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## Filling Two Gaps in the Restatement (Third) of Unfair Competition: Mixed-Use Trademarks and the Problem with Vanna

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**FILLING TWO GAPS IN THE  
RESTATEMENT (THIRD) OF  
UNFAIR COMPETITION:  
MIXED-USE TRADEMARKS AND  
THE PROBLEM WITH VANNA**

*Paul J. Heald\**

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On Saturday afternoons in the fall, my hometown of Athens, Georgia, becomes a sea of black and red as the Bulldog faithful broadcast their team loyalty.<sup>1</sup> They communicate their ties to the football team and to the University of Georgia by dressing in the team colors or by bearing the images of "UGA" (the Bulldog mascot)<sup>2</sup> or other bulldogs associated with the football program.<sup>3</sup> No one walking through campus on game day could retain any

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1. "How 'bout them dawgs?"

2. See JOHN BERENDT, MIDNIGHT IN THE GARDEN OF GOOD AND EVIL 267 (1994). The beautiful pooch's name is pronounced "UGH-AH."

3. Cf. University of Georgia Athletic Ass'n v. Laite, 756 F.2d 1535 (11th Cir. 1985) (enjoining the unauthorized sale of "Battlin' Bulldog Beer" cans bearing the image of a bulldog).

doubts about our ability to send messages by what we wear or of the power, and therefore the value, of those messages.<sup>4</sup> Just as obvious is the source of the value created—not the tiny advertising budget of the University of Georgia Athletic Association,<sup>5</sup> but rather the fans themselves, the media sports talk shows to which they listen, and the magazines and newspapers that they read.

Not only do sports fans express themselves through commercial symbols, but trademark owners seem to find it impossible to advertise their own goods and services without referencing the marks or personae of others. When Samsung Electronics wanted to communicate that its products would endure through inevitable societal changes in the twenty-first century, it didn't just say so; it communicated the notion of social evolution by employing a metallic Vanna White robot revealing letters in a futuristic version of "Wheel of Fortune."<sup>6</sup> In the same vein, a recent advertisement for a luxury car communicates its message of sleekness and high performance by associating the car with the image of James Bond.<sup>7</sup>

Our inability to express ourselves without the help of symbols and images originally introduced into commerce by others poses special problems for the *Restatement (Third) of Unfair Competition* (Restatement).<sup>8</sup> As the value of commercial symbols<sup>9</sup> has increased, those with credible claims for protection under intellectual property laws have inevitably sought to expand their

4. Many commentators have noted how consumers both appropriate trademarks as part of their identity and also vastly increase the value of the marks through their use of them. See Rosemary J. Coombe, *Publicity Rights and Political Aspiration: Mass Culture, Gender Identity, and Democracy*, 26 NEW ENG. L. REV. 1221, 1230-35 (1992); Rosemary J. Coombe, *Objects of Property and Subjects of Politics: Intellectual Property Laws and Democratic Dialogue*, 69 TEX. L. REV. 1853 (1991) [hereinafter *Objects of Property and Subjects of Politics*]; Rochelle C. Dreyfuss, *We Are Symbols and Inhabit Symbols, So Should We Be Paying Rent?*, 20 COLUM.-VLA J.L. & ARTS 123 (1996) [hereinafter *We Are Symbols and Inhabit Symbols*]; Rochelle C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397 (1990); Alex Kosinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960 (1993); Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 CAL L. REV. 127 (1993).

5. The Athletic Association spends about \$100,000 advertising for the University's various sports teams. Apparently, the emphasis is on promoting minor sports since the football program generates adequate publicity on its own. Approximately another \$50,000 is withheld from royalties paid by licensees in return for promoting Georgia marks on merchandise. Telephone conversation with Avery McClean, University of Georgia Sports Information Office (May 16, 1996).

6. See *White v. Samsung Elecs. Am., Inc.*, 971 F.2d 1395 (9th Cir. 1992), cert. denied, 113 S. Ct. 2443 (1993).

7. See *Metro-Goldwyn-Mayer, Inc. v. American Honda Motor Co.*, 900 F. Supp. 1287 (C.D. Cal. 1995).

8. RESTATEMENT (THIRD) OF UNFAIR COMPETITION (1993) (hereinafter RESTATEMENT).

9. The term "commercial symbols" will be used to refer to trademarks and rights of publicity that have value in promoting the sale of goods and services.

interests.<sup>10</sup> Nonetheless, the express rationale of the case law generally continues to emphasize the traditional concerns of protecting consumers from confusion and deception in the marketplace, thus resisting the analogy that commercial symbols are property like any other.<sup>11</sup> The drafting of the Restatement presented a promising opportunity to clarify the viability of the competing claims of “owners” and users of commercial symbols.

Overall, the Restatement is an overwhelming success, a careful and honest exposition of the black letter law annotated with clear explanations of the policies that drive judicial decisions governing trademarks, trade secrets, publicity rights, false advertising, and unfair competition. Despite its impressive coverage of the field, however, the Restatement’s treatment of the law of trademarks and publicity rights does not adequately address several problems raised by common uses of commercial symbols. These problems arise most frequently when famous trademarks are used on promotional goods<sup>12</sup> and when allusions to famous personae are employed to describe goods and services.

Consider the following two examples. After the World Series, an entrepreneur sells high quality T-shirts, coffee mugs, pens, ashtrays, etc., bearing the trademark “Atlanta Braves.” All these promotional goods are plainly labeled as unauthorized by the Atlanta Braves. No consumer is likely to be confused at the point of purchase. A second example is a local automobile dealership that advertises its manufacturer’s new sports car as having “finer lines than Sharon Stone, quicker moves than Michael Jordan, and more power than Mike Tyson.” The dealership’s allusions are made in an effort to sell its product, but consumers are not likely to believe that Stone, Jordan, or Tyson endorse or are formally associated with the car. These two examples share several features. First, they are both commercial uses of images employed with a blatant profit motive. Second, neither use involves consumer deception at the point of sale. Third, under traditional common law principles governing unfair competition, neither use is actionable.

An examination of the relevant Restatement sections governing trademark dilution,<sup>13</sup> functionality,<sup>14</sup> likelihood of confusion,<sup>15</sup> confusion as to

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10. See Judge Kozinski’s list of outrageous recent claims in *White v. Samsung Elecs. Am., Inc.*, 989 F.2d 1512, 1512-13 (9th Cir. 1993) (Kozinski, J., dissenting from denial of en banc rehearing) (noting among many examples that Chef Paul Prudhomme has demanded protection from “ads featuring corpulent bearded chefs”); see also *Prudhomme v. Procter & Gamble Co.*, 800 F. Supp. 390 (E.D. La. 1992), cert. denied, 113 S. Ct. 2443 (1993).

11. Cf. Jerre B. Swann & Theodore H. Davis, *An Idea Whose Time Has Gone; Brand Equity as Protectable Property, the New/Old Paradigm*, 1 J. INTELL. PROP. L. 219 (1994).

12. The phrase “promotional goods” will be used to describe the ornamental use of a famous trademark on a good, not to indicate the source of the good, but rather to make it more attractive to potential buyers. See Peter E. Mims, Note, *Promotional Goods and the Functionality Doctrine: An Economic Model of Trademarks*, 63 TEX. L. REV. 639, 663-64 (1984).

13. See RESTATEMENT, *supra* note 8, § 25 (“Liability Without Proof of Confusion: Dilution

sponsorship,<sup>16</sup> and publicity rights<sup>17</sup> does not provide the guidance necessary to address fully the problems raised in the paradigm set forth above. Given the ubiquitous borrowing of commercial symbols in American culture, the need for clear rules is obvious. In light of prior case law and sound public policy, the Restatement could have mediated more completely the severe tension between the claims of the originators of commercial symbols and the interests of consumers and recyclers of them. The Restatement should have clarified that the ornamental use of trademarks on quality promotional goods is permissible in the absence of point of sale confusion and that many nonconfusing uses of public personae in advertising do not constitute the actionable appropriation of trade values.

## I. TRADEMARKS USED ON PROMOTIONAL GOODS

A discussion of the issues raised in a case involving the unauthorized use of trademarks owned by Ford Motor Company illustrates some of the problems caused by the Restatement's failure to address promotional uses of trademarks in a single comprehensive section.

### A. *The Plasticolor Problem*

In 1973, Plasticolor Molded Products began the unauthorized marketing of automobile floor mats and other accessories bearing a variety of Ford trademarks.<sup>18</sup> Consumers who bought unaccessorized cars from Ford, or those who needed replacement items, were able to take advantage of the competition provided by Plasticolor in this particular market. After Ford prevailed in 1988 on a claim that Plasticolor products,<sup>19</sup> in particular its floor mats, were likely to confuse consumers as to the source or sponsorship of its products,<sup>20</sup> Plasticolor changed its packaging to identify itself more clearly as manufacturer. It also added a disclaimer of any connection with Ford.<sup>21</sup>

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and Tarnishment”).

14. *Id.* § 17 (“Functional Designs”).

15. *Id.* § 21 (“Proof of Likelihood of Confusion: Market Factors”).

16. *Id.* § 20 (“Standard of Infringement”).

17. *Id.* § 46 (“Appropriation of the Commercial Value of a Person’s Identity: The Right of Publicity”).

18. *See Plasticolor Molded Prods. v. Ford Motor Co.*, 713 F. Supp. 1329, 1334 (C.D. Cal. 1989) (Kozinski, J., sitting by designation), *vacated by consent judgment*, 767 F. Supp. 1036 (C.D. Cal. 1991).

19. *Plasticolor Molded Prods. v. Ford Motor Co.*, 698 F. Supp. 199 (C.D. Cal. 1988) (Kozinski, J., sitting by designation).

20. This claim was brought under the Lanham Act, 15 U.S.C. § 1114 (1994), which provides a cause of action for trademark infringement for owners of federally registered trademarks.

21. *Plasticolor*, 713 F. Supp. at 1335 (The disclaimer read: “NOTICE—This product is not

A similar identification of origin and disclaimer were printed on the back of each floormat, although the Ford trademark remained emblazoned on the front.<sup>22</sup>

When Ford brought suit again, Judge Kozinski found that the packaging changes had eliminated the likelihood of consumer confusion at the point of sale.<sup>23</sup> Although he recognized the possibility of confusion among some post-sale observers of the mats, he was unwilling to grant Ford's motion for summary judgment, implicitly approving of Plasticolor's practice if it could demonstrate that it had taken all reasonable steps to diminish the likelihood of such confusion. He noted that "[p]rotecting functional copying of trademarks [requires] that we tolerate at least some confusion as to source or sponsorship after the point of sale."<sup>24</sup>

Ford's claim of trademark dilution under California law,<sup>25</sup> which does not require a showing of consumer confusion, was also rejected.<sup>26</sup> Judge Kozinski found that

[t]he mats contain clear legible and accurate depictions of various Ford trademarks and logos. They are sold to the public for use in conjunction with Ford products, giving consumers the opportunity to express their allegiance to their Ford-manufactured automobiles. If anything, such use is likely to *increase* the distinctiveness of Ford's marks.<sup>27</sup>

In denying Ford summary judgment, the opinion directly confronts the issues raised by promotional goods in a way the Restatement does not.

### *B. A Normative Interlude*

Before comparing Judge Kozinski's approach with the relevant Restatement sections, a brief discussion of public policy concerns underlying trademark law might help readers whose intuitive reaction is to condemn Plasticolor's blatant copying as "free-riding" or worse.

If Ford, the Atlanta Braves, or any other entity whose marks are likely to be attractive on promotional goods, is granted the exclusive right to exploit its marks on such goods, then consumers will pay higher prices than they

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authorized, sponsored, or manufactured by Ford Motor Co.").

22. *Id.* at 1335.

23. *Id.* at 1339-40.

24. *Id.* at 1339.

25. See CAL. BUS. & PROF. CODE § 14330(a) (West 1987) (providing injunctive relief against a trademark use likely to cause "injury to business reputation or . . . dilution of the distinctive quality of a mark registered under this chapter").

26. *Plasticolor*, 713 F. Supp. at 1349.

27. *Id.*

would in the presence of open competition. If anyone can sell an Atlanta Braves T-shirt, the median price will be lower than if only one entity has the right to sell that T-shirt. Without competition, a potential monopoly problem emerges because promotional goods are not fungible in the eyes of consumers. For example, if I want to wear a Georgia Bulldog cap on Saturday, a Florida Gator cap simply will not do.<sup>28</sup> Granting exclusive rights in the promotional goods context permits monopoly pricing and, therefore, entails a transfer of wealth from consumers to trademark owners.<sup>29</sup> We need a justification before mandating that transfer by law.

The most convincing way for trademark owners to defend their requests for exclusive rights would be to demonstrate that the public would benefit from that protection. For example, when consumers are confused as to the source or sponsorship of promotional goods, trademark owners can plausibly argue that a legal remedy should be available to them. If a significant number of buyers of goods bearing the Georgia Bulldog trademark believe that the goods originate at the University of Georgia, or that the University's athletic programs directly profit from sales made under license,<sup>30</sup> then those consumers should be protected from the deception and confusion caused by unauthorized sales. Consumers are not always indifferent to the source or sponsorship of promotional goods. Protecting consumer expectation is reasonable and, moreover, almost certainly economically efficient.<sup>31</sup>

In situations where consumers are not likely to be confused as to source or sponsorship, either because they are indifferent or because of an effective

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28. Professor Denicola does not address this point in his insightful article on trademark merchandising. See Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603 (1984). He argues that wholesalers are ambivalent as to the particular ornamental marks that they place on promotional goods. *Id.* at 604. In other words, famous marks may be fungible at the wholesale level. At the retail level, this is obviously not true. A consumer usually looks for a specific good adorned by a specific mark. An exclusive licensee of the trademark owner will be able to charge a monopoly price to that consumer. The indifference of an exclusive licensee to the trademarks it obtains does not help the consumer, who still pays the non-competitive price. In theory, a trademark owner might grant several non-exclusive licenses, thereby generating price-reducing competition. Why would a trademark owner do that when economics predicts a higher return for an owner who can either directly or indirectly (through an exclusive licensee) capture monopoly rents? The trademark owner might choose to grant multiple licenses to exploit distinct markets.

29. This is not true in the typical context of trademarks that are used to identify the source of goods. Basing trademark rights on the prevention of consumer confusion as to source raises no significant monopoly problem. See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 273-75 (1987); see also EDMUND W. KIRCH & HARVEY S. PERLMAN, *LEGAL REGULATION OF THE COMPETITIVE PROCESS* 65-73 (4th ed. rev. 1991) and sources cited therein.

30. Some consumers are likely to be willing to pay more for a T-shirt if the marginal extra cost of the shirt will help finance more scholarships or a new scoreboard.

31. See Landes & Posner, *supra* note 29, at 268-73.

disclaimer, trademark owners are hard-pressed to identify a reason why they should be able to charge monopoly prices. One might be tempted to offer a copyright or patent-like incentive argument: Without protection, businesses will develop fewer famous marks to adorn promotional goods. Given existing incentives for manufacturers to identify their goods and services with distinctive trademarks, this argument scarcely seems plausible.<sup>32</sup> In fact, the United States Supreme Court recently noted that it is not the “province” of trademark law “to encourage invention by granting inventors a monopoly over new product designs. . . .”<sup>33</sup>

Some have argued that permitting unauthorized ornamental uses of marks inevitably leads to the “dilution” of the distinctive quality of a trademark, even in the absence of confusion as to source. A trademark is a valuable business asset. Damage to a trademark results in a tangible loss to a business’ bottom line. Nonetheless, no common law jurisdiction has ever determined that trademark owners should have a remedy in the absence of confusion.<sup>34</sup> The Restatement recognizes the existence of state dilution statutes, but explains that they should not be interpreted to provide a remedy for a nontrademark use of a famous mark, such as the use of a famous mark to adorn a promotional good, rather than to identify its source.<sup>35</sup>

Although their arguments have never been accepted by the courts, some recent commentators have suggested that a trademark is a business asset,<sup>36</sup> just like any other, and should be protected from unauthorized uses in the

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32. See Denicola, *supra* note 28, at 635 (“[T]rademark owners are forced to counter the claims of inefficiency by arguing that the failure to extend protection will undermine the incentive to produce the merchandising properties fancied by the public. The chief difficulty with this response is that in most instances it simply is not credible. Collateral sources of incentive will frequently dwarf the additional stimulus provided by the prospect of an exclusive merchandising right.”).

33. *Qualitex Co. v. Jacobson Prods. Co.*, 115 S. Ct. 1300, 1304 (1995).

34. See RESTATEMENT, *supra* note 8, § 25, reporters’ note to cmt. a. Congress has just enacted the first federal dilution statute, providing injunctive relief to the trademark owner for dilution of the mark. Dilution is defined as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.” Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (creating section 43(c) of the Lanham Act, 15 U.S.C.A. § 1127 (West Supp. 1996)).

35. See RESTATEMENT, *supra* note 8, § 25(1) (providing liability only for the unauthorized use of the mark “in a manner that is likely to associate the other’s mark with the goods, services, or business of the [user]”), *clarified in* RESTATEMENT, *supra* note 8, § 25 cmt. a (liability is incurred “only when the actor uses the other’s mark as a means of identification for the actor’s own goods”). Section 25 does permit relief for a non-source-identifying use of another’s mark that “meets the requirements of a cause of action for defamation, invasion of privacy, or injurious falsehood.” *Id.* § 25(2).

36. See Swann & Davis, *supra* note 11; *cf.* Denicola, *supra* note 28, at 637-41.



same way the law protects the tangible assets of a business.<sup>37</sup> This argument misunderstands the public good aspect of ornamental trademarks.

A public good has a main identifying feature: it may be used over and over again without being damaged or wearing out.<sup>38</sup> For example, a song is a public good because it may be sung over and over without being rendered less capable of being sung again. A lighthouse is a public good because the wear and tear on the lighthouse is not related to the number of ships that navigate by its light. Importantly, the focus is not the effect of each subsequent use on the market value of the good, but rather on whether it can equally be used again. For example, a well-known but lousy recording of a song might negatively affect its market value; nonetheless, the song retains its public good aspect because it can be sung just as cheaply again by another. The failure to appreciate this distinction mars an otherwise thoughtful analysis of the promotional goods issue by at least one commentator.<sup>39</sup>

Once a public good comes into existence, restricting access to it imposes a cost.<sup>40</sup> Unless we worry about maintaining incentives for their creation—and, as noted above, we do not in the case of trademarks<sup>41</sup>—we cannot easily justify restricting the public's access to true public goods.<sup>42</sup> Efficiency demands free access to valuable goods when the marginal cost of each successive use is zero.

Normally, a trademark used as a source identifier is not a public good. As Landes and Posner succinctly note: "A proper trademark is not a public good; it has social value only when used to designate a single brand."<sup>43</sup> That value, of course, can be damaged by subsequent uses of the mark that are inconsistent with its source identification function, such as the infringing use of the mark on similar goods manufactured by another party. A trademark expresses to the public: "This good comes from [trademark owner]."

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37. See Swann & Davis, *supra* note 11, at 220.

38. For a short general discussion, see ARMEN A. ALCHIAN & WILLIAM R. ALLEN, EXCHANGE AND PRODUCTION: THEORY IN USE 251-53 (1969), reprinted in EDMUND W. KITCH & HARVEY S. PERLMAN, *supra* note 29, at 47-49.

39. See Denicola, *supra* note 28, at 637 (indicating that potential diminution of market value through over-exploitation is the measure of whether something is a public good).

40. See ALCHIAN & ALLEN, *supra* note 38, at 253; Landes & Posner, *supra* note 29, at 267-68 ("When the marginal cost of using a resource is zero, excluding someone from using it creates a deadweight loss . . .").

41. See *supra* note 32.

42. Copyright law and patent law, both of which restrict access to public goods, are justified on the ground that incentives are necessary to maintain optimal production of artistic creations and inventions. See, e.g., *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 428-29 (1984); *Diamond v. Chakrabarty*, 447 U.S. 303, 307 (1980); *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

43. See Landes & Posner, *supra* note 29, at 274.

Infringing uses of the mark render that representation untrustworthy; thus, the marginal cost of each successive infringing use is greater than zero.

The ornamental use of a trademark, however, has a much stronger public goods aspect. Because it serves to adorn a product, not to identify the product's source of manufacture, its value is not reduced by each successive use. My Georgia Bulldog socks say, "I love the Georgia Bulldogs." That statement is just as true and trustworthy irrespective of how many other fans adorn themselves with the Bulldog trademark and irrespective of how many different manufacturers produce goods with Bulldogs on them. To repeat, the fact that a market can get oversaturated with a public good, thereby reducing its market value, does not diminish its status as a public good. Although avocado green<sup>44</sup> still has not recovered from its overuse in the kitchen decor of the late 1960s and early 1970s, it remains, nonetheless, a public good, as all colors are.

Obviously, market saturation might conceivably reduce the source identifying value of a mark. Two responses can be made to this concern. First, as Judge Kozinski suggests in *Plasticolor*, ornamental uses on quality goods probably enhance and "increase the distinctiveness" of trademarks.<sup>45</sup> Second, the mere possibility of a diminution in value should not offset the certain and measurable costs that would be imposed on consumers if exclusive rights were to be granted to trademark owners. The law has never permitted trademark owners to protect their trademarks from unauthorized ornamental uses to the same absolute extent they may protect their machinery from vandals. The public goods aspect of ornamental marks demands the more narrowly tailored, confusion-based approach taken by the common law.

Trademark owners have never been able to show that granting them plenary protection from unauthorized uses would work a net public benefit. Of course, the failure to grant exclusive rights allows "poaching" and "free riding," but we must not forget that the public is the main beneficiary of the ubiquitous free-riding in which all businesses engage in some way or another. When Chrysler advertising convinced American car buyers that the minivan was a superior product, Ford and Chevrolet quickly took advantage of the new taste created by Chrysler's expenditures by marketing their competing versions of the same vehicle. Nothing is more time-honored in American business than free-riding on the efforts of another (who, of course, has gotten a free ride himself along the way).

In its most famous trademark case, the Court recognized that as long as the consumer is not deceived, free-riding is encouraged by the law.<sup>46</sup> In

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44. And remember that lovely shade of harvest gold?

45. *Plasticolor Molded Prods. v. Ford Motor Co.*, 713 F. Supp. 1329, 1349 (C.D. Cal. 1989).

46. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938).

response to Nabisco's complaint that Kellogg was benefitting from its massive advertising expenditures to promote "Shredded Wheat," Justice Brandeis stated:

Kellogg Company is undoubtedly sharing in the goodwill of the article known as "Shredded Wheat"; and thus is sharing in a market which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. *But that is not unfair.* Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested.<sup>47</sup>

We should not let admonitions made by our second-grade teachers concerning the evil of copying spelling words from our classmates' tests prevent us from appreciating the vast good that comes from commercial free-riding in the absence of deception or confusion.

To conclude this policy discussion, let me increase the trademark owner's burden even more by noting the commentary of those who assert that we typically overestimate the extent to which a trademark's original inventor is responsible for the totality of its value.<sup>48</sup> The University of Georgia Bulldogs trademark is extremely valuable. But why? Certainly not because of its uniqueness—"the Bulldogs" is one of the three most common team names in America.<sup>49</sup> Vast expenditures on advertising by the University are not necessary; although they advertise game dates and related events, there is no expensive media blitz to attract fan support.<sup>50</sup> The trademark is extremely valuable because the fans love the team, because the newspapers saturate the public with coverage from the first day of spring practice, because magazines feature Bulldog players on their covers, because we talk about "them 'dawgs" whenever we can. The University of Georgia has probably never been the primary user of its football team's trademark, except to identify a service it provides to hungry fans eleven, and sometimes twelve, Saturdays a year. Overprotection of its mark would, in the words of Rosemary Coombe, "stifle dialogic practices—preventing us from using the most powerful, prevalent, and accessible cultural forms to express identity, community, and difference."<sup>51</sup>

Noting the extent to which a famous trademark's value is generated by the public does not suggest that the fans should be able to market a competing

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47. *Id.* at 122 (emphasis added).

48. *See supra* note 4.

49. "The Eagles" and "The Tigers" are the other two. *See* Kim Q. Berkshire, *What's in a Nickname*, LOS ANGELES TIMES (San Diego County Edition), Sept. 14, 1989, at 11B.

50. *See supra* note 5.

51. Coombe, *Objects of Property and Subjects of Politics*, *supra* note 4, 69 TEX. L. REV. at 1855.

football team. But it does indicate that granting exclusive rights to the initial coiner of a mark would transfer something of great value from those who have actively and purposely participated in its development. The recognition of the varied sources of value of an ornamental trademark, combined with the economic aspects of its public goods character, should be enough to challenge any lingering notion that the mere fact of copying by an entrepreneur, like *Plasticolor*, should inevitably result in liability.

### C. Questions Raised by *Plasticolor* and the Restatement

The Restatement reveals some troublesome ambiguities when parsed in light of *Plasticolor*. The case is valuable, not because of its precedential value,<sup>52</sup> but because it lays out a coherent roadmap for the analysis of the important issues involving promotional goods.

#### 1. Functionality of "Mixed-Use" Marks

*Plasticolor* argued that the Ford trademarks that it appropriated were "functional" as applied to automobile floor mats and other such accessories, and were therefore unprotectable as a matter of law. In denying *Plasticolor*'s motion for summary judgment, Judge Kozinski noted that a product feature is functional, and therefore unprotected, "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article."<sup>53</sup> He found that the floor mats were generally purchased by Ford car owners who wanted matching mats bearing the Ford mark or a specific car model trademark like "Mustang;" therefore, use of the mark certainly had a functional aspect. Given consumer preferences for matching mats, the Ford marks were essential to the purpose of the article. A similar case driven by consumer preference likewise held that "John Deere green" was functional and unprotectable when used on farm equipment given farmers' desires to match the color of what they tow to the towing vehicle.<sup>54</sup>

In the case of floor mats, however, the Ford trademark also had a source-identifying function. Ford makes floor mats and affixes its name to identify

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52. Although Judge Kozinski is an appellate judge on the Ninth Circuit, *Plasticolor* is a district court opinion, vacated after the parties entered into a consent decree. See *Plasticolor Molded Prods. v. Ford Motor Co.*, 713 F. Supp. 1329 (C.D. Cal. 1989), *vacated by consent order*, 767 F. Supp. 1036 (C.D. Cal. 1991).

53. *Id.* at 1336 (quoting *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 850 n.10 (1982)).

54. *Deere & Co. v. Farmhand, Inc.*, 560 F. Supp. 85 (S.D. Iowa 1982), *aff'd* 721 F.2d 253 (8th Cir. 1983) (per curiam); see also *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527 (Fed. Cir. 1994) (black on outboard boat motors is functional), *cert. denied*, 115 S. Ct. 1426 (1995).

itself as the source of manufacture. Kozinski was unwilling to hold, as he claimed the Third<sup>55</sup> and Sixth<sup>56</sup> Circuit Courts of Appeals implicitly had, that the functional features of a mark trump the source-identifying features, resulting in no protection.<sup>57</sup> Nor was he willing to find that the existence of a source-identifying role for the mark, a role that some ornamental trademarks play,<sup>58</sup> meant plenary protection in the absence of confusion.<sup>59</sup>

The opinion asserts that the law should try to protect both the functional and the source-identifying aspects of trademarks placed on promotional goods. The identification of this duality, associated with what Judge Kozinski terms "mixed-use" trademarks, is critical to understanding the tension that exists between cases that seem to grant plenary protection to ornamental marks<sup>60</sup> and those that can be interpreted to provide little or no protection.<sup>61</sup> Before we examine the *Plasticolor* opinion's search for a "middle ground," we should look at the relevant sections of the Restatement.

## 2. Ornamental Marks and Section 17

Section 17 of the Restatement describes a trademark as functional if it "affords benefits in . . . marketing . . . apart from any benefits attributable to the design's significance as an indication of source, that are important to effective competition . . . and that are not practically available through the use of alternative designs."<sup>62</sup> On its face, this language would seem to cover virtually all mixed uses of trademarks, which by definition exhibit attributes other than as "an indication of source," including the use by *Plasticolor* of the Ford mark. Under section 16 of the Restatement, therefore, a product feature that embodied both functional and source-identifying aspects would be "ineligible for protection as a mark."<sup>63</sup> Section 16, however, only speaks to "product designs," and along with the comments and illustrations to section

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55. See *Keene Corp. v. Paraflex Indus.*, 653 F.2d 822 (3d Cir. 1981).

56. See *Schwinn Bicycle Co. v. Murray Ohio Mfg.*, 470 F.2d 975 (6th Cir. 1972) (per curiam).

57. *Plasticolor*, 713 F. Supp. at 1338.

58. Ralph Lauren's Polo pony, for example.

59. *Plasticolor*, 713 F. Supp. at 1337.

60. *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir.) (enjoining seller of replicas of team emblems), *cert. denied*, 423 U.S. 868 (1975).

61. *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co.*, 676 F.2d 1079 (5th Cir. 1982) (allowing the sale of jewelry that incorporated the fraternal emblem); *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980) (same), *cert. denied*, 452 U.S. 941 (1981).

62. RESTATEMENT, *supra* note 8, § 17.

63. *Id.* § 16.

17 makes clear that ornamental marks are excluded from the purview of the functionality sections.

It is clear that section 17 was not intended to cover ornamental uses of trademarks on promotional goods at all. The comments do not discuss the sort of mixed-use trademarks that are at issue in *Plasticolor* or similar well-known cases.<sup>64</sup> The five relevant illustrations do not offer for consideration any ornamental uses of marks on promotional goods.<sup>65</sup> The Reporters' note states that "[i]f the advantage of a particular design lies solely in its association with a specific source, the design is not 'functional' under the rule stated in this [s]ection."<sup>66</sup> One of the three cases cited for this proposition is the controversial decision in *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Manufacturing, Inc.*,<sup>67</sup> which enjoined the sale of sports team emblems. The Reporters' note acknowledges the opposite proposition, citing three cases,<sup>68</sup> including *Plasticolor*, that identify the functional aspects of mixed-use trademarks of the sort discussed here.

The relevant portion of the Reporters' note to section 17 concludes abruptly that "the rule stated in this [s]ection is inapplicable" because cases like *Plasticolor* do not involve "the eligibility of the design for protection as a trademark, but rather the scope of permissible use of a trademark by another."<sup>69</sup> This exclusion of promotional goods cases from consideration under the functionality doctrine has no support in other Restatement sections, academic commentary, or case law. Despite the assertion in the Reporters' note, section 17 *itself* does not involve the eligibility of a design feature for protection. Many functional designs serve as source identifiers and have secondary meaning.<sup>70</sup> Its subject—functionality—is traditionally considered

64. See *supra* notes 60-61.

65. See RESTATEMENT, *supra* note 8, § 17 cmt. c, illus. 5-9. The accompanying Reporters' note mentions briefly that "[s]everal decisions invoke the concept of aesthetic functionality to justify a denial of protection to ornamental features that are not distinctive of source." *Id.* § 17, reporters' note to cmt. c (citing *Damn I'm Good, Inc. v. Sakowitz, Inc.*, 514 F. Supp. 1357 (S.D.N.Y. 1981) ("Damn I'm Good" not protected for jewelry and other items); *PPS, Inc. v. Jewelry Sales Representatives, Inc.*, 392 F. Supp. 375 (S.D.N.Y. 1975) (jewelry shaped like fruit and adorned with "I Like You" unprotected)).

66. *Id.* § 17, reporters' note to cmt. b.

67. 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975).

68. See *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980) (identifying functional aspects of symbols of fraternal order on jewelry), *cert. denied*, 452 U.S. 941 (1981); *University of Pittsburgh v. Champion Prods., Inc.*, 566 F. Supp. 711 (W.D. Pa. 1983) (finding the University of Pittsburgh sports team insignia functional on promotional goods).

69. RESTATEMENT, *supra* note 8, § 17, reporters' note to cmt. b. The reader is then directed to section 20, where we will proceed momentarily.

70. See *Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76 (2d Cir. 1990) (holding that even though tableware design was distinctive and had secondary meaning,

a defense to trademark infringement,<sup>71</sup> applicable only after the plaintiff has made a prima facie showing that its design identifies its source to consumers.<sup>72</sup> A defendant arguing functionality states, in essence, “Yes, you may have a design feature that is distinctive or has obtained secondary meaning in the market, but public policy demands that I, nonetheless, be able to capture its functional aspects.”

In spite of the statement to the contrary in the Reporters’ note, section 17 itself clearly focuses on the “scope of permissible use of a trademark by another.”<sup>73</sup> The comments explain that the functionality defense identifies “situations in which the public and private interest in avoiding confusion is outweighed by the anticompetitive consequences of trademark protection.”<sup>74</sup> In other words, the privilege to use a functional design presumes the existence of an otherwise valid trademark, the copying of which might confuse the public. The bottom line is that “[c]ompetitors thus remain free . . . to copy functional designs regardless of any association with a particular source.”<sup>75</sup> In addition, the illustrations all concern the scope of permissible use, rather than eligibility.<sup>76</sup> To push the discussion of a case like *Plasticolor* out of the scope of section 17 on the ground that it does not really involve the functionality issue makes little sense.

The absence of a discussion in section 17 addressing functionality and mixed-use trademarks is especially jarring given the relevance of the commentary and illustrations accompanying the section. Comment c states that “the fact that the design performs a function by contributing to the aesthetic value of the product does not in itself render the design ineligible for

proof of the aesthetic functionality of the design provided a complete defense).

71. *See Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 862-63 (1982) (stating that “functionality offers a complete affirmative defense”); *Knitwaves, Inc. v. Lollytogs, Ltd.*, 71 F.3d 996, 1005 (2d Cir. 1995) (applying “the aesthetic functionality defense”).

72. *Wallace Int’l Silversmiths, Inc.*, 916 F.2d at 79.

73. RESTATEMENT, *supra* note 8, § 17, reporters’ note to cmt. b.

74. *Id.* § 17 cmt. b.

75. *Id.*

76. For example, illustration 8 states:

A is the first seller to market candy intended for Valentine’s Day in heart-shaped boxes. Evidence establishes that the shape of the box is an important factor in the appeal of the product to a significant number of consumers. Because there are no alternative designs capable of satisfying the aesthetic desires of these prospective purchasers, the design of the box is functional under the rule stated in this Section.

*Id.* § 17 cmt. c, illus. 8. The illustration does not state that a heart-shaped box is ineligible for trademark protection. One can imagine many situations where a heart-shaped container might well be eligible for protection, such as for packaging motor oil. The illustration merely states that using a heart-shaped box to sell Valentine’s Day candy is within the scope of permissible uses, even if some consumers assume all such boxes come from the original producer. *See also Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 121 (1938).

protection as a trademark.<sup>77</sup> This comment implicitly recognizes the mixed-use aspects of many ornamental marks, suggesting that in some circumstances mixed-use marks can be protected. The subsequent commentary and illustrations discuss ornamental features of luggage designs, china patterns, candy boxes, and lighting fixtures, and focus on the existence of alternative designs available to those who want to compete. For example, an aesthetically pleasing china pattern that indicates source may be copied only if other similar pleasing designs are not available,<sup>78</sup> but a heart-shaped candy box may be freely copied given the lack of real alternatives for Valentine's Day packaging.<sup>79</sup>

Of course, if the availability of alternative designs to competitors is the key to determining functionality, then most mixed-use marks of the type discussed in this paper are unprotected. Those wanting to sell car mats to Ford owners or baseball caps to Bulldog fans have no real alternatives in choosing the ornamentation necessary to satisfy buyers. Although the sellers of both Valentine's Day candy and baseball caps have, in theory, many different design options, the commentary and illustrations in section 17 suggest that market demand dictates the functionality of desirable ornamental product features. However, the absence of any specific discussion of promotional goods and the contrary language in the Reporters' note indicate that, despite the relevance of the illustrations and comments, section 17 was not intended to provide a safe harbor for those who market unauthorized promotional goods.

The absence of a straightforward confrontation of the functionality issue raised by the use of ornamental marks on promotional goods does little to help resolve the critical problem recognized by the court in *Plasticolor*.

### 3. The "Middle Ground" Offered by Judge Kozinski

In addressing the issue posed by *Plasticolor*'s "Ford" floor mats, Judge Kozinski begins by recognizing two potentially conflicting principles of trademark law: (1) trademark owners should be protected from confusing uses of source-identifying features of their products, and (2) functional product features should be free for all to copy.<sup>80</sup> He notes that "[t]here need be no conflict between the two principles at the point of sale" because "[t]he functional use of a trademark does not preclude a clear indication at the point of sale (in the form of a label, packaging, or other identification easily

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77. RESTATEMENT, *supra* note 8, § 17 cmt. c. ("When aesthetic considerations play an important role in the purchasing decisions of prospective consumers, a design feature that substantially contributes to the aesthetic appeal of a product *may* qualify as 'functional.'") (emphasis added).

78. *See id.* § 17 cmt. c, illus. 6.

79. *See id.* § 17 cmt. c, illus. 8.

80. *Plasticolor*, 713 F. Supp. at 1339.



removed or concealed by the consumer) that the product is not manufactured or sponsored by [trademark owner].”<sup>81</sup> The real problem arises after the point of sale, when the disclaimer or label has been removed. This possibility of post-sale confusion raises a complex issue that should have merited its own separate subsection in the Restatement.

After the sale of a “Ford” floor mat or other promotional good, observers may be confused as to the product’s source unless it bears an indelible disclaimer. The court in *Plasticolor* points out, however, that “[a] floor mat whose upper surface reads ‘FORD (not authorized by Ford Motor Company)’ would obviously attract few customers.”<sup>82</sup> An absolute requirement of such a disclaimer would not establish a middle ground at all, but rather, would “materially interfere with the trademark’s functional purpose.”<sup>83</sup> Judge Kozinski concludes that the law must “tolerate at least some confusion as to source or sponsorship after the point of sale.”<sup>84</sup> On the other hand, he recognizes that the failure to require any steps to be taken to reduce post-sale confusion might seriously interfere with the source-identifying function of the marks.

In order to balance the interests at stake, the opinion suggests an ad hoc approach that requires the manufacturer of a promotional good to “take all reasonable steps to eliminate post-sale confusion consistent with the functional use of the mark.”<sup>85</sup> At a minimum, the opinion seems to require clear labeling on some part of the promotional good; for example, on the back of a floor mat or on the tag of a T-shirt or cap.<sup>86</sup> Cost-effective measures, if available, must be taken to reduce post-sale confusion. In some cases advertising in various forms may be effective to inform consumers that not all products bearing a particular ornamental mark spring from the same source.

Judge Kozinski’s middle ground, even to the extent it permits some confusion, is consistent with the Supreme Court’s approach to the use of generic marks.<sup>87</sup> In the famous “Shredded Wheat” case,<sup>88</sup> the Court found

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81. *Id.*

82. *Id.*

83. *Id.*

84. *Id.*

85. *Plasticolor*, 713 F. Supp. at 1339.

86. However, it may not be feasible to affix a disclaimer on some items, like jewelry. *See id.* at 1339-40.

87. Generic marks and functional marks have much in common. They both are freely available to those who need them to market their goods, and the procompetition rationale for that availability is the same. *Cf. A.J. Canfield Co. v. Honickman*, 808 F.2d 291 (3d Cir. 1986) (needs of competition demand that the term “chocolate fudge” be generic and unprotectable as a trademark for rich chocolate soda) *with Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76 (2d Cir. 1990) (competition demands that “baroque” style silverware be functional and unprotectable as a trademark).

88. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 119-20 (1938). *See supra* notes 46

the term “shredded wheat,” and the pillow-shaped wheat biscuit itself, to be unprotected by trademark law. Even though the Court recognized the possibility of consumer confusion stemming from Nabisco’s long use of the mark and “vast expenditures of advertising persistently made,”<sup>89</sup> Kellogg was permitted to make use of the mark and the product design as long as it took “every reasonable precaution to prevent confusion.”<sup>90</sup> In fact, in its recognition that the mark was generic and/or functional for most consumers, but might still serve a source-identifying function for others, the Court was confronting the same problem posed by mixed-use marks. Its solution to the problem, so similar to Judge Kozinski’s, bears repeating: The obligation imposed upon Kellogg Company, the second-comer, was not to ensure that every purchaser could distinguish its product from Nabisco’s, but rather to use “every reasonable means to prevent confusion.”<sup>91</sup> A standard requiring reasonable means be taken to prevent post-sale confusion allows a court to recognize both the functional and source-identifying aspects of mixed-use trademarks.

#### 4. Section 20 of the Restatement

The complex issue presented above is partially addressed in a disjointed manner within the comments and illustrations of Restatement section 20, entitled “Standard of Infringement.”<sup>92</sup> The text of section 20 does not mention post-sale confusion or make distinctions between marks that have only a source-identifying aspect and those that also have functional features. The comments make clear the result in easy cases where “prospective purchasers” are either confused (liability) or not confused (no liability) at the point of sale as to whether promotional goods are sponsored by the trademark owner.<sup>93</sup> The difficulty, as illustrated in *Plasticolor*, is how to deal with the issue of post-sale confusion. Here, the Restatement is particularly unhelpful. According to the comments, creating the likelihood of confusion after a sale can be actionable, especially in the case of counterfeit goods.<sup>94</sup> The comments also

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& 47 and accompanying text.

89. *Id.* at 122.

90. *Id.*

91. *Id.* at 121.

92. See RESTATEMENT, *supra* note 8, § 20 (infringement liability requires a use of a mark that causes a likelihood of confusion as to source, sponsorship, association, certification, or approval).

93. *Id.* § 20 cmt. b (“If prospective purchasers falsely believe that the trademark owner is the source or sponsor of the merchandise, there is a likelihood of confusion actionable under the rule stated here. On the other hand, if the use merely causes prospective purchasers to recognize the mark as a reference to the trademark owner, the use is not an infringement.”).

94. *Id.* The Restatement observes that a manufacturer who sells fake Rolexes to a fully-informed street vendor should nonetheless be liable for trademark infringement. *Id.* The potential

note, however, that “[o]n the other hand, not every instance of potential confusion by third persons sufficiently threatens the commercial interests of the trademark owner to constitute an infringement.”<sup>95</sup>

What constitutes a “sufficient threat to commercial interests” is not set forth completely in either the comments or the Reporters’ note, which simply recognizes that sometimes courts are willing to find post-sale confusion actionable and sometimes they are not. Given the concerns expressed in the cases cited,<sup>96</sup> one can hypothesize that the Reporters were particularly concerned about cases where the quality of the unauthorized goods threatens the reputational interests of the trademark owner. In some promotional goods cases (imagine threadbare and ragged unauthorized “Ford” floor mats), this concern would be a legitimate issue that could be accounted for under the ad hoc focus on “reasonable steps” advocated by the court in *Plasticolor*.

Finally, illustrations 6 and 7 of section 20 deal with a subset of promotional goods cases involving collective membership marks<sup>97</sup>—marks that indicate membership in a fraternal order or national service organization, like the Rainbow Girls<sup>98</sup> or Jaycees.<sup>99</sup> Again, the illustrations make clear that deceiving prospective purchasers of goods bearing collective membership marks at the point of sale is actionable, while leaving open the critical question of the standard under which to judge post-sale confusion. Under the Restatement, it is impossible to answer the question at issue in *Plasticolor* and in numerous other real market situations: When can the seller of a promotional good escape liability for trademark infringement by clearly identifying itself as the source of the good or otherwise disclaiming any sponsorship by the trademark’s owner?

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for damage to the commercial interests of the trademark owner and to subsequently deceived consumers in such a case is obvious.

95. *Id.*

96. *See, e.g.,* Payless Shoesource, Inc. v. Reebok Int’l Ltd., 998 F.2d 985 (Fed. Cir. 1993) (low quality Reebok-style knock-offs infringed higher priced Reebok shoes); Ferrari S.P.A. *Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235 (6th Cir. 1991) (imitation Ferrari shell placed on lower quality Corvette body infringed famous Ferrari Spider), *cert. denied*, 505 U.S. 1219 (1992).

97. RESTATEMENT, *supra* note 8, § 20 cmt. e, illus. 6 & 7.

98. *See* Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co., 676 F.2d 1079 (5th Cir. 1982) (permitting an independent jeweler to sell unauthorized goods bearing collective mark).

99. *See* United States Jaycees v. San Francisco Junior Chamber of Commerce, 354 F. Supp. 61 (N.D. Cal. 1972) (continued use of mark by local chapter after it disaffiliated found to infringe), *aff’d*, 513 F.2d 1226 (9th Cir. 1975) (*per curiam*).

### 5. Dilution and Mixed-Use Trademarks

The final section of the *Plasticolor* opinion considers liability under the California trademark anti-dilution statute. Such statutes create liability for some unauthorized trademark uses, even in the absence of any likelihood of confusion, and therefore pose a potential problem for those making ornamental uses of trademarks on promotional goods. Interestingly, Judge Kozinski and the Restatement come to the same conclusion about the applicability of dilution statutes. In considering the question of whether *Plasticolor*'s use of Ford trademarks somehow "dilutes" them, Judge Kozinski concludes, "If anything, such use is likely to *increase* the distinctiveness of Ford's marks."<sup>100</sup> Similarly, the Restatement section covering dilution, section 25, makes a strong distinction between the "trademark" and "nontrademark" use of a product designation.<sup>101</sup> No liability is incurred for a use which is ornamental rather than source-identifying. The comments make clear that

[n]ontrademark uses, because they do not create an association with a different user's goods, services, or business, are unlikely to dilute the distinctiveness of a mark. In most instances such uses are intended to refer back to the original trademark owner and serve to confirm rather than undermine the associational significance of the mark. For example, the use of another's mark in comparative advertising or as mere ornamentation on the subsequent user's goods does not dilute the distinctiveness of the mark . . . .<sup>102</sup>

The Restatement rationale for excluding ornamental uses from liability under dilution statutes dovetails nicely with Judge Kozinski's position in *Plasticolor*.

#### D. A Critique of the Restatement Approach

With the exception of its straightforward denial of liability for dilution in section 25, the Restatement is frustratingly ambiguous with regard to the big questions raised by cases like *Plasticolor*. The functionality of ornamental marks is not addressed by the Restatement's functionality section; to make

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100. *Plasticolor*, 713 F. Supp. at 1349 (quoting *Bi-Rite Enters., Inc. v. Button Master*, 555 F. Supp. 1188, 1196 (S.D.N.Y. 1983), that "defendants' use only operates to strengthen plaintiffs' marks").

101. RESTATEMENT, *supra* note 8, § 25(1) ("An actor is subject to liability under an antidilution statute if the actor uses such a designation in a manner that is likely to associate the other's mark with the goods, services, or business of the actor . . . ."); *see also id.* § 25, cmt. a ("The rules stated in Subsection (1) apply only when the actor uses the other's mark as a means of identification for the actor's own goods, services, or business.").

102. *Id.* § 25 cmt. i.

matters worse, no rule is given to govern the scope of the actionability of post-sale confusion. Given the willingness of some courts to find those who market unauthorized promotional goods liable for creating a likelihood of confusion as to the sponsorship of the goods,<sup>103</sup> potential entrepreneurs must be asking themselves with increasing frequency the question posed above: When can the seller of promotional goods escape liability for trademark infringement by clearly identifying itself as the source of the goods or otherwise disclaiming any sponsorship by the trademark's owner? A parsing of the Restatement does not provide an adequate answer.

The policy concerns detailed above<sup>104</sup> suggest not only that the public deserves a clear answer, but that the level of protection provided to ornamental marks suggested by Judge Kozinski in *Plasticolor* is desirable. A case-by-case focus on the reasonable precautions that can be taken to reduce post-sale confusion preserves most of the source-identifying value of the mark and most of the functional value of the mark. If the user of an ornamental mark takes all cost-effective precautions to reduce post-sale confusion, then the user should be privileged to utilize the mark. Permitting such uses will result in increased competition in promotional goods, lower prices, and greater variety and accessibility.

Permitting ornamental uses also implicitly recognizes that much of the value of many marks is derived not from the owner's expenditures, but through the efforts, energy, and devotion of those who love a particular team, institution, or product. Those who create value should have some access to what they have wrought.

In the realm of generic trademarks, the public has on many occasions appropriated for itself the entire value of a certain trademark by using it generically. Changing public perception and use of formerly strong trademarks, such as thermos, aspirin, cellophane, and many others, have resulted in their becoming the unprotected common name for a good, free for all to use. Under the doctrine of genericity, trademark owners know that they may someday lose control of their marks, depending on how the public uses them. When the mark becomes more valuable to the public than to the private owner, ownership changes hands as a matter of both federal and state trademark law.<sup>105</sup> Interestingly, this may not be bad for business, as demonstrated by the hope of Anheuser-Busch that its "LA" mark for low alcohol beer would become generic, just like Miller's tremendously successful use of the generic term "Lite."<sup>106</sup>

103. See cases cited *supra* notes 60 & 96.

104. See *supra* section I.B.

105. See Landes & Posner, *supra* note 29, at 291-96.

106. See *Anheuser-Busch, Inc. v. Stroh Brewery Co.*, 750 F.2d 631, 643 (8th Cir. 1984); KITCH & PERLMAN, *supra* note 29, at 286.

It is unfortunate for both entrepreneurs and the general public that the Restatement does not unambiguously privilege most ornamental uses of trademarks on promotional goods.

## II. ADVERTISING, CELEBRITIES, AND THE RIGHT OF PUBLICITY

Recent scholarship<sup>107</sup> and some judicial opinions<sup>108</sup> suggest that celebrity personae also have functional or generic aspects that should be reserved for public use. To see this, one must first identify the intrinsic, nongeneric aspect of the celebrity persona. An examination of cases protecting celebrity personae reveal that their primary commercial value is related to the connection consumers make between their acquisitional preferences and the celebrity. For example, many consumers purchase items (posters, coffee mugs, T-shirts, buttons, etc.) bearing the likeness of their favorite celebrities, or they are willing to pay substantial sums of money to see celebrities perform. In addition, consumers frequently purchase goods or services endorsed by their favorite celebrities—Joe Dimaggio has sold many, many Mr. Coffee coffee makers. Consumers who buy a “piece” of a celebrity, or otherwise express a preference for the unique attributes of a particular persona, demonstrate the power of the connection protected by publicity rights statutes<sup>109</sup> and common law decisions<sup>110</sup> in the area.

Consumer preference in these cases is usually directly related to the intrinsic attributes of the celebrity. For the starstruck teenager who wants a poster of Cindy Crawford, a poster of an unknown generic beautiful woman simply will not do. The Mr. Coffee folks could have chosen a generic, distinguished looking, graying gentleman to sell their product, but their understanding of the power of celebrity militated a different advertising choice. This connection with consumer preference is unambiguously (and properly) protected by the *Restatement (Third) of Unfair Competition*.<sup>111</sup> In fact, the Restatement’s focus on protecting the “commercial value of a person’s identity” against unauthorized uses “for the purposes of trade” seems tailor-made to protect the interests described above.<sup>112</sup>

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107. See *supra* note 4.

108. See *White v. Samsung Elecs. Am., Inc.*, 989 F.2d 1512 (9th Cir. 1993) (Kozinski, J., dissenting from the denial of rehearing en banc), *cert. denied*, 113 S. Ct. 2443 (1993).

109. See, e.g., CAL. CIV. CODE §§ 990, 3344 (West Supp. 1996).

110. See *Haelan Lab., Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866 (2d Cir.), *cert. denied*, 346 U.S. 816 (1953).

111. See RESTATEMENT, *supra* note 8, §§ 46-49 (affording protection against infringement of publicity rights) and § 4 (affording protection against false advertising, including claims of false sponsorship).

112. *Id.* § 46.

Not all commercial references to celebrity personae are, however, pure exploitations of the unique or intrinsic personal qualities of the individual celebrity. Because the meaning of celebrity is often determined by the public, frequently certain aspects of a celebrity persona are employed generically. For example, Michael Jackson is not only a unique musical entertainer, but also a common symbol for broader notions of androgyny. Marilyn Monroe was not only an underrated actress, but also the embodiment of the more abstract notion of sex appeal. You get the idea: John Wayne = rugged frontier spirit and patriotism; Sharon Stone = sexual danger; Michael Jordan = athleticism and grace; Deion Sanders = speed, greed, and ego; George Wallace = racism; Martin Luther King = nonviolence. One could expand the list indefinitely.<sup>113</sup>

In other words, a celebrity may lose control over his or her persona in the same way that a trademark owner can lose control over its property when its mark becomes used generically. When a persona takes on a symbolic aspect or is employed to express an abstract concept, the public has a legitimate interest in maintaining the value of that use. Unfortunately, the Restatement inadequately distinguishes between: (1) advertisers who wrongfully exploit the connection consumers make between the unique personal qualities of a celebrity and their acquisitional preferences, and (2) advertisers who merely reference the generic attributes of a celebrity persona or who employ the persona to communicate an idea to consumers. The discussion of a recent case demonstrates the danger of failing to make this distinction. An examination and critique of the Restatement approach will follow.

#### A. *The Problem With Vanna*

In 1992 the Ninth Circuit, sometimes referred to as the "Court of Appeals for Hollywood" because of the relevance of its opinions for the entertainment industry, rendered the most controversial publicity rights decision in twenty years.<sup>114</sup> In *White v. Samsung Electronics America, Inc.*<sup>115</sup> the court found

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113. See, e.g., Dreyfuss, *supra* note 4, 20 COL.-VLA J.L. & ARTS at 129 (noting that "[c]haracters like James Dean, Judy Garland, John Wayne, and Madonna do double duty").

114. See, e.g., Dreyfuss, *We Are Symbols and Inhabit Symbols*, *supra* note 4; David S. Welkowitz, *Catching Smoke, Nailing JELL-O to a Wall: The Vanna White Case and the Limits of Celebrity Rights*, 3 J. INTELL. PROP. L. 67 (1995); John R. Braatz, Note, *White v. Samsung Electronics America: The Ninth Circuit Turns a New Letter in California Right of Publicity Law*, 15 PACE L. REV. 161 (1994); Patricia B. Frank, Note, *White v. Samsung Electronics America, Inc.*, 55 OHIO ST. L.J. 1115 (1994); Linda J. Stack, Note, *White v. Samsung Electronics America, Inc.'s Expansion of the Right of Publicity: Enriching Celebrities at the Expense of Free Speech*, 89 NW. U. L. REV. 1189 (1995); William M. Hebever III, Comment, *The Overprotection of Celebrity: A Comment on White v. Samsung Electronics America, Inc.*, 22 HOFSTRA L. REV. 729 (1994). The leading treatise on the subject devotes an entire appendix to Judge Kozinski's dissent to the denial of en banc rehearing in the case. J. THOMAS MCCARTHY, THE

Samsung Electronics liable for broadcasting a television advertisement that depicted a robotic version of “Wheel of Fortune” letter-turner Vanna White in the year 2012 A.D. The ad was part of campaign that depicted Samsung products with “hypothesiz[ed] outrageous future outcomes” for current cultural phenomena in order to convey “the message that the Samsung product would still be in use by that time.”<sup>116</sup> Other ads conveying the notion that time would change some institutions, but not Samsung quality, depicted talk show host Morton Downey, Jr. as a viable presidential candidate in 2008 A.D., and raw steak as a health food in 2010 A.D.<sup>117</sup>

Neither the analysis of the majority opinion, nor the blistering dissent of Judge Kozinski from the court’s denial of a motion for rehearing en banc, is particularly convincing. The majority properly concluded that White’s identity may have been appropriated by Samsung, because even though the ad did not include an actual picture of her or refer to the robot by name, most viewers were likely to understand the commercial as a reference to Vanna.<sup>118</sup> The opinion, however, goes beyond the existing case law by glibly concluding that White prevails because “[t]he law protects the celebrity’s sole right to exploit . . . her fame . . . .”<sup>119</sup> After the majority’s long and thoughtful discussion of whether the depiction of a robotic Vanna really constituted an appropriation of her persona, the absence of a discussion of whether that appropriation was wrongful is striking.

As the relevant Restatement sections make clear, no absolute rule has ever prevented third parties from profiting from a celebrity’s fame. No “sole right to exploit” has ever existed. Illustrations five and six in section 47 present two common situations of lawful unauthorized profiting from a celebrity persona:

5. A is a well-known actress. B, a magazine publisher, places a photograph of A on the cover of an issue of the magazine. An article about A, consisting of several photographs and brief commentary, is included in the magazine. One of the photographs is taken from a scene in a recent movie in which A appeared partially unclothed. B has not infringed A’s right of publicity.

6. A is the subject of an unauthorized biography published by B. The biography is entitled “A” and contains a photograph of A on the dust jacket. The biography contains numerous false statements concerning facts and incidents in A’s life. B has not infringed A’s right of publicity.<sup>120</sup>

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RIGHTS OF PUBLICITY AND PRIVACY app. A (1995).

115. 971 F.2d 1395 (9th Cir. 1992), *reh’g en banc denied*, 989 F.2d 1512 (1993).

116. *Id.* at 1396.

117. *Id.*

118. *Id.* at 1399.

119. *Id.*

120. RESTATEMENT, *supra* note 8, § 47 cmt. c, illus. 5 & 6.



Making money from the fame of another is a time-honored American tradition. The majority opinion in *White*, which cursorily equates appropriation of image with liability, has no basis in precedent or sound policy. On the other hand, Judge Kozinski's lengthy attack on the opinion leaves something to be desired. He does a wonderful job of pointing out the big issues at stake in the case<sup>121</sup> and providing a warning of the dangers posed by such a gross expansion of the law,<sup>122</sup> but he does not offer a test to distinguish *White* from many of the opinions that preceded it. He disagrees with the majority on the initial question of whether the robotic reference to Vanna White is an appropriation at all.<sup>123</sup> The threat the decision poses to the public domain and its potential stifling of creativity are palpable, but Judge Kozinski's dissent fails to garner a majority of the Ninth Circuit judges because his assertion that a reference is not an appropriation seems equally applicable to generally accepted precedent.

Two cases cited by the majority cause problems for Kozinski. In *Motschenbacher v. R.J. Reynolds Tobacco Co.*<sup>124</sup> the Ninth Circuit Court of Appeals found Reynolds liable for using a photograph of Motschenbacher's famous race car in a television commercial. Later, in *Midler v. Ford Motor Co.*,<sup>125</sup> the court found Ford and its advertising agency liable for using a Bette Midler sound-alike to record the soundtrack for a television commercial. Judge Kozinski's focus on the substantiality of the reference to a celebrity not directly depicted really does not provide a framework for distinguishing between *Midler* and *Motschenbacher*, both relatively uncontroversial opinions, and the facts presented in *White*.

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121. *White*, 989 F.2d at 1513. According to Judge Kozinski:

Something very dangerous is going on here. Private property, including intellectual property, is essential to our way of life. It provides an incentive for investment and innovation; it stimulates the flourishing of our culture; it protects the moral entitlements of people to the fruits of their labors. But reducing too much to private property can be bad medicine. Private land, for instance, is far more useful if separated from other private land by public streets, roads and highways. Public parks, utility rights-of-way and sewers reduce the amount of land in private hands, but vastly enhance the value of the property that remains.

So too it is with intellectual property. Overprotecting intellectual property is as harmful as underprotecting it. Creativity is impossible without a rich public domain.

*Id.* at 1513.

122. *Id.* at 1515 (The majority is "creating a new and much broader property right, a right unknown in California law. It's replacing the existing balance between the interests of the celebrity and those of the public by a different balance, one substantially more favorable to the celebrity. Instead of having an exclusive right in her name, likeness, signature or voice, every famous person now has an exclusive right to *anything that reminds the viewer of her.*").

123. *Id.* at 1517.

124. 498 F.2d 821 (9th Cir. 1974).

125. 849 F.2d 460 (9th Cir. 1988).

If Judge Kozinski is correct regarding the important policy issues concerning public expression present in *White*, then distinguishing the three cases is critical. The distinction between *White* and its predecessors is unwittingly revealed in both the majority opinion in the case and Professor McCarthy's critique of Judge Kozinski's dissent in his authoritative treatise on publicity rights.<sup>126</sup> In discussing the offending commercial, the majority acknowledges that Samsung's purpose was to convey "the message that the Samsung product would still be in use" in the twenty-first century.<sup>127</sup> Similarly, McCarthy summarizes the commercial as "conveying the message that Samsung products would still be around then."<sup>128</sup> The invocation of Vanna was not made to convince Vanna fans to buy the product, but rather to convey in especially vivid fashion the abstract concept of durability. This use of the celebrity persona to convey a concept is significantly different from those presented in *Midler* and *Motschenbacher*, where the advertisers were attempting to capitalize on the intrinsic attractiveness of the unique attributes of a particular celebrity.

As David Welkowitz has recently noted:

Thus, the critical difference between *White* and other cases permitting a right of publicity claim is that Vanna White was no more than a literary reference in Samsung's advertisement. Samsung did not exploit her image to gain some positive associational value. Not all *uses* of a celebrity constitute wrongful appropriation . . . where the celebrity is merely a point of reference, the celebrity's commercial value is not being used.<sup>129</sup>

As McCarthy explains, the tort of misappropriation of publicity rights "consists of using without payment the identity of a person to help attract attention to a commercial advertisement."<sup>130</sup> The commercials aired by Ford in *Midler* and R.J. Reynolds in *Motschenbacher* were designed to exploit consumers' commercial preference for the celebrities depicted in their advertisements. Associating products with Midler's or Motschenbacher's unique qualities and styles made the products more attractive. Samsung's use was entirely different. It did not make allusions to Vanna White in order to increase the likelihood that Vanna fans would buy its product. The use of her image was an incidental, albeit important, part of an abstract message about durability. As the majority admits, without understanding the importance of its admission, Samsung, unlike many who appropriate a public persona, did

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126. See MCCARTHY, *supra* note 109, app. A-1.

127. *White*, 971 F.2d at 1396.

128. MCCARTHY, *supra* note 114, app. A-1.

129. See Welkowitz, *supra* note 114, at 79-80.

130. MCCARTHY, *supra* note 114, app. A-2. Unfortunately, McCarthy fails to consider that Samsung is not trying to attract consumers who are attracted to Vanna's persona.

not choose to use Vanna in an attempt to attract those consumers who have a preference for her unique qualities.

### *B. The Restatement and the Absence of a Middle Ground*

The Restatement cites *White* uncritically<sup>131</sup> and does not attempt to distinguish it from cases like *Midler* or *Moteschenbacher*. Section 46 of the Restatement provides for liability for appropriation of “the commercial value of a person’s identity by using without consent the person’s name, likeness, or other indicia of identity for the purposes of trade.”<sup>132</sup> Section 47 then defines “for the purposes of trade” as any use of the indicia of identity “in advertising the user’s goods or services.”<sup>133</sup> On the face of sections 46 and 47, any reference to a celebrity in the course of advertising appears to be actionable, regardless of the purpose or function of the reference. Presumably, the hypothetical local car dealership posed in the introduction that advertises its new line of cars as having “finer lines than Sharon Stone, quicker moves than Michael Jordan, and more power than Mike Tyson” would be liable to all three of the referenced celebrities.

Interestingly, the official comments offer support for a distinction between the issue posed by *White* and my hypothetical, and by cases like *Midler* and *Moteschenbacher*. Comment c to section 47 states that the “use of a person’s identity primarily for the purpose of communicating information or expressing ideas is not generally actionable as a violation of the person’s right of publicity.”<sup>134</sup> This is precisely the rationale that explains why *White* is out of line with prior decisions. This dividing line provides a middle ground that recognizes both the need to protect the valuable attraction consumers have for some celebrities and the need to maintain the expressive/generic/functional aspects of a celebrity persona in the vocabulary of the public domain. The comment describes the liability side of the line quite clearly: “[I]f the name or likeness is used solely to attract attention to a work . . . the user may be subject to liability for a use of the other’s identity in advertising.”<sup>135</sup>

Unfortunately, this commentary is used only to support the excepting from liability of “the use of a person’s identity in news reporting, commentary, entertainment, works of fiction or nonfiction, or in advertising that is incidental to such uses.”<sup>136</sup> Although the exceptions apply even when one is “successful in obtaining a commercial advantage from . . . [the] use of

131. See, e.g., RESTATEMENT, *supra* note 8, § 46, reporters’ note to cmt. d.

132. *Id.* § 46.

133. *Id.* § 47.

134. *Id.* § 47 cmt. c.

135. *Id.*

136. RESTATEMENT, *supra* note 8, § 47.

another's identity,"<sup>137</sup> they do not generally extend to expressive use of a celebrity persona in advertising.<sup>138</sup> The comments do not explain why putting Vanna's picture on the cover of an unauthorized biography to enhance its sales should be permitted,<sup>139</sup> but employing a robotic Vanna to make a point about the durability of electronic consumer goods should not be. Although the commentary goes a long way toward providing an analytical framework to govern cases like *White*, the rules themselves seem to prohibit any reference at all to a celebrity in commercial advertising.

### C. *The Road Not Taken*

Section 47 should import the language it uses in its comment c to except from liability the use of a person's identity primarily for the purpose of communicating information or expressing ideas. Only "if the name or likeness is used [primarily] to attract attention to a work [or product]"<sup>140</sup> should liability follow. Had the Restatement applied this distinction to all uses of a celebrity persona, it would have better balanced the celebrity's interest in exploiting consumer preferences with the public's interest in the effective expression of ideas and communication. Would we have heard Samsung's message so clearly if an announcer had merely told us, "Samsung products are very durable and last a long time"?

As noted earlier, a celebrity persona can be used as a magnet to attract interest in a particular product or performance, or it can be used in a purely functional way. When the use is functional, then the public interest outweighs the celebrity's desire to maintain complete control over references to his or her existence. Whether the functional use occurs in private conversation or in the course of commercial advertising, the public's interest in efficient, effective, and vivid communication is equally strong. In the absence of a compelling reason for restraint, we all have an interest in allowing those who want to speak to us to optimize their means of communication.

### III. CONCLUSION

Overall, the *Restatement (Third) of Unfair Competition* is a tremendous success, an authoritative and user-friendly resource for students, academics, practitioners, and judges. Inevitably, even great accomplishments contain some flaws. In particular, the Restatement commits two sins of omission in its

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137. *Id.* § 47 cmt. c.

138. "Incidental" advertising related to a permitted use is not actionable. For example, a record store could display a poster of a rock star in conjunction with the sale of his or her records.

139. See RESTATEMENT, *supra* note 8, § 47 cmt. c, illus. 6.

140. *Id.* § 47 cmt. c.

treatment of the ornamental use of trademarks on promotional goods and its treatment of references to celebrity personae in advertising. The failure to craft rules to maintain the balance between a complex calculus of interests in both situations may lead to an unsettling future.

A brief return to the two hypotheticals presented in the introduction helps summarize the point: (1) After the World Series, an entrepreneur sells high quality T-shirts, coffee mugs, pens, ashtrays, etc., bearing the trademark "Atlanta Braves." All these promotional goods are plainly labeled as unauthorized by the Atlanta Braves. No consumers are likely to be confused at the point of purchase. (2) A local automobile dealership advertises his manufacturer's new sports car as having "finer lines than Sharon Stone, quicker moves than Michael Jordan, and more power than Mike Tyson." His allusions are made in an effort to sell his product, but consumers are not likely to believe that Stone, Jordan, or Tyson endorse or are formally associated with the car. The weight of common law precedent and sound public policy militate against finding liability in either case; however, due to the failure of the Restatement to address adequately these two situations, compelling arguments for liability may be offered.

Any liability suggested by the Restatement does not seem to be a deliberate effort on the part of the drafters to change the law, but rather the failure, in the context of trademark law, to specifically address the issue of post-sale confusion, and in the context of the publicity rights law, to consider fully all the expressive uses of celebrity personae. A Restatement more sensitive to both precedent and public policy would have: (1) made clear that post-sale confusion caused by the ornamental use of a trademark on promotional goods is permissible as long as the user has taken all cost effective precautions to avoid confusion, and (2) extended the "expressive use"/"magnetic use" dichotomy to all cases involving the use of a celebrity persona.

Interestingly, the two situations present similar struggles between the public's interest in maintaining access to the functional features of words and symbols that are valuable for communication, and "the natural tendency of legal rights to express themselves in absolute terms to the exclusion of all else."<sup>141</sup> The Restatement could have done a better job of resisting that tendency.

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141. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 432 n.13 (1984) (commenting on attempts to expand intellectual property rights under copyright and patent law).