

# The Trademark Reporter®



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Delay in Filing Preliminary Injunction Motions: 2023 Edition  
*Fara Sunderji and Sandra Edelman*

Commentary: Fifty Years of *McCarthy on Trademarks*  
*J. Thomas McCarthy*

Book Review: *Artificial Intelligence and Intellectual Property*.  
Jyh-An Lee, Reto M. Hilty, and Kung-Chung Liu, eds.  
*Elisabeth Kasznar Fekete*

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## COMMENTARY

### FIFTY YEARS OF *McCARTHY ON TRADEMARKS*

*By J. Thomas McCarthy\**

#### I. INTRODUCTION

In 2023 my publisher Thomson Reuters and I are celebrating the fiftieth anniversary of the publication of my treatise *McCarthy on Trademarks and Unfair Competition*. Today, the treatise appears in seven volumes and also appears online in the Westlaw legal database and in the ProView eBook app. I continue to modify and revise the work, and every three months it is updated with new materials and analysis.

I'm deeply gratified that my efforts over all these years on the book have been successful. My treatise is widely regarded as a reliable and accurate source for guidance in trademark and false advertising law. I'm immensely pleased that in the fifty years since the first publication of the treatise, it has been relied on as an authority in over 8,000 judicial decisions, including in eighteen U.S. Supreme Court opinions.

A number of people have asked me why and how I first came to write the book and what significant changes in trademark law I've seen over the past fifty years. In this *Trademark Reporter* commentary, I respond to questions like these.

#### II. HOW DID IT START?

My interest in trademark law was kindled when, in law school at the University of Michigan, my favorite course was Unfair Trade Practices, taught by Professor Jack Richard Pearce. That was the first time I was introduced to the complexities of the Lanham Act, which was then still relatively new and unfamiliar. It took decades for the judiciary and the practicing bar to understand all the ways the Lanham Act changed the traditional rules of trademarks and unfair competition.

Since I had a degree in electrical engineering and had worked as an engineer for a while in the early days of the U.S. space program, I was pigeonholed as a "patent lawyer." I moved to California and in the early 1960s was practicing intellectual property law in San Francisco. As a young lawyer, I found it difficult to find

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\* Author of *McCarthy on Trademarks and Unfair Competition* (5th ed. 2023 rev.); Emeritus Member, International Trademark Association.

comprehensible answers to what I thought were basic questions about trademark law. Trademark treatises in that era were written in what is now viewed as an archaically formal and stilted style.

After a few years of practice, I went into teaching as an Assistant Professor at the University of San Francisco Law School.<sup>1</sup> I soon discovered that I loved teaching and legal writing. I had an idea that I could write a short reference book on trademark law but confined to California law. I approached Bancroft-Whitney, a law book publisher in San Francisco. They responded that a book on only California trademark law and cases was too narrow a subject to have a viable market. But they said that a related company had for many years been publishing a two-volume treatise on *Unfair Competition and Trademarks* (4th ed. 1947). This was authored by Harry Nims, a prominent New York City attorney who had recently died. Nims's estate would not authorize another author to continue his book. Would I be interested in writing from scratch a two-volume treatise as a successor to the Nims treatise, covering all of the same subject matter? This sounded like a monumental task, but I was young and ambitious and assured the publisher that I could accomplish it. I submitted some samples for a few parts of such a treatise and they were approved. I signed a publishing contract in 1970 with the Lawyers Co-Operative Publishing Co., located in Rochester, New York.

Then followed three years of intensive research and writing, written in those pre-computer days on a manual typewriter. After much work, I submitted to the publisher two volumes' worth of material and breathed a sigh of relief. The first edition was published in 1973 in two hard-bound volumes in brown covers with over 800 pages in each volume. Yearly supplements that followed were inserted as "pocket parts" at the back of each volume. Fast-forward fifty years, and with the explosion in statutory and case law, the treatise has grown to seven hard-copy volumes, updated quarterly.<sup>2</sup>

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<sup>1</sup> Note for non-U.S. readers: In Europe and many other nations, unlike in the United States, a teacher does not reach the status of "professor" until after many years of experience when a "professorial chair" is available. But in U.S. law schools, young teachers are not entitled "lecturers," but "Assistant Professors." To those unfamiliar with the U.S. system of academic titles, this can cause confusion.

<sup>2</sup> In addition to the trademark treatise, I also wrote *The Rights of Publicity and Privacy* (1st ed. 1987), now in a two-volume yearly updated edition (Thomson Reuters) and co-authored by Professor Roger Schechter of George Washington University. I also wrote *McCarthy's Desk Encyclopedia of Intellectual Property* (Bureau of National Affairs, 1st ed. 1991) with a 2004 third edition co-authored by Professor Roger Schechter and Professor David Franklyn that is now out of print.

### III. TEACHING, CONSULTING, AND RETIREMENT

As a result of the popularity of my treatise, a great many good things have happened to me. When I was teaching, I often served as a consultant in trademark law to corporations and law firms and was a frequent expert witness in infringement cases. As a result, I met many smart and interesting people across the nation and around the world. I made personal friendships that have lasted for decades. My expert witness work gave me the opportunity to observe and compare different litigating styles in different parts of the country. I recall that one of the first times I was called to testify, it was before a judge in federal court in San Francisco in a non-jury trial. I was sworn in and seated in the witness chair next to the judge, who was discussing with the attorneys if it was proper to let me testify. Finally, the judge turned to me and asked: "Professor, do you think I should let you testify?" I responded, "Your Honor, I believe it's within your discretion to hear my testimony." He said: "Yes, I agree. In my discretion, I decide not to hear your testimony. Please step down. Call the next witness."

Many times when I testified in a deposition or at trial, the attorney for the other side sought to show how my testimony was contradicted by a passage in my treatise. This showed me why I think it's often a mistake to try to trip up an expert witness by using that expert witness's writings. I knew every nook and cranny in my book that could explain any apparent discrepancy. Usually, I could easily respond in my testimony by referring to the treatise text on the next page that discussed an exception to the rule. It's as if in a criminal case you tried to dispute with a witness about the arrangement of rooms in a house that the witness had lived in for decades since childhood.

This brings to mind an amusing (and apocryphal) tale that has circulated among IP litigators about a professor testifying as an expert witness. Because of my electrical engineering background, I always imagined the professor in the story to be the legendary scientist Michael Faraday. The story goes that during a courtroom appearance, Professor Faraday, author of the highly regarded treatise *Faraday on Magnetism*, was being cross-examined at length by an aggressive lawyer who persistently attempted to show how Professor Faraday's testimony was inconsistent with a passage in his treatise. The witness patiently explained how the allegedly inconsistent sentence in his treatise was taken out of context by the attorney and was explained by nearby text. But the attorney would not relent and persisted in questioning on the same treatise passage for an unduly long time. Finally, the exasperated Professor Faraday said to the cross-examining attorney: "Counsel, hand me that copy of my treatise. I can easily put an end to this quibbling." He then proceeded to tear out the page that bore the passage in question and

handed the book lacking the torn page back to the attorney. “Here, counsel, is the newest edition of *Faraday on Magnetism*.”

On several occasions I testified as an expert witness in a jury trial. While it is true that jurors often are influenced by things we lawyers think are irrelevant, usually they are pretty sharp and perceptive about what’s going on in the trial. A case that stands out in my mind is my appearance at the 1988 jury trial in Houston, Texas, in the case of *Taco Cabana International, Inc. v. Two Pesos, Inc.* This case eventually ended up in the U.S. Supreme Court and became a standard in law school case books on intellectual property.<sup>3</sup> Plaintiff Taco Cabana had a chain of Tex-Mex restaurants, and the defendant copied the trade dress layout and appearance for use in its competing Two Pesos restaurants. The trade dress issues were whether the restaurant appearance was functional, if it required proof of a secondary meaning, if there was abandonment by licensing with a lack of quality control, and if there was infringement. I was called by Jim Gambrell, the attorney for the plaintiff, to testify to assist the jury to understand the complexities of these concepts. After several days of trial, Judge Singleton said I could take the stand. Soon after I was qualified as an expert, the judge became perturbed that the trial was dragging on too long. After only three or four substantive questions to me on direct by Jim Gambrell, the judge cut the examination short, saying, “OK, that’s enough from this witness, let’s move on here. This is taking too long.” An attorney for the defense rose to cross-examine me, but the judge motioned him to sit down and told me to get off the witness stand, which I speedily did.

After the jury found the defendant liable for trade dress infringement, plaintiff’s attorneys were able to interview some of the former jurors, and their feedback was illuminating. They were looking for a perpetrator and a victim. They didn’t like the idea of a competitor copying the distinctive appearance of a rival’s restaurant. That struck them as unfair. When the former jurors were asked about my curtailed testimony, one ex-juror said: “Oh, it didn’t bother us that the judge cut short Professor McCarthy’s testimony. We knew what he would have said.” In other words, what mattered to the jurors was not the details of what I would have said on the stand. What was significant was the fact that an expert in the field like me was willing to stand up in support of the plaintiff. It gave jurors a feeling of confidence that they would be doing the right thing if they found for the plaintiff.

In 2002, after thirty-six years in the classroom, I retired from teaching and became a Professor Emeritus. Thereafter, for twenty years until 2022, I was an Of Counsel consultant to the law firm of

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<sup>3</sup> *Taco Cabana Int’l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113 (5th Cir. 1991), *aff’d*, 505 U.S. 763 (1992).

Morrison & Foerster in its San Francisco office. My work there was varied and intellectually stimulating. My book remains a work-in-progress with revisions issued every three months. I continue to update, rewrite, and reorganize in order to make the material as accessible and understandable as possible.

#### IV. OBSERVATIONS ON A HALF CENTURY OF TRADEMARK LAW

Fifty years have seen an enormous number of changes in the world in general and in trademark law in particular. Some of those changes in trademark law that I see as most significant are discussed below.

##### *A. Trademarks or Unfair Competition or Both?*

The two-part title of my work *Trademarks and Unfair Competition* is a reversal of that of the treatise by Harry Nims—*Unfair Competition and Trademarks*. Even in my first edition, twenty-five years after the Lanham Act, the law still retained strong currents of this duality. Perhaps no term of art in this field of law has over the years provoked such a confusion of definitions as “unfair competition.”<sup>4</sup>

For decades before and after the Lanham Act, “trademark” law was viewed as the domain of only registered marks, while cases for infringement of unregistered marks were viewed as involving “unfair competition” law.<sup>5</sup> The two strands had different rules, with “unfair competition” law focusing on the unfairness of the defendant’s conduct, not on the validity of the plaintiff’s designation.<sup>6</sup> Passage of the Lanham Act provided the primary impetus to bring the two strands together with a common set of rules. But even so, this duality created an ambivalence in the law

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<sup>4</sup> As Professor Christine Haight Farley has noted: “There may be no term in all of intellectual property law as slippery as ‘unfair competition.’” *The Lost Unfair Competition Law*, 110 TMR 739, 740 (2020).

<sup>5</sup> See *id.*, 110 TMR at 746 (“The fact of registration was then a means of demarcating the subject matter of trademark and unfair competition law. Although the cases are less clear than this tidy division, technical trademark cases involved a property right protected by trademark law, whereas in unfair competition cases the complainant had no property interest in what was imitated.”).

<sup>6</sup> See Mark P. McKenna, *Property and Equity in Trademark Law*, 23 Marq. Intell. Prop. L. Rev. 117, 126 (2019) (“Unfair competition . . . cases by definition did not involve a property interest, so in determining whether any remedy should be given, courts were not concerned with identifying the thing the plaintiff owned. They were instead focused on the defendant’s *conduct*.”) (emphasis in original). In a further complication, a symbol in an “unfair competition” case was called a “trade name,” not a “trademark.” For example: *American Products Co. v. American Products Co.*, 42 F.2d 488, 489, (E.D. Mich. 1930) (“[T]his case involves a trade-name, not a trade-mark, and therefore is governed by the law of unfair competition, not that of trade-marks. . . .”).

that continues to this day. Today, attorneys and judges continue to label a claim for infringement of a registered mark as a “trademark” claim, while an accompanying claim for infringement of an unregistered mark is often denominated as one for “unfair competition.” But for all practical purposes, the rules of validity and infringement are the same. The main difference is that the owner of a registered mark benefits from several procedural and substantive advantages, such as a presumption of validity.

### ***B. The “Federalization” of the Law of Unregistered Trademarks***

A related development occurred in the courts in the 1960s and 1970s, just before the first edition of my treatise was published. Courts began to interpret Lanham Act Section 43(a), 15 U.S.C.A. § 1125(a), as the basis for a federal law claim for infringement of an unregistered mark. Within a few years, all courts adopted this view. This had the result of moving into the federal courts almost all cases for infringement of unregistered marks and trade dress. Throughout the nineteenth century and until the seventh decade of the twentieth century, state law was the sole legal basis for assertion of infringement of an unregistered trademark. Lacking diversity jurisdiction, the case had to be filed in a state court. As discussed above, the claim was labelled “unfair competition,” not “trademark infringement.”

This all changed with federal case law precedent holding that Section 43(a) of the Lanham Act could be the basis for assertion of a claim of infringement of an unregistered trademark or trade dress in a federal court. The statutory phrase “false designation of origin” was given a new interpretation. Previously thought to be limited to false claims of geographical “origin,” it was now interpreted as also covering false claims of commercial “origin.”<sup>7</sup> In other words, it included the likelihood of confusion by use of another’s trademark.<sup>8</sup>

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<sup>7</sup> See McCarthy, Trademarks and Unfair Competition, § 27:7 (5th ed. 2023 rev.) (“Section 43(a) was originally envisioned as a federal anti-false advertising statute, with emphasis on the ‘false description or representation’ language. The phrase ‘false designation of origin’ was thought to be limited to false advertising of geographic origin.”).

<sup>8</sup> One of the first courts to take this view and begin the trend was the Sixth Circuit in *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 408 (6th Cir. 1963) (allegations of infringement of unregistered trade dress could be brought in federal court under Lanham Act Section 43(a). While the trial judge held that “origin” meant geographic origin, the court of appeals reversed. “[T]he word, ‘origin,’ in the Act does not merely refer to geographical origin, but also to origin of source or manufacture.”). Within a few years, more and more courts adopted this view. By 1972, Judge Gurfein in the Southern District of New York could state with certainty that a claim for infringement of an unregistered mark was a federal claim that could be brought in federal court. See *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1294, 173 U.S.P.Q. 346 (S.D.N.Y. 1972) (“Regarding the claim under the Lanham Act, it is not a prerequisite that the mark



Federal law and federal courts became the source of case law precedent on infringement of an unregistered trademark, service mark, trade name, or trade dress.<sup>9</sup> This meant that a claim for trademark infringement under state law filed in a state court became a rarity.<sup>10</sup> Effective in 1989, Congress put its stamp of approval on this trend by rewriting Section 43(a) to codify the existing case law. State trademark and unfair competition common law was effectively “federalized” by Lanham Act Section 43(a).<sup>11</sup>

### *C. The Internet Transforms the Way Goods and Services Are Sold*

I think many would agree that widespread use of the Internet has brought the most significant change in trademark law in the past half century. Of course, the Internet and widespread use of smartphones have had a huge impact on society in general. For trademarks and commerce, the Internet has created a truly global market of goods and services in which people in any nation can advertise and sell their goods and services to anyone anywhere. Every day, almost 5000 container ships ply the oceans, delivering vast amounts of products that were advertised, ordered, and sold on the Internet.

In developed nations, the Internet has changed the way that buyers and sellers interact. Websites such as Amazon present the buyer with a vast array of goods delivered to one’s home within days. Websites like Etsy give small, local artisans access to a global marketplace of buyers. Every one of the thousands of online sellers needs a brand to distinguish itself from the jostling crowd of merchants seeking buyers. Trademark conflicts with prior users become more common. Fewer trademarks are available. Trademark depletion and congestion make it harder to select a new

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be registered. . . . A claim for relief arises if the defendant affixes to the goods a false designation of origin or any false description or representation.”).

<sup>9</sup> See McCarthy, *Lanham Act § 43(a): The Sleeping Giant Is Now Wide Awake*, 59-SPG Law & Contemp. Probs. 45 (1996). For all practical purposes, the rules of validity and infringement for unregistered marks are now the same as for registered marks. See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776 (1992) (Justice Stevens, concurring: “[T]he Court interprets this section as having created a federal cause of action for infringement of an unregistered trademark or trade dress and concludes that such a mark or dress should receive essentially the same protection as those that are registered. . . . I agree with the Court’s conclusion. . .”).

<sup>10</sup> See *Two Pesos*, 505 U.S. at 782 n.16 (“The federal courts now decide, under federal law, all but a few trademark disputes. State trademark law and state courts are less influential than ever. Today the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts.” Stevens, J., concurring in judgment and quoting *The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 TMR 375, 377 (1987)).

<sup>11</sup> See McCarthy, *Trademarks and Unfair Competition*, § 27:12 (5th ed. 2023 rev.).

commercially viable mark that does not conflict with a prior registered or unregistered mark.<sup>12</sup>

### ***D. Domain Name Disputes: The UDRP***

The appearance of domain names on the Internet led to new and different kinds of conflicts involving trademarks. Around the turn of the century, I created a new Chapter 25A in my treatise to collect in one place all of the new statutory and case law precedent dealing with the use and misuse of trademarks on the Internet. The Internet Corporation for Assigned Names and Numbers (“ICANN”) took over the domain name system and has added hundreds of new top-level domains. Around the turn of the century, ICANN adopted a new Uniform Domain-Name Dispute-Resolution Policy (“UDRP”) to deal with cybersquatting. This led to the creation of a completely new kind of global and quasi-arbitration body of law. It also led to the creation of a new body of U.S. precedent when the loser of a UDRP decision seeks review in an American court. Courts soon held that the UDRP was not like binding formal arbitration and UDRP decisions are not subject to the federal Arbitration Act. This means that U.S. courts give UDRP decisions no deference: the case is reviewed *de novo* by the U.S. federal court judge.

### ***E. Domain Name Disputes: The ACPA***

Another new body of Internet law was created when, in 1999, Congress enacted the ACPA—the Anti-Cybersquatting Protection Act. This amended the Lanham Act to prohibit various forms of “cybersquatting” or “cyber-piracy” by the use of domain names that are confusingly similar to trademarks and persons’ names. As the Ninth Circuit commented, the prototypical type of cybersquatting “is the Internet version of a land grab. Cybersquatters register well-known brand names as Internet domain names in order to force the rightful owners of the marks to pay for the right to engage in electronic commerce under their own name.”<sup>13</sup> In addition, the ACPA immunized a domain name registrar from monetary and injunctive relief for registering an infringing domain name and for most actions in the implementation of a policy such as the UDRP. Because the ACPA also allowed *in rem* jurisdiction, many

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<sup>12</sup> Barton Beebe and Jeanne Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 Harv. L. Rev. 945, 948 (2018) (arguing that word mark depletion and congestion “are increasing and have reached chronic levels.”).

<sup>13</sup> *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 946 (9th Cir. 2002) (the defendant was found not to violate the ACPA). See *JYSK Bed’N Linen v. Dutta-Roy*, 810 F.3d 767, 775 (11th Cir. 2015) (“The ACPA was enacted to prevent cybersquatting. . . . Cybersquatting is essentially extortion . . . the cybersquatter muddies the clear pool of the trademark owner’s goodwill and then profits off the resulting murkiness.”).

international domain name disputes could be litigated in a U.S. court.<sup>14</sup>

### *F. The Impact of U.S. Supreme Court Cases on Trademark Law*

Some have asked me which of the U.S. Supreme Court trademark cases over the past half century I think are the most important. I can identify twenty-three Supreme Court cases in the past fifty years that have involved substantive Lanham Act issues in some way.

Trademark aficionados know that the Supreme Court takes very few cases involving Lanham Act trademark and false advertising issues. Sometimes years pass with no relevant Supreme Court decision on point.<sup>15</sup> Supreme Court trademark decisions are not like the Court's groundbreaking decisions on constitutional issues that grab the headlines of mainstream media. Few, if any, Supreme Court trademark cases have had this kind of significant impact and lasting influence. Almost all have involved relatively peripheral issues, and in those cases the decisions have made only marginal changes in the law. The Supreme Court in the intellectual property field shuns bright line rules in favor of vague guidelines that require multiple fact-specific questions to be resolved. This makes IP law more unpredictable and uncertain. If everything is relevant, then nothing is determinative. The result is that attorneys can provide fewer clear answers to clients as to what are the rules of law. This, I think, raises the expense of intellectual property litigation and favors the deep-pocket entrenched competitor over the recent entrant with a new brand. This is not good for an efficient competitive economy.

However, I do think that two decisions of the Supreme Court in this field may well have a substantial and perhaps long-lasting impact on trademark law. That is the duo of cases in 2017 and 2019 that held two related parts of the Lanham Act to be void and

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<sup>14</sup> The Prudential Ins. Co. of Am. v. Shenzhen Stone Network Info. Ltd., 58 F.4th 785, 794 (4th Cir. 2023) (court found *in rem* jurisdiction and affirmed summary judgment of violation of the ACPA by a domain name owner located in China. *Note:* The Eastern District of Virginia is the location of VeriSign, the domain name registry for the .com domain.).

<sup>15</sup> For example, for the six-year interval from the 1995 decision in *Qualitex* to the 2001 decision in *TrafFix*, I'm not aware of any substantive trademark decision by the high court. *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159 (1995); *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001).

unconstitutional. In both *Matal v. Tam*<sup>16</sup> and *Iancu v. Brunetti*,<sup>17</sup> the high court held that parts of the Lanham Act that denied registration to certain types of marks were in conflict with the principles of free speech protected by the First Amendment. This was the first time in the seventy years since the Lanham Act became law that free speech was held to present such a direct clash with trademark law. I feel that this can lead in the future to a series of free speech challenges to other provisions of the Lanham Act. For example, already the Federal Circuit has used these cases to hold that Lanham Act Section 2(c), prohibiting the registration of the name of a living person without that person's consent, was in conflict with the First Amendment.<sup>18</sup> In 2023, the Supreme Court cut back on the use of the *Rogers v. Grimaldi*<sup>19</sup> special test of infringement used to balance free speech with an accused use of a mark in an "expressive" work.<sup>20</sup>

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<sup>16</sup> *Matal v. Tam*, 582 U.S. 218 (2017) (the case concerned the USPTO's rejection of the mark THE SLANTS for a musical group as being disparaging to persons of Asian descent. One of the prohibitions on registration in Lanham Act Section 2(a), 15 U.S.C.A. § 1052(a), is the ground that the mark "may disparage . . . persons, living or dead, institutions, beliefs or national symbols, or bring them into contempt or disrepute." All eight voting judges agreed that the disparagement clause was unconstitutional. All those Justices agreed that a trademark is a form of free speech within the First Amendment and that the disparagement bar was a form of viewpoint discrimination by the government that offended a basic principle of free speech).

<sup>17</sup> *Iancu v. Brunetti*, 139 S. Ct. 2294 (2019). One of the prohibitions on registration listed in Lanham Act Section 2(a), 15 U.S.C.A. § 1052(a), is the ground that the mark "comprises immoral . . . or scandalous matter." The primary use of this statutory bar in the 1947–2017 era was to reject applications for words or images with an offensive or sexual connotation. In this case, the USPTO rejected the application for FUCT for wearing apparel. The Supreme Court held that the "immoral" and "scandalous" statutory bars were unconstitutional. They were in violation of the free speech provisions of the First Amendment because they discriminated on the basis of viewpoint. The applicant in the *Brunetti* decision later applied to register the word FUCK for various goods and services such as jewelry and carrying cases. The Trademark Board affirmed rejection on the ground that it was "merely informational" and failed to function as a trademark. *In re Erik Brunetti*, 2022 U.S.P.Q.2d 764, 2022 WL 3644733 (T.T.A.B. 2022), *reconsideration denied* (T.T.A.B. Dec. 15, 2022).

<sup>18</sup> *In re Elster*, 26 F.4th 1328 (Fed. Cir. 2022) (holding that the First Amendment prohibited the United States Patent and Trademark Office from rejecting the application for TRUMP TOO SMALL for T-shirts based on Lanham Act Section 2(c), 15 U.S.C.A. § 1052(c), because it included the name of Donald J. Trump, a living person, without his consent. The Federal Circuit said that the phrase was protected as free speech by the First Amendment as a criticism of a public official. While the court mentioned the Supreme Court's *Tam* and *Brunetti* viewpoint discrimination decisions, the court admitted that the *Elster* case did not involve viewpoint discrimination. Nevertheless, the court held that free speech was impermissibly restricted because Section 2(c) "involves content-based discrimination.") The Supreme Court will hear this case in its upcoming term. *See Vidal v. Elster, cert. granted*, June 5, 2023 (No. 22-704).

<sup>19</sup> 875 F.2d 994 (2d Cir. 1989).

<sup>20</sup> *Jack Daniel's Properties, Inc. v. VIP Products LLC*, 143 S. Ct. 1578 (2023).

### *G. Trademark Dilution: Theory and Law*

A significant change in the law over the past fifty years occurred with the adoption in the United States of a federal law prohibiting the “dilution” of a trademark. Until the enactment in 1996 of the first federal anti-dilution statute, trademark dilution was a largely theoretical concept. When I wrote my first edition fifty years ago, only a few states had an anti-dilution provision and there were few cases. In the early 1990s, members of the International Trademark Association felt that they needed a larger area of exclusivity for their marks, which was not provided by the traditional likelihood of confusion test. This resulted in the 1996 federal anti-dilution law, which, with its 2006 revision, gave rise to a substantial number of cases that were accompanied by a torrent of legal commentary. Numerous lawyers, judges, and professors, including myself, have written many (probably far too many) words trying to understand the meaning and impact of the federal anti-dilution laws.

Trademark dilution theorizes that a junior user’s unpermitted use of a famous mark on unrelated goods or services that are not likely to cause confusion can still cause a weakening or reduction in the ability of a famous mark to distinguish only one source.<sup>21</sup> Because it is mainly a theoretical and abstract concept, the theory of injury to a trademark by “dilution” is exceedingly difficult to explain and understand. Traditional trademark infringement caused by a likelihood of confusion over source, sponsorship, or association is a relatively simple and intuitive concept to explain and understand. By comparison, dilutive injury to a famous mark caused by a non-confusing use is an elusive and indefinable concept, difficult to explain. Misunderstanding is rampant. No group of trademark experts can agree on a coherent definition of dilution by blurring. Most academic commentators (including myself) are highly critical of the argument that trademark “dilution” should be prohibited by law.<sup>22</sup>

Unlike its European counterpart, the United States dilution law is not a “free-riding” law. The U.S. anti-dilution law solely prohibits the likelihood of dilutive *injury* to a famous mark. That is, the law requires proof of a likelihood of impairment of the distinctiveness of

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<sup>21</sup> United States adoption of the theory of trademark dilution is usually traced back to the writings almost a hundred years ago of New York attorney Frank Schechter. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 831 (1927), reprinted in 60 TMR 334 (1970). But what Schechter proposed was far afield from the federal legislation of today. See McCarthy, Trademarks and Unfair Competition, § 24:67.

<sup>22</sup> Academic commentators almost uniformly contend that dilution by blurring is a theoretical hypothesis and rarely, if ever, happens in the real world. That is, the argument is that impairment of the distinctiveness of a trademark by blurring without confusion is like Bigfoot, the Himalayan Yeti, or the Loch Ness Monster: a theoretical construct never proven to exist by incontrovertible evidence. See McCarthy, Trademarks and Unfair Competition, § 24:115.

the famous mark. The present Trademark Dilution Revision Act (“TDRA”) is not an “anti-free-riding” law. Yet, the Trademark Trial and Appeal Board and some courts read the statute as if it were an “anti-free-riding” law. They do this by ignoring the statutory requirement that the accused mark “impairs the definitiveness of the famous mark.”<sup>23</sup> The Trademark Board has consistently expanded the scope of the anti-dilution law by making the erroneous assumption that if the accused mark is so similar that there is “association” (it calls to mind the famous mark), then there must be a likelihood of impairment (damage) to the famous mark.<sup>24</sup>

By creating the potential for a trademark “right in gross” making a famous trademark a commercially taboo or forbidden term, dilution law has the potential to create a sweeping right of exclusivity. If aggressively enforced, dilution law has the ability to prevent use of a word or image that cannot be used in a trademark sense on any goods or services. This upsets the delicate balance between free competition and fair competition. One danger is that overly aggressive attorneys can use the anti-dilution law to expansively enforce their client’s mark that is not “famous” by any stretch of the imagination. The invocation of “dilution” can be abused to scare a small business owner into stopping use of a mark on wholly unrelated goods and services. While at present the dilution theory remains in the background of the law, it’s like a sleeping monster that without warning awakes and causes havoc.

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<sup>23</sup> 15 U.S.C.A. § 1125(c)(2)(B). See McCarthy, Trademarks and Unfair Competition, § 24:100. The Trademark Board seems to be much more fond of the anti-dilution law than are the courts. On occasion, the Trademark Board simply ignores traditional likelihood of confusion law altogether and goes directly to the anti-dilution law to resolve a case. *Sony Grp. Corp. v. Campbell*, 2022 WL 16632963, \*28 (T.T.A.B. 2022) (non-precedential. Pro se applicant’s SONISTREAM would be likely to impair the distinctiveness of opposer’s famous SONY mark. “We sustain the opposition on the basis of Opposer’s dilution claim and do not reach its likelihood of confusion claim.”)

<sup>24</sup> The Supreme Court in the *Moseley* case made it clear that “association” does not necessarily result in “impairment” of the famous mark: “[T]he mere fact that consumers mentally associate the junior user’s mark with a famous mark is not sufficient to establish actionable dilution. . . . [S]uch mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA.” *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 434 (2003). See *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 156 F. Supp. 3d 425, 439, (S.D.N.Y. 2016), *judgment aff’d*, 674 Fed. App’x 16 (2d Cir. 2016) (“Significantly, it is not enough to show—as Louis Vuitton indisputably can—that members of the public are likely to ‘associate’ the defendant’s mark with the plaintiff’s mark (or that the defendant promotes such association). . . . [T]he operative question is whether the kind of association [defendant] creates here is likely to impair the distinctiveness of Louis Vuitton’s marks.” No dilution was found by a parody of Louis Vuitton handbags.)

## *H. Counterfeiting*

Counterfeiting remains an enormous problem. Over the past fifty years, it has steadily increased across the globe.<sup>25</sup> While popular media emphasizes the counterfeiting of high-fashion brands, I think that counterfeit pharmaceuticals, aircraft and vehicle parts, and electronic chips are much more dangerous and threatening.<sup>26</sup> Those sorts of counterfeits of inferior quality present a real danger of death and destruction. For example, the world relies on seamless communication by ever more complex electronic devices, many parts of which are easily counterfeited.<sup>27</sup>

I think the only solutions to the counterfeiting crisis are education and enforcement. The counterfeiters and the courts know what the rules of law are. But too many consumers think counterfeiting is harmless. The Internet has increased the amount of counterfeiting and made detection and enforcement even more difficult. U.S. courts are presented with difficult issues of how to notify and bring to court counterfeiters in other nations.<sup>28</sup>

<sup>25</sup> See McCarthy, Trademarks and Unfair Competition, § 25:10 (5th ed. 2023 rev.) (noting that a report commissioned by the International Chamber of Commerce indicated that the global economic value of counterfeiting and piracy could reach US \$2.3 trillion by 2022. Counterfeiting is valued as the most lucrative transnational crime, followed by drug trafficking.).

<sup>26</sup> *Lifetime Achievement Award: J Thomas McCarthy*, World Trademark Rev. (June 29, 2018), <https://www.worldtrademarkreview.com/article/lifetime-achievement-award-j-thomas-mccarthy>.

<sup>27</sup> An investigation initiated by the Senate Armed Services Committee found clear evidence of large numbers of counterfeit electronic parts in critical military defense systems. Report of the Senate Committee on Armed Services, Inquiry into Counterfeit Electronic Parts in the Department of Defense Supply Chain, May 21, 2012 (112th Congress, 2d Sess.), available at <https://www.armed-services.senate.gov/imo/media/doc/Counterfeit-Electronic-Parts.pdf>.

The Institute of Electrical and Electronic Engineers reported in 2021 that counterfeit electronics are a threat “because they can reduce the reliability of safety-critical systems and can make even ordinary consumer electronics dangerous,” citing evidence that cellphones and e-cigarettes have blown up in the user’s face because of counterfeit batteries. Roozbeh Tabrizian and Swarup Bhunia, *How Nanotech Can Foil Counterfeiters*, IEEE Spectrum 34 (June 2021), available at <https://spectrum.ieee.org/how-nanotech-can-foil-counterfeiters>.

<sup>28</sup> Serving process on an alleged Internet counterfeiter located in another nation has presented vexing issues to U.S. courts. Use of the Hague Convention is clumsy, time-consuming, and ineffective. Several U.S. judges have ruled that service of process by e-mail is acceptable. See *Viahart, L.L.C. v. GangPeng*, No. 21-40166, 2022 WL 445161 (5th Cir. Feb. 14, 2022) (plaintiff sued several defendants located in China for trademark infringement and counterfeiting of products sold on online marketplaces. A default judgment was affirmed. “Because the magistrate judge ordered email service through [Federal Rule of Civil Proc. § 4 (f)(3)] and that was reasonably calculated to notify [the defendants in China], service was proper.”); *Kelly Toys Holdings, LLC v. Top Dep’t Store*, 2022 WL 3701216, \*7 (S.D.N.Y. 2022) (The plaintiff’s efforts to locate defendants’ physical addresses in China were reasonably diligent. The inability of those efforts to identify defendants’ addresses made them “not known” for the purposes of the Hague Convention. Service by e-mail in this counterfeiting case was proper.).

### *I. Trademarks in a Global Market*

Over the past fifty years, we've seen a vast increase in transnational commerce. This puts increasing pressure on the basic rule of the territoriality of trademark rights. Under the territoriality doctrine, "a trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark."<sup>29</sup> American courts have struggled to deal with the situation where the plaintiff owned a mark abroad but not in the United States and sought to prevent use or registration of the mark by another who was the first to use in the United States.<sup>30</sup> The territoriality principle has been criticized as obsolete in an Internet-connected world where goods and services can be ordered from a vendor anywhere on the globe with the click of a mouse.

In the twenty-first century world of interconnected commerce, it seems archaic and quaint that a trademark has a separate existence in each nation. The territoriality doctrine means that a global trader must register and prove its trademark rights separately in each nation in which it sells. This raises the costs of doing business abroad. Of course, the Paris Convention has for many years facilitated registering a trademark in other nations. The underlying principle of the Convention is that foreign nationals should be given the same treatment in each of the member nations as that nation gives to its own citizens. By reducing some of the difficulties of obtaining registration in other nations, the Madrid Protocol helps to remove trade barriers and facilitates free trade.

One thing that could significantly facilitate trade and lower barriers would be to reduce the differences among nations in the rules for trademark registration and enforcement. While much has already been done in the form of international agreements, a great deal more is needed. The United States retains a first-to-use priority system, which differs from the first-to-register system used in almost all other nations. But I cannot see that difference being reconciled in the near future.

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<sup>29</sup> *Buti v. Impresa Perosa, S.R.L.*, 935 F. Supp. 458, 460 (S.D.N.Y. 1996), *aff'd*, 139 F.3d 98 (2d Cir. 1998).

<sup>30</sup> *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697 (4th Cir. 2016) (holding that a plaintiff like Bayer who owned trademark rights only abroad and not in the United States has standing to bring claims under both Lanham Act Sections 43(a) and 14(3) against a defendant like Belmora, who was a senior user in the United States and owned a U.S. registration for the same mark for the same goods. The court made no mention of the territoriality principle.); *Meenaxi Enter., Inc. v. Coca-Cola Co.*, 38 F.4th 1067 (Fed. Cir. 2022) (Coca-Cola owned the marks THUMS UP and LIMCA for beverages in India but did not use or register the marks in the United States. The Federal Circuit reversed the Trademark Board's decision in which the Board relied on the *Belmora* decision to cancel registrations of the soft drink marks THUMS UP and LIMCA owned by Meenaxi. The Federal Circuit's majority decision discussed the territoriality doctrine but avoided a split of authority with the Fourth Circuit. The Federal Circuit based its decision on the failure of Coca-Cola to prove that it suffered harm in the United States.).



## V. CONCLUSION

Like almost every trademark practitioner and teacher, I find the field of trademark law to be immensely interesting and intellectually challenging. Nothing stays the same for long. The law must continually keep up with the increasing pace of technological innovation and seismic changes in the way goods and services are bought and sold. As artificial intelligence looms on the horizon, I'm sure that the need for the law to change and adapt will continue into the foreseeable future.

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