure it did cast a shadow on the core product. The model was popular in a market segment which could not afford luxury sized Cadillacs. Owners of luxury sized models lost their sense of the car's exclusivity.").

[94] Gregory L. Murphy & Douglas L. Medin, *The Role of Theories in Conceptual Coherence*, 92 PSYCHOL. REV. 289, 291–97 (1985).

[95] Subodh Bhat & Srinivas K. Reddy, *Investigating the Dimensions of the Fit Between a Brand and Its Extension*, *in* MARKETING THEORY AND APPLICATIONS, PROC. OF THE AM. MARKETING ASS'N WINTER EDUCATORS' CONF. 186 (Debbie Thorne LeClair & Michael Hartline eds., 1997); Broniarczyk & Alba, *supra* note 16, at 215–16; Park et al., *supra* note 14, at 186.

[96] Murphy & Medin, *supra* note 94, at 289.

[97] *See, e.g.*, Aaker & Keller, *supra* note 90, at 29 ("[T]he transfer of the perceived quality of a brand will be enhanced when the two product classes in some way fit together."); Bhat & Reddy, *supra* note 95, at 186 ("Consumers' view of a brand as a mental category and how this view affects extension evaluation seems to be, by far, the most popular explanatory framework used by extension

evidence shows that brand associations are a more influential factor for a successful extension than product similarity.[98] An illustrative example is the failed attempt to extend the Heinz brand to cleaning vinegar.[99] While the company already produced and sold vinegar, consumers perceived the Heinz brand as a brand of a food manufacturer and refused to accept its extension to a non-edible cleaning product.[100]

Studies suggest a distinction between "prestige brands" and "functional brands." While functional brands are perceived in terms of product performance aspects, prestige brands are primarily perceived in terms of image.[101] People employ different concepts when categorizing prestige brands and functional brands: though they readily identify common associations behind prestige brands of very different products, such as Mercedes and Lenox, they are not able to find any concept uniting functional brands of dissimilar products, such as Sony and Xerox.[102] In the same vein, Benjamin Barber argues that Nike today competes with Disney rather than with Reebok.[103]

Consequently, it was found that extensions of different brands are evaluated differently by consumers, depending on the concept behind the brand. The more generic a brand concept is, the more extendible it is, and the less it is tied to a physical product.[104] Brands closely tied to a product category, such as Campbell's Soup, A-1 Steak Sauce, Kleenex, Clorox Bleach, or Chiquita, cannot be extended too far.[105] For instance, Chiquita's attempts to extend from bananas to juices failed twice.[106] By contrast, consumers readily accept extensions of a prestige brand into very distant fields.[107] Brands with high imaginary content, such as Harley-Davidson, Jaguar, Armani, and Virgin, are not restrained by product categories.[108] Thus, Harley-Davidson now sells sunglasses, hair accessories, and underwear; Jaguar markets perfume, lipstick, and body lotion; Armani has been extended from clothes to sunglasses, watches, jewelry, fragrance, and

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researchers."); Park et al., *supra* note 14, at 185 (presenting a study that examines the differences between successful and unsuccessful brand extensions).

[98] *See* Broniarczyk & Alba, *supra* note 16, at 226–27 (examining the results of a study that shows the importance of brand association versus category similiarity); Glynn & Brodie, *supra* note 16, at 509 (describing the replication of the Broniarczyk & Alba study with supporting results).

[99] HAIG, *supra* note 67, at 87–89.

[100] *Id.*

[101] Park et al., *supra* note 14, at 186.

[102] *Id.* at 192.

[103] BARBER, *supra* note 38, at 178.

[104] AAKER & JOACHIMSTHALER, *supra* note 14, at 154–55; KUNDE, *supra* note 14, at 81; Park et al., *supra* note 14, at 186.

[105] AAKER & JOACHIMSTHALER, *supra* note 14, at 154–55; KUNDE, *supra* note 14, at 81; Park et al., *supra* note 14, at 186.

[106] HAIG, *supra* note 67, at 103–05.

[107] AAKER & JOACHIMSTHALER, *supra* note 14, at 154–55; Broniarczyk & Alba, *supra* note 16, at 221–23; Glynn & Brodie, *supra* note 16, at 509.

[108] KUNDE, *supra* note 14, at 19.

even televisions; and Virgin has been extended from music to airlines, soft drinks, vodka, credit cards, and mobile phones.[109]

Sometimes a brand is evaluated differently by different consumers. Consumers who have a "functional relationship" with a brand, that is, perceive it merely as a carrier of product information, respond more negatively to brand extensions than consumers who have an "emotional relationship" with the brand.[110]

Ironically, trademarks with a high informative, product-related content are therefore less profitable in the current market economy.[111] To be a leader brand is to communicate spirit and soul, rather than product-related skill and expertise. Just as under the reign of the advanced commodity fetishism, trademarks ceased to identify the physical origin of manufacture and started indicating a single, albeit anonymous source in the era of brand fetishism, the most successful trademarks no longer connote product information, but a "distinct, albeit abstract, set of associations."[112]

What is more interesting, however, is that to achieve the status of a leading brand, extensions are no longer an option but a necessity. If a brand sticks to one product category, it is likely to become a functional brand, no matter how much marketing was employed to create its spirit. Restriction to one product category may reduce the meaning of the brand to a simple identification of commodities. Analyzing Levi's decreasing market share, Jennifer Steinhauser notes: "Maybe one of Levi's problems is that it has no cola. It has no denim-toned house paint. Levi makes what is essentially a commodity: blue jeans. Its ads may evoke rugged outdoorsmanship, but Levi hasn't promoted any particular life style to sell other products."[113] Brand extensions are indispensable to ensure that the brand conveys a larger concept than mere physical products—a concept that can be applied to diverse product areas. A brand extension demonstrates that the brand can detach from its specific product area and operate as an independent entity.

E. *Brand Merchandising*

Merchandising is the practice of licensing trademarks to be printed as decorative elements on T-shirts, posters, cups, and the like. Astronomical sums are paid in merchandising agreements solely for the right to stamp

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[109] Christina Binkley, *Like Our Sunglasses? Try Our Vodka! Brand Extensions Get Weirder, Risking Customer Confusion*, WALL ST. J., Nov. 8, 2007, at D1.

[110] AAKER & JOACHIMSTHALER, *supra* note 14, at 155.

[111] *Id.* at 154; *see also* KUNDE, *supra* note 14, at 63 (asserting that once a "Brand Religion" is created, the company can sell all sorts of products under its unified umbrella).

[112] Peter A. Dacin & Daniel C. Smith, *The Effect of Brand Portfolio Characteristics on Consumer Evaluations of Brand Extensions*, 31 J. MARKETING RES. 229, 231 (1994).

[113] Jennifer Steinhauer, *Design for Living; That's Not a Skim Latte. It's a Way of Life*, N.Y. TIMES, Mar. 21, 1999, at 5.

the brand name or logo on such goods.[114] Royalties from merchandising licenses sometimes even exceed the income from the company's sales.[115]

Brand merchandising is connected to the trend whereby brands are becoming more easily recognizable. Brand merchandise, however, is more than that; drinking a Coke or riding a Harley-Davidson motorcycle certainly has a symbolic dimension. Hanging a Coca-Cola poster in one's bedroom or wearing a Harley-Davidson T-shirt, however, has *only* a symbolic dimension. Such activities demonstrate that some consumers have largely internalized the idea of brands as independent spiritual beings which can be liberated from any connection with material goods. By wearing a brand T-shirt or hanging a brand poster, the consumer admits that he or she is no longer concerned with the product that the brand sells. In buying brand merchandising, he or she evokes the brand's spirit without any product-related substance.

This is not to say, however, that such a consumer will not purchase the core products of the brand; the converse is true. In his classic book, David A. Aaker describes five levels of brand loyalty, the highest level being "committed consumer."[116] The ultimate "committed customer" is "the Harley-Davidson rider who wears the Harley symbol as a tattoo."[117] Pimentel and Reynolds further suggest that "[t]he devoted consumer will display the brand logo on items from product categories different from that of the branded product, such as the logo of an automobile company on a T-shirt. They will seek opportunities to acquire and exhibit the logo—not necessarily in connection with consuming the product."[118]

Marketing literature regards consumers who buy brand merchandise as consumers who have reached the highest level of devotion to the brand, comparable to religious fervor.[119] They feel attached to the brand and share its values so intensely that they are likely to remain loyal even in cases of poor product performance, scandal, bad publicity, and high prices.[120]

Anthropological research provides additional insights to consumer behavior that explain why unconditional brand loyalty and the purchase of brand merchandise can be interconnected. Social psychologists have

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[114] *See, e.g.*, KUNDE, *supra* note 14, at 19 (noting that in 1994, Harley Davidson earned $256.5 million from merchandising license agreements).

[115] *Id.* at 93–94 ("[T]here is far more money to be made in merchandising sales [of the Hard Rock Café] than in restaurant services.").

[116] DAVID A. AAKER, MANAGING BRAND EQUITY: CAPITALIZING ON THE VALUE OF A BRAND NAME 39–41 (1991).

[117] *Id.* at 41.

[118] Pimentel & Reynolds, *supra* note 63, at 1; *see also* Kozinets, *supra* note 64, at 75–76 (noting that in a meeting of the Star Trek brand community, the members discussed whether they should be required to wear Star Trek uniforms to the community's social functions).

[119] *See* Pimentel & Reynolds, *supra* note 63, at 1 (referring to brands that may take on aspects of the "sacred").

[120] *Id.*

shown that "behavior can impact attitudes, opinions, and beliefs."[121] This can happen partly because we learn about ourselves by observing our own behavior (self-perception process). It also can happen partly because, in trying to avoid psychological discomfort arising from behavior inconsistent with our attitudes, we are likely to change these attitudes (through the process of "cognitive dissonance").[122] In this way, rituals maintain and even create religious beliefs: since ritual performance is associated with these beliefs, self-perception or cognitive dissonance processes will cause non-believers to start believing and will strengthen the devotion of believers. Research has shown that commitment to a religious group typically increases after some anticipated event, like prophecy, fails to occur. To reconcile their behavior—performing religious rituals—with the new, seemingly contradictory, information, adherents claim greater belief and pursue the rituals with new passion.[123]

Brand merchandise functions much in the same way as that of a religious ritual in its reinforcement of core beliefs. The act of buying and displaying brand merchandise strengthens brand loyalty, making it more difficult for the consumer to challenge his or her attitude in the future. Consumers are thus likely to remain loyal even when the brand could otherwise have disappointed them.

F. *An Intermediate Conclusion*

This first Part has demonstrated that to a certain extent, marketing experts have succeeded in disseminating brand fetishism. Conspicuously displayed brands reveal that a brand sometimes triumphs over its product-carrier. Brand extensions into dissimilar product categories further show that today's leading brands are often perceived in terms of abstract images rather than in terms of product-related expertise. Consumers easily accept the ability of these brands to be detached from their primary product field and function as entities in their own right. Brand merchandising reveals that some brands serve as objects of religious-like devotion. At the same time, all of these phenomena are vital in maintaining and reinforcing brand fetishism.

III. TRADEMARK LAW AND BRAND FETISHISM

A. *Setting the Scene*

Trademark law is built upon premises radically inconsistent with brand

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[121] Richard Sosis, *Why Aren't We All Hutterites? Costly Signaling Theory and Religious Behavior*, 14 HUM. NATURE 91, 97 (2003).

[122] *Id.* at 97–98.

[123] *Id.*

fetishism. In the legal world, trademarks are informational devices.[124] They serve as efficient means of communicating information about the source and quality of goods in an increasingly complex modern market.[125] The central economic justification for trademark protection is the "search costs" rationale—trademarks reduce consumer search costs, thus promoting overall economic efficiency.[126] At the same time, trademarks allow their owners to benefit from the reputation of their goods, thus encouraging investment in the quality of these goods.[127]

Underlying trademark law is the assumption that a trademark has no value in itself. Its only significance lies in the goodwill it represents, i.e., a reputation for product quality.[128] Consequently, one of the basic principles of trademark law is that a trademark is not a taboo—not every reproduction of a trademark is forbidden. A trademark is infringed only if the unauthorized use is likely to confuse the consumer.[129] Viewed in this light, trademark protection does not require firm justification. In contrast to other intellectual property rights which impose high costs on society by temporarily hampering competition, such as patent rights or copyrights, trademark law contributes to market efficiency and imposes relatively few

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[124] *See, e.g.*, Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 770–71 (1992) ("[T]he legal recognition of an inherently distinctive trademark or trade dress acknowledges the owner's legitimate proprietary interest in its unique and valuable informational device . . . ."); William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1987) ("[A] trademark conveys information that allows the consumer to say to himself, 'I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier.'").

[125] *See, e.g.*, RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995) (defining a trademark as a "word, name, symbol, device, or other designation . . . used in a manner that identifies . . . goods or services and distinguishes them from the goods or services of others"); Benjamin G. Paster, *Trademarks—Their Early History*, 59 TRADEMARK REP. 551, 551–52 (1969) (arguing that in the increasingly complex commercial reality, trademarks became necessary tools used to identify the producers of the various products).

[126] *See, e.g.*, Ty Inc. v. Perryman, 306 F.3d 509, 510 (7th Cir. 2002) ("The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of the particular source of particular goods."); MCCARTHY, *supra* note 31, § 2:5 ("The point is that trademarks reduce the customer's cost of acquiring information about products and services."); Landes & Posner, *supra* note 124, at 270 ("The value of a trademark is the saving in search costs made possible by the information or reputation that the trademark conveys or embodies about the brand . . . .").

[127] Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 164 (1995) ("[T]rademark] law helps assure a producer that it . . . will reap the financial, reputation-related rewards associated with a desirable product. The law thereby 'encourage[s] the production of quality products' . . . ." (alteration in original)); WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 168, 179 (2003) ("[A] firm with a valuable trademark will be reluctant to lower the quality of its brand . . . . [The] legal protection of trademarks encourages the production of higher-quality products.").

[128] Coca-Cola Bottling Co. v. Coca-Cola Co., 269 F. 796, 806 (D. Del. 1920) (explaining that the "trade-mark is the expression . . . of part or all of the good will of the business . . . . Separate from the good will of the business it identifies, [the trademark] is useless, valueless"); MCCARTHY, *supra* note 31, § 2:15.

[129] Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924) ("When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo."); MCCARTHY, *supra* note 31, § 24:11.

costs.[130]

Trademark law is based on the premise that a trademark is merely a name or signifier, whereas the substance is the product associated with the mark. Brand fetishism, however, assumes the opposite: consumers should be trained to perceive trademarks as entities with independent value.[131] Whereas trademark law is premised on competition for the quality and prices of goods, modern marketing literature advises corporations to avoid this kind of competition.[132] Whereas trademark law encourages corporations to invest in product quality, marketing experts instead advise corporations to focus on creating strong brands.[133] This dichotomy raises a critical question: how should trademark law react to this new commercial reality?

The trend toward brand fetishism began in the 1920s, when corporations started shifting their resources from production of goods to establishing strong brands through marketing. In 1927, Frank Schechter published one of the most famous and influential articles on trademark law, *The Rational Basis of Trademark Protection*, which argued that trademarks can no longer be regarded merely as the visible manifestation of the business goodwill.[134] Schechter advocated that the value of a trademark lies not only in the quality of goods it represents, but also in its selling power and its psychological hold upon the public.[135] He concluded that the preservation of this value should constitute the only rational basis for trademark protection.[136]

Schechter's article was written when enthusiasm for psychological advertising and other brand strategies was high.[137] The article implicitly assumed that trademark law should reflect commercial reality: components that comprise the value of a trademark should be protected. As trademarks move away from their primary function and become objects of fetish,

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130 Nicola Bottero et al., *The Extended Protection of "Strong" Trademarks*, 11 MARQ. INTELL. PROP. L. REV. 265, 267 (2007) ("[W]hile other intellectual property rights . . . provide a mix of static costs and dynamic benefits . . . very few costs and no deadweight losses whatsoever are associated with trademark protection."); Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1227 (2007) ("Trademark law . . . represents an affirmation of, rather than a departure from, the competitive model that drives the United States economy. It is in this respect distinct from the rest of intellectual property (IP) law, which departs from the competitive norm in order to encourage investment in invention and creation.").

131 *See supra* Part II.B.

132 *See supra* Part II.B.

133 *See supra* Part II.B.

134 Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 818 (1927).

135 *Id.* at 831.

136 *Id.*

137 Robert G. Bone, *A Skeptical View of the Trademark Dilution Revision Act*, 11 INTELL. PROP. L. BULL. 187, 192 (2007).

scholars increasingly doubt this assumption.[138] Nevertheless, Schechter's view remains quite popular to this day; many scholars believe that as long as trademark owners invest vast resources in creating valuable brand personalities, their investment should be protected.[139]

This approach, however, is circular, as brand personality would have no economic value were it not legally protected.[140] If everyone could make unauthorized use of the spiritual dimension of another's trademark, trademark owners could not internalize their investment in these dimensions. Consequently, they would not have sufficient economic incentives to build up brands with personalities and souls. The fact that corporations expend energy in creating spiritual dimensions to their trademarks should lead us to assume that these dimensions most probably enjoy legal protection.

In the 1930s, the "anonymous source theory" and the "quality theory" of trademark law detached the trademark from the physical origin of goods, thereby advancing "commodity fetishism" to new heights.[141] Much in the same way, we must expect that given the modern reality of brand fetishism, this practice must enjoy legal support. Part IV below will expose the mechanisms in modern trademark law that result in the protection of spiritual dimensions of brands—and support brand fetishism. But first, the next section will examine whether trademark law may have good reasons to discourage brand fetishism.

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[138] *See, e.g.*, *id.* ("The normative question, however, is why the law *should* protect a mark's grip on consumers when that grip is due to factors other than information about the quality of the product . . . ."); Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or* Fait Accompli*?*, 54 EMORY L.J. 461, 484–85 (2005) (asserting that trademarks should not be protected against unauthorized use on merchandising, as "[t]he investment at issue in these cases is *not* investment in the quality of the underlying product . . . but investment in merchandising the brand itself").

[139] *See, e.g.*, MCCARTHY, *supra* note 31, § 24:121 (noting that on the question of how to quantify dilution damages, "a marketing or advertising expert could testify that in her opinion, the famous mark will in fact lose some of its selling power"); Kristine M. Boylan, *The Corporate Right of Publicity in Federal Dilution Legislation Part II*, 82 J. PAT. & TRADEMARK OFF. SOC'Y 5, 31–32 (2000) (suggesting that trademarks should be granted protection akin to the right of publicity); Magid et al., *supra* note 13, at 32 ("Decreased brand image should be the focus of determining whether, and the extent to which, a trademark risks dilution."); Ellen P. Winner, *Right of Identity: Right of Publicity and Protection for a Trademark's "Persona,"* 71 TRADEMARK REP. 193, 196–97 (1981) (suggesting that trademarks should be granted protection akin to the right of publicity).

[140] *See* Felix S. Cohen, *Transcendental Nonsense and the Functional Approach*, 35 COLUM. L. REV. 809, 815 (1935) ("The vicious circle inherent in this reasoning is plain. It purports to base legal protection upon economic value, when, as a matter of actual fact, the economic value of a sales device depends upon the extent to which it will be legally protected."); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1709 (1999) ("[I]t does not follow that because something is valuable it must be owned."); *see also* Assaf, *supra* note 8, at 75 ("It cannot be argued that the property right of the trademark owner is the right to protect the economic value of the trademark, since its value is the outcome of the legal protection.").

[141] *See supra* Part II.A.

B. *Why Should Brand Fetishism Be Discouraged?*

The most compelling argument in favor of protecting brand personalities was articulated by Jay Dratler:

> The free-market philosophy that undergirds all economic law in the United States is based upon consumers' sovereignty and free choice. Under the famous "nondiscrimination" principle . . . consumers' free choice in the marketplace, not the predilections of any elite . . . determines the value of products and services for purposes of economic law, including trade symbol law. Widespread use of trade symbols as general "brand" identifiers, rather than as markers of particular products or services . . . appears to have been beneficial . . . to consumers . . . .[142]

Put differently, although trademark law was initially intended to protect consumer choices based on quality and price, if today's consumer prefers to buy brand personalities rather than products, this is what the market should deliver.

This approach reveals a major tension characterizing the current discourse on trademarks: the relationship between commercial reality and legal doctrines. It is a truism that the legal system should react to commercial reality. The question, however, is *how* it should react. Traditional economic analysis of trademark law perceives the consumer as a rational being seeking to satisfy his or her preferences and using trademarks as means of reducing her search costs.[143] At the same time, marketing experts actively and systematically undermine the consumer's mechanisms of rational thought. They openly admit that marketing is aimed at creating emotional attachments, which ultimately triumph over rational analysis.[144] Eventually, marketing efforts succeed, and turn some brands into tools of psychological influence, so that the brand stimulates the consumer emotionally to buy the product. Then the legal conclusion is that consumers, purchasing branded products without any apparent functional reason, demonstrate that they are interested in brand personalities rather than in products. If so, brand personality is what trademark law should protect. Choosing this approach, trademark law ignores the commercial reality, rather than adjusting itself to it.

The fact that consumer demand exists for brands with strong spiritual dimensions should not necessarily lead one to conclude that consumers are interested in these dimensions. An emotionally attached consumer may be more loyal to a brand than a satisfied consumer, but that certainly does not

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142 JAY DRATLER, LICENSING OF INTELLECTUAL PROPERTY § 11.03 (2008).
143 *See supra* note 126 and accompanying text.
144 *See supra* Part II.C.

mean that consumers wish to become emotionally attached to brands. Marketing experts simply wield certain features of human perception against the consumer.

Empirical evidence shows that some consumers do not purchase brand personalities consciously. Consumers often base their brand loyalty on a perceived high product quality,[145] and sometimes refuse to admit that they are "in love" with a brand, although indirect evidence shows that this is precisely the case.[146] Emotional attachment to the brand positively influences the consumer's evaluation of product quality.[147] For example, in the mid-1990s, Budweiser introduced its "Lizards" ad campaign, which significantly improved the image of the brand. Although the products were not modified, consumers reported that the beer tasted better.[148] On an interpersonal level, feelings of love encourage a biased, positive perception of the relationship partner, rendering comparisons with alternatives difficult. The same is true when the partner is a brand.[149] For example, Coca-Cola consistently fails in blind taste-tests when pitted against other soda brands, and yet its loyal customers persist in their belief that Coca-Cola tastes the best.[150] Similarly, experiments demonstrate that people rate the taste of beer and cigarettes much lower when they do not realize that they are exposed to their favorite brand.[151]

Since emotional attachments to brands produce misperceptions of product quality, it cannot be said that all consumers, who are loyal to a certain brand in spite of lack of substantial quality advantages, consciously purchase the spiritual dimensions of these brands. Many consumers are not interested in a love affair with a brand. As Benjamin R. Barber notes,

> [m]arketing . . . hijacks authentic emotions and sentiments

[145] Fournier, *supra* note 62, at 365 ("At the core, all strong brand relationships were rooted in beliefs about superior product performance. Beliefs in the utilitarian functioning of the brand were sometimes bolstered by performance myths . . . that marked the brand as superior and irreplaceable and thus resistant to competitive attack."); *see also* MCCARTHY, *supra* note 31, § 3:4 (discussing brain scan studies with Coca-Cola and Pepsi-Cola, in which brand loyalty was found to override the original taste preferences of loyal consumers); Swann, *supra* note 8, at 948 ("When queried about why they buy brands such as Coca-Cola . . . or Mercedes-Benz, consumer responses typically reflect little insight into the appeal of brands. 'Coca-Cola tastes better than Pepsi,' some will argue. . . . 'Mercedes-Benz is an incredibly well-engineered car; it will last forever.' These reasons may or may not be true, but few consumers can reliably distinguish between brands of soft drinks, and most consumers in the United States keep their cars for only a few short years.").

[146] Albert et al., *supra* note 62, at 1074 ("[T]he word 'love' is explicitly employed in the U.S. (declaration of love) whereas French consumers rather use 'adore' or 'like' when talking about the loved brand.").

[147] Fournier, *supra* note 62, at 365 ("The intimacy [in consumer-brand relations] supports stability through biased perceptions of the partner . . . ."); Swann, *supra* note 8, at 948.

[148] HOLT, *supra* note 53, at 10.

[149] Fournier, *supra* note 62, at 364.

[150] *See supra* note 2; Swann, *supra* note 8, at 948.

[151] OTTO BLUME ET AL., WERBUNG FÜR MARKENARTIKEL 39–40 (1976) (available only in German); Katya Zakharov, *The Scope of Protection of Trademark Image*, 36 INT'L REV. INTELL. PROP. & COMPETITION L. 787, 788 (2005).

> and employs them in wholly instrumental ways to sell products in which neither producers nor consumers otherwise are likely to have much interest and for which in any case there is little inherent demand. . . . Although the marketers . . . are trying to invoke emotions in consumers, they themselves are acting rationally, employing a powerful form of instrumental reason—emotion rationally deployed in the name of profits. The love affair with a brand is the responsibility of the marketing agents and not of the consumer.[152]

The consumer is not perfectly rational. Although no experiments have yet been conducted, I would venture to guess that a great number of consumers would reconsider their brand loyalty if presented with evidence that it does not adequately reflect their taste preferences. Brands often cause consumers to "judge the book by its cover," a behavior many of them would probably regard as irrational. Brands evoking strong emotions hinder sober quality judgments and rational purchasing decisions. This, in turn, distorts market competition. The market currently provides greater incentives to invest in brand personalities than in products, although this does not necessarily reflect consumers' preferences. Many consumers would rather have brands play the role of the name, not the rose—that is, would rather have brands indicate products rather than be the product itself.

Brand fetishism is the market condition under which corporations strive to charge premium prices without offering superior products. It has led the market to an absurd situation, in which competition on product quality and prices—the type of competition that serves the most basic consumer interests—is considered the "worst case scenario."[153] These are good reasons for discouraging brand fetishism. Trademark law should strive to restore "commodity" competition so that it again becomes commonplace. The promotion of this kind of competition is the traditional—and, I believe, the only—rational basis of trademark law.

All this notwithstanding, it is still hardly deniable that a significant number of consumers are quite conscious of the spiritual dimension of brands. Some consumers purchase luxury brands as status symbols. Others engage in brand cults and rituals, thereby explicitly recognizing brands as spiritual beings. It can be argued that although traditional economic rationales do not justify the protection of the spiritual dimensions of brands, these dimensions do fulfill important needs for some consumers and this should provide an alternative basis for their protection.

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[152] BARBER, *supra* note 38, at 182–84, 196–97.
[153] *See supra* note 73 and accompanying text.

This argument will be addressed (and rebutted) below, in Part V. But first, Part IV will survey the various mechanisms within trademark law that support and encourage brand fetishism. Throughout Part IV, it will be assumed that trademark law—if it wishes to remain true to its basic rationales—should discourage brand fetishism.

IV. HOW DOES TRADEMARK LAW SUPPORT BRAND FETISHISM?

The discussion below is divided into three sections, each one analyzing legal rules relevant to a specific (potential) market of a trademark: Part A discusses the primary market of a trademark; Part B analyzes collateral markets; and Part C focuses on merchandising markets.

A. *The Primary Market*

A trademark's "primary market" refers to goods that belong to the trademark owner's primary field of activity, and closely related goods.

1. *The Quality Control Requirement*

Licensing a trademark for use in its primary market is known as "classical licensing."[154] Typically, a company that previously manufactured a particular product and established goodwill in its trademark, "outsources" the task of manufacturing to a licensee, who can perform this task more economically.[155] On the one hand, licensing detaches the trademark from its source, thus necessarily impairing its informative function to a certain extent.[156] On the other hand, the economic benefits of such licensing are obvious, given the advantages of economies of scale, as well as the cheaper human and natural resources available in foreign countries.[157] To ensure that a licensed trademark continues to indicate a consistent quality of goods, the Lanham Act requires the licensor to exercise quality control over the licensee.[158] Licensing without quality control constitutes a so-called "naked license," and results in the loss of trademark rights.[159]

Judicial practice ascribes great importance to the requirement of quality control. A trademark carries with it a message that its owner

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[154] David J. Franklyn, *The Apparent Manufacturer Doctrine, Trademark Licensors and the Third Restatement of Torts*, 49 CASE W. RES. L. REV. 671, 714 (1999) [hereinafter Franklyn, *Apparent Manufacturer*].

[155] David J. Franklyn, *Toward a Coherent Theory of Strict Tort Liability for Trademark Licensors*, 72 S. CAL. L. REV. 1, 12 (1998) [hereinafter Franklyn, *Licensors*].

[156] Lisa H. Johnston, *Drifting Toward Trademark Rights in Gross*, 85 TRADEMARK REP. 19, 25 (1995).

[157] Irene Calboli, *The Sunset of "Quality Control" in Modern Trademark Licensing*, 57 AM. U. L. REV. 341, 348–49 (2007).

[158] MCCARTHY, *supra* note 31, § 18:40; 15 U.S.C. §§ 1055, 1127 (2006).

[159] MCCARTHY, *supra* note 31, § 18:48.

controls the quality of goods sold under the mark's auspices. Without such oversight, the goods sold under the mark are not "genuine."[160] Hence, an uncontrolled license is "inherently deceptive."[161] Quality control, it is commonly said, imposes an affirmative duty upon the trademark owner.[162]

This rhetoric notwithstanding, the quality control requirement has never constituted a serious burden for trademark owners. Throughout the history of the Lanham Act, courts have been extremely reluctant to accept naked license claims.[163] Judges repeatedly hold that claims of naked license face a stringent burden of proof.[164] They eagerly seek evidence of quality control, and seem to be willing to accept any sign of such control.[165] For instance, several courts held that even a minimal control over the licensee can satisfy the requirement of the Lanham Act;[166] others found that reliance on the licensee's own quality control measures,[167] or even reliance on the licensee's general reputation suffices.[168] In a number of decisions, even mere contractual provisions allowing quality control, without any evidence of actual control, were held to fulfill the quality control requirement.[169] Almost every case dealing with an argument of naked license reiterates the strict rhetoric of the quality control

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[160] *Id*.

[161] Barcamerica Int'l USA Trust v. Tyfield Imps., Inc., 289 F.3d 589, 598 (9th Cir. 2002); MCCARTHY, *supra* note 31, § 18:48.

[162] Franchised Stores of N.Y., Inc. v. Winter, 394 F.2d 664, 669 (2d Cir. 1968); Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 366 (2d Cir. 1959); Huntington Nat'l Mattress Co. v. Celanese Corp. of Am., 201 F. Supp. 938, 945 (D. Md. 1962).

[163] Calboli, *supra* note 157, at 365–67 (describing the gradual erosion of the quality control requirement); Rudolph J. Kuss, Comment, *The Naked Licensing Doctrine Exposed: How Courts Interpret the Lanham Act to Require Licensors to Police Their Licensees & Why This Requirement Conflicts With Modern Licensing Realities & the Goals of Trademark Law*, 9 MARQ. INTELL. PROP. L. REV. 361, 371–75 (2005) (arguing that the quality control requirement has always been illusory); Comment, *Trademark Licensing: The Problem of Adequate Control*, 17 DUKE L.J. 875, 898 (1968) ("Judicial reluctance to consider the question of substantial actual control is a distinctive feature of cases decided since the Lanham Act.").

[164] *See, e.g.*, Doeblers' Pa. Hybrids, Inc. v. Doebler, 442 F.3d 812, 824 (3d Cir. 2006); Creative Gifts, Inc. v. UFO, 235 F.3d 540, 548 (10th Cir. 2000); Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1121 (5th Cir. 1991); Am. Foods, Inc. v. Golden Flake, Inc., 312 F.2d 619, 624–25 (5th Cir. 1963).

[165] Elizabeth C. Bannon, *The Growing Risk of Self-Dilution*, 82 TRADEMARK REP. 570, 577–79 (1992); Calboli, *supra* note 157, at 366–67, 370–71.

[166] Ky. Fried Chicken Corp. v. Diversified Packaging Corp., 549 F.2d 368, 387 (5th Cir. 1977); Hurricane Fence Co. v. A-1 Hurricane Fence Co., 468 F. Supp. 975, 989 (S.D. Ala. 1979).

[167] Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1017–18 (9th Cir. 1985), *overruled on other grounds by* Bellevue Manor Assocs. v. United States, 165 F.3d 1249 (9th Cir. 1999); Arner v. Sharper Image Corp., 39 U.S.P.Q.2d (BNA) 1282, 1286 (C.D. Cal. 1995); Printers Servs. Co. v. Bondurant, 20 U.S.P.Q.2d (BNA) 1626, 1631 (C.D. Cal. 1991); Land O'Lakes Creameries, Inc. v. Oconomowoc Canning Co., 221 F. Supp. 576, 581 (E.D. Wis. 1963).

[168] Winnebago Indus., Inc. v. Oliver & Winston, Inc., 207 U.S.P.Q. (BNA) 335, 341 (T.T.A.B. 1980).

[169] Pike v. Ruby Foo's Den, Inc., 232 F.2d 683, 685 (D.C. Cir. 1956); Arthur Murray, Inc. v. Horst, 110 F. Supp. 678, 679–80 (D. Mass. 1953); Ideal Toy Corp. v. Cameo Exclusive Prods., Inc., 170 U.S.P.Q. (BNA) 596, 599 (T.T.A.B. 1971); Wolfies Rest., Inc. v. Lincoln Rest. Corp., 143 U.S.P.Q. (BNA) 310, 311 (N.Y. Sup. Ct. 1964).

requirement,[170] and yet, infrequently is a naked license found as a matter of fact.[171]

This legal situation has come under heavy fire. The few cases finding naked licensing are said to be inconsistent with the general line of court rulings, thus creating an unhealthy state of legal uncertainty.[172] The majority of scholars advocate abandoning the quality control requirement altogether.[173] They argue that the requirement has already become somewhat illusory; its abandonment will simply bring the language of law in line with judicial practice, and will provide greater clarity to trademark owners.[174] Few scholars hold the opposite view, that the quality control requirement should be enforced more vigorously.[175]

Indeed, the quality control requirement in the Lanham Act does not seem to function properly. The flaw lies, in part, in the inadequate mechanism by which the requirement is enforced. No entity has the authority to inspect the quality control measures exercised by a trademark owner.[176] The issue can only be examined within the context of a trademark dispute. One court has even stated explicitly that it had no jurisdiction over the naked license claim without such a dispute.[177]

Most frequently a naked license argument is raised in infringement suits. The alleged infringer argues that she should be exempted from liability, since the trademark owner licensed his mark without proper quality control, thereby losing his rights to the mark.[178] Naturally, courts

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[170] *See, e.g.*, Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 366 (2d Cir. 1959); *Land O'Lakes Creameries, Inc.*, 221 F. Supp. at 581; Huntington Nat'l Mattress Co. v. Celanese Corp. of Am., 201 F. Supp. 938, 945 (D. Md. 1962).

[171] DRATLER, *supra* note 142, § 11.03 ("Courts have actually decreed forfeitures . . . on grounds of naked licensing in only a handful of cases.").

[172] Calboli, *supra* note 157, at 345, 394; Franklyn, *Licensors*, *supra* note 155, at 17–18; Noel Gillespie, *Licensing and the "Related Companies" Doctrine*, 12 J. CONTEMP. LEGAL ISSUES 209, 210 (2001); Kevin Parks, *"Naked" Is Not a Four-Letter Word: Debunking the Myth of the "Quality Control Requirement" in Trademark Licensing*, 82 TRADEMARK REP. 531, 557 (1992).

[173] DRATLER, *supra* note 142, § 11.03; Calboli, *supra* note 157, at 396–400; Gillespie, *supra* note 172, at 210–12; W.J. Keating, *Promotional Trademark Licensing: A Concept Whose Time Has Come*, 89 DICK. L. REV. 363, 365 (1985); Parks, *supra* note 172, at 557; Kuss, *supra* note 163, at 381–82.

[174] Calboli, *supra* note 157, at 397–98; Keating, *supra* note 173, at 378; Parks, *supra* note 172, at 558; Kuss, *supra* note 163, at 371.

[175] MCCARTHY, *supra* note 31, § 18:61 ("The courts should vigorously insist that a licensor actually control the quality of goods and services sold by licensees under the licensed mark. If this is not done, then the requirement of control becomes a mere sham . . . ."); Bannon, *supra* note 165, at 579–80 ("If consumers are entitled to rely upon a trademark as a symbol of equal quality, the licensor must be required to keep constant watch on its licensees." (citations omitted)); Johnston, *supra* note 156, at 29, 35–36 ("Abolishing the requirement [of quality control] is tantamount to granting the licensor trademark rights in gross . . . . Trademarks would lose their utility as information devices . . . .").

[176] Calboli, *supra* note 157, at 393–94.

[177] Ditri v. Coldwell Banker Residential Affiliates, Inc., 954 F.2d 869, 873–74 (3d Cir. 1992).

[178] *See, e.g.*, Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1070, 1075 (5th Cir. 1997); Ky. Fried Chicken Corp. v. Diversified Packaging Corp., 549 F.2d 368, 387 (5th Cir. 1977); Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 366 (2d Cir. 1959).

are unwilling to allow such "culpable infringers" to escape liability and thus show great reluctance in accepting naked license claims.[179]

Occasionally, a naked license claim is raised in a genuine dispute over priority rights in a trademark. In such cases, courts do consider the claim seriously and carefully examine the quality control efforts of the party in question. In fact, findings of a naked license are very common in such cases.[180] And almost all the cases in which a naked license was found did not involve "culpable infringers."[181]

Viewed in this light, judicial practice may still seem inconsistent, but can hardly be accused of being unpredictable. Put simply, the fate of a naked license claim depends on the identity of the party raising this claim. Thus, the primary reason why the quality control requirement suffers from lack of enforcement lies in the judicial hostility towards the parties who typically raise the naked license argument.

It is the licensee, of course, who would naturally be most likely to prove that a trademark license is naked—she knows better than anyone how much control the licensor actually exercises. Yet, judicial practice has developed the doctrine of "licensee estoppel," according to which a trademark licensee is estopped from challenging the validity of the licensed trademark on grounds of insufficient quality control.[182] Even when the evidence clearly indicates a lack of quality control, the court will reject a naked license claim raised by a licensee.[183] Underlying the "licensee estoppels" are equitable considerations:

> [A] licensee claiming that its own license is a naked license essentially seeks to benefit from its own misfeasance. . . . [B]y relying on its own ability to offer inferior or nonuniform goods and services under the trademark or trade name, the licensee seeks to free itself of the constraints imposed by the licensor's ownership of the trademark or trade name.[184]

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[179] DRATLER, *supra* note 142, § 11.03; Parks, *supra* note 172, at 541.

[180] *See generally* Barcamerica Int'l USA Trust v. Tyfield Imps., Inc., 289 F.3d 589 (9th Cir. 2002) (involving concurrent bona fide use); Midwest Plastic Fabricators, Inc. v. Underwriters Labs. Inc., 906 F.2d 1568 (Fed. Cir. 1990) (finding of a naked license was supported by the finding that the allegedly infringed marks became generic); First Interstate Bancorp v. Stenquist, 16 U.S.P.Q.2d (BNA) 1704 (N.D. Cal. 1990) (rejecting the reasoning that the defendant abandoned its trade name because of naked licensing); Robinson Co. v. Plastics Research & Dev. Corp., 264 F. Supp. 852 (W.D. Ark. 1967) (accepting defendant's naked license claim where the court regarded an infringement suit as an attempt to capitalize on defendant's acquired goodwill).

[181] I know of no case involving a "culpable infringer" in which a naked license defense was accepted.

[182] *See, e.g.*, Prof'l Golfers Ass'n of Am. v. Bankers Life & Cas. Co., 514 F.2d 665, 671 (5th Cir. 1975); E.F. Prichard Co. v. Consumers Brewing Co., 136 F.2d 512, 522 (6th Cir. 1943); Westco Grp., Inc. v. K.B. & Assocs., Inc., 128 F. Supp. 2d 1082, 1086 (N.D. Ohio 2001).

[183] *Prof'l Golfers*, 514 F.2d at 671; *E.F. Prichard*, 136 F.2d at 522; *Westco Grp.*, 128 F. Supp. 2d at 1086.

[184] *Westco Grp.*, 128 F. Supp. 2d at 1089.

Licensee estoppel is perhaps the prime factor accounting for poor enforcement of the quality control requirement in trademark law. The doctrine essentially treats trademarks as purely private rights rather than as public informational devices. It prefers the dubious concerns with fairness in the licensor-licensee relations over the public interest in the accuracy of information embedded in trademarks.[185]

If a trademark licensee is not controlled, then the licensee, and not the formal trademark owner, is the true "source" of the trademarked products. Transferring the trademark to the licensee under such circumstances would bring the legal rights in accordance with the commercial reality.[186] If the public interest that the goods sold under a trademark be "genuine" is to be taken seriously, this interest should prevail over equitable considerations between private parties. Trademarks should serve as informational devices, rather than as pure objects of private property. The reality behind trademarks should be shaped according to consumer expectations and not according to contractual rights. Therefore, a licensee should be able to claim that she has acquired rights in a trademark because of an uncontrolled license.

This being said, it should be acknowledged that a legal quality control requirement, however strict and efficiently enforced, can hardly guarantee that trademark owners will actually invest resources in ensuring the quality of their goods. Many scholars have pointed out the absurdity of requiring licensing trademark owners to inspect the quality of the manufactured goods, while not imposing any similar requirement on trademark owners who manufacture through their own subsidiaries.[187] Since trademark owners who manufacture through their own subsidiaries are not legally obligated to control the quality of goods, the quality control requirement cannot guarantee that all trademarked goods will be of the same quality.[188] Thus, a trademark licensor could simply purchase the manufacturing licensee company in order to avoid the need to exercise quality control.

In the oft-cited *Kentucky Fried Chicken* decision, upholding a very questionable quality control program, the Fifth Circuit stated: "[W]e do not

[185] By contrast, in the context of antitrust law, courts give much more weight to public interest and readily recognize anticompetitive contractual provisions as void. *See, e.g.*, Am. Standard, Inc. v. Meehan, 517 F. Supp. 2d 976, 987 (N.D. Ohio 2007) ("Federal courts will not enforce a contract that violates the Sherman Act . . . .").

[186] Of course, if there were many licensees operating in the same geographical area, this solution would be impossible. The proper solution in this case would be to render the mark generic.

[187] *See* Calboli, *supra* note 157, at 390–91 (discussing the differential treatment accorded to licensor trademark owners and non-licensor trademark owners); Franklyn, *Licensors*, *supra* note 155, at 15–16 ("[I]t may be meaningless to require a licensee to produce goods that are of the 'same quality' as the licensor's own goods, since the licensor's own goods may not be of a consistent quality."); Keating, *supra* note 173, at 365 (stating that the "trademark owner is under no duty to impose standards of quality control on products of his own manufacture"); Parks, *supra* note 172, at 562–63.

[188] Calboli, *supra* note 157, at 390–91; Franklyn, *Licensors*, *supra* note 155, at 15–16; Keating, *supra* note 173, at 365; Parks, *supra* note 172, at 562–63.

sit to assess the quality of products sold on the open market. . . . [T]he consuming public must be the judge of whether the quality control efforts have been ineffectual."[189] Several legal scholars join this line of reasoning, asserting that market forces—and not legal doctrines—should direct the practices of trademark licensing.[190] Indeed, trademark law was initially intended to encourage investments in product quality, and not to enforce quality control standards. If trademark owners supervise the quality of the goods bearing their marks solely because of their legal obligations, trademark law does not function as it should. And the trouble does not lie simply in the loose judicial interpretation of the quality control requirement. More troubling is that trademark owners, even when their marks are as famous as KFC's, may in fact be interested in licensing their marks without proper quality control. This means that trademark owners do not have sufficient incentives to invest in the quality of their goods.

Trademark law cannot alter this commercial reality by requiring trademark owners to make investments in which they are uninterested. Effective enforcement of the quality control requirement may produce some change, but it will hardly alter the basic fact that it may be more profitable to invest in creating emotional influence than to offer high quality products. If we are concerned with the current tendency toward brand fetishism, the solution should be sought elsewhere. The legal system should strive to encourage investment in the quality of goods, while simultaneously discouraging, as much as possible, the investment in brand personalities. These possibilities will be discussed presently.

2. *Contractual Liability*

It is well-known that although a trademark should identify a consistent level of quality, and "the consumer is entitled to assume an equal level of quality of goods and services sold through many franchised outlets using a single mark,"[191] this assumption does not create a legally enforceable bargain.[192] For example, in *Szajna v. General Motors Corp.*, the plaintiff brought an action on behalf of himself and others who purchased 1976 Pontiac Ventura automobiles which, unbeknownst to them, had been equipped with inferior transmissions designed for an entirely different vehicle.[193] Recognizing the quality assurance function of trademarks, the

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[189] Ky. Fried Chicken Corp. v. Diversified Packaging Corp., 549 F.2d 368, 387 (5th Cir. 1977).

[190] *E.g.*, Gillespie, *supra* note 172, at 209; Landes & Posner, *supra* note 124, at 270 ("It should be apparent that the benefits of trademarks in lowering consumer search costs presuppose legal protection of trademarks."); Kuss, *supra* note 163, at 378 (discussing how consumers "are in a better position to police franchisees than the franchisor").

[191] MCCARTHY, *supra* note 31, § 3:11.

[192] *Id.* § 3:10; Elizabeth Cutter Bannon, *Revisiting "The Rational Basis of Trademark Protection:" Control of Quality and Dilution—Estranged Bedfellows?*, 24 J. MARSHALL L. REV. 65, 77 (1990).

[193] 503 N.E.2d 760, 761 (Ill. 1986).

court nevertheless dismissed the claim, stating that "the name '1976 Pontiac Ventura,' alone does not create an express warranty of the kind or nature of the car's components."[194]

This position views trademarks as self-enforcing tools of competition—the basic assumption is that the trademark owner's interest in creating and preserving the value of his mark will guarantee consistent product quality.[195] In a world where market forces drive competition in alternative directions, however, this assumption may no longer hold water. The most direct way to restore the quality assurance function of trademarks under these new circumstances is to recognize the trademark's message of an equal product quality as a legally enforceable contractual claim.

As the court noted in *Szajna v. General Motors*, consumers are not unfamiliar with the phenomenon of varying quality of trademarked products.[196] Yet, this fact should not lead us to conclude that the consumer's assumption of equal product quality should not be a reasonable contractual expectation today. Consumer behavior may be driven by various motives, "some rational, some emotional, some conscious, and some unconscious."[197] In addition, different consumers are motivated by different reasons. The legal system is thus confronted with a normative choice: which consumer motives should be recognized as legally significant, and which consumer groups should be awarded legal protection?

If a consumer who has a "functional relationship" with a mark purchases a trademarked product at a premium price, aware that the quality of the product might differ from the quality of other trademarked products, she may be behaving irrationally. She may be giving this consideration too little credence, or she may be emotionally influenced by the mark, or both. At the same time she may, consciously or not, anticipate that the quality will be the same, or at least similar. If we take this latter expectation as decisive, then we essentially choose to restore the quality function of the trademark. But if we suppose that uneven product quality is to be expected today, we veer close to asserting that it is no longer rational for consumers having a "functional relationship" with a trademark to continue purchasing trademarked products. In this case, the economic justification for trademark protection loses much of its appeal.

3. *Tort Liability*

Our toolbox for increasing quality concerns among trademark owners

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[194] *Id.* at 771.

[195] *Id.*; Bannon, *supra* note 192, at 77.

[196] *Szanja*, 503 N.E.2d at 771.

[197] Elliot B. Staffin, *The Dilution Doctrine: Towards a Reconciliation with the Lanham Act*, 6 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 105, 158 (1995).

includes, so far, the quality control requirement and contractual liability.[198] To these two, we should add a third: tort liability. Throughout the history of trademark law, numerous decisions have pondered the question of whether a trademark owner should be liable in case of an injury caused by a defective product bearing his mark.[199]

According to Section 400 of the *Restatement (Second) of Torts*, several decisions established tort liability of trademark owners based solely on the fact that their mark appeared on the defective products.[200] Some of these decisions explicitly based the liability on the consumer's right to rely upon the quality assurance function of the mark.[201] For example, in *Brandimarti v. Caterpillar Tractor Co.*, the court stated that the consumer who purchases a Caterpillar tractor relies on the skill and the reputation associated with the Caterpillar trademark; in the eyes of the purchaser, the trademark assures product quality.[202] Therefore, in the case of a defective product, Caterpillar Tractor Co. should be liable.[203] Several other decisions held that the profits reaped from trademark licensing constitute a policy rationale for imposing tort liability on the trademark owner.[204]

Yet, this line of cases reflected a minority view. Mainstream judicial decisions under the *Restatement (Second) of Torts* developed, instead, two doctrines to determine trademark licensor's tort liability: the "apparent manufacturer" doctrine[205] and the "stream of commerce" doctrine.[206] Although somewhat differing in their justifications, both doctrines lead to the same practical outcome: they both base licensor's tort liability on his involvement in the manufacturing process. Consequently, a large body of case law consistently holds that only trademark licensors who are actively involved in the manufacturing process and exercise significant quality control should bear tort liability for defective products.[207] In contrast,

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[198] *See supra* Part IV.A.1–2.

[199] *See infra* notes 200–14.

[200] Kriscuinas v. Union Underwear Co., No. CIV. A. 93-4216, 1994 WL 523046, at *4 (E.D. Pa. Sept. 27, 1994); Carter v. Joseph Bancroft & Sons Co., 360 F. Supp. 1103, 1107 (E.D. Pa. 1973); Connelly v. Uniroyal, Inc., 389 N.E.2d 155, 162 (Ill. 1979); Forry v. Gulf Oil Corp., 237 A.2d 593, 599 (Pa. 1968); Brandimarti v. Caterpillar Tractor Co., 527 A.2d 134, 139–40 (Pa. Super. Ct. 1987).

[201] *Carter*, 360 F. Supp. at 1107; *Forry*, 237 A.2d at 599; *Brandimarti*, 527 A.2d at 139–40.

[202] *Brandimarti*, 527 A.2d at 139–40.

[203] *Id.*

[204] *Kriscuinas*, 1994 WL 523046, at *4; *Connelly*, 389 N.E.2d at 163.

[205] *See, e.g.*, *In re* TMJ Implants Prods. Liab. Litig., 880 F. Supp. 1311, 1321 (D. Minn. 1995); *Carter*, 360 F. Supp. at 1106–07; Hebel v. Sherman Equip., 442 N.E.2d 199, 201 (Ill. 1982); *Connelly*, 389 N.E.2d at 162–63.

[206] *See, e.g.*, Kasel v. Remington Arms Co., 101 Cal. Rptr. 314, 323 (Cal. Ct. App. 1972); City of Hartford v. Associated Constr. Co., 384 A.2d 390, 397 (Conn. Super. Ct. 1978); Bailey v. Innovative Mgmt. & Inv., Inc., 916 S.W.2d 805, 807–08 (Miss. Ct. App. 1995).

[207] *See, e.g.*, Kosters v. Seven-Up Co., 595 F.2d 347, 352–53 (6th Cir. 1979); Taylor v. Gen. Motors, Inc., 537 F. Supp. 949, 954 (E.D. Ky. 1982); Torres v. Goodyear Tire & Rubber Co., 786 P.2d 939, 946–47 (Ariz. 1990); *Kasel*, 101 Cal. Rptr. at 325; *Associated Constr.*, 384 A.2d at 397; Firestone Steel Prods. Co. v. Barajas, 927 S.W.2d 608, 616 (Tex. 1996).

trademark licensors, who do not participate significantly in the manufacturing process, are typically exempt from tort liability.[208] The *Restatement (Third) of Torts* subsequently adopted this judicial approach.[209]

A number of cases specifically scrutinized the correlation between tort liability and the quality control requirement of the Lanham Act. It has been repeatedly held that the quality control requirement does not indicate that all trademark licensors must be sufficiently involved in the manufacturing process to be found liable for defective products.[210] As one court explained, a failure to exercise quality control may result in a loss of trademark rights, but not in tort liability.[211] Even if the trademark owner could have prevented the damage, had he exercised quality control, the failure to control does not lead to liability for negligence, since it is not the primary cause of the damage.[212] Moreover, the level of control needed to satisfy the Lanham Act requirement does not result in tort liability.[213] Hence, a trademark owner can exercise sufficient control in order to preserve his trademark rights without risking such liability.[214]

The legal approach that links tort liability to the degree of involvement in the manufacturing process obviously discourages trademark licensors from engaging in extensive quality control programs. Indeed, in order to avoid tort liability, trademark owners are advised to retain only the absolute minimum control necessary to maintain their rights.[215] For

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[208] *See, e.g.*, Nelson v. Int'l Paint Co., 734 F.2d 1084, 1090 (5th Cir. 1984); Kealoha v. E.I. Du Pont de Nemours & Co., 844 F. Supp. 590, 597 (D. Haw. 1994); Burkert v. Petrol Plus of Naugatuck, Inc., 579 A.2d 26, 35 (Conn. 1990); *Hebel*, 442 N.E. at 205; Poulos v. Cock 'N Bull Beverage, Inc., 487 P.2d 1350, 1352 (N.M. Ct. App. 1971); Stanford v. Dairy Queen Prods. of Tex., 623 S.W.2d 797, 806 (Tex. App. 1981).

[209] RESTATEMENT (THIRD) OF TORTS: PRODUCTS LIABILITY § 14 cmt. d (1998) ("The rule stated in this Section does not, by its terms, apply to the owner of a trademark who licenses a manufacturer to place the licensor's trademark or logo on the manufacturer's product and distribute it as though manufactured by the licensor. In such a case, even if purchasers of the product might assume that the trademark owner was the manufacturer, the licensor does not 'sell or distribute as its own a product manufactured by another.' Thus, the manufacturer may be liable under §§ 1–4, but the licensor, who does not sell or otherwise distribute products, is not liable under this Section of this Restatement. Trademark licensors are liable for harm caused by defective products distributed under the licensor's trademark or logo when they participate substantially in the design, manufacture, or distribution of the licensee's products. In these circumstances they are treated as sellers of the products bearing their trademarks.").

[210] *See, e.g.*, Allen v. Greenville Hotel Partners, Inc., 409 F. Supp. 2d 672, 676 (D.S.C. 2006); Gray v. Derderian, 389 F. Supp. 2d 308, 316 (D.R.I. 2005); BP Exploration & Oil, Inc. v. Jones, 558 S.E.2d 398, 403 (Ga. Ct. App. 2001); Anderson v. Turton Dev., Inc., 483 S.E.2d 597, 601 (Ga. Ct. App. 1997); McGuire v. Radisson Hotels Int'l, Inc., 435 S.E.2d 51, 53–54 (Ga. Ct. App. 1993).

[211] Burkert v. Petrol Plus of Naugatuck, Inc., 579 A.2d 26, 32 (Conn. 1990).

[212] *Id.*

[213] *See supra* note 208.

[214] Emery v. Visa Int'l Serv. Ass'n, 116 Cal. Rptr. 2d 25, 34 (Cal. Ct. App. 2002); MCCARTHY, *supra* note 31, § 18:75.

[215] Melissa Evans Buss, *Products Liability and Intellectual Property Licensors*, 27 WM. MITCHELL L. REV. 299, 327 (2000); David Laufer & David Gurnick, *Minimizing Vicarious Liability of Franchisors for Acts of Their Franchisees*, FRANCHISE L.J., Spring 1987, at 24–26.

instance, some suggest that licensing agreements state that the licensor has no right to interfere with the actual production.[216] This situation clearly indicates that trademark law has gone down the wrong path.

Concerned with this situation, legal scholars offer various—and contradictory—solutions. On one end of the spectrum, David J. Franklyn argues for reducing the tort liability of trademark licensors.[217] Decisions imposing liability on trademark licensors who exercise quality control punish licensors who are involved in the manufacturing process instead of encouraging them.[218] Franklyn suggests creating a presumption of non-liability to counter this problem.[219] In contrast, Jennifer Rudis Deschamp argues that strengthening tort liability would induce trademark owners to engage in quality control programs.[220] Deschamp proposes creating a presumption of liability.[221]

Both Franklyn and Deschamp, however, agree on at least one policy,[222] adopted by both judicial practice and the *Restatement (Third) of Torts*. By the way of exception, tort liability is imposed on trademark licensors regardless of their involvement in the manufacturing process, when the identity of the real manufacturer is not sufficiently disclosed,[223] or when the trademark licensor induces the consumer to believe that he approved the quality of the goods bearing his mark.[224]

The identity of the real manufacturer is rarely concealed. Indeed, today one is even legally required to disclose the manufacturer's identity.[225] Thus, the main question is when we should assume that the trademark licensor induces the consumer to believe that the licensor controls the quality of the trademarked goods. I believe we should always make this assumption.

If we assume that a purchaser of Tommy Hilfiger shirts and jeans should understand that the shirts are manufactured by Oxford Industries, Inc. and the jeans by Pepe Jeans London, while Tommy Hilfiger is not significantly involved in the manufacture of these items, then we essentially endorse Tommy Hilfiger's "business of signing his name."[226] If the consumer should investigate the identity of the real manufacturer of

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[216] Buss, *supra* note 215, at 327.

[217] *See generally* Franklyn, *Licensors*, *supra* note 155.

[218] *Id.* at 38–39.

[219] *Id.* at 43.

[220] Jennifer Rudis Deschamp, *Has the Law of Products Liability Spoiled the True Purpose of Trademark Licensing? Analyzing the Responsibility of a Trademark Licensor for Defective Products Bearing Its Mark*, 25 ST. LOUIS U. PUB. L. REV. 247, 275 (2006).

[221] *Id.* at 273.

[222] *Id.*; Franklyn, *Licensors*, *supra* note 155, at 61–62.

[223] Dudley Sports Co. v. Schmitt, 279 N.E.2d 266, 273 (Ind. Ct. App. 1972).

[224] *See* Gizzi v. Texaco, Inc., 437 F.2d 308, 310 (3d Cir. 1971) (holding that liability regarding apparent authority is a question for the jury).

[225] 16 C.F.R. § 500.5 (2010).

[226] *See supra* Part II.C.

each trademarked item, then what role does the trademark play? Does it provide any product information? Does it reduce consumers' search costs? The assumption that the consumer should expect only Oxford Industries and Pepe Jeans to bear responsibility for defective Tommy Hilfiger shirts and jeans amounts to a legal recognition of trademarks as mere psychological stimuli. It is, for all intents and purposes, a legal stamp of approval of brand fetishism.

There is a certain amount of hypocrisy in benefiting from royalties paid by the trademark licensee, and later assuming no liability for defective trademarked products. The royalties paid for the license indicate that both the trademark owner and the licensee admit that the trademark induces consumers to buy the trademarked goods. When the trademark owner later argues that the consumers had no reason to assume that he was significantly involved in the manufacturing process, he essentially admits having "tricked" the consumer by the licensing agreement. In fact, he acknowledges that the real purpose of putting the trademark on the licensee's products is to induce irrational consumer responses, and not to convey meaningful product information.

I suggest that the consumer should always be entitled to presume that the trademark owner either manufactures or substantially controls the quality of the goods bearing his mark. Trademark law should act to restore the informative function of trademarks. A trademark should convey more than a brand personality. It should carry the message that the trademark owner is a meaningful source of the goods. Without such a message, there is no justification for granting legal protection to the trademark.

If market forces no longer provide sufficient incentives for companies to treat consumers as rational beings, the law should intervene and restore these incentives. Thus the trademark licensor should always be liable for damages caused by defective products bearing his mark. Lack of quality control should not benefit the trademark licensor by exempting him from tort liability. On the contrary, it may be sensible to recognize that lack of such control constitutes negligence. Such a legal approach would encourage trademark owners to carefully inspect the goods bearing their marks.

4. *Post-Sale Confusion*

We have thus far surveyed various methods to encourage trademark owners to invest resources in the quality of their goods. An additional method of directing trademark owners towards investing in product quality, rather than in brand personality, is by discouraging the latter investment. As far as the primary market of the trademark is concerned, the phenomenon most closely associated with brand fetishism is the growing conspicuousness of trademarks. As discussed above, some trademarks have evolved from product identifiers into identifiers of the consumer herself.[227]

The most relevant trademark doctrine here is the doctrine of post-sale confusion. Post-sale confusion occurs when the consumer knowingly acquires an imitation of a trademarked product. The consumer is not confused. When she displays the imitation, however, other people are confused to the extent that they are likely to believe that she possesses the genuine product. Such confusion is not the traditional subject matter of trademark protection: trademarks are primarily designed to prevent the confusion of the buying consumer.[228] Yet, in the 1950s, courts started regarding post-sale confusion as sufficient to raise liability for trademark infringement.[229] In 1962, the post-sale confusion doctrine was codified in the Lanham Act.[230] As it stands today, the doctrine of post-sale confusion prevents the consumer from buying a fake Rolex,[231] Reebok,[232] Levi's,[233] or Ferrari,[234] even if she intentionally wishes to purchase the counterfeit.[235] One court even enjoined a defendant from selling customized kits designed to turn a Volkswagen Beetle into a Rolls Royce.[236]

If people deliberately wish to buy knock-offs of trademarked products, one must have a good reason to restrict the supply for this demand. Courts explain that the wrong of post-sale confusion consists in the fact that the seller of knock-offs makes it possible for his consumers to (falsely) acquire the prestige associated with displaying the imitation in public.[237]

In the same vein, Landes and Posner argue that people advertise themselves by wearing clothes, jewelry, or accessories that tell the world that they are individuals of refined taste or high income. If others can buy and wear cheap imitations, "the 'signal' given out by the purchasers of the originals is blurred."[238] If the sole motive for buying knock-offs of trademarked goods is to pass oneself off as having a higher income, then one could regard the seller of the cheap copy as a kind of contributory

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[227] *See supra* notes 86–89 and accompanying text.

[228] Assaf, *supra* note 8, at 36.

[229] Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc., 221 F.2d 464, 466 (2d Cir. 1955) (recognizing, for the first time, the doctrine of post-sale confusion).

[230] 15 U.S.C. § 1114(1)(a) (2006) (eliminating the requirement that, to establish trademark infringement, there should be confusion of "purchasers"); *see also* S. REP. NO. 87-2107, at 4 (1962), *reprinted in* 1962 U.S.C.C.A.N. 2844, 2847.

[231] United States v. Torkington, 812 F.2d 1347, 1352 (11th Cir. 1987); Rolex Watch U.S.A., Inc. v. Canner, 645 F. Supp. 484, 492 (S.D. Fla. 1986).

[232] Payless Shoesource, Inc. v. Reebok Int'l, Ltd., 998 F.2d 985, 989 (Fed. Cir. 1993).

[233] Levi Strauss & Co. v. Blue Bell, Inc., 632 F.2d 817, 822 (9th Cir. 1980).

[234] Ferrari S.P.A. Esercizio Fabbriche Automobili e Corse v. McBurnie, 11 U.S.P.Q.2d (BNA) 1843, 1847 (S.D. Cal. 1989).

[235] For additional examples, see MCCARTHY, *supra* note 31, § 23:7.

[236] Rolls-Royce Motors Ltd. v. A & A Fiberglass, Inc., 428 F. Supp. 689, 690–91, 702–03 (N.D. Ga. 1977).

[237] Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc., 221 F.2d 464, 466 (2d Cir. 1955); *Ferrari*, 11 U.S.P.Q.2d (BNA) at 1851.

[238] Landes & Posner, *supra* note 124, at 308.

infringer, who makes it easier for consumers to deceive the people with whom they transact in the market of personal relations.[239]

Yet, promoting truthful communication in the market of personal relations has never been the purpose of trademark law. Moreover, it is highly doubtful that the legal system should intervene in interpersonal relations and protect the accuracy of the signal communicating one's high income. Landes and Posner observe that in the fourteenth century, in medieval Europe, magnificence in clothing was "considered the prerogative of nobles," who were "identifiable by modes of dress forbidden to others."[240] "Sumptuary laws were repeatedly announced, attempting to fix what kinds of clothes people might wear."[241] This observation makes a valuable point: in modern western society, there is no room for similar laws. In everyday personal transactions, one's income is nobody's business. In this respect, people should be allowed to deceive others to their hearts' content.

Throughout history, the poor tried to emulate the style of the rich.[242] Whenever a certain signal of wealth was effectively imitated, it lost its wealth-signaling function.[243] Between the sixteenth and eighteenth centuries, for instance, lace was handmade and prohibitively expensive. In the nineteenth century, however, when lace-making machines were introduced, the price of lace dropped dramatically. After an initial, large increase in popularity, the sales of lace dropped as well, for it lost its value as a reliable signal of wealth.[244] In the context of post-sale confusion, courts often express concern that a plethora of imitations may lessen the high value of the original, which is derived in part from its rarity.[245] Indeed, as the history of lace suggests, widespread knock-offs of trademarked articles will probably impair the wealth-signaling function of these articles. To the extent that these articles are purchased for the purpose of displaying one's status, the demand for them will eventually drop. At that point, trademark owners will no longer be able to charge

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[239] *Id.*

[240] *Id.* at 308 n.83.

[241] *Id*. at 308.

[242] *See* Georg Simmel, *Fashion*, 10 INT'L Q. 130 (1904), *reprinted in* 62 AM. J. SOC. 541, 542–43, 548 (1957) ("Within the social embodiments of these contrasts, one side is generally maintained by the psychological tendency towards imitation.").

[243] *Id*. at 544.

[244] Amotz Zahavi, *The Theory of Signal Selection and Some of Its Implications*, *in* INTERNATIONAL SYMPOSIUM OF BIOLOGICAL EVOLUTION 305–27 (Vittorio Pesce Delfino ed., 1987).

[245] *See, e.g.*, Gen. Motors Corp. v. Keystone Auto. Indus., Inc., 453 F.3d 351, 358 (6th Cir. 2006) ("[T]he purchaser of an original may be harmed if the widespread existence of knockoffs decreases the original's value by making the previously scarce commonplace . . . ."); Acad. of Motion Picture Arts & Sci. v. Creative House Promotions, Inc., 944 F.2d 1446, 1457 (9th Cir. 1991) ("The Oscar's value lies in its distinctive design, which stands as a well-recognized symbol of excellence in film."); Esercizio v. Roberts, 944 F.2d 1235, 1244–45 (6th Cir. 1991) ("Ferrari has gained a well-earned reputation for making uniquely designed automobiles of quality and rarity.").

prices much higher than what is justified by the quality of their goods. Put differently, if Rolex knock-offs are available on every street-corner, Rolex will no longer be able to charge premium prices for a status-signaling function. The company will thus be compelled to fix its prices as dictated by the quality of its goods.

If the practice of selling knock-offs becomes widespread, trademarks will lose much of their fetishistic status and the demand for goods prominently displaying trademarks will eventually drop. This in turn will discourage corporations from designing their trademarks primarily as identifiers of the consumer's lifestyle. Consequently, the incentive to invest resources in the product-identifying function of trademarks and in product quality will be restored. Therefore, denying protection against post-sale confusion would ultimately serve the primary purpose of trademark law.

B. *Collateral Markets*

A trademark's collateral market consists of goods which are not closely related to the trademark owner's primary field of activity.

1. *The Scope of Protection Against Unauthorized Uses*

Historically, a trademark was protected only within its primary market. Trademark law restricted the unauthorized use of another's mark only on "merchandise of substantially the same descriptive properties as those set forth in the registration."[246] The idea that a trademark owner should have exclusive rights in additional markets was first articulated in the 1920s, the very moment in time when brand fetishism emerged.[247]

In the famous *Yale Electric Corp. v. Robertson* decision of 1928, Judge Learned Hand found that the use of the Yale trademark, registered for locks and keys, when used on flashlights and batteries constituted an infringement:

> [A] merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control.[248]

Along the same lines, Frank Schechter published his famous article,

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[246] Trade-Mark Act of 1905, 15 U.S.C. § 96 (1905), *repealed by* Lanham Trademark Act, 15 U.S.C. §§ 1051–1127 (1946).

[247] *See supra* Part II.B and accompanying text.

[248] 26 F.2d 972, 974 (2d Cir. 1928).

The Rational Basis of Trademark Protection, one year earlier, arguing that trademark law should protect the selling power of trademarks.[249] Schechter suggested that trademarks should be protected against "dilution"—an unauthorized use of a famous mark on non-competing goods, which gradually whittles away the power and the uniqueness of the mark.[250]

The trademark infringement test and the dilution doctrine were interrelated during the 1920s to 1960s.[251] These doctrines complemented one another, protecting trademark owners in collateral markets.[252] When the infringement test was interpreted narrowly, the judicial enthusiasm toward dilution grew; conversely, as the infringement test was broadened, courts begun showing hostility toward dilution claims.[253] Today, however, both infringement and dilution provide remarkably broad trademark protection in collateral markets.[254]

Since the passage of the Lanham Act in 1946, the test for trademark infringement no longer revolves around the descriptive properties of the goods. Rather, the sole question for a court is whether a reasonably prudent purchaser would be likely to assume a connection between the trademark owner and the alleged infringer.[255] Over time, new kinds of mistaken connections were added to the infringement test.[256] Today, for an infringement to occur, a consumer does not have to assume that the defendant's product was manufactured by the plaintiff or under his supervision. Instead, an infringing use is any use likely to cause confusion "as to the affiliation, connection, or association as to the origin, sponsorship, or approval."[257] Under this broad confusion test, "Hallmark," when used for an automobile dealership was found to infringe "Hallmark," as it is used for greeting cards,[258] "Lloyd's of London" aftershave was found confusingly similar to "Lloyd's of London" insurance services,[259] and the "Classic Tiffany" trademark for automobiles was denied

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[249] Schechter, *supra* note 134, at 830–31.

[250] *See id*. at 825 ("It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.").

[251] *See* Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 1007–08 (2001).

[252] *Id.* at 1007.

[253] *Id.*

[254] *Id.* at 1014–16.

[255] MCCARTHY, *supra* note 31, § 24:24 ("That the goods or services are noncompetitive does not answer the question of whether the goods are so 'related' that a reasonable buyer is likely to think that defendant's goods or services are somehow connected with, or sponsored by, the plaintiff, due to similar marks.").

[256] Graeme W. Austin, *Tolerating Confusion About Confusion: Trademark Polices and Fair Use*, 50 ARIZ. L. REV. 157, 174–75 (2008) (listing doctrines that address issues about which consumers supposedly get confused).

[257] 15 U.S.C. § 1125(a)(1)(A) (2006).

[258] Hallmark Cards, Inc. v. Hallmark Dodge, Inc., 634 F. Supp. 990, 1000 (W.D. Mo. 1986).

[259] Corp. of Lloyd's v. Louis D'Or of Fr., Inc., 202 U.S.P.Q. (BNA) 313, 317 (T.T.A.B. 1979).

registration in the face of the famous jewelry mark.[260]

At the same time, the doctrine of dilution provides a powerful additional tool for enjoining unauthorized trademark uses in collateral markets. Although it initially encountered academic criticism,[261] judicial hostility,[262] and the antagonism of the federal legislature,[263] the doctrine has prevailed over opposition. Codified in federal law in 1996,[264] and strengthened by the 2006 amendment,[265] the doctrine of dilution is today firmly ingrained in United States trademark law.

Dilution occurs when a well-known trademark is used on goods or services so different from the initial field of activity of the trademark owner that consumers are not likely to be confused.[266] The evil of dilution lies in the fact that an additional associative link is affixed to the famous mark, impairing its uniqueness.[267] Given this rationale, the doctrine of dilution can easily enjoin uses of a trademark in fields far removed from its

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[260] Tiffany & Co. v. Classic Motor Carriages Inc., 10 U.S.P.Q.2d (BNA) 1835, 1841 (T.T.A.B. 1989).

[261] *See, e.g.*, Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1191–94 (1948) (noting that proponents of dilution theory suggest that it should be "given equal protection with the interest against confusion"); Walter J. Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes*, 44 CALIF. L. REV. 439, 455–56 (1956) (discussing a First Circuit Court of Appeals case, which contended that dilution doctrine "has no application when the question is whether the marks being used on goods of substantially the same descriptive properties are similar enough to cause confusion"); Brian A. Jacobs, *Trademark Dilution on the Constitutional Edge*, 104 COLUM. L. REV. 161, 163 (2004) (describing court decisions as "a patchwork of conflicting doctrines"); Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122, 125–26 (1993) (criticizing a proposed remedy for overly narrow focus of law as lacking a proposition for how courts could prevent dilution).

[262] Courts required that plaintiffs claiming dilution of their marks demonstrate a likelihood of confusion, although the doctrine of dilution protects trademarks in absence of confusion. *See, e.g.*, HMH Publ'g Co. v. Lambert, 482 F.2d 595, 599 (9th Cir. 1973) (disregarding theory of likelihood of confusion); DCA Food Indus. v. Hawthorn Mellody, Inc., 470 F. Supp. 574, 582 (S.D.N.Y. 1979) ("Some amount of consumer confusion must be shown in order to proceed on a dilution claim."); Girl Scouts of the U.S. v. Personality Posters Mfg. Co., 304 F. Supp. 1228, 1233–34 (S.D.N.Y. 1969) ("[E]ven where there is no confusion as to the origin of the goods, the courts have denied relief where confusion is absent.").

[263] In 1988, Congress considered, but did not add protection against dilution to the Lanham Act. The House of Representatives noted: "Serious questions were raised about [the anti-dilution] provisions by persons concerned with the dissemination of First Amendment protected communications, and with advertising their goods and services to the public." H.R. Rep. No. 1028, 100th Cong., pt. 3, at 5 (1988).

[264] Federal Trademark Dilution Act, Pub. L. No. 104–98, 109 Stat. 985 (codified as amended at 15 U.S.C. §§ 1125, 1127 (1995)).

[265] Trademark Dilution Revision Act, Pub. L. No. 109-312, 120 Stat. 1730 (codified as amended at 15 U.S.C. §§ 1052, 1063, 1064, 1092, 1125, 1127 (2006)); *see also* Bone, *supra* note 137, at 187, 198 (discussing the aspects in which the 2006 Amendment broadened the scope of protection against dilution).

[266] Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 1031 (2d Cir. 1989) ("This Court has defined dilution as either the blurring of a mark's product identification or the tarnishment of the affirmative associations a mark has come to convey."). This Article discusses the first type of dilution known as "blurring." The second type of dilution, "tarnishment," is not discussed here.

[267] *See* Schechter, *supra* note 134, at 830–31 (concluding that the "preservation of the uniqueness of a trademark should constitute the only rational basis for its protection").

initial product field. For instance, the use of the name "Tiffany" for restaurant services,[268] and for a movie theater,[269] was found to dilute the famous jewelry mark, the use of "Bacardi" on jewelry was enjoined as a dilution of the trademark for rum,[270] and the "Lexus" automobile mark was protected against its use on personal care products.[271]

Several scholars argue that dilution and confusion are "states of mental association existing on a continuum."[272] Others reject this view and insist that confusion and dilution are two inconsistent states of mind—dilution occurs only when the consumer understands that the junior user *is not* connected to the trademark owner.[273] Confusion, by contrast, occurs when a consumer assumes that the junior user *is* connected to the trademark owner. These two states of mind cannot exist simultaneously in one consumer—either a person believes that the similarly marked goods are connected or not.[274]

The judicial practice has not definitively chosen between these two approaches. Some courts, finding confusion, go further to establish dilution as a matter of course.[275] Others state that where confusion is found, dilution should not be considered.[276] Occasionally, consumer confusion is even said to prove dilution.[277]

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[268] Tiffany & Co. v. Bos. Club, Inc., 231 F. Supp. 836, 838 (D. Mass. 1964).

[269] Tiffany & Co. v. Tiffany Prods., 264 N.Y.S. 459, 460–61 (N.Y. Sup. Ct. 1932).

[270] Bacardi & Co. v. Bacardi Mfg. Jewelers Co., 174 U.S.P.Q. (BNA) 284, 286 (N.D. Ill. 1972).

[271] Toyota Jidosha Kabushiki Kaisha v. Natural Health Trends Corp., No. 04-9028, 2005 U.S. Dist. LEXIS 10442, at *17–18 (C.D. Cal. Jan. 10, 2005).

[272] Magliocca, *supra* note 251, at 965–66 ("Although dilution is often described as starting where the likelihood of confusion test leaves off, it is more accurate to say that infringement follows a fortiori from dilution."); Jerre B. Swann, Sr., *Dilution Redefined for the Year 2000*, 37 HOUS. L. REV. 729, 748 (2000) ("Confusion and dilution are states of mental association existing on a continuum that begins with a mistake as to origin and ends with a gradually diminishing appreciation of the original.").

[273] MCCARTHY, *supra* note 31, § 24:72 ("[I]n no one person's mind can both [confusion and dilution] occur at the same time."); Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731, 806 (2003) ("If trademark law is to retain its historical ability to weigh competing interests fairly, courts must recognize that confusion and dilution involve distinct and inconsistent states of mind." (internal quotation marks omitted)).

[274] MCCARTHY, *supra* note 31, § 24:72.

[275] *See, e.g.*, Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 466 (7th Cir. 2000); Safeway Stores, Inc. v. Safeway Disc. Drugs, Inc., 675 F.2d 1160, 1167–68 (11th Cir. 1982); Nike Inc. v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1372 (S.D. Ga. 2003); Lexington Mgmt. Corp. v. Lexington Capital Partners, 10 F. Supp. 2d 271, 277 (S.D.N.Y. 1998).

[276] *See, e.g.*, Kemp v. Bumble Bee Seafoods, Inc., 398 F.3d 1049, 1058 (8th Cir. 2005) ("Having found infringement due to a likelihood of confusion, and there being no remedies for dilution separate from the available remedies for infringement, we need not address the issue of dilution."); Morningside Grp. Ltd. v. Morningside Capital Grp., L.L.C., 182 F.3d 133, 143 (2d Cir. 1999); Berghoff Rest. Co. v. Lewis W. Berghoff, Inc., 499 F.2d 1183, 1185 (7th Cir. 1974); Starbucks U.S. Brands L.L.C. v. Ruben, 78 U.S.P.Q.2d 1741, 1746 (T.T.A.B. 2006).

[277] Jada Toys, Inc. v. Mattel, Inc., 518 F.3d 628, 636 (9th Cir. 2008) (accepting surveys demonstrating consumer confusion as evidence of dilution); Horphag Research Ltd. v. Garcia, 475 F.3d 1029, 1037 (9th Cir. 2007) ("Even if the conflicting marks were not identical, Garcia (the junior user) would still not prevail because Horphag presented additional evidence of dilution."); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 219 (2d Cir. 1999) ("Consumer confusion would undoubtedly dilute the distinctive selling power of a trademark.").

This hesitation is easily explicable. In a world of increasingly frequent and far-flung brand extensions, consumers' perceptions change rapidly—what does not confuse today may confuse tomorrow. Therefore, it is not surprising that the boundaries between dilution and confusion are not clear-cut.

The trend toward brand extensions broadens trademark protection in at least two ways. First, courts frequently find that if a plaintiff is a diversified company, using its trademark on various goods, the consumer, seeing the mark on yet another product, is more likely to assume a connection to the plaintiff.[278] For instance, one court held that "[g]iven the wide diversity of businesses that operate under the VIRGIN mark, . . . consumers might mistakenly believe that defendant's gasoline station was connected in some fashion to [the Virgin Group]."[279] In another case, the mark Harley-Hog, as used for pork, was denied registration, because Harley-Davidson had used its marks for a wide variety of whimsical collateral products, including beer, wine coolers, chocolate bars, and more.[280] A consumer having knowledge of these uses would not be surprised to see Harley-Hog pork products.

Second, judicial practice consistently maintains that if other companies in the market use their marks in both the plaintiff's and the defendant's fields, confusion is more likely, even if neither the plaintiff nor the defendant is a diversified company.[281] For example, one court stated that

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[278] *See, e.g.*, Tropic-Aire, Inc. v. Approved Prod., Inc., 275 F.2d 728, 731 (C.C.P.A. 1960) (concluding that "[a]t first blush it might seem that opposer's sales under the 'Tropie-Aire' trademark of such items as sewing machines, baby carriages, electric water heaters, electric blankets and sheets, electric roasters and hot plates are rather far afield. It is our view, however, that the very diversity of these products . . . make it all the more likely that purchasers would think that 'those 'Tropic-Aire' people' had brought out another product if they saw on the market a spray deodorizer for home use bearing the trademark 'Tropic-Aire.'"); *see also* Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 258 (2d Cir. 1987) ("Mobil's ubiquitous presence throughout the petroleum industry further increases the likelihood that a consumer will confuse Pegasus Petroleum with Mobil."); Armco, Inc. v. Armco Burglar Alarm Co., 693 F.2d 1155, 1161 (5th Cir. 1982) ("Diversification makes it more likely that a potential customer would associate the non-diversified company's services with the diversified company, even though the two companies do not actually compete."); Philip Morris, Inc. v. K2 Corp., 555 F.2d 815, 816 (C.C.P.A. 1977) ("Other facts peculiar to this case . . . indicate that consumers would be more likely to make an assumption of common source or sponsorship than would otherwise be the case. Appellant is a diversified company . . . ."); Geoffrey, Inc. v. Stratton, 16 U.S.P.Q.2d (BNA) 1691, 1695 (C.D. Cal. 1990) (finding that "[s]ince plaintiff had used its mark on an ever-expanding line of items . . . includ[ing] goods such as electronic equipment . . . consumers are likely to assume that the 'R US' mark used by defendant on phones, originate with or is otherwise connected with or sponsored by plaintiff").

[279] Virgin Enters. Ltd. v. Virgin Petroleum, Inc., No. 99-12826, 2000 U.S. Dist. LEXIS 8100, at *28 (C.D. Cal. Jan. 19, 2000).

[280] Harley-Davidson Motor Co. v. Pierce Foods Corp., 231 U.S.P.Q. (BNA) 857, 863 (T.T.A.B. 1986); *see also* Katherine E. Halmen, *The Effects of the Corporate Diversification Trend on Trademarks*, 10 MARQ. INTELL. PROP. L. REV. 459, 501–05 (2006) (discussing the diversification factor in trademark infringement cases).

[281] *See* Planetary Motion, Inc. v. Techplosion, Inc., 261 F.3d 1188, 1202 (11th Cir. 2001) (finding that use of same mark in fields of software and email service is likely to cause confusion, because there are companies that use their marks in both fields); Fisons Horticulture, Inc. v. Vigoro Indus., Inc., 30

consumers know that it is common for a single trademark to be used for an entire line of apparel, including footwear. Therefore, apparel and shoes sold under similar trademarks would confuse the public.[282] Another court articulated a similar statement concerning apparel and perfume.[283] In *Kabushiki Kaisha Hattori Seiko v. Satellite International Ltd.*, an application to register the mark Sako for shoes was successfully opposed by the holder of the mark Seiko for watches, based on the argument that many companies, including Anne Klein, Fila and Gucci, market shoes and watches under a single trademark.[284] Empirical evidence supports this judicial intuition: one experiment found that people are more likely to be confused by a Cadillac notebook computer, when they have been previously exposed to a similar brand extension by Mercedes-Benz.[285]

Given this reality, the broadening scope of trademark protection seems inevitable. If corporations continue launching increasingly distant brand extensions, consumer's expectations would change accordingly, and a corresponding infinite expansion of legal protection must follow. Moreover, expanding legal protection influences consumer perception as well. The more trademarks are protected against unauthorized use in distant product fields, either based on confusion or on dilution, the more the consumer becomes accustomed to the idea that virtually every use of famous trademarks must be authorized.[286] Consequently, the consumer is likely to be confused by an unauthorized use of a famous mark on any product.[287]

Indeed, the current trademark infringement test has an unlimited

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F.3d 466, 480–81 (3d Cir. 1994) (noting that to answer the question whether using the same mark on peat moss and on fertilizer is likely to cause confusion, the court must consider whether other companies sell both products); Polyglycoat Corp. v. Envtl. Chems., Inc., 509 F. Supp. 36, 39 (S.D.N.Y. 1980) (finding that use of same trademark on both a car dealership and an auto body shop was likely to cause confusion because dealerships often have auto body shops).

[282] Villager, Inc. v. Dial Shoe Co., 256 F. Supp. 694, 701 (E.D. Pa. 1966).

[283] Scarves by Vera, Inc. v. Todo Imps. Ltd., 544 F.2d 1167, 1174–75 (2d Cir. 1976).

[284] Kabushiki Kaisha Hattori Seiko v. Satellite Int'l Ltd., 29 U.S.P.Q.2d (BNA) 1317, 1319 (T.T.A.B. 1991).

[285] *See* Lee et al., *supra* note 8, at 933–34 (describing a hypothetical scenario with luxury automobiles and laptop computers).

[286] MCCARTHY, *supra* note 31, § 24:9 ("If consumers are conditioned to see certain trademarks appear licensed and authorized on goods and services far removed from their origins, would they not also be likely to think that unauthorized uses on far-flung goods and services are also authorized? . . . If consumers think that most uses of a trademark require authorization, then in fact they will require authorization because the owner can enjoin consumer confusion caused by unpermitted uses . . . ."); *see also* RICHARD L. KIRKPATRICK, LIKELIHOOD OF CONFUSION IN TRADEMARK LAW 173 (1999) ("The use of a well-known mark on collateral products tends to condition the public to expect a wide variety of seemingly unrelated products to come from the source symbolized by that mark, making it possible to protect the mark far afield from its core product."); Austin, *supra* note 256, at 175 ("We have a typical chicken-and-egg problem here: do brands expand as a result of the efforts of marketers, or do changes in the law encourage marketers to think of new ways of expanding brands?").

[287] MCCARTHY, *supra* note 31, § 24:9.

potential for expansion.[288] The only factor determining whether a trademark is infringed is consumer perception—and consumer perception in this field is very flexible. The concept of confusion is rather indefinite. Courts recognize that under the current infringement test, which includes confusion about affiliation, sponsorship, or approval, the perceived connection may be vague.[289] Holding that Dogiva dog biscuits infringe on the famous Godiva chocolate mark, one court noted:

> As long as the public believes there is some connection between GODIVA chocolates and DOGIVA dog biscuits, it is immaterial whether the public thinks that the producer of GODIVA chocolates actually is making and selling DOGIVA dog biscuits, whether DOGIVA dog biscuits are being produced under its supervision, or whether some other arrangement exists. Consumers are not concerned with such details.[290]

This vague concept of confusion best explains why courts and commentators conflate confusion and dilution. Indeed, what kind of confusion occurs when a consumer comes upon Hallmark automobiles,[291] or Lloyd's of London aftershave?[292] How is it different from the dilution caused by Lexus personal care products,[293] or Bacardi jewelry?[294] Considering that courts usually base their findings on judicial intuition rather than on survey evidence,[295] it is no wonder that the all-encompassing confusion test merges with the concept of dilution. Indeed, some scholars argue that dilution has become redundant, since the broad confusion test embraces virtually every unauthorized use of a famous trademark.[296]

A relatively new doctrine of subliminal confusion erases the already blurred borderline between dilution and confusion entirely. According to this doctrine, confusion may be found even when the consumer identifies

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[288] Assaf, *supra* note 8, at 41–42 (asserting that the current likelihood of confusion test has the potential to indefinitely expand the scope of trademark protection).

[289] Bos. Athletic Ass'n v. Sullivan, 9 U.S.P.Q.2d (BNA) 1690, 1697 n.7 (1st Cir. 1989) ("[T]he public's lack of knowledge as to the exact identity of th[e] source is irrelevant . . . ."); KIRKPATRICK, *supra* note 286, at 131–32.

[290] Grey v. Campbell Soup Co., 231 U.S.P.Q. (BNA) 562, 567 (C.D. Cal. 1986).

[291] Hallmark Cards, Inc. v. Hallmark Dodge, Inc., 634 F. Supp. 990 (W.D. Mo. 1986).

[292] Corp. of Lloyd's v. Louis D'Or of Fr., Inc., 202 U.S.P.Q. (BNA) 313, 314 (T.T.A.B. 1979).

[293] Toyota Jidosha Kabushiki Kaisha v. Natural Health Trends Corp., 74 U.S.P.Q.2d (BNA) 1475, 1475 (C.D. Cal. 2005).

[294] Bacardi & Co. v. Bacardi Mfg. Jewelers Co., 174 U.S.P.Q. (BNA) 284, 286 (N.D. Ill. 1972).

[295] Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOK. L. REV. 827, 867–71 (2004) ("[S]urvey evidence influences courts' deliberations on what potential consumers might think around 35.2 percent of the time . . . .").

[296] Magliocca, *supra* note 251, at 967–68 ("[S]trong (i.e., famous) marks are already protected from virtually all concurrent uses by infringement doctrine, and therefore dilution extends no additional protection . . . ."); Staffin, *supra* note 197, at 162–64 ("Perhaps the most potent criticism of the dilution doctrine is that it is not necessary.").

the manufacturer of the defendant's product, but because of a subliminal or subconscious association with the plaintiff, prescribes the properties and reputation of the plaintiff's products to those of the defendant.[297]

This subliminal confusion doctrine highlights the amorphous shape of the current confusion test. Assumptions as to the connection between the trademark owner and the alleged infringer do not even have to reach the consumer's consciousness. All this begs the question: to what extent does the consumer need protection from this kind of confusion? To answer this question, the next section will discuss what consumers actually expect and what they are legally entitled to expect concerning trademark use in collateral markets.

2. *Quality Control and Tort Liability*

As discussed above, the Lanham Act requires that a trademark license includes a mechanism of quality control. This requirement has been subject to rather lax judicial interpretation and many scholars suggest abandoning it altogether.[298] These scholars argue that the justification for abandoning the quality control requirement is even more persuasive in the field of collateral licensing than in the realm of classical licensing.[299] The primary rationale underlying the quality control requirement is to ensure that all goods sold under a trademark are of the same quality. Arguably, this rationale is irrelevant when a trademark is licensed in an entirely dissimilar field.[300] For instance, if the Coca-Cola mark is licensed for teddy bears, it is meaningless to require the Coca-Cola Company to control the quality of the teddy bears so as to ensure that it is consistent with the quality of the soft drinks.[301]

In collateral licensing, the trademark owner is usually not in a position to control the quality of the licensed products. He has never manufactured

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[297] *See* Stern's Miracle-Gro Prods., Inc. v. Shark Prods., Inc., 823 F. Supp. 1077, 1090 (S.D.N.Y. 1993) (noting that "trademark laws are designed to protect this type of subtle, associational confusion"); Farberware, Inc. v. Mr. Coffee, Inc., 740 F. Supp. 291, 302 (D. Del. 1990) (evaluating the possibility of subliminal confusion among customers between Farberware and Mr. Coffee's Quick Brew).

[298] *See supra* notes 163–75 and accompanying text.

[299] Franklyn, *Licensors*, *supra* note 155, at 16, 46 ("The quality control requirement is even more puzzling in the collateral . . . licensing contexts."); Daniel Klerman, *Trademark Dilution, Search Costs, and Naked Licensing*, 74 FORDHAM L. REV. 1759, 1767–68 (2006) (describing the quality control requirement in collateral licensing as an unnecessary transaction cost impairing market efficiency); Parks, *supra* note 172, at 538–39, 544–45 (asserting that in collateral licensing, there is no standard of quality against which to compare the goods of the licensee).

[300] Franklyn, *Licensors*, *supra* note 155, at 45–46 ("One cannot reasonably expect a collateral or promotional licensor to police its licensees' goods to determine whether they are of the same quality as other goods bearing the same mark . . . ."); Parks, *supra* note 172, at 538–39 ("[T]here is no legitimate reason for imposing additional quality control obligations on licensors . . . .").

[301] *See* Franklyn, *Licensors*, *supra* note 155, at 16 (providing Coca-Cola hypothetical); *see also* Parks, *supra* note 172, at 538–39 ("[E]valuating the relative quality of the licensor's primary goods and licensed products is necessarily a meaningless comparison of 'apples and oranges.'").

the products in question and hence has neither the knowledge nor the expertise to specify appropriate quality standards for the licensee.[302] In addition, the economic incentive to engage in quality control is much weaker for collateral licensors than for classical licensors because consumer quality expectations in collateral markets are not high. Thus, while a consumer has rather precise expectations from a Coke beverage, a defective Coke teddy bear is unlikely to damage Coca-Cola's reputation.[303] Finally, as a matter of fact, collateral trademark licensors do not engage in quality control programs, but merely preserve formal contractual rights to control in order to satisfy the Lanham Act requirement.[304]

All this has led several scholars to conclude that, in the context of collateral licensing, "[t]o require the owner of the trademark to inaugurate an imaginary quality-control program to satisfy legal requirements, constructed by courts in dissimilar situations, is to elevate form over substance. The trademark owner is subject to unnecessary expense without any real benefit to consumers."[305]

Relying on similar arguments, David J. Franklyn argues for exempting collateral licensors from tort liability for defective products.[306] While classical licensors are often engaged in the manufacturing process and therefore should bear tort liability, collateral licensors are, practically speaking, incapable of exercising quality control. Imposing liability on them would therefore be inequitable.[307] In collateral markets, the trademark "licensor functions primarily as a promoter [of the product] and does not appear to be a manufacturer."[308] Franklyn argues that when the industry in which the trademark owner is licensing is far removed from his primary field of activity, "consumers will be hard-pressed to argue that

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[302] *See* Franklyn, *Licensors*, *supra* note 155, at 16–17 (noting the lack of "relevant quality benchmark[s]" in such scenarios); Keating, *supra* note 173, at 378 (describing quality control requirements in such scenarios as "imaginary"); Alfred M. Marks, *Trademark Licensing—Towards a More Flexible Standard*, 78 TRADEMARK REP. 641, 648 (1988) ("The trademark licensing rules with respect to quality control have not caught up with business practice."); Parks, *supra* note 172, at 544–45 (describing the quality control requirement as rarely enforced in practice).

[303] Neil A. Goldberg & Joseph L. Mooney, *Product Licensing: An Emerging Litigation Arena*, FOR DEF., Dec. 2006, at 70, 74–75.

[304] Franklyn, *Licensors*, *supra* note 155, at 14, 19 ("[B]eyond reserving such contractual rights, it appears that many collateral and promotion licensors do little to fulfill the quality control requirement."); Johnston, *supra* note 156, at 35 (noting that licensor may be "susceptible to a charge of naked licensing").

[305] Keating, *supra* note 173, at 378; *see also* Calboli, *supra* note 157, at 382–83 (summarizing proponents of elimination of quality control requirements for promotional goods); Franklyn, *Apparent Manufacturer*, *supra* note 154, at 690 (discussing Parks's observations regarding evasion of control requirements in collateral licensing); Johnston, *supra* note 156, at 35–36 (summarizing proponents of elimination of quality control requirements for promotional goods); Parks, *supra* note 172, at 562 (describing Keating's argument regarding a property right analysis).

[306] Franklyn, *Licensors*, *supra* note 155, at 57–58.

[307] *Id.* at 47 ("Such licensors are not compelling targets for strict liability because they rarely are in a position to ensure that the licensed goods are free of defects.").

[308] *Id.*

they believed the licensor made or dictated the standards for making the licensed goods."[309] He suggests that the trademark owner is not a "compelling target[]" for tort liability in such situations, since he is not "in a position to ensure that the licensed goods are free of defects."[310] As the degree of "collateralness" increases, the justification for imposing tort liability on a trademark licensor decreases, Franklyn concludes.[311]

One of the few decisions that examines tort liability of a trademark licensor in the context of a collateral market is an Indiana case, *Kennedy v. Guess, Inc*.[312] This case involved an umbrella that broke and struck the plaintiff in the face, causing injuries. The umbrella bore the Guess trademark and so the plaintiff sued Guess, Inc. as one of the parties responsible for the defective umbrella. Guess, Inc., however, neither ordered nor received the umbrellas at issue. It was never in possession of any of the umbrellas nor did it manufacture, supply, distribute, assemble, design, or sell them. Guess, Inc. simply licensed its name for placement on various products, including umbrellas.[313]

The Indiana Court of Appeals held that by labeling the product as a designer label product, Guess, Inc. vouched for the product and induced the consumer to believe that the product she purchased was of a superior quality.[314] The Supreme Court of Indiana reversed, holding that trademark licensors should bear responsibility for defective products bearing their marks only inasmuch as their relative role in manufacturing, design, and distribution warrants.[315] This result is consistent with the dominant view in the legal literature: collateral trademark licensors should be exempted from tort liability, since they are not involved in the manufacturing process.

All this seems quite logical. If the trademark owner has no means of performing quality control, how can the court require him, or even encourage him, to exercise such control? And if the consumer does not expect the trademark owner to control the quality of goods in collateral markets, how will he benefit if such control is actually exercised?

Given the lack of quality control and the consumer's assumed understanding of this reality, we must still ask, why are brand extensions so enormously profitable?[316] Brand extensions allow the licensee to save the promotional costs, to diminish the risks of entering a new market,[317]

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[309] Franklyn, *Apparent Manufacturer*, *supra* note 154, at 715.
[310] Franklyn, *Licensors*, *supra* note 155, at 47.
[311] Franklyn, *Apparent Manufacturer*, *supra* note 154, at 715.
[312] 806 N.E.2d 776 (Ind. 2004).
[313] *Id.* at 779–83.
[314] Kennedy v. Guess, Inc., 765 N.E.2d 213, 222 (Ind. Ct. App. 2002).
[315] *Kennedy*, 806 N.E.2d at 786.
[316] *See* Magid et al., *supra* note 13, at 31–32 (listing several reasons why brand extensions represent immense potential economic benefits for a business).
[317] *See* Loken & John, *supra* note 88, at 71 (observing that firms seek to capitalize on established brand names to decrease costs associated with launching new products); Magid et al., *supra* note 13, at

and to charge premium prices.[318] At the same time, they allow the trademark owner to benefit from high fees without any efforts.[319] Yet what stands behind these fees? Why is a consumer inclined to buy a brand extension, when there seems to be no rational basis for such preference? Why would a consumer be inclined to buy a Jaguar perfume or Harley-Davidson sunglasses, when these companies clearly have no proven expertise in the respective product fields?

The trend toward brand fetishism provides one possible explanation for this behavior. As previously noted, trademark owners today strive to create brands evoking strong consumer emotions,[320] which can partly explain the success of brand extensions. Indeed, consumers who have an emotional relationship with a brand respond more positively to brand extensions than consumers who have a functional relationship with the brand, that is, consumers who perceive the brand merely as a carrier of product information.[321] The former group of loyal consumers tends to broaden their loyalty to brand extensions.[322]

The success of brand extensions can also be linked to the "mere exposure" effect.[323] It has been well-established that people tend to develop a preference for things merely out of familiarity. The more often a person sees an object, the more pleasing and likeable that object.[324] In other words, even absent any special emotional relationship with a brand, consumers may prefer a brand extension over a new brand simply because they are familiar with the name.[325]

A trademark in collateral markets, then, does not serve to provide product information and save consumer search costs. Rather, its primary

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32 (noting the reduction in promotional costs); Pitta & Katsanis, *supra* note 88, at 51 ("Leveraging the brand equity of a successful brand promises to make introduction of a new entry less costly by trading on an established name.").

[318] Joffre Swait et al., *The Equalization Price: A Measure of Consumer-Perceived Brand Equity*, 10 INT'L J. RES. MARKETING 23, 25–26 (1993).

[319] Bannon, *supra* note 165, at 587 ("Quite simply, the trademark owner sees a 'cash cow' when he is shown the value of licensing his trademark and the potential of 'exploitation.'").

[320] *See supra* Part II.B.

[321] AAKER & JOACHIMSTHALER, *supra* note 14, at 155.

[322] BHOTE, *supra* note 47, at 31; *see also* Fournier, *supra* note 62, at 365 (providing an example of loyal consumers who buy brand extensions).

[323] Robert B. Zajonc, *Attitudinal Effects of Mere Exposure*, J. PERSONALITY & SOC. PSYCHOL. June 1968, at 1, 1–2.

[324] *Id.* at 1, 3 (describing the elements of the author's examination of the frequency-value relationship).

[325] Marketing literature does not elaborate on the psychological reasons causing consumers to purchase brand extensions. However, two sources mention the "mere exposure effect" as a possible reason for the success of brand extensions. *See* Dacin & Smith, *supra* note 112, at 233 ("[I]n forming judgments about an extension, consumers are likely to refer more to their beliefs about individual products affiliated with the brand."); Zeynep Gürhan-Canli & Durairaj Maheswaran, *The Effects of Extensions on Brand Name Dilution and Enhancement*, 35 J. MARKETING RES. 464, 472 (1998) ("Our findings also appear to be consistent with mere exposure effects, which suggests that repeated exposure may lead to increased preference for proattitudinal arguments in low-involvement conditions.").

function is to exploit a consumer's emotions or uncontrolled mental reactions for the benefit of the trademark owner and the licensee. Licensing fees are paid for the mere possibility to exploit the psychological effects of the mark on the consumer.

It is true that in the context of collateral licensing, quality control of the trademark owner has no real benefit for the consumer. But this very fact indicates that collateral licensing as a whole has little economic benefit for the consumer. It has never been the purpose of trademark law to protect the psychological influence of trademarks on the consumer. The competitive advantage gained by using a trademark on dissimilar products is not justifiable in economic terms. In addition, brand extensions cause market concentration, allowing big firms to grow ever bigger.[326]

Trademarks should not be protected outside their primary markets. The borderline between the primary market and collateral markets should be determined based on whether the consumer reasonably assumes that the trademark owner manufactures the goods in question or exercises a quality control over these goods. If the customer does not assume so, the trademark carries no economic benefit for her. Therefore, the customer will suffer no financial damage if another company uses an identical trademark and establishes its own trademark rights in a collateral market. Put differently, the consumer would not suffer economic damage if the company owning the trademark Jaguar for perfume were to have no connection to luxury Jaguar cars.

Trademark law is not compelled to follow commercial reality. If the practice of brand extensions has led the modern consumer to believe that virtually any use of famous trademarks requires authorization, it does not mean that trademark law has no choice but to protect these trademarks in all product fields. Trademark law should act to shape, rather than merely reflect business norms.[327] As will be discussed presently, consumer perception in the context of collateral markets is flexible and easily changeable. The elimination of trademark protection in these markets will

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[326] Louis A. Thomas, *Incumbent Firms' Response to Entry: Price, Advertising, and New Product Introduction*, 17 INT'L J. INDUS. ORG. 527, 538–40 (1999).

[327] A similar argument was made in the context of trademark protection in merchandising markets. *See* Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603, 613 (1984) [hereinafter Denicola, *Institutional Publicity Rights*] (discussing the utilization of qualified injunctions to minimize anticompetitive consequences while also reducing confusion); Dogan & Lemley, *supra* note 138, at 487–88 ("The real underlying issue is whether the trademark law should act here as a *creator* or as a *reflector* of societal norms."). In the context of the post-sale confusion doctrine, see Austin, *supra* note 256, at 175 ("[S]hould the law fall into step with marketers' innovations, and bolster their activities with legal rights to match?"). And in the context of territorial aspects of trademark law, see Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 HOUS. L. REV. 885, 889–90 (2004) ("[S]hould trademark law be structured *reactively* to protect whatever consumer understandings or producer goodwill develops, or should it *proactively* seek to shape the ways in which consumers shop and producers sell or seek to acquire rights, thus shaping how the economy functions?").

eventually eliminate consumer confusion as well.

3. *The Flexibility of Consumer Perception in the Context of Collateral Markets*

Traditionally, trademark law protected trademarks only in their primary markets.[328] Thus, the legal assumption was that a consumer could bear in mind several trademarks, each indicating another company in a different product field. Has the modern consumer, in an era of extreme corporate diversification, lost this ability? Apparently not. Identical marks peacefully coexist in different markets today: witness Eagle shirts, Eagle pencils, Eagle Pretzels, and Eagle condensed milk; or Delta airlines, Delta dental insurance, and Delta faucets.[329]

Courts consistently state that when different companies in collateral markets use identical trademarks for a number of years, the public learns to distinguish between the companies. In such cases, the junior user acquires trademark rights in the market in which he has used the mark and the senior user cannot expand into this market.[330] As Judge Learned Hand noted, "[t]he owner's rights in such appendant markets are easily lost; they must be asserted early, lest they be made the means of reaping a harvest which others have sown."[331] For example, one company owned the trademark Heartland for women's shoes, while a junior user used the same mark for shirts. The court held that the senior user did not have a right to expand into the product field of the junior user.[332] In another case, a junior user was held to have acquired exclusive rights in the trademark "Tiffan E" for cosmetics, which prevented the owner of the jewelry mark from expanding into this field.[333]

The flexibility of consumer perception in the context of collateral markets is especially evident in the field of assignment and license-back agreements and coexistence agreements. Assignment and license-back agreements are generally employed to settle trademark conflicts, especially pending litigations.[334] The defendant assigns its trademark to the plaintiff and the plaintiff licenses the mark back to the defendant.[335] Assignment and license-back agreements are said to have the beneficial effect of

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[328] *See supra* Part IV.B.1.

[329] MCCARTHY, *supra* note 31, § 24:11.

[330] *See, e.g.*, Patsy's Brand, Inc. v. I.O.B. Realty, Inc., 317 F.3d 209, 212–13 (2d Cir. 2003); Commerce Nat'l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc., 214 F.3d 432, 435 (3d Cir. 2000); Artcraft Novelties Corp. v. Baxter Lane Co. of Amarillo, 685 F.2d 988, 989–91 (5th Cir. 1982); Mach. Head v. Dewey Global Holdings Inc., 61 U.S.P.Q.2d (BNA) 1313, 1323 (N.D. Cal. 2001); Clark & Freeman Corp. v. Heartland Co., 811 F. Supp. 137, 138–39 (S.D.N.Y. 1993).

[331] Dwinell-Wright Co. v. White House Milk Co., 132 F.2d 822, 825 (2d Cir. 1943).

[332] *Clark & Freeman*, 811 F. Supp. at 141.

[333] Am. Hygienic Labs. Inc. v. Tiffany & Co., 12 U.S.P.Q.2d (BNA) 1979, 1983 (T.T.A.B. 1989).

[334] MCCARTHY, *supra* note 31, § 18:9; Calboli, *supra* note 157, at 384 (observing that such agreements are most frequently utilized to settle claims of trademark infringement).

[335] *See, e.g.*, Calboli, *supra* note 157, at 384 (describing the practice of license-back).

bringing commercial reality into congruence with customer perception; consumer confusion is eliminated by bringing the two sources of goods bearing the same mark together.[336]

Coexistence agreements[337] are likewise entered into to settle trademark disputes. The parties to such agreements essentially agree not to sue each other as long as each does not overstep the boundaries of his product area.[338] A coexistence agreement is neither an assignment nor a license. It is a recognition that a concurrent use of the mark by both parties is not likely to cause confusion because of the differences in their goods.[339] That is, parties recognize that their marks can coexist peacefully. Thus, while a license integrates, a coexistence agreement differentiates.[340]

Theoretically, these two types of agreements are designed for mutually exclusive situations. When consumer confusion is likely, only assignment and license-back agreement may be employed.[341] A coexistence agreement is inappropriate in such situations: parties cannot conspire to confuse the consumer. In theory, coexistence agreements made under such circumstances should be held void.[342] In practice, however, the choice between these two types of agreements is essentially at the parties' discretion. For example, in a dispute between a winery and a salami manufacturer, both using the mark "Gallo," the winery acquired the mark from the salami manufacturer, and subsequently licensed the mark back to the same manufacturer.[343] By contrast, when one party was using the trademark "Sunkist" on citrus fruit, and the other was using the mark "Sun-Kist" on canned fruit and vegetables, the parties decided to enter a coexistence agreement.[344] The fact that, practically speaking, trademark owners can choose between these two types of agreements is also evident from the legal literature, where trademark owners are advised to opt for a coexistence agreement if they wish to escape tort liability.[345]

Assignment and license-back agreements often result in nominal

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[336] *See* E. & J. Gallo Winery v. Gallo Cattle Co., 21 U.S.P.Q.2d (BNA) 1824, 1831 (9th Cir. 1992) ("That the transfer of the GALLO SALAME mark served the goal of minimizing consumer confusion becomes most clear when we view the assignment/lease-back transaction as a whole."); MCCARTHY, *supra* note 31, § 18:9 (describing the Gallo wine case to exemplify the usefulness of assignment and license-back in settling litigation disputes).

[337] Coexistence agreements are also called "consent to use agreements."

[338] MCCARTHY, *supra* note 31, § 18:79.

[339] *Id.*

[340] *Id.*

[341] *Id.*

[342] *Id.*

[343] E. & J. Gallo Winery v. Gallo Cattle Co., 21 U.S.P.Q.2d (BNA) 1824, 1831 (9th Cir. 1992).

[344] Cal. Fruit Growers Exch. v. Sunkist Baking Co., 166 F.2d 971, 976 (7th Cir. 1947) (dismissing complaint for unfair competition and infringement of trademarks).

[345] Mary Hutchings Reed, *Trademarks in the Sale of Part of a Business: Concurrent Use and Licensing*, 80 TRADEMARK REP. 514, 536 (1990) ("[C]oncurrent use agreement is preferable, particularly because it avoids the product liability pitfalls inherent in licensing agreements.").

control by the stronger company over the weaker one.[346] Often, the licensor does not exercise any meaningful quality control, so each party continues to manufacture its goods as it did prior to the agreement.[347] The common trademark in such cases is merely a legal fiction, allowing one party to charge the other for royalties, while in reality there are two trademark users before and after the agreement. On the other hand, coexistence agreements often represent mutual consent, motivated by business considerations, to use trademarks on closely related goods notwithstanding the likelihood of consumer confusion. There is even some evidence that such agreements include payment of fees,[348] although this does not make sense when the parties recognize that no one infringes on the other's rights.

Meanwhile, courts are extremely reluctant to establish a likelihood of confusion that would render a coexistence agreement invalid.[349] The general rule is that the public interest in preventing confusion must be balanced against the public interest in contract enforcement.[350] This latter interest is given great weight. Even when consumer confusion is found, coexistence agreements are upheld, unless the public is substantially harmed.[351] For instance, in one case, the court upheld a coexistence agreement allowing one party to use the trademark "Field and Stream" for a hunting and fishing magazine, while allowing another party to use the same mark for clothing, including fishing and hunting clothing.[352]

Note that in conflicts over trademark rights, confusion is found even when the goods of the parties operate in somewhat more distant fields. Thus, the magazine trademarks "Esquire," "Seventeen," "Playboy," and "Vogue" were protected from unauthorized uses on slippers, luggage,

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[346] *See* Calboli, *supra* note 157, at 384–85 (describing the primary purpose of assignment and license-back agreements as acquiring control of the assigned mark).

[347] *Id.* ("[A]ssignors/licensees enter these transactions primarily to avoid a finding of trademark infringement and to continue using the mark at issue for the same products as prior to the signing of the agreement . . . .").

[348] Ron Cauldwell Jewelry Inc. v. Clothestime Clothes Inc., 63 U.S.P.Q.2d (BNA) 2009, 2012 (T.T.A.B. 2002) ("Despite opposer's arguments to the contrary, the record is devoid of any evidence which raises a genuine issue of material fact as to whether the coexistence agreement . . . lacks consideration . . . .").

[349] *See, e.g.*, Times Mirror Magazines, Inc. v. Field & Stream Licenses Co., 294 F.3d 383, 396 (2d Cir. 2002); Visa Int'l Serv. Ass'n v. Bankcard Holders of Am., 784 F.2d 1472, 1476 (9th Cir. 1986); T & T Mfg. Co. v. A. T. Cross Co., 587 F.2d 533, 539 (1st Cir. 1978).

[350] *T & T Mfg.*, 587 F.2d at 539 (discussing the public interest in avoiding confusion and the policy of deference to contractual agreements).

[351] *Times Mirror Magazines*, 294 F.3d at 396 ("In the absence of significant harm to the public, the district court correctly declined to don the mantle of public interest to save plaintiff from a harm that is permitted by the contract.").

[352] *Id.* at 391 ("We conclude . . . that the rights of the parties to use the mark in connection with the goods at issue in this lawsuit are defined by the agreements rather than by any residual trademark right.").

automotive supplies, and hats respectively.[353] One might wonder, what does it matter from the consumer's perspective when the trademark owner consents to the concurrent use?

We can observe that courts tend to regard trademark rights in collateral markets as pure property rights, shaped by private interests and agreements rather than the consumer's perception. The trademark owner is regarded as someone having priority rights over the trademark in collateral markets.[354] If he chooses to enter a certain collateral market himself, or simply to assert his rights when someone else is trying to enter this market, the trademark rights in this market will belong to him. If, however, the trademark owner consents to the concurrent use by a junior user in a collateral market, or if he does not sue the junior user in time, such user will acquire trademark rights in the collateral market.

All this illustrates that in the context of collateral markets, courts implicitly doubt the usefulness of the maxim that trademark rights should be determined based on the question of consumer confusion. While I share this view, I believe that it should not lead us to conclude that trademark rights should be determined on a case-by-case basis, in accordance with the interests and the behavior of the specific trademark owners and other private parties. This conception of trademarks as pure private property should be rejected. Instead, consumer perception should be the only basis for trademark protection.

To quote the 1928 *Yale* decision once again, "a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation . . . . His mark is his authentic seal; by it he vouches for the goods which bear it . . . ."[355] This is the correct understanding of the concept of a trademark. A trademark should be protected only so far as the consumer perceives it as the authentic seal of its owner.

The perception of a mark as an authentic seal does not change as rapidly as the perception of a mark as a symbol of some ephemeral connection to its owner. While consumers can easily be convinced to assume that trademark owners require authorization for virtually every use of their marks, they will not be so quick to assume that trademark owners actually vouch for the goods that bear their marks. Indeed, while today's consumers expect virtually every use of a famous trademark to be

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[353] Esquire, Inc. v. Esquire Slipper Mfg. Co., 243 F.2d 540, 546 (1st Cir. 1957); Vogue Co. v. Thompson-Hudson Co., 300 F. 509, 512 (6th Cir. 1924); HMH Publ'g Co. v. Brincat, 342 F. Supp. 1275, 1281–82 (N.D. Cal. 1972); Triangle Publ'ns, Inc. v. Standard Plastic Prods., Inc., 241 F. Supp. 613, 621 (E.D. Pa. 1965). For additional examples, see MCCARTHY, *supra* note 31, § 24:61.

[354] There is a general tendency in trademark law to view trademarks as broad property rights. For a review and critique of this tendency, see Assaf, *supra* note 8, at 74–82 (outlining the property rhetoric of trademark law); Johnston, *supra* note 156, at 22–29 (describing the changing form of licensing trademarks throughout time); Lemley, *supra* note 140, at 1693–94 (addressing the "increasing tendency to treat trademarks as assets with their own intrinsic value").

[355] Yale Elec. Corp. v. Robertson, 26 F.2d 972, 974 (2d Cir. 1928).

authorized,[356] they do not expect the trademark owner to exercise quality control while licensing into collateral markets.[357]

It should therefore be decided that trademarks are not to be protected in collateral markets, in principle. A corresponding consumer perception will follow. If the consumer is not substantially damaged by "Field and Stream" hunting clothes, produced without the authorization of the *Field and Stream* hunting magazine publisher, she will similarly not be damaged by unauthorized Playboy automotive supplies. If the consumer can adjust to "Tiffan E" for cosmetics, she can also get accustomed to "Classic Tiffany" for automobiles.

4. *An Intermediate Conclusion: Collateral Markets and Brand Fetishism*

To achieve the result of denying trademark protection in collateral markets, two rules should be adopted. First, trademark licenses in collateral markets should be deemed void due to the licensor's inability to exercise meaningful quality control. Second, unauthorized trademark uses in collateral markets should neither be enjoined as trademark infringement nor as dilution. By adopting these two rules, brand fetishism will abate, in at least three ways.

First, the mere fact that brand extensions into collateral markets will be impossible will undermine the incentive to invest in brand personalities. As discussed above, functional, product-related trademarks are less profitable today, for they are less extendible into other product areas.[358] If collateral markets cease to represent a profit potential, trademarks conveying spirit and soul will become somewhat less profitable. Consequently, the incentives to create trademarks conveying skill and expertise will increase.

Second, as noted above, brand extensions into dissimilar product areas are an indispensable part of brand fetishism. They disconnect the brand from physical products, demonstrating that it conveys a larger concept and can operate as an independent entity.[359] In other words, the fact that entirely different skills are necessary in order to manufacture cars and perfume or motorbikes and sunglasses encourages the consumer to perceive Jaguar and Harley-Davidson brands as much broader concepts than simply "authentic seals," that is, as signifying origins of product manufacture or quality control.

Trademark law should begin to recognize its role as a creator of

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[356] MCCARTHY, *supra* note 31, § 10:43.

[357] Franklyn, *Apparent Manufacturer*, *supra* note 154, at 691 (noting that, especially within collateral licensing context, consumers do not assume a trademark "signifies that the trademark owner made the product or that it is the source of quality control standards").

[358] *See supra* Part II.D.

[359] *Id.*

consumer perceptions, and act accordingly. Over the years, by providing legal support for most remote brand extensions, trademark law has taught the consumer to perceive brands as independent entities, thereby endorsing brand fetishism. If trademark protection in collateral markets is now denied, the consumer perception will consequently change. If each trademark is restricted to a certain product context, branded products will be seen as simple "commodities" rather than as entities with personality and soul. This would undermine brand fetishism.

Third, as discussed in Part II.D, the most important factor for a successful brand extension is the compatibility of the extension with the brand's concept.[360] Much in the same manner, unauthorized uses of a trademark on products incompatible with its image may rupture the coherence of the brand's concept. Many courts regard the need to prevent this damage as the main justification for protection against dilution.[361] Real as it may be, this damage should not be prevented. On the contrary, allowing famous trademarks to be used in collateral markets would weaken brand fetishism. If consumers constantly encounter "Rolls Royce" insecticide, "Chanel" floor wax, and the like, the idolized status of brands will probably be somewhat shaken.

C. *Merchandising Markets*

A trademark's "merchandising market" includes the sale of brand paraphernalia, such as T-shirts, cups, or posters displaying the mark. Such goods are normally purchased by consumers wishing to express their loyalty to the mark.

For a long time, merchandising goods displaying famous trademarks were sold without licenses from trademark owners.[362] As corporations began building up brands with personalities and souls in the 1980s,[363] they also began to understand the enormous potential profit from selling brand merchandise. As a result, corporations started claiming exclusive rights over the merchandising markets of their brands.[364]

The courts' reactions to these new claims varied. Some courts found

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[360] *Id.*

[361] *See, e.g.*, Ameritech, Inc. v. Am. Info. Techs. Corp., 811 F.2d 960, 965 (6th Cir. 1987) (stating that dilution "corrodes the senior user's interest in the trademark by blurring its product identification or by damaging positive associations that have attached to it"); Sally Gee, Inc. v. Myra Hogan, Inc., 699 F.2d 621, 624–25 (2d Cir. 1983) ("The interest protected . . . is not simply commercial goodwill, but the selling power that a distinctive mark or name with favorable associations has engendered for a product in the mind of the consuming public."); Tiffany & Co. v. Bos. Club, Inc., 231 F. Supp. 836, 844 (D. Mass. 1964) ("The risk of detraction may be a risk of an erosion of the public's identification of this very strong mark with the plaintiff alone, thus diminishing its distinctiveness, uniqueness, effectiveness, and prestigious connotations . . . .").

[362] Dogan & Lemley, *supra* note 138, at 472; Johnston, *supra* note 156, at 30.

[363] *See supra* Part II.B.

[364] Dogan & Lemley, *supra* note 138, at 472–73; Johnston, *supra* note 156, at 29–30.

that consumers who buy merchandising goods only wish to express their identification with the trademark owner. Such consumers do not reasonably expect that all merchandise bearing the trademark has necessarily been licensed by its owner.[365] Besides, the consumers are usually indifferent to the question of whether such a license exists and thus, cannot be confused.[366] Other courts, however, held that trademark owners should have exclusive rights over merchandising markets, but could not articulate such a right using the traditional tools of trademark law.[367]

In *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Manufacturing, Inc.*,[368] the concept of trademark infringement was substantially broadened so as to embrace the merchandising market. The court stated that the confusion requirement is met by the mere fact that the consumer identifies the symbols appearing on the sold merchandise as symbols originating from the trademark owner.[369] The argument that there must be confusion as to the manufacturer of the goods was found unpersuasive where the trademark was the "triggering mechanism for the sale" of the goods.[370] Although this decision was subjected to harsh criticism in legal practice[371] and scholarly literature,[372] courts have increasingly accepted its conclusions. Over the course of time, the right of trademark owners over merchandising markets came to be taken for granted.[373]

Today, such a far-reaching interpretation of the concept of consumer

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[365] *E.g.*, Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co., 676 F.2d 1079, 1083 (5th Cir. 1982); Int'l Order of Job's Daughters v. Lindeburg & Co., 633 F.2d 912, 920 (9th Cir. 1980); Bd. of Governors of the Univ. of N.C. v. Helpingstine, 714 F. Supp. 167, 172–73 (M.D.N.C. 1989).

[366] *Helpingstine*, 714 F. Supp. at 173.

[367] *E.g.*, Bos. Athletic Ass'n v. Sullivan, 867 F.2d 22 (1st Cir. 1989); Univ. of Ga. Athletic Ass'n v. Laite, 756 F.2d 1535 (11th Cir. 1985); Warner Bros., Inc. v. Gay Toys, Inc., 724 F.2d 327 (2d Cir. 1983); Bos. Professional Hockey Ass'n v. Dall. Cap & Emblem Mfg, Inc,, 510 F.2d 1004 (5th Cir. 1975).

[368] 510 F.2d 1004 (5th Cir. 1975).

[369] *Id.* at 1012.

[370] *Id.*

[371] Int'l Order of Job's Daughters v. Lindeburg & Co., 633 F.2d 912, 919 (9th Cir. 1980) ("The *Boston Hockey* decision transmogrifies th[e] narrow [trademark] protection into a broad monopoly."); Gen. Mills, Inc. v. Henry Regnery Co., 421 F. Supp. 359, 362 n.2 (N.D. Ill. 1976) ("[A] broad reading of the *Boston Pro Hockey* decision would have the effect of changing the focus of the trademark laws from the protection of the public to the protection of the trademark owner's business interest.").

[372] *See, e.g.*, Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of the Trade Symbols*, 1982 WIS. L. REV. 158, 168; W.J. Keating, *Patches on the Trademark Law*, 67 TRADEMARK REP. 315, 315–17 (1977); Charles A. Laff & Larry L. Saret, *Further Unraveling of Sears-Compco: Of Patches*, *Paladin and Laurel and Hardy*, 66 TRADEMARK REP. 427, 443–45 (1976).

[373] *See, e.g.*, Audi AG v. D'Amato, 469 F.3d 534, 543 (6th Cir. 2006); Gen. Motors Corp. v. Lanard Toys, Inc., 468 F.3d 405, 413–14 (6th Cir. 2006); Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062, 1076–77 (9th Cir. 2006); Tex. Tech Univ. v. Spiegelberg, 461 F. Supp. 2d 510, 520 (N.D. Tex. 2006).

confusion as employed in *Boston Professional Hockey* is no longer necessary. By consistently enjoining unauthorized merchandising products, courts have effectively influenced consumer perception. Empirical data suggests that today a large majority of the public believes that authorization is needed to display a trademark on merchandising products.[374]

Obviously, a trademark does not play any informative function when displayed on merchandising goods. The legal literature recognizes that consumers of brand merchandise are not motivated by assumptions about the quality of products, but by the desire to express loyalty, admiration, or sympathy with the trademark owner.[375] There is no substantial product behind the trademark—the trademark itself is the product desired by the consumer.[376] Consumers do not believe that the trademark owner produces merchandising products or controls their quality.[377] Accordingly, scholars strongly advocate a complete abandonment of the quality control requirement,[378] and an absolute exemption from tort liability for trademark licensors[379] in the context of merchandising.

Consumer confusion in the context of merchandising is essentially confined to the question whether the consumer thinks that it is legal to display one's trademark on merchandising products without obtaining a license and paying a fee. Meanwhile, many consumers are indifferent as to whether such license exists.[380] For those who are not, prominent disclaimers would be an easy solution.[381]

All this demonstrates that consumer confusion is a shaky rationale for providing trademark rights over merchandising markets. A number of

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[374] In 1983, a survey showed that 91.2% of the people interviewed thought that an owner of a name or character had to give permission before a product could bear its name. MCCARTHY, *supra* note 31, § 24:12.

[375] This is known as the so-called "'LAS' factor." Keating, *supra* note 173, at 372; Parks, *supra* note 172, at 544; Kuss, *supra* note 163, at 376.

[376] Dogan & Lemley, *supra* note 138, at 463 & n.9, 472; Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 961 (1993).

[377] Univ. of Pittsburgh v. Champion Prods. Inc., 686 F.2d 1040, 1047 (3d Cir. 1982) ("No one would seriously assert that a significant segment of the public believes that Pitt actually manufactured the goods involved."); Keating, *supra* note 173, at 372.

[378] Franklyn, *Licensors*, *supra* note 155, at 46; Keating, *supra* note 173, at 378; Marks, *supra* note 302, at 648–50; Parks, *supra* note 172, at 544–45.

[379] Franklyn, *Licensors*, *supra* note 155, at 47.

[380] Bd. of Governors of Univ. of N.C. v. Helpingstine, 714 F. Supp. 167, 173 (M.D.N.C. 1989) ("[T]he court is skeptical that those individuals who purchase unlicensed tee-shirts bearing [University of North Carolina] marks care one way or the other whether the University sponsors or endorses such products or whether the products are officially licensed."); Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2154 (2004); Dogan & Lemley, *supra* note 138, at 488; C. Knox Withers, *Sine Qua Non: Trademark Infringement, Likelihood of Confusion, and the Business of Collegiate Licensing*, 11 J. INTELL. PROP. L. 421, 454 (2004).

[381] Bone, *supra* note 380, at 2181–85; Dogan & Lemley, *supra* note 138, at 488–89; Withers, *supra* note 380, at 454.

legal scholars recognize this point.[382] Some conclude that confusion should no longer be required; displaying another's trademark on merchandising goods should be regarded as an unjustified misappropriation of another's property.[383] Others suggest denying trademark protection in this field.[384] Opening merchandising markets to competition would reduce prices and enhance quality, they argue.[385]

Trademark protection in merchandising markets constitutes the most explicit legal encouragement of brand fetishism. As discussed in Part II.E, displaying brand merchandise is an essentially ritualistic behavior.[386] A consumer wearing a brand T-shirt or hanging a brand poster on his bedroom wall is the ultimate "committed customer," who has fully internalized the idea that the brand is an independent spiritual being, which can be liberated from any connection with material goods. Brand merchandise evokes the brand's spirit, devoid of any product-related substance.[387]

The merchandising right is the ultimate right in the trademarked symbol itself, in the trademark as a spiritual being, and as a subject of devotion and worship. If trademark law allows trademark owners to profit from the exploitation of the purely symbolic dimensions of their marks, it eventually encourages them to create these dimensions. This incentive is not negligible: the legendary Hard Rock Café, for instance, garners much more profit from merchandising than from its core restaurant services.[388] If we believe that brand fetishism should be discouraged, this provides a convincing reason to deny trademark protection in merchandising markets.

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[382] Denicola, *Institutional Publicity Rights*, *supra* note 327, at 614–15 ("In the context of ornamental trademark use . . . an untempered fixation with confusion has often obscured more fundamental issues."); Dogan & Lemley, *supra* note 138, at 488–89 ("[T]he fact that consumers may believe trademark owners have a right to control merchandise bearing their brands does not itself justify a merchandising right.").

[383] Denicola, *Institutional Publicity Rights*, *supra* note 327, at 637–41 (suggesting shaping the merchandising right as a property right akin to copyright); Keating, *supra* note 173, at 372 ("If . . . the court perceives that consumers purchase goods to display their loyalty and support of the trademark's owner . . . then use of the mark by an interloper should be treated as unjustified misappropriation of personal property . . . .").

[384] Bone, *supra* note 380, at 2181–85 (suggesting that in merchandising cases the relief should be limited to a disclaimer remedy); Dogan & Lemley, *supra* note 138, at 488–89 (asserting that since consumers do not care whether merchandising products are officially licensed, the competitive process does not suffer from a mistaken assumption that the use required a license); Withers, *supra* note 380, at 455–56 ("The seller of an unlicensed product who makes no claim that the item is 'official' . . . should not be enjoined from an otherwise legal activity.").

[385] Dogan & Lemley, *supra* note 138, at 481.

[386] *See supra* Part II.E.

[387] *Id.*

[388] KUNDE, *supra* note 14, at 93–94.

V. ARE THERE ALTERNATIVE RATIONALES FOR SUPPORTING BRAND FETISHISM?

As demonstrated in the previous section, trademark law today essentially supports and encourages brand fetishism, although its traditional rationales speak in favor of discouraging this practice. This section examines whether there are alternative rationales for supporting brand fetishism and sustaining the legal doctrines facilitating this fetishism.

The U.S. legal system presumes liberty as a starting point. Legal protection restricts liberty and therefore, requires justification. Specifically, legal protection of trademarks restricts the liberty of others to use trademarks. Traditionally, this restriction was justified by the need to encourage trademark owners to invest in the quality of their goods,[389] thereby mitigating the risk of the market failure known as "the market for lemons."[390] This justification holds only as long as trademark protection is limited to the informational function of the mark. When one wishes to protect additional trademark dimensions, alternative rationales are needed to justify the respective additional restrictions on liberty. In other words, we must examine whether the spiritual dimensions of brands serve any important social purposes that could justify their protection.

While consumers who misjudge product quality because of emotional attachments to the brand present a clear case for discouraging brand fetishism, some consumers quite intentionally purchase the symbolic dimensions of brands. These consumers can be roughly divided into two groups: (1) those who wish to communicate their social status, group identification, etc. through brands; and (2) those who use brands to satisfy their spiritual needs for community, religion, or ideology. Accordingly, our primary question as to whether alternative rationales for protection of brand personalities exist may be similarly broken down: (1) whether brands should be protected as tools of personal communication; and (2) whether brands should be protected as sources of ideology, community, and religion.

A. *Should Brands Be Protected as Tools of Personal Communication?*

Should trademark law help trademark owners provide consumers with efficient means of personal communication? If there is a consumer

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[389] MCCARTHY, *supra* note 31, §§ 2:3–4.

[390] *See* George A. Akerlof, *The Market for 'Lemons': Quality Uncertainty and the Market Mechanism*, 84 Q.J. ECON. 488, 490–92 (1970). The article describes the market failure caused by information asymmetry, giving as an example the market for used cars, in which consumers cannot estimate the quality of the cars and therefore, are unwilling to pay higher prices for high-quality cars. The owners of high quality cars will be unwilling to place their cars in such a market and thus, the market will consist only of defective cars—"lemons." Trademarks are designed to serve as quality signals and to solve this type of market failure.

demand for brands as personal communication tools, why should this not serve as a sufficient rationale for encouraging the market to supply such tools?

As already discussed in the context of post-sale confusion, there is also a sufficient demand for imitations of branded products.[391] That is, while some consumers wish to use brands as truthful means of communication, others wish to wield them dishonestly. Protecting trademarks as communication tools results in privileging the former group over the latter. However, there is no good reason for doing so. Both groups have legitimate interests in the market of personal transactions.

The problem of emulation of communicative tools in the market of personal transactions is an old one,[392] and over time this market has developed efficient tools to communicate one's social status: education, taste, knowledge, etc.[393] When brands are legally protected as means of personal communication, this encourages "branded," materialistic channels of personal transactions. Viewed more broadly, this protection serves to make material goals more socially significant and hence encourage individuals to strive for these goals rather than for other goals. Thus, the legal protection currently provided by trademark law may be one reason for the increasing presence of "branded" personal communication, and for the heightened materialism of modern western culture.

The legal system should generally refrain from exerting cultural influence by providing individuals with certain types of communication channels. In addition, there are good reasons not to encourage materialistic communication and materialistic culture in particular. In his famous book *The High Price of Materialism*, Tim Kasser describes a comprehensive empirical study on materialistic values, which shows that when personal interactions are based on materialistic values, less empathy and intimacy are present in relationships.[394] Kasser's research also demonstrates that materialistic values undermine individuals' physical well-being and psychological health.[395] "To the extent we can break . . . some of the vicious cycles brought about by a focus on materialism, we will be able to improve the quality of life for ourselves, our families [and] our communities," Kasser concludes.[396] In protecting trademarks as tools of personal communication, trademark law pushes us in the opposite direction.

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[391] *See supra* Part IV.A.4.

[392] *See supra* notes 243–45 and accompanying text (providing the example of lace).

[393] This argument is extensively developed in PIERRE BOURDIEU, DISTINCTION: A SOCIAL CRITIQUE OF THE JUDGMENT OF TASTE (Richard Nice trans., 1984).

[394] TIM KASSER, THE HIGH PRICE OF MATERIALISM 87–95 (2002).

[395] *Id.* at 5–22.

[396] *Id.* at 115.

B. *Should Brands Be Protected as Sources of Ideology, Community, and Religion?*

Consumers who engage in brand cults, form brand communities, and buy brand merchandise explicitly recognize brands as spiritual beings, as sources of community, ideology, and religion. Some scholars argue that as community, ideology, and religion decline, brands legitimately fill the void left by these institutions.[397] In fact, marketing experts intentionally target these goals. For instance, Douglas B. Holt argues that identity brands compete in myth markets, not in product markets.[398] He suggests that to achieve an iconic status, the brand should be imbued with myths that play upon cultural tensions.[399] In his book *The Culting of Brands: When Customers Become True Believers*, Douglas Atkin writes: "Belonging is a fundamental dictate of the human condition . . . . Not to provide communities is not to satisfy a basic need. And not satisfying a basic need with a commercial answer would be the shame of most business people."[400] Later he adds: "The craving need to make meaning is part of the human condition. And again, if you don't satisfy a craving need with a commercial answer, you should be thrown into the business hall of infamy."[401]

Legally protecting brand personalities implicitly lends approval to this approach. I believe this is undesirable. The fact that people today have a certain deficit of community, ideology, and religion does not mean that these needs should be fulfilled by commercial channels; it certainly does not mean that the law should actively facilitate this process. People may participate in the cults of brand fetishism, but that does not mean that they crave spiritual satisfaction in the form of brands.

In a similar vein, Kalle Lasn writes: "The commercial mass media is rearranging our neurons, manipulating our emotions, making powerful new connections between deep immaterial needs and material products."[402] This description makes a valuable point: brand fetishism does not originate with private people. It is created and maintained by the marketing activities of commercial corporations. William Leach likewise argues that consumer culture is one of the most nonconsensual public cultures ever

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[397] ATKIN, *supra* note 55, at 201–02 ("We've reached a unique intersection in society that favors marketers. On one side, established [social, religious, and political] institutions are proving to be increasingly inadequate sources of meaning and community. On the other, [m]arketing is reaching its maturity in terms of shrewdness and artfulness." (citations omitted)); Muñiz & O'Guinn, *supra* note 58, at 428 ("If it is true that modernity has brought with it . . . 'the disenchantment of the world,' is it possible that community could coalesce around brands of things, to satisfy . . . a yearning for a 'reconstructed and re-mystified community?' We believe so." (citations omitted)).

[398] HOLT, *supra* note 53, at 39.

[399] *Id.* at 39 et seq.

[400] ATKIN, *supra* note 55, at 58.

[401] *Id.* at 96.

[402] LASN, *supra* note 36, at 12.

created, since it has not been produced "by people" but by profit-seeking commercial entities.[403]

To a certain extent, it can be said that brand fetishism currently competes in the "market" for religions and ideologies. It vigorously competes for the right to occupy the spiritual spaces of our society. A modern western citizen is inundated with messages trying to convince her that spiritual needs can be satisfied by commercial brands. As Leach puts it, commercial culture raises to the fore only one vision of the good life, pushing out all others.[404] We are much more often persuaded that brands will bring us happiness than that a certain religion or worldview will do the same—for devotion to a brand brings much more economic gain than any other type of devotion. Consequently, the incentive to promote brand fetishism is much greater than the incentive to promote any other ideology or religion.

By supporting brand fetishism, the legal system facilitates and promotes its role in the spiritual sphere. Yet there are valid reasons to keep commercial and spiritual spheres apart, or at the least not to encourage their fusion through legal rules. These two realms do—and should—function differently in many respects. For instance, the spiritual realm is not directly motivated by the desire for economic revenues gained from followers to the same extent as is the commercial market. In the spiritual sphere, preachers are usually true believers, while in the commercial world, "preachers" tend to be professionals in techniques of psychological influence.

If trademark protection is constrained to the informational function of the mark, there will be much less of an incentive for corporations to strive to satisfy our spiritual needs with commercial brands. And when brands retreat from the spiritual spaces of our society, alternative, non-consumerist visions of the good life will have a fair chance of rising to the fore.

VI. CONCLUSION

"The protection of trade-marks is the law's recognition of the psychological function of symbols."[405]

This observation, made by Justice Frankfurter in 1942, is more accurate today. In a market saturated with material goods, the emotional dimensions of products, as embodied in their trademarks, are becoming ever more important.

This Article has focused on brand fetishism, the tendency of modern

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[403] WILLIAM LEACH, LAND OF DESIRE: MERCHANTS, POWER, AND THE RISE OF A NEW AMERICAN CULTURE xv (1993).
[404] *Id.*
[405] Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942).

corporations to shape trademarks as independent spiritual entities, rather than as mere designations of origin. It has demonstrated that trademark law assists corporations in achieving this goal. Trademark law plays a central role in creating and maintaining consumer perceptions about trademarks. The choice as to which psychological functions of trademarks will enjoy protection lies within the purview of the legal system. This choice should be made with great care. The legal system should refrain from supporting ungrounded beliefs about trademarks.

The primary function of trademarks is to identify the trademark owner as the source of goods. As long as trademark law protects this psychological function of trademarks, it is supported by firm economic justifications. By contrast, the perception of trademarks as entities with personalities and souls deserves no legal protection. Trademark elements designed to influence the consumer on the emotional level should be left outside the area protected by trademark law. Yet, as this Article has pointed out, these functions currently do enjoy extensive legal protection. For instance, trademark owners are allowed to license their marks to third parties, refrain from being involved in the manufacturing process of the licensees, and later assume no liability for low-quality and defective products bearing their marks. This legal situation allows trademark owners to exploit their marks as mere psychological stimuli rather than as designations of origin.

Not every commercial trend should be encouraged by the legal system. Trademark law should cease to endorse the trend toward brand fetishism. It should actively create and shape consumer perceptions and business norms. It should take steps to demystify brands and to restore the trademark's primary function—as an indicator of origin and quality of goods. While corporations may sometimes wish to elevate the trademark over the product—the form over the substance—such efforts should enjoy no legal support. A trademark should be legally protected only as a name, not as a rose.