CHAPTER 1

A History of Brand Marketing from the Legal Perspective

"You have to know the past to understand the present."

—Carl Sagan

This chapter examines the historical evolution of brand marketing in the U.S. and its connection to an evolving trademark law in order to provide context for modern legal developments and applications. Duguid (2009, pp. 3–4) states: "The history of modern brands is to a significant degree dependent on the history of trademarks" so let's look at both.

The use of marks or brands in trade dates back to ancient times. These marks were used administratively to keep track of what goods came from which merchants. By the middle ages, guild marks were used for that purpose as well as quality control and the use of counterfeit marks was illegal. Some ancient marks even may have been symbolic (e.g., white rabbit sewing needles in China), but there is no evidence that these products were promoted based on the brand. So while branding or marking goods is an ancient practice, brand marketing—the use of a brand identity to develop and promote a brand personality in order to sell branded goods appears to be a modern practice (Petty 2016).

It is difficult to tell exactly when brand marketing may have begun. As countries industrialized, large firms developed but often were named simply for the firm founders. If the firm name is then used to promote products, is this brand marketing or business celebrities attempting to promote what we today would call their personal brand? For example, McKendrick et al. (1982, p. 124) note that in England Wedgwood wrote to his then partner Thomas Bentley in 1773 that it was "absolutely necessary" that they mark their goods and that they "advertise the mark." He already had developed some business fame, so was he merely seeking to extend that fame through self-promotion? If subsequent advertising (and other promotion) focused on the brand identity evidenced by the Wedgwood & Bentley circular mark, this would appear to be brand marketing even though the brand identifier consists merely of personal names written within a circle. Alternatively, Wedgwood could have been insisting that the mark be advertised only to educate consumers to avoid counterfeits. This still would be promotion of the brand identifier but not brand marketing focused on an abstract brand personality at least beyond genuineness.

While today many brands are still based on founder names, these brands often develop their own personalities and equity distinct from that of the founders. Henry Ford founded the Ford Motor Company and enjoyed a fair degree of business celebrity during his lifetime, but today the Ford brand contains multiple meanings and connections beyond merely being Henry Ford's company. So one question worth exploring within the history of brand marketing is when did brand names shift from founders' names to words that related to the product or even words that had no prior connection or meaning with the product beyond what marketing and promotion would provide?

To examine U.S. brand marketing history, we shall examine four historical eras: (1) the early 18th century when marketers first sought brand identity protection; (2) the post-Civil War era where patent medicines and tobacco products led the way into brand marketing, federal trademark registration was established, and technical trademarks were distinguished from trade names leading to brand identity; (3) 1905–1945 when the concept of trademark advertising developed the modern concepts of brand equity and brand marketing and (4) 1946 to the present when expansions in trademark protection led to expansions in brand marketing including trademark protection for multiple brand identifiers, brand extensions and eventual explicit recognition of brand management and strategy in the marketing literature.

A. PRE-CIVIL WAR BRAND IDENTITY PROTECTION EFFORTS

By the founding of the United States, the use of small administrative marks in trade had become common. George Washington registered his mark "G. Washington" for flour with a Fairfax, Virginia court in 1772. Nearly 50 years later a New York court decided the first trade name lawsuit. It held that the name "The New York National Advocate" was not confusingly similar to "The National Advocate" for newspapers both located in New York (Trademark Timeline 1992). The first U.S. case to condemn the false "passing off" of one product for another involved a medicine made by an unknown pharmacist but sold as a "Thomsonian Medicine." This was held to be improperly fraudulent so long as the latter name had not become a generic indicator of a type of medicine (*Thomson v. Winchester* 1837). The law condemned such fraudulent diversions of trade which typically were deliberate (McKenna 2007) but there are only a handful of reported cases before 1850.

Laird (1998, p. 17) suggests that in the early 1800s, U.S. consumers selected items for purchase based on inspection and merchant reputations rather than by brand name. Nevertheless as this began to change, marketers found value in product identities (brand) and began to seek ways to prevent unauthorized imitation. The first effort seems to be registering product labels as copyrights in local federal courts that started at least by the late 1830s (Petty 2012a, pp. 132–135). Attempts to register product labels as books, engravings or prints suggest that marketers sought exclusivity for their product labels. Many of these labels contained a pictorial element either of the product or person or other sign. However, there appear to be few court cases accusing competitor labels of copyright infringement. Perhaps, the filing itself was sufficient to provide notice not to copy.

In 1848 when courts began denying copyright protection to merely descriptive product labels, marketers became worried. They next turned to design patents first authorized in 1842 to protect ornamental (rather functional) aspects of product design. Marketers continued to seek copyright registrations but starting in 1855, they also sought to register labels and bottle designs as design patents Petty (2012a, p. 139). Such "Trade Mark Designs" could include a bottle or other unique packaging as well as labels so long as the product name was not in "ordinary type." Unlike copyrights that were registered in local federal courts, design patents were registered with the federal Patent Office, so that when trademark registration was authorized in 1870, the office stopped accepting trademark design patent registrations. Petty (2012a, p. 140) notes that from 1861 through 1870, trademark design patent registrations consistently exceeded federal trademark/passing off court cases.

Thus, during this time marketers wanted some ability to invest in developing their own particular products without fear of being "ripped off" (as we would say today) by counterfeiters seeking to free ride on their efforts. While it is clear they were attempting to cultivate protectable brand identities, it is less clear the degree to which they promoted the brand identity itself (brand marketing) as opposed to simply protecting the brand identity as a source of the genuine product.

B. THE LATE 1800S—EXPANDING BRAND IDENTITY PROTECTION WITH TRADEMARK REGISTRATION

Despite this evidence of early interest in brand identity protection through copyright and design patent registrations and occasional court actions, business historians tend to argue that brand marketing did not develop in the U.S. until the post-Civil War industrialization. Jones (1986) suggests that brands evolved as further protection for patent holders. Process patents that improved the consistency and quality of manufactured items needed brands to assure consumers that they could consistently identify these high quality items. Product patents provided a short term monopoly in new products such as the safety razor, but forward thinking marketers knew they need to develop the brand before the patent expiration and subsequent competition.

Strasser (1989) generally agrees with this analysis but adds that patented products and methods of factory production were aided in the development of modern national brands by national consumer product distribution systems based on railroads such as parcel post in 1912, color printing techniques, and the development of the "new media"—magazines that allowed brands to be connected with particular lifestyles and personalities. Furthermore, the country was becoming increasingly urban and urban factory workers purchased more goods rather than self-produce them as farmers tended to do.

Goodrum & Dalrymple (1990) attribute the start of modern branding to patent medicines in the 1800s that accounted for roughly half of all advertising after the Civil War. In fact, such medicines were routinely distributed to union soldiers during the war which added to their fame. Laird (1998) notes that patent medicines were the largest group of advertisers by 1870. Patent medicines were sold under a trade name, typically with a logo or slogan and with distinctive packaging. Patent medicines often used symbols of re-assurance such as angels, doctors and grandmothers, symbols of power or symbols of exotic origin (Laird 1998, pp. 16–18). This approach gradually expanded to other goods outside of patent medicines including some brands that are still well known today: Borden's Eagle Brand Condensed Milk—1866, Campbell's Soup—1869, Stetson hats—1866, Vaseline—1870, Pillsbury—1873, Levi Strauss overalls—1873.

Before federal trademark registration was finally established in 1870, the states were active in attempting to meet marketer demands for legal protection from imitation. The first efforts were by anti-counterfeiting statutes (for stamps, labels, wrappers and eventually trademarks) beginning with New York in 1845 and other eastern states in the next five years (Petty 2012a, pp. 137–138). It is not clear how much enforcement occurred under these laws. This effort was followed by state trademark registration schemes starting with California in 1863. Contrary to the story that national industrialization stimulated the demand for trademark registration in the U.S., California and other early registration states were primarily agricultural. Of the 151 marks registered in California during the first decade of registration. 83% were from small companies in the medicine, food, drink, alcohol, tobacco and cosmetic industries (Duguid 2013, pp. 588–590).

By the end of 1870, 121 marks were federally registered and medicines were only the third most common category: 21 registrations were for tobacco or snuff; 10 for whisky or liquor; 9 for medicines; 6 for soaps and other cleaners; 5 for fertilizers; 4 for brooms, dry and other types of goods, and white lead; 3 for metal and metal tubing, bitters, burning fluids, various foods, and various powders. Even items like steam governors, sewing machines, wagon axles and wheels and watches received trademarks in this first year (Commissioner of Patents 1870, pp. 260–261). Thus the interest in trademarks seemed to span across industries including consumer products but also some durable goods.

The federal trademark registration statute and its 1876 amendment were declared unconstitutional in 1879 for being improperly based on the patent and copyright clause of the Constitution (*Trade-Mark Cases* 1879). At this point some 8000 marks had been registered (Wilkins 1992). As more companies set up national brands, pressure continued on the government to enact trademark laws. In 1881, a new federal statute was enacted that authorized registration only for trademarks used in foreign commerce (or in commerce with Indian tribes). In 1883, the Paris Convention for the Protection of Industrial Property (including trademarks) was signed by 11 countries. However, the 1881 statute did not address interstate commerce. Indeed in 1903, the U.S. Supreme Court held that federal courts lacked jurisdiction to enjoin the use of a trademark unless it was used in foreign commerce (*Warner v. Searle & Hereth Co.* 1903).

Marketers and courts also worked on the development of trademark doctrine during this period. Courts began to distinguish technical trademarks from trade names. Trade names identified the source of products, but did so with descriptive (e.g., company founder or location) names. Such names were only protected when intentional imitation by competitors caused consumers to be confused about product source. Such lawsuits were based in fraud and typically required proof of the intent of the second user to confuse consumers (*Amoskeag Mfg. Co. v. Spear* 1837; *Lawrence Mfg. Co. v. Tennessee Mfg. Co.* 1891). Some court decisions allowed an innocent second adopter to use the same descriptive name as long as the source of the product was clearly identified and distinguished from the competitor who had first used that descriptive name (Handler and Pickett 1930).

Room (1998) looks at brand names of leading American advertisers in the 1890s and develops the following categories: personal names, place names, descriptive names (e.g., Shredded Wheat or 57 for Heinz's variety of products)—these would clearly be trade names, but not technical trademarks, good association names (e.g., Sunlight soap), status names (e.g., Monarch bicycles), invented scientific names (e.g., Cuticura Soap), and artificial names (e.g., Kodak). These latter categories would be eligible for technical trademark registration and protection. They were protected from trademark infringement by primarily focusing on the similarity of the imitation mark with that of the original mark when used on products in the same industry rather than on the imitator's intent and whether consumers were diverted from purchasing the brand they intended to buy (McKenna 2007). As the Supreme Court noted: "If a plaintiff has the absolute right to the use of a particular word or words as a trade-mark, then, if an infringement is shown, the wrongful or fraudulent intent is presumed . . . " (*Elgin National Watch Co. v. Illinois Watch Case Co.* 1901, 674). Despite the apparent breadth of this statement, it is important to remember that at that time infringement was limited only to other uses in the same industry.

The Supreme Court also recognized that technical trademarks were a form of property based on use in commerce (*Trade-Mark Cases* 1879). This theory was consistent with the natural rights theory of law that was popular at the time and courts sought to grant property rights to those who created property through their own efforts (McKenna 2007). So for example, in a well-publicized court decision, Nabisco was recognized as having a valid trademark, Uneeda Biscuit, and it received an injunction against use of the trademark and similar packaging by a competitor selling Iwanta Biscuit (*National Biscuit Co. v. Baker* 1899). Thus, technical trademarks, by creating what modern brand strategists would call a brand identity, established a platform for developing relationships with consumers (Dawar 2004).

C. 1905–1945: TRADEMARK LAW ENABLES THE PROMOTION OF BRAND IDENTITY TO CREATE BRAND EQUITY

The 1903 *Warner* decision led to enactment of a new trademark statute in 1905. It provided for federal registration of (technical) trademarks that had been used in interstate commerce for more than ten years. A special provision also allowed the registration of any mark used exclusively in commerce for ten years prior to the enactment of the act, even if descriptive, but descriptive marks could not otherwise be registered.

Once registered federally, these marks were presumed valid throughout the country so the courts no longer allowed innocent second users in distinct geographic markets to use the same trademarked name. This change recognized the growing importance of national brands and brands that wanted to be national in scope. Instead of lasting only 30 years, trademarks would now last 20 years but could be renewed indefinitely (Petty 2011). Strasser (1989, p. 45) states that pent up demand led to over 10,000 applications for trademark registrations to be filed during the first year. It also seems likely that many of these applicants also realized that this would be the only time that descriptive trade names in use for more than ten years could be registered as trademarks. The new law also eliminated intent to prove infringement but infringement was limited to use of an identical or confusingly similar mark on "merchandise of the same descriptive qualities" as those for which the original mark was registered.

The legal development of technical trademark protection as distinct from, and more easily proven than, passing off is important for the history of brand marketing because it encouraged businesses to switch from the traditional practice of identifying products solely by company name. Companies often took the name of their location or the personal name(s) of the company founder(s). Since other companies in the same location or with founders of the same name also were entitled to use such trade names, brands marketed under such names were less likely to be distinctly identified in the minds of consumers. Geographic names could only be registered if they had proven secondary meaning and were arbitrary for the product, e.g., Vienna bread (*Fleischman v. Shuckmann*, 1881). Secondary meaning had developed as a judicial concept that would allow brand marketers to earn the right through extensive advertising and promotion of exclusive use of a particular descriptive name in the sale of their particular type of goods. This right was limited to allow others to use that same description so long as consumers are not confused about the source of the other products (Lane 1909).

However, there were clear limitations on the registration of other types of trademarks. Names or slogans that merely described product attributes could not be registered. Slogans could not be registered because they were considered advertisements rather than trademarks that had to be affixed to the product. Similarly, products themselves, packages and particular colors were not considered trademarks because they were not marks affixed to products (Thompson 1911).

Marketers and others recognized the additional value of technical trademarks over descriptive trade names during this second period of trademark law and brand marketing development. At some point in the early 1900s J. Walter Thompson published an advertisement explaining the value of "trademark advertising." The point of the ad was straightforward: advertise your trademark directly to consumers and they will request your product by name from retailers. The advertiser will no longer be dependent on jobbers or retailers for brand promotion. Direct-to-consumer advertising was not a new concept, but by tying advertising to the trademark, J. Walter Thompson was explicitly promoting brand advertising.

This one page trade advertisement was soon followed by books about the use of trademarks to promote and advertise products. For example, Acheson (1917, p. 25) took this simple message one step further claiming that "continuous and properly pitched advertising made it [the trademark] such a part of the average purchaser's consciousness that it has become habitual to demand it . . . " At this point advertising agencies, attorneys and other sorts of marketing experts began offering their services to businesses. Consistent with the legal distinction, the message of these experts was clear—develop a technical trademark for your product. In other words, develop an identifier of the brand for consumers to rely upon rather than having them rely on the company name as certifying the source (and quality) of the product.

Indeed Buck (1916) extensively discusses the importance of having both a name and a unique symbol mark to concisely and distinctively identify the brand for consumers. Such trademarks readily cause consumers to recall brand impressions and allow the marketer to communicate "the one all-important point concerning his product" (Buck 1916, p. 61). Thus the legal recognition of property rights in technical trademarks led to those marks being used to communicate the brand identity rather than the source of the product. Modern brand strategists have recognized the importance of this distinction (Drescher 1992).

Trademarks as identifiers of brand identity were recognized as intangible assets whose value could be increased over time through advertising and promotion. Acheson (1917, p. 9) asserts "There is no more valuable and permanent property—if insured by continued publicity—than the trade mark of a staple commodity which has been well standardized by years of consistent advertising." Royal brand baking powder's goodwill in 1905 was valued at $5 million—a million dollars per letter. Three years later another advertising man estimated that "At least fifty percent of advertising being done today is for the purpose of creating property in trademarks" (Pope 1983, pp. 68–69). In less than a decade Coca-Cola and Nabisco for its Uneeda brand were claiming similar valuations for their trademarks (Strasser 1989, p. 47). Thus the concept of what today would be called brand equity became recognized during this period.

Behavioral research conducted during this time period also helped establish the intrinsic value of well-known brands. The very first volume of the *Journal of Applied Psychology* included an article on consumer brand associations with common products (Geissler 1917). A book examining the relative consumer familiarity with various brands was published six years later (Hotchkiss and Franken 1923).

Trademark litigation to ensure exclusive rights to brand identifiers was commonplace in this era. By 1915, Nabisco could report that in the wake of its 1899 court victory against Iwanta Biscuit, it had successfully stopped 13 imitative products with lawsuits and caused another 882 imitative marks to be abandoned (Strasser 1989, pp. 45, 49).

Some of those imitations and they year they were enjoined are illustrated below.

Similarly by 1926, Coca-Cola was bragging that it had driven 7000 imitators into the "copy cat's graveyard" (Johnson 1926, cited in Tedlow 1990, p. 391). The company's first volume of legal decisions (all but one in its favor) issued in 1923 contain about 70 opinions against bottlers, about 45 decrees against retailers for substituting another beverage when Coca-Cola was ordered and over 20 successful oppositions before the U.S. Patent and Trademark Office. The vast majority of these cases were unopposed or settled, sometimes by injunction in order to avoid paying any damages. Several of the decrees against retailers involved a substitution beverage (e.g., Gayola Cola) where the bottler of the beverage also was sued (Coca-Cola Co. 1923). Therefore, it is difficult to tell how much hyperbole was built into the 7000 number of copycats. There is little doubt that attorneys for Coca-

Cola were quite busy during this period (Petty, 2012b). Because of their widespread use and growing trademark law enforcement, the period of 1915–1929 has been called the "Golden Age" of manufacturer brands on consumer products (Low and Fullerton 1994, p. 177).

Finally as Low and Fullerton (1994) discuss, this period of proliferating brands within both the marketplace and single companies saw the management of those brands change hands from top level managers before the turn of the century to functional managers in charge of advertising, sales etc. These professional marketing managers and the companies that employed them were not satisfied with the legal status quo. They sought protection of descriptive names as trademarks and the expansion of trademark protection to cover uses that were not directly competitive.

In 1914, the Supreme Court carefully reviewed the legislative history of the 1905 Act and affirmed that descriptive trade names could be registered as trademarks if they had been used exclusively in interstate commerce for at least ten years before the passage of the Act (*Thaddeus Davids Co. v. Davids Man. Co.* 1914). Statutory amendments in 1920 extended this policy further by allowing registration of any descriptive name that could be proved to have secondary meaning. In addition, registration that previously could be perpetual by renewal was now perpetual unless cancelled.

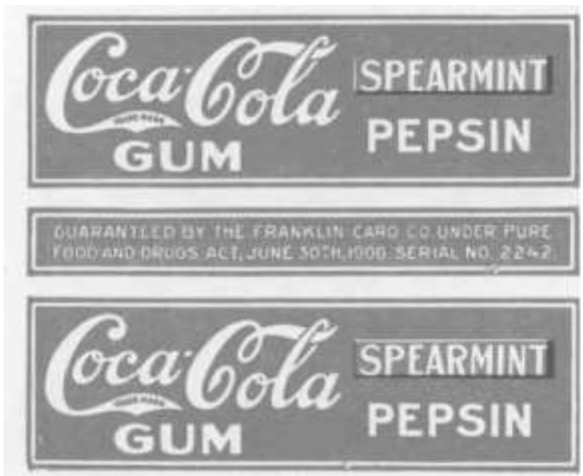
With this expansion of trademark law to cover descriptive names that had acquired secondary meaning, trademark law appeared reasonably content to simply let marketers promote their brands through the use of trademarks that were protected from close imitation by competitors. When innovative companies attempted to claim trademark protection for the names of products whose patents had expired, courts were not sympathetic because the alleged trademarks were actually generic descriptions of the product category (e.g., shredded wheat and cellophane: *Kellogg Co. v. National Biscuit Co.* 1938; *Dupont Cellophane Co. v. Waxed Products Co.* 1936). So even though marketers recognized the value of trademarks in identifying brands, the courts still looked to traditional source identification—secondary meaning—to determine whether a name qualified as a trademark or merely described a type of product.

However, Frank Schecter (1927) in a still famous Harvard Law Review article argued that the old legal source identification standard was obsolete. Rather he argued that while the use of the same mark would indicate products from the same source, consumers may not know and may not even care the specific identity of the source. They only know they like the brand. He further stated:

> . . . today the trademark is not merely the symbol of good will but often the most effective agent for the creation of good will . . . The mark actually *sells* the goods. And, self-evidently, the more distinctive the mark, the more effective is its selling power (Schecter 1927, p. 819) (emphasis in the original).

Schecter (1927, p. 825) argued that in cases of trademark use on non-competing products, while there is no trade diversion from the trademark owner, there would be "a gradual whittling away or dispersion of the identity and hold upon the public mind of the mark." He argued that protection against such trademark dilution should be provided for truly unique (arbitrary, coined or fanciful) marks, but not for descriptive marks.

Schecter's proposal had only limited support from past cases. For example, Schecter cited the 1917 Second Circuit decision finding infringement of the Aunt Jemima mark for self-rising flour when another firm started using the identical mark for the complementary product of pancake syrup (*Aunt Jemima Mills Co. v. Rigney & Co.* 1917). The court justified its decision by using the language of the 1905 statute that permitted protection against use by others on goods with the "same descriptive properties." In that case both were food products. By 1925, another decision found infringement between Rolls Royce cars and airplanes and Rolls Royce radio tubes both having the descriptive property of electricity (*Wall v. Rolls Royce of America, Inc.* 1925). Similarly, in 1919, the USPTO denied trademark registration for Coca-Cola gum when the gum company failed to answer Coca-Cola's objection (Coca-Cola Co. 1923, pp. 560–61). In 1927, Coca-Cola also settled with a company using the name Coca-Cola for a bar written in the same script type as the Coca-Cola trademark (Coca-Cola Co. 1939, pp. 780–783).



After Schecter's article appeared, a couple of courts found liability for the use of Tiffany by a motion picture company rather than the original jewelry company and Yale as a trademark for flashlights as opposed to the original lock and key brand (*Tiffany & Co. v. Tiffany Productions, Inc.* 1933; *Yale Electric Corp. v. Robertson* 1928). However, Schecter's proposals were only followed in a small number of cases and only a few states adopted trademark statutes prohibiting dilution.

Another effort to expand trademark law at this time involved licensing. Under traditional trademark law, licensing another firm to use your trademark was prohibited because consumers associated the mark with the original source of the goods. They would be misled when a second source starting selling goods using the same trademark. Trademark owners found this prohibition to be too constraining and so beginning in the 1930s, some courts attempted to allow licensing with assurances of quality control (e.g., *Finchley, Inc. v. George Hess Co., Inc.* 1938).

D. 1946–PRESENT: THE EXPANSION OF TRADEMARK LAW'S PROTECTION OF BRAND IDENTITY

In 1946, the modern U.S. Trademark statute, the Lanham Act, was enacted. By this point some 300,000 marks had been federally registered under the prior statutes (Wilkins 1992, p. 77). The 1946 Lanham Act adopted the policy of judicial decisions that allowed trademark licensing with quality control, but rejected Schecter's proposal to prohibit trademark dilution by non-competing goods. The act also generally expanded trademark law rejecting arguments by Chamberlin (1933) that trademarks led to monopolistic competition. His work had influenced some courts to narrow trademark protection for non-competing goods and hold more marks descriptive or generic (McClure 1979, p. 331).

The Lanham Act also continued to allow, but not require, federal registration for marks already being used in interstate commerce. Common law protection against passing off would still apply to unregistered marks. Under this act, trademark registration may still last for perpetuity, but the system returned to one of periodic renewal, this time every ten years. The renewal requirement not only creates an ongoing revenue stream for the USPTO, but allows abandoned marks to be identified, since few who abandon marks actually notify the USPTO and request cancellation.

As Low and Fullerton (1994) document, the concept of product or brand managers originated in 1930 but did not take off until after World War II. They report that by 1967 most large consumer packaged goods companies had brand managers. Also during this time, most advertising agencies gave up their role as "counselors and almost-equal partners in brand management" to focus on media and creative work

(Low and Fullerton 1994, p.182). With a proliferation of brands at many companies, the brand manager could focus on the needs of a particular brand in ways that a functional manager such as an advertising manager could not. There were simply too many brands in many firms for functional managers to cover. The focus of brand managers on the needs of protecting their particular brands appears related to the three areas of trademark law expansion: obtaining trademark protection for additional brand attributes that identify the brand, protecting those brand identifiers against encroachments even by non-competing products and licensing those brand identifiers in some cases to non-competing products in order to increase total brand revenue and enhance brand equity. Each of these three areas will be discussed in turn.

I. Expanding the Types of Legally Protectable Brand Identifiers

The 1946 Lanham Act allowed the registration of service marks expanding trademark protection beyond products and further reducing the traditional requirement that marks be affixed on goods in order to be protected. The 1905 Act arguably slightly weakened the affixation requirement by defining infringement to include affixation to signs and prints in addition to goods and packaging, but courts only reluctantly expanded affixation to advertising. The Lanham Act defined infringement to cover in use in commerce of an imitation of a registered mark in connection with the sale, offering for sale, distribution or advertising for any goods or services (Barrett 2006, pp. 380–383). This broader language eventually allowed for trademark protection to other brand identifiers beyond names, logos, and characters.

In 1950, the U.S. Patent and Trademark Office (USPTO) registered its first sensory trademark—the NBC three chime sound mark. This was followed in 1952 by registration of the first slogan, "The Fate of a Fabric Hangs by a Thread," for a particular brand of rayon thread. This slogan was registered because it was found to be arbitrary rather than descriptive. After that, slogans that had double meanings, one of which was not descriptive were routinely registered. It was not until 1970 that a court upheld the trademark registration of Clairol's descriptive but famous slogan: "Hair Color So Natural Only Her Hairdresser Knows for Sure" because evidence demonstrated that consumers identified the slogan with the Clairol brand (Grover 1991). Copywriter Rosser Reeves gained fame at this time for several advertising campaigns that used slogans to capture a brand's unique selling proposition (Reeves 1961).

The U.S. registered its first motion mark in 1957—a spinning coin. Since then other motion marks have included the famous MGM lion that both moves and roars. Both of these marks include sound and motion (Matty 2006). This early expansion continued in 1958 when the USPTO finally allowed packaging to be registered on the Principal Register to receive full trademark protection. In fact, the famous "contour" Coca-Cola bottle was registered in 1960 (U.S. Reg. No. 696,147). The reluctance to register packaging for full protection is somewhat ironic since many early passing off decisions focused on imitation of both the product name and package.

A second period of expansion of types of permissible trademarks started in 1974 when a court of appeals approved registration of a non-functional product design. In 1981, the Fifth Circuit Court of Appeals held that some trade dress, like other trademarks, could be inherently distinctive so for the first time proof of secondary meaning was not required (*Chevron Chemical Co. Inc. v. Voluntary Purchasing Groups Inc.* 1981). Some firms also sought trademark protection for the product or package color aspect of trade dress. In 1985, a court of appeals affirmed the registration of pink for insulation by Owens Corning (*In re Owens Corning Fiberglass Corp.* 1985). Owens Corning colored its home insulation pink and promoted it using the Pink Panther cartoon character. However, other appellate courts disagreed as to whether registration was proper. The Supreme Court settled this issue in favor of registration for non-functional distinctive colors if they identify a particular brand in the minds of consumers in 1995 (*Qualitex Co. v. Jacobson Products Co., Inc.* 1995).

Traditionally, most courts agreed that trade dress could not be inherently distinctive and must be proven to identify a particular brand in the minds of consumers in order to be protected. In 1992, the U.S. Supreme Court agreed with the Fifth Circuit that trade dress could be inherently distinctive and therefore protected the décor of a Mexican restaurant under trademark law without a showing of secondary meaning in the minds of consumers (*Two Pesos, Inc. v. Taco Cabana, Inc.* 1992). It noted that the protections of the Lanham Act apply with equal force to trademark and unregistered trade dress infringement through section 43. Later, the Court retreated somewhat from this expansive position and clarified that product configuration trade dress, such as the product shape or color, may not be inherently distinctive under law and must be proven to have secondary meaning in the minds of consumers. Only packaging trade dress may be inherently distinctive (*Wal-Mart Stores, Inc. v. Samara Brothers Inc.* 2000).

At least one commentator has decried the "explosion" of product configuration trademark cases that started in the 1980s (Lemley 1999). It remains to be seen whether the Supreme Court's decision in *TrafFix Devices, Inc. v. Marketing Displays, Inc.* (2004), will reign in efforts of brand owners to claim that their product configuration identifies the brand in the minds of consumers. In *TrafFix*, the Court held that expired utility patents on product configuration created a strong presumption that the product configuration was functional and could not be protected under trademark law. This means that brand managers must now consider carefully whether they should apply for a patent to product design features that have limited functionality or whether they should promote those features as brand identifiers and hope they are protected under trademark law.

During the debate on trade dress including packaging and non-functional product design, the USPTO quietly allowed registration of an olfactory sensory mark. Products such as perfumes or laundry detergents that have a scent as part of their function could not register the scents. But registration was allowed for a brand of embroidery thread, once the brand owner proved that the fragrance, reminiscent of plumeria blossoms, identified the source of the product for embroidery thread purchasers (*In re Clarke* 1990).

The most recent expansion of coverage to a new type of mark occurred with the advent of electronically-assisted commerce and the use of vanity telephone numbers and internet domain names. Domain names, as such, are registered with companies that are completely independent of the USPTO, just as phone numbers are assigned by a telephone company. Vanity phone numbers and domain names, unless generic or purely descriptive (e.g., patents.com), also may be registered or protected as trademarks, e.g., "1–800–SLEEPY'S" (U.S. Reg. No. 1,946,855). The U.S. also has condemned cybersquatting, the bad faith registration or selling of a domain name that is identical or confusingly similar to a registered trademark or dilutive of a famous trademark. Early case law held that the mere registration of a trademarked word or phrase as a domain name did not constitute commercial use of the mark, so that Federal trademark law did not apply (*Academy of Motion Picture Arts & Sciences v. Network Solutions, Inc.* 1997). However, later trademark decisions (*Panavision Int'l v. Toeppen*, 1998; *1–800 Contacts, Inc. v. WhenU.com* 2003) and the 1999 amendments to the Lanham Act condemn this practice for trademarks, but not for generic terms. Domain names and cybersquatting are discussed in Chapter Six.

II. Restricting Trademark Use by Non-Competitors

The courts did not develop a consistent method of analysis for cross-product infringement until the Second Circuit adopted the so called *Polaroid* factors that were first proposed in the 1938 Restatement of Torts (*Polaroid Corp. v. Polaraid Electronics, Corp.* 1961):

- **Strength of the first (senior) user's mark**—including both inherent and acquired strength. As discussed under brand names below, stronger marks are entitled to broader protection.
- **Similarity of the marks**—marks may look or sound similar or have similar meanings or connotations.
- **Proximity of goods & likelihood of brand extension**—confusion is more likely if the goods are similar or competing or related in such a way to suggest a brand extension. Courts also look at whether the goods are sold in similar channels.
- **Junior user's intent**—was the mark adopted in good faith after a careful search by the second (junior) user?
- **Evidence of actual confusion**—although not required, evidence that consumers were actually confused about source or sponsorship is relevant.
- **Care of buyers**—expert buyers may be less likely to be confused than casual consumers.
- **Quality of junior user's goods**—courts disagree on whether a significant disparity in quality between the senior and junior user's goods make harm from confusion more likely or make the probability of confusion less likely.

By explicitly examining the proximity of goods and often similarity of channels of distribution, courts acknowledge that trademark use on non-competing goods, particularly if somewhat related to the type of goods that originally used the trademark, could be challenged. But courts tempered this expansion by also examining the sophistication of consumers and looking for evidence of actual confusion or intent to confuse. The Second Circuit's *Polaroid* factors would soon imitated with some variation by the other Circuits. They allowed courts to condemn some uses of trademarks on non-competing goods, but not all such uses.

In 1995, Congress finally amended the Lanham Act to cover dilution for famous trademarks. By that time only 16 court decisions had granted dilution relief under state statutes enacted after Schecter's 1927 article. However federal courts also were not sympathetic to the concept in most cases. In the first year of judicial enforcement of the new provision, relief was granted in a respectable half of all decided dilution cases. This level of dilution protection slipped to less than twenty percent by 2003 when the Supreme Court ruled on its first trademark dilution case (Long 2006).

The Court in *Moseley v. V. Secret Catalogue, Inc.* (2003) followed the language of the statute to hold that actual dilution must be proven rather than the easier likelihood of dilution standard specified in most state statutes. The Court did not indicate how to prove actual dilution but made it clear that proving the existence of a mere association between the newer trademark and its famous predecessor mark was not sufficient. Dissatisfaction with this ruling by brand owners led to the passage of the Trademark Dilution Revision Act of 2006 that changed the statute so that plaintiffs only had to prove a likelihood of dilution by blurring or tarnishment rather than actual dilution.

III. Trademark Licensing to Third Parties

This expansion of protection to cover dissimilar goods combined with the 1946 Lanham Act's allowance of licensing with quality control combined to stimulate growth of the merchandise licensing industry allowing greater revenue from a brand's equity. Licensing started in the 1930s with Shirley Temple dolls and Mickey Mouse merchandise. Mickey was protected by copyright law, but its licensing did not take off until the 1950s, after the change in trademark law. Two major areas of development started the current licensing boom. Between 1977 and 1982, the retail sales of STAR WARS merchandise based on the first two movies are estimated to exceed $1.5 billion. This stimulated the growth of other merchandising efforts in the toy and children's goods industries (Battersby and Grimes 1986). Two court decisions in 1975 started the trend toward protection of sports team merchandise. Despite some initial controversy, by 1982 most courts had decided trademark owners needed some evidence to prove likely confusion of source, sponsorship or endorsement (*National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc.* 1982; *University of Pittsburgh v. Champion Products, Inc.* 1982). Such evidence was not difficult to obtain from appropriate consumer surveys (Dogan and Lemley 2005).

In 1988, the trademark statute was amended to give further protection to the practice of licensing. Instead of merely condemning confusion as to the source or origin of a product, the new language condemned confusion as to the affiliation, connection of association of product sources as well as confusion concerning the origin, sponsorship or approval of a product. According to the Licensing Industry Merchandisers' Association total licensing revenue in 2004 was about $5.8 billion. Professional sports and collegiate licensing revenue amounted to $1 billion and entertainment licensing revenue was another $2.5 billion.

These changes also helped McDonald's to extent its family of trademarks into licensing including such areas as formerly unlicensed uses of McClass, McJobs and McShuttle. By 1995, it also licensed McClip" for hair-cutting services; "McCash" for financial services; "McD" for cleaning products; "McBucks" for redeemable certificates; "McBunny" for toys; "McMatch" for games; "McShirt" for clothing; "McGift Shop" for retail store services; "McHat" for hats; "McLots of Fun" for stage productions; "McMasters" for recruiting elderly employees; and "McBear" for stuffed toys. "McKids" was licensed for children's clothing sold at Sears's retail stores (*McDonald's Corp. v. John L. McClain* 1995).

Allowing trademark licensing with quality control also provided the legal basis for modern business method franchising as used by McDonald's and many other firms. The franchisor develops both its trademarked brand identity and a business format that provides for quality control and licenses both to franchisees. This saves the franchisor from the expense of opening all of its own retail outlets and allows franchisees to reduce risk by investing in a proven brand and business format rather than trying to develop their own brand and format.

Fast food and other road side services were stimulated to franchise with the growth of the inter-state highway system in the 1950s. In 1950, only about 100 companies offered business format franchises. That number grew to about 900 in 1960 with an estimated 200,000 outlets. According to a survey conducted for the International Franchise Association's Educational Foundation, as of 2001, there were more than 767,483 franchise-related businesses (including franchisor owned), generating over 9 million jobs (equivalent employment of all manufacturers of durable goods, such as computers, cars, trucks, planes, communications equipment, primary metals, wood products, and instruments), meeting a $229.1 billion payroll, and producing $624.6 billion of output. The same survey found that franchised businesses in 2001 accounted for 7.4 percent of all private-sector jobs, 5.0 percent of all private sector payrolls, and 3.9 percent of all private sector output (Herman 2003).

For the outright sale (assignment) of the trademark, courts up until 1962 required the sale of assets needed to manufacture the goods as well. This practice allowed (but did not require) manufacturing to continue at the same level of quality that consumers come to associate with the mark. A 1962 court decision held that merely reciting in the assignment that the goodwill related to the trademark also was being sold was sufficient (*Hy-Cross Hatchery, Inc. v. Osborne* 1962). However, this approach was rejected by other courts for being too lax. Now courts simply seek to determine whether sufficient continuity exists between the post-sale goods associated with the trademark and the pre-sale goods (*Pepsico, Inc. v. Grapette Co.* 1969). Assignments, but not licenses, must be registered with the USPTO. In the late 1980s, the boom in the importance of brands was further demonstrated by several acquisitions where the primary goal appeared to be to acquire profitable brands and their trademarks. For example Philip Morris bought Kraft for four times the value of Kraft's tangible assets apparently paying a premium for the value of Kraft's brands (Economist 1998).

IV. Other Expansions

The Lanham Act also added the concept of trademark incontestability for marks that have enjoyed five years of continuous use in commerce since the date of registration. This concept extends the presumption of trademark validity based on registration to limit the defenses that can be used to challenge a trademark that has been registered for five years. The mark owner must file a declaration of incontestability, but once achieved, an incontestable mark only can be challenged based on: becoming generic, abandonment or procurement by fraud. It is important to note that descriptive marks, once ineligible for trademark protection or registration, now may be registered and if unchallenged for five years may not be challenged on the grounds of being merely descriptive (*Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.* 1985). This adds greater certainty to brand marketers that if they invest in a brand, their trademark won't be declared descriptive and become available for competitors to use.

Infringement also was expanded by a 1962 statutory amendment that eliminated the need to prove likely confusion by purchasers. As a result some courts began to recognize post-purchase or onlooker confusion *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Ltd.* (1955), and initial interest confusion even though it was corrected before purchase (*Grotrian, Helfferich, Schultz, Th. Steinweg Nachf. v. Steinway & Sons*, 1975; *Mobil Oil Corp. v. Pegasus Petroleum Corp.* 1987). Both types of confusion, although not yet widely adopted, provide further brand protection in cases where purchasers are not ultimately confused as to the brand identity.

E. TRADEMARK LAW AND MODERN BRAND MANAGEMENT

This expansion of brand protection by the 1946 Lanham Act added to duties to those who managed brands. Licensing, which led to franchising in some industries and renewal (as well as non-renewal) of trademarks became of immediate concern. As the second half of the twentieth century unfolded, brand marketers asserted and gained rights over new types of brand identifiers. By the 1970s and 1980s, acquiring existing brands to augment existing product lines became easier under the law and a popular marketing practice. By 1988, brand marketers could register proposed future trademarks without using them in commerce under new intent-to-use ruled discussed in the next chapter. It is little wonder that the practice of organizing marketing by brand managers proliferated during this time.

Of course with brand managers, the modern concept of brand marketing and strategy slowly developed during this time. Writing in 1975, Morein noted that the past 25 years had seen the development of sophisticated brand marketing for consumer products. The modern discussion of brand marketing appears to have begun in 1955 when Gardner and Levy echoed writings published forty years earlier by discussing the difference between the product and the brand. They recognized the "brand name" (rather than trademark) as a complex symbol representing a variety of ideas and attributes that build up in the minds of consumers over time. The net result was a brand personality that might be more important for sales than technical aspects of the product (Gardner and Levy 1955, p. 35).

An empirical study of the importance of brand in making continuing sales was presented the following year. Cunningham (1956) reported on the results of a three year consumer panel study of brand loyalty. He found that many purchasers were loyal to at least some brands with some being secondarily loyal to a second brand. However, brand loyalty varied across consumers and product categories. There did not seem to be any "loyalty-prone" consumers who were loyal to a brand in every category of low-priced frequently purchased products in the study.

In 1960, Theodore Levitt cautioned marketers not to define their business too narrowly as the railroads had done. Instead, he urged that a company not think of itself as producing products, but rather as "buying customers, as doing the things that will make people want to do business with it" (Levitt 1960, p. 12). By the mid-1960s, studies were showing that customers often preferred family brands—brands that were used for two or more similar products such as fruits and vegetables or various paper products (Fry 1967).

Edward Tauber (1981) later built upon Levitt by suggesting that existing brand names could be used not only for line extensions of similar products but also for new product categories. Both Tauber (1981, p. 39) and Ries and Trout (1981) recognized the risks of such strategies and the fact that the new opportunity had to be appropriate for the brand. This concept of brand extensions (extensions to a new product category) became popularized in Aaker and Keller's (1990) *Journal of Marketing* article. Recent estimates suggest that as many as 80% of new product introductions are brand extensions (Kim and Mauborgne 2005, p. 7).

Thus, changes in trademark law led to a broadening of the practice of brand management to include the development of new brand identifiers, brand extensions, third-party licensing and franchising, and brand acquisitions. The expansion of trademark law has enabled the expansion of the scope (and therefore the revenues and value) of brands.

F. CONCLUSION

Modern brand management developed only after trademark law evolved to allow marketers to protect their brands. Early unfair competition and trademark law sought to prevent the unfair diversion of trade from the trademark owner to an imitator that confused consumers about the source of its goods known as passing off. Today, trademark law is recognized to have both the goal of providing accurate information to consumers and to provide sufficient protection of brand identity that businesses have the incentive to develop high quality brands. Registration allowed trademarks to be established with more certainty. Such marks now become incontestable after five years of registration. Marks can now be licensed to franchises, merchandise producers, and manufacturers. Trademarks can now be readily bought and sold.

The types of brand elements or brand identifiers that can be protected under trademark law has expanded from non-descriptive names and marks to all sorts of devices that now are used to identify brands. The types of activities that may now be challenged in enforcement lawsuits have expanded as have penalties for trademark violations including criminal sanctions for intentional counterfeiting. All of this and more suggests that the modern brand manager cannot be successful without a solid understanding of legal issues related to branding.