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## Trademark Extortion: The End of Trademark Law

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# Trademark Extortion: The End of Trademark Law<sup>1</sup>

Kenneth L. Port\*

## *Abstract*

*Trademark litigation in America today is undergoing a profound change. Based on a review of all trademark cases reported since the Lanham Act took effect, this Article concludes that this profound change is due to "trademark extortion," the use of strike suits and the like to deter market entrants. All 7,500 reported trademark decisions between 1947 and 2005 were read. Of those, 2,659 were truly substantive cases that terminated a trademark law suit. The claimant of a trademark right prevailed only 51% of the time. They prevailed in getting an injunction in only 55% of those cases demanding one. Only 5.5% of cases found damages at all; however, if damages were found, today, that amount will be over \$2 million. There were only 218 reported federal dilution cases and 29 cybersquatting cases. There were far fewer dilution cases and cybersquatting cases reported than trademark scholars and lawyers would be lead to believe given the rhetoric of the proponents of these laws. Today, all data regarding trademark litigation is dropping precipitously*

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1. In Rex R. Perschbacher & Debra Lyn Bassett, *The End of Law*, 84 B.U. L. REV. 1, 8 (2004), the authors claim that the increased privatization of the legal process through alternative dispute resolution (ADR) or other settlement mechanisms leaves law privately, not publicly, judged. Designating judicial opinions as "not for publication," further hinders society's ability to view the workings of the judicial system. *Id.* Therefore, it is truly an anomaly when cases are fully litigated and reach a published, precedent setting opinion. *Id.* This seems to perfectly parallel the trademark law setting in America today, and thus I borrow from the authors' catchy title.

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while the number claims initially made increases. In the sixty-year history of the Lanham Act, this is the first time that this gap has occurred. Although other explanations are considered, this Article concludes that this gap is most likely caused by trademark extortion.

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### I. Introduction

The federal trademark law of the United States, the Lanham Act,<sup>2</sup> is now sixty years old. Commentators often describe it as "an extraordinary success."<sup>3</sup> The most famous trademarks, such as Coca Cola or Microsoft, are now valued at over \$70 billion each.<sup>4</sup> However, what data do these commentators rely upon when they say the Lanham Act is an extraordinary success? Who benefits by this "success"?

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2. Lanham Act, ch. 540, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051–1141n (Supp. V 2005)).

3. See Robert C. Denicola, *Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, LAW & CONTEMP. PROBS., Spring 1996, at 75, 75 ("Statutes are judged . . . by how well they promote the goals or cure the mischiefs prompting their enactment."). *But see* Jerome Gilson & Anne Gilson LaLonde, *The Lanham Act: Time for a Face Lift?*, 92 TRADEMARK REP. 1013, 1013 (2002) (arguing that there should be a Trademark Review Commission put in place to standardize and modernize trademark law and perhaps leading to a single appellate body hearing all trademark appeals).

4. See Suhejla Hoti, Michael McAleer & Daniel Slottje, *Intellectual Property Litigation Activity in the United States*, 20 J. ECON. SURV. 715, 715 (2006) (valuing the Coca Cola brand at \$72.5 billion dollars and the Microsoft brand at \$70.5 billion dollars).

On January 29, 2007, the *New York Times* ran a front-page article indicating that Levi Strauss & Co. was using trademark litigation to secure market share, even while the Levi's blue jeans continued to tumble in popularity.<sup>5</sup> For people knowledgeable about trademark law and practice, what makes this newspaper article noteworthy is not that Levi's is engaged in such conduct but that this notion has finally made it to the popular press. All trademark holders<sup>6</sup> are encouraged to engage in this conduct. That is, virtually all trademark holders use trademark litigation to secure market share by suing competitors and thereby increasing the competitor's cost of market entrance or market continuation.<sup>7</sup>

This is not an exceptional thesis statement for people knowledgeable about trademark law and policy. However, documentation of this fact has been sparse. This Article documents this reality.

Of course, trademark holders must police their trademarks or suffer the fate of a court subsequently finding that trademark holders acquiesced to infringing uses or that the mark now lacks distinctiveness.<sup>8</sup> Therefore, when truly infringing<sup>9</sup> or

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5. Michael Barbaro & Julie Creswell, *With a Trademark in Its Pocket, Levi's Turns to Suing Its Rivals*, N.Y. TIMES, Jan. 29, 2007, at A1 ("[C]ompetitors say the [trademark infringement] lawsuits are the last resort of a poor loser, a company that has lost billions in sales, laid off thousands of workers and flirted with bankruptcy as the denim industry exploded.").

6. I use the term "holder" where others might use the word "owner." The trademark right only extends to the right to exclude others from using a mark to the extent that the holder has used it and only for as long as the holder has used it; there is actually nothing to "own" in the technical sense. A trademark holder does not own the word. Therefore, Delta brand faucets and Delta brand airlines have co-existed for years. As such, using the term "owner" raises connotations that are not appropriate in trademark jurisprudence.

7. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 7 (2d Cir. 1976) ("A&F has spent large sums of money in advertising and promoting products identified with its mark 'Safari' and in policing its right in the mark, including the successful conduct of trademark infringement suits.").

8. See *Wallpaper Mfrs., Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755, 766 (C.C.P.A. 1982) (noting that when trademark holders fail to sue infringers, they risk losing the significance of their mark).

9. See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 120 (2004) (noting that infringement is present when there is a likelihood of confusion between two marks). The traditional formulation of trademark infringement required competition between the parties—that is, commerce that could be regulated by Congress. See U.S. CONST. art. I, § 8, cl. 3. This provision has long been thought to be the constitutional justification of trademarks after the U.S. Supreme Court held that the Patent and Copyright Clause, U.S. CONST. art. I, § 8, cl. 8, could not be used to justify federal protection of trademarks. The Trademark Cases, 100 U.S. 82, 93 (1879). Recently, there seems to be some "mission shift" as some courts are not requiring there to be competition before finding a likelihood of confusion. See, e.g., *Anheuser-Busch, Inc. v. Balducci Publ'ns*, 28 F.3d 769, 774 (8th Cir. 1994) (finding that a likelihood of confusion "may exist in the absence of direct competition" between a beer manufacturer's trademark and a humor magazine's parody). Originally and constitutionally, without

dilutive<sup>10</sup> conduct is detected, the trademark holder really must act.<sup>11</sup> The trademark holder does not have to sue every infringer or send cease-and-desist letters regarding every conflicting use. The trademark holder needs only to be reasonable.<sup>12</sup> If long periods of infringing use are not objected to, the trademark holder may experience difficulty in subsequently enforcing that mark.<sup>13</sup> Therefore, policing the mark is a necessary part of trademark maintenance.<sup>14</sup>

In the normal course of conduct, the trademark holder sends a cease-and-desist letter to an offending user of a mark and objects to that usage.<sup>15</sup> If the other party ignores the letter or responds that it will not cease use, an

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competition there could be no likelihood of confusion and therefore no infringement. That is, "one merchant shall not divert customers from another by representing what he sells as emanating from the second." *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 973 (2d Cir. 1928). Under the Lanham Act, trademark infringement is governed by 15 U.S.C. § 1114 (2000), but this provision neither mentions "likelihood of confusion" nor defines it in any way.

10. Trademark dilution occurs when the use of a trademark by another "lessen[s] . . . the capacity of a famous mark to identify and distinguish goods or services, regardless of [competition or likelihood of confusion]." 15 U.S.C. § 1127 (2000); see also *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003) (noting that the law requires "actual dilution," not just the "likelihood of dilution").

11. This Article concentrates on Article III court proceedings; however, a similar argument can be made about trademark oppositions and cancellations before the U.S. Patent and Trademark Office (PTO). For example, there were over 6,500 oppositions filed in calendar year 2006. U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2006, at 145 tbl.23 (2006), available at <http://www.uspto.gov/web/offices/com/annual/2006/2006annualreport.pdf> (last visited Jan. 26, 2008). However, over 95% of these will result in settlement or dismissal prior to a final disposition. Roberta S. Bren, *Opposition Proceedings Before the Patent & Trademark Office Trademark Trial and Appeal Board*, 68 ALI-ABA COURSE OF STUDY 183, 185 (1998).

12. One district court stated:

[The Lanham Act] statute places an affirmative duty upon a licensor of a registered trademark, such as TELE-TENDER to take reasonable measures to detect and prevent misleading uses of his trademark by his licensees or suffer cancellation of his federal registration. 15 U.S.C. § 1064 [sic] provides that a trademark registration may be cancelled because the trademark has been "abandoned."

*Accurate Merch., Inc. v. Am. Pac.*, 186 U.S.P.Q. (BNA) 197, 200 (S.D.N.Y. 1975).

13. See *Wallpaper Mfrs., Ltd.*, 680 F.2d at 755 (connecting a trademark holder's failure to enforce his mark with its subsequent loss of legal significance).

14. See *Hermes Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 110 (2d Cir. 2000) ("To establish the defense [to trademark infringement] of abandonment, it is necessary to show either the owner's intent to abandon the mark, or a course of conduct on the part of the owner causing the mark to become generic or lose its significance as a mark.").

15. See *Ty Inc. v. Softbelly's, Inc.*, 353 F.3d 528, 531 (7th Cir. 2003) ("Ty polices the use of 'Beanie(s)' vigorously by filing lawsuits, sending cease and desist letters, and opposing trademark applications for the word or its cognates.").

infringement or dilution lawsuit may result. This is the normal, rational course of conduct in trademark litigation.

Today, trademark holders are using this course of conduct to expand their trademark rights, not just to object to truly objectionable uses. That is, some trademark holders send thousands of cease-and-desist letters to the point that there are now "sample" cease-and-desist letters available on the internet.<sup>16</sup> These cease-and-desist letters are followed by hundreds of trademark infringement filings.<sup>17</sup> These cases are almost never prosecuted to a conclusion on their merits. In fact, if prosecuted to a trial on their merits, the trademark holder/plaintiff would likely lose because they are not very meritorious claims.<sup>18</sup> This conduct is referred to as a "strike suit."<sup>19</sup> These lawsuits and, in the trademark context, cease-and-desist letters have a different objective than to merely stop the use or conduct of the would-be defendant. Their objective is to raise the cost of market entrance or continuation for the competitor.

One result of this conduct is that a small fraction of all lawsuits filed actually reach trial. Only 1.3% of federal trademark cases terminated after or during trial in 2006.<sup>20</sup> Although much is said about litigious Americans,<sup>21</sup> the ratio of trademark cases that reach a trial on the merits continues to go down,<sup>22</sup> all while the total number of cases filed continues to go up.<sup>23</sup> Of course, there may be several causes for the shrinking percentage of cases that make it to a trial on the merits (e.g., money, time, etc.). Another possible cause of this decrease is the prevalence of strike suit conduct.

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16. Richard Keyt, *Sample Cease & Desist Letter to Send to a Domain Name Owner Whose Domain Name Is Infringing on a Trademark*, KEYTLaw, <http://www.keytlaw.com/urls/c&d.htm> (last visited Jan. 23, 2008) (on file with the Washington and Lee Law Review).

17. See Barbaro & Creswell, *supra* note 5, at A1 (noting that Microsoft filed 235 trademark infringement lawsuits in the years 2001–2005).

18. See *infra* Graph B (showing that even when actually litigated, the plaintiff prevails in only about a half of all cases).

19. See *Behlen v. Merrill Lynch*, 311 F.3d 1087, 1091 n.1 (11th Cir. 2002) ("A strike suit is defined as '[a] suit . . . often based on no valid claim, brought either for nuisance value or as leverage to obtain a favorable or inflated settlement.'" (quoting BLACK'S LAW DICTIONARY 1448 (7th ed. 1999))).

20. STATISTICS DIV., OFFICE OF JUDGES PROGRAM, ADMIN. OFFICE OF THE U.S. COURTS, 2006 JUDICIAL BUSINESS OF THE UNITED STATES COURTS 187 tbl.C-4, *available at* <http://www.uscourts.gov/judbus2006/appendices/c4.pdf> (last visited Jan. 28, 2006).

21. See Perschbacher & Bassett, *supra* note 1, at 2 (2004) ("Claims regarding the litigious nature of American society are asserted both generally and with respect to virtually every sort of specific type of lawsuit imaginable.").

22. *Infra* Graph N.

23. *Infra* Graph L.

This strike suit conduct is also prevalent in the registration stage of the trademark before the Patent and Trademark Office (PTO).<sup>24</sup> In this case, a trademark holder objects to the registration of a mark. The objection is based on the idea that the trademark holder has to plow a wide path through commerce in the United States. The wider this path is, the better it is for the existing trademark holder—better in the sense that the more third parties acquiesce to its use, the stronger the mark becomes.

As the trademark holder plows this wide swath through American commerce by means of strike suit conduct in litigation before Article III-style courts, cease-and-desist letters, or objecting to the registration of marks before the PTO, the trademark holder's mark becomes that much more distinctive and strong.<sup>25</sup>

As this conduct occurs, gradually, but assuredly, the actual scope of protection of the trademark broadens. As the trademark scope broadens, the mark becomes more distinctive. As it becomes more distinctive, it becomes more likely that a skilled litigant will be able to argue that it has become famous. Once famous, it becomes subject to protection from dilution.<sup>26</sup> Once a mark is protected from dilution, it has reached the zenith of its power to exclude others, regardless of whether the goods in connection with which the

24. This is the practice of filing petitions to cancel registered marks or to oppose the registration of trademark applications. These proceedings are not Article III-style court proceedings but, rather, administrative proceedings before the Trademark Trial and Appeal Board (TTAB). *See generally* TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (2d ed. 2003), available at <http://www.uspto.gov/web/offices/dcom/ttab/tbmp/index.html> (last visited Jan. 28, 2008) (on file with the Washington and Lee Law Review). This Article is focused on Article III-style litigation not conduct before the PTO.

25. *See, e.g.,* *Abercrombie & Fitch v. Hunting World, Inc.*, 537 F.2d 4, 7 (2d Cir. 1976) (noting that part of Abercrombie's successful trademark-strengthening strategy included trademark infringement suits).

26. The Code states:

For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(2)(A) (2000).

marks are used are in competition. That is, once the mark becomes famous and eligible for dilution protection, competition no longer is relevant.<sup>27</sup> This is the holder's intended life cycle of trademarks.

I call the strike suit conduct described above, be it in the cease-and-desist stage, litigation stage, or registration stage, trademark extortion. To summarize, the results of trademark extortion are as follows:

- 1) The scope of the trademark grows through extortion rather than through use;
- 2) Competition is made more expensive and therefore there is less of it as parties avoid conflict with an existing and aggressive market player;
- 3) Once the scope of the trademark becomes wide enough, the holder of the trademark can call its mark "famous" and take advantage of all that the Federal Trademark Dilution Act (FTDA) has to offer;
- 4) Parties use trademark extortion as a tactic for reasons beyond just winning in court. As a result, trademark rights are not based on use, as the Constitution and the Lanham Act demand,<sup>28</sup> but, instead, based on trademark extortion;
- 5) The entire idea of the FTDA was to protect famous marks from dilutive conduct, yet to the extent trademark holders are creating their fame through trademark extortion rather than through use, the FTDA's purpose is not served. Ironically, the FTDA actually encourages trademark extortion because it places such a premium on making a mark famous. Therefore, to make its mark famous, trademark holders will do anything in this process, including trademark extortion.

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27. See 15 U.S.C. § 1227 ("The term 'dilution' means 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.").

28. See 15 U.S.C. § 1058 (detailing the requirement of continuing use for renewal of a trademark). The constitutional requirement of use comes from the Lanham Act's reliance on the Commerce Clause for its legitimacy.



## II. The Problem

The essence of the detected problem is as follows. For example, Company *A* has an existing market share in the orange juice market. Companies *A*, *B*, and *C* comprise the vast majority of the market share for orange juice. What happens when Company *D* attempts to enter the market for orange juice (or expands an existing nominal share)? Of course, it is not in Company *A*'s interest to see, encourage, or tolerate Company *D*'s existence in the marketplace for orange juice. As the number of competitors grows in any given market, here orange juice, the corresponding price that the remaining parties, here including Company *A*, can charge goes down.<sup>29</sup>

This is a basic theory, of course, of capitalistic competition. The corresponding notion also is true: When one company possesses 100% or near 100% of the market share, the more monopoly rent they can charge to have access to their goods or services.<sup>30</sup>

Therefore, Company *A* has a rather serious, institutional objective to not sit idly by while Company *D* enters the market for orange juice or expands its existing market share.

Company *A* can do several things regarding Company *D*'s market entry. It can attempt to exclude Company *D* from the market by raising its market entrance costs to some prohibitively high point. Company *A* can also make its mark more distinctive and therefore drive down the relative search costs between Company *A*'s orange juice and Company *D*'s orange juice. That is, growing the relative distinctiveness of its trademark is also a logical competitive strategy for Company *A*.

On the other hand, Company *A* might sue Company *D* for frivolous or nonfrivolous trademark infringement. A perfect example is Levi's conduct. As Levi's attempts to wrestle back market share by opening free-standing designer jean stores that can charge \$300 per pair rather than the \$30 per pair they have to charge at JCPenny's, similar to the competitors that drove down Levi's market share such as Abercrombie or American Eagle, Levi's is, as documented by the *New York Times*, engaging in trademark extortion.<sup>31</sup>

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29. RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 207 (2d ed. 1977) ("If there is competition to serve me, sellers will vie with one another to offer me an attractive contact and the price fixed in the contract will be bid down to the competitive level.")

30. Nicholas A. Widnell, Comment, *The Crystal Ball of Innovation Market Analysis in Merger Review: An Appropriate Means of Predicting the Future?*, 4 GEO. MASON L. REV. 369, 373-74 (1996) (explaining the concept of "monopoly rent," or the higher than necessary price society must pay for a good that is monopolized).

31. Barbaro & Cresswell, *supra* note 5, at A1.

### III. The Rise of the Lanham Act

To say that the Lanham Act rose out of the ashes of World War II would not overdramatize reality; however, the context of the Lanham Act far pre-dated World War II.<sup>32</sup> One of the earliest trademarks was G. WASHINGTON, registered by George Washington in 1772 for use on flour.<sup>33</sup> At that time, the man who would become the first president was a mere farmer and businessman, and of course, a seller of flour.

The first U.S. trademark legislation was proposed by a private citizen, Samuel Breck, in 1791.<sup>34</sup> Mr. Breck was a manufacturer of sailcloth in Boston and proposed that his group of proprietors be given the "exclusive privilege of using the particular marks they have adopted for designation of sail-cloth of their manufactory."<sup>35</sup>

The House of Representatives voted to refer the matter to the Secretary of State, Thomas Jefferson.<sup>36</sup> To this day, Jefferson's contribution to trademark and patent law is memorialized by the fact that one of the five principal buildings that makes up the PTO is named after Jefferson.<sup>37</sup> As so many things in America are named after Jefferson, it is good to know that a substantive connection between Jefferson and trademark law supports this epithet. Jefferson correctly saw that any such legislation must be grounded in the Commerce Clause of the Constitution.<sup>38</sup> He perceived that exclusive rights to use a trademark had potentially significant economic effects, that a trademark

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32. For an excellent and readable history of the notion of trademark protection in the United States, see Keith M. Stolte, *A Response to Jerome Gilson's Call for an Overhaul of the Lanham Act*, 94 TRADEMARK REP. 1335 (2004).

33. Beverly W. Pattishall, *Two Hundred Years of American Trademark Law*, 68 TRADEMARK REP. 121, 121 (1978) (citing T. Grubisich, *Washington's Flour*, CHI. SUN-TIMES, Apr. 23, 1976, at 46).

34. 1 J. OF H.R. 464 (Joseph Gales, Jr. & William Winston Seaton eds., 1826).

35. *Id.*

36. Pattishall, *supra* note 33, at 122 (citing EDWARD RODGERS, GOOD WILL, TRADEMARKS AND UNFAIR TRADING 47-48 (1914)).

37. See Justin Hughes, *Copyright and Incomplete Historiographies*, 79 S. CAL. L. REV. 993, 1033 (2006) (discussing Jefferson's contributions to the development of U.S. trademark law); Beverly Pattishall, *The Constitutional Foundations of American Trademark Law*, 78 TRADEMARK REP. 456, 459 (same).

38. See THOMAS JEFFERSON, *Report on the Policy of Securing Particular Marks to Manufacturers by Law*, in 3 THE WRITINGS OF THOMAS JEFFERSON 156, 157 (Andrew A. Lipscomb ed., 1905) (stating that Jefferson limited any trademark law to "commerce with foreign nations, and among the several States, and with the Indian Tribes," tracking the Commerce Clause verbatim); see also Stolte, *supra* note 32, at 1340 ("Jefferson identified the Commerce Clause as the appropriate basis for Congressional authority to enact such legislation.").

registration system would be useful in streamlining and equalizing access to those rights, and that trademark infringers should be punished.<sup>39</sup> Although the Second Congress of the United States defeated Jefferson's proposed trademark law,<sup>40</sup> his insights on the subject proved instrumental much later in the 1946 Act.

In 1870, the first actual trademark legislation was passed into law in the United States.<sup>41</sup> The Act of 1870, loosely speaking, granted rights upon registration, not upon use,<sup>42</sup> and claimed the Patent and Copyright Clause of the Constitution<sup>43</sup> as its basis.<sup>44</sup> This clause gives Congress the authority "to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."<sup>45</sup> In 1879, the Supreme Court struck this Act down as unconstitutional.<sup>46</sup> The Supreme Court held that trademarks were not "writings" as envisioned in Article 1, Section 8, Clause 8 of the U.S. Constitution, and therefore, if federal trademark protection was to be constitutional, it must find its grounding elsewhere.<sup>47</sup>

39. See JEFFERSON, *supra* note 38, at 157 (noting that trademark protection would "contribute to fidelity in the execution of manufacturing" and "rendering it penal in others to put the same mark to any other wares").

40. See Pattishall, *supra* note 33, at 460 ("Secretary Jefferson's excellent recommendations met the same fate subsequently accorded . . . trademark law proposals . . ."); see also EDWARD RODGERS, GOOD WILL, TRADE-MARKS AND UNFAIR TRADING 48 (1914) ("It is evident that there was not a sufficient demand at the time of Jefferson's report or for seventy-nine years afterwards for a law to put into effect his recommendations and it was not until 1905 that they were fully carried out."). New York was the first state to enact a trademark law ostensibly to prevent fraud in the use of false stamps and labels, but did not do so until 1845. *Id.*

41. See Pattishall, *supra* note 37, at 460 ("[N]ot until 1870 did Congress attempt enactment of a trademark law.").

42. See Trademark Act, ch. 230, §§ 21–23, 16 Stat. 198, 198 (1870) (providing that a patent shall be registered and that patent rights shall begin henceforth).

43. U.S. CONST. art. I, § 8, cl. 8.

44. See Trademark Act, 16 Stat. at 198 (discussing the earlier legislation used as a basis for the Trademark Act).

45. U.S. CONST. art. I, § 8, cl. 8.

46. See *The Trademark Cases*, 100 U.S. 82, 99 (1879) (holding that the Trademark Act of 1870 was unconstitutional). Most relevantly for the subsequent Act of 1881, the Supreme Court expressly stated that its holding did not affect Congress's ability to regulate international commerce. See *id.* ("In what we have here said we wish to be understood as leaving untouched the whole question of the treaty-making power over trade-marks, and of the duty of Congress to pass any laws necessary to carry treaties into effect.").

47. See *id.* at 94 (discussing the types of "writings" that are and are not covered by the Patent and Copyright Clause). Reading the legislative history of the Lanham Act, one clearly gets the sense that the drafters were searching for constitutional legitimacy. See *Hearings on*

In 1905, a new trademark law was enacted.<sup>48</sup> Although this law was described by one of the most influential trademark commentators of the day as a "slovenly piece of legislation, characterized by awkward phraseology, bad grammar and involved sentences [whose] draftsmen had a talent for obscurity amounting to genius,"<sup>49</sup> it lasted until 1947 when the Lanham Act took effect.

In 1938, the first draft of what became known as the Lanham Act was submitted to Congress and discussed at length.<sup>50</sup> It, of course, failed to pass. On June 17, 1939, House Bill 6618, another version of what became known as the Lanham Act, passed the House and the Senate on June 22, 1940. After passage in the Senate, a motion to reconsider was entered and agreed upon.<sup>51</sup> The bill was, therefore, returned to the calendar and not acted upon again during that session of Congress.<sup>52</sup>

In 1941, during the 77th Congress, House Bill 5461 and Senate Bill 895 were submitted to each respective House of Congress.<sup>53</sup> Once again, after one version passed the House it was subsequently referred to Subcommittee and action was deferred on December 15, 1942.<sup>54</sup> During the 78th Congress, House

*H.R. 9041 Before the Subcomm. on Trade-Marks of the H. Comm. on Patents, 75th Cong. 24 (1938) [hereinafter *Hearings on H.R. 9041*] ("[A]nyone examining the history of the Federal Government can observe that, as a matter of fact, from the earliest beginnings of the United States and the Colonies preceding it, there has been a continual transfer of rights from the individual States to the Federal Government.")*

48. Act of Feb. 20, 1905, ch. 592, 33 Stat. 724. Although there had been several piecemeal attempts at trademark statutes, the 1905 Act was considered the first systematic trademark jurisprudence after the 1870 Act. *See* Trademark Act, ch. 274, 19 Stat. 141 (1876) (dealing only with means of enforcement); *see also* Trademark Act, ch. 138, 21 Stat. 502 (1881) (applying only to international commerce).

49. Edward S. Rogers, *The Expensive Futility of the United States Trade-Mark Statute*, 12 MICH. L. REV. 660, 665 (1914). Rogers, probably not coincidentally, was the author of a trademark bill submitted to Congress in 1924 to supplant the Act of 1905. It, however, did not pass. *See* Pattishall, *supra* note 37, at 462 (discussing Rogers's efforts to enact trademark reform). For a more favorable review of the 1905 Act, *see* Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law 1900–2000*, 88 CALIF. L. REV. 2187 (2000).

50. *Hearings on H.R. 9041, supra* note 47 at 1–199. This was the initial hearing that took place on March 15–18, 1938. Representative Lanham chaired this committee. *Id.* at 1. It consisted of a fact finding mission in which the House Committee sought the truth about what would become the Lanham Act. *Id.* at 13–15. Of course, the presenters were all well-known trademark attorneys and corporate representatives who testified that, from their perspective and their clients' perspectives, this national trademark law was needed. *Id.* at 22–28. Only trademark holders or their representatives testified. *Id.*

51. S. REP. NO. 79-1333, at 6 (1946), *as reprinted in* 1946 U.S.C.C.A.N. 1274, 1277 (1946).

52. *Id.*, *as reprinted in* 1946 U.S.C.C.A.N. at 1278.

53. *See id.* ("[T]rademark bills before Congress included H.R. 102, H.R. 5461, and the companion Senate bill S. 895.")

54. *Id.* at 7, *as reprinted in* 1946 U.S.C.C.A.N. at 1278.

Bill 82 was submitted to Congress and ultimately passed by the House on June 28, 1943.<sup>55</sup> That bill was referred to the Committee on Patents but action was deferred on December 14, 1944, and no further action was taken before the close of that congressional session.<sup>56</sup> Finally, during the 79th Congress in 1946, the Lanham Act was passed, signed into law, and codified.<sup>57</sup> It took effect on July 5, 1947.<sup>58</sup>

Once passed, the Lanham Act was considered a very significant accomplishment. But if it was so important,<sup>59</sup> why did it take eight years of specific legislative attempts,<sup>60</sup> some forty years of existence under the "slovenly piece of legislation"<sup>61</sup> and almost seventy years after the Trademark Cases struck down the Act of 1870 to provide a comprehensive federal trademark statute?

The most well-known answer to this question is the idea that the American economy underwent a very important transformation, culminating in the end of World War II. By 1946, all of that had changed. Technological advances in transportation and communication, innovations in manufacturing, the development of sophisticated advertising and marketing schemes and a huge

55. *Id.*

56. *Id.*

57. The Lanham Act, ch. 540, 60 Stat. 427 (1946) (codified at 15 U.S.C. § 1051–1141n).

58. The first case to cite the Lanham Act was *Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 73 F. Supp. 338, 341 (W.D. Penn. 1947), on September 9, 1947. The first case to actually rely on the Lanham Act was *California Fruit Growers Exchange v. Sunkist Baking Co.*, 166 F.2d 971, 979 (7th Cir. 1947), on Dec. 23, 1947, reversing a finding of infringement of the word "SUN-KIST" as no confusion as to source was found as required under the Lanham Act. *Id.* Needless to say, this case was originally filed before the effective date of the Lanham Act. The court does not give the date of the case from which this appeal was brought but does cite the Act of 1905 for the proposition that allowing the plaintiff to monopolize the word "SUN-KIST" on food products would be giving them too much. *Id.* at 976. The first actual reported district court case relying on the exclusively on the Lanham Act for jurisdiction is *Colonial Radio Corp. v. Colonial Television Corp.*, 78 F. Supp. 546, 598 (S.D.N.Y. 1948), on June 8, 1948, almost exactly eleven months after the effective date of the Lanham Act. Furthermore, this case was successful in enjoining the defendant from using "Colonial" on televisions while the plaintiff had used it on or in connection with radios. *Id.* at 554. In the first two years of the Lanham Act's existence, there are eight reported substantive cases citing the Lanham Act as controlling.

59. See Elke Elizabeth Warner, Comment, *Are We Trading Our Lanham Act Away? An Evaluation of Conflicting Provisions Between the NAFTA and North American Trademark Law*, 2 Sw. J.L. & TRADE AM. 227, 227 (1995) ("Trademarks 'encourage competition, promote economic growth and can raise the standard of living of an entire nation.'" (quoting S. REP. NO. 100-515, at 5 (1988))).

60. Actually, it was only eight years after the statute was first submitted in 1938, but for more than ten years it was studied and analyzed by a standing committee of the ABA. *Hearings on H.R. 9041*, *supra* note 47 at 11.

61. Rogers, *supra* note 49, at 665.

increase in consumer products, brand names, and competition in general virtually compelled substantial statutory revision of the laws protecting trademarks and free and fair competition.<sup>62</sup>

Of course, the technical answer is that the Lanham Act is a statute that codifies the common law.<sup>63</sup> As a codification, clearly it takes time for the common law to develop, one adjudication at a time.<sup>64</sup> In addition, we presume when we say it was a codification of common law that there was one, consistent body of trademark law that the Lanham Act codified. In fact, the common law under the 1905 Act was diverse.<sup>65</sup> Therefore, the Lanham Act was not so much a codification as a selection of which common law it would codify. To be sure, this process took time and was not free of controversy.<sup>66</sup>

The Lanham Act is also seen as a great expansion of trademark rights.<sup>67</sup> This expansion of trademark law through the Lanham Act is considered by some as an inappropriate statutory gift to corporations.<sup>68</sup> Where the common

62. Stolte, *supra* note 32, at 1349.

63. See Denicola, *supra* note 3, at 79 ("The Lanham Act, despite its innovations, is in essence a codification.").

64. See Edward S. Rogers, *Introduction* to DAPHNE ROBERT, *THE NEW TRADE-MARK MANUAL*, at xi (1947) ("The Lanham Act is the latest development in the long, slow, and sometimes discouraging process of the effort to protect trade-marks . . ."); see also H.R. REP. NO. 79-2322, at 7524 (1946) (statement of Rep. Lanham) ("[T]he legislative history of this act is long and extensive.").

65. See Sigmund Timberg, *Trade-Marks, Monopoly, and the Restraint of Competition*, 14 *LAW & CONTEMP. PROBS.* 323, 347 (1949) ("[The Lanham Act] is inspired by divergent philosophical theories of trade-mark protection which were not effectively reconciled."); see also H.R. REP. NO. 79-2322, at 7524 (1946) (statement of Rep. Lanham) ("[The Lanham Act] reenacts much prior legislation and creates new rights . . ."); Daniel McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 *TRADEMARK REP.* 305, 334 (1979) ("Despite its pretensions to bringing orderliness to trademark law by restating and modernizing the law, in many ways the Lanham Act did not solve the key controversies in trademark and unfair competition, leaving the courts in much the same position as before.").

66. See McClure, *supra* note 65, at 334-35 (noting divergent views of the law among courts and scholars).

67. See *Hearings on H.R. 9041*, *supra* note 47, at 14 (indicating that the Bill was seen as preempting state laws on trademarks).

68. One critic argues:

[T]he Lanham Act ultimately marked a rather dramatic departure from the common law. The breadth of common law protection varied roughly with investment, so that rights extended to all of the geographic areas, but only those areas, in which the holder had actually used the mark to identify its goods or into which the firm would naturally expand. Elsewhere, anyone was free to use the mark. The legislative history may suggest that the Lanham Act is to operate under similar restrictions, prohibiting only "diversion of trade through misrepresentation," but that is not how the statute reads. Under the literal terms of the Act, the protection of a registered mark goes beyond mere misrepresentation, because it is not limited

law of trademarks required state-by-state investment by the trademark holder,<sup>69</sup> the Lanham Act now conferred nationwide protection upon a simple trademark registration application form. Previously, trademark holders had to file independent registrations with each state. Prior to the Lanham Act, corporations even engaged in "self help." That is, something called the "Thomson Register"<sup>70</sup> became a popular form of "registration." Because there was no significant federal registration system in place, corporations claimed rights and made those rights known to the world by having their trademark appear on the Thomson Register. Although no enforcement, of course, was possible, it was a popular form of self-help and deterrence. In 1938, over 75,000 trademarks were registered on the Thomson Register.<sup>71</sup>

Another explanation for why it took so much time to come to a conclusion on the Lanham Act was the need to find constitutional grounding for the Act. In 1879, the Supreme Court held that using the Patent and Copyright Clause as justification was inappropriate.<sup>72</sup> Where, then, would constitutional justification be found?

Of course, the Commerce Clause of the Constitution<sup>73</sup> is, today, the ultimate justification for the Lanham Act,<sup>74</sup> but getting there seems to have been a challenging road. In the three terms during the years of 1933–1936, the Supreme Court struck down eleven of the thirteen cases addressing New Deal legislation, much of it for violating the Commerce Clause.<sup>75</sup> However, from

to the particular geographic regions in which the registrant does business. On the contrary, registration serves as constructive notice everywhere in the country of the registrant's claim of ownership, and unless that claim can be overcome, the substantive rights conferred by registration are nationwide in scope.

Steven Carter, *The Trouble with Trademarks*, 99 YALE L.J. 759, 775–76 (1990).

69. See *Hearings on H.R. 9041*, *supra* note 47, at 12 (discussing the decentralized, state-based administration of trademark protection).

70. See *id.* at 22 (noting the private attempts at trademark "registration").

71. *Id.*

72. See *The Trademark Cases*, 100 U.S. 82, 93 (1879) (holding that the Patent and Copyright Clause could not be used to justify federal protection of trademarks).

73. U.S. CONST. art. I, § 8, cl. 3.

74. See *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283–84 (1952) (holding that "commerce" under the Lanham Act includes and extends to the limits of Congress's Commerce Clause powers); see also *Planned Parenthood Fed'n of Am., Inc. v. Bucci*, 1997 U.S. Dist. LEXIS 3338, \*10–11 (S.D.N.Y. Mar. 19, 1997) (explaining that "[i]t is well settled that the scope of 'in commerce' as a jurisdictional predicate of the Lanham Act is broad and has a sweeping reach" (citing *Steele*, 344 U.S. at 283)).

75. See Michael Comiskey, *Can a President Pack—or Draft—the Supreme Court? FDR and the Court in the Great Depression and World War II*, 57 ALB. L. REV. 1043, 1046 (1994) ("In the three terms from 1933–34 to 1935–36, the Court struck down or limited New Deal measures in eleven of thirteen cases.").

December of 1936 to May of 1937, the Supreme Court upheld all eighteen cases regarding New Deal legislation that it confronted, all based on a newly revitalized Commerce Clause power.<sup>76</sup> Whether this was because of Roosevelt's failed plan to "pack" the court<sup>77</sup> or a simple conversion of judges to his New Deal scheme based on his popularity<sup>78</sup> is irrelevant here. What is relevant is the fact that the Commerce Clause became the basis for much federal legislation that otherwise may be deemed improbable. That is, this new view of the Commerce Clause made a significant federal trademark regulation regime possible in the eyes of the courts and Congress.

An even better explanation of why it took so long for the United States to adopt a modern, nationwide system of trademark protection, however, can be found in the development of the U.S. economy and the size of the U.S. government during and immediately after World War II.<sup>79</sup> It took World War II to make Americans realize that it was far more effective to fight a world war as a nation, rather than as a loose collection of states.<sup>80</sup> It is no coincidence that the final passage of the Lanham Act occurred in 1946, less than a year after the war ended in the Pacific theater. Once America got a taste of "nationhood" through various cooperative efforts to fight the Germans and the Japanese simultaneously, it could not go back. Although the sheer size of the government did not ratchet up, the idea of national government developed during World War II and remained solidly in place after the war.<sup>81</sup> Therefore, the Lanham Act can be seen as one by-product of the "nationification" of America.

As goods traveled in one national marketplace, a unified system of trademark laws became necessary to avoid inefficiencies that would be passed on to consumers as manufacturers tried to compete in fifty different

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76. See *id.* at 1046 ("From December 1936 to May 1937, the Court upheld New Deal-style social and economic measures in each of the eighteen cases it decided.").

77. Known as the "switch in time that saved nine."

78. See Comiskey, *supra* note 75, at 1046–47 (discussing the conversion of Justices Hughes and Roberts toward supporting the left wing of the Court).

79. Hugh Rockoff, *World War II and the Growth of the U.S. Federal Government*, 11 JAPAN & WORLD ECON. 245, 245–62 (1999) (finding that no ratcheting of federal government agencies occurred because of the war, but a huge ratcheting of ideas about large federal government and the national economy were realized).

80. The State of Texas is the only State in the Union that has retained the right to raise a navy. See generally Texas Navy Association, <http://www.texasnavy.com> (last visited Jan. 22, 2008) (on file with the Washington and Lee Law Review).

81. See Rockoff, *supra* note 79, at 261 (concluding that the war itself did not result in a ratcheting effect on the size of government but, instead, served as an apparent confirmation of Keynesian macroeconomic ideas).



jurisdictions under fifty separate trademark laws.<sup>82</sup> In fact, the Supreme Court has recognized this as follows:

Congress enacted the Lanham Act in 1946 in order to provide national protection for trademarks used in interstate and foreign commerce. Previous federal legislation, such as the Federal Trademark Act of 1905, reflected the view that protection of trademarks was a matter of state concern and that the right to a mark depended solely on the common law. Consequently, rights to trademarks were uncertain and subject to variation in different parts of the country. Because trademarks desirably promote competition and the maintenance of product quality, Congress determined that a sound public policy requires that trademarks should receive nationally the greatest protection that can be given them.<sup>83</sup>

With a new sensitivity to a national economy made possible by development of roads and industries growing out of federal capital investment, it became imperative that the United States adopt a federal trademark regime to accommodate the new national marketplace made possible by this development.<sup>84</sup> Additionally, during World War II, the U.S. government expanded greatly.<sup>85</sup> It became engaged in everything from local road production (to ease the flow of people, material, and completed war munitions)<sup>86</sup> to a variety of "instant industries."<sup>87</sup>

82. See S. REP. NO. 79-1333, at 5 (1946), as reprinted in 1946 U.S.C.C.A.N. 1274, 1277 (expressing concern that each state's ability to change its common law of trademarks results in a hodgepodge of law and also noting that "trade is no longer local, but is national").

83. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 193 (1985) (citations omitted).

84. Deborah A. Ballam, *The Evolution of the Government-Business Relationship in the United States: Colonial Times to Present*, 31 AM. BUS. L.J. 553, 631 (1994) (describing government facilitation of business development through the interstate highway system, direct aid to failing businesses, and direct subsidies for defense research).

85. See BARTHOLOMEW H. SPARROW, *FROM THE OUTSIDE IN: WORLD WAR II AND THE AMERICAN STATE* 269 (1996) ("The war transformed the bureaucracies of the federal government; it reconfigured the pattern of government-society relations; and it altered the means of public administration with respect to social welfare programs, the regulation of labor management relations, public finance, and material procurement by the Navy Department.").

86. See BRUCE SEELY, *BUILDING THE AMERICAN HIGHWAY SYSTEM: ENGINEERS AS POLICY MAKERS* 178 (1987) (describing an early and influential highway project called "Toll Roads and Free Roads," a federally sponsored systematic mapping of road construction designed to build roads large enough to transport 50,000 people a day to and from the Pentagon in 1941). For a brief and interesting review of the war effort's contribution to the development of a national highway system, see *National Defense Highway System*, <http://www.globalsecurity.org/military/facility/ndhs.htm> (last visited Nov. 26, 2007) (on file with the Washington and Lee Law Review).

87. See GERALD D. NASH, *THE AMERICAN WEST TRANSFORMED: THE IMPACT OF THE SECOND WORLD WAR* 19 (1985) (noting that the U.S. government invested huge sums of

World War II is said to have had three significant legacies on the government-business relationship. First, starting with Franklin D. Roosevelt, the office of the President was given the power to control, reorganize as he saw fit, and enliven a large and growing federal bureaucracy.<sup>88</sup> Second, the politics of pluralism prevailed in the post-war era, seeing the rise of consumer, environmental, and civil rights movements.<sup>89</sup> Third, the war established thoroughly and inextricably in the minds of Americans that the federal government was responsible for individual well-being.<sup>90</sup> Each of these legacies bears directly upon the development of a federal trademark statute.

First, the Lanham Act was to be overseen by a centralized, federal bureaucracy.<sup>91</sup> The Act gives control of the trademark registration system to a federal agency (the Patent and Trademark Office) that could ultimately be controlled by the President.<sup>92</sup> This gave the President the ability to set overall policy, control the PTO's budget and manipulate its operations. Second, pluralism helped establish that one unified system of trademark protection was needed. The United States could no longer tolerate the piecemeal approach to trademark law that the 1905 Act represented.<sup>93</sup> Third, and most significantly, one point that permeated the discussion of the proposed statute that became the Lanham Act was that it would protect the consumer from confusion.<sup>94</sup> That is,

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capital—approximately \$70 billion—in the western states during World War II to foster industry and business development).

88. *See id.* at 629 (identifying origins of this power in the administrations of Presidents Teddy Roosevelt and Woodrow Wilson, yet noting solidification of this power during President Franklin D. Roosevelt's administration).

89. *See id.* (attributing a strengthened piecemeal regulatory approach to the politics of pluralism).

90. *See id.* (portraying programs such as social security and unemployment compensation as acknowledgements of communal responsibility for the downtrodden).

91. *See* 15 U.S.C. § 1051 (2000) (describing process that the Lanham Act established for registering trademarks with the PTO).

92. Prior to the Bush administration, the PTO was considered a rather independent agency, free of direct political control of the President; the situation today may be different. *See* Thomas B. Edsall, *Gov. Bush Reveals Lobbying Effort: Documents Show Intervention in Trademark Case of GOP Donor*, WASH. POST, Oct. 18, 2002, at A12 (describing efforts by Governor Jeb Bush on behalf of a corporate donor to facilitate patent action favorable to the corporate donor); *see also* Orin S. Kerr, *Rethinking Patent Law in the Administrative State*, 42 WM. & MARY L. REV. 127, 190 (2000) ("PTO discretion to set the scope of patentable subject matter would transform control over the PTO into a valuable political chip.").

93. *See supra* note 48 and accompanying text (discussing the 1905 Act and its piecemeal predecessors).

94. *See* S. REP. NO. 79-1333, at 6 (1946), *as reprinted in* 1946 U.S.C.A.N. 1274, 1277 ("[T]he protection of trade-marks is merely protection to goodwill, to prevent diversion of trade through misrepresentation, and the protection of the pubic against deception . . .").

the federal government was charged with the well-being of the individual citizen in the form of a trademark statute.

Another factor that has influenced the rate of litigation of trademark cases has been the uneven enforcement of antitrust laws. In the 1970s, the U.S. government was very aggressive in enforcing antitrust laws against trademark holders who attempted to assert their rights.<sup>95</sup> Today, based largely on the Chicago school of law and economics,<sup>96</sup> American jurisprudence demonstrates wide acceptance of the belief that trademark protection promotes competition rather than hindering it.<sup>97</sup> As competition increases, the total price paid for a good or service goes down, and the American capitalistic model is satisfied.

#### IV. Predation

Naturally, trademark holders are rent-seekers.<sup>98</sup> A rent-seeker is an entity that spends its finite resources to capture artificially inflated prices for their goods or services.<sup>99</sup> Trademark holders are natural rent-seekers because they benefit by any increased price for a good or service above the marginal cost of making that good or service. Predation facilitates rent-seeking conduct.

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95. See Daniel M. McClure, *Trademarks and Competition: The Recent History*, 59 L. & CONTEMP. PROBS., Spring 1996, at 13, 13 ("In retrospect, the aggressive enforcement actions taken by the FTC in the 1970s represented the high-water mark of the attack on trademarks that utilized the argument that trademarks are inherently anticompetitive.").

96. For an explanation of how trademark system promotes economic efficiency, through means such as reducing consumer search costs, by two leading Chicago school theorists, see William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 270-71 (1988).

97. See McClure, *supra* note 95, at 37 (describing the Supreme Court's "open embrace" of the Chicago school economics justification for trademarks, which has provided "the unifying basis for reconciling divergent legal doctrines").

98. See Mark Crain & Asghar Zardkoobi, *X-Inefficiency and Nonpecuniary Rewards in a Rent-Seeking Society: A Neglected Issue in the Property Rights Theory of the Firm*, 70 AM. ECON. REV. 784, 786 (1980) (describing pursuit of potential monopoly as rent-seeking behavior, which may incentivize distribution of wealth to persons with political power to facilitate creation of a monopoly); see also Shabtai Donnenfeld & Shlomo Weber, *Limit Qualities and Entry Deterrence*, 26 RAND J. ECON. 113, 114 (1995) (stating that managers in oligopolistic manufacturing and services industries consider product location and product proliferation to constitute important entry-detering strategies).

99. See D.G. Hartle, *The Theory of "Rent Seeking": Some Reflections*, 16 CAN. J. ECON. 539, 539 (1983) (defining "rent seeking" as investment with the expectation of obtaining increased wealth through securing legal rights); see also Kai A. Konrad & Harris Schlesinger, *Risk Aversion in Rent-Seeking and Rent-Augmenting Games*, 445 ECON. J. 1671, 1672-73 (1997) (differentiating rent seeking, which involves maximizing chances of receiving rent, from rent augmentation, which aims to maximize the size of rent received).

Predation consists of the process of excluding competitors by a variety of means. One method of predation, called "dumping," involves reducing the price paid by a purchaser to less than it cost the firm to make the good.<sup>100</sup> If competitors are unable to match the downward price pressure that the predator places on the good or service, the number of competitors will decrease and the predator's market share will commensurately increase. Predation can also be accomplished by suing, threatening to sue, or creating a reputation or impression in the minds of market entrants that the predator will sue for, among other things, trademark infringement. Such nonprice predatory conduct raises competitor costs and deters entry.<sup>101</sup>

Predation is a rational, wealth-maximizing strategy, not because there is profit in predation, but because there is profit in the threat of predation.<sup>102</sup> Although predation increases short-term costs to the predator, the predator deters market entry through the fear or perceived threat of predation, thereby maximizing long-term profit.<sup>103</sup> The less competition, the more successful a firm will be at rent-seeking.

Raising rivals' costs is another way a firm might engage in rent-seeking conduct. As rivals' costs increase, the firm gains by not spending to match those increased costs. In fact, sometimes raising rivals' costs has advantages over predatory pricing.<sup>104</sup> If, for example, the firm is competing with high-cost

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100. See BLACK'S LAW DICTIONARY 540 (8th ed. 2004) (defining "dumping" as "[t]he act of selling a large quantity of goods at less than fair value"). For an argument that anti-dumping laws do not serve consumer interests, see Klaus Stegemann, *Anti-Dumping Policy and the Consumer*, 19 J. WORLD TRADE L. 466, 466-67 (1985).

101. See Steven C. Salop & David T. Scheffman, *Raising Rivals' Costs*, 73 AM. ECON. REV. 267, 267-71 (1983) ("Some non-price predatory conduct can best be understood as action that raises competitors' costs."); see also Michael Waldman, *Non-Cooperative Entry Deterrence, Uncertainty, and the Free Rider Problem*, 54 REV. ECON. STUD. 301, 301 (1987) (describing how uncertainty may cause a noncooperative oligopoly to under invest in entry deterrence).

102. See Paul Milgrom, *Predation, Repudiation and Entry Deterrence*, 27 J. ECON. THEORY 280, 281 (1982) (noting that the use of predation to eliminate a competitor does not provide predator with direct profit).

103. See *id.* (describing mechanism by which firms develop reputations as predators, leading potential entrants to fear predation upon market entry and thus deterring entry into the predator's market).

104. See Salop & Scheffman, *supra* note 101, at 267 (stating three obvious advantages of cost-raising over predatory pricing: potential for immediate profits, avoidance of "speculative and indeterminate" long-term impact, and the decreased need for superior financial resources to successfully execute the strategy); see also Steven C. Salop & David T. Scheffman, *Cost-Raising Strategies*, 36 J. INDUS. ECON. 19, 19-20 (1987) (noting two major advantages of cost-raising over predatory pricing: first, it contains no inherent credibility problem, as they may produce short-term profit whether or not the rivals exit; and second, that classical, single-firm monopoly power is not necessary to effectively raise competitors' costs).

firms rather than low-cost firms, it can remain profitable even if the rivals do not exit the market.<sup>105</sup> Also, while attempting to raise rivals' costs, it is not necessary to "sacrifice profits in the short term for 'speculative and indeterminate' profits in the long run."<sup>106</sup> As cost-raising strategies do not require the sacrifice of profits in the short run, the predator has an incentive to carry out its threats.<sup>107</sup>

Cost raising strategies also do not require that the predator have deeper pockets or superior access to financial reserves in the form of bank loans or stock offerings.<sup>108</sup> Unlike predatory pricing, cost-increasing strategies can often be made irreversible.<sup>109</sup> These strategies lie beyond the scope of this Article but might include the intent-to-use system of trademark registration<sup>110</sup> that deters entrance by allowing the predator to register its intent to use a trademark, thereby excluding competing uses, for up to three years.<sup>111</sup> The intent-to-use system increases would-be competitors' costs because these competitors think they must find an alternative trademark if the predator has registered the same or a similar mark for the same or similar goods.

In fact, perhaps the most significant cost-increasing, permanent strategy that greatly benefits the predator is the federal Trademark Dilution Act of 1996.<sup>112</sup> Under the dilution provision of the Lanham Act, even the costs of noncompetitors are increased indeterminately. First, noncompetitors must incur the costs of understanding the trademark holder's rights under the

105. See Salop & Scheffman, *supra* note 101, at 267 ("Thus, raising rivals' costs can be profitable even if the rival does not exit from the market.").

106. *Id.*

107. See *id.* (noting that cost-raising strategies allow for immediate profit increases).

108. See *id.* (noting that cost-raising strategies are relatively inexpensive).

109. See *id.* (noting that this irreversibility makes the strategy more credible).

110. See 15 U.S.C. § 1051(b) (2000) ("A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark . . ."), see also David J. Franklyn, *Owning Words in Cyberspace: The Accidental Trademark Regime*, 2001 WIS. L. REV. 1251, 1252 ("Thus, we have seen more expansive approaches to trade address protection which is illustrated by: a more generous application of the 'likelihood of confusion' test; a proliferation of intent-to-use trademark applications; more robust anti-dilution protection; and judicial softening of the assignment in gross prohibition."). I am indebted to Kurt Strovink (William Mitchell '07) for this line of thought.

111. See 15 U.S.C. § 1051(d) (stating a nominal six-month deadline for official trademark filing, but allowing for an additional six-month extension with no explanation required, and a further extension of up to two additional years with a "showing of good cause").

112. See *id.* § 1125(c) (allowing an injunction in favor of "the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness" against one who uses a mark likely to dilute, blur, or tarnish the famous mark, regardless of actual or likely confusion, competition, or actual economic injury).

dilution statute. The noncompetitors must then incur the cost of avoiding dilutive conduct. As it is not precisely clear what counts as dilutive conduct,<sup>113</sup> the noncompetitor must also incur the cost of this unpredictability.<sup>114</sup>

Regardless of whether a competitor uses cost-increasing strategies, market-exit strategies, or both, the predator achieves its rent-seeking goals as a result. Of course, another and more obvious way a firm can seek rent is to make its trademark more distinctive.<sup>115</sup> A more distinctive trademark will earn the firm quicker and less expensive rents as it will not have to invest in advertising aimed at product differentiation.

Rational buyer behavior when confronted by less than perfect information about product differentiation or product quality gives great advantages to the initial market entrant or the first entrant to capture consumer confidence through use of its trademark.<sup>116</sup> When consumers become convinced that the one product or service in a class of goods or services performs satisfactorily, that product bearing a specific trademark becomes the standard against which all other entrants must compete.<sup>117</sup> The new market entrant, therefore, must incur the cost of informing the public

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113. For an example of a court using circular reasoning in claiming that dilution is shown when a mark is diluted, see *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 469 (6th Cir. 2001), *rev'd by* 537 U.S. 418, 434 (2003). The Sixth Circuit noted that to establish dilution, "(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the [senior mark's] distinctive quality." *Id.* (quoting *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 577 (6th Cir. 2000)).

114. See, e.g., John Eloffson, *The Dilemma of Changed Circumstances in Contract Law: An Economic Analysis of the Foreseeability and Superior Risk Bearer Tests*, 30 COLUM. J.L. & SOC. PROBS. 1, 26 (1996) (stating that judicial uncertainty adds complexity to negotiations and increases transaction costs).

115. See Michael Adams, Comment, *The Dilution Solution: The History and Evolution of Trademark Dilution*, 12 DEPAUL-LCA J. ART & ENT. L. & POL'Y 143, 144 (2002) (noting that "a trademark actually sells the goods, and 'self-evidently, the more distinctive the mark, the more effective is its selling power.'" (quoting F.I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 805, 813 (1927))); see also Julie M. Magid, Anthony D. Cox, & Dena S. Cox, *Quantifying Brand Image: Empirical Evidence of Trademark Dilution*, 43 AM. BUS. L.J. 1, 37 (2006) ("The more distinctive [a trademark] is, the greater the brand strength in the mind of the consumer.").

116. See Richard Schmalensee, *Product Differentiation Advantages of Pioneering Brands*, 72 AM. ECON. REV. 349, 349 (1982) (noting an empirical study concluding that the advantage of buyer preference for established seller products over potential entrant products is larger than any other barrier to entry).

117. See *id.* at 355 (using the example of toothpaste to demonstrate that consumers are predisposed to continue buying an initial standard-setting brand of toothpaste that meets consumer expectations, even at a higher price than that charged by a comparable second market entrant).

that its product or service is equal to or better than the standard.<sup>118</sup> As professor Richard Schmalensee has noted: "By granting pioneering brands the exclusive use of their trademarks forever, society grants something like a patent with infinite life. . . . Like the patent grant, the potential monopoly position of pioneering brands trades off static efficiency against the incentive to innovate."<sup>119</sup>

In fact, multi-national suppliers of goods and services seem to be quite successful at predation. The following figure shows that in 19 of 21 popular products, the Number 1 seller has remained the Number 1 seller for over 60 years. In only two instances did the Number 1 seller lose its status, and, in each case, it only dropped to the Number 2 seller. This seems to be further evidence of predation. In normal markets, one would not expect the Number 1 seller of a good or service to remain the Number 1 seller of that good or service for over 60 years.<sup>120</sup> However, that is precisely what has happened.

**Figure 1: Brand Comparison Between 1925 and 1985<sup>121</sup>**

Product	Leading Brand in 1925	Market Rank in 1985
Bacon	Swift	Leader
Batteries	Eveready	Leader
Biscuits	Nabisco	Leader
Breakfast Cereal	Kellogg's	Leader
Cameras	Kodak	Leader
Canned Fruit	Del Monte	Leader
Chewing Gum	Wrigley's	Leader
Chocolates	Hershey's	Number 2
Flour	Gold Medal	Leader
Mint Candies	Life Savers	Leader
Paint	Sherwin-Williams	Leader

118. See *id.* at 360 (noting the difficulty that new entrants experience in persuading consumers to learn of their product qualities).

119. *Id.* at 361.

120. See Richard Schmalensee, *Entry Deterrence in the Ready to Eat Cereal Industry*, 9 BELL J. ECON. 305, 314–15, 321 (1978) (arguing that the established ready-to-eat cereal manufacturers flooded the market with new cereals making market entry by others undesirable, and recommending a royalty free licensing remedy to allow others to manufacture and sell cereal under the most popular brands).

121. Adopted from Steve Hartman, *Brand Equity Impairment—The Meaning of Dilution*, 87 TRADEMARK REP. 418, 430 (1997).

Pipe Tobacco	Prince Albert	Leader
Razors	Gillette	Leader
Sewing Machines	Singer	Leader
Shortening	Crisco	Leader
Soap	Ivory	Leader
Soft Drinks	Coca-Cola	Leader
Soup	Campbell's	Leader
Tea	Lipton	Leader
Tires	Goodyear	Leader
Toothpaste	Colgate	Number 2

### V. Methodology

The methodology used in conducting this study was, to say the least, challenging. The objective was to locate all reported cases that relied on the Lanham Act. First, I searched the Westlaw database of federal cases using the following search string: "SY(trademark) & DA(AFT 07/01/1946 & BEF 12/31/2005)." Although the Lanham Act took effect on July 5, 1947, I used an earlier search date to ensure inclusion of all Lanham Act cases. I also used the word "trademark" to ensure inclusion of cases involving the Lanham Act but not mentioning it by name. This search returned 7,414 reported cases. I employed nine research assistants to brief each case. I then reviewed these briefed cases one by one. My initial review filtered out cases that were obviously not decided as substantive Lanham Act cases—for example, cases decided on procedural grounds. This initial review reduced the number of cases to 3,500.

Next, I conducted a very close reading of each case brief. If the brief did not make apparent whether the case was a substantive trademark case, I read the case itself to verify whether it rendered a dispositive opinion terminating a case arising under the Lanham Act. This review reduced the database to 3,048 cases dispositively and terminally adjudicating Lanham Act claims.

Finally, I ordered the cases alphabetically using an Excel spreadsheet to detect and delete duplicate opinions. The last opinion reported that resolved a trademark claim became part of the data reported herein. The final result is a database of 2,659 Lanham Act cases, reported between July 5, 1947 and December 31, 2005, each of which dispositively and terminally adjudicated a trademark claim.

Of course, a few cases in this group were counterclaims. Therefore, the total reflects the number of cases that included a final disposition on a



trademark claim, not the number of times a plaintiff sued and won or lost for trademark infringement. By "trademark claim," I mean either infringement under Section 32<sup>122</sup> of the Lanham Act, unfair competition under Sections 43(a) or (b),<sup>123</sup> dilution under Section 43(c),<sup>124</sup> and cybersquatting under Section 435(d).<sup>125</sup> As the Federal Trademark Dilution Act<sup>126</sup> only dates from 1996 and the Anticybersquatting Consumer Protection Act<sup>127</sup> dates from 2002, the number of these cases was limited. Of course, some cases were reversed and remanded. If the remand required no additional lower court action (an injunction, for example), I counted the reversal. If, however, the result of the remand was unreported, I did not count the reversal, as I limited the study to reported cases.

Each case was then coded based on (1) the statutory basis for the claim; (2) the victorious party; (3) the type of relief sought, and if damages were sought, the amount awarded; (4) the amount of attorney's fees awarded, if any; and (5) type of trial. In so doing, several obstacles arose. First, it became apparent that there are an indeterminate number of unreported trademark cases that arise under the Lanham Act. Of course, because they are unreported, it is impossible to know how many of these cases exist.<sup>128</sup> I could find no clerk of

122. See 15 U.S.C. § 1114 (2000) (prohibiting trademark infringement, providing for remedies, and addressing innocent infringement by printers and publishers).

123. See *id.* § 1125(a), (b) (prohibiting words, terms, names, symbols, and devices which would cause confusion with an existing registered trademark; banning importation of goods that would cause confusion with an existing trademark).

124. See *id.* § 1125(c) (prohibiting use of marks in commerce that would dilute a famous trademark).

125. See *id.* § 1125(d) (prohibiting certain actions relating to internet domain names taken in bad faith).

126. See Federal Trademark Dilution Act, Pub. L. No. 104-98, § 3, 109 Stat. 985, 985-86 (1996) (codified as amended at 15 U.S.C. § 1125(c)) (providing remedies for dilution of famous trademarks).

127. See Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, § 3002(a), 113 Stat. 1501, 1501A-545 (1999) (codified as amended at 15 U.S.C. § 1125(d)) (banning bad-faith cybersquatting).

128. The limitation of this study to reported decisions has an unquantifiable effect. One study asserts that nearly 73% of all cases go unreported. See Robert J. Van Der Veld, Statement to the Commission on Structural Alternatives for the Federal Courts of Appeals, <http://www.library.unt.edu/gpo/csafca/hearings/submitted/vanderve.htm> (last visited Nov. 10, 2007) (showing a steady increase in the number of unpublished opinions; finding that nearly 73% of federal appellate cases in 1995 were not reported) (on file with the Washington and Lee Law Review). The Advisory Council for Appellate Justice, as early as 1973, stated that a judicial opinion should be published only if it "a) establishes a new rule of law, or alters or modifies an existing rule, b) involves a legal issue of continuing public interest, c) criticizes existing law, or d) resolves a conflict of authority." STANDARDS FOR PUBLICATION OF JUDICIAL OPINIONS: REPORT FOR THE COMMITTEE ON USE OF APPELLATE COURT ENERGIES OF THE

court who keeps this data and no source for this information. At best, the Administrative Office of U.S. Courts does maintain statistics regarding the disposition of all federal suits filed in the United States by year. However, except for the inquiry into whether the case was tried by a judge or a jury, the Administrative Office of the U.S. Courts maintains no data that was responsive to the above criteria.

Another obstacle was that many of the reported appellate court decisions were appeals from *unreported* district court opinions. Therefore, although the representations regarding the holding, etc., of the district court's opinion are presumed to be accurate, the reported appellate court opinion is often not specific regarding the amount of attorney's fees, the amount of damages, or other necessary details. Therefore, occasionally damages were awarded but the reported decision does not state the amount of damages. Thus, in order to determine an accurate account of average damages, I did not include those cases where the specific amount of damages was unknown.<sup>129</sup>

Also, in years prior to about 1952, it was very difficult to determine the basis of the trademark infringement lawsuits. Although one might sense that a given case arose under the Lanham Act, the opinion often provided no jurisdictional statement at all. Unless a case specifically mentions the Lanham Act, its public law number, or its U.S. Code citation, the case is not included in this study.

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ADVISORY COUNCIL ON APPELLATE JUSTICE 22 (1973). This attempt to limit the number of published opinions has been thoroughly criticized. See, e.g., J. Myron Jacobstein, *Some Reflections on the Control of the Publication of Appellate Court Opinions*, 27 STAN. L. REV. 791, 794 (1975) (summarizing criticism of the plan to limit appellate opinion publication); William L. Reynolds & William M. Richman, *An Evaluation of Limited Publication in the United States Courts of Appeals: The Price of Reform*, 48 U. CHI. L. REV. 573, 598–604 (1981) (assessing the drawbacks of limited publication based upon an empirical study of the circuits); William L. Reynolds & William M. Richman, *Limited Publication in the Fourth and Sixth Circuits*, 1979 DUKE L.J. 807, 809 (1979) (summarizing briefly the arguments against nonpublication rules); William L. Reynolds & William M. Richman, *The Non-Precedential Precedent—Limited Publication and No-Citation Rules in the United States Courts of Appeals*, 78 COLUM. L. REV. 1167, 1189–1204 (1978) (arguing against the premises upon which the limited publication rule is based and, even accepting the bases for the rule, arguing against its necessity); Donald R. Songer, Danna Smith & Reginald S. Sheehan, *Nonpublication in the Eleventh Circuit: An Empirical Analysis*, 16 FLA. ST. U. L. REV. 963, 963 (1989) (noting the opposition raised by the debate to limit publication). Be all that as it may, if one is to empirically study judicial opinions, there are no reasonable alternatives to limiting the study to published opinions. I spent much time and energy trying to access unpublished opinions on the Lanham Act in the district courts. Multiple clerks told me that the data was unavailable. Obviously, my presumption is that the published opinions are at least instructive to the general trend of unpublished opinions, no matter how many of them exist.

129. Thirty-eight cases did not quantify damages and were thus excluded.

Finally, when asking whether a case was a bench or jury trial, a new anomaly appeared: Most jury verdicts themselves are not reported and appeals from jury verdicts are even less likely to be reported than bench trials. Therefore, the data became inappropriately skewed toward bench trials. As a result, I discarded my results and, instead, have relied on the data from the Administrative Office of U.S. Courts as reported below.

All monetary figures reported below are adjusted for inflation using the Consumer Price Index (CPI). Because 2005 was the last year for which accurate data was available, I chose 2005 as the benchmark year. Therefore, all monetary values are adjusted to the U.S. dollar using the CPI for the year 2005.

This was, quite obviously, laborious. Including the time my research assistants spent on compiling the database, I estimate that we spent approximately 3,000 hours over eight months in hunting out sources for the data, compiling the data, reading and reporting on each case, arranging the database in graphical form, etc. I merely point this out to attempt to show that a substantial amount of time and effort went into compiling this database, and therefore, I have a high degree of confidence in the database's accuracy and the descriptive results of this study. One might disagree with the analysis and/or the normative conclusions that I draw from the data, as expressed below, but the descriptive value of the database is representative of the state of dispositive, reported cases on the Lanham Act terminated by U.S. courts between July 5, 1947 and December 31, 2005.

## VI. Data

**Table 1: Summary of Damage Awards**

Total damages awarded 1947–2005: \$257,822,928	Total number of cases: 2,659	Average damage award: \$96,962
Total damages awarded 1947–2005: \$257,822,928	Total number of cases where damages were awarded: 146	Average: \$1,765,910
Total 1980–2005: \$250,161,132	Number of cases: 125	Average: \$2,001,289
Less anomalous years, post-1979: \$90,138,040	Number of cases: 122	Average: \$738,836
Total damages awarded 1947–1979: \$7,661,796	Number of cases: 21	Average: \$364,847
Less anomalous years (1986, 1993, 1998) \$97,799,837	Number of cases: 2,656	Average: \$36,822
Total number of cases: 2,659	Total number damages found: 146	Likelihood any damages will be found: 5.5%

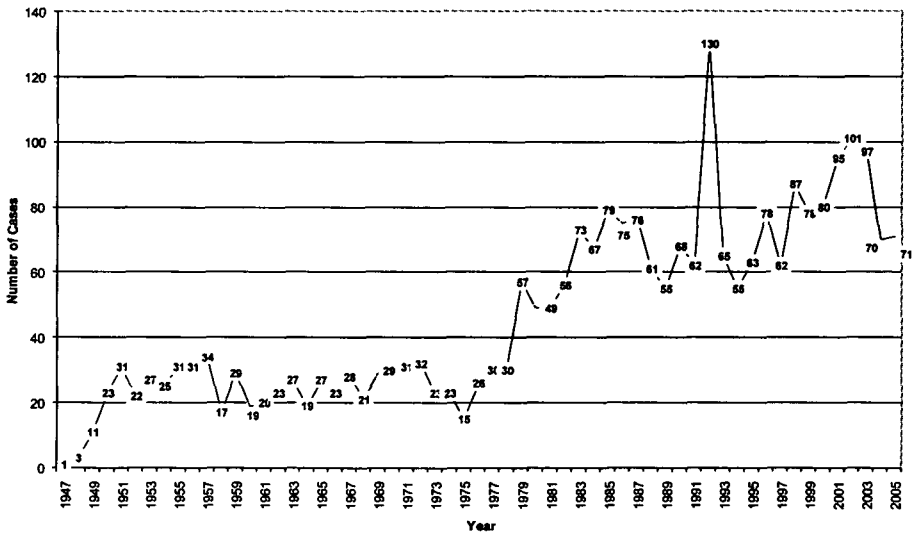
**Table 2: Number of Dilution Cases, 1996–2005**

Year	Total Number of Cases	Exclusively Dilution
2005	9	1
2004	16	2
2003	14	1
2002	23	5
2001	19	5
2000	23	5
1999	32	1
1998	39	0
1997	24	2
1996	19	0
<b>Total</b>	<b>218</b>	<b>22</b>

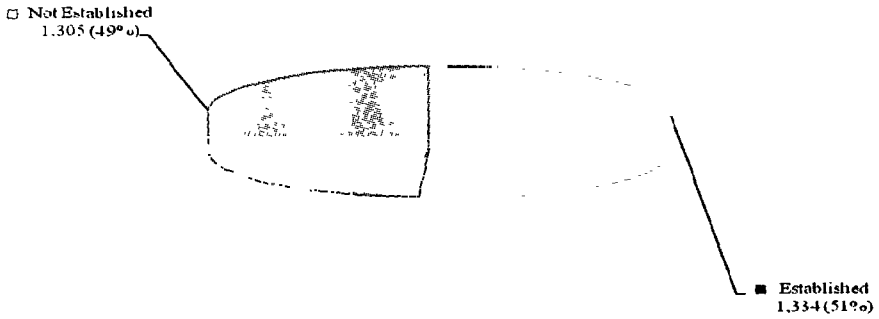
**Table 3: Number of ACPA Cases, 2000–2005**

Year	Total Number of Cases	Exclusively ACPA Case
2005	5	1
2004	5	3
2003	7	3
2002	2	0
2001	3	0
2000	7	0
<b>Total</b>	<b>29</b>	<b>7</b>

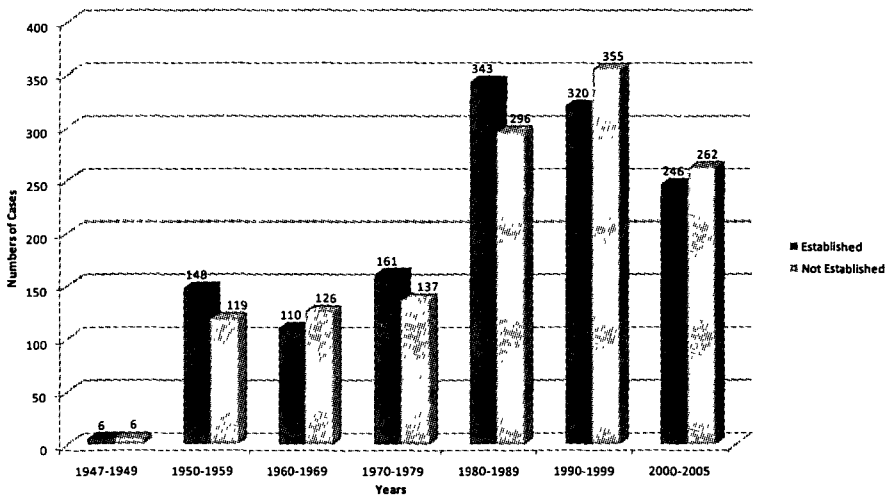
**Graph A: Total Number of Reported Cases per Year**



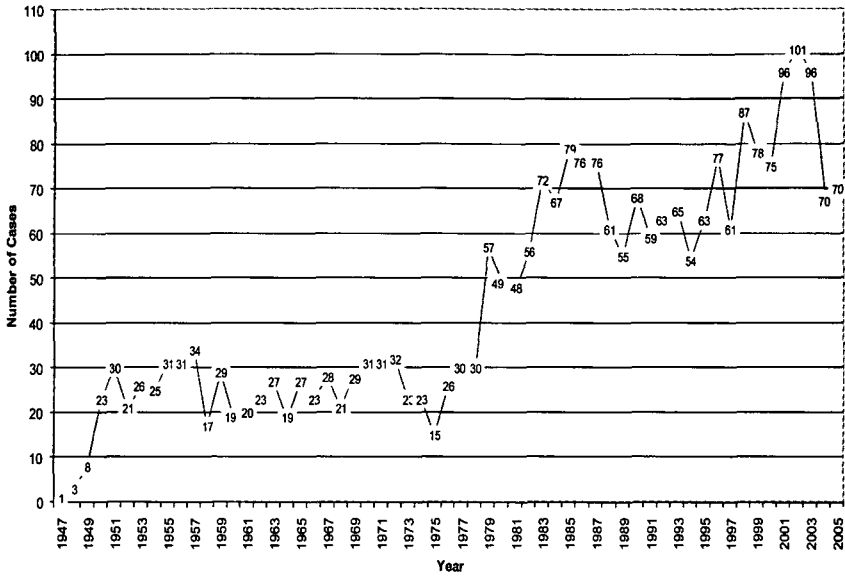
**Graph B: Total Infringement Claims Established/Not Established**



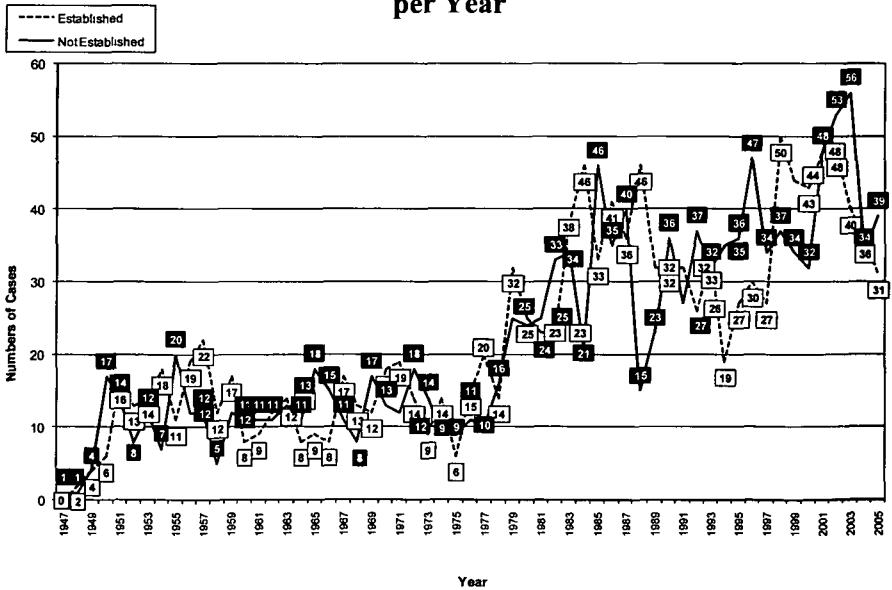
**Graph C: Infringement Claims Established/Not Established by Decade**



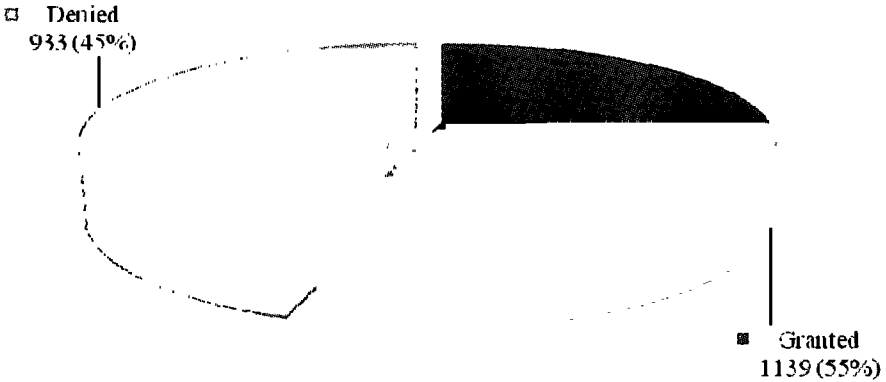
**Graph D: Total Reported Claims of Infringement per Year**



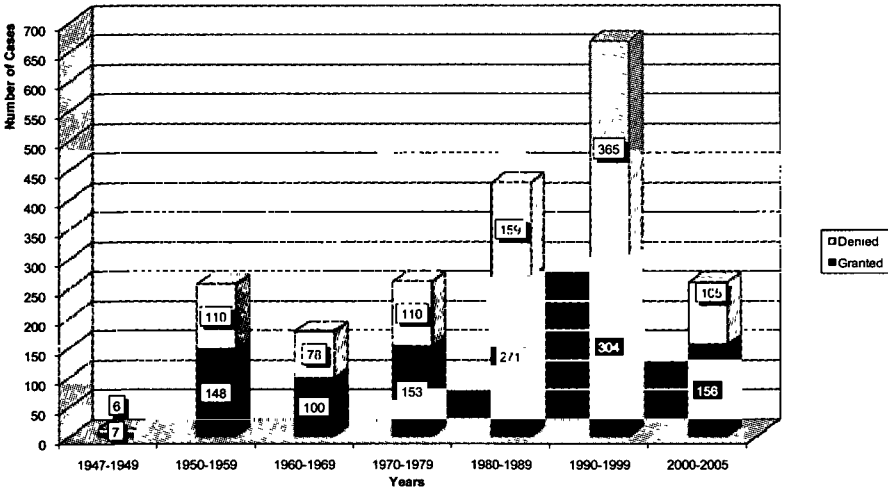
**Graph E: Infringement Claims Established or Not Established per Year**



**Graph F: Percentage of Injunction Claims Granted or Denied**

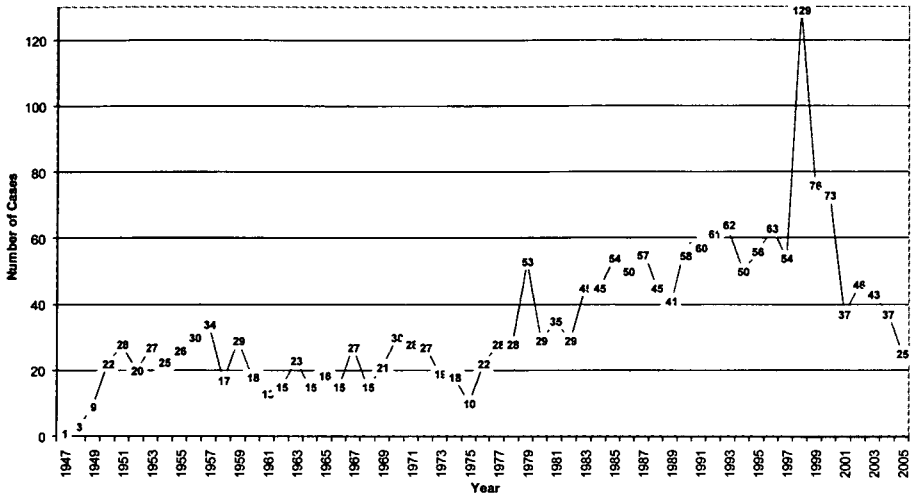


**Graph G: Claims for an Injunction Granted/Denied by Decade**

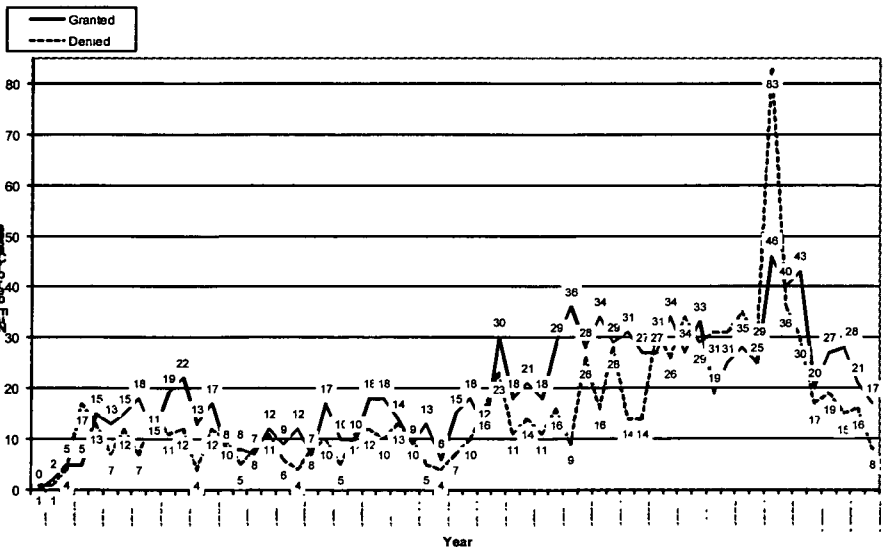




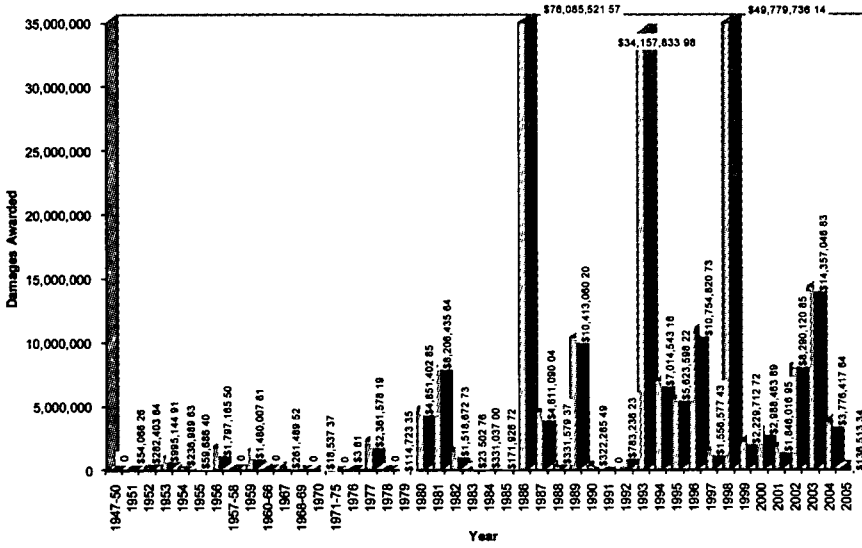
**Graph H: Total Number of Claims for an Injunction per Year**



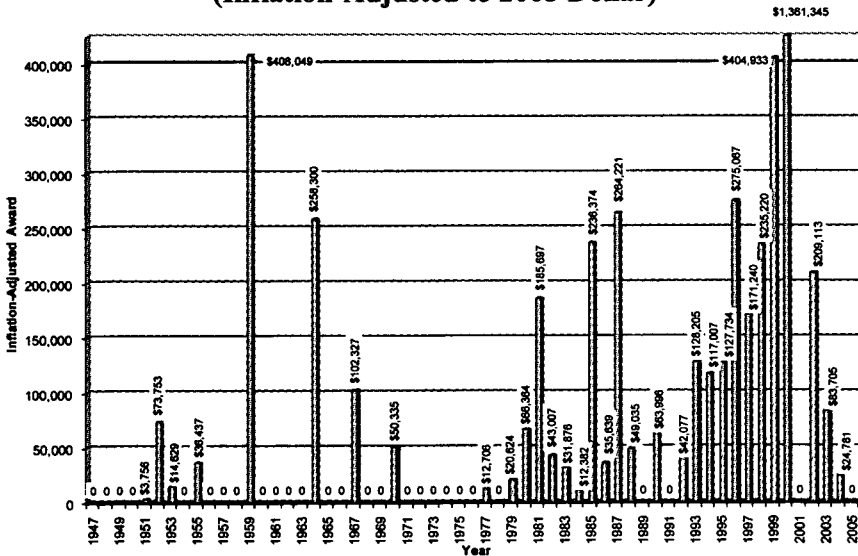
**Graph I: Claims for an Injunction Granted or Denied per Year**



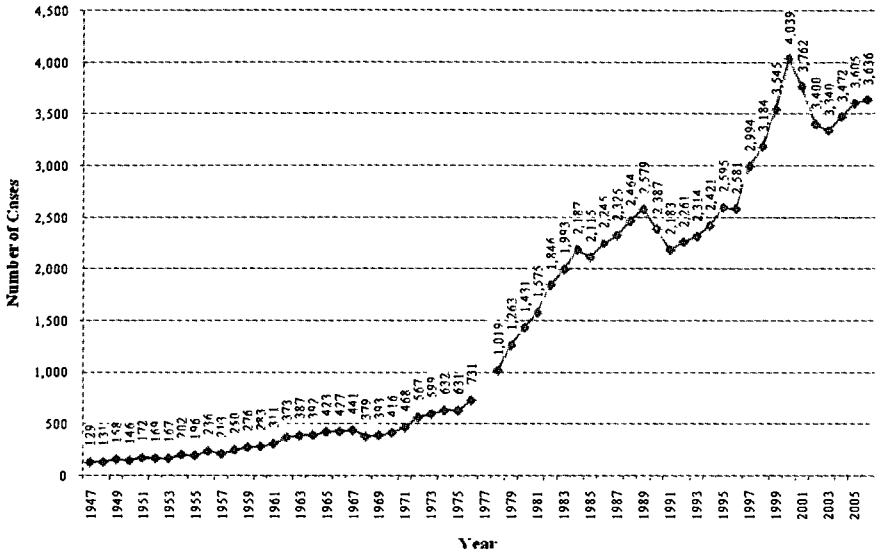
**Graph J: Total Damages Awarded per Year (Inflation-Adjusted to 2005 Dollar)**



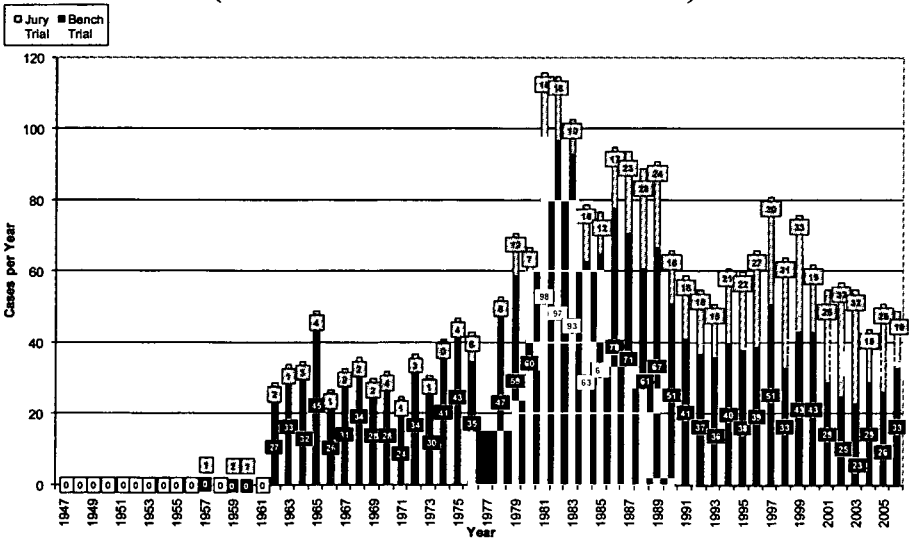
**Graph K: Total Aggregate Attorneys' Fees per Year (Inflation-Adjusted to 2005 Dollar)**



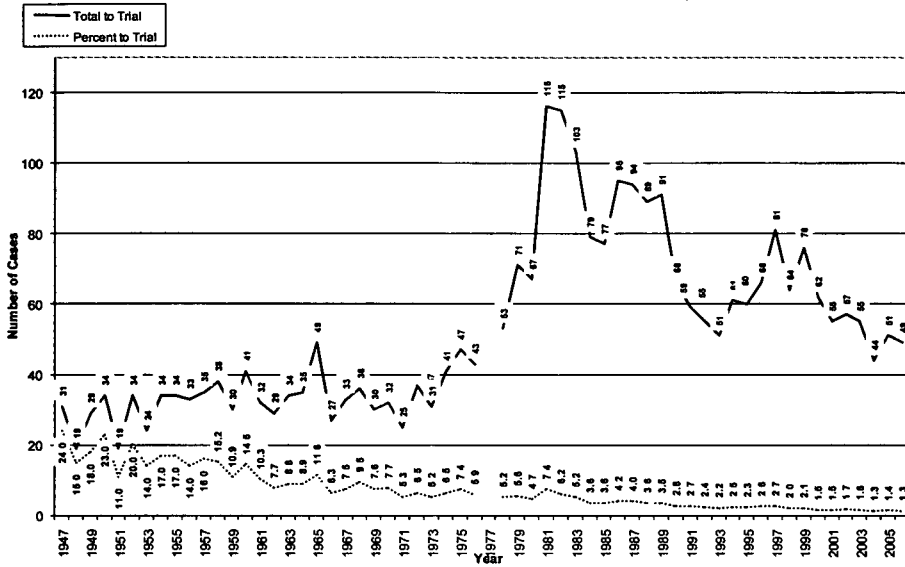
**Graph L: Total Number of Initial Claims of Infringement per Year (Administrative Office of U.S. Courts)**



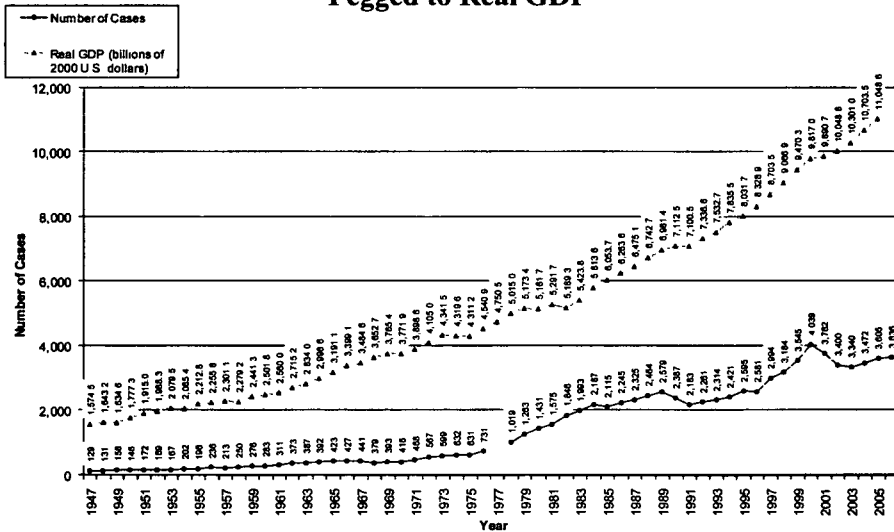
**Graph M: Total Bench or Jury Trial per Year (Administrative Office of U.S. Courts)**



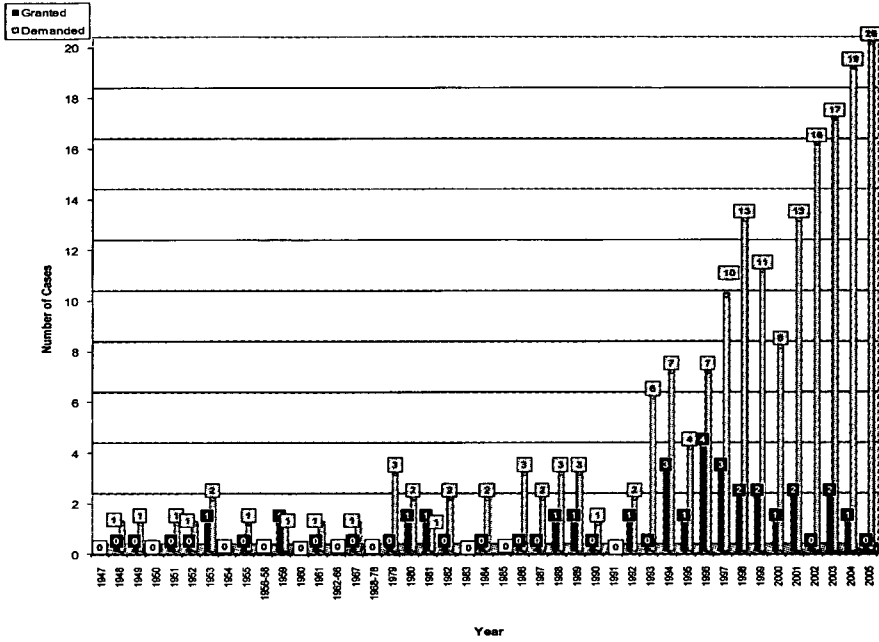
**Graph N: Total Number and Percentage of Cases That Reached a Trial on the Merits (Administrative Office of U.S. Courts)**



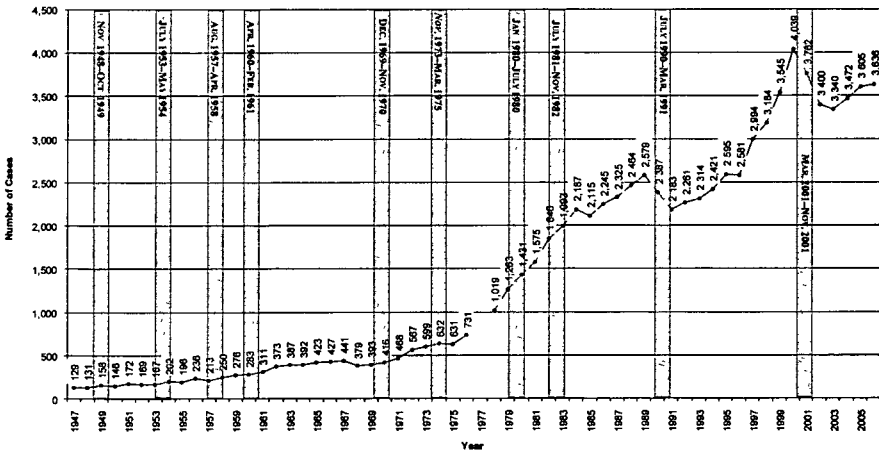
**Graph O: Total Number of Infringement Claims Initially Filed Pegged to Real GDP**



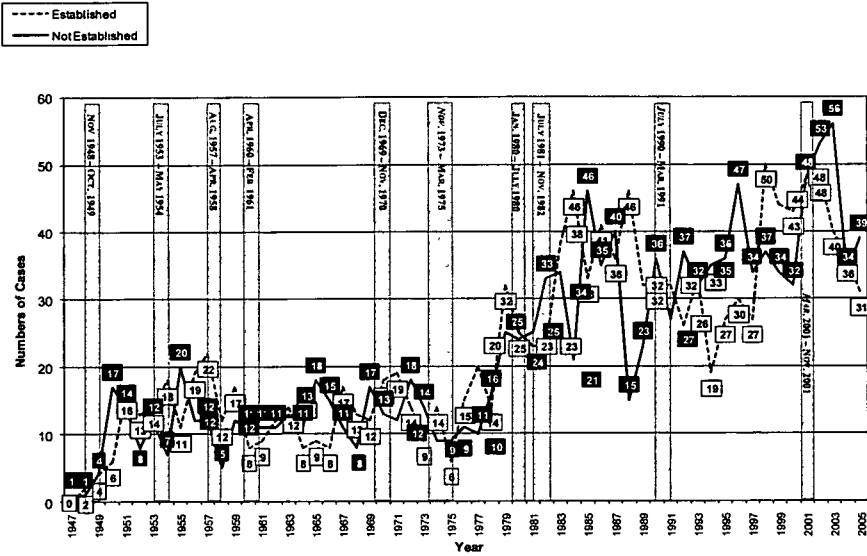
**Graph P: Treble Damages Demanded and Granted**



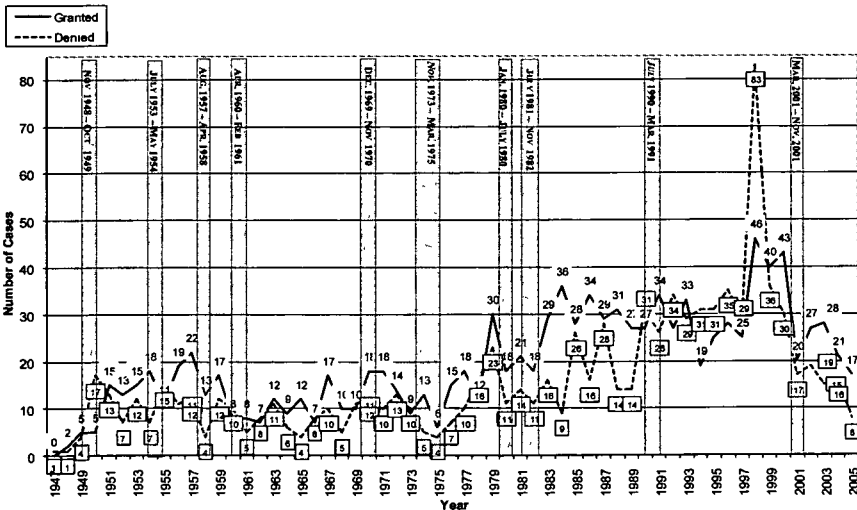
**Graph Q: Total Number of Initial Claims of Infringement per Year (Administrative Office of U.S. Courts) (Periods of Economic Contraction Highlighted)**



**Graph R: Infringement Claims Established or Not Established per Year (Periods of Economic Contraction Highlighted)**



**Graph S: Claims for an Injunction Granted or Denied per Year (Periods of Economic Contraction Highlighted)**



*VII. Analysis: The End of Trademark Law*

The data shown above leads to multiple conclusions. However, one conclusion stands out: Trademark litigation has seen a precipitous drop since 2001. All indicators demonstrate the free-fall plunge of trademark litigation. While the number of total incidents of trademark claims of infringement peaked at 101 in 2001, by 2005, that number had dropped to 70 or a 30% decline in 4 years.<sup>130</sup> Regarding the total number of injunctions demanded, that number peaked in 1998 at 129 and fell to just 25 by 2005, an 81% decline in 7 years.<sup>131</sup> The total amount of damages awarded annually also fell precipitously. The second highest aggregate total annual damage award occurred in 1998 at almost \$50 million.<sup>132</sup> By 2005, the aggregate of all damages awarded to all trademark litigants in America dropped to \$136,513 or over a 99% decline.<sup>133</sup> On the other hand, the number of initial claims of trademark infringement filed per year is increasing.<sup>134</sup>

To be sure, trademark litigation is not what it used to be. Although the data is full of peaks and valleys over the fifty-eight years, the precipitous drop now being experienced has never happened before. Over the fifty-eight-year history of the Lanham Act for which there is data, 1,334 cases or 51% of all cases found infringement,<sup>135</sup> 1,305 cases or 49% found no infringement.<sup>136</sup> Regarding injunctions, there were 1,139 injunctions granted, or 55% of the total, and 933 injunctions, or 45% denied.<sup>137</sup> That is, over the entire life of the Lanham Act, a litigant has only marginally better than a 50% chance of succeeding on the merits and only a 55% chance of obtaining an injunction when one is demanded.<sup>138</sup>

Only 5.5% of all cases awarded any damages at all.<sup>139</sup> The aggregate amount of damages awarded to all claimants during the first fifty-eight years of the Lanham Act, adjusted for inflation, is \$257,822,928.<sup>140</sup> As there were

130. *Supra* Graph D.

131. *Supra* Graph H.

132. *Supra* Graph J.

133. *Id.*

134. *Supra* Graph L.

135. *Supra* Graph B.

136. *Id.*

137. *Supra* Graph F.

138. In America, tort cases that go to trial end with the plaintiff prevailing roughly 50% of the time. STEVEN K. SMITH ET AL., TORT CASES IN LARGE COUNTIES 5 (1995).

139. *Supra* Table 1.

140. *Id.*

2,659 total cases, the average award for all cases is \$96,962.<sup>141</sup> However, of those 2,659 total cases, only 146 actually found any damages at all.<sup>142</sup> Therefore, the average award of damages in cases where damages were actually awarded is \$1,765,910.<sup>143</sup>

Additionally, there is a clear demarcation line at approximately 1980. In the decade following 1980, incidents of trademark infringement,<sup>144</sup> injunctions demanded,<sup>145</sup> and damage amounts<sup>146</sup> increased drastically from prior years. From 1947 to 1979, inclusive, there were only 21 cases finding damages.<sup>147</sup> From 1980 to 2005, inclusive, that number went to 125.<sup>148</sup> Prior to 1980, the total amount of damages awarded to all claimants was \$7,661,796 or, per year, an average of \$364,847.<sup>149</sup> The average damage award per year in cases from 1980–2005, where damages were awarded, was \$2,001,289.<sup>150</sup> Fully 1,199 of the 2,659 total cases, or 45% of all cases, are dated 1990 or later.<sup>151</sup>

During the decade that ended in 1979, 298 total cases claimed infringement.<sup>152</sup> During the decade that started in 1980, there were 639 cases, more than double the previous decade.<sup>153</sup> A decade-to-decade comparison of injunction data also shows a constant increase in both the overall number of cases where an injunction was demanded,<sup>154</sup> and the number succeeding in obtaining that injunction.<sup>155</sup> Although all indicators in the database show a remarkable increase after about 1980, there is an equally remarkable decrease after about 2000.<sup>156</sup> The only indicator that is currently on the rise is the number of cases initially filed, as reported by the Administrative Office of U.S. Courts.<sup>157</sup>

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141. *Id.*
  142. *Id.*
  143. *Id.*
  144. *Supra* Graph C.
  145. *Supra* Graph H.
  146. *Supra* Graph J.
  147. *Supra* Table 1.
  148. *Id.*
  149. *Id.*
  150. *Id.*
  151. *Supra* Graph A.
  152. *Supra* Graph C.
  153. *Id.*
  154. *Supra* Graph G.
  155. *Id.*
  156. *Supra* Graphs D, H, J.
  157. *Supra* Graph L.



Regarding the aggregate annual damages awarded, there were three anomalous years. In the years 1986, 1993, and 1998, the total damages for just those years was \$160,023,092, or over 62% of all damages awarded over the fifty-eight-year history of the Lanham Act.<sup>158</sup> If the three anomalous years are excluded, the average damage award over the entire history of the Lanham Act drops from nearly \$100,000 to just \$36,822.<sup>159</sup> However, if one excludes the anomalous years in cases 1980–2005, where damages were found, the average is \$738,836.<sup>160</sup>

Regarding attorneys' fees, once again, there is a very high and anomalous spike in 2000 and then a fall off to zero by 2005. In 2000, there were almost \$1.4 million dollars awarded as attorneys' fees,<sup>161</sup> but by 2005 that amount fell to zero.<sup>162</sup> The anomalous years in damage awards of 1986, 1993, and 1998 are not replicated in the amounts of attorneys' fees awarded. That leads to the conclusion that large damage awards do not translate into large attorneys' fees awards.

The Lanham Act also allows for treble damages.<sup>163</sup> As with the general damages provisions, treble damages are very infrequently awarded.<sup>164</sup> First, the trademark bar seems to have just discovered this provision in 1993. Previously, there is no year when treble damages were demanded in more than three cases.<sup>165</sup> In 1993, that doubled to 6 cases.<sup>166</sup> However, in the fifty-eight-years of data, there is never a year where more than four demands for treble damages were granted.<sup>167</sup> More importantly, the trend regarding the granting of treble damage award demands is clearly negative. That is, the number of awards of treble damages peaked in 1995 and 1996 at four and has been in decline since.<sup>168</sup> In 2005, no awards of treble damages were made.<sup>169</sup>

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158. *Supra* Graph J. There were individual and equally anomalous spikes in damages awarded in specific cases. This further supports exclusion of these years.

159. *Supra* Table 1.

160. *Id.*

161. *Supra* Graph K.

162. *Id.*

163. *See* 15 U.S.C. § 1117(b) (2000) (allowing for treble damages for use of a counterfeit mark).

164. *Supra* Graph P.

165. *Id.*

166. *Id.*

167. *Id.*

168. *Id.*

169. *Id.*

Demands for treble damages, however, are increasing quite sharply. From six demands made in 1996, the number increased to twenty-eight by 2005.<sup>170</sup> However, caution in reading this figure is in order. This increased number of demands may simply be a function of more information becoming available on Westlaw or Lexis. It may simply be that there were more demands made in previous years but no record of those demands was kept. Regardless, there were no treble damages awarded in 2005.<sup>171</sup>

The Federal Trademark Dilution Act (FTDA) took effect in 1996.<sup>172</sup> Therefore, there is only ten years of data regarding dilution cases.<sup>173</sup> In those ten years, there were a total of 218 cases where dilution was claimed.<sup>174</sup> Only twenty-two cases, or 10%, of those 218 dilution cases exclusively claimed dilution.<sup>175</sup> That is, 90% of dilution cases claimed dilution *and* infringement or dilution *and* cybersquatting. Mirroring the overall trend, the number of dilution claims is shrinking. From a high of thirty-nine cases in 1998, the number dropped to nine in 2005.<sup>176</sup> In 2005, there were approximately one-quarter the number of claims there were in 1998.<sup>177</sup>

Of course, in the *Victoria's Secret* case,<sup>178</sup> the U.S. Supreme Court made federal trademark dilution claims much more difficult to establish, holding that the test for dilution was "actual dilution," not a mere likelihood of dilution.<sup>179</sup> The result of that case has since been overturned by an act of Congress;<sup>180</sup> however, the chilling effect on the number of dilution cases is obvious. In 2003, the year of the *Victoria's Secret* case, there were fourteen dilution cases.<sup>181</sup> Although that number went up to sixteen in 2004, it dropped to nine in 2005.<sup>182</sup> Regarding the cases in which dilution was exclusively claimed, the effect of the *Victoria's Secret* case seems more profound. While there were

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170. *Id.*

171. *Id.*

172. See Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, § 5, 109 Stat. 985, 987 (1996) (stating the law was approved and effective January 16, 1996).

173. *Supra* Table 2.

174. *Id.*

175. *Id.*

176. *Id.*

177. *Id.*

178. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003).

179. *Id.* ("This text unambiguously requires a showing of actual dilution, rather than the likelihood of dilution.")

180. See Trademark Dilution Revision Act, 15 U.S.C. § 1125(c) (2000) (allowing injunctive relief for likely dilution).

181. *Supra* Table 2.

182. *Id.*

five cases in each of the years of 2000, 2001, and 2002 that exclusively relied on dilution under the FTDA, in 2003—the year of the Victoria's Secret case—that number went to one.<sup>183</sup> In 2004, there were two cases relying exclusively on dilution, and in 2005 there was just one case.<sup>184</sup> Although the data indicates that there was already a downward trend in the number of dilution cases even before the Victoria's Secret case, the drop off to only nine cases of seventy total reported trademark cases, or only 13%, seems to indicate that the trademark bar has become rather cautious about raising dilution under the FTDA.

After dilution claims peaked in 1998, there has been a general downward trend in the number of dilution claims made. It will be interesting to see if the Trademark Dilution Revision Act of 2006<sup>185</sup> has an effect on the number of dilution claims made, but the general trend with dilution claims indicates a reduction in frequency. It may have been pent up demand or the novelty of the dilution cause of action that caused the larger numbers of dilution claims in the late 1990s, but there has been a general downward trend in dilution cases for eight of the ten years for which there is data.

In order to show trends in dilution data, the most important number to consider is the cases in which only dilution is claimed. In these cases, presumably, the plaintiff seriously considered its mark diluted and did not just pile the claim onto other causes of action as dilution plaintiffs did in ninety of the cases in which dilution was claimed. Looking only at cases in which dilution was exclusively claimed, the data reinforces the conclusion that dilution is not a major source of litigation data and that it is decreasing. There were only twenty-two cases in ten years of effectiveness of the FTDA where dilution was exclusively claimed.<sup>186</sup> Obviously, that is just more than two per year and roughly 10% of all dilution claims.

However, of those twenty-two cases, the claimant of dilution prevailed in just nine cases and the defendant prevailed in thirteen cases. That is, if a claimant brings an exclusive trademark dilution cause of action under the FTDA, that claimant prevails just under 41% of the time and loses nearly 60% of the time.

Trademark dilution cases happen rather infrequently. There were 218 total dilution claims—coupled with other causes of action—in the ten-year period of 1996–2005.<sup>187</sup> That is only 24% of the total cases in the database for

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183. *Id.*

184. *Id.*

185. 15 U.S.C. § 1125(c).

186. *Supra* Table 2.

187. *Id.*

that period.<sup>188</sup> Furthermore, only twenty-two cases exclusively claimed dilution.<sup>189</sup> Therefore, claiming dilution as a basis for a remedy in trademark litigation is, in reality, a rather rare event.

As an injunction is the principal remedy under the FTDA, it might be statistically significant that 34% of the cases from 1996–2005, where an injunction was demanded, raised dilution.<sup>190</sup> However, 90% of these cases also claimed some other cause of action. The database does not support the conclusion that in every one of these cases the injunction was based on the claim of dilution. In fact, the database does not resolve precisely how many of these injunctions were granted on the dilution claim and how many were granted on one of the other claims raised. Furthermore, the significance of dilution seems to be shrinking. Again, in 2005, only nine of seventy total cases, or 13%, claimed dilution at all and only one case exclusively claimed dilution.<sup>191</sup>

Rather few cases actually claim dilution. Although the controversial nature of the theoretical justification of dilution in the United States as a federal cause of action has raised dilution to a position of academic prominence,<sup>192</sup> it is clearly not prominent in reality. With only two exclusive dilution claims reported per year since the FTDA's inception and where only a quarter of all cases reported claimed dilution at all, it is a far less significant cause of action than one might expect.

Even less significant is the Anticybersquatting Protection Act (ACPA).<sup>193</sup> There are only six years of data available regarding cases that claim rights under the ACPA; however, this number is also quite small.<sup>194</sup> There are only twenty-nine cases from 2000–2005 that claim rights under the ACPA were violated and only seven cases that exclusively claimed rights under the ACPA.<sup>195</sup> Only 7% of all cases from 2000–2005 claimed rights under the ACPA. Unlike other claims under the Lanham Act, however, the rate of claims under the ACPA seems constant. There were five cases under the ACPA in

188. *Id.*

189. *Id.*

190. It is unclear from the database whether the reason for granting or denying the injunction involved a consideration of the dilution claim.

191. *Supra* Table 2.

192. *See, e.g.,* DAVID WELKOWITZ, TRADEMARK DILUTION: FEDERAL, STATE, AND INTERNATIONAL LAW 67–68 (2002) (discussing the effect of the FTDA's definition of "dilution").

193. Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) (2000).

194. *Supra* Table 3.

195. *Id.*

both 2005 and 2004, and in 2003 there were seven.<sup>196</sup> However, this means that fewer than 10% of all trademark cases per year claim rights under the ACPA. The infrequency of exclusive claims under both the FTDA and the ACPA raises doubts about the import of such claims. With so few exclusive claims under both the FTDA and the ACPA, this data seems to beg the question: Are these causes of action as important and significant as claimed?

The statistics maintained by the Administrative Office of the U.S. Courts paints a rather similar picture. Although the total number of trademark cases initially filed increased after reaching its peak in 1999 and then dropped until 2002,<sup>197</sup> other data maintained by the Administrative Office is consistent with the findings reported here. Specifically, the number of cases that reach a trial peaked in 1980 at 116 and showed a clear downward trend to only forty-nine in 2005.<sup>198</sup> There was a sudden and extreme jump in cases that reached a trial on the merits in 1980, which is consistent with the findings reported here.<sup>199</sup>

However, looking at the entire fifty-eight years of data according to the U.S. Courts, the total number of cases that reach trial, ignoring the high peaks in 1980, 1981, and 1983, seems to be rather constant.<sup>200</sup> The average number of cases that made it to trial over the fifty-eight years of data is approximately fifty-three cases per year.<sup>201</sup> With forty-nine cases in both 1965 and 2005, this number has remained rather constant in the fifty-eight-year history of the Lanham Act.<sup>202</sup>

Of course, as the number of cases initially filed has continually increased,<sup>203</sup> and the number of cases that reach trial has remained constant,<sup>204</sup> the average number of cases to reach trial has correspondingly decreased.<sup>205</sup> The peaks for the percentage of cases that made it to trial occurred in 1947 with 24% and 1950 with 23%.<sup>206</sup> By 2005, that percentage had dropped to 1.3%.<sup>207</sup>

The trend in whether a case is tried by a jury or a judge is also clear. Like all the rest of the data, although the total number of cases that reach a trial on

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196. *Id.*

197. *Supra* Graph L.

198. *Supra* Graph N.

199. *Id.*

200. *Id.*

201. *Id.*

202. *Id.*

203. *Supra* Graph L.

204. *Supra* Graph N.

205. *Id.*

206. *Id.*

207. *Id.*

the merits continues to go down, the number of cases tried before a jury remains relatively constant at about one-third after 1985.<sup>208</sup> Prior to 1985, a jury trial on a trademark matter was a relatively rare event.<sup>209</sup>

Another trend is quite clear. Although there are some downturns in the data that are not accompanied by a general economic recession in the United States, each recession is clearly followed by an immediate downturn in the data (or the downturn in the data happens during a recession). Therefore, during and immediately after recessionary times, the total number of reported cases claiming infringement,<sup>210</sup> the total number of cases when an injunction was demanded,<sup>211</sup> and the total number of initial filings of lawsuits has gone down.<sup>212</sup> Naturally, there is a delay in the data because a trademark infringement case takes years to reach a trial on the merits. Table 4 lists the years when the U.S. economy was in recession.

**Table 4: Recessionary Periods<sup>213</sup>**

Recession Start Date	Recession End Date
November 1948	October 1949
July 1953	May 1954
August 1957	April 1958
April 1960	February 1961
December 1969	November 1970
November 1973	March 1975
January 1980	July 1980
July 1981	November 1982
July 1990	March 1991
March 2001	November 2001

In years immediately after the end of a recessionary period, all indicators increase, except in the post-2001 era.<sup>214</sup> During only the post-2001 era, all indicators (except the number of initial filings) continue to decrease even though

208. *Supra* Graph M.

209. *Id.*

210. *Supra* Graph Q.

211. *Supra* Graph S.

212. *Supra* Graph Q.

213. Nat'l Bureau of Econ. Research, Business Cycle Expansions and Contractions, available at <http://www.nber.org/cycles/> (last visited Nov. 20, 2007) (on file with the Washington and Lee Law Review).

214. *Supra* Graphs Q, R, S.

the relative health of the economy improves.<sup>215</sup> One would expect the indicators to increase post recession as they did in the other nine recessionary periods during the life of the Lanham Act.

Finally, size seems to matter. There were eighty-six cases in the database in which at least one of the parties was listed on the Dow Jones Industrial Average (DJIA). Of these, the company on the Dow prevailed nearly 75% of the time. Compared to all cases, the trademark claimant only prevailed about 50% of the time. The track record of parties listed on the Dow is as follows:

**Table 5: Party a Member of the Dow Stock Exchange at Time of Litigation**

Company	Wins	Losses
3M	2	0
American Express	1	1
AT&T	2	1
Caterpillar	1	1
Chrysler	1	0
Eastman Kodak	2	0
Exxon	4	3
General Electric Co.	3	0
General Foods	2	1
General Motors Corp.	8	1
Goodyear	2	2
Hewlett-Packard	1	1
Honeywell	1	0
IBM	2	0
J.P. Morgan	1	0
McDonalds	5	2
Microsoft	7	2
Pfizer	1	0
Philip Morris	2	0
Procter & Gamble	4	1
Sears Roebuck & Co.	5	3
Texaco	1	0
Union Carbide	2	1
Wal-Mart	1	0
Walt Disney	2	1
Westinghouse Electric	1	1

The database clearly supports the conclusion that companies listed on the DJIA have a significantly higher chance of succeeding on the merits than if the company is not listed on the Dow.<sup>216</sup>

In summary, if trademark holders file a trademark case today, they have a slightly better than 50% chance of succeeding on the merits.<sup>217</sup> They have a 55% chance of obtaining an injunction, if demanded.<sup>218</sup> They have a 5.5% chance of receiving any damages at all.<sup>219</sup> On average, they will obtain approximately \$100,000 in damages.<sup>220</sup> Looking at cases post-1980 when damages were awarded, they will receive over \$2 million in damages.<sup>221</sup> Nearly all cases end without damages being awarded, but when they are, there is a rather significant windfall. However, in about 95% of the cases, there are no damages awarded.<sup>222</sup> The claimant succeeds on the merits only about half the time.<sup>223</sup>

In most recent times, the indicators in the database—the amount of damages awarded, the total number of infringement cases reported per year, and the total number of cases where an injunction is demanded—are all decreasing.<sup>224</sup> This decrease continues during current relatively positive economic times. Historically, there has been a positive correlation between economic health and indicators of trademark litigation activity. As the economy improves, those indicators of trademark litigation activity increase.<sup>225</sup> This has been true for nine out of ten post-recessionary periods in the United States during the lifespan of the Lanham Act. The only exception is the last recession in 2001. Today, we should be seeing increases in the trademark litigation indicators, but we do not. In fact, the trademark litigation indicators considered in this study are experiencing a precipitous fall. This precipitous fall is occurring while initial filings are increasing.<sup>226</sup> That the data continues

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216. Incidentally, this study also dispels another common myth: Trademark litigation is only done by the largest companies. In the fifty-eight-year history of the Lanham Act, only one case occurred between two companies that were both listed on the Dow Stock Exchange. See *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 923 (C.D. Ill. 2003) (denying Caterpillar's motion for a temporary restraining order against Disney).

217. *Supra* Graph B.

218. *Supra* Graph F.

219. *Supra* Table 1.

220. *Id.*

221. *Id.*

222. *Id.*

223. *Supra* Graph B.

224. *Supra* Graphs D, J, H.

225. *Supra* note 213 and accompanying text.

226. *Supra* Graph Q.



to decrease even during positive economic times post-2001 leads to the conclusion that there are some other variables affecting the data that were not present during the nine other post-recessionary periods.

One variable is the increase in private dispute resolution methodologies. The rate of parties seeking help to resolve their disputes through nonjudicial means is increasing and, more importantly, having a specific effect on how many cases are thoroughly adjudicated.<sup>227</sup> ADR may be having a negative impact on the data because it has become much more readily available and commonly used in recent times than during other recessionary periods.

Another potential influence on the data is the perception that trademark litigation is more expensive now than during other post-recessionary periods. In truth, the cost difference is slight. Using the Laffey matrix adopted by many courts to determine reasonable attorney fees,<sup>228</sup> an attorney with twenty or more years of experience received an average of \$510 per hour in 1994, adjusted for inflation. In 2007, that figure rose only to \$614.<sup>229</sup> Using the American Intellectual Property Law Association's (AIPLA) 2007 statistics on billing rates for all IP attorneys, the median rate in 2006 was \$275.<sup>230</sup> The AIPLA reports that the raw median billing rate for all IP attorneys in 1996 was \$180, however, this is not adjusted for inflation.<sup>231</sup> Using the CPI to adjust for inflation, the \$180 is really \$239 in 2007 dollars. Therefore, the billing rate of the median IP lawyer has gone up in the last decade but by a rather small amount. Regardless of this reality, the anecdotal perception that billing rates are out of hand, though, may be having a chilling effect.

Another variable may be the increased use of non-U.S. causes of action to settle a dispute. As the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)<sup>232</sup> has taken effect, it may be that more U.S. litigants are finding it more palatable to file the litigation in a non-U.S. jurisdiction, when in the past they may have stretched jurisdictional issues to have the case heard in the United States.<sup>233</sup>

227. Perschbacher & Bassett, *supra* note 1, at 15–32 (arguing that alternative dispute resolutions result in fewer decided cases and that they distort the law).

228. *See, e.g.*, Salazar v. District of Columbia, 123 F. Supp. 2d 8, 13 (D.D.C. 2000) (concluding that the Laffey matrix test best reflects prevailing rates for legal services).

229. AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2007, at 40 (2007).

230. *Id.*

231. *Id.*

232. Marrakesh Agreement Establishing the World Trade Organization, annex 1C, Apr. 15 1994, 1869 U.N.T.S. 299, available at [http://www.wto.org/english/tratop\\_e/trips\\_e/t\\_agm0\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm) (last visited Jan. 28, 2008) (on file with the Washington and Lee Law Review).

233. Thanks to Professor Jay Erstling, William Mitchell College of Law, for this idea.

Yet another variable may be the nature of litigation in general and trademark litigation more specifically. Some argue that whether trademark infringement is a question of law or fact may have an impact on trademark litigation.<sup>234</sup>

Another variable is trademark extortion. One plausible explanation for the data is that trademark extortion is occurring. As the number of cases initially filed continues to go up, the percentage of cases that reach a trial on the merits, the total number of cases reported, the total amount of damages, and the total number of cases where an injunction is demanded are all decreasing.<sup>235</sup> Although the other factors, to be sure, may account for some of these trends, trademark extortion suggests one answer.<sup>236</sup>

If trademark holders were simply filing their lawsuits in other jurisdictions outside of the United States, the total number of cases initially filed would not be increasing. If trademark holders had sticker shock, the total number of cases would not be increasing. If trademark holders were simply choosing alternative means to settle their disputes, the total number of cases would not be increasing.

Therefore, the only variable that suggests an explanation of this data is trademark extortion. Trademark holders are encouraged to be predatory. They file suit with no intent to prosecute it to a conclusion on the merits. Therefore, the number of cases initially filed increases, but the number of cases that reach a trial on the merits remains constant and all other indicators decline. This predatory conduct is leading to the end of trademark law, an end to the public resolution of conflict between trademark holders, and an end to the rational use of the Lanham Act as a vehicle to define trademark rights in America. Perhaps American antitrust laws should be specifically amended to make trademark extortion illegal.<sup>237</sup> Perhaps all trademark holders should be required to carry

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234. See Burton Jay Rubin, *The Role of the Clearly Erroneous Standard of Federal Rule of Civil Procedure 52(a) in Reviewing Trial Court Determinations of Likelihood or No Likelihood of Confusion*, 74 TRADEMARK REP. 20, 36 (1984) (arguing that the standard of review should be a question of law based on factual determinations and that this would end the conflicting terminology in the various courts).

235. *Supra* Graphs A, H, J, L, N.

236. When I started this study, I believed that the various amendments to the Lanham Act over the years affected the data. As can be seen by referring to Graphs A, D, E, and H, there appears to be no positive correlation whatsoever in the years immediately subsequent to a major Lanham Act revision. For purposes of this study, I considered major Lanham Act revisions to be 1984, 1989, 1996, and 2000.

237. See Thomas J. Campbell, *Predation and Competition in Antitrust: The Case of Nonfungible Goods*, 87 COLUM. L. REV. 1625, 1625 (1987) (contending that in markets consisting of differentiated goods, predatory conduct by an established firm under certain circumstances can succeed in driving a new entrant out of the market); Elizabeth Mensch &

insurance, thereby destroying the cost aspect of defending a trademark lawsuit. If defendants were not motivated by actual or perceived financial concerns, they may elect to defend an alleged trademark infringement more vigorously.

Trademark predation, unless corrected, will also have the effect of allowing trademark holders to expand their trademark rights to claim a mark is famous and therefore appropriate for a dilution cause of action. This fame will be gained not through use, as is required both by the Constitution and the Lanham Act, but through trademark extortion.

### VIII. Conclusion

The data suggests that trademark extortion is real. This is established by the fact that although all indicators of trademark litigation activity increased in post-recessionary periods in the past 58 years, after the most current recession trademark litigation activity indicators have been falling precipitously. Damage awards, attorney fee awards, the number of reported claims, and dispositive decisions all continue to decrease while the total number of cases initially filed continues to increase after the 2001 recession.<sup>238</sup> This extortion allows trademark holders to expand trademark rights based on extortion instead of use as the Lanham Act and the Constitution require.

Is the Lanham Act an extraordinary success? On one hand, with only roughly 50% of claimants prevailing in their infringement claims, the Lanham Act does seem remarkably balanced.<sup>239</sup> Trademark infringement winners do not dominate trademark litigation as they do in proceedings before the Uniform Dispute Resolution Policy.<sup>240</sup> Trademark litigation under the Lanham Act does seem to be a place where trademark disputants can and do find a reasonable outcome. Trademark holders do not dominate the landscape.

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Alan Freeman, *Efficiency and Image: Advertising As an Antitrust Issue*, 1990 DUKE L.J. 321, 367 (1990) ("If antitrust law is to play a responsible role in response to this competition, it must, in the best of the realist tradition, develop a vocabulary for making difficult normative judgments about the scope and mode of its deployment in particular market settings.").

238. *Supra* Graphs D, J, K, L, N.

239. Of course, the general fact that all torts succeed 50% of the time because only those litigants who believe they have a 50% chance of success actually litigate a case instead of settling does not apply here because the data here includes all terminations of all trademark lawsuits, not just those cases litigated to a trial on the merits.

240. See Michael Geist, *Fair.com?: An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP* 21, 25 (2001), available at <http://aix1.uottawa.ca/~geist/geistudrp.pdf> (addressing the allegations of bias towards trademark holders in the UDRP).

The question with trademark extortion is whether it will remain that way in the future. Therefore, returning to the problem stated above,<sup>241</sup> the data here suggests that Companies *A*, *B*, and *C*, the existing companies in the orange juice market, will be incentivized to use their trademarks to individually extort Company *D* and make it as difficult as they can for Company *D* to gain market share. Companies *A*, *B*, and *C* are encouraged to engage in predation because, to the extent they are successful, two good things will happen for them. First, Company *D* will find it that much more difficult to enter the orange juice market and, second, the scope of *A*, *B*, and *C*'s trademarks will broaden as the Company *D*s of the world acquiesce to their use. These companies acquiesce to their use because of actual or threatened trademark litigation. We know they do not actually litigate cases to a conclusion because all trademark litigation indicators are in a precipitous free fall. Only initial filings are increasing, indicating that these companies are filing suit, but they are not following through with the litigation.

Ultimately, the above phenomenon may lead to trademark rights being based on extortion, not based on use. Unless this trend is corrected, it may lead to the end of trademark law as we know it.

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241. *Supra* Part II.



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# NOTES

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