CHICAGOLAWBULLETIN.COM

Serving Chicago's legal community for 158 years

FRIDAY, JANUARY 25, 2013

Chicago Daily Law Bulletin®

Volume 159, No. 18

Trademark protection gets court review

GLOBAL IP

DORIS ESTELLE LONG

Doris Estelle Long is a law professor, director of the Center for Intellectual Property Law, and chairwoman of the intellectual property, information technology and privacy group at The John Marshall Law School. She has served as a consultant on IPR issues for diverse U.S. and foreign government agencies, including as attorney adviser in the Office of Legislative and International Affairs of the USPTO. She can be reached at 7long@jmls.edu.

In the days when cigarette advertising flooded the airwaves, I used to play a game with my fellow grade school classmates called "cigarette tag" where you could secure a short respite from being chased, or more importantly avoid being "it," by squatting down, touching the ground and yelling out the name of a cigarette brand. If you could sing the associated jingle, you got a double-rest period. Trademarks have always had a powerful cultural pull.

As early as 1942 in *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.,* U.S. law recognized the "psychological function" of trademarks. Brand owners have long engaged in emotional advertising where brands do not represent merely the source of a particular good — Harley-Davidson motorcycles. They represent a lifestyle — "the freedom of the open road." While the public has readily recognized this associative value, trademark law has been slower to protect the substantial investment required to create such associations. That gap appears to be closing.

Under U.S. trademark law, trademarks have traditionally been protected only to the extent that another's use creates a likelihood of confusion among consumers regarding the source of the branded goods or services. This test has become so well entrenched that it has become the international standard for trademark protection as well. Article 16 of Trade-Related Aspects of Intellectual Property Rights (TRIPS) — still the most significant international intellectual property treaty governing trademarks today — unequivocally requires member countries to grant trademark protection where a challenged unauthorized use would result in a "likelihood of confusion."

This laser focus on likely confusion undoubtedly protects the informational value of trademarks for the public. But it does little to protect the investment required to create a strong associational loyalty particularly when infringers stray into unrelated competitive territory. The owner of Harley-Davidson may be able to prevent the mark from being used on other motorcycle gear, but prohibiting its use in connection with needlepoint kits is less certain. To prohibit such free-riding on the reputational value of the Harley-Davidson brand, trademarks must rise to the status of property rights, such as those granted patents and copyrights. In protecting the investment value of the mark, the question is not whether consumers are confused. It is whether the value of the mark is damaged.

Despite the reluctance of courts to protect marks as investment properties, the concept is not a new one. In *Millington v. Fox,* in 1838, an English court recognized that marks were a form of property. This concept was continually reiterated, reaching one of its clearest articulations in 1879 in the Trade-Mark Cases when the Supreme Court expressly recognized that the "right to adopt and use a symbol or a device to distinguish ... goods ... is a property right."

Trademark dilution protection to prevent the "whittling away" of the distinctiveness of a mark (U.S. version) or taking "unfair advantage of ... [its] distinctive character" (European version) moves closer to protecting the investment value of a mark. Even TRIPS requires protection against unauthorized uses when "the interests of the owner of the registered trademark are likely to be damaged by such use." (Article 16(3)) But courts have demonstrated a marked reluctance to grant relief without considering consumer confusion. Even the European Court of Justice (ECJ) in I*ntel Corp. v. MPM UK Ltd.* in 2008 underscored the relevance of consumer confusion in dilution considerations.

Despite these setbacks, recent developments have laid the groundwork for the law to proactively protect brand owners' investment rights. In 2011, in a case involving key word buys, *Interflora v. Marks & Spenser,* the European Court of Justice expressly acknowledged the "investment" function that trademarks play. This function is "distinct" from the "advertising" and "origin" functions of a mark and is violated by unauthorized uses that "substantially interfere" with "the proprietor's use of its trademark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty."

Unfortunately, the ECJ has yet to precisely delineate the impact of this investment function. But it undeniably gives strength to a claim of "unfair advantage" without the need for evidence of particularized harm to a mark's distinctiveness or reputation. Simply relying on a mark's renown to secure a commercial advantage should be sufficient. This should provide mark owners with powerful new tools to protect their investment.

Of course, there may also be some unforeseen consequences to treating marks as investment assets. Most problematic, the trade-off for stronger protection of a brand owner's investment interest is the potential for compulsory licenses where the origin function — goodwill (reputation) — is not triggered.

TRIPS Article 21 explicitly states: "The compulsory licensing of trademarks shall not be permitted." But this limitation is tied to the concern that compulsory licenses compromise the mark owner's ability to protect the reputation (goodwill) of a mark. The investment function arguably does not trigger this limitation and might allow for the development of broader "fair use" terms for trademarks. Marketing efforts focused on key word advertising would undoubtedly benefit from such broader terms.

Focus on the investment function of trademarks might also lead to regulatory agencies being granted enhanced rights to impose specific limitations on trademark uses in connection with regulated products. There is currently a dispute between Australia and Ukraine before the WTO over Australia's Tobacco Plain Packaging Act. The act limits mark owners to using plain brand names in block letters of a particular size on plain brown packaging for tobacco products. About 90 percent of the rest of the packaging must be used for various anti-smoking messages and images.

Under the traditional origin function of trademarks these regulations would qualify as an unauthorized encumbrance on their distinctive character. As investment properties, such informational obligations have a strong resonance with fair uses under copyright and may well survive any challenge.

Determining the boundaries of this new "investment" function for marks will not be easy, but it is a challenge that is long overdue. Just as we children recognized so long ago in our game of tag, marks have never been only about source identification. It is time the law caught up to us.