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W.J. Keating

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Promotional Trademark Licensing: A Concept Whose Time Has Come

W. J. Keating*

I. Introduction

“an established name is an estate in tenure, or a throne in possession . . .”¹

Trademark rights do not exist *in gross* but exist only in conjunction with the goods or services with which they are associated.² A corollary of this black letter rule is that a trademark owner who licenses his trademark must delineate a standard of quality for the products or services (“products”) bearing the licensor’s mark.³ He is also required to police the trademark licensee’s products to assure consumers that the licensed products meet the quality standards specified by the trademark owner.⁴ Failure to do so may invalidate the trademark.⁵

A substantial line of commerce has developed in which the consumer is more interested in identification with the trademark owner than in the quality of the goods bearing the trademark. Common examples include caps, shirts, beach towels, drinking glasses and other items bearing the names or emblems of institutions, schools and sports teams. This commercial activity might properly be entitled “Promotional Trademark Licensing.”

A growing number of courts recognize the right of the institution owning the trademark to control and license it without requiring

* Professor of Law, The Dickinson School of Law. B.S. 1947, Canisius College; J.D. 1954, Georgetown University.

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1. Edgar Allan Poe, “Letter to Mr. B_____,” POEMS, Preface (1831).

2. J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION 68 (2d ed. 1984) [hereinafter cited as MCCARTHY].

3. 15 U.S.C. § 1064(c). This section provides for cancellation of a trademark registration if “the registered mark is being used by, or with permission of, the registrant (of the mark) so as to misrepresent the source of the goods or services.” See *infra* note 18.

4. Dawn Donut v. Hart’s Food Stores, Inc., 267 F.2d 358, 368 (2d Cir. 1959).

5. *Id.*

the quality assurance function.⁶ While the trend exists, it is hampered by trademark law which requires that the trademark owner must prove "confusion"⁷ (or a "likelihood" of confusion) on the part of the purchasing public to enforce its rights.

This article will examine the contrast between consumer motivation as it affects promotional trademark licensing and traditional product/service trademark licensing. It will also discuss the concept of trademarks as property and the rights and obligations of trademark owners to control the merchandising of products bearing the trademark. It will suggest why promotional trademark licensing should be treated differently from classical trademark licensing. It will also discuss the elements of "confusion" necessary to sustain a cause of action for infringement of promotional trademarks.

II. Trademark Rights Rely on Association with Business

It is a well-accepted premise of trademark law that a trademark has no existence apart from the good will it represents.⁸ It logically follows that transfer of trademark rights can only occur in conjunction with transfer of the business or a segment of the business involving the trademark products.⁹

A major explosion of trademark licensing occurred in the development of franchise marketing, a system based on non-exclusive, multiple trademark licenses.¹⁰ This merchandising vehicle became popular after World War II and in 1982 accounted for \$339 billion or 31 percent of merchandising in the United States.¹¹

The franchisor is required to adopt standards of quality control

6. In *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040 (3d Cir. 1982), *cert. denied*, 459 U.S. 1087 (1982), the Court of Appeals recognized this new and expanding area of the law. *Id.* at 1046, n.18. Also, in *Boston Professional Hockey Ass'n. v. Dallas Cap and Emblem Mfg.*, 510 F.2d 1004, 1011 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975), the court recognized its own deviation from traditional concepts of trademark law. "[O]ur decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs. . . ." See also MCCARTHY, *supra* note 1, § 18:2. Professor McCarthy condemns a broad anti-assignment in-gross rule as containing a danger of "degenerating into a sterile formalism." *Id.* at 800.

7. The original statute required that "purchasers be confused as to the source of origin of such goods." The statute was amended in 1962 to broaden the scope so that any confusion caused by defendant's trademark usage that would injure the plaintiff would subject the user to liability. Act of October 10, 1962, Pub. L. No. 87-772, 76 Stat. 769.

See also *Boston Professional Hockey Ass'n. v. Dallas Cap and Emblem Mfg.*, 510 F.2d 1004, 1012 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975).

8. MCCARTHY, *supra* note 1, § 18:1 at 793, refers to the association between the trademark and the business as "inseparable as Siamese twins."

9. MCCARTHY, *supra* note 1, § 18:1(c) at 794.

10. *Id.* § 18:22.

11. U.S. Dept. of Commerce, "Franchising in the Economy", 1981-1983 survey. In 1982 franchising claimed one-third of every retail sales dollar in the United States. Rathbun, *The Franchising, Nation's Business*, March 1982, at 82. The Commerce Department has predicted that a host of opportunities will open for the franchise entrepreneur with the increased demand for business services. *Id.*

and impose them on the franchise.¹² This is consistent with the requirement that the franchisor police the franchisee's quality control to protect the quality assurance function of the trademark. Requiring the franchisee to maintain a designated quality standard prevents fraud upon consumers who expect the product bearing the trademark to have the same quality level as that found in products of the franchisor and other franchisees. The franchise agreement must require the franchisee to meet these standards.¹³ Failure to meet the standards could lead to cancellation of the franchise.¹⁴ The franchisor has a concomitant duty to inspect the franchisee on a regular basis to insure that the standards are being met.¹⁵

Ironically, the trademark owner is under no duty to impose standards of quality control on products of his own manufacture.¹⁶ Courts generally look to the marketplace to reward (or punish) the trademark owner by assigning a commercial value to the quality level of the product bearing the trademark.¹⁷ When the right has been assigned or licensed, however, a substantial product change may constitute fraud and result in forfeiture of trademark even if the change improves the quality of the goods.¹⁸

The early history of trademark licensing in franchise agreements is one of abuse. Franchises were sold with glowing promises of financial rewards, premised upon continued assistance to the franchisee. Such assistance was in fact illusory. The franchisor, having received an initial investment from the franchisee, continued to extract royalties, the only consideration being the "naked" trademark license. Such arrangements were judicially condemned as trademark abuse.¹⁹ Quality standards among various franchisees lacked uniformity and consumers, relying on the quality assurance attribute of the trademark, were cheated. The courts emphasized that a franchisor's failure to maintain a pre-determined standard of quality invalidated the trademark license.²⁰

III. Promotional Trademark Licensing

For many years the emblems and insignia of various institu-

12. See *infra* note 13.

13. MCCARTHY, *supra* note 1, § 18:14(A).

14. Joseph Bancroft & Sons Co. v. Shelley Knitting Mills, Inc., 268 F.2d 569 (3d Cir. 1959).

15. 15 U.S.C. §§ 1055 & 1127. See Dawn Donut Co., v. Hart's Food Stores, Inc., 267 F.2d 358 (2d Cir. 1959).

16. GILSON, TRADEMARK PROTECTION AND PRACTICE § 6-7 *et seq.* (1984) [hereinafter cited as GILSON].

17. *Id.*

18. *Id.* §§ 6-6 & 6-7 and cases cited therein.

19. Phillip Morris v. Imperial Tobacco Co., 251 F. Supp. 362 (E.D. Va. 1965), *aff'd*, 401 F.2d 179 (4th Cir. 1968). See also GILSON, *supra* note 14, § 6.01(4).

20. GILSON, *supra* note 14, § 6.01(b) and cases cited therein.

tions, schools and sporting teams have been used on novelty items by manufacturers who were not licensed to do so and paid no royalty to the institution. Recently, the University of Pittsburgh brought suit against a manufacturer who had used the University logotype on various novelty items over a period of forty-five years without receiving permission or paying a royalty.²¹ The Court of Appeals held that laches was not a good defense to future trademark infringement but refused to award back damages.²²

A major impediment to enforcement of an institution's trademark rights against a manufacturer of novelty items is the classical test of trademark infringement.²³ The test involves comparison of the marks and comparison of the goods of the two parties in order to determine similarity.²⁴ In the University of Pittsburgh case, although the marks were identical, the goods were quite dissimilar. Courts refused to believe that consumers would conclude that a prestigious university was the manufacturer of ash trays (or drinking glasses, sweatshirts, etc.).²⁵

One of the earliest cases upholding the rights of institutions to control the destiny of their emblems was *Boston Professional Hockey Association, Inc. v. Dallas Cap and Emblem Manufacturing*.²⁶ The facts are relatively simple. The Boston Bruins Hockey Club (along with fourteen other major league hockey teams) licensed its trademark, consisting of a block letter "B", to the Lion Brothers Company for use on clothing and other promotional items. Under the exclusive agreement, Lion Brothers Company was the only qualified manufacturer allowed to make and sell items bearing the trademark. Lion paid a royalty to Boston Hockey for this right. The royalty was based on the gross sales of products bearing the trademark.

Dallas Cap and Emblem requested permission to duplicate the emblem signifying the Boston Hockey team. Boston Hockey refused on the basis of the prior exclusive license issued to Lion Brothers. Dallas Cap nevertheless proceeded to manufacture and sell emblems which were substantial duplicates of the Boston Bruins' trademark. Boston Hockey brought suit for trademark infringement,²⁷ false designation of origin²⁸ and common-law unfair competition.²⁹

21. *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1045 (3d Cir. 1982), *cert. denied*, 459 U.S. 1087 (1982).

22. *Id.* at 1045.

23. *See infra* notes 33-36 and accompanying text.

24. 15 U.S.C. § 1114 (1963).

25. *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1047 (3d Cir. 1982), *cert. denied*, 459 U.S. 1087 (1982).

26. 510 F.2d 1004 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975).

27. This action was brought under 15 U.S.C. § 1114.

28. This action was brought under 15 U.S.C. § 1125.

29. "Unfair competition" is a generic expression to characterize all statutory and non-statutory causes of action arising out of unfair commercial or business dealing. *American Her-*

The threshold question involved the application of the Lanham Act³⁰ to a situation in which the products of the infringer are quite different from the products sold by the trademark owner. The test of applicability of the statute is whether or not confusion would result from the defendant's use of the mark on its goods.³¹

The lower court concluded that the stylized letter "B" was merely ornamental and not a proper subject for trademark protection.³² To the extent that confusion of source might result, the lower court sought to prevent this confusion by requiring the defendant to identify properly the product as not approved by Boston Hockey.³³

The Court of Appeals held that the remedy was inadequate to protect the rights of the Boston Bruins.³⁴ While acknowledging that Boston had a protectable property right in the trademark, the Court attempted to justify protection on the basis of the five classical elements of trademark infringement. Finding the first three elements — duplication of the plaintiff's mark by the defendant, without the plaintiff's consent, in interstate commerce — was easy.

The fourth element requires that the infringing use of the registered mark occur in connection with the sale of goods. The court was baffled by the fact that the defendant was not selling goods but was selling copies of the trademark. Traditionally, if a substantially similar trademark is attached to substantially similar products, infringement occurs. When the defendant is selling the equivalent of the plaintiff's label for consumers to sew on clothing, however, infringement by the defendant is less clear. The court held that "[w]hen the defendant causes plaintiff's marks to be embroidered upon emblems which it later markets, defendant uses those marks in connection with the sale of goods as surely as if defendant had embroidered the marks upon knit caps."³⁵ While the court could have found the de-

itage Life Ins. Co. v. Heritage Life Ins. Co., 494 F.2d 3, 14 (5th Cir. 1974).

30. The Lanham Act governs the infringement of federally registered trademarks. 15 U.S.C. §§ 1051-1127 (1963).

31. The statute requires that the plaintiff show "the use is likely to cause confusion." 15 U.S.C. § 1114(1)(a) (1963).

32. Boston Professional Hockey Ass'n. v. Dallas Cap and Emblem Mfg., 360 F. Supp. 459, 464 (N.D. Texas 1973). The court found the plaintiff's emblems were functional. See *infra* notes 71-96 and accompanying text. Accordingly, the right of the trademark owner must give way to the public policy favoring free competition.

33. Boston Professional Hockey Ass'n. v. Dallas Cap and Emblem Mfg., Inc., 360 F. Supp. at 465.

34. Boston Professional Hockey Ass'n. v. Dallas Cap and Emblem Mfg., 510 F.2d 1004, 1013 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975). A subsequent decision by the Fifth Circuit Court of Appeals approved the District Court's finding of \$40,000 in actual damages. It disallowed an award of \$66,000 representing a proposed license fee of \$33,000 which the District Court doubled to punish the defendant for bad faith. The Circuit Court of Appeals concluded that the award was clearly erroneous. Attorney's fees were denied by the District Court and affirmed by the Court of Appeals. Boston Professional Hockey Ass'n. v. Dallas Cap and Emblem Mfg., Inc., 597 F.2d 71 (5th Cir. 1979).

35. Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., 510 F.2d 1004,

fendants liable on the basis of contributory infringement by the defendants,³⁶ it chose instead to consider the emblems as the goods and the embroidered design on the emblem as the trademark.

The fifth element of a trademark cause of action requires that the infringing use is "likely to cause confusion, or to cause mistake or to deceive. . . ." ³⁷ The court stated that finding confusion by consumers of emblems was "conceptually difficult". ³⁸ The court concluded that "[t]he certain knowledge of the buyer that the source and origin of trademark symbols were in plaintiffs satisfies the requirement of this act." ³⁹ At best, the decision seems to say that since trademark infringement occurred, there must have been confusion.

One of the teams joined as a party plaintiff, the Toronto Maple Leafs, had not registered its trademark and therefore was not eligible to allege trademark infringement. ⁴⁰ It prevailed, however, under section 1125 of the statute. ⁴¹ Under that section, any false description of goods sold in interstate commerce provides a cause of action by a plaintiff who "believes he is likely to be damaged" by such false description. ⁴² The court found that sale of the emblems by the defendant constituted a false implication that the Toronto team sponsored the emblems. ⁴³ Sales by unlicensed sources competed with sales by licensees of the hockey teams from which the teams received a royalty.

In *Boston Professional Hockey Association v. Reliable Knitting Works*,⁴⁴ under a similar fact situation, the court found, on a motion for preliminary injunction, that "for purposes of this motion, the court is convinced that said use by defendant was likely to cause

1011 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975); *See also* Boston Professional Hockey Ass'n. v. Reliable Knitting Works, Inc., 178 USPQ 274 (E.D. Wis. 1973).

36. "Contributory infringement" involves situations in which the defendant has not committed an essential element of the cause of action but has inspired others to commit it, in which case the defendant is considered equally liable. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).

37. 15 U.S.C. § 1114 (1963).

38. *Boston Professional Hockey Ass'n. v. Dallas Cap and Emblem Mfg.*, 510 F.2d at 1012. If one concludes that consumers expected the emblems to be manufactured or sponsored by the Boston Hockey team when this was not the case, the necessary element of confusion is present. The Court of Appeals held that knowledge of consumers relating to origin and source of the symbol from the plaintiff was a recognition of expansion of the term "confusion", introduced into the Lanham Act by the 1962 amendment. *See supra* note 6.

39. *Boston Professional Hockey Ass'n. v. Dallas Cap and Emblem Mfg.*, 510 F.2d at 1012.

40. Under 15 U.S.C. § 1114(a), remedies are available to the owner of "a registered mark".

41. 15 U.S.C. § 1125 forbids false designations of origin and false descriptions. The court found that in the Toronto case the "defendant used a symbol, Toronto's mark, which tended falsely to represent goods, the embroidered emblems, in commerce." 510 F.2d at 1012. Because the consuming public had certain knowledge that the source and origin of the symbol was in the Toronto team, the defendant's reproduction violated § 1125.

42. 15 U.S.C. § 1125(a) (1963).

43. *See supra* note 40.

44. 178 USPQ 274 (E.D. Wis. 1973).

confusion. . . .”⁴⁵ The court did not explain the basis for this finding.

IV. Trademarks as Property

Not all courts adopt the rationale of *Boston Hockey v. Dallas Cap and Emblem* because the concept of enforcing a trademark right, sans association with goods or services, is difficult for many courts to accept.⁴⁶

Approaching the problem from the other end, many courts do not appreciate that trademarks constitute personal property,⁴⁷ albeit intangible personal property. Starting from this focal point, the action of the defendant in usurping the plaintiff’s property should constitute a cause of action without the necessity of proving confusion of purchasers or actual damages. If one misappropriates another’s automobile, the owner has a right to have the property (the car) returned. The right to quiet enjoyment of the property is assumed, without a necessity of proving actual damage.⁴⁸

Accordingly, the right to quiet enjoyment of the trademark should be extended the same protection. The misappropriation of the Boston Bruins emblem by Dallas Cap should afford the plaintiff the right to preclude continued misappropriation. Even the United States Circuit Court of Appeals for the Fifth Circuit, however, felt compelled to justify the traditional elements of trademark infringement to uphold the plaintiff’s rights.⁴⁹

V. Protection of Business Rights in Promotional Trademark Licensing

The conservative view of restricting trademark protection to the prohibition of using similar marks on similar goods has been ameliorated by the decision in *Boston Hockey v. Dallas Cap and Emblem* and its progeny, as well as by amendment of the Trademark Act. As

45. *Id.* at 278. Plaintiff, Boston Hockey, motioned for a preliminary injunction and the court held that “[f]or the purposes of this motion, the Court is convinced that said use by defendant was likely to cause confusion or to cause mistake or to deceive.” *Id.*

46. In *Steinway and Sons v. Robert Demars and Friends*, 210 USPQ 954 (C.D. Calif. 1981), the court went to the ridiculous extreme of holding that the defendant’s beer can handles sold under the trademark “Stein-way” were likely to confuse the public into believing that the goods came from the same source as the famous “Steinway” pianos. The only rational explanation for finding similarity of such disparate products is the court’s desire to protect the Steinway piano reputation from use on trivial promotional goods. If the court had found that Steinway was entitled to protection against promotional trademark usage, such an extreme position would not have been necessary. *See also infra* text accompanying note 93.

47. *See e.g.*, *Mishawaka Rubber and Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203 (1942).

48. JOSEPH J. DARLINGTON, *A TREATISE ON THE LAW OF PERSONAL PROPERTY* 4 (1891).

49. *Boston Professional Hockey Ass’n. v. Dallas Cap and Emblem Mfg.*, 510 F.2d 1004 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975).

originally enacted, the Lanham Act defined trademark infringement in terms of precluding the use of similar marks on similar goods or services in a manner which was likely to cause confusion to consumers.

In 1962, the Act was amended to expand the scope of infringement to a prohibition of using similar marks on goods that might result in any type of confusion, mistake or deception.⁵⁰ The expansion of the language of the Act was intended to protect the "business" of the trademark owner, as well as the reputation of the trademark owner as the implied source of origin of the goods.

A. The "Business" of the Educational Institution

The basic "service" of the University of Pittsburgh is to provide a high quality education to its students. Can we say that the "business" of the University is of the same scope? I think not.

The business of the University embraces a number of collateral services that support the University's ability to provide a high quality of educational services. The business of the University involves attracting a student body willing to pay tuition to achieve this educational level. It involves attracting a faculty willing to associate itself with the educational level. It involves maintaining a reputation that will attract supporters, alumni, community and friends, willing to declare themselves in sympathy with the goals of the University. This is the "business" of the University as much as Proctor & Gamble's business is the sale of soap.

Admitting that the business of the University includes the image it strives to create, renders the emblem, name and other insignia of the school protectable personal property, to the same extent that IBM has the right to protect its trademark in furtherance of its business.⁵¹

B. The Role of Promotional Trademarks in Accomplishing the Objectives of the Educational Institution

The operation of a University requires that it seek sources of funds to achieve its goal. Student tuition is an obvious source. In view of the rising costs of college education, schools seek all the additional help available in meeting these costs.

Alumni donations are a fertile field. Government aid is welcome. A royalty on the sale of articles bearing the school emblem gives loyal supporters an opportunity to assist in underwriting the school's expenses. Comparing the potential for such a royalty to ben-

50. See *supra* note 6.

51. See *infra* text accompanying notes 52-53.

efit school programs with the right of private individuals to pocket the entire profit from the sale of such artifacts, the equities seem to favor the former.

C. The Role of Promotional Trademarks in Accomplishing the Objectives of Non-Profit Institutions, Other than Educational Institutions

The justification for protecting trademarks of educational institutions also applies to non-profit professional, religious and fraternal groups. Most of these groups are involved in fund-raising campaigns to defray program expenses. Organizations should have the right to obtain all proceeds from the sale of items bearing their trademarks. Exclusive trademark protection also gives them a certain control over membership drives, as well as protection against fraudulent or unsavory use of the trademark.⁵²

D. The Role of Promotional Trademarks in Accomplishing the Objectives of the Commercial Enterprise Operated for Profit

What about commercial logotypes as promotional trademarks? Should IBM be able to restrain the use of its logotype on beach towels? If one again addresses the "business" of the corporation as the protectable entity, the right of the commercial corporation to license its logotype for a royalty payment is even more compelling.

The business of a commercial corporation is to maximize profits in all legitimate ways. If the logotype's use on beach towels or T-shirts has commercial appeal, the company that generated that commercial appeal should have a stake in the reward. It should also be permitted to manage the licensing of the logotype to achieve maximum profits. Furthermore, it should have the right to refuse to grant a license in situations where such use is inimical to the image the trademark owner considers desirable.⁵³

VI. Consumer Perceptions in Promotional Licensing

Does this mean that the traditional concept of trademark protection for use on goods/services should be discarded? Hardly.

Trademark licensing denoting the trademark owner as the source of goods relies on consumer perception. If the court perceives

52. Ball v. American Trial Lawyers Ass'n., 14 Cal. App.3d 289, 92 Cal. Rptr. 228 (1971).

53. See Coca-Cola Co. v. Gemini Rising Inc., 346 F. Supp. 1183 (E.D. N.Y. 1972), wherein the defendant's substitution of the word "Cocaine" for "Coca-Cola" in a poster simulating the Coca-Cola trademark was held to infringe plaintiff's trademark to the detriment of its business reputation. See also Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200 (2d Cir. 1979).

that consumers purchase goods because consumers look to the trademark as an indicia of quality assurance (e.g., McDonald's hamburgers), then the traditional concept of similarity of marks and similarity of goods should be preserved as the test of infringement.⁵⁴

If, however, the court perceives that consumers purchase goods to display their loyalty and support of the trademark's owner (e.g., the Boston Bruins) then use of the mark by an interloper should be treated as unjustified misappropriation of personal property and further use should be enjoined. Evidence of consumer perception is a question of fact to be determined on a case-by-case basis. Such evidence as consumer testimony, survey evidence and expert testimony may be considered, if relevant, as in any other case involving factual determinations.

In classical trademark usage, a consumer is motivated to purchase a product bearing a trademark because of the consumer's expectation that the product will meet the quality standards that the trademark owner achieves. In "Promotional Trademark Merchandising", the purchaser is not motivated by the quality level of the product, but rather wishes to identify with the trademark owner.⁵⁵ The trademark proclaims the exhibitor's loyalty, admiration or sympathy with the organization represented by the trademark (the "LAS" factor). While University of Pittsburgh supporters do not expect beach towels bearing its trademark to be manufactured by the University,⁵⁶ they do expect that the University will benefit from sale of the towel in some financial way.⁵⁷ A recent survey indicated that 45.3 percent of the respondents believed that companies making jerseys corresponding to National Football League jerseys were required to obtain authorization from the NFL.⁵⁸ Common sense tells us that supporters of the University of Pittsburgh who spend money on articles containing the institution's trademarks would be more readily motivated to purchase a souvenir if they were under the impression that some of the purchase price of the product went to the University than they would be if they knew that all revenue went to the manufacturer of the product, who is neither associated with nor licensed by the University. This expectation on the part of consumers should be sufficient to fulfill the requirement of the "likely to cause confusion" element necessary to support a cause of action for trademark

54. 15 U.S.C. § 1114 (1963).

55. See *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1047 (3d Cir.), cert. denied, 459 U.S. 1087 (1982) ("The entire impetus for the sale is the consumer's desire to identify with Pittsburgh").

56. *Id.* The court stated, "No one would seriously assert that a significant segment of the public believes that Pitt actually manufactured the goods involved."

57. *National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651, 658-59 (W.D. Wash. 1982).

58. *Id.* at 659.

infringement.⁵⁹

In considering trademark infringement as applied to Promotional Trademark transactions, when consumers purchase goods to identify with the trademark owner, sale of an unlicensed item bearing the trademark should constitute infringement. The first prong of the test, similarity of the plaintiff's and defendant's trademarks, is easy. Usually the marks are identical since the defendant wishes to satisfy consumer desire for an authentic-looking trademark.

The second prong of the test is more difficult, especially where the trademark owner does not sell or license products of a similar nature. The *University of Pittsburgh v. Champion Products*⁶⁰ court had trouble finding similarity of goods when the University was operating an educational institution and providing entertainment services in fielding a football team. The services provided by the University were a far cry from the shirts, caps, ties, etc., marketed by the defendant.

If promotional trademarks are recognized as symbols of institutional loyalty, admiration or sympathy, rather than focusing on the utilitarian aspects of defendants' products, the necessity of functional similarity of goods is eliminated. The defendant has misappropriated the thing of value created by the plaintiff, i.e., the "LAS" factor.

On remand in *University of Pittsburgh*,⁶¹ the district Court deplored the lack of survey evidence in support of the University's contention that consumers assumed products bearing the University of Pittsburgh logotype were associated with the University. An article in the *Duquesne Law Review*⁶² stated that a consumer survey presented in one case⁶³ cost over one-half million dollars to prepare. It seems like an exorbitant burden to place on the plaintiff to prove a fact which is virtually subject to judicial notice.

VII. The British Situation

In Great Britain, "Character Merchandising" is prohibited by statute.⁶⁴ The activity involves promotion of an invented name and/or depiction of a character. The proprietor of the goods using the name also licenses the use of the name to merchants not associated with the proprietor for use on their goods.⁶⁵

59. 15 U.S.C. § 1114 (1963).

60. 686 F.2d 1040 (3d Cir. 1982), *cert. denied*, 459 U.S. 1087 (1982).

61. 566 F. Supp. 711, 714 (W.D. Pa 1983).

62. Comment, *Trademarks: Protection of Merchandising Properties in Professional Sports*, 21 DUQ. L. REV. 927, 961 (1982-83).

63. *National Football League Properties, Inc. v. Wichita Falls, Inc.*, 532 F. Supp. 651 (W.D. Wash. 1982).

64. Trade Marks Act of 1938, § 28(b).

65. *Holly Hobbie Trade Mark*, [1984] 19 R.P.D. & T.M. Cas. 329.

A recent case involved the mark "Holly Hobby", developed by the American Greetings Corporation for a fanciful character representing a young girl.⁶⁶ American Greeting Card Company entered into trademark license agreements with other companies for a wide variety of merchandise. When American Greetings attempted to register the trademark in Great Britain by relying on use of its licensees as related companies,⁶⁷ registration was refused on the basis that the licensing activity was prohibited by Section 29(1)(b) of the Act.⁶⁸ The assistant registrar held that such licensing activity constituted "trafficking" in the mark, since the mark itself constituted a source of income rather than identifying the source of a class of goods. The High Court and the Court of Appeal affirmed.⁶⁹

Lord Bridge, in a concurring opinion,⁷⁰ concluded that the doctrine of "trafficking" as applied to character merchandising was a complete anachronism that should be repealed. He conceded it may have been justified in 1938, when the act was passed, to prevent the public from being deceived as to the source or origin of goods. Under current merchandising practices, however, failure to protect character merchandising permits trademark pirates to trade on valuable property rights developed and promoted by the originator of the character.

Recognizing the realities of the marketplace, Lord Bridge noted that purchasers of articles of clothing bearing a likeness of the character do not expect the proprietor of the mark to certify the quality of the clothing. Thus purchasers are not deceived. Consumers are interested only in acquiring a product associated with the character. Because of the clear language of the British Trademark Act forbidding such trademark licensing activity, however, the Court held the license was unlawful in Great Britain. The Court recognized the inequity in refusing to protect "character" trademark licensing but concluded the inequity could only be corrected by amendment of the Trademark Act.

Fortunately, the United States Law does not specifically forbid "character" (or "promotional") licensing,⁷¹ but merely requires that

66. *Id.*

67. A "related company" refers to any entity legitimately controlled by a trademark owner. 15 U.S.C. § 1127 (1963). Trademark usage by a subsidiary or licensee develops trademark rights in the parent or licensor.

68. *Supra* note 63.

69. *Id.*

70. Holly Hobbie Trade Mark, [1984] 19 R.P.D. & T.M. Cas. at 351. Referring to § 28(b) of the Trade Mark Act of 1938, Lord Bridge stated, "I do not pause to express my opinion that it has become a complete anachronism and that the sooner it is repealed the better." *Id.*

71. 15 U.S.C. § 1064 states that the cancellation of the registration of a U.S. trademark may be effected if the "mark is being used by or with the permission of the registrant so as to misrepresent the source of the goods or services in connection with which the mark is

the licensor not mislead the public as to the source of goods.⁷²

VIII. The Ornamental Trademark: Emblems v. Jewelry

The jury is still out on the question of whether the sale of a "configuration of goods" trademark, having ornamental properties, can be exclusively controlled by the trademark owner. The problem is exemplified by sale of jewelry in the shape of a trademark or bearing the trademark emblem.

In the case of *In re Penthouse*,⁷³ the Court of Customs and Patent Appeals (now the Court of Appeals for the Federal Circuit) held that the right of the trademark owner to protect its well-known trademark, simulating the shape of a skeleton key, extended to jewelry. The Patent and Trademark Office had refused to register the Penthouse trademark for a gold key suspended from a chain on the ground that it was primarily ornamental, rather than indicating source of the goods.⁷⁴ A collateral concern was that such registration would give Penthouse a monopoly on jewelry in the shape of a key, which, if protectable, is governed by the copyright statute.⁷⁵

The Court of Customs and Patent Appeals reversed the Patent and Trademark Office on the basis that the particular shape of the key was recognized as identifying products from Penthouse.⁷⁶ In the court's opinion it was immaterial whether the shape of the key was printed on the product label or depicted three-dimensionally in the shape of the device.⁷⁷

The United States Court of Appeals for the Ninth Circuit came to the opposite conclusion in the case of *International Order of Job's Daughters v. Lindebury & Company*.⁷⁸ In that case the plaintiff was a sorority which had adopted an emblem signifying membership. The trademark was duly registered. Job's Daughters licensed a jewelry manufacturer as the exclusive licensee under the trademark to make and sell jewelry bearing the trademark emblem.

The defendant produced and sold competitive jewelry without permission from Job's Daughters or its licensee. Suit followed and the Ninth Circuit Court of Appeals concluded the motivation of the purchaser was to acquire an aesthetically pleasing product rather

used. . . ." As indicated *supra* note 55, promotional licensing does not mislead consumers as to the source of the goods.

72. 15 U.S.C. § 1064 (1963).

73. Application of Penthouse Int'l Ltd., 565 F.2d 679 (C.C.P.A. 1977).

74. *Id.* at 680.

75. *Id.* at 681, 683.

76. *Supra* note 71.

77. *Penthouse*, 565 F.2d at 683. Here the court held, "The capacity of a mark to indicate origin is not destroyed because the mark appears as a charm on a bracelet, instead of as a symbol on the box which contains the bracelet."

78. 633 F.2d 912 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981).

than a product emanating from the trademark owner.⁷⁹ The Court held that because of this consumer motivation, the shape of the jewelry did not indicate source of goods to the consumers and was therefore not protectable as a trademark.⁸⁰

The decision of the Ninth Circuit in *Job's Daughters* was somewhat vindicated by the Fifth Circuit Court of Appeals in *Supreme Assembly Order of Rainbow for Girls v. J. H. Ray Jewelry Company*.⁸¹ The *Rainbow Girls* case was quite similar to *Job's Daughters* in that a sorority brought suit against a jewelry manufacturer for selling decorative jewelry bearing the sorority's emblem. The Fifth Circuit retreated from its previous position in *Boston Hockey v. Dallas Cap and Emblem*⁸² and held that no trademark infringement existed. The Court characterized the plaintiff's failure to prevail as "a simple failure of proof."⁸³ The Court explained, "In this case Appellants simply failed to prove that there was any likelihood of confusion."⁸⁴ The holding is somewhat suspect in view of the holding in *Boston Hockey v. Dallas Cap and Emblem* that:

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 teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act.⁸⁵

The Fifth Circuit in *Rainbow Girls* attempts to distinguish *Boston Hockey v. Dallas Cap and Emblem* on the basis that knowledge of the symbols' source is not always equated with confusion.⁸⁶ It suggests consumer perception in the sorority jewelry market may be different from the emblem market "the appellants had failed to prove the Rainbow emblem operates as a trademark when used as a design for jewelry."⁸⁷ It held that these findings of fact by the District Court were not clearly erroneous.

Since the purchasers of Rainbow Girl jewelry intend it to signify membership in the Order of Rainbow for Girls, it is difficult to accept the District Court's finding that the Rainbow emblem on jew-

79. *Id.* at 918, 920.

80. *Id.*

81. 676 F.2d 1079 (5th Cir. 1982).

82. 510 F.2d 1004 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975).

The court in *Rainbow Girls* stated, "*Boston Hockey* does not always equate knowledge of a symbol's source in the confusion sufficient to establish trademark infringement." 676 F.2d at 1085.

83. *Rainbow Girls*, 676 F.2d at 1082.

84. *Id.* at 1083.

85. 510 F.2d at 1012.

86. 676 F.2d at 1085.

87. 676 F.2d at 1083, n.5.

elry does not constitute Rainbow's trademark.⁸⁸

The Fifth Circuit in *Rainbow Girls* made a brief allusion to the doctrine of "functionality" in trademark cases.⁸⁹ Briefly, the doctrine holds that the trade dress or the configuration of a product, which consumers recognize as identifying the source of the product, cannot be protected as a trademark if the design is primarily functional.⁹⁰ The rationale of the doctrine is that such protection would be the equivalent of granting a perpetual monopoly on functional features. Such features, if protectable at all, should be tested under the requirements of the patent statute.⁹¹

Attempts to distinguish *Boston Hockey v. Dallas Cap and Emblem* from *Rainbow Girls* have spawned a wide diversity of opinion. Professor McCarthy seems to approve the Fifth Circuit Court of Appeals *Rainbow Girls* decision over its previous decision in *Boston Hockey v. Dallas Cap and Emblem*.⁹² An equally distinguished author and practitioner in the trademark field, Jerome Gilson, Esquire,⁹³ characterized the *Rainbow Girls* decision in the following manner:

The same court (5th CCA) nimbly, but unconvincingly distinguished *Dallas Cap* in a case involving a registered collective mark on jewelry. It found that, despite its *Dallas Cap* rationale, although the public recognized the mark as that of the organization, it was nevertheless not likely to be confused. *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co.*⁹⁴

Judge Cohill's statement in the *University of Pittsburgh v. Champion* decision, on remand, is more blunt: "We do not think *Boston Hockey [v. Dallas Cap and Emblem]* is good law."⁹⁵ He concludes that the decision of the Fifth Circuit Court of Appeals in *Rainbow Girls* is a retreat from its previous holding in *Boston Hockey*.⁹⁶

Regardless of the diversity of opinion interpreting these decisions, there may be a logical distinction between cases involving jew-

88. The court should have considered the consumer motivation and what has previously been referred to as the "LAS" factor. See *supra* text accompanying notes 58-60.

89. 676 F.2d at 1083, n.5.

90. See e.g., *Compro Corp. v. Day-Brite Lighting*, 376 U.S. 234 (1964); *Sears, Roebuck Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

91. A collateral doctrine has arisen, referred to as "aesthetic functionality". When the trademark subject matter consists of design features which are primarily ornamental, it should not be protected by the trademark law but should be subject to the requirements of the copyright statute. *Supra* note 88. The courts in both *Rainbow Girls* and *Job's Daughters* used the aesthetic functionality doctrine to defeat trademark protection.

92. McCarthy, *supra* note 1, at 954.

93. Gilson, *supra* note 15 (Jan. 1984 Cumulative Supplement 122).

94. *Id.*

95. *University of Pittsburgh v. Champion Products, Inc.*, 566 F. Supp. 711, 719 (W.D. Pa. 1983). A notice of appeal was filed in the Circuit Court of Appeals for the Third Circuit. The appeal was subsequently withdrawn in view of an out-of-court settlement.

96. *Id.*

elry in the shape of a trademark and cases involving emblems bearing a trademark. In the former, the jewelry has intrinsic, ornamental value. A diamond pin is a valuable item having an intrinsic worth apart from its representation as identifying the wearer as a member of a fraternal order. Attempts to restrict the market to a single source constitute a restraint of trade, contrary to public policy.

On the other hand, emblems have little intrinsic value apart from identifying the wearer as supporting the organization represented by the symbol. Since it does not constitute a separate product, apart from its trademark existence, it does not constitute a relevant market for a distinct line of commerce. The only value created by the emblem is its association with the trademark owner.⁹⁷

IX. Conclusion

The requirement that a trademark licensor police the quality-control of the licensee may have served consumers well in the early days of franchising. It may still serve consumers well in marketing practices in which consumers rely on the trademark as an indication of quality.

In promotional trademark licensing, however, the consumer is merely interested in attaining a symbol to display loyalty, affection or sympathy to a person, institution or cause and the quality-control function has no substantial value in the marketing practice. To require the owner of the trademark to inaugurate an imaginary quality-control program to satisfy legal requirements, constructed by courts in dissimilar situations, is to elevate form over substance. The trademark owner is subject to unnecessary expense without any real benefit to consumers. The only beneficiary is the trademark infringer, who is in a position to challenge the validity of the mark on the technicality that the quality control-program is inadequate.

The Lanham Act does not specifically forbid trademark licensing without quality-control. It merely prohibits using the trademark in a fashion which misrepresents source of the goods. In promotional trademark licensing, failure of the licensor to maintain quality-control of the product by the licensee does not constitute such a misrepresentation. As noted above, in this type of marketing the consumer does not expect a preordained quality level. The consumer motivation to purchase the product is the purchaser's desire to associate

97. In *Schroeder v. Lotito*, 577 F. Supp. 708 (D. R.I. 1983), the court protected a union label as a colorable limitation of the plaintiff's symbol. The court held that the false impression created was that the goods originated from a union shop and that they were produced by employees affiliated with organized labor. Even though the mark was not an exact copy it gave rise to a claim.

with the trademark owner.⁹⁸

The statutory requirement that the defendant's use of the mark on goods must cause confusion, mistake or deception to support a charge of trademark infringement is easily satisfied within the confines of the statute. The confusion or mistake need not necessarily relate to the source of the product. Any confusion or mistake arising from the consumer's misconception that the trademark owner benefits from or endorses the sale of the product should be sufficient to satisfy the requirements of the statute. Such an interpretation would preclude the necessity of finding that grand-pianos are similar to beer can handles in order to protect a well-known trademark.⁹⁹

It is interesting to note that souvenir manufacturers pay a royalty for trademark use to professional sports teams but not to colleges. It would seem that educational institutions would have a stronger equitable claim to such revenues. A sensible interpretation of the Lanham Act, recognizing current marketing practices in promotional trademark licensing, would restore the equities in the marketplace.

98. *See supra* notes 54-58 and accompanying text.

99. *See supra* note 45.

