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TRADEMARK LICENSING OF NAMES, INSIGNIA, CHARACTERS AND DESIGNS: THE CURRENT STATUS OF THE *BOSTON PRO HOCKEY PER SE* INFRINGEMENT RULE

JOHN J. VOORTMAN*

INTRODUCTION

Americans obviously enjoy displaying their affections and loyalties. They buy jewelry, T-shirts, toys, caps, pennants, and even beer mugs with names or insignia of their favorite athletic teams, rock stars, fraternities, colleges, and a host of other organizations in order to identify and be identified with the people and organizations, real and fictional, to which they belong, which they admire or support, or which are simply popular at the moment. Similarly, a popular cartoon strip, movie, or television series is likely to generate a demand for products designed to imitate, parody, or otherwise evoke the program's characters or equipment.¹

Not surprisingly, organizations of all kinds wish to treat the desire of the public to identify with them as their property. They assert the right to prohibit the sale of identification products except by sellers who take a license and pay a royalty. They are often successful.

Some idea of the size of the demand for identification products can be gained from estimates that the value of retail sales of licensed products increased from under \$10 billion in 1980 to over \$40 billion in 1984² and to \$55.9 billion in 1987.³ Royalty revenues from

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1. Products purchased entirely or in part to identify a person or product with an organization, person, or fictional character or program are referred to herein as "identification products." Identification products include products bearing or constituting an organization's emblem or insignia where the insignia is used for purposes such as stating one's membership in or "allegiance" to a person or organization. Identification products also include products copying designs such as costumes, dolls, cars, etc., which have been popularized on television and which people, often children, wish to buy because of a desire to identify with the program or its characters.

2. Battersby & Grimes, *Merchandising Revisited*, 76 TRADEMARK REP. 271, 275 (1986) (citing Weston Anson, *A Licensing Retrospective and Glimpse Into the Future*, 3 MERCH. REP. 4, 5 (1984)).

licensing products popularized in television series may exceed the revenues from the program itself.⁴ Toy and clothing departments are full of products associated with television series.⁵ Unlicensed sales of identification products are apparently also extensive.⁶

The most common basis for asserting a right to exclude others from using a name or design on identification products is the protection of trademarks⁷ provided by Sections 32 and 43(a) of the Lanham Act⁸ and under the common law of unfair competition. There are, however, significant limitations on the use of both state rights of publicity⁹ and copyright law.¹⁰ The advantage of using trademark law is that the protection is indefinite in duration and the right to exclusivity is not, as in the case of copyright, lost by prior unrestricted publication. In addition, the Lanham Act, unlike state

3. Hollweg & Borden, *USTA Project*, 43 REP. BULL., 51 (Dec. 29, 1988) [hereinafter Hollweg & Borden].

4. Warner Bros., Inc., v. Gay Toys, Inc., 658 F.2d 76, 79 (2d Cir. 1981).

5. A review of the spring and summer 1979 catalogs of Sears, Roebuck and Co., J.C. Penney Company, Inc., and Montgomery Ward indicates that over 650 licensed products were featured "of which the most popular were Winnie the Pooh, Sesame Street Muppets, and Peanuts characters." Grimes & Battersby, *The Protection of Merchandising Properties*, 69 TRADEMARK REP. 431, 437 (1979). By 1984, the number had increased to over 1,700. Battersby & Grimes, 76 TRADEMARK REP. at 278.

6. Note, *Rock Performers, and the "John Doe" Temporary Restraining Order, Dressing Down The T-shirt Pirates*, 16 J. MARSHALL L. REV. 101 (1982).

7. "Trademark" is used herein to include service mark.

8. 15 U.S.C. §§ 1114, 1125(a) (1982).

9. A "right of publicity" by statute or common law exists in most states which prohibits use of a person's name or likeness for commercial purposes without the person's consent. However, nineteen states grant no such right. Hollweg & Borden, *supra* note 3, at 2. In addition, because the right of publicity grew out of a right of privacy, it is usually applicable only to individuals, sometimes only during their lives, and not to other organizations so its utility is limited. However, in *Bi-Rite Enterprises, Inc. v. Button Master*, 555 F. Supp. 1188, 1199 (S.D. N.Y. 1983), and in *Winterland Concession Co. v. Sileo*, 528 F. Supp. 1201 (N.D. Ill. 1981), the courts held the state right of publicity applicable to "groups" of performers as well as to individuals.

10. Emblems, designs, and fictional items can often be protected by copyright. *United Feature Syndicate v. Sunrise Mold Co.*, 569 F. Supp. 1475, 1480-81 (S.D. Fla. 1983). See Kurtz, *The Independent Legal Lives of Fictional Characters*, 986 Wis. L. Rev. 429, 439-72 (1986). A problem with copyright protection, however, is that unrestricted "publication" without copyright notice results in loss of copyright. *E.g.*, *Burke v. National Broadcasting Co.*, 598 F.2d 688, 691 (1st Cir. 1979), *cert. denied*, 444 U.S. 869 (1979); *Continental Casualty Co. v. Beardsley*, 253 F.2d 702, 706-707 (2d Cir. 1958), *cert. denied*, 358 U.S. 816 (1959); *Clark Equipment Co. v. Harlan Corp.*, 539 F. Supp. 561, 568 (D. Kan. 1982); *Conner v. Mark I, Inc.*, 509 F. Supp. 1179, 1180 (N.D. Ill. 1981). Unless, therefore, the creator of the emblem, design, or other copyrightable work has recognized its potential value almost immediately, the ability to obtain copyright protection will often be lost and that has already occurred with respect to many of the organizations that presently desire to restrict the use of their insignia. In addition, copyright cannot be used to prevent copying of "useful" articles. *Carol Barnhart, Inc. v. Economy Cover Corporation*, 773 F.2d 411 (2d Cir. 1985). This rule is very similar to the "functionality" rule which has sometimes been held to permit copying of trademarks on identification products. For a further discussion on the "functionality" rule, see Part II of the text.

rights of publicity, has the advantage of being a national, uniform system which provides a convenient way, by placing a trademark symbol adjacent to the mark, of giving notice to the world of one's intent to prevent others from using the mark.¹¹

There are, however, also obstacles to the use of trademark law to create an exclusive right to use the trademark on identification products. First, the purpose of trademark protection is to convey accurate information to consumers as to the source or sponsorship¹² of products. The corollary to that purpose is the rule that plaintiff, in a trademark infringement suit, must prove that defendant's use of the mark is causing confusion¹³ as to source or sponsorship.

Second, it has long been the rule that features of a trademark that are "functional" in that they serve a purpose other than indicating source or sponsorship may be copied despite the fact that the feature also serves a trademark's purpose, at least if the other purpose is sufficiently important to the function of the article as a whole.¹⁴

As shown in Parts I and II below, both these rules, if applied to the use of trademarks on identification products, will limit the ability of the owner of the mark to prohibit its use by others.

A number of courts, starting in the federal system with *Boston Professional Hockey Association, Inc. v. Dallas Cap & Emblem Mfg., Inc.*¹⁵ ("*Boston Pro. Hockey*"), however, have expressly or implicitly held that neither the requirement of confusion nor the functionality rule are applicable to identification products.¹⁶ They have treated use of a trademark for the purpose of identifying with or being identified with the trademark owner as "*per se*" trademark infringement regardless of lack of confusion and regardless of the fact that such use of a mark is functional, at least within the generally accepted meaning of that term. General adoption of the *per se*

11. The doctrine of laches may, however, preclude enforcement against firms that have been engaged in unlicensed manufacture and sale of the insignia with knowledge of the trademark owner. *University of Pittsburgh v. Champion Products, Inc.*, 529 F. Supp. 464, 469 (W.D. Pa. 1982), *rev.*, 686 F.2d 1040 (3d Cir. 1982).

12. As used here, the term "source" includes any entity from which the product has come (manufacturer, distributor, retailer, etc.) and the term "sponsorship" includes anything that implies permission, authorization, or approval.

13. For purposes of this article, it is generally unnecessary to distinguish between proof of actual confusion or proof only of the likelihood of confusion and the term proof of confusion is used herein to include both.

14. See *infra* notes 58-91.

15. 510 F.2d 1004 (5th Cir. 1975).

16. The result and much of the reasoning in the Fifth Circuit's *Boston Pro. Hockey* decision was anticipated in *National Football League Properties, Inc. v. Consumer Enterprises, Inc.*, 26 Ill. App. 3d 814, 327 N.E.2d. 242 (1975), a case decided during the period between the trial courts and court of appeal's *Boston Pro. Hockey* decision. The Illinois court held that defendant's use of the registered insignia on identification products violated both federal and Illinois trademark law.

infringement rule would provide trademark owners with the broadest protection against the use of their marks by competing suppliers of identification products.

There is, however, continuing disagreement in the courts on the appropriateness of the *per se* infringement rule. The principal argument in favor of the rule appears to be that the money to be made by licensing trademarks in these circumstances is part of the reward to which a person or the entity is entitled for the work and costs, such as advertising costs, which have made the name or trademark of commercial value. It is necessary to provide to the owner the full economic value of distinctive marks.¹⁷ Some cases also rely on unjust enrichment — that it is unjust for others to benefit from the goodwill attached to the name or trademark¹⁸ and that the licensing revenue is a reward for giving up the right to privacy.¹⁹

Other cases have rejected this expansion of trademark protection relying on precedent, on the language of the Lanham Act, and on the policy of preserving competition. If the mark has economic value beyond what can be recaptured by traditional trademark rules, the value belongs to the public²⁰ or, in any event, must be recovered on some other basis, such as state laws giving a right of

17. See *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1047-49 (3d Cir. 1982); *Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76, 80 (2d Cir. 1981); *Boston Pro. Hockey*, 510 F.2d at 1011; *Bi-Rite Enters., Inc. v. Button Master*, 555 F. Supp. 1188, 1195, 1198 (S.D.N.Y. 1983); *Hirsch v. S.C. Johnson & Sons, Inc.*, 90 Wis. 2d 379, 280 N.W.2d 129, 134-138 (1979); *National Football League Properties, Inc. v. Consumer Enter., Inc.*, 26 Ill. App. 3d 814, 327 N.E.2d 242, (1975). The desire to expand trademark protection beyond the function of preventing confusion as to the source or sponsorship of goods produced under the mark is also reflected in the "anti-dilution" laws of some states. Those laws permit trademark owners to prevent use of the trademark on non-competing goods. The policy underlying the laws appears to be preventing the mark from losing its identification with the owner and to prevent "tarnishment" — the creation of negative reactions to the mark. See Hartman, *Subliminal Confusion: The Misappropriation of Advertising Value*, 78 TRADEMARK REP. 506, 508-10; Pattishall, *The Dilution Rationale for Trademark — Trade Identity Protection, Its Progress and Prospects*, 67 TRADEMARK REP. 607 (1977); Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927). It would appear that the use of trademarks on identification products will rarely result in dilution except in cases where the mark is tarnished by parody.

18. *Warner Bros.*, 658 F.2d at 80; *Bi-Rite*, 555 F. Supp. at 1198; *Winterland Concessions Co. v. Sileo*, 528 F. Supp. 1201 (N.D. Ill. 1981); *Hirsch*, 90 Wisc. 2d at 388, 280 N.W.2d at 138.

19. *Hirsch*, 90 Wis.2d at 384, 280 N.W.2d at 134.

20. Cf. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 235-36, (1964); *Sears Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231-32, (1964); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 121-22 (1938); *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 430-31 (5th Cir. 1984); *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 824 (3rd Cir. 1981); *Vuitton et Fils S.A. v. J. Young Enter., Inc.*, 644 F.2d 769, 773-76 (9th Cir. 1981); *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 917-19 (9th Cir. 1980); *American Footwear Corp. v. General Footwear Co.*, 609 F.2d 655, 658-63 (2d Cir. 1979); *Smith v. Chanel Inc.*, 402 F.2d 562, 566 (9th Cir. 1968); *Pagliari v. Wallace China Co.*, 198 F.2d 339, 343-44 (9th Cir. 1952); *Damn I'm Good, Inc. v. Sakowitz*, 514 F. Supp. 1357, 1360 (S.D.N.Y. 1981).

publicity.²¹

It is beyond the scope of this article to argue whether or not there should be protection of some kind for identification products.²² Indeed, the question of whether persons or firms should have the exclusive right to exploit their own names, emblems, and the fictional characters they have created is probably dependent in part on intuitive beliefs which are not susceptible to logical argument. It is clear, however, that a Supreme Court decision or legislation to resolve this issue one way or the other is needed. Not only is there a conflict between the circuits, but even within the circuits, the law has become highly unpredictable. Furthermore, Congress unfortunately failed to resolve this issue in the Trademark Law Revision Act of 1988 ("1988 Amendments").²³

Parts I and II below analyze the application, respectively, of the proof of confusion and functionality rules to identification products. Part III sets forth the current status of the law insofar as that is possible based on existing precedents and illustrates the need for resolving this issue by legislation or Supreme Court decision.

I. PROOF OF CONFUSION

It is often stated that the purpose of a trademark is to communicate to buyers the source or sponsorship of the product.²⁴ That position is also reflected in the Lanham Act. Thus, Section 45²⁵ provides that a mark will be deemed abandoned when action or inaction by the owner "causes the mark to lose its significance as an *indication of origin*." As amended in 1984,²⁶ Section 1127 defines a trademark as something "used by a manufacturer or merchant to identify and distinguish his goods . . . from those manufactured or sold by others and to indicate the source of the goods . . ." ²⁷ The

21. *Bi-Rite*, 555 F. Supp. at 1194-96.

22. For further policy discussions of some of the issues involved, see Kurtz, *supra* note 10, at 496-506; Mims, *Promotional Goods and the Functionality Doctrine: An Economic Model of Trademark*, 63 TEX. L. REV. 639 (1984); Note, *The Problem of Functional Features: Trade Dress Infringement Under Section 43(a) of the Lanham Act*, 82 COLUM. L. REV. 77 (1982).

23. Pub. L. No. 100-667, 100 Stat. 2925 (1988). See *infra* discussion at in Part III A.

24. See, e.g., *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844, 854 n.14 (1982); *Boston Athletic Association v. Sullivan*, 867 F.2d 22, (1st Cir. 1989); *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 337 (7th Cir. 1985); *G.D. Searle & Co. v. Hudson Pharmaceutical Corp.*, 715 F.2d 837 (3d Cir. 1983); *Vuitton*, 644 F.2d at 776; *American Footwear*, 609 F.2d at 662; *Kentucky Fried Chicken v. Diversified Packaging*, 549 F.2d 368, 382 (5th Cir. 1977); *Boston Pro. Hockey*, 510 F.2d at 1010; *Smith v. Chanel*, 402 F.2d 562 (9th Cir. 1968).

25. 15 U.S.C. § 1127 (1982).

26. Trademark Clarification Act, Pub. L. No. 98-620 § 103, 98 Stat. 3335 (1984).

27. The 1984 amendments added the clause, "even if that source is unknown" to reflect prior law that so long as buyers consider the goods under the mark to have

definition of a service mark is parallel to that of a trademark. Moreover, to insure that the trademark serves the purpose of an indicator of quality, a firm which licenses the use of its trademark to others will lose its rights in the trademark unless it exercises quality control over the manufacture of the product by licensees.²⁸

That purpose is reflected in the rule that a trademark is infringed if, and only if, another firm uses the same or a similar mark in a manner that produces or is likely to produce confusion as to source or sponsorship.²⁹ Confusion or deception is expressly made a condition to liability for infringement under Section 32 of the Lanham Act,³⁰ and Section 43(a) applies only to a "false" description or designation of origin.

A. *The Impact of Requiring Proof and Confusion in Identification Products Cases*

Proving confusion is frequently difficult in identification products cases. Generally, it is very clear that the use of trademarks on identification products does not result in confusion as to source. The confusion produced, if any, is confusion as to sponsorship. However, it is generally not confusion as to sponsorship as an indication of the quality or value of the item. While a firm licensing its trademarks for use on identification products might also impose quality requirements on which the consumers come to rely, there is little evidence of such reliance in the opinions.

The confusion generally asserted in identification products cases is confusion in the abstract. It is claimed that the public expects the goods to be sponsored by the organization whose insignia or design appears on the item. The extent to which this is generally true is not clear and may vary from product to product. Some surveys have produced results showing that 40 to 60 percent³¹ of the public expected particular identification products to be sponsored. However, a survey asking people who have never thought about it before, whether they believe a product to be sponsored by the owner of the trademark, will probably result in 50 percent guessing "yes" purely on the basis of chance. Probably this is an area in which pub-

a single source or sponsorship, it is not significant that the source is unknown. *Processed Plastic Co. v. Warner Communications*, 675 F.2d 852, 855-56 (7th Cir. 1982).

28. *E.g.*, *Edwin K. Williams & Co. v. Edwin K. Williams*, 542 F.2d 1053, 1059 (9th Cir. 1976); *Sheila's Shine Products, Inc. v. Sheila Shine, Inc.*, 486 F.2d 114, 123-24 (5th Cir. 1973).

29. See *supra* note 24 concerning source or sponsorship of products.

30. 15 U.S.C. § 1114 (1982).

31. *National Football League v. Wichita Falls Sportswear*, 532 F. Supp. 651, 659 (W.D. Wash. 1982); *Processed Plastic Co.*, 675 F.2d at 855.

lic expectations will follow the law. If the law clearly requires approval by the trademark owner, the public will come to expect it, but if it becomes clear that anyone may legally sell identification products, the public will come to have no expectation of sponsorship.³²

Whatever the public's expectations may be, the cases contain little evidence on what would seem to be a critical issue in proving confusion — do buyers *care* whether the identification item is sponsored. One would expect that a certain percentage of those who buy products to express their admiration and support for a person or organization would care. For example, a buyer of a product with an insignia of a charitable organization is likely to prefer that some of the money go to that person or organization. Also, the fact that sellers of identification items often find it worthwhile to advertise the fact that they are authorized suppliers indicates that some consumers care to some degree. The opinions in identification products cases, however, do not reflect that plaintiffs are generally able to prove significant lost sales as a result of confusion as to sponsorship.

Moreover, while the use of a trademark on identification products may create a degree of confusion, it is clear that eliminating that confusion is not the only reason for bringing the infringement suit. In fact, the primary purpose behind bringing the infringement suit is to capture the revenue which can be made by exploiting the desire of members of the public to identify with the trademark owner.³³ Preventing confusion cannot accomplish that purpose, however, because some consumers do not care whether a trademark

32. See Kurtz, *supra* note 10, at 503-504.

33. Because some insignia are badges of membership, the organization may wish to restrict the sale of such insignia to actual members. "Confusion" as to membership might be held to satisfy the requirement of Section 32 of the Lanham Act (15 U.S.C. § 1114 (1982)), but the appropriate relief would be directed at ensuring that sales will be made only to members — not a requirement to pay a royalty or a flat prohibition on the manufacture or sale of the insignia products. See *Blanchard v. Griswold*, 121 Colo. 29, 214 P.2d 362 (1949) (in the absence of any deceit or confusion so far as the sorority was concerned, the remedy afforded the sorority was that the badges were to be sold only to members of chapters of the sorority that was entitled to them). Also, an infringement suit may be motivated by a fear that the use of the trademark on a product may bring discredit on the organization identified by the trademark, rather than the desire for royalties. See, e.g., *University of Georgia Athletic Ass'n v. Laite*, 756 F.2d 1535 (11th Cir. 1985) (university sued a wholesaler of beer cans portraying an English bulldog alleging that the cans infringed on the portrayal of an English bulldog chosen as the University's mascot); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979) (plaintiff's cheerleading group was entitled to a preliminary injunction prohibiting defendants from distributing a motion picture featuring x-rated movie star from wearing a uniform strikingly similar to those worn by plaintiff's cheerleading group); *Original Appalachian Artworks v. Topps Chewing Gum, Inc.*, 642 F.Supp. 1031 (N.D. Ga. 1986) (manufacturer of "Cabbage Patch Kids" brought a copyright and trademark infringement suit against the manufacturer of the substantially similar "Garbage Pail Kids.")

owner sponsors the product. Even consumers who do care may not care enough to pay the extra price which the seller must charge because of the royalty obligation. Moreover, if eliminating confusion is the only relief available to the trademark owner, some form of notice to consumers could accomplish that goal while still permitting free use of the trademark.

Thus, the requirement of confusion imposes substantial limitations on the trademark owner's ability to control the use of its mark on identification products. The extent of that limitation, however, depends on the kind of evidence of confusion which is required. Some cases acknowledge the requirement of confusion but find the requirement very easily satisfied. *Boston Athletic Association v. Sullivan*,³⁴ involved the sale of T-shirts referring to the Boston Marathon. The court held that a "rebuttable presumption" of confusion was created because "(1) defendants intentionally referred to the Boston Marathon on its shirts, and (2) purchasers were likely to buy the shirts precisely because of that reference"³⁵ Under this rule, the rebuttable presumption would exist in all identification product cases because those are the essential characteristics of identification products.

In *Conan Properties, Inc. v. Conan's Pizza, Inc.*,³⁶ the court held, in effect, that the jury could operate on a similar presumption. The court sustained a jury finding of confusion apparently based only on the fact that the use of cartoon and other fictional characters was frequently licensed and that consumers might, therefore, have thought that defendant restaurant owner's use of figures from the Conan books was also licensed. If that is sufficient evidence, then, in view of the prevalence of such licensing, it will generally be impossible to obtain reversals of a trial court's findings of confusion.

In *Processed Plastic Co. v. Warner Communications, Inc.*,³⁷ a survey showed that 56% of the children surveyed identified the defendant's toy car with the Dukes of Hazzard car and believed that the program sponsored the car. However, there is nothing in the opinion showing that the survey asked whether the children cared whether it was sponsored or had considered the matter when buying the car or at any time before being asked the question on the survey. Pure guessing would have produced a 50% positive response.

Considering the evidence on which some courts have found confusion, even in a jurisdiction where the court may require proof of confusion, a copier is well advised to take all practicable affirmative

34. 867 F.2d 22, (1st Cir. 1989).

35. *Id.* at 34.

36. 752 F.2d 145, 156 (5th Cir. 1985).

37. 675 F.2d 852 (7th Cir. 1982).

measures to inform potential customers that the owner of the mark is not the source or sponsor of the product.

B. *The Per Se Infringement Rule*

Boston Pro. Hockey, despite restating the confusion requirement,³⁸ in effect, holds it inapplicable to identification products and adopts a *per se* infringement rule. *Warner Bros., Inc. v. Gay Toys, Inc.*,³⁹ is even more clearly a *per se* case. The result of eliminating the confusion requirement is to create a property right, much like a patent right, and quite different from traditional trademark rights.

In *Boston Pro. Hockey*, defendant sold embroidered, cloth emblems which were registered trademarks of plaintiff's hockey team. Plaintiff sued for trademark infringement, among other things. The court found an infringement even though there was no evidence of confusion as to source or sponsorship, and even though the court recognized that if the mark does not indicate source or sponsorship, it becomes "conceptually difficult" to find confusion. It can be said, however, that the public buyer *knew* that the emblems portrayed the team symbols. Thus, it can be argued, that the buyer was not confused or deceived. In response to this argument the court stated:

This argument misplaces the purpose of the confusion requirement. *The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the team's trademarks.* The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirements of the act.⁴⁰

The meaning of this language is unclear. It can be construed as holding that actual confusion as to sponsorship could be inferred from the buyer's knowledge that the marks were the team's emblem in conjunction with the fact that it is a common practice in professional sports to license the use of emblems.⁴¹ That does not, however, seem to be a fair interpretation of the opinion overall because

38. *Boston Pro. Hockey*, 510 F.2d at 1012.

39. 658 F.2d 76 (2d Cir. 1981) (reversing denial of a preliminary injunction [hereinafter *Warner I*]). On remand, *Warner Bros., Inc. v. Gay Toys, Inc.*, 553 F. Supp. 1018 (S.D. N.Y. 1983), *aff'd*, 724 F.2d 327 (2d Cir. 1983) [hereinafter "*Warner II*"].

40. *Boston Pro. Hockey*, 510 F.2d at 1912 (emphasis added).

41. See *Chevron Chemical Co. v. Voluntary Purchasing Groups*, 659 F.2d 695, 702 (5th Cir. 1981) (*Boston Pro. Hockey* was distinguished because the court interpreted it as holding that actual confusion as to sponsorship could be inferred from the buyer's knowledge that the marks were the team's emblems), *cert. denied*, 457 U.S. 1126 (1982); *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 389 (5th Cir. 1977) (court distinguished *Boston Pro. Hockey* on similar grounds).

the court held that the plaintiffs had acquired a property right to sell the marks themselves, not merely the traditional trademark right to the exclusive use of the mark to indicate the source or sponsorship of products:

The time limit on copyright protection not being sufficient for plaintiffs' purposes, they acquainted the public with their marks and thereby created a *demand for those marks*. Through extensive use, plaintiffs have acquired a *property right in their marks* which extends to the reproduction and sale of those marks as embroidered patches for wearing apparel.⁴²

The court's summary rejection of the disclaimer of sponsorship as adequate relief, without any finding that the disclaimer would not have prevented confusion, supports the fact that the court was not merely creating an inference of confusion.⁴³

In *Warner*, the issue was whether Warner Bros., the owner of the *Dukes of Hazzard* television series, could prevent a toy manufacturer from imitating the "General Lee," the name of the *Dukes of Hazzard* car. Plaintiffs argued that the design of the car had acquired a "secondary meaning"⁴⁴ of a car sponsored by the television program and was, therefore, entitled to trademark protection because another's use of the design would create confusion as to sponsorship.

In *Warner I*, the court reiterated the rule that the plaintiff is required to show confusion as to source or sponsorship of the product; however, relying on a survey, the court found that there was

42. 510 F.2d at 1014 (emphasis added).

43. *Id.* at 1013.

44. The doctrine of secondary meaning gives protection, under Section 43(a) of the Lanham Act (15 U.S.C. § 1114 (1982)), to packaging and design features which the public has come to treat as an indication that a single source sells or sponsors the product containing that feature. Design features so treated by the public are protected as unregistered trademarks unless, as discussed in Section II, they are functional. The decisions differ on whether secondary meaning is to be automatically inferred from, or can be replaced by, a finding of distinctiveness, *See, e.g.,* *Ambrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531 1535-36 n.13 (11th Cir. 1986) (recognizes that courts have had a difficult time deciding whether secondary meaning is automatically inferred from a finding of distinctiveness), *cert. denied*, 481 U.S. 1041 (1987); *I.A. Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18, 19 (2d Cir. 1984) (notes the difficulty courts have experienced in deciding whether a secondary meaning is to be inferred from, or can be replaced by a distinctive trait); *but see, e.g.,* *Vibrant Sales, Inc. v. New Body Boutique*, 652 F.2d 299, 303 (2d Cir. 1981) (the requirements for establishing a secondary meaning is most often limited to those situations in which distinctive identifying features associated with a single manufacturer are being copied), *cert. denied*, 455 U.S. 909 (1982). In either case, the requirement is that the unregistered mark "serve to distinguish the plaintiff's product from others . . ." *Processed Plastic Co. v. Warner Communications*, 675 F.2d 852, 855 n.4 (7th Cir. 1982), and, that the plaintiff prove confusion. *See, e.g.,* *Ambrit*, 812 F.2d at 1538 (test for § 43(a) violation is likelihood of confusion); *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 430 (5th Cir. 1984) (the likelihood of confusion is crucial to the outcome of the plaintiffs case).

confusion as to sponsorship.⁴⁵

In *Warner II*, a panel composed of two of the same judges as in *Warner I*, found that there was no evidence of confusion as to source or sponsorship but held that such confusion was unnecessary. The fact that children associated defendant's car with the television program was sufficient without more. The court stated:

Here there was proof of *association* of the "General Lee" toy car with the "Dukes of Hazzard" television series. Nor is there any doubt that consumers wanted the toy in part because they (or their children) identified the toy with the television series. This is sufficient even though Warner is not a manufacturer of toy cars; *it is sufficient though there was no showing that consumers believed that the toy cars marketed by Gay Toys were sponsored or authorized by Wagner.*⁴⁶

The court repeated the rule that the test for secondary meaning is "whether the terms or symbol identifies goods of a 'particular source'"⁴⁷ The court, however, was clearly using the word "source" in a novel way because it held that any use of the mark which refers, calls to mind, or creates any kind of mental association with the owner of the mark constitutes infringement.

Thus, the court used the term "referential" as synonymous with "source identifying,"⁴⁸ stating:

Since for a mark to acquire secondary meaning its primary significance to consumers must be its *referential character*, a mark that has some referential sense but whose primary purpose is independent of *its source-identifying character* has not acquired sufficient secondary meaning to warrant protection.⁴⁹

The defendant argued that there was no evidence that consumers cared whether the plaintiff sponsored the product. In addition, the defendant cited numerous cases holding that proof that consumers had bought the product from them because they were mistaken as to its source or sponsorship was required. The court found that it did not matter whether consumers cared about sponsorship and distinguished those cases as irrelevant:

In each of these cases, however, the plaintiff failed to establish source association in the general sense of associating the term or symbol used by the defendant with the plaintiff.⁵⁰

The court went on to hold:

There was ample evidence — indeed Gay Toys' sales of its imitations

45. *Warner Bros., Inc.*, 658 F.2d at 79 (*Warner I*).

46. *Warner Bros., Inc.*, 724 F.2d at 333 (emphasis added) (*Warner II*).

47. *Id.*

48. *Id.* at 333-34.

49. *Id.* at 333 n.5 (citations omitted).

50. *Id.* at 333.

are themselves proof — that the public did associate the “General Lee” with the “Dukes of Hazzard” television series. Its distinctive markings and color made it a “Dukes of Hazzard” car, or a toy depicting that car. It is because of that association, the identification of the toy car with its source, Warner’s television series, that the toy car is bought by the public. That is enough.⁵¹

The *per se* infringement rule seems inconsistent with the precedents the courts were purporting to follow and with the language and policy of the Lanham Act. First, the truthful use of a trademark, even by one other than its owner, is not unfair competition or a violation of the Lanham Act.⁵² As the court conceded in *Boston Pro. Hockey*, there is nothing deceptive in the referential use of an identification feature.⁵³ If a hockey team’s emblem on a T-shirt says nothing more than that it is the emblem of that team, it is not deceptive. Similarly, there is nothing deceptive about putting out a toy car like the Dukes of Hazzard car if the design of the car says nothing more to the buyer than “this is a car like the Dukes of Hazzard car.” Such “referential” or “associational” use of the emblem or design is, without more, not confusing.⁵⁴

Second, to separate confusion from the consumer’s motivation for buying the product deprives the “confusion” requirement of Section 32 of the Lanham Act⁵⁵ of its principal if not its only policy significance. Avoiding confusion is important because consumers may otherwise be misled into purchasing the product of one supplier when they wanted a product made or sponsored by someone else. The importance of proof of confusion relates directly to the degree that buyers care about source of sponsorship.⁵⁶

51. *Warner Bros., Inc.*, 724 F.2d at 333.

52. *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (the ownership of a registered trademark consisting of a name designating the owners’ goods does not prohibit a purchaser who repacks and sells them, from using the name on his own labels to show the true relation of the trademarked product to the article he offers); *G.D. Searle & Co. v. Hudson Pharmaceutical Corp.*, 715 F.2d 837, 841 n.9 (3d Cir. 1983) (truthful references to the trademark of another are permissible as long as the reference does not cause confusion); *Societe Comptoir de L’Industrie v. Alexander’s Department Stores, Inc.*, 299 F.2d 33, 35 (2d Cir. 1962) (truthful use of another’s trademark is not unfair competition).

53. *Boston Pro. Hockey*, 510 F.2d at 1012.

54. There is a “fair use” rule in trademark law as well as in copyright law. Where a descriptive term has achieved trademark status as indicating source or sponsorship, use of the term by competitors will constitute “fair use” if used in the competing product solely for its descriptive purpose and in a manner showing that it is not an indication of source. *Ideal Industries, Inc. v. Gardner Bender, Inc.*, 612 F.2d 1018 (7th Cir. 1979) *cert. denied*, 447 U.S. 924 (1980); *How Manufacturing, Inc. v. Formac, Inc.*, 213 U.S.P.Q. 793, 799-800 (N.D. Ill. 1981). Use of a trademark on identification products could well be considered descriptive but in that sense, it is also functional with the result that the fair use rule adds nothing to the general functionality analysis.

55. 15 U.S.C. § 1114 (1982).

56. *In Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th

Third, a general rule protecting a trademark owner from "referential" or "associational" uses of trademark which do not create confusion would be inconsistent with the rule permitting competitors to copy trademarks for purposes of comparative advertising.⁵⁷ New producers coming into the market may often find it important to tell the public that their product is like some product already on the market. In doing so, they are using the reputation and popularity of the prior product or its producer just as is a competing seller of identification products. It is true that there may be more "communication" involved in comparative advertising. Also, the anticompetitive effect of barring comparative advertising is likely to be more serious than barring competition in identification products and that may be a ground for distinguishing the cases. However, the basic issues involved are similar in each case.

Finally, it is clear that the property right created by the *per se* infringement rule of *Boston Pro Hockey* and *Warner II* is fundamentally different from traditional trademark rights. When used as an indication of source or sponsorship, a mark ensures that buyers who want a product made or sponsored by a particular firm and who may be willing to pay more for it, get that firm's product and not something else. The trademark rewards sellers who have created a reputation for quality but only by ensuring them of the business of consumers *who want to deal with them*. In contrast, giving the trademark owner the exclusive right to the use of the trademark on identification products has the effect of a patent, it gives the trademark owner the power to compel consumers who want a product to buy it from the trademark owner or sources which it designates *even though the consumer might desire to purchase the product from another source*.

Cir. 1982), the court held that customer motivation was critical to a determination of whether a name had become generic. That decision was expressly overruled by the 1984 amendments. S. REP. No. 627, 98th Cong. 2d Sess. 1, *reprinted in* 1984 U.S. CODE CONG. & ADMIN. NEWS 98 Stat. 5718. This does not, however, indicate that buyer motivation is irrelevant to the issue of whether a particular use of a trademark causes confusion. If a mark is found to be generic, it loses all protection even though its use by others may cause confusion. Indeed, in the anti-monopoly case, the mark was found to be generic despite the fact that one-third of the survey respondents said they *did care* about the source of the game. In contrast, applying a customer motivation test as part of proof of confusion in an infringement case does not affect the validity of the mark. Failure to prove that some class of customer, for example, customers for identification products, care about source or sponsorship, when making purchasing decisions still leaves the owner of the mark free to enforce it in other cases.

57. *G.D. Searle & Co. v. Hudsons Pharmaceutical Corp.*, 715 F.2d at 841 n.9 (3d Cir. 1983); *Societe Comptoir de L'Industries v. Alexander's Department Stores, Inc.*, 299 F.2d 33, 35 (2d Cir. 1962).

II. FUNCTIONALITY

If a trademark or parts of a trademark serve a function other than indicating the source or sponsorship of the goods, that aspect of the trademark may be copied by others even if it has achieved a "secondary meaning" as identifying the source of the goods and copying of that feature by others might, therefore, result in confusion. The public's right to competition in the functional aspect of the item may be held to outweigh even a demonstrated danger of confusion.⁵⁸

As in the case of the requirement of proof of confusion, there is disagreement on whether the functionality rule should be applied to identification products.⁵⁹ Even if the functionality rule is held to apply, there is no uniform definition of "functionality" and the different definitions will sometimes have different effects on identification products cases.

A. "Identification" as a Function Protected by the Functionality Rule

The issue of functionality comes up most often in cases in which it is contended that a product's packaging ("trade dress"), design or appearance have acquired a "secondary meaning" as indicating a specific source. However, the functionality rule is, by its terms, applicable to identification products because the trademark serves the "function" of identifying the buyer or product with what the trademark represents.⁶⁰

Boston Pro. Hockey, on the other hand, held the functionality rule to be inapplicable to emblems. It distinguished prior functional-

58. *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844 (1982); *Sears Roebuck & Co.*, 376 U.S. at 231-232; *Kellogg Co.* 305 U.S. at 122; *Interpart Corporation v. Imos Italia, Vitaloni S.P.A. and Torino Industries, Ltd.*, 777 F.2d 678 (Fed. Cir. 1985); *Sicilia Di R. Biebow*, 732 F.2d at 26-43; *Keene*, 653 F.2d at 826; *In Re Water Gremlin Company*, 635 F.2d 841, 844 (CCPA 1980); *Job's Daughters*, 633 F.2d at 917; *Bliss v. Gotham Industries, Inc.*, 316 F.2d 848, 854-56 (9th Cir. 1963); *Pagliari*, 298 F.2d at 343; *University of Pittsburgh*, 566 F.2d at 720; *Bi-Rite*, 555 F. Supp. at 1195; *Damn I'm Good*, 514 F. Supp. at 1360.

59. There is also a "fair use" rule in trademark law which is conceptually covered by the functionality rule. Where a descriptive term has achieved trademark status as indicating source or sponsorship, use of the term by competitors will constitute "fair use" if used in the competing product solely for its descriptive purpose and in a manner showing that it is not an indication of source. 15 U.S.C. § 1115(b)(4) (1982). See also *Ideal Industries, Inc. v. Gardner Bender, Inc.*, 612 F.2d 1018 (7th Cir. 1979); *How Manufacturing, Inc. v. Formac, Inc.*, 213 U.S.P.Q. (BNA) 793, 799-800 (N.D. Ill. 1981). Use of a trademark on identification products could well be considered descriptive but that argument appears not to have been made in any of the cases to date.

60. *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980).

ity cases on the ground that in contrast to those cases, the emblems had value and could be sold only because they were the emblems of the hockey team. The *Boston Pro. Hockey* court stated:

The short answer to defendant's arguments is that the emblems sold because they bore the identifiable trademarks of plaintiffs. This fact clearly distinguishes the cases . . . relied upon by the district court.

* * *

All involved products which had a consumer demand regardless of their source or origin. The principles involved in those cases are not applicable to a trademark symbol case where the design or symbol has no demonstrated value other than its significance as the trademark of a hockey team.⁶¹

The court does not explain why this distinction is significant and it is obviously not a distinction that tends to show that granting a trademark owner an exclusive right to use the mark will have a lesser anticompetitive effect in identification products cases than in other cases. The court's view appears to be that competition is not necessary or even desirable in identification products cases because "the major commercial value of the emblems is derived from the efforts" of the trademark owner who is, therefore, entitled to the profits which can be generated by licensing the insignia.⁶²

In *Warner II*, the court also rejected a functionality argument, but unlike *Boston Pro. Hockey*, it did not simply hold that the functionality rule was inapplicable to identification products. Instead, the court purported to establish a general definition of functionality applicable to all cases and ruled against defendant on that basis. One element of its definition is based on effect on competition and is discussed in Part III B below.

There is, however, also language in *Warner II* which appears to limit the functionality rule to features of the shape or form of the item which the court considers to be "improvements" and "advances" and suggesting that the feature must be "utilitarian" as opposed to "ornamental" or intangible.⁶³ The court stated:

The question posed is whether by protecting the 'General Lee' symbols we are creating an eternal monopoly on the *shape or form* of some useful object, thereby limiting the sharing of *utilitarian* refinements in useful objects.⁶⁴

This definition of functionality would apparently exclude the function of identification and make the functionality rule generally inapplicable to identification products. It is doubtful, however, that

61. *Boston Pro. Hockey*, 510 F.2d at 1013.

62. *Id.* at 1011.

63. *Warner Bros., Inc.*, 724 F.2d at 331-33.

64. *Id.* at 331 (emphasis added).

any circuit presently limits the functionality rule to matters of physical shape and excludes intangibles by definition.

None of the identification products cases which continue to require proof of confusion expressly reject the application of the rule to identification products as a class, and, as shown in Part III B below, their general statements of the functionality rule would clearly cover some identification products. However, in *Boston Athletic Association*,⁶⁵ *Conan*,⁶⁶ *Processed Plastics*,⁶⁷ *Order of the Rainbow for Girls*,⁶⁸ *American Footwear*,⁶⁹ and *Winterland Concession*,⁷⁰ the facts suggest that the functionality rule would have been asserted by defendants and discussed by the court if the rule was considered to be generally applicable to identification products, but the opinions are void of any reference to the rule.

Moreover, while the logic for applying the functionality rule to identification products seems impeccable, the authority supporting its application is limited. No identification products case has been found in which a court held that there was confusion but barred enforcement of the trademark because of functionality. Thus, *Job's Daughters*⁷¹ and *National Football League v. Wichita Falls Sportswear*⁷² seem to hold that both the proof of confusion rule and the functionality rule are applicable to identification products cases but that the functionality rule is no defense if there is proof of confusion. That is an odd result which would appear to apply the functionality rule but deprive it of any significance.

B. *The Impact of the Functionality Rule on Identification Products*

As noted above, the use of a trademark on identification products is always "functional" to some extent. That is not, however, the end of the inquiry even in a court which would hold the functionality rule applicable to identification products.

First, since the functionality rule permits a seller to use a trademark in a manner which is confusing to consumers, the seller will be required to show that the use of the mark creates no more confusion than is required for the product to fulfill the function and to take reasonable measures to avoid the confusion.⁷³ Second, the purpose

65. 867 F.2d 22 (1st Cir. 1989).

66. 752 F.2d at 156.

67. 675 F.2d 852 (7th Cir. 1982).

68. 676 F.2d at 1982.

69. 609 F.2d at 663.

70. 528 F. Supp. 1201 (N.D. Ill. 1981).

71. 633 F.2d 912, 919 (9th Cir. 1980).

72. 532 F. Supp. 651 (W.D. Wash. 1982).

73. *American Greeting Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136 (3d Cir.

of the functionality rule is to protect competition and all courts require some showing of adverse effect on competition.

There are, however, a number of different versions of the effect on competition test. Perhaps the broadest version of the effect on competition test is found in *Pagliero*, where the court found that a pattern on china had acquired secondary meaning but rejected trademark protection because buyers found the design attractive:

If the particular feature is an *important ingredient in the commercial success of the product*, the interest in free competition permits its imitation in the absence of patent or copyright.⁷⁴

Under this "important ingredient" test, it seems clear that the owner of a trademark could rarely, if ever, prevail against an unlicensed seller of identification products regardless of the "confusion" generated by the sale of the products.

That test has been frequently followed,⁷⁵ but also frequently criticized⁷⁶ because it permits confusing designs and emblems to be used even where the anti-competitive effect of trademark protection would be relatively minor and because it discourages the development of pleasing designs and packaging — the more attractive the design or packaging, the more likely it is to be treated as functional, and, therefore, not protectable. The trend is toward a test which treats as "functional" those, and only those, features which must be copied in order to compete effectively and in order to give consumers alternative sources of the products.⁷⁷

1986).

74. 198 F.2d at 343-344 (emphasis added). The *Pagliero* test is sometimes attacked on the ground that the identifying feature may contribute to the commercial success of the product because of confusion as to the source of the product. It is clear, however, that neither *Pagliero* itself, nor the cases that follow it intended to refer to that kind of contribution to commercial success.

75. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982) (affirming district court's finding that color of drug capsule was important ingredient); *Prufrock Ltd., Inc. v. Lasater*, 781 F.2d 129 (8th Cir. 1986) (restaurant trade dress held important ingredient); *I.A. Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18 (2d Cir. 1984) (interlocking sofa cushion design held to be important ingredient and functional); *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980) (emblem found to be functional); *Truck Equipment Service Company v. Freuhauf Corp.*, 536 F.2d 1210 (8th Cir. 1976) (semitrailer design not important ingredient); *Damn I'm Good, Inc. v. Dakowitz, Inc.*, 514 F. Supp. 1357 (S.D.N.Y. 1981) (jewelry inscription held important ingredient); *Morex S.p.a. v. Design Institute America, Inc.*, 225 U.S.P.Q. 489 (S.D. N.Y. 1984) (wave design of etagere shelves found functional).

76. *Stormy Clime Ltd. v. Progroup, Inc.*, 809 F.2d 971 (2d Cir. 1987) (rain jacket design); *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334 (7th Cir. 1985) (molded plastic office trays); *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417 (5th Cir. 1984) (lemon juice bottle); *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327 (2d Cir. 1983) ("General Lee" toy car); *Keene Corp. v. Paraflex Industries, Inc.*, 653 F.2d 822 (3d Cir. 1981) (outdoor wall-mounted luminaire).

77. *Stormy Clime Ltd., Inc.*, 809 F.2d at 976-77 (common features dictated by purpose of providing low cost waterproof jacket); *Sno-Wizard Mfg., Inc. v. Eisemann*

The formulations of courts rejecting *Pagliero* to express the nature and severity of the adverse effect on competition, which is a prerequisite to a successful functionality defense, vary. Trademarks may be described as functional only if denying a competitor's use of the feature would "hinder" competition;⁷⁸ if copying the trademark is "essential" to competition;⁷⁹ if there are only a limited number of alternative methods for performing the function;⁸⁰ if the "principal" purpose is a function other than a trademark function;⁸¹ if the functional aspect is more than "incidental";⁸² or where the trademark is the "actual benefit" the consumer wishes to purchase.⁸³ While these formulations convey differences of degree, they are all designed to resolve the question of whether protecting the trademark will prevent effective competition and significantly reduce the choices available to consumers.

The rule is most clearly articulated in *W.T. Rogers Company, Inc. v. Keene*:⁸⁴

To summarize our earlier discussion of functionality, the jury has to determine whether the feature for which trademark protection is sought is something that other producers of the product in question would have to have as part of the product in order to be able to *compete effectively* in the market — in other words, in order to give consumers the *benefits of a competitive market* — or whether it is the kind of merely incidental feature which gives the brand some individual distinction but which producers of competing brands can readily do without.⁸⁵

Though a producer does not lose a design trademark just because the

Products Co., 791 F.2d 423, 426, n.3 (5th Cir. 1986) (design was "most effective, practical, and cost-effective"); *Rogers*, 778 F.2d at 346 (functional only if other producers must have it to compete effectively); *In Re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1339-40 (CCPA 1982) (consuming public's interest is superior to vendor's interest in remaining sale vendor); *Keene Corp.*, 653 F.2d at 825, 827-828 (adopting the "substantially hinders" competition test of the original RESTATEMENT OF TORTS § 742 comment a.); *Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769, 774 (9th Cir. 1981) (features which constitute actual benefit consumers are seeking to buy); *Ives Laboratories, Inc. v. Darby Drug Co., Inc.*, 601 F.2d 631, 643 (2d Cir. 1979) (colored capsule found functional); *Truck Equipment Services Co.*, 536 F.2d at 1218 (non-imitation will hinder the competition).

78. *Keene Corp.*, 653 F.2d at 827 (citing RESTATEMENT OF TORTS § 742, Comment a (1938)); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 519 (10th Cir. 1987) (citing *Sno-Wizard Mfg.*, 791 F.2d at 426 n.3 and quoting *Sicilia Di R. Biebow & Co.*, 732 F.2d at 429).

79. *Warner II*, 724 F.2d at 330.

80. *Sicilia Di R. Biebow & Co.*, 732 F.2d at 429 (designer of molded plastic bottle not limited).

81. *LeSportsac, Inc. v. K-Mart Corp.*, 754 F.2d at 76 (2d Cir. 1985) (citing *Inwood Laboratories*, 456 U.S. at 850, n.10).

82. See *Vuitton*, 644 F.2d at 775.

83. *Job's Daughters*, 633 F.2d at 920 (emblem was functional aesthetic component); *Rachel v. Banana Republic Inc.*, 831 F.2d 1503 (9th Cir. 1987) (parts necessary for realistic animal reproductions held to be actual benefit consumers sought).

84. 778 F.2d 334 (7th Cir. 1985).

85. *Id.* at 346 (emphasis added).

public finds it pleasing, there may come a point where the design feature is so important to the value of the product to consumers that continued trademark protection would deprive them of competitive alternatives; and at that point the protection ceases.⁸⁶

To determine the effect on competition, it is generally necessary to first define the "relevant market." Effect on competition is a familiar concept in antitrust cases, which contain numerous formulations for determining the relevant market. However, there appears to be increasing agreement that the test for whether different products are in the same relevant market is the extent to which the seller can raise the price of one product without a loss of sales to another product that results in a net loss of profit. The Antitrust Division of the United States Department of Justice currently uses that test to determine the relevant market to decide whether an acquisition is likely to have an adverse effect on competition.⁸⁷

The National Association of Attorneys General suggests a similar, though not identical, test. Under that test, products will be considered within the same relevant market if they are comparably priced and considered substitutable by customers accounting for 75% of the purchase of the products.⁸⁸

In identification products cases, the relevant market issue will usually be whether the market is limited to identification products identifying a particular entity, in which event, protecting the trademark owner would result in a monopoly or whether it is some broader product market in which there would usually be little, if any, anticompetitive effect. For example, is the relevant market all T-shirts or caps or is it composed only of the T-shirt, caps and other products bearing the colors and insignia or otherwise identifying a specific athletic team? For another example, was the relevant market in *Warner II*, the market for toy cars or was it the market for toy cars looking like the General Lee?

In many cases, the relevant market, under the *Rogers'* test, seems obvious without the need for detailed economic analysis. People who buy clothing or jewelry with the emblems of athletic teams or organizations in which they are members would probably not find

86. *Id.* at 347.

87. *United States Department of Justice, Antitrust Division Merger Guidelines 1984*, 4 TRADE REG. REP. (CCH) ¶ 13,103 § 2.11. The Antitrust Division will generally consider products to be in the same market if the price of one of the products could not be kept five percent above the price of the other products without causing the seller to lose profits. § 2.12 of the Guidelines also suggests how the ability to increase price can be shown short of direct evidence of the likely effect of a future price increase. *Id.* at § 2.12.

88. *Horizontal Merger Guidelines of the National Association of Attorneys General, March 10, 1987*, ANTITRUST & TRADE REG. REP., (BNA) Vol. 50, No. 1306, Special Supplement (March 12, 1987).

unmarked clothing or jewelry or items with the insignia of some other organization to be a reasonable substitute. As the court said in *University of Pittsburgh v. Champion Products, Inc.*:⁸⁹

With negligible exception, a consumer does not desire a "Champion T-shirt" he (or she) desires a "Pitt T-shirt." The entire impetus for the sale is the consumer's desire to identify with Pitt or, perhaps more realistically, with Pitt's successful athletic program.⁹⁰

If the functionality rule is applicable to identification products, it will generally constitute a defense in such cases.

Using the same test, functionality would generally not constitute a defense where a design contributes to the success of a product solely because it is attractive because there will be a great many alternative designs likely to prove equally attractive. It seems likely, for example, that most consumers who bought the china at issue in *Pagliari* were looking not for a specific design but for attractive china.⁹¹ That is a desire which could be satisfied by a wide variety of designs and would not support a finding of functionality.

In other cases, such as the toy cars designed to imitate the Dukes of Hazzard car, the result is less obvious. While some shoppers may specifically demand a Dukes of Hazzard car, other shoppers may simply be looking for a toy car and the fact that the car looks like the car on a television program may be a minor factor in making their choice. Under the *Rogers* test, some form of survey evidence or other economic analysis may be required in such cases.

III. THE PRESENT STATE OF THE LAW IS CONFUSED

The 1988 Amendments make no change in the language of Section 32(1) of the Lanham Act,⁹² which expressly conditions the right to relief on proving that the allegedly infringing use of the mark is "likely to cause confusion; or to cause mistakes or to deceive . . ."⁹³

Section 43(a)⁹⁴ has been amended. The overall effect of the amendment, however, is to expressly incorporate the existing case law requiring proof of confusion or deceptiveness and the case law holding that confusion as to sponsorship and affiliation, as well as confusion as to source, is sufficient. It prohibits:

Any false designation or origin, false or misleading deception of fact,

89. 686 F.2d 1040, (3d Cir. 1982).

90. *Id.* at 1047.

91. That would not be the case as to consumers seeking to add to a set or replace broken items, a factor that could support a functionality defense in cases where there is a substantial replacement market.

92. 15 U.S.C. § 1114(1) (a).

93. *Id.*

94. 15 U.S.C. § 1125(a) (19).

or false or misleading representation of fact which —

(1) Is likely to cause confusion, or to cause mistakes, or to deceive as to the affiliation, connection, or association . . . with [a] person or as to the origin, sponsorship, or approval of his or her goods, services, or commercial articles by another person⁹⁵

Section 43(a)(2) is new and provides relief against misrepresentations about a competitor's product. Section 45,⁹⁶ defining trademarks and service marks, is amended, in relevant part, by adding a clause stating that they are marks used "to indicate the source of the" goods and services.

It can be argued that this reaffirmation of traditional principles requiring proof of confusion and defining a trademark as an indicator of source are a legislative rejection of the *per se* infringement rule. Similarly, the rejection by the House of the anti-dilution provision of the Senate bill indicates some reluctance to expand trademark law beyond its function as an indicator of source or sponsorship. However, a review of the legislative history,⁹⁷ and Senate Bill 1883 (the bill which was ultimately amended and enacted), provides no reason to believe that Congress considered the relationship of trademark law to identification products and it seems unlikely that the 1988 Amendments will have much effect on the courts' treatment of such products.

A. *The Current Status of the Per Se Infringement Rule in the Circuits*

A court faces two legal issues in deciding whether to protect the owner of a trademark against the use of the mark on identification products. First, will the court require "confusion," in the normal sense of the word, as to the source or sponsorship of the product, and, second, does the functionality rule apply and permit copying an identifying feature even in the face of some likelihood of confusion.

There are no United States Supreme Court cases dealing expressly with the application of trademark law to identification products. There are decisions on the related question of designs which have become trademarks by acquiring secondary meaning. Those decisions apply traditional trademark rules which are inconsistent with the *per se* infringement rule of *Boston Pro. Hockey* and *Warner II*, but they say little on whether the Court would apply these rules to

95. *Id.*

96. 15 U.S.C. § 1127 (1988).

97. 134 CONG. REC. 10411 (daily ed. Oct. 19, 1988); S. REP. NO. 515, 100th Cong., 2d Sess. (Sept. 15, 1988); H.R. REP. NO. 1028, 100th Cong., 2d Sess. (Oct. 3, 1988); 134 CONG. REC. 5864-5874 (daily ed. May 13, 1988); 134 CONG. REC. 16971-76 (daily ed. Oct. 20, 1988); 133 CONG. REC. 16546-54 (daily ed. Nov. 19, 1987).

identification products.⁹⁸ In addition, the decisions in the Courts of Appeals are inconsistent.

Fifth Circuit and Proof of Confusion

The Fifth Circuit has retreated from the *per se* infringement rule. In *Kentucky Fried Chicken v. Diversified Packaging Corporation*,⁹⁹ decided two years after *Boston Pro. Hockey*, a different panel of the Fifth Circuit emphasized that confusion, in the normal sense of the word, is required to establish trademark infringement. The court went on to discuss *Boston Pro. Hockey*, noting that in the case before it, as in that case, buyers had a "certain knowledge that the source and origin of the trademark symbols were in Kentucky Fried Chicken," and conceded that "*Boston Pro. Hockey* could therefore be read to dispose of the confusion issue here."¹⁰⁰

The court, however, declined to so read *Boston Pro. Hockey*. Instead, the court interpreted it as holding only that because of the widespread use of the symbols of the hockey teams, the facts "supported the inescapable inference that many would believe that the product itself originated with or was somehow endorsed by *Boston Pro. Hockey*."¹⁰¹ Similarly, in *The Supreme Assembly, Order of the Rainbow for Girls v. J.H. Ray Jewelry Company*¹⁰² the issue was the right of an unlicensed supplier to make and sell items bearing plaintiff's insignia. The Fifth Circuit again expressly refused to follow *Boston Pro. Hockey* and instead followed *Kentucky Fried Chicken* in insisting on proof of real confusion.

In *Conan Properties, Inc. v. Conan's Pizza, Inc.*,¹⁰³ the issue was defendant's right to use figures and drawings from the Conan the Barbarian series as decorations for its restaurant. There was no doubt that the decorations were "referential" to Conan, but the court nevertheless held that:

To prevail on its trademark infringement and unfair competition claims, CPI needed to demonstrate that Conans' use of the CONAN THE BARBARIAN mark and image was likely to create confusion in the mind of the ordinary consumer as to the source, affiliation, or sponsorship, of Conans' service and product.¹⁰⁴

98. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982); *Sears Roebuck & Co. v. Stiffel Company*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122 (1938).

99. 549 F.2d 368 (5th Cir. 1977).

100. *Id.* at 389.

101. *Id.*

102. 676 F.2d 1079 (5th Cir. 1982).

103. 752 F.2d 145 (5th Cir. 1985).

104. *Id.* at 149 (emphasis added).

That is a clear rejection of the basic premise of *Boston Pro. Hockey*. However, as noted in Part II above, the court sustained a finding of confusion simply on the fact that cartoon and other characters' names and images were frequently licensed.¹⁰⁵ Under that standard of proof, it will be virtually impossible to overturn a finding of confusion in any identification products case. The defendant must win in the trial court, if at all.

Thus, the status of the law in the Fifth Circuit appears to be that the court has rejected the expanded property right rule of *Boston Pro. Hockey* and will require proof of confusion as to source or sponsorship in the case of identification products.

Fifth Circuit and Functionality

Boston Pro. Hockey rejected functionality as a defense in identification products cases and no subsequent Fifth Circuit opinion questions that conclusion.

Ninth Circuit and Proof of Confusion

The Ninth Circuit was the first court of appeals, outside the Fifth Circuit itself, to deal with the *per se* infringement rule of *Boston Pro. Hockey* and it unambiguously rejected the rule.

In *International Order of Job's Daughters v. Lindeburg and Company*,¹⁰⁶ the defendant was manufacturing jewelry with the insignia of plaintiff's organization. Relying on *Boston Pro. Hockey*, plaintiff brought suit for infringement.

The Ninth Circuit held:

We reject the reasoning of *Boston Pro. Hockey*. Interpreted expansively, *Boston Pro. Hockey* holds that a trademark's owner has a complete monopoly over its use, including its functional use, in commercial merchandising. But our reading of the Lanham Act and its legislative history reveals no congressional design to bestow such broad property rights on trademark owners. *Its scope is much narrower: to protect consumers against deceptive designations of the origin of goods and, conversely, to enable producers to differentiate their products from those of others.*¹⁰⁷

In *Vuitton Et Fils S. A. v. J. Young Enterprises, Inc.*,¹⁰⁸ the court restated its ruling in *Job's Daughters*. In addition, *Vuitton*, relying on *Smith v. Chanel*,¹⁰⁹ expressly rejected the claims that

105. *Id.* at 156.

106. 633 F.2d 912 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981).

107. *Id.* at 918 (emphasis added, citation omitted). *See also* Toho Co., Ltd. v. Sears Roebuck & Co., 645 F.2d 788 (9th Cir. 1981).

108. 644 F.2d 769 (9th Cir. 1981).

109. 402 F.2d 562 (9th Cir. 1968).

trademark protection should be extended to permit firms to reap the full benefit of the goodwill generated by advertising expenditures. That opinion acknowledged with approval "the traditionally accepted premise that the only legally relevant function of a trademark is to impart information as to the source or sponsorship of the product." Though appellees in that case urged that "protection should also be extended to the trademark's commercially more important function of embodying consumer good will created through extensive, skillful, and costly advertising," the court rejected that argument as it applied to the facts of that case. "The courts . . . have generally confined legal protection to the trademark's source identification function for reasons grounded in public policy favoring a free, competitive economy."¹¹⁰

Ninth Circuit and Functionality

In *Job's Daughters*, the court ruled for defendant, in part, on the ground that the jewelry was purchased for purposes of identifying with the organization, not as a designation of source or sponsorship and, as such, was within the functionality rule.

The court cited, with approval, the broad "important ingredient [to] commercial success" test of *Pagliari* but as noted in Part II, went on to suggest that trademark protection might have been given despite the finding of functionality if there had been proof of the likelihood of confusion.¹¹¹

However, in *Vuitton*, the Ninth Circuit made it clear that functionality does constitute a defense even in cases where copying the functional aspect of the product may create confusion unless the functional feature is "incidental."¹¹² While *Vuitton* is not an identification products case, the court's citation of *Job's Daughters* suggests that the court would apply the same functionality rule to identification products cases as to other cases.

The Ninth Circuit clearly requires proof of confusion as to source or sponsorship in an identification products case. While it is not equally clear, the functionality rule will probably be held to apply to identification products even if there is proof of confusion if the alternative is a significant anticompetitive effect.

First Circuit and Proof of Confusion

As stated in Part I, above, in the recent case of *Boston Athletic*

110. *Vuitton*, 644 F.2d at 776 (citations omitted).

111. *Job's Daughters*, 633 F.2d at 919.

112. *Vuitton*, 644 F.2d at 774-75.

Association v. Sullivan,¹¹³ the court held that there is both a requirement and a rebuttable presumption of confusion in identification products cases.

First Circuit and Functionality

It seems unlikely that the First Circuit will accept a broad functionality defense in identification goods cases. *Boston Athletic Association* does not discuss functionality, even though it probably would have constituted a defense had the court considered the function of identifying the wearer of the T-shirts with the Boston Marathon to be a "function" within the functionality rule. That is an indication that the court is unlikely to accept a functionality defense in identification products cases. In addition, the opinion reflects hostility to the unauthorized sale of identification products stating that it creates "an unmistakable aura of deception . . ." ¹¹⁴

Second Circuit and Proof of Confusion

The Second Circuit cases are inconsistent on whether the court will require proof of real confusion in identification products cases as well as in other trademark cases.

In *American Footwear Corp. v. General Footwear Co.*,¹¹⁵ the dispute was over the use of the term "bionic" which had been created and popularized by the television series "The Six Million Dollar Man." American had registered bionic as a trademark for its hiking boots. General Footwear, the licensee of Universal Studios, the owner of the series, claimed the right to the exclusive use of the word because, as American admitted, American was "attempting to capitalize upon the success of Universal's TV shows by misappropriating an essential element thereof in the word 'bionic'." ¹¹⁶

The court rejected that argument, holding that American was free "to capitalize on public receptiveness to a concept idea or word which Universal has been responsible for creating and popularizing" ¹¹⁷ and to "capitalize on a market or fad created by another provided that it is not accomplished by confusing the public . . ." as to the source or sponsorship of the product. ¹¹⁸

The court also held that it was critical whether buyers cared

113. 867 F.2d 22 (1st Cir. 1989).

114. *Id.* at 35.

115. 609 F.2d 655 (2d Cir. 1979).

116. *Id.* at 658.

117. *Id.* at 660.

118. *Id.* at 662-63. See also *Ideal Toy Corp. v. Kenner Products, Div. of General Mills Fun Group, Inc.*, 443 F. Supp. 291, 308-309 (S.D.N.Y. 1977).

about source or sponsorship,¹¹⁹ and went on to find no secondary meaning because plaintiff had only demonstrated linkage between the television program and the boots, not confusion as to source or sponsorship.¹²⁰

Warner I reiterated the general rule stated in *American Footwear* but found actual confusion as to sponsorship.¹²¹ During the period between *Warner I* and *Warner II*, the District Court for the Southern District of New York, in a case involving the names of rock groups on T-shirts, expressly rejected the *per se* infringement rule on the ground that "unfair competition law clearly requires confusion as to the source of goods before it will protect against the use of a mark."¹²²

As discussed in Part I above, *Warner II* reached the opposite result. It held that the "association" between defendant's car and the Dukes of Hazzard car in the minds of children was sufficient to prove infringement without proof of confusion as to source or sponsorship. Subsequent cases, however, cast some doubt on whether a purely "referential" use of a trademark is sufficient to satisfy the confusion requirement in the Second Circuit.

In *Universal City Studios, Inc. v. Nintendo Co., Ltd.*,¹²³ defendant named its video game "Donkey Kong." Universal, the owner of the trademark in the name and story of King Kong sued for, among other things, trademark infringement. The court found no infringement because the test:

[f]or trademark infringement or unfair competition is whether there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question. The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement.¹²⁴

Nintendo is, in a sense, an identification products case because defendant was making use of the popular, well known image of King Kong. As the court noted, "Donkey Kong obviously parodies the King Kong theme."¹²⁵

Universal City Studios, Inc. and Merchandising Corporation of

119. *American Footwear*, 609 F.2d at 663.

120. *Id.*

121. *Warner Bros.*, 658 F.2d at 79.

122. *Bi-Rite Enterprises, Inc. v. Button Master*, 555 F. Supp. 1188, 1194 (S.D. N.Y. 1983). The court did, however, hold that plaintiffs had a right of publicity which defendants had violated. *Id.* at 1198-99. See also, *D.C. Comics v. Reel Fantasy, Inc.*, 539 F. Supp. 141 (S.D. N.Y. 1982).

123. 746 F.2d 112 (2d Cir. 1984).

124. *Id.* at 115 (citation omitted).

125. *Id.*

America, Inc. v. T-Shirt Gallery, Ltd.,¹²⁶ is another parody case. Plaintiff owned the popular television series "Miami Vice" and sought to bar defendants from selling "Miami Mice" T-shirts showing a cartoon parody of the television series. It was found that defendant's T-shirts were referential to the television series and associated with it. Moreover, it was clear that defendant was exploiting the popularity of the TV series to sell their T-shirts.¹²⁷ Nevertheless, inconsistently with *Warner II*, the court held that plaintiffs had to "establish a likelihood that . . . purchasers are likely to be misled or confused as to the source or sponsorship of the goods in question."¹²⁸

Second Circuit and Functionality

It is also unclear whether the functionality rule will be applied to identification products in the Second Circuit. As discussed in Part II, the language of *Warner II* suggests a test for functionality which requires that the trademarked feature have a tangible "utilitarian" function which would exclude an "aesthetic" function and probably exclude an intangible benefit such as an identification function. However, if that is what the *Warner II* court intended, it appears not to be the present rule in the Second Circuit because in *LeSportsac Inc. v. K-Mart Corp.*,¹²⁹ the court clearly held that aesthetic features could be functional.

The court in *Warner II* also rejected the functionality defense because it disagreed with the *Pagliari* "important ingredient" test. The court held that the feature must be not only an "important ingredient" in the product's success, but must be a feature "essential to the use or purpose of the article or that effects its cost or quality." A design is "essential" only if the feature is "dictated by the function to be performed."¹³⁰

To the extent that terms such as "essential" versus "important ingredient" make a difference, "essential" is a relatively difficult test to meet but one which could probably frequently be met in identification products cases. However, it is not clear if the Second Circuit currently follows the "essential to the use" test, the "important ingredient to commercial success" test, or a test somewhere in

126. 634 F. Supp. 1468 (S.D. N.Y. 1986).

127. *Id.* at 1478. The court noted: "It is clear that defendants were influenced by the 'Miami Vice' television series . . . and that defendants expected that the success of the T-shirts would, in part, be attributable to the popularity of the television series." *Id.*

128. *Id.* at 1476.

129. 754 F.2d 71, 78 (2d Cir. 1985).

130. *Warner Bros., Inc.*, 724 F.2d at 331.

between.¹³¹

The most recent cases, *Stormy Clime Ltd. v. Progroup, Inc.*,¹³² and *Brandir International Inc. v. Cascade Pacific Lumber Co.*,¹³³ repeat the "essential" test of *Warner II*. However, the court's elaboration of the test make it sound much like the effect on competition test described in *W.T. Rogers Co, Inc. v. Keene*.¹³⁴

The Second Circuit identification products cases are inconsistent on the issue of proof of confusion and unclear on the applicability of the functionality rule.

Seventh Circuit and Proof of Confusion

As previously noted, District Courts in the Seventh Circuit have granted trademark protection in identification products cases without any discussion of either the requirement of confusion or functionality.

Processed Plastic Co. v. Warner Communications, Inc.,¹³⁵ like *Warner I and II* in the Second Circuit, involved copying of the Dukes of Hazzard car and resulted in a finding of trademark infringement. Despite the fact that *Warner II* characterized the case as "for all practical purposes identical to ours,"¹³⁶ and that the *Processed Plastics* case characterizes *Warner I* as "practically on all fours with the instant case . . ." there is a major distinction between the two cases. In *Processed Plastic*, plaintiff produced a survey showing that 56% of the children not only identified the car as the Dukes of Hazzard car but "believed that it was sponsored by the Dukes of Hazzard television program."¹³⁷ There was no such evidence in *Warner II*. That evidence, on which the court relied, clearly distinguishes *Processed Plastic* from *Warner II* as well as from *Boston Pro. Hockey*.

However, the court cited *Boston Pro. Hockey* with approval¹³⁸ and specifically quoted with apparent approval *Boston Pro. Hockey's* conclusion that copying the well-known trademark, without more, constituted a violation of the Lanham Act: "Where the

131. *Compare Ives Laboratories Inc. v. Darby Drug Co., Inc.*, 601 F.2d 631, 642-43 (2d Cir. 1979) (important ingredient); *I.A. Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18, 19 (2d Cir. 1984) (important ingredient); *Morex S.P.A. v. Design Inst. Am.*, 225 U.S.P.Q. 489, 491 (S.D. N.Y. 1984), *aff'd in part, rev'd in part*, 779 F.2d 799 (2d Cir. 1985) (important ingredient); *with LeSportsac Inc. v. K-Mart Corp.*, 754 F.2d 71 (2d Cir. 1985) (indecisive).

132. 809 F.2d 971 (2d Cir. 1987).

133. 834 F.2d 1142, 1148 (2d Cir. 1987).

134. 778 F.2d 334 (7th Cir. 1985).

135. 675 F.2d 852 (7th Cir. 1982).

136. *Warner Bros., Inc.*, 724 F.2d at 333.

137. *Processed Plastic*, 675 F.2d at 857.

138. *Id.* at 856.

consuming public had the certain knowledge that the source and origin of the trademark symbol was in the Toronto team, the reproduction of that symbol by defendant constituted a violation of § 1125."¹³⁹

While *Processed Plastic* gives some support to an argument that the Seventh Circuit follows *Boston Pro. Hockey*; *W.T. Rogers Co., Inc. v. Keene*,¹⁴⁰ gives some support to applying traditional rules to identification products. It unambiguously reasserts the need to prove confusion or likelihood of confusion as to source or sponsorship. The court holds that "the purpose of a trademark . . . is to designate the origin of goods."¹⁴¹

The purpose [of a trademark] is to reduce the cost of information to consumers by making it easy for them to identify the products or producers with which they have had either good experiences, so that they want to keep buying the product (or buying from the producer), or bad experiences, so that they want to avoid the product of the producer in the future.¹⁴²

That is a clear rejection of the idea, implicit in *Boston Pro. Hockey* and express in *Warner II*, that it is immaterial to proof of confusion whether consumers care about the source or sponsorship of the product.

Seventh Circuit and Functionality

Processed Plastic did not discuss functionality although that was an issue in *Warner II* but that may not be very significant because, as noted in Part II, on the facts of the case, it is not clear whether granting trademark protection would have had an anticompetitive effect.

The Seventh Circuit's test for functionality, as discussed more fully in Part II, is set out in *Rogers* and is whether the right to copy the feature alleged to be a trademark is necessary to be able to compete effectively and give consumers the benefit of a competitive market.¹⁴³ That is a test which copiers could often pass in identification products cases.

While *Rogers* does not involve identification products, the argument that the court intended its analysis to apply to such products is supported by the fact that the court referred to identification

139. *Boston Pro Hockey*, 510 F.2d 1004, 1012 (5th Cir. 1975), cert. denied, 423 U.S. 868, reh'g denied, 423 U.S. 991 (1975).

140. 778 F.2d 334 (7th Cir. 1985).

141. *Id.* at 337.

142. *Id.* at 330 (citing *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1429-30 (7th Cir. 1985), cert. denied, 475 U.S. 1147 (1986)).

143. *W.T. Rogers*, 778 F.2d at 346.

products as a preface to its opinion.

In an age when fashion-conscious consumers wear T-shirts emblazoned with the trademarks of consumer products and owners of Volkswagens buy conversion kits to enable them to put a Rolls Royce grille on their car, it is apparent that trade names, symbols, and design features often serve a dual purpose, one part of which is functional in the sense of making the product more attractive, and is distinct from identifying the manufacturer or his brand to the consumer.¹⁴⁴

It is not clear whether the Seventh Circuit will require proof of confusion or treat functionality as a bar to enforcement of a trademark in identification products cases. To the extent that evidence of confusion is required, plaintiff will probably not be held to a very high standard of proof.

Third Circuit and Proof of Confusion

*University of Pittsburgh v. Champion Products, Inc.*¹⁴⁵ involved the imprinting of T-shirts with various names and emblems relating to the University of Pittsburgh ("Pitt"). Pitt brought an action for trademark infringement and unfair competition. The trial court initially denied the injunction on grounds of laches because of the length of time Champion had been using the marks.¹⁴⁶ The Court of Appeals reversed and remanded on the ground that the laches evidence did not support a complete denial of relief. In the process, the court discussed *Boston Pro. Hockey* and the split in the authorities on the issue of whether trademark protection for identification products is appropriate. The court expressly declined to decide the issue because it had not been presented below. The general tenor of the court's decision is, however, sympathetic to the *per se* infringement rule. The Court quoted, with apparent approval, from *Boston Pro. Hockey*,¹⁴⁷ and stressed the fact that it was the success of Pitt's athletic teams that generated the demand for the product.¹⁴⁸

On remand, the trial court again ruled for the defendant.¹⁴⁹ The court expressed "considerable sympathy" for Pitt because "the notion that a university's name and insignia are its own to do with as it chooses has a certain common sense appeal."¹⁵⁰ The court held,

144. *Id.* at 340.

145. 686 F.2d 1040 (3rd Cir. 1982), *cert. denied*, 459 U.S. 1087 (1982).

146. *University of Pittsburgh*, 529 F. Supp. 464, 469 (W.D. Pa. 1982), *aff'd in part, rev'd in part*, 686 F.2d 1040 (3d Cir. 1982), *cert. denied*, 459 U.S. 1087 (1982).

147. *University of Pittsburgh*, 686 F.2d at 1047-48.

148. *Id.* at 1048-49.

149. *University of Pittsburgh v. Champion Products, Inc.*, 566 F. Supp. 711 (W.D. Pa. 1983).

150. *Id.* at 712.

however, that no such right had been created by the Lanham Act, common law, or the Pennsylvania statutes on which Pitt relied.¹⁵¹ The court expressly rejected *Boston Pro. Hockey* and endorsed *Job's Daughters*.¹⁵²

The Third Circuit has also held that a firm may refer to its competitor's trademark in comparative advertising.¹⁵³ As noted in Part I above, there are similarities between the issues involved in the use of trademarks on identification products and their use in comparative advertising, but also, some quite significant differences of degree.

In *National Football League Properties v. N.J. Giants*,¹⁵⁴ the court stated that proof of confusion as to sponsorship was required¹⁵⁵ but found that it was proved by both the fact that NFL sponsorship of identification items was commonly known to the public and by an extensive survey.

Third Circuit and Functionality

The court of appeals' opinion in *University of Pittsburgh* does not discuss functionality. That could mean no more than that the issue was not raised on appeal. However, the court recognized that the "entire purpose of the sale was to identify with Pitt"¹⁵⁶ That is, in effect, a statement that the relevant market was Pitt identification products and that a judgment for Pitt would result in a monopoly. If the court considered the functionality rule applicable, it could have entered judgment for defendant on that ground and saved a remand. When put with the court's apparent sympathy for the *Boston Pro. Hockey* rule, it is some indication that the court might be unwilling to apply the functionality rule to identification products. However, on remand, the district court in *Champion* decided for defendant on both the grounds of lack of confusion and functionality.¹⁵⁷

On the other hand, in *National Football League Properties v. N.J. Giants*,¹⁵⁸ the court prohibited use of insignia without discussing the functionality rule in circumstances where applying the rule would probably have changed the result.

If the Third Circuit does apply the functionality rule to identifi-

151. *Id.*

152. *Id.* at 719.

153. *G.D. Searle & Co. v. Hudson Pharmaceutical Corp.*, 715 F.2d 837, 841 n.9 (3d Cir. 1983).

154. 637 F. Supp. 507 (D. N.J. 1986).

155. *Id.* at 516-17.

156. *University of Pittsburgh*, 686 F.2d at 1047.

157. *University of Pittsburgh*, 566 F. Supp. at 719-22.

158. *National Football League Properties*, 637 F. Supp. at 520.

cation products, it will not be the broad "important ingredient to commercial success" functionality rule of *Pagliari*. The court has rejected that rule because the disincentive it creates to the development of attractive design.¹⁵⁹ *Keene Corp. v. Paraflex Industries, Inc.*, holds that functionality is to be determined by balancing the interest in free competition with the interest of the trademark owner in the exclusive use of the design. The test is whether "prohibition of imitation by others will deprive the others of something which will hinder them in competition."¹⁶⁰

Although the Court of Appeals for the Third Circuit has avoided deciding the issue, on the basis of the district court's opinions in *University of Pittsburgh* and *National Football League Properties v. N.J. Giants*, it would seem that proof of confusion will be required but that the cases are in conflict as to whether functionality will bar enforcement of a trademark in an identification products case.

Eleventh Circuit and Proof of Confusion

While it is not completely clear, the Eleventh Circuit appears to be following the *Boston Pro. Hockey* decision of its parent Fifth Circuit rather than the subsequent *Kentucky Fried Chicken* and *Order of the Rainbow* decisions of that court.

In *University of Georgia v. Laite*,¹⁶¹ the court held that the University of Georgia could prevent defendant from marketing "Battlin' Bulldog Beer" with a picture on the can found to resemble the "University of Georgia Bulldog." The court found not only that confusion was likely but there was substantial evidence of actual confusion as to sponsorship (though not by purchasers of the beer) and clearly stated that proof of the likelihood of confusion was essential.¹⁶²

Defendant apparently argued that "any 'confusion' over the beer relates not to its origin but to whether it has been licensed by the University of Georgia."¹⁶³ The court might well have responded by pointing out that confusion as to sponsorship was enough. The court chose, however, to go beyond that and cited *Boston Pro. Hockey* for the proposition that:

'Confusion' need not relate to the origin of the challenged product. Rather, 'confusion' may relate to the public's knowledge that the trademark, which is 'the triggering mechanism' for the sale of the

159. *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825 (3d Cir. 1981).

160. *Id.* at 877 (quoting RESTATEMENT OF TORTS § 742, comment a (1938)).

161. 756 F.2d 1535 (11th Cir. 1985).

162. *Id.* at 1542-45.

163. *Id.* at 1546.

product, originates with the plaintiff.¹⁶⁴

The court appears to be going out of its way to say that there can be "confusion" for Lanham Act purposes when the trademark "triggers" the sale even though there is no real confusion on the part of buyers, or for that matter, on the part of anyone else.

Similarly, the court rejected the defense that no confusion could result because the cans contained a disclaimer stating, "not associated with the University of Georgia" on the ground that the disclaimer was too inconspicuous. Further, the court went on to state:

[I]n the *Boston Pro. Hockey* case we dismissed a similar argument, stating:

The exact duplication of the symbol and the sale as the team's emblem satisfying the confusion requirement of the law, words which indicate it was not authorized by the trademark owner are insufficient to remedy the illegal confusion. Only a prohibition of the unauthorized use will sufficiently remedy the wrong.¹⁶⁵

While the language approving *Boston Pro. Hockey* was unnecessary to the decision, the Eleventh Circuit has clearly stated that "confusion" in the normal sense of the word is unnecessary in identification products cases.

Eleventh Circuit and Functionality

The court in *University of Georgia* said nothing about the functionality rule. However, the absence of such reference to the rule in this case means little because applying competitive effects tests for functionality would probably not have changed the result. Probably the relevant market would have been beer rather than University of Georgia identification products and any adverse competitive effect in the beer market seems unlikely.

Tenth Circuit and Proof of Confusion

The Court of Appeals for the Tenth Circuit apparently has not decided any identification products cases. However, *Brunswick Corp. v. Spirit Reel Co.*,¹⁶⁶ contains some language inconsistent with *Boston Pro. Hockey* and *Warner II*:

Spirit cites a number of cases for the proposition that actual confusion does not occur when the second trademark or trade dress calls to mind the original. Rather, actual confusion occurs when the source of the copy is mistaken for the source of the original. *While we agree*

164. *Id.* (emphasis in original).

165. *Id.* at 1547 (quoting *Boston Pro. Hockey*, 510 F.2d at 1013).

166. 832 F.2d 513 (10th Cir. 1987).

with that distinction, it does not apply here.¹⁶⁷

The significance of that statement is that, as shown above, the basis for *Boston Pro. Hockey*, *Warner Toys II*, and *University of Georgia v. Laite*, is that "confusion" does occur when the copy "calls to mind" or "references" the original, even though it is not shown that "the source of the copy is mistaken for the source of the original." This may well be more a passing comment than a considered statement of the court's opinion but it is clearly inconsistent with *Boston Pro. Hockey*.

Tenth Circuit and Functionality

No case indicates whether the court would apply the functionality rule to identification products. If it does, *Brunswick* expressly adopts an effect on competition test, but rejects both the "important ingredient" version of that test¹⁶⁸ and the "essential" to effective competition version.¹⁶⁹ Functionality will bar enforcement of a feature asserted to be a trademark "if that feature must be slavishly copied in order to have an equally functional product" but not "if the feature enables the second-comer simply to market his product more effectively."¹⁷⁰

Other Circuits

There appears to be no identification products cases in the Fourth, Sixth or Eighth Circuits and general principles of trademark law set forth in other cases have not generally been very useful in predicting how a court will decide identification products cases.

CONCLUSIONS

In most jurisdictions, the law is uncertain. No circuit clearly rejects the application of both the confusion and functionality rules to identification products. On the basis of the most recent precedents, it appears that the Fifth, Ninth, and First Circuits require a showing of real confusion although there will be a rebuttable presumption of confusion in identification of goods cases in the First Circuit and something close to that in the Fifth Circuit. The Second and Eleventh Circuits probably do not require proof of confusion. The Ninth

167. *Id.* at 521 (emphasis added).

168. *Id.* at 518.

169. *Id.* at 519.

170. *Id.* (citing *Peterson Mfg., Co. v. Central Purchasing Inc.*, 740 F.2d 1541, 1550 (Fed. Cir. 1984); *Sicilia D.R. Biebow & Co. v. Cox*, 732 F.2d 417, 428 (5th Cir. 1984)).

Circuit applies the functionality rule to identification products but the Fifth Circuit does not.

One cannot, however, be very confident of the law, even in those jurisdictions, because sharply conflicting views of what constitutes good policy have produced opinions, going both ways, which ignore or reject not only prior decisions in other circuits, but even fairly recent decisions of different panels in the same circuit. As a result, neither the trademark owner nor the copier can be confident of the legal rules which the court will apply if there is a lawsuit.

Aggravating the uncertainty, even sellers of identification products who are willing to pay a royalty may be reluctant to accept a license because license forms frequently have provisions requiring the licensee to acknowledge the trademark owner's exclusive right to the trademark, an acknowledgment which might continue to bind the licensee even if this issue is ultimately decided against trademark protection. In addition, licenses frequently require payment even if the owner is not effectively enforcing the mark against the licensee's competitors. It is quite likely, therefore, that a licensee paying a royalty will be faced with unlicensed, lower cost competition.

Clarification of the law is clearly needed. If trademark owners are to have an exclusive right to use the mark on identification products under federal law, a *per se* infringement rule is required. This should probably be done by legislation rather than judicial decision because that result is inconsistent with long-established principles of trademark law and with the terms of the Lanham Act. The reasoning of the cases supporting the *per se* infringement rule on the basis of traditional rules and the language of the Lanham Act is strained and unconvincing. On the other hand, if competition in the sale of identification products is to be the goal, then, in view of the apparent desire of some courts to provide trademark protection, the *per se* infringement rule must be expressly and unambiguously rejected by action either of the Supreme Court or of Congress.

