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A Case for Compulsory Licensing in Instances of Reverse Trademark Confusion

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Note

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LAUREN STRAIGHT

Trademark remedies in cases of reverse confusion are economically inefficient. Junior users in the best position to take economic advantage of marks are sometimes unable to do so due to prior use of a mark by a much smaller, remote senior user. This creates economic inefficiencies and leaves market share unutilized. For this reason, TRIPS needs to be revised to allow for a limited system of compulsory licensing for trademarks in reverse confusion cases. A system of compulsory licensing for trademarks would allow the person or company in the best position to use and gain market share from a trademark, to have access to it. It would accelerate competition, one of the goals of intellectual property law. A well-written remedial scheme, including compulsory licensing, can maximize the economic value of trademarks, while still avoiding consumer confusion. Compulsory licensing can be found in both patent and copyright law, and thus can logically be extended to trademark law. A hypothetical "Trademark Panel," similar to the Copyright Royalty Judges Program, could use a set of criteria to decide when a compulsory license would be appropriate in trademark law, and how to establish an appropriate licensing fee.

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A Case for Compulsory Licensing in Instances of Reverse Trademark Confusion

LAUREN STRAIGHT*

INTRODUCTION

Trademark law serves two primary functions. First, it serves to protect consumers from being confused about the source and origin of goods and services in order to protect consumer expectations about those goods and services.¹ In other words, trademarks help consumers identify goods and services, as well as predict their quality. Second, trademark law offers protections to producers of those goods and services by allowing them to foster goodwill.² As such, trademark law must balance protecting consumers from confusion, while also encouraging both innovation and competition.

Traditional trademark infringement cases deal with “forward confusion,” where a junior user is accused of using a well-known senior user’s mark on the junior user’s own goods or services.³ Under forward confusion, consumers are likely to believe that the goods of the junior user are associated with the senior source, which allows the junior user to trade on the goodwill of the senior user. When this happens, the court is expected to rule in favor of the senior user and enjoin the junior user’s use of the mark in order to minimize consumer confusion and protect the senior user’s reputation.⁴ Thus, the dual purposes of trademark law—protecting consumers as well as trademark owners—seem to be in harmony.

* J.D. Candidate 2021, University of Connecticut School of Law. Thank you to Professor Kathleen Lombardi for contributing her time and expertise throughout this process, and Professor Steven Wilf for inspiring the idea of this Note. Many thanks to the members of *Connecticut Law Review* for their diligent efforts and many edits. Finally, thank you to my family and friends for their constant support and encouragement.

¹ See *Nat’l Color Lab’ys, Inc. v. Philip’s Foto Co.*, 273 F. Supp. 1002, 1004 (S.D.N.Y. 1967) (noting that “an unfair competition suit involves the public’s interest in protection against deceit as to the sources of its purchases”).

² The federal court in the Southern District of New York has noted that trademarks encourage “the businessman’s right to enjoy business earned through investment in the good will and reputation attached to a trade name.” *Id.*

³ A senior user of a trademark or service mark is the first entity to adopt and use the mark. *Lucent Info. Mgmt., Inc. v. Lucent Techs., Inc.*, 186 F.3d 311, 316 (3d Cir. 1999). A junior user of a trademark is a second user, “regardless of whether it adopts and uses a mark in a geographically remote location.” *Id.*

⁴ See, e.g., *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 161 (9th Cir. 1963) (enjoining use of defendant’s BLACK & WHITE mark on alcoholic beverages due to likelihood of confusion with plaintiff’s mark); *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 152 (2d Cir. 2003) (enjoining defendant’s use of the mark VIRGIN for telephones and telephone-related services due to a “likel[i]hood to cause substantial consumer confusion” with plaintiff’s mark); *McDonald’s Corp. v.*

In contrast, “reverse confusion” occurs when a junior user adopts a mark already in use by a senior user; however, the junior user tends to be much larger than the senior user and is able to saturate the market with advertising and other promotions of the mark.⁵ The confusion is thus “reversed” because consumers might believe that the junior user was actually the originator of the mark and that the senior user is the infringer. The senior user will argue that this could harm its goodwill and reputation.⁶

In such cases of reverse confusion, the interests of consumers seem to be at odds with the interests of the trademark owner. While the trademark owner would certainly be better off if the larger, junior user was enjoined from using the mark, the consuming public may be harmed by that outcome. This is because the larger, junior user is better positioned to make more efficient use of a trademark, without confusing consumers as to the origin of source (since most consumers would tend to associate the mark with the junior user after the more aggressive advertising campaign). This is especially true when the senior user is in a remote area, leaving much room for expansion of the mark by the junior user. Consumers are sophisticated and will be able to tell the difference between two different brands sharing similar marks. In other words, when a reverse confusion case is brought, consumers have already begun to associate the quality and source of the goods or services in the market at large with the junior user. Therefore, forcing the junior user to change the mark would be harmful to consumers and would leave market share on the table.

Thus, while trying to meet its dual purposes, trademark law has fallen a bit short in terms of its remedial function when it comes to cases of reverse confusion—that is, what happens when a smaller, senior user’s trademark is infringed by a larger, but junior, user. While consumer protection is often touted as the top priority in trademark law, consumers’ interests are not really being protected at all in cases of reverse confusion, because a great deal of market share is being left on the table by a small, senior user warehousing a mark. This is harmful to consumers because it leads to decreased competition and the inability of consumers to continue using a junior user’s brand that they have already begun to recognize under the mark without heavy transaction costs related to learning a new branding scheme.

Additionally, remedies in trademark law in cases of reverse confusion have been applied fairly arbitrarily due to confusion in the judiciary about

Druck & Gerner, D.D.S., P.C., 814 F. Supp. 1127, 1139 (N.D.N.Y. 1993) (recommending an injunction against defendant’s use of MCDENTAL because it was likely to cause confusion with plaintiff’s mark).

⁵ Deborah F. Buckman, Annotation, *Reverse Confusion Doctrine Under Lanham Trademark Act*, 187 A.L.R. Fed. 271 (2003).

⁶ See, e.g., *Attrezzi, LLC v. Maytag Corp.*, 436 F.3d 32, 38–39 (1st Cir. 2006) (explaining the sources of harm to a senior mark owner caused by reverse confusion); *Marketquest Grp., Inc. v. BIC Corp.*, 862 F.3d 927, 933 (9th Cir. 2017) (noting a concern that consumers would believe the plaintiff had been acquired by the defendant in a reverse confusion case).

the role of monetary damages in trademark infringement cases.⁷ While punitive damages in trademark infringement awards are technically not allowed under the Lanham Act,⁸ some courts may enhance damages when they believe that a defendant has acted willfully.⁹ This has the result of making some plaintiffs far from whole, while others receive a windfall. In cases of reverse confusion, it is hard to imagine how a plaintiff should ever be entitled to monetary damages, as it is unlikely they lost many, if any, sales from the junior user's adoption of a similar mark. If anything, all a senior user has lost is the ability to develop market share, which is nearly impossible to value.

This Note focuses on how trademark remedies in cases of reverse confusion are economically inefficient. Junior users in the best position to take economic advantage of marks are sometimes unable to do so due to prior use of a mark by a much smaller, remote senior user. This creates economic inefficiencies and leaves plenty of available market share unutilized.

Part I of this Note provides a brief statutory analysis of the remedies provided by the Lanham Act and how they have been applied to cases of reverse confusion. Part I also discusses relevant court cases regarding reverse confusion that have given remedies, based on the Lanham Act, that I will argue are economically inefficient. This analysis will demonstrate that a new, more efficient, and sensible approach needs to be established to deal with cases of reverse confusion.

To create a better remedial trademark regime for reverse confusion, it is helpful to look to other intellectual property regimes. Part II of this Note will summarize the compulsory licensing process sometimes used for both the patent and copyright systems (in the United States and abroad) and analyze why compulsory licensing is economically effective for those regimes. Compulsory licensing is used in other regimes to allow junior users to capitalize on untapped market shares, while compensating a senior user.¹⁰ There is no logical reason for not extending this reasoning to trademark law.

⁷*Compare* Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 949 (7th Cir. 1992) (rewarding a huge damages award to a very small senior user), with A & H Sportswear, Co. v. Victoria's Secret Stores, Inc., 167 F. Supp. 2d 770, 802 (E.D. Pa. 2001) (rewarding no monetary damages where senior user's good comprised 10% of the market share).

⁸ See 15 U.S.C. § 1114(2)(A)–(C) (1946) (outlining available remedies for trademark infringement, which does not include punitive damages); Duncan v. Stuetzle, 76 F.3d 1480, 1490 (9th Cir. 1996) (stating “punitive damages are not available under the Lanham Act”).

⁹ See Nicholas A. Gowen & Peter V. Baugher, *Recovering Damages for Trademark Infringement*, 101 ILL. BAR J. 148, 151 (2013) (discussing how some courts recognize “willful” infringement that may justify declaring a case as exceptional and awarding additional fees to a prevailing plaintiff. For example, courts may award treble damages for intentionally using a counterfeit mark.).

¹⁰ Cole M. Fauver, Comment, *Compulsory Patent Licensing in the United States: An Idea Whose Time Has Come*, 8 NW. J. INT'L L. & BUS. 666, 667 (1988).

Part III builds on this discussion to show why the Agreement on Trade-Related Aspects of Intellectual Property Rights¹¹ (“TRIPS”) needs to be revised to allow for a limited system of compulsory licensing for trademarks and how this would be economically efficient, specifically in the realm of reverse confusion cases. A system of compulsory licensing for trademarks would allow the person or company in the best position to use and gain market share from a trademark to have access to it. It would accelerate competition—one of the main goals of intellectual property law. A well-written remedial scheme, including compulsory licensing, can both maximize the economic value of trademarks, while still avoiding consumer confusion.

I. THE LANHAM ACT

A. *Background, Purpose, and Remedies*

As far back as the nineteenth century, Congress realized the need to protect consumers from being confused by counterfeit goods, as well as the need to protect strong brands.¹² Although the first statute providing for federal trademark registration was enacted by Congress in 1870,¹³ this Act was struck down by the United States Supreme Court as unconstitutional nine years later.¹⁴ Modern trademark doctrine was established in 1946 with the creation of the Lanham Act, which provided for federal registration of marks used in interstate commerce.¹⁵

Under the Lanham Act, the most common remedy in a trademark infringement suit is a grant of an injunction against the infringer.¹⁶ A plaintiff is entitled to a preliminary injunction in a trademark suit when the plaintiff demonstrates that there is a “probab[ility of] success on the merits,” as well as “the possibility of irreparable injury” or “the existence of serious questions going to the merits *and* that the balance of hardships tips sharply

¹¹ Agreement on Trade-Related Aspects of Intellectual Property Rights, WORLD TRADE ORG. (1994), https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm [hereinafter TRIPS]. TRIPS is an international agreement intended to create a global system of protection for intellectual property rights. See Evelyn Su, Comment, *The Winners and the Losers: The Agreement on Trade-Related Aspects of Intellectual Property Rights and its Effects on Developing Countries*, 23 HOUS. J. INT’L L. 169, 171 (2000) (describing the TRIPS agreement).

¹² Kenneth R. Pierce, *The Trademark Law Revision Act: Origins of the Use Requirement and an Overview of the New Federal Trademark Law*, 64 FLA. BAR J. 35, 37 (1990) (discussing the first federal trademark statute enacted in 1870).

¹³ An Act to Revise, Consolidate, and Amend the Statutes Relating to Patents and Copyrights, ch. 230, §§ 81–84 (1870), *invalidated by In re Trade-Mark Cases*, 100 U.S. 82, 88 (1879).

¹⁴ *In re Trade-Mark Cases*, 100 U.S. at 88.

¹⁵ 15 U.S.C. § 1051 (2002).

¹⁶ GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY 967 (4th ed. 2014) (stating “[i]n most intellectual property litigation, the principal battle is resolved by the grant or denial of injunctive relief”).

in [the plaintiff's] favor.”¹⁷ The goals of the injunction are to stop the infringer from capitalizing on the goodwill and market share of the senior user, to protect consumers from being confused about the origin of goods in the marketplace, and to reduce transaction costs for consumers.¹⁸

While an injunction against the infringer's use of the mark is the most common remedy, the Lanham Act also created remedies for more egregious trademark infringement in the form of damages that could include (1) any profits the defendant made from using the mark, (2) damages sustained by the plaintiff through the unlawful use of the mark by the defendant, and (3) costs associated with the action.¹⁹ This can be a tough burden of proof on a plaintiff, as the biggest damages awards are often given out when “willful” infringement is proven. “Willfulness” has proved to be a tricky concept in trademark law. Recently, the Supreme Court considered whether a plaintiff must prove willful infringement in order to recover an infringer's profits.²⁰ The Court held that willful infringement is only one consideration for awarding an infringer's profits and is not a prerequisite.²¹ This was a seemingly sound ruling, as it is unclear why willfulness should even matter. Perhaps willful infringement seems more morally egregious, but if the goals of trademark law are to prevent consumer confusion as well as unjust enrichment, then an infringer's profits should be awarded to a trademark holder regardless of willfulness. A holding otherwise would have, and in fact has, created uneven and contrary awards of damages.²² The difficulty of

¹⁷ *Sardi's Rest. Corp. v. Sardie*, 755 F.2d 719, 723 (9th Cir. 1985).

¹⁸ *See Mrs. U.S. Nat'l Pageant, Inc. v. Miss U.S. Org., LLC*, 875 F. Supp. 2d 211, 226–27 (W.D.N.Y. 2012) (quoting *U.S. Polo Ass'n v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515, 540 (S.D.N.Y. 2011)) (noting that courts have held that “[i]rreparable harm exists in a trademark case when the party seeking the injunction shows that it will lose control over the reputation of its trademark . . . because loss of control over one's reputation is neither ‘calculable nor precisely compensable’” (alterations in original); *Hard Candy, LLC v. Anastasia Beverly Hills, Inc.*, 921 F.3d 1343, 1353 (11th Cir. 2019) (quoting *Angel Flight of Ga., Inc. v. Angel Flight Am., Inc.* 522 F.3d 1200, 1209 (11th Cir. 2008)) (noting that courts grant injunctions against the infringing party because “‘the public deserves not to be led astray by the use of inevitably confusing marks,’ and injunctive relief is the surest way to prevent future harm”).

¹⁹ 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-193).

²⁰ *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S. Ct. 1492, 1494 (2020). *See also* Lewis R. Clayton & Eric Alan Stone, *Supreme Court to Decide Willful Trademark Infringement Issue*, 262 N.Y.L.J., Nov. 13, 2019 (providing a description of the dispute).

²¹ *Romag Fasteners*, 140 S. Ct. at 1497.

²² To illustrate this point, the Restatement notes that:

[t]he multiple rationales for an award of the defendant's profits complicate analysis of the applicable rules. . . . In many cases it is unnecessary to adopt a specific theory since the consequences of the various rationales frequently overlap. In some cases, however, it may be necessary to adjust the terms of the accounting to reflect the specific objective sought by the award and the equities of the particular case.

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 cmt. B (AM. L. INST. 1995). Indeed, before the *Romag* decision, the federal circuits split over the issue of a bad faith, or willfulness, requirement for an accounting of profits in order to calculate damages. For example, the Seventh Circuit did not require bad faith, but the Second Circuit and a majority of other circuits did. *Compare, e.g., Roulo v. Russ Berrie &*

proving damages, or the inconsistent ways in which they are awarded, in trademark cases is what makes alternative remedial schemes—such as compulsory licensing—even more attractive.

The idea of “willful infringement” becomes even trickier in cases of reverse confusion. In reverse confusion cases, the junior user typically has no knowledge of the senior user’s mark or else believes it to be so remote that there could be no possible conflict. The junior user “infringes” the mark because it fits with its own branding or marketing plan. Thus, the infringement often is not willful as the junior user is working on retaining and building its own goodwill, rather than trying to capitalize on the goodwill of the senior user,²³ unlike direct confusion cases where the junior user is often trying to capitalize on the goodwill and market recognition of the senior user. Thus, courts often fail to find willfulness in cases of reverse confusion, making it harder to create an appropriate remedy.

Further, a court may award treble damages and attorneys’ fees in the case of an intentional infringement “unless the court finds extenuating circumstances.”²⁴ So even though punitive damages are not specifically mandated in the Lanham Act, treble damages may be awarded in certain circumstances, mainly within the court’s discretion, that seem to serve to “punish” the infringer, or at least take away the infringer’s profits from using the mark.²⁵ Again, this has led to inconsistent results that could give some trademark holders a windfall if a particular judge finds that infringement was “intentional.” While an injunction against a trademark infringer makes sense, both to avoid consumer confusion and to encourage investment in branding and trademarks, it is clear that monetary damages do not always work as smoothly. Further, it is clear that treble damages would not likely be appropriate in reverse confusion cases as the junior user is most likely not willfully or purposefully trading on any goodwill of the senior user.

Co., 886 F.2d 931, 941 (7th Cir. 1989) (demonstrating that the Seventh Circuit did not require bad faith) with *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992) (discussing the requirement that bad faith or willfulness be shown for an award of profits under the theories of compensation, unjust enrichment, and deterrence). This led to the circuit split resolution on willfulness by the Supreme Court. See *supra* note 20 for a discussion of this.

²³ See, e.g., *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 963 (7th Cir. 1992) (discussing how it was clear that the infringing party independently adopted a similar mark as that of the plaintiff and had no knowledge of plaintiff’s mark).

²⁴ 15 U.S.C.A. § 1117(b) (Westlaw through Pub. L. No. 116-193).

²⁵ See, e.g., *Seymour v. McCormick*, 57 U.S. 480, 489 (1853) (noting that “where the injury is wanton or malicious, a jury may inflict [treble] damages, not to recompense the plaintiff, but to punish the defendant”). The *Seymour* rhetoric has been noted as revealing an “unmistakable connection between treble damages . . . and punitive damages.” Dmitry Karshedt, *Enhancing Patent Damages*, 51 U.C. DAVIS L. REV. 1427, 1448–49 (2018).

B. *Case Law Treatment of Lanham Act Remedies in Reverse Confusion Cases*

As Professor J. Thomas McCarthy, a nationally renowned trademark expert, has noted, “[t]here is a great deal of semantic confusion in the opinions dealing with the award of monetary recovery for trademark infringement and unfair competition.”²⁶ This confusion occurs because there are many different judicial opinions regarding the underlying purpose of monetary relief in trademark cases, as the judiciary has been given very little guidance from the text of the Lanham Act regarding monetary damages.²⁷ The Ninth Circuit in particular noted the difficulty in calculating damages:

Damages are typically measured by any direct injury which a plaintiff can prove, as well as any lost profits which the plaintiff would have earned but for the infringement. Because proof of actual damage is often difficult, a court may award damages based on defendant’s profits on the theory of unjust enrichment.²⁸

The Ninth Circuit’s reasoning demonstrates that although the goal of trademark remedies is to make the plaintiff whole, this is often impossible to calculate under current remedial schemes, so a theory of unjust enrichment of the infringer must be relied upon instead to calculate a proper damages award.

Courts face a great challenge in calculating damages in reverse confusion cases because “the injury primarily amounts to lost control of the senior user’s mark, reputation, and goodwill.”²⁹ Courts find it challenging to assign a dollar value to these intangibles. In other words, the senior user in cases of reverse confusion is not losing profits, and often the junior user is not being unjustly enriched by trading off of the goodwill of the senior user. Instead, the senior user just risks losing control over the mark and having the market saturated by the junior user’s use of the mark. To illustrate the courts’ challenges with assigning damages in cases of reverse confusion, it is often helpful to see examples.

The seminal case involving a large damage award due to a finding of reverse confusion was decided by the Seventh Circuit.³⁰ In *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, the plaintiff, STW, was the owner of three

²⁶ DINWOODIE & JANIS, *supra* note 16, at 981 (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:57, at 30:109 (4th ed. 2013)) (alteration in original).

²⁷ McCarthy has noted that the various theories and rationales underlying trademark monetary recovery “have received inadequate judicial attention and have remained confused and undefined.” Dennis S. Corgill, *Measuring the Gains of Trademark Infringement*, 65 FORDHAM L. REV. 1909, 1915 n.25 (1997) (quoting MCCARTHY, *supra* note 26, at § 30:58).

²⁸ *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1407 (9th Cir. 1993) (internal citations omitted).

²⁹ Leah L. Scholer, Note, *Righting the Wrong in Reverse Confusion*, 55 HASTINGS L.J. 737, 740 (2004).

³⁰ *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947 (7th Cir. 1992).

federally registered trademarks including the term “THIRST-AID,” though the term had not been used on any beverages since a small test-run.³¹

When Quaker (defendant) adopted the phrase “Gatorade is Thirst Aid for That Deep Down Body Thirst” in its advertising efforts for its sports drink, Gatorade, STW filed suit, alleging federal trademark infringement and unfair competition under the Lanham Act.³² The district court, finding reverse confusion, held for STW and awarded it “10% of Quaker’s pre-tax profits on Gatorade for the period during which Quaker used ‘Thirst Aid’ in its advertising,” along with attorney’s fees and costs, which all totaled \$42,629,399.09 (approximately \$25 million of which was the direct result of a bad faith finding).³³ The appellate court remanded the damages and noted that “[a] reasonable royalty . . . would more accurately reflect both the extent of Quaker’s unjust enrichment and the interest of STW that has been infringed.”³⁴ While the court here did reverse, other courts have given plaintiffs in reverse confusion cases either a reasonable royalty or a percentage of defendants’ profits.³⁵ This percentage of profits is almost certainly a windfall to plaintiffs.³⁶ This is because the award was based on a percentage of defendant’s profits, rather than on any profits of the plaintiff.³⁷ The court of appeals, quoting the district court, even noted:

Defendant's profits may be significantly disproportionate to plaintiff's circumstances, such that an award of profits may represent punishment to the defendant (as opposed to compensation for the plaintiff), and unjustifiable enrichment and a windfall to the plaintiff. Therefore, the amount of profits to be awarded should be related to the financial benefit received because of the unlawful use of the mark.³⁸

This statement demonstrates that it is likely the plaintiff received far more in damages than it would have received in profits if it remained the sole user of the THIRST AID mark—a conclusion that hardly seems equitable.

³¹ *Id.* at 951.

³² *Id.*

³³ *Id.* at 949, 951, 961.

³⁴ *Id.* at 963. This case was remanded for damages and then the decision was appealed again. *Sands, Taylor & Wood v. Quaker Oats Co.*, 34 F.3d 1340 (7th Cir. 1994). The final award was \$10,328,411 with post-judgment interest. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, No. 84 C 8075, 1995 WL 221871, at *3 (N.D. Ill. Apr. 12, 1995).

³⁵ Daniel D. Domenico, Note, *Mark Madness: How Brent Musburger and the Miracle Bra May Have Led to a More Equitable and Efficient Understanding of the Reverse Confusion Doctrine in Trademark Law*, 86 VA. L. REV. 597, 631–32 (2000).

³⁶ *See id.* at 623 (“[T]he damage actually suffered is inherently speculative The defendant in such a case will generally be a large, solvent corporation. Thus, an award based on even a small percentage of the junior user’s sales can yield very large numbers.”) (footnote omitted). The court in *Sands* also stated that “an award of \$24 million in profits is not ‘equitable’; rather, it is a windfall to the plaintiff.” *Sands*, 978 F.2d at 963.

³⁷ *Sands*, 34 F.3d at 1342.

³⁸ *Id.*

A case like *Sands* stands in sharp contrast with one like *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*³⁹ In *A & H*, plaintiff A & H registered the trademark MIRACLESUIT for swimwear designed to make the wearer appear slimmer.⁴⁰ A & H manufactured approximately 10% of all swimwear made in the United States.⁴¹ Two years later, defendant Victoria's Secret started using the term "The Miracle Bra" on lingerie and swimsuits.⁴² A & H sued on a theory of trademark infringement based in part on reverse confusion.⁴³ On remand, the district court, finding infringement, granted an injunction on the name "The Miracle Bra" in connection with swimwear, but denied A & H any monetary relief.⁴⁴

The court suggested three potential ways to calculate damages in the *A & H* case, but all were rejected.⁴⁵ First, the court suggested royalty payments for past and future infringement, but this was rejected by the circuit court because it seemed to impose a license that neither party requested or negotiated.⁴⁶ Second, the court considered awarding a percentage of Victoria's Secret's profits, but rejected this as well because Victoria's Secret's swimwear profits did not relate to the value of A & H's mark, and thus, its success was unrelated to the strength of A & H's mark or any created confusion.⁴⁷ Third, the court considered any pecuniary losses due to the infringement, but rejected this because it could find no evidence that Victoria's Secret gained sales because confused customers bought a Victoria's Secret swimsuit when they really wanted an A & H swimsuit.⁴⁸

In comparing the *Sands* and *A & H* decisions, it is hard to make sense of the wildly different damages awards. For one, it seems nonsensical that the plaintiff in *Sands* should have been awarded approximately \$24 million in damages for infringement based on reverse confusion, when they arguably were not even currently manufacturing a directly competing product as the defendant's, while the plaintiff in *A & H*, who manufactured 10% of the swimwear produced in the United States, was awarded \$0 in damages even though their product competed directly with the defendant's. Further, the award given in *Sands* is almost certainly more than the plaintiff would have received if the defendant had sought a license to use the mark. In both cases, it is likely that the defendants were making a more economically efficient use of the trademark, and should have been allowed to capitalize on that, while fairly compensating the senior user. The inconsistencies of the damages

³⁹ *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198 (3d Cir. 2000).

⁴⁰ *Id.* at 208.

⁴¹ *Id.*

⁴² *Id.* at 209.

⁴³ *Id.*

⁴⁴ *A & H Sportswear Co. v. Victoria's Secret Stores, Inc.*, 167 F. Supp. 2d 770, 802 (E.D. Pa. 2001).

⁴⁵ *Id.* at 773, 801.

⁴⁶ *Id.* at 773.

⁴⁷ *Id.* at 801.

⁴⁸ *Id.*

awards, the economic inefficiency of the injunctions, and the inability of companies to capitalize on their marketing schemes due to smaller, remote players are all problematic to a functioning trademark system.

Thus, this Note posits that in cases of reverse confusion in trademark law, the remedial scheme needs to be revised. I will argue that it is often the case that the junior user is actually better suited to make a much more efficient use of the mark than the senior user and should be able to use it under a compulsory licensing scheme. The senior user will be fairly compensated for the mark, the junior user will be able to make efficient use of the mark, and consumer confusion will be minimized. First, I will outline how compulsory licensing schemes have worked in other intellectual property regimes.

II. COMPULSORY LICENSING IN PATENT AND COPYRIGHT REGIMES

Compulsory licenses have been defined as “involuntary contracts between a willing buyer and an unwilling seller, imposed or enforced by the state.”⁴⁹ “Additionally, compulsory licensing may be implemented as a remedy in antitrust or misuse situations, where the invention is important to national defense or where the entity acquiring the compulsory license is the sovereign.”⁵⁰ While a compulsory licensing system has not yet been recognized in trademark law, it does exist to a limited extent in both patent and copyright law. Here, I will give a brief explanation of those systems, domestically and internationally, in order to provide a platform to discuss that while a similar scheme might not always be appropriate in trademark law in general, compulsory licenses may be an appropriate alternative to traditional remedies in cases of reverse confusion.

A. *Compulsory Licensing in the Patent System*

Compulsory licensing became more common in the patent regime after the United States Supreme Court decision in *eBay v. MercExchange*.⁵¹ The Court in *eBay* reversed a grant for injunctive relief, despite a finding of patent infringement.⁵² The Court held that a patent owner seeking injunctive relief must demonstrate: (1) it has suffered irreparable harm; (2) monetary damages are inadequate; (3) balancing the hardships to the parties warrants equitable relief; and (4) the public interest would not be disserved by an injunction.⁵³ Since this decision, injunctive relief has been granted to direct

⁴⁹ Angela Foster, *Compulsory Licensing After eBay*, 258 N.J. LAW. 41, 43 (2009) (citing Gianna Julian-Arnold, *International Compulsory Licensing: The Rationales and the Reality*, 33 IDEA 349, 349 (1993)).

⁵⁰ Julian-Arnold, *supra* note 49, at 350.

⁵¹ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

⁵² *Id.* at 394.

⁵³ *Id.* at 391.

patent competitors,⁵⁴ but denied to non-competitors⁵⁵ and patent owners not practicing the patent.⁵⁶

Because the Court in *eBay* did not provide guidance for alternative relief when an injunction is denied but infringement has occurred, several post-*eBay* patent infringement suits have resulted in a grant of compulsory licensing agreements. For example, the district court in *Paice v. Toyota* issued an order permitting Toyota to continue producing patent-infringing items subject to a payment of \$25 per engine to the patent owner.⁵⁷ Based on the *eBay* decision, the court determined that because Paice was not competing for market share with Toyota, there was no threat to Paice and therefore no reason to enjoin Toyota from using the patent, as long as they paid the royalty.⁵⁸ The district court used similar reasoning in *Finisar Corp. v. DirecTV Group* when it applied a reasonable royalty rate awarded by a jury for past damages and future uses of the patent by the defendant.⁵⁹

In addition, some international patent law systems, such as the Paris Convention for the Protection of Industrial Property (“the Paris Convention”)⁶⁰ and TRIPS,⁶¹ provide for compulsory licensing under certain circumstances. For example, under TRIPS, the TRIPS member must pay the patent owner a remuneration for use of the patented invention, and the use must be specific in scope and duration, as well as limited to the authorized purpose.⁶² This has allowed member countries to enforce compulsory licenses in certain situations.

Therefore, a compulsory licensing system is alive and well in the patent regime.

⁵⁴ See, e.g., *TiVo, Inc. v. EchoStar Commc'ns Corp.*, 446 F. Supp. 2d 664, 671 (E.D. Tex. 2006) (granting a permanent injunction against a directly competing patent infringer).

⁵⁵ See, e.g., *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006) (failing to grant a permanent injunction against a non-competitor because the patentee failed to show that it would suffer, and the negative effects on the public outweighed the granting of such relief).

⁵⁶ See, e.g., *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 WL 37742, at *2 (E.D. Mich. Jan. 4, 2007) (denying an injunction where patent owner was not using the patent, but merely licensing it).

⁵⁷ *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *3, *6 (E.D. Tex. Aug. 16, 2006).

⁵⁸ *Id.* at *6.

⁵⁹ *Finisar Corp. v. DirecTV Grp., Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at *4–5 (E.D. Tex. July 7, 2006).

⁶⁰ The Paris Convention is the oldest major treaty concerning the protection of intellectual property. Geri L. Haight & Philip Catanzano, *The Effects of Global Priority of Trademark Rights*, 91 MASS. L. REV. 18, 24 (2007).

⁶¹ See *supra* note 11 for a description of TRIPS.

⁶² TRIPS, art. 31(c) & (h) (1994).

B. *Compulsory Licensing in the Copyright System*

The first compulsory license provision for copyright law appeared in Section 1(e) of the 1909 Copyright Revision Act.⁶³ “It was enacted out of fear that allowing exclusive recording licenses would create monopolies over music.”⁶⁴ The Act, which exists to this day for works that were created before the 1976 Lanham Act went into effect, allows the payment of a royalty to permit the making of a sound recording of a nondramatic musical composition without the consent of the music’s copyright owner.⁶⁵ While this only applied to compulsory licensing for phonorecords, Congress added three more compulsory licenses to the 1976 Copyright Revision Act for: (1) the secondary transmission of certain primary transmissions (in other words, a design that permits cable television to carry over-the-air broadcast signals);⁶⁶ (2) jukebox performances of copyrighted music;⁶⁷ and (3) the broadcast of published nondramatic musical works and published pictorial, graphic, and sculptural works by a public broadcasting entity.⁶⁸ Since then, three more compulsory licenses have been adopted for (1) secondary transmissions by satellite carriers;⁶⁹ (2) certain digital transmissions and delivery of sound recordings;⁷⁰ and (3) the manufacture and importation of digital recording devices.⁷¹ These compulsory licenses for copyright make it clear that Congress has found them to be an effective solution to resolve problems involving conflicts between copyright owners and those who wish to use copyrighted works.⁷²

It has been noted that compulsory licensing for sound recordings “satisfies the creative need for unrestricted access to recordings, creates a legal channel for remix distribution, and makes the dividing line between licensing and fair use one of commercial intent, much like the way cover songs are already treated.”⁷³ It creates a system where the general public is able to enjoy new artistic creations while both benefiting new artists hoping to use copyrighted works and still providing a licensing fee to copyright owners.⁷⁴

⁶³ Act of Mar. 4, 1909, ch. 320, § 1(e), 35 Stat. 1075 (1909) (amending and consolidating the Acts respecting copyright) [hereinafter 1909 Copyright Act].

⁶⁴ Michael L. Baroni, *A Pirate’s Palette: The Dilemmas of Digital Sound Sampling and a Proposed Compulsory License Solution*, 11 U. MIA. ENT. & SPORTS L. REV. 65, 93 (1993).

⁶⁵ 17 U.S.C.A. § 115 (Westlaw through Pub. L. No. 116-193).

⁶⁶ *Id.* § 111(d) (Westlaw).

⁶⁷ *Id.* § 116(b) (Westlaw).

⁶⁸ *Id.* § 118(b)(4) (Westlaw).

⁶⁹ *Id.* § 119(e)(1)(C) (Westlaw).

⁷⁰ *Id.* §§ 114–15 (Westlaw).

⁷¹ *Id.* § 115(a)(1)(A)(ii) (Westlaw).

⁷² Howard B. Abrams, *Copyright’s First Compulsory License*, 26 SANTA CLARA COMPUT. & HIGH TECH. L.J. 215, 227 (2010).

⁷³ Robert M. Vrana, Note, *The Remix Artist’s Catch-22: A Proposal for Compulsory Licensing for Transformative, Sampling-Based Music*, 68 WASH. & LEE L. REV. 811, 859 (2011).

⁷⁴ *Id.* at 860.

C. *Economic Efficiency in Compulsory Licensing*

Why do the patent and copyright systems utilize compulsory licensing? Because it is an economically efficient way to resolve conflicts between intellectual property owners and those who wish to use owned intellectual property.

As an example, compulsory licensing is often used in patent law in the pharmaceutical industry. For instance, Thailand issued three compulsory licenses for HIV/AIDS treatments as well as one for heart disease in 2006 and 2007 in order to provide the drugs to the poor within its public health system.⁷⁵ It was found that the compulsory licenses reduced prices and improved access to crucial medications by introducing generic competition where products were patented.⁷⁶

As another example of efficient usage of compulsory licensing, “in 2006 . . . at least four courts in the United States issued compulsory licenses on medical, software, and engineering patents to remedy anticompetitive business practices.”⁷⁷ Limiting anticompetitive and monopolistic practices is a common, global goal, and compulsory licensing has been utilized internationally to achieve those goals.⁷⁸

It has in fact been noted that tensions have arisen between intellectual property law and competition law.⁷⁹ “Businesses have increasingly understood that [intellectual property] can be used as a strategic weapon to bolster their market power.”⁸⁰ Businesses will often try to make it difficult for their competitors to enter markets by creating entry barriers using their intellectual property as both a sword and a shield.⁸¹ Thus, competition law has sought to break some of these barriers with the essential facilities doctrine (“EFD”) which mandates access to controlled facilities by requiring compulsory licensing.⁸² EFD has been used in the United States to encourage competition and prevent monopolistic behavior.⁸³ For example, EFD has surfaced in cases involving “bottleneck inputs” including sports stadiums, warehouse spaces, and newspaper distribution systems.⁸⁴ Recent cases involving EFD have also focused on technological knowledge for access to networks, including electricity and telecommunications “where there are clear elements of natural monopoly and the presence of explicit

⁷⁵ Peter Maybarduk & Sarah Rimmington, *Compulsory Licenses: A Tool to Improve Global Access to the HPV Vaccine?*, 35 AM. J.L. & MED. 323, 330 (2009).

⁷⁶ *Id.* at 331.

⁷⁷ *Id.* at 330.

⁷⁸ *Id.* at 330–31.

⁷⁹ Daryl Lim, *Copyright Under Siege: An Economic Analysis of the Essential Facilities Doctrine and the Compulsory Licensing of Copyrighted Works*, 17 ALB. L.J. SCI. & TECH. 481, 486 (2007).

⁸⁰ *Id.* at 486–87.

⁸¹ *Id.* at 487.

⁸² *Id.* at 488.

⁸³ *Id.* at 489.

⁸⁴ *Id.* at 488 n.22.

regulation.”⁸⁵ These uses of EFD encourage economic efficiency by fostering competition and breaking down bottlenecks to market entry.

Although creating a reasonable licensing fee may seem daunting, some literature has already begun to explore promising economic models to properly calibrate the prices for compulsory licenses in copyright law.⁸⁶ This suggests that it is not only possible to create reasonable licensing fees, but also necessary to promote a functioning economy.

The concern in reverse confusion cases is also the stifling of competition. In some cases, senior users try to use their trademark registration as a way to “shake down” a junior user who has already independently spent advertising and marketing dollars towards a similar mark.⁸⁷ This type of anti-competitive behavior is economically inefficient, and although the senior user should not be left without any sort of compensation for their original mark, they also should not be allowed to warehouse and exploit their registered marks. For marks that are not being warehoused by the senior user but are still being used (albeit on a very small scale), compulsory licensing can still create a more economically efficient solution by making it easier for users to enter markets, like in copyright law.

III. COMPULSORY LICENSING IN TRADEMARK LAW

A. *Why a Compulsory Licensing System is Needed in Trademark Law*

While the TRIPS Agreement expressly allows the granting of compulsory licenses under certain “reasonable commercial terms and conditions,”⁸⁸ it has generally not permitted any compulsory licensing of trademarks.⁸⁹ That being said, TRIPS also specifically allows countries to take “[a]ppropriate measures” to “prevent the abuse of intellectual property rights by right holders” or anti-competitive practices which restrain trade.⁹⁰ Additionally, Article 40 states that:

⁸⁵ *Id.* (internal citations omitted).

⁸⁶ *Id.* at 552. See generally Eduardo M.R.A. Engel, Ronald D. Fischer & Alexander Galetovic, *How to Auction an Essential Facility when Underhand Integration is Possible* (Nat’l Bureau of Econ. Rsch., Working Paper No. 8146, 2001), <http://www.nber.org/papers/w8146> (proposing a model that would grant access to the firm that bids the lowest user fee).

⁸⁷ As an example, the plaintiff in the *Sands* case purchased the trademark assignments for THIRST AID for \$1.00 and proceeded to use that assignment to try and get a payout from the defendant. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 951 (7th Cir. 1992). As another example, as will be explained later in this Note as an illustration, a woman is trying to use her registered mark to induce the Obamas to give her roles in their movies. This is reminiscent of the idea of “patent trolling,” whereby individuals or companies will obtain the rights to one or more patents in order to profit by licensing and litigating against infringers, rather than producing their own goods or services. This type of strategy is problematic in trademark law which requires bona fide use in commerce of a registered mark.

⁸⁸ TRIPS art. 31.

⁸⁹ *Id.* art. 21.

⁹⁰ *Id.* art. 8, para. 2.

[n]othing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market . . . [A] Member may adopt, consistently with the other provisions of this Agreement, appropriate measures to prevent or control such practices⁹¹

These two notions seem to be at odds. It seems nonsensical that countries can adopt compulsory licensing schemes when they think it is necessary to encourage competition in trade for copyright and patent law, but not for trademark law. This is why TRIPS should be amended to allow for a compulsory licensing scheme in trademark law, at least for cases of reverse confusion. Small, remote users who warehouse marks stifle trade by not allowing a bigger, junior user to use them more efficiently.

B. *Possible Implementation*

The main challenge in implementing a compulsory licensing scheme in trademark law would be determining what the rate would be for the license to the senior user. Courts or arbitrators should aim to maximize economic efficiency without overburdening the junior user, while still granting a fair value to the senior user.⁹²

The Seventh Circuit Court of Appeals in *Sands* posited that a damages award could resemble a “generous approximation” of a royalty rate.⁹³ The same baseline could be applied to a compulsory license. This approach is already well-supported under the Lanham Act, which dictates that an appropriate award of damages is compensation for the senior user’s loss, and should not include a deterrence factor (despite previous discussion of courts wishing to deter trademark infringers).⁹⁴ Therefore, in cases of reverse confusion, courts often award a reasonable royalty for infringement as damages.⁹⁵ If this reasonable royalty were just applied at the outset of the litigation as a compulsory licensing fee, the system could avoid a lot of unnecessary and costly litigation where neither party, nor the general consuming public, are really made better off. Rather, the judge or arbitrator should determine what rate the senior user could reasonably expect from the junior user if the parties were able to successfully negotiate.

Another way to look at determining a reasonable rate for a compulsory licensing system can be borrowed from copyright law. In the United States,

⁹¹ *Id.* art. 40, para. 2.

⁹² *See Sands*, 978 F.2d at 963 (discussing how a reasonable royalty rate could create an equitable result for both the senior and junior users).

⁹³ *Id.*

⁹⁴ 15 U.S.C.A. § 1117 (Westlaw through Pub. L. No. 116-193).

⁹⁵ Scholer, *supra* note 29, at 756.

the Copyright Royalty and Distribution Reform Act of 2004 established the Copyright Royalty Judges (“Judges”) program.⁹⁶ These Judges oversee the copyright law’s statutory licenses.⁹⁷ The Judges determine and adjust royalty rates and terms applicable to the statutory copyright licenses, as well as oversee distribution of royalties.⁹⁸ The rates and terms for compulsory licenses for internet radio are to be determined by the Judges under the “willing buyer, willing seller” standard.⁹⁹ This standard directs the Judges to “establish rates and terms that most clearly represent the rates and terms that would have been negotiated in the marketplace between a willing buyer and a willing seller.”¹⁰⁰ The standard further directs the Judges to:

[B]ase their decision on economic, competitive, and programming information presented by the parties, including –

(I) whether use of the service may substitute for or may promote the sales of phonorecords or otherwise may interfere with or may enhance the sound recording copyright owner’s other streams of revenue from its sound recordings; and

(II) the relative roles of the copyright owner and the transmitting entity in the copyrighted work and the service made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, and risk.

[In establishing such rates and terms, the Copyright Royalty Judges] may consider the rates and terms for comparable types of digital audio transmission services and comparable circumstances under voluntary license agreements.¹⁰¹

A similar licensing scheme for reverse confusion cases in trademark law can be adopted from this copyright standard. Congress could, and indeed should, implement a similar board of well-practiced trademark attorneys and judges who could adopt similar standards to determine what a fair rate would be for a junior trademark user to pay a senior user (“Trademark Panel”). They could recruit from the United States Patent and Trademark Office where examining attorneys and Trademark Trial and Appeal Board judges are familiar with the ins and outs of trademark law application.

Based on the standards in copyright law, the Trademark Panel could look to the business, economic, and competitive information provided to

⁹⁶ Copyright Royalty and Distribution Reform Act of 2004, Pub. L. No. 108–419, 118 Stat. 2341 § 3 replacing 17 U.S.C. 801. *See also About Us*, U.S. COPYRIGHT ROYALTY BOARD, <https://www.crb.gov/index.html> (last visited Dec. 2, 2020) (showing the website that explains the function of the Copyright Royalty Judges).

⁹⁷ *About Us*, *supra* note 96.

⁹⁸ *Id.*

⁹⁹ 17 U.S.C.A. § 114(f)(1)(B) (Westlaw through Pub. L. No. 116-193).

¹⁰⁰ *Id.*

¹⁰¹ *Id.* at § 114(f)(1)(B)(i)–(ii).

them by the parties. If the senior user clearly had a large market share and competitive reach, the Trademark Panel could dismiss the case and the junior user would either have to abandon the mark, or risk litigation by the senior user.

If, however, the case is not so clear, then the Trademark Panel could create a licensing fee (or perhaps still dismiss the case) by looking at factors such as: whether consumers are likely to be confused as to ownership or affiliation of the marks; whether the junior user's use of the mark would interfere with or hinder the business of the senior user; the current marketing levels and reasonable market expansion of the senior user (in order to determine their present and future geographic reach); the relative economic size of both parties; any comparable voluntary license agreements in the same industry as the parties; the amount of capital expenditures by both parties in regards to the mark in question; and the public interest in the matter. The Trademark Panel might also consider willful infringement as evidence that the senior user is making economic use of the mark. For example, where there is evidence that a junior user willfully took the mark of a junior user, that would lead to a higher priced compulsory license.

Any situation in which the senior user might actually be harmed by the junior user's entry into the market using the mark would either preclude the case, or else create a vastly high licensing fee that may deter the junior user. A senior user could demonstrate harm by showing actual customer confusion as well as loss of profits due to the junior user's adoption of the mark. On the other hand, where the senior user has spent very little on marketing and is not operating or planning to operate in a large geographic zone, the licensing fee would be lowered. Further, if similar but voluntary licenses have been negotiated by other parties for trademarks in the same or similar industries, the Trademark Panel could use that as a baseline for determining what a reasonable licensing fee should be—that in particular would be a clear case of what a “willing buyer” would be willing to pay and what a “willing seller” would be willing to accept. Finally, the public interest should be considered. Where it seems that a mark is being warehoused in a remote geographic region or to a very limited number of consumers, the public interest, and indeed economic efficiency, would be served by setting a reasonable, lower rate for a licensing fee.

Of course, this approach does deprive the senior user of another benefit it may have received through litigation—an injunction against the junior user's use of the alleged infringing mark. As previously illustrated, however, it makes no rational economic sense for a small, senior user to be able to warehouse a mark when it could be better utilized by a larger, junior user. Accordingly, if the senior user were large enough or using the mark prominently, it would be able to file a case of infringement using the normal standard of confusion, rather than relying on a theory of reverse confusion. Further, per the *Dawn Donut* standard of trademark law, if a senior user were

able to prove that they had concrete plans to expand their market share, this compulsory licensing scheme would not apply.¹⁰² Thus, what we are really concerned with here is very small users who have no plans to expand their use of the mark, who likely will not be greatly harmed by the junior user's use of the mark, and whose continuing, concurrent use is not likely to cause consumer confusion.

C. *An Illustration*

To provide an example of how this compulsory licensing scheme makes economic as well as practical sense, and how it could work in practice, I present the following real-world example of an ongoing trademark battle that could quickly and efficiently be resolved by my proposed scheme.¹⁰³ Though this is just one example, the analysis provided could certainly be expanded to other cases of reverse confusion.

Recently, former President and First Lady, Barack and Michelle Obama, sought to trademark their production company's name, Higher Ground Productions¹⁰⁴ (specifically for media production services), but were given a § 2(d) Likelihood of Confusion Refusal by the United States Patent and Trademark Office because of its similarity to an already registered mark, HIGHER GROUND ENTERPRISES¹⁰⁵ (registered for photography and publishing services including books, e-books, audio, music, etc.), owned by Hanisya Massey.¹⁰⁶ HIGHER GROUND ENTERPRISES is used by Ms. Massey for her consulting website that offers photography, e-book guides and manuals, audiobooks, training, and development to assist with her clients' audio and visual needs.¹⁰⁷ After negotiations between the Obamas and Ms. Massey failed, the Obamas filed a petition to cancel Ms. Massey's mark on the grounds that she was not actively using it to conduct business—a very “fact-intensive inquiry that could take years to sort out.”¹⁰⁸ Ms. Massey maintains that she has continually run her business and has indicated

¹⁰² See *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 364 (2d Cir. 1959) (noting that “if the use of the marks by the registrant and the unauthorized user are confined to two sufficiently distinct and geographically separate markets, with no likelihood that the registrant will expand his use into defendant's market, so that no public confusion is possible, then the registrant is not entitled to enjoin the junior user's use of the mark.” It follows from this that where a plaintiff is able to show genuine intent to expand its use of the mark, it may enjoin a junior user.).

¹⁰³ When a trademark is registered with the United States Patent and Trademark Office, it must be done in capital letters; to match this practice, all trademarks discussed in this example will be in capitals.

¹⁰⁴ U.S. Trademark Application Serial No. 87930586 (filed May 21, 2018).

¹⁰⁵ HIGHER GROUND ENTERPRISES, Registration No. 5260404.

¹⁰⁶ USPTO, *Suspension Notice*, Serial No. 87930586 (Oct. 3, 2019); Nancy Coleman, *The Obamas Want 'Higher Ground.' Someone Got There First.*, N.Y. TIMES (Sept. 11, 2019), <https://www.nytimes.com/2019/09/11/arts/television/the-obamas-want-higher-ground-someone-got-there-first.html?action=click&module=News&pgtype>.

¹⁰⁷ HIGHER GROUND ENTERPRISES, <https://www.onhigherground.net/> (2020).

¹⁰⁸ Coleman, *supra* note 106.

that she has a website as well as customer invoices and advertisements to offer as proof of her commercial use of the mark.¹⁰⁹

Because private negotiations have failed (a sticking point being that the Obamas are unwilling to comply with Ms. Massey's demand for roles in the Obama films), this has become a case of two extremes. Either the Obamas are successful in their petition to cancel Ms. Massey's mark and she loses all rights to it, or Ms. Massey wins a claim for trademark infringement and the Obamas lose their right to the mark and quite likely will have to pay Ms. Massey damages.¹¹⁰ Either is a highly economically inefficient result. Ms. Massey does indeed seem to have a customer following that would be harmed if she were to lose the mark.¹¹¹ Additionally, the Obamas have a production deal with Netflix,¹¹² as well as their own huge following,¹¹³ and would certainly be harmed if they were to lose the ability to use the mark because consumers have already begun to associate the mark with the Obamas. The Obamas would have to restart their marketing campaign if they were forced to adopt a new name. It seems nonsensical that they cannot both use the mark simultaneously— Ms. Massey for her current, small business based out of California,¹¹⁴ and the Obamas for their large production company.

How can this be resolved without a successful private negotiation or prolonged litigation? Compulsory licensing. Under my proposed compulsory licensing scheme for trademark law, the Obamas could simply continue to use Higher Ground Productions as their business name but pay a reasonable fee to Ms. Massey. Ms. Massey could keep operating under HIGHER GROUND ENTERPRISES and receive an influx of cash, while the Obamas could continue to operate under their chosen name. Both parties win, and the public can continue to enjoy both services without having to expend transaction costs to figure out what trademark the Obamas are operating under, since they have already begun productions under Higher Ground.

To determine what a reasonable licensing fee would be in this case, the Trademark Panel would look to factors outlined in Section III(B) of this discussion. Of course, determining conclusively how each of these factors

¹⁰⁹ *Id.*

¹¹⁰ It should be noted here that the Obamas' trademark application was a 1(b) Intent to Use application, meaning that when they applied for the mark, they were not currently using it in commerce. U.S. Trademark Application, *supra* note 104. While a mark that is not currently in use cannot be infringing, the Obamas have begun using the mark in commerce since they applied for it. Thus, it is likely that if the Obamas are successful in their petition to cancel Ms. Massey's mark, they will submit a Statement of Use to the USPTO to demonstrate the mark's use in commerce and obtain registration.

¹¹¹ Coleman, *supra* note 106.

¹¹² See John Koblin, *The Obamas and Netflix Just Revealed the Shows and Films They're Working On*, N.Y. TIMES (Apr. 30, 2019), <https://www.nyti.ms/2DBBS19> (discussing how the Obamas' Higher Ground Productions company announced several projects in the works with Netflix).

¹¹³ See Jeffrey M. Jones, *Obama, Trump Tie as Most Admired Man in 2019*, GALLUP (Dec. 30, 2019), <https://news.gallup.com/poll/273125/obama-trump-tie-admired-man-2019.aspx> (discussing how President Obama has been voted as "the most admired man" twelve times).

¹¹⁴ See *supra* note 107 (showing Ms. Massey's commercial website).

would apply would require testimony from both parties (that would be given directly to the Trademark Panel in my proposed scheme), but I will briefly discuss each by using what I can ascertain about each of the parties.

1. *Are consumers likely to be confused as to the ownership or affiliation of the marks?*

It seems highly unlikely that any reasonable, rational consumer would think that Ms. Massey's small consulting company would be in any way owned by or affiliated with the Obamas' production company and vice versa. Further, since Ms. Massey has been operating for years and relies on customer testimony to draw in new customers, it seems unlikely that customers will be confused in the reverse and think that Ms. Massey is attempting to trade off the goodwill of the Obamas' production company. It seems clear that they are two separate and independently created entities. Thus, the consumer confusion in this case would be minimal if both parties continued to operate using the trademark.

2. *Would the Obamas' use of the mark interfere with or hinder Ms. Massey's business?*

Ms. Massey has claimed that the Obamas' use is already interfering with her business. "It could definitely hurt my business severely," she has reportedly said.¹¹⁵ "Because if you Google this, [the trademark battle] is the only thing that comes up. And I am pretty much a little needle in the haystack at this point."¹¹⁶

While this may be true, it is harder to see how the Obamas' use of the trademark will harm her business in the long run. This is especially true if this had been handled another way (i.e., through a compulsory license instead of the cancellation petition). Ms. Massey's claimed harm is directly related to the publicity generated from the trademark battle, which could have been avoided.

Furthermore, people who need assistance with audio and visual needs in Ms. Massey's general geographic area are still likely to find Ms. Massey's site if her marketing strategy is sound. They are very unlikely to get confused into thinking that the Obamas' Higher Ground Productions is the computer help they are searching for. Therefore, it seems unlikely that the Obamas' use of the trademark is really harming Ms. Massey's business.

3. *What are Ms. Massey's current marketing levels and is there any reasonably expected market expansion?*

It has been stated that the lawyer for the Obamas only filed the cancellation petition for Ms. Massey's HIGHER GROUND ENTERPRISES mark "after having difficulty finding evidence of Ms. Massey's company or

¹¹⁵ Coleman, *supra* note 106.

¹¹⁶ *Id.*

use of the trademark.”¹¹⁷ A trademark must be being actively used in interstate commerce to remain valid,¹¹⁸ so presumably the lawyer would have done searching on the web and other business resources to try and find proof that Ms. Massey has been actively using her mark in commerce.

Ms. Massey claims that she has invoices to clients, advertisements, and client testimonies to prove that she has been actively using her mark in commerce.¹¹⁹ And while it may be true that she is still actively using the mark, it seems that she is not using it extensively. According to *The New York Times*, her company’s Internet presence was dormant for years.¹²⁰ In fact, the website for her business was still in development as of September 4, 2019, a few weeks after the Obamas filed their petition to cancel her mark, but then was up and running on September 5 (quite likely in response to the petition).¹²¹

This evidence all suggests that while Ms. Massey may still be using her mark, the scope of her use is not great. It seems that her marketing levels are quite low, perhaps mostly localized to her geographic area of Covina, California. There has been no public showing that I could find that demonstrates Ms. Massey’s desire to expand her business outside the Covina area. However, I could not confirm that without actual testimony. Further, there seems to be no evidence that Ms. Massey intended to expand her mark into video and film productions.

4. *What is the relative economic size and market reach of both parties?*

The only economic data I could find on Ms. Massey’s company, Higher Ground Enterprises LLC, comes from Manta.com, an online searchable database of small businesses.¹²² According to Manta.com, Higher Ground Enterprises LLC has annual estimated revenue of \$160,000.¹²³

In contrast, the Obamas’ production company, Higher Ground Productions, is likely worth a great deal more. Although current financials seem to be publicly unavailable and it is also currently unknown how much their deal with Netflix generated for the Obamas, the amount is likely well into the tens of millions, if not more. As evidence, in March of 2018, Penguin Random House signed the couple to a joint book deal that pays them \$65

¹¹⁷ *Id.*

¹¹⁸ See 15 U.S.C.A. § 1127 (Westlaw through Pub. L. No. 116-193) (“The term ‘use in commerce’ means the bona fide use of a mark in the ordinary course of trade, and not merely to reserve a right in the mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.”).

¹¹⁹ Coleman, *supra* note 106.

¹²⁰ *Id.*

¹²¹ *Id.*

¹²² See *About Manta*, MANTA, <https://www.manta.com/resources/about/?dest=%2Fresources%2Fabout> (last visited Dec. 4, 2020) (describing the Manta site).

¹²³ *Higher Ground Enterprises LLC*, MANTA, <https://www.manta.com/c/mtrnss0/higher-ground-enterprises-llc> (last visited Sept. 4, 2020).

million for their memoirs.¹²⁴ Their recent multi-year deal with Netflix will allow them to reach approximately 148 million paying Netflix subscribers in the United States alone.¹²⁵ Worldwide, Netflix has 125 million subscribers who could access the content from the Obamas' production company.¹²⁶ Their first film, *American Factory*, won the Oscar for Best Documentary this year.¹²⁷ The Obamas' Higher Ground has also reached a partnership agreement with the streaming service, Spotify, to produce podcasts that will reach up to 217 million active monthly users across the globe.¹²⁸ Financial terms of this deal were not disclosed,¹²⁹ but it is certainly further evidence of the Obama company's vast market reach.

5. *Have there been any comparable voluntary license agreements for a trademark in the media industry?*

There is a plethora of voluntary trademark licenses in the media industry that could be used as baselines for this analysis. As an example, in 2010, the Walt Disney Company, which has a huge media presence, "was the top-ranked global licensing company, with a reported \$28.6 billion in total retail sales of licensed merchandise."¹³⁰

The Trademark Panel could look to licenses like these from Disney, or other media companies, to determine a baseline for what a willing buyer of a license is normally willing to pay and a willing seller is normally willing to accept.

6. *How much have both parties spent in regard to marketing "Higher Ground"?*

I could not find much information to answer this factor, however, as demonstrated from factor (3), it seems clear that Ms. Massey's marketing presence is minimal.

¹²⁴ Scott Neuman, *Obamas Sign Deal with Netflix, Form 'Higher Ground Productions'*, NAT'L PUB. RADIO (May 22, 2018, 3:13 AM), <https://www.npr.org/sections/thetwo-way/2018/05/613246456/obamas-sign-content-deal-with-netflix-form-higher-ground-productions>.

¹²⁵ Koblin, *supra* note 112.

¹²⁶ Neuman, *supra* note 124.

¹²⁷ Sandra Gonzalez, *Obama-backed Documentary 'American Factory' Wins Oscar*, CNN ENT. (Feb. 9, 2020, 10:01 PM), <https://www.cnn.com/2020/02/09/entertainment/american-factory-oscar/index.html>.

¹²⁸ *Higher Ground Announces Partnership with Spotify to Produce Podcasts*, SPOTIFY (June 6, 2019), <https://newsroom.spotify.com/2019-06-06/higher-ground-announces-partnership-with-spotify-to-produce-podcasts/>.

¹²⁹ Ryan Faughnder & Wendy Lee, *Barack and Michelle Obama Will Create Exclusive Podcasts for Spotify*, L.A. TIMES (June 6, 2019, 9:01 AM), <https://www.latimes.com/business/hollywood/la-fi-ct-obama-spotify-podcasts-higher-ground-20190606-story.html>.

¹³⁰ Ryan Gabay, Note, *Sunbeam: A Ray of Hope for Trademark Licensees*, 82 FORDHAM L. REV. 245, 255 n.79 (2013) (citing *Intellectual Property Licensing in the US Industry Market Research Report Now Available from IBISWorld*, CISION PRWEB (July 18, 2012), <http://www.prweb.com/releases/2012/7/prweb9709974.htm>).

In contrast, the Obamas seem to be marketing Higher Ground heavily as evidenced from their recent deals with both Netflix and Spotify.

7. *How would the public interest best be served?*

The public interest would be best served by allowing both the Obamas and Ms. Massey to use the name Higher Ground. This is not only the most economically efficient use of the trademark in that more consumers will be exposed to the name; it also avoids confusion. It seems highly unlikely that anyone would confuse Ms. Massey's consulting business with the Obamas' production conglomerate.

Additionally, it avoids unnecessary transaction costs from private negotiations (or even mediation or arbitration), as well as all costs associated with litigation—attorneys' fees, costs to do depositions and collect evidence, court fees, and other related costs, as the Trademark Panel would get involved when a complaint is first brought, thus avoiding court fees.¹³¹ Cutting out these costs by implementing a compulsory licensing system would reduce much economic waste, as well as free up valuable court resources which would surely be in the public's interest.

Weighing all the factors together, most if not all seem to cut in favor of the Obamas. Again, testimony and more solid financial information from both parties would greatly help to solidify this analysis. However, it seems clear that the Obamas are making a much larger and more global use of Higher Ground, whereas Ms. Massey is using it for a very small, remote purpose. Therefore, it seems plausible that a panel of Judges could, using the available evidence, create a reasonable licensing fee that the Obamas could pay to Ms. Massey, therefore allowing both of them to use the mark in question, while maximizing its economic efficiency.

While this is just one example of where a compulsory licensing system could be efficiently and effectively applied in trademark law, the principle is applicable to other cases of reverse confusion. For example, in the *Sands* case discussed earlier, the defendant could have paid a (likely nominal) licensing fee to the plaintiff in order to avoid the years of litigation. In *A & H*, the defendant could have paid a (probably larger) licensing fee. These results would have come from individual testimonies in front of a Trademark Panel, rather than years-long depositions and litigations, which likely created a mountain of legal fees.

¹³¹ To illustrate, the American Intellectual Property Law Association conducts bi-annual surveys examining the economic aspects of intellectual property law practice, including individual billing rates and typical charges for representative IP law services. A 2013 report estimated that average litigation costs for a trademark litigation in 2012 cost \$375,000 when less than \$1 million was in controversy, and \$2 million when more than \$25 million was in controversy. Xuan-Thao Nguyen & Jeffrey A. Maine, *Branding Taxation*, 50 GA. L. REV. 399, 419–20 (2016) (citing AM. INTELL. PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY (2013)).

CONCLUSION

It is important to “recognize that a compulsory license is not a complete loss” for the registered trademark owner.¹³² Any compulsory license that may be awarded to a junior user would provide for a fair payment to the senior user, even if that payment may not be to the level preferred by the right holder.

This compulsory licensing scheme for trademarks is especially equitable in cases of reverse confusion where a senior user can make more economically efficient use of the mark for the betterment of the general public. Thus, TRIPS should be amended, and the United States should adopt a law allowing for compulsory licenses in cases of reverse trademark confusion. This will allow for economic efficiency, compensation for the junior user, expanded trade, and will result in minimal consumer confusion.

¹³² Jarrod Tudor, *Compulsory Licensing in the European Union*, 4 GEO. MASON J. INT’L COM. L. 222, 257 (2013).