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Licensing Commercial Value: From Copyright to Trademarks and Back

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Licensing Commercial Value: From Copyright to Trademarks and Back

Jane C. Ginsburg^{*}

Abstract

Copyright and trademarks often overlap, particularly in visual characters. The same figure may qualify as a pictorial, graphic or sculptural work on the one hand, and as a registered (or at least used) trademark on the other. The two rights, though resting on distinct foundations, tend to be licensed together. Trademarks symbolize the goodwill of the producer, and are protected insofar as copying that symbol is likely to confuse consumers as to the source or approval of the goods or services in connection with which the mark is used. For famous marks, the dilution action grants a right against uses of the mark that are likely to “blur” or “tarnish” the distinctiveness of the mark, even in the absence of confusion. In either event, the object of protection is the producer’s goodwill (in theory, as a proxy for consumer source identification), not (again, in theory) the mark per se. Copyright, by contrast, is a right “in gross” allowing its owner to prohibit the copying of the work without regard to source confusion. Copyright protects the work of authorship itself, not the identification of that work with a single, if anonymous, source of origin. Pursuant to the Constitutional grant to Congress of power to secure authors’ exclusive rights “for limited times,” copyright lasts for a term of years; trademarks are protected for so long as they continue to represent a single producer’s goodwill. Subject to that prerequisite, registered trademarks may be renewed indefinitely.

The durational disparity prompts the question whether a trademark owner may effectively perpetuate the life of the copyright in, and thus control the licensing of, a visual character by controlling the use of the trademark in the same image(s). The difference in the rights’ purpose gives rise to another problem: if the trademark owner is not also the copyright owner, for example, because rights granted may have reverted to the artist, can the holder of one kind of right exercise that right, for example, through licensing, without infringing the rights of the holder of the other kind of right?

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While those questions address trademarks and copyright as potential antagonists where exercise of trademark rights threatens to frustrate copyright policies (and perhaps vice versa), there is another side of the coin. To an increasing extent, we are seeing trademark symbols become characters and acquire value not only as source-indicators, but also as artistic (or audiovisual) works. The strategy seems the logical endpoint of the progression, since at least the 1970s, which recognizes that the thing of value is the trademark, independently of any particular goods or services with which the mark has been associated. How does turning the trademark into a copyright add to the value of the object of the license?

This Chapter will first consider the exercise of trademark rights in copyrighted works, which either have fallen into the public domain or for which the trademark owner no longer owns the copyright. It also will consider adoption as a trademark of a public domain character in which the trademark claimant never held a copyright interest or for which it was a licensee for uses ancillary to the principal entertainment-related uses of the character. Finally, the Chapter will turn to the exploitation of trademarks as works of authorship.

A. Introduction

Every U.S. intellectual property practitioner knows that copyright and trademarks often overlap, particularly in visual characters. The same figure may qualify as a pictorial, graphic or sculptural work on the one hand, and as a registered (or at least used) trademark on the other. The two rights, though resting on distinct foundations,¹ tend to be licensed together.² Trademarks

¹ WILLIAM M. BORCHARD, A TRADEMARK IS NOT A COPYRIGHT OR A PATENT (2013), <http://www.cll.com/clientuploads/pdfs/2013%20WMB%20PTC%20Article.pdf>; 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 6:5.A (4th ed. 2014) (“The attorney must keep separate in his or her own mind the distinctions between patent, trademark and copyright law. One must be familiar with the similarities and the differences . . . Complex? Perhaps, but it is the attorney’s stock in trade at least to be aware of the possibilities of all kinds of legal protection and the pros and cons of each.”).

² See, e.g., Craig S. Mende & Belinda Isaac, *When Copyright and Trademark Rights Overlap*, in OVERLAPPING INTELLECTUAL PROPERTY RIGHTS para. 7.95 (Neil Wilkof & Shamnad Basheer eds., 2012). For an example of licensing of copyright and trademark rights in Disney characters, see Exhibit 4.3, Consumer Products License – Disney (June 4, 2002), <http://www.sec.gov/Archives/edgar/data/55698/000095013502005035/b44497fyexv4w3.txt>.

By the same token, unauthorized reproduction of a copyrighted work may also violate trademark rights, see, e.g., *Williams v. Roberto Cavalli S.p.A.*, 2015 U.S. Dist. LEXIS 34722 (C.D. Cal. 2015) (rejecting defense that street artists’ claim of copyright infringement by fashion designer’s copying of their designs precluded any trademark action regarding the alleged source-identifying features of the designs):

Moving Defendants point to no authority that supports their proposition that a design may not be protected by both the Lanham Act and copyright law. In fact, caselaw supports to the opposite conclusion. For example, in *Bach v. Forever Living Products U.S., Inc.*, 473 F. Supp. 2d 1110, 1114 (W.D. Wash. 2007), creators of a popular book brought both a copyright infringement claim and a Lanham Act claim alleging, among other things, that the defendant used an image from the front cover of their book as its corporate logo. The plaintiffs claimed that the cover was an original design protected by copyright law. *Id.* at 1118. They also claimed that the design on the cover functioned as a trade dress that identified them as the

symbolize the goodwill of the producer, and are protected insofar as copying that symbol is likely to confuse consumers as to the source or approval of the goods or services in connection with which the mark is used.³ For famous marks, the dilution action grants a right against uses of the mark that are likely to “blur” or “tarnish” the distinctiveness of the mark, even in the absence of confusion.⁴ In either event, the object of protection is the producer’s goodwill (in theory, as a proxy for consumer source identification), not (again, in theory) the mark *per se*. Copyright, by contrast, is a right “in gross” allowing its owner to prohibit the copying of the work without regard to source confusion.⁵ Copyright protects the work of authorship itself, not the identification of that work with a single, if anonymous, source of origin.⁶ Pursuant to the Constitutional grant to Congress of power to secure authors’ exclusive rights “for limited times,”⁷ copyright lasts for a term of years; trademarks are protected for so long as they continue to represent a single producer’s goodwill. Subject to that prerequisite, registered trademarks maybe renewed indefinitely.⁸

The durational disparity prompts the question whether a trademark owner may effectively perpetuate the life of the copyright in, and thus control the licensing of, a visual character by controlling the use of the trademark in the same image(s).⁹ For example, once the copyright in

creators of the book. *Id.* The court agreed. *Id.* While the copyright claim and the Lanham Act claim referred to the same facts, the two claims addressed distinct wrongs. *Id.* The copyright claim protected the plaintiffs’ creative work, and the Lanham Act claim protected the plaintiffs’ rights in their source-identifying trade dress. *Id.* The Court is persuaded by Bach’s finding that a defendant can simultaneously violate the Lanham Act and copyright law. [Other citations omitted.]

Id. at 13-14.

³ Lanham Act §§ 32, 43(a), 15 U.S.C. §§ 1114, 1125(a) (2013).

⁴ Lanham Act § 43(c), 15 U.S.C. § 1125(c) (2013).

⁵ *See* 17 U.S.C. § 501 (2013) (listing the elements of an infringement claim).

⁶ Aside from the narrow category of Works of Visual Art, the U.S. Copyright Act imposes no obligation to credit the author as the creator of the work.

⁷ U.S. CONST. art. I, § 8, cl. 8.

⁸ Lanham Act § 9(a), 15 U.S.C. § 1059(a) (2013) (“Subject to the provisions of section 8, each registration may be renewed for periods of 10 years at the end of each successive 10-year period following the date of registration upon payment of the prescribed fee and filing of a written application . . .”). The statute imposes no limit as to the number of times the registrant may renew.

⁹ The issue is confined neither to the overlap between trademarks and copyright nor to U.S. copyright law. The Advocate General of the Court of Justice of the European Union (CJEU) recently summarized the broader problem, in a controversy concerning trademark registration for the design of a children’s high chair:

35. However, it should be recalled that the purpose of the system of trade mark protection, which serves to provide the bases for fair competition by enhancing market transparency, differs from the premises underlying certain other intellectual property rights which serve, in essence, to promote innovation and creativity.

36. That difference in purposes explains why the protection conferred by marks is indefinite but the protection conferred by other intellectual property rights is subject to a time-limit imposed by the legislature. That limit results from the balance which is struck between the public interest in protecting innovation and creativity, on the one hand, and the economic interest based on the possibility of exploiting the intellectual achievements of other persons to promote future socio-economic development, on the other.

Mickey Mouse—or more accurately, in Steamboat Willie, Mickey’s forebear—expires, can Disney successfully invoke its trademark rights in various depictions of The Mouse to prevent third parties from exploiting the now public domain Steamboat Willie to designate the source or sponsorship of unauthorized goods or services?¹⁰ The difference in the rights’ purpose gives rise to another problem: if the trademark owner is not also the copyright owner, for example, because of a limited grant of copyright from the artist, or because rights granted may have reverted to the artist, can the holder of one kind of right exercise that right, for example, through licensing, without infringing the rights of the holder of the other kind of right?¹¹

While those questions address trademarks and copyright as potential antagonists where exercise of trademark rights threatens to frustrate copyright policies (and perhaps vice versa),¹² there is another side of the coin. To an increasing extent, we are seeing trademark symbols become characters and acquire value not only as source-indicators, but also as artistic (or audiovisual) works. Recent examples include the M&Ms candies, who, now anthropomorphized, appear in promotional videos and even videogames, and the Lego figures who recently starred in the Lego Movie. The phenomenon, however, is not altogether new, since some characters (e.g., Strawberry Shortcake) were created to serve both as copyrighted works and as trademarks. The strategy seems the logical endpoint of the progression, since at least the 1970s, which recognizes that the thing of value is the trademark, independently of any particular goods or services with which the mark has been associated.¹³ How does turning the trademark into a copyright add to the value of the object of the license?

37. Exercise of a trade mark right in order to extend an exclusive right to immaterial assets protected by other intellectual property rights could—after those rights have expired—jeopardise the balance of interests which the legislature established inter alia by limiting the scope of protection conferred by those other rights.

38. This problem is dealt with differently in different legal systems. The EU legislature resolved it by laying down the legislative criteria which can constitute an absolute ground for refusing a trade mark which is the shape of the goods.

39. Those criteria, . . . prevent a trade mark right from being exercised for a purpose which is incompatible with it. . . . In particular, they also serve to maintain the balance of interests which the legislature established by placing a time-limit on the protection conferred by certain other intellectual property rights.

Case C-205/13, Hauck GmbH & Co. KG v Stokke A/S, opinion of A.G. Szpunar (14 May 2014). The CJEU rendered its decision on 18 September 2014.

¹⁰ See generally Joseph P. Liu, *The New Public Domain*, 2013 U. ILL. L. REV. 1395, 1427–40.

¹¹ See *Boyle v. U.S.*, 200 F.3d 1369 (Fed. Cir. 2000) (“[T]he grant of a service mark registration entitles the registrant to certain rights...the right to infringe another’s copyright is not one of those”); *Nova Wines, Inc. v. Adler Fels Winery LLC*, 467 F.Supp.2d 965, 983 (N.D. Cal. 2006) (“[V]alid copyright does not entitle the copyright holder to infringe another’s trade dress rights.”).

¹² For further examination of trademark-copyright antagonism, see Irene Calboli, *Overlapping Rights: The Negative Effects of Trademarking Creative Works*, in *THE EVOLUTION AND EQUILIBRIUM OF COPYRIGHT IN THE DIGITAL AGE* 52 (Susy Frankel & Daniel Gervais eds., 2014). See also authorities cited *infra* note 54.

¹³ See, e.g., *Boston Professional Hockey Ass’n v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004 (5th Cir. 1975) (acknowledging that protecting the trademark in itself (on patches to be sewn on clothing) is a shift, “[a]lthough our decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs, we think that the two become so intermeshed when viewed against the backdrop of

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B. When the Trademark Owner is No Longer a Copyright Owner: Trademark Licensing in the Shadow of *Dastar*

The U.S. Supreme Court in *Dastar Corp. v. Twentieth Century Fox Film Corp.*,¹⁴ made clear that producers may not leverage trademark rights effectively to revive expired copyrights. In that case, the copyright in a pre-1978 motion picture had expired through nonrenewal.¹⁵ The producer nonetheless endeavored to prevent a third party from making and distributing videocassettes of the film by claiming that purveying the videocassettes under the defendant's name rather than as a production by 20th Century Fox constituted "reverse passing off" in violation of the federal Lanham (Trademark) Act.¹⁶ Limiting the statutory trademark concept of a work's "origin" to the source of the material copies of a work of authorship, the Court ruled that trademark law did not address the creator of the intellectual goods.¹⁷ Because *Dastar* had made (or authorized the making of) the videocassettes that it distributed, it was the "source or origin" of the material copies.¹⁸ It was irrelevant that *Dastar* had not produced the audiovisual work. The intellectual source remained outside the trademark law's scope.¹⁹

If trademark law cannot bootstrap a work of authorship out of the copyright public domain, does that mean that a visual character whose copyright has expired cannot be the object of trademark

the common law of unfair competition that both the public and plaintiffs are better served by granting the relief sought by plaintiffs."); *Panavision Int'l v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998) ("Toeppen made a commercial use of Panavision's trademarks. It does not matter that he did not attach the marks to a product. Toeppen's commercial use was his attempt to sell the trademarks themselves."). At least one circuit has viewed the "patch case" with skepticism. *See U.S. v. Giles*, 213 F.3d 1247 (10th Cir. 2000) ("We believe [Boston Professional] to be of limited value for several reasons . . . it dealt with civil liability, while Mr. Giles was convicted of violating the criminal version of the statute, which we must construe narrowly. . . . Moreover, the Fifth Circuit specifically confined its opinion to the product at hand . . . the court relied upon a novel and overly broad conception of the rights that a trademark entails. In deciding that the emblems should be protected goods despite the fact that the plaintiffs had not registered their marks for use on patches, the court essentially gave the plaintiffs a monopoly over use of the trademark in commercial merchandising."); Liu, *supra* note 10.

¹⁴ 539 U.S. 23 (2003).

¹⁵ *Id.* at 26.

¹⁶ *Id.* at 23.

¹⁷ *Id.* at 36.

¹⁸ *Id.*

¹⁹ *Id.* at 31.

licensing? *Dastar* does not foreclose the inquiry. In that case, the former copyright holder clearly sought to make an end-run around the copyright law; under the court's analysis, the plaintiff had no trademark rights to assert because the defendant's use did not involve falsely designating itself as the origin of the goods. But suppose the trademark owner seeks to license a copyright-expired visual character as a trademark, that is, as a designation of (material) origin for the goods or services on which the character appears as a distinctive sign? In other words, to exploit the character as a brand, not as a work. Can the law, and business practice, effectively distinguish between the character as a literary and artistic work, and the character as the symbol of the goodwill of a single source of origin? But if the character can be an enforceable trademark, how can third parties exploit the character as a copyright-expired work?

1. Distinguishing Trademark Goodwill from Works of Authorship

The Southern District of New York addressed these questions in a pre-*Dastar* decision that should still be good law. In *Frederick Warne & Co. v. Book Sales, Inc.*,²⁰ the original publisher of Beatrix Potter's *Peter Rabbit* illustrated stories, whose copyrights had expired, brought an action for false designation of origin against another publisher who had not only reprinted the stories, including the depictions of the characters, but also mimicked the placement on certain pages of the books of a particular illustration, the "Sitting Rabbit," that Warne claimed to have adopted and used as a trademark to symbolize its publications. Book Sales countered that the expiration of the *Peter Rabbit* copyrights entitled it freely to copy all the images appearing in the books, including the Sitting Rabbit. Warne did not contest Book Sales' entitlement to exploit all the images, including the Sitting Rabbit, as characters in the stories, but contended that Book Sales was not merely reprinting the image in connection with the story, but by removing that image from its context within the story in which it initially appeared and by using it as a colophon to introduce other stories, Book Sales was infringing Warne's trademark rights in the image.

In denying summary judgment to Book Sales, the court recognized that Warne would have to establish that its use of the Sitting Rabbit on the inside covers of its editions and as a colophon had come to be recognized by the public not merely as identifying the stories as *Peter Rabbit* stories, but also as *Peter Rabbit* stories as published by Frederick Warne. If Warne could establish such secondary meaning, then it would also need to show that Book Sales' use of the Sitting Rabbit was likely to confuse consumers into believing that the Book Sales editions were produced or authorized by Warne. The court distinguished between Book Sales' copyright entitlement to publish *Peter Rabbit* stories and Warne's trademark right to prevent Book Sales from publishing the stories as if their publisher had been Warne.

²⁰ 481 F.Supp. 1191 (S.D.N.Y. 1979).

In *Dastar* terms, Warne was not seeking to deploy trademark law as a kind of “mutant copyright,”²¹ but rather was invoking trademark protection for precisely the kind of source-identifier *Dastar* envisioned: Warne was arguing that the Sitting Rabbit designated Warne as the publisher—i.e., as the producer of the material copies of the books. Book Sales’ use of that image in the same ways (divorced from the story in which it originally appeared)²² was likely to confuse the public as to who made the books. The Sitting Rabbit might also serve to indicate the intellectual source of the stories—i.e., that Beatrix Potter wrote the stories and drew their characters—but that kind of (non-trademark) “source” identification was not at issue in the case. Nor, the court emphasized, was it necessary, in freely exploiting the stories, to employ the Sitting Rabbit in the same out-of-context ways as Warne had.

Warne suggests a way out of a potential impasse between the copyright public domain and trademark protection for visual characters vested with secondary meaning as source indicators. Returning to Mickey Mouse/Steamboat Willie, when the copyright in the 1928 original iteration of the character expires, anyone should be free not only to reissue cartoons and/or comic books (if any) in which Steamboat Willie appeared, but also to create new works starring the original, rather rat-like, incarnation of the softer, rounder Mouse we know today. Those exploiters could not, however, market Steamboat Willie as Mickey Mouse (apart, perhaps, from conveying the factual information that Willie is Mickey’s immediate forebear),²³ nor could they brand their versions with any of the current Disney trademarks, for those uses both exceed the exploitation of merely the public domain pictorial or audiovisual work and might be likely to confuse consumers as to the purveyor (not the creator) of the recycled or reimagined Steamboat Willie cartoons or other works.

2. Trademark and Copyright: In Fact Inseparable?

But the observation that Disney continues to control the licensing of its current trademarks invites a re-vesting of secondary meaning in Steamboat Willie as a symbol of Disney productions in general before its copyright expires. And Disney does in fact appear to be dusting off that character to convert it into a source indicator: A video included at the introduction of recent Disney films begins with the current image of Mickey Mouse and travels back in time to the early depictions of Steamboat Willie. The object of this flashback would appear to associate Steamboat Willie with the Disney output in general, rather than merely as a character in some early cartoons.

²¹ *Dastar*, 539 U.S. at 34 (“Assuming for the sake of argument that *Dastar*’s representation of itself as the ‘Producer’ of its videos amounted to a representation that it originated the creative work conveyed by the videos, allowing a cause of action under § 43(a) for that representation would create a species of mutant copyright law that limits the public’s “federal right to ‘copy and to use’ expired copyrights . . .”).

²² Professor McCarthy also underscores the trademark significance of taking an image or character out of its original context. See MCCARTHY, *supra* note 1, at § 6:31 (“It is more likely that a court will recognize that there is a federal right to reproduce a work on which copyright has ended, so long as the user does not take the images or characters out of their original context and use them in a way that causes confusion of source or affiliation.”).

²³ Such references should constitute nominative fair use under Lanham Act § 43(c).

Figure 1²⁴

Figure 2²⁵

Would that course of action now put the Steamboat Willie character off-limits to all but those who take a license from Disney? If Steamboat Willie becomes a brand in its own right, would it not follow that its unlicensed appearance would confuse the public as to the source of the copies or transmissions of the work containing an incarnation of the character? There are two answers: First, under *Warne*, the trademark consists of a particular instantiation of the character in a particular source-identifying guise divorced from its story-telling context. The court took pains to ensure that the first publisher could not bootstrap all Peter Rabbit images to the single images used in the colophon and inside book covers. Warne's use of the Sitting Rabbit in ways distinct from that image's role in the story from which Warne extracted it signaled that this incarnation of the character was source-identifying rather than narrative.²⁶

By the same token, Steamboat Willie, the brand, should remain distinct from Steamboat Willie, the character. Dr. Seuss' *The Cat in the Hat* offers an example of the distinction. The Cat, the character, stars in two eponymous children's stories. The Cat, the brand (a single image of the grinning Cat in his striped stovepipe hat), adorns the spines and front and back covers of the books in the Beginner Books "I Can Read It All By Myself" series of children's books (including *The Cat in the Hat* and *The Cat in the Hat Comes Back*).²⁷

²⁴ Disney Production Logo, *Meet the Robinsons* (2007).

²⁵ Disney Production Logo, *Tangled* (2010).

²⁶ *Cf. Rock and Roll Hall of Fame and Museum v. Gentile*, 134 F.3d 749 (6th Cir. 1998) (rejecting claims to trademark protection for the general appearance of the building, but acknowledging that the museum might acquire secondary meaning in a particular view of the building. The court distinguished the building's fame as a work of architecture from public perception of the building *as a trademark*.).

²⁷ *See Beginner Books*, PENGUIN RANDOM HOUSE, <http://www.penguinrandomhouse.com/series/BBK/beginner-booksr> (last visited May 7, 2015).

Figure 3²⁸

When the Dr. Seuss books fall into the public domain, anyone may republish them, but the subsistence of trademark rights in the Cat as part of the trade dress of the Random House book series (assuming it remains in print) means that any unlicensed versions of that image of the Cat, and perhaps similar images of the Cat, may not appear on the spines, back covers, or upper right-hand corners of the front covers of those republications (or on any new Cat in the Hat stories that the work's public domain status entitles anyone to create). Similarly, post-copyright expiration, a producer who seeks to merchandize images of Steamboat Willie as ornamentation on T-shirts or to sell Steamboat Willie plush toys may do so, and may lawfully identify the

²⁸ Dr. Seuss, *Green Eggs and Ham* (Special Edition 1960).

character as Steamboat Willie,²⁹ but the label must forego all Disney insignia, whether of modern-day Mickey Mouse or of Steamboat Willie (assuming Disney succeeds in converting the character into a brand).³⁰

One might respond that, given the close association of the character with Disney, *any* incarnation, as a label or as a good, is bound to confuse the public as to the source. This objection, if borne out by facts, brings us to the second answer: In that event, copyright and trademark policies clash, and, as *Dastar* implies, the public domain principle of copyright trumps. The public domain makes the character free for competition. Assuming the character has also served as a trademark, trademark law enables the former copyright owner to ensure that free competition be fair competition. But remedies short of full injunctions may achieve “fairness”: A court should decline to grant the trademark owner any relief other than the clear labeling of disclaimers as to the source of the competing goods.³¹ As a result, copyright policies significantly circumscribe any program of licensing of exclusive trademark rights in a public domain character; a licensee’s “exclusivity” will not preclude third-party exploitations of the character *qua* character.

3. Keeping Characters out of the Copyright Public Domain: The Impact on Trademarks

An additional consideration complicates the analysis, however. The copyright lives of visual characters may in fact last far longer than the copyright term of the character’s initial incarnation. Many characters evolve over time, and later manifestations may depart sufficiently from the original version to qualify as copyright-protected derivative works.³² The new matter added to the underlying work cannot prolong the copyright in the pre-existing material,³³ but neither does the public domain status of the underlying material deprive the new matter of its own copyright. If the term of protection is calculated from the date of publication, rather than from the life of the author, as would be the case for works published before 1978 and for works made for hire,³⁴ the copyright in the new matter will subsist past the term of the copyright in the underlying work.

²⁹ *Cf. Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938) (finding that an expired patent entitled third parties to manufacture product and to call the product by the name by which the public had come to know the goods; but third parties must not pass off their versions as the products of the original patent owner).

³⁰ *Cf. Geisel v. Poynter Prods.*, 283 F.Supp. 261 (S.D.N.Y. 1968); *Geisel v. Poynter Prods.*, 295 F.Supp. 331 (S.D.N.Y. 1968) (finding that a purchaser of copyrights in pre-Cat in the Hat cartoons by Dr. Seuss may produce plush toys in the forms of those characters, and may identify them as having been created by Theodore Geisel/Dr. Seuss, but may not market them as “Dr. Seuss” creations and using characteristic Dr. Seuss signature on the labels).

³¹ *See Liu, supra* note 10, at 1433 (“[A]t most the appropriate remedy would be a disclaimer, which would address the confusion without limiting the ability of a third party to use the underlying work.”).

³² *See id.* at 1443–47 (discussing level of originality required to warrant derivative works protection for new versions or attributes of artistic and literary characters).

³³ *See* 17 U.S.C. § 103(b). *Cf. Klinger v. Conan Doyle Estate*, 755 F.3d 496 (2014) (holding that a copyright subsisting in last Sherlock Holmes stories does not affect the public domain status of pre-1923 Sherlock Holmes works). *See also Russell v. Price*, 612 F.2d 1123 (9th Cir. 1979) (finding that the non-renewal of copyright in derivative work does not cast copyright-renewed underlying work into the public domain).

³⁴ 17 U.S.C. §§ 302(c), 304 (2013).

These rules mean that third parties who may freely reproduce copyright-expired characters may exploit the character as it originally appeared; however, they may not copy the appearance of the character as it has developed over time, assuming that evolution incorporates sufficient distinguishable variations from the original to warrant protection as a derivative work. Similarly, while third parties may newly vary the character's visual appearance, those variations must not resemble those introduced by the owner of the copyright in the derivative work. As a result, the commercial value of reviving the original appearance of the character may be too insignificant to attract a mass-market audience.

Consider the following example: The Michelin Man, “Bibendum,” having first appeared in Michelin advertisements in the late 19th century, has long been in the copyright public domain (at least in the U.S.). But just as the spindly and snout-nosed Steamboat Willie's contours have over time taken on a more friendly and reassuring roundness, so has Bibendum evolved from a *bon vivant* blob,³⁵ an almost featureless stack of narrow tubular shapes, into a still-robust but more *sportif* assemblage of thicker forms showing greater differentiation in torso, limbs, and especially facial characteristics.

Figure 4

Figure 5

³⁵ The name “Bibendum” evokes the adage (that appeared in an early Michelin advertisement, see above) “nunc est Bibendum!”—“Now is the time for drinking!”

Figure 6

Anyone may republish the nineteenth-century advertising posters (for which there may well be a market), but the merchandising opportunities for the original Bibendum do not seem promising. One might imagine (carefully labeled) throw pillows in the shape of the original Bibendum, but a third party would be ill-advised to enter the market for a restaurant or tour guides featuring images of the nineteenth-century version of the Michelin mascot, for those uses are not exploiting the character *qua* character; they embrace the goodwill of the publishing arm of Michelin, and would be likely to confuse consumers as to the source of the guide books. In other words, the original Bibendum may be freely exploitable as a matter of copyright law, but it does not follow that the original character may be used by third parties as a trademark. Indeed, so long as Bibendum continues to evoke Michelin as the source of the goods, then even if trademark registrations for the original version of the character have not been renewed, or were deemed abandoned for non-use, a third party's use as a trademark of Bibendum in his original guise would be likely to confuse consumers or to dilute the distinctiveness of the mark.³⁶ Nonetheless, to avoid disputes over the availability of the trademark in its original form and to ensure continued trademark protection for the copyright-expired version of character depicted in the mark, it would be desirable for the trademark owner to renew its registrations of the original

³⁶ There are several versions of Bibendum for which there are U.S. trademark registrations. The earliest appears to be in 1970 and lists its first use in commerce as 1950. This registration is currently in force. *See* U.S. Trademark Registration No. 888,288 (filed June 5, 1969). It is not clear that the original Bibendum character was ever used in the U.S. as a mark.

Bibendum, and forestall a finding of non-use by some form of continued bona fide use with a portion of the business, such as using the original version on promotional goods.³⁷

C. Exploiting Characters When the Trademark Claimant was Not Originally or is No Longer the Copyright Owner

1. Adopting Copyright-Expired Characters

Consider a different variation on the problem just addressed: Suppose a producer adopted as a trademark a public domain visual character that has fallen out of use and that therefore lacks pre-existing source association, or even residual goodwill. Consider, for example, the late nineteenth-century cartoon figure, the “Yellow Kid,” who appeared in Pulitzer newspapers during the 1890s and may have been the first successful comic strip character.³⁸ Despite great popularity at the end of the 19th century, the character seems to have fallen into obscurity. Any copyright has long expired, and any trademark (were there one) would have been abandoned through non-use.³⁹

³⁷ MCCARTHY, *supra* note 1, at § 17:26 (“In general, neither abandonment nor loss of the ability to tack-on to achieve priority will occur if the new form of the mark creates the same commercial impression as did the old form Trademark rights inure in the basic commercial impression created by a mark, not in any particular format or style”); *Cumulus Media, Inc. v. Clear Channel Communications*, 304 F.3d 1167 (11th Cir. 2002) (holding that the continuous low level use on business cards and an office sign held to constitute sufficient use to prevent a finding of abandonment at the preliminary injunction stage); *Exxon Corp. v. Humble Exploration Co.*, 592 F.Supp. 1226 (N.D. Tex. 1984), *on remand from* 695 F.2d 96 (5th Cir. 1983) (holding that, after the company names and marks HUMBLE, ESSO and ENCO had been changed to EXXON nationwide, the resumed use of HUMBLE, after three years of almost complete nonuse, on all 55 gallon drums of oil from one refinery was sufficient evidence of an intention to resume use of that mark and avoided a finding of abandonment). *But see*, 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 17:9 (4th ed. 2015) (casting doubt on effectiveness of trademark maintenance programs to keep alive a mark no longer actually used as a symbol of the producer’s goods or services).

³⁸ *The Yellow Kid*, OSU LIBRARIES, http://cartoons.osu.edu/digital_albums/yellowkid/. (“*Hogan’s Alley* . . . is considered the first commercially successful comic strip. It featured Mickey Dugan, better known as the Yellow Kid . . . [in] the *New York World* from May 5, 1895 to October 4, 1896 . . . moved to . . . Hearst’s *New York Journal* where the Yellow Kid appeared in three series.”).

³⁹ Lanham Act § 45, 15 U.S.C. § 1127 (three years non-use is presumptive abandonment).

Figure 7

Adoption of such a character should be treated like any appropriation of a generic term. Abandonment of any trademark in the character returns the name and image to the trademark public domain from which anyone may adopt them and endeavor to instill independent goodwill. Absent goodwill, the name and image should be analogized to generic terms, since the name and image are the name and the necessary representation of a thing (the character). A generic term does not cease to partake of the common lexicon even if a trademark claimant has succeeded in rendering a non-lexicographical use of the term distinctive of its goods or services. For example, “Apple” is a trademark for digital devices; it is the generic name for a fruit. The goodwill in “Apple” gives the mark’s proprietor no claim on the fruit, though the proprietor may have an action against a rival producer of digital devices who adopts the same or similar name for its goods.⁴⁰

That a producer might today adopt the Yellow Kid to symbolize its entertainment services, and may also create new works of authorship incorporating the public domain character, does not preclude third parties from creating their own Yellow Kid works of authorship, whether as new comic strips, audiovisual works, or other merchandizing properties. Even if the first re-adopter of the character acquires secondary meaning in the character as a trademark for its entertainment

⁴⁰ Apple Comp., Inc. v. Formula Intern., Inc., 725 F.2d 521 (9th Cir. 1984) (holding that it was not an abuse of discretion for the district court to grant a preliminary injunction in favor of Apple against the use on computer hardware of the mark “Pineapple” or any other mark or name confusingly similar to the trademarks used by Apple.).

services, the trademark right protects only against passing off the other goods as having been produced by the trademark proprietor; it confers no exclusive right to merchandise or otherwise exploit the character as such. As a result, any entrepreneur who revives a public domain character must appreciate the risks it incurs: The entrepreneur may succeed in re-popularizing the character, and even in making the character a symbol of its goods or services, but it will not be able completely to ward off the competition that the character's new-found commercial appeal may attract. Because the trademark does not protect the character *qua* character, the value of any trademark licensing program in the revived character will likely correspondingly diminish.

That said, the value of a character trademark need not be nonexistent. But the greatest prospects for strong trademark protection probably lie outside the core entertainment context that gave rise to the character. If the trademark owner can build up goodwill in goods or services unrelated to the literary, artistic, and audiovisual uses, the case for trademark coverage becomes more convincing (and less threatening to the copyright public domain). For example, the character Buster Brown—originally featured in a comic strip by Richard F. Outcault (the same author as the creator of the Yellow Kid) and debuted in 1902⁴¹ (hence no longer under copyright)—has long served as a trademark for a line of children's shoes.⁴² Brown Shoe has held trademark registrations in the Buster Brown word mark and boy-and-dog logo since at least the 1980s, with first use of the word mark alleged in 1903,⁴³ and of the logo in 1954.⁴⁴ Many who grew up in the

⁴¹ *Buster Brown*, ENCYCLOPEDIA BRITANNICA, <http://www.britannica.com/EBchecked/topic/81484/Buster-Brown>.

⁴² *See Buster Brown*, FAMOUS FOOTWEAR, http://www.famousfootwear.com/buster_brown. Famous Footwear is one of the brands owned by Brown Shoe company.

⁴³ U.S. Trademark Registration No. 3,593,936 (word mark registered for footwear March 24, 2009, alleging first use in commerce August 4, 1903).

⁴⁴ U.S. Trademark Registration No. 176,970 (filed Dec. 11, 1923) (depicting the boy and his dog—an earlier version of the logo that appears in the advertisement in Figure 8—and identifying Brown Shoe Co. as the registrant, the goods as “Boys' and Girls' Leather, Canvas, and Cloth Shoes,” and date of first use in commerce as August 4, 1903; the registration was renewed for the second time on May 4, 2004.). U.S. Trademark Registration No. 1,232,853 (filed March 29, 1983) (depicting the boy and his dog—the same logo as appears in the advertisement in Figure 8—and identifying Brown Shoe Co. as the registrant, the goods as “shoes,” and date of first use in commerce as Feb. 8, 1954. The registration was renewed on November 23, 2003.). Brown Shoe Co. also registered the Buster Brown word mark and stylized script for shoes on September 28, 1943, alleging first use in commerce August 4, 1903. *See* U.S. Trademark Registration No. 403,506 (third renewal, May 30, 2003). Brown Shoe Co. has registered updated Buster Brown logos for footwear. *See* U.S. Trademark Registration No. 3,692,537 (Oct. 6, 2009; first use in commerce Oct. 15, 2000); U.S. Trademark Registration No. 4,354,716 (July 16, 2013; first use in commerce Aug. 31, 2012); U.S. Trademark Registration No. 4,369,261 (July 16, 2013; first use in commerce Aug. 31, 2012). Trademark ownership of Buster Brown is complicated and appears to be unrelated to any ownership of copyright in the comic strip. An apparent second-comer to the use of the mark, the Buster Brown Stocking Company of New York City first registered the Buster Brown mark, for “hosiery” in 1906. *See* U.S. Trademark Registration No. 51,981 (May 1, 1906) (The registration lists first use in commerce on April 4, 1904. The registration is still in force, having been renewed for the fifth time on August 3, 2006; it was assigned to Buster Acquisition LLC in 2013.) Another registration for hosiery, *see* U.S. Trademark Registration No. 505,225, of Buster Brown and a boy-and-dog logo different from the logo in the Brown Shoe Co. registration, was made in 1948 by United Hosiery Mills Corp. of Chattanooga, Tn. and later assigned to Buster Acquisition LLC. The registration, listing first use in commerce on April 4, 1904, was renewed for the third time on July 17, 2009. In 1965, the Buster Brown Textile Co. of Wilmington, Delaware registered the Buster Brown word mark and the same boy-and-dog logo as appears in the United Hosiery Mills registration, for children's clothing (not including shoes); the registration lists first use in

1960s (including this author) may remember Buster Brown as a famous trademark for shoes (indeed, *de rigueur* for the annual back-to-school footwear shopping excursion) and may recall the logo depicting the boy and his dog, yet may be completely unaware that Buster Brown had been a comic strip character.⁴⁵

As the holder of a valid trademark, the Brown Shoe Company may invoke the trademark laws to prevent competitors from selling footwear under the character name or logo, but should have no claim against a third party's revival of the copyright public domain character in a comic strip or other entertainment product. If Buster Brown is still a famous mark, its owner could avail itself of an anti-dilution claim against unrelated uses, for example as a trademark for furniture. However, the owner's rights would still encounter two important limitations: First, as *Frederick Warne* teaches us, the trademark attaches to the name and to the particular depiction of the character in the logo, not to the visual appearance of the character in general. Second, a third party's revival of the character *qua* character is not a use of the character *as a trademark* and should be either non-infringing *ab initio*⁴⁶ or at least excused under sec. 43(c)(A), which excludes "[a]ny fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services."

commerce April 4, 1904. See U.S. Trademark Registration No. 800,744 (This registration has also been assigned to Buster Acquisitions, and is currently in force, having been renewed for the second time on April 14, 2006.).

⁴⁵ Most contemporary consumers are probably similarly unaware that Skippy peanut butter, whose trademark dates from the 1930s, may have appropriated (without license) the name of a then-popular comic strip character. See SKIPPY.COM, <http://www.skippy.com/> (website operated by heirs of Percy Crosby, the creator of the Skippy character).

⁴⁶ See, e.g., MCCARTHY, *supra* note 1, at § 24:99 ("[N]on-trademark use does not and cannot dilute by blurring."); RESTATEMENT THIRD, UNFAIR COMPETITION, § 25(2), comment I (1995) ("Non-trademark uses, because they do not create an association with a different user's goods, services or business, are unlikely to dilute the distinctiveness of a mark."); Stacey Dogan & Mark Lemley, *The Trademark Use Requirement in Dilution Cases*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 541, 555 (2007).

Figure 8

The trademark owner could, under copyright law, acquire rights in gross for updated versions of the character, but the scope of those rights would be limited to the authorial value-added, as discussed earlier. We will see in Part D, however, that the additional layer of intellectual property protection that may flow from converting a trademark to a copyright may warrant the endeavor. Without such an effort, the commercial value of the character and logo primarily inheres in their association with the brand of shoes.

2. Reversion of Copyright in a Trademarked Character

We have seen that a trademark owner cannot completely preclude third parties from exploiting characters once their copyrights have expired. However, as a practical matter, the limited scope of the public domain entitlement—particularly with respect to a character whose depiction has varied over the years—may sufficiently circumscribe third-party exploitation so as not

significantly to compromise the commercial value of licensing trademark (and copyright) rights in the current version of the character. So far, we have considered the rights of the trademark owner who no longer owns the copyright because there is no longer a copyright to own. What of the trademark owner who no longer owns the copyright because those rights have reverted to the author, notably, because the author has exercised her inalienable right to terminate the grant of rights in the work of authorship?⁴⁷

Consider, for example, the Superman character. While the heirs of Superman's creators ultimately failed in their attempts to terminate the original March 1, 1938 copyright grants,⁴⁸ suppose that they had succeeded. Suppose further that the creators' contracts assigned all trademark as well as copyright interests in the character. The Copyright Act clearly states that "termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws."⁴⁹ Any trademark assignment to Warner Bros. (successor in title to Action Comics, the original grantee) would therefore remain in force despite the termination of the assignment of copyright.

Before we consider the implications of divided ownership of the trademark and the copyright, it is important to understand that, as a matter of copyright law, rights do not fully revert to the author or her heirs: "A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant."⁵⁰ Thus, Warner Bros. could continue to exploit all derivative works based on the original Superman character, but could not, absent the heirs' authorization, create new derivative works. That would mean that Warner Bros. could not further update Superman's appearance (though it could continue to exploit the character's currently-evolved appearance). It would also mean that Warner Bros. could not create or license new products, including merchandizing properties, depicting the current iteration of Superman if the new products (e.g., a new plush toy or action figure) would constitute new derivative works. By contrast, affixing an image of the current version of Superman to a variety of merchandizing properties (such as T-shirts and bedsheets) would likely remain within the scope of the terminated grantee's statutory permission to exploit extant derivative works made during the now-terminated grant.

⁴⁷ 17 U.S.C. §§ 203, 304(c)-(d) (2009) (However, as seen in § 203(a), there is no termination of grants in works made for hire.).

⁴⁸ *Siegel v. Warner Bros. Entertainment Inc.*, 542 F.Supp.2d 1098 (C.D. Cal. 2008); *DC Comics v. Pacific Pictures Corp.*, 2012 WL 4936588 (C.D. Cal. 2012).

⁴⁹ 17 U.S.C. § 203(b)(5) (2009).

⁵⁰ 17 U.S.C. § 203(b)(1) (2009). By contrast, under the prior (1909 Act) copyright law, if the author renewed the copyright registration for the work (and had not assigned the rights for the renewal term), then all rights would revert, including as to derivative works prepared during the first term of copyright. *See Steward v Abend*, 495 U.S. 207 (1990).

In addition to this significant carve-out from the scope of the reverted rights, we should recall that the rights that revert to the author (or her heirs) will not entitle her (or them) to exploit the new matter contributed by her terminated grantees. She retrieves rights in the original work of authorship, but, under the same principles explored earlier, she cannot herself exploit, nor grant to others, rights in the character as further elaborated by the terminated grantee (assuming those elaborations are sufficient to support their own copyrights). Had the Superman heirs succeeded in their attempts to terminate the grant of rights, they would have retrieved the Superman character as he appeared in 1938, not as he appeared in 2009, when the court decided the case.⁵¹

Suppose, however, that the heirs (had their terminations succeeded) now sought to license third parties to produce a variety of merchandizing properties depicting Superman in his 1938 guise. Assume also that the goods would carry disclaimers as to any connection with Warner Bros. Would the Copyright Act's specification that reversion of rights under copyright "in no way affects" trademark rights allow Warner Bros. successfully to assert that the heirs' carefully labeled exploitations violate Warner Bros.' trademarks because the public would be confused as to the source or sponsorship of the goods? Just as trademark rights should not trump the copyright public domain when third parties exploit copyright-expired characters (as characters, not as source-identifiers), so too should the terminated grantee's retention of trademark rights not frustrate the author's or heirs' exercise of the reverted copyright interests. Moreover, the Copyright Act's provision that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary,"⁵² should serve to prevent the terminated grantee's subsisting trademark rights from encroaching on the author's or heirs' exercise of the reverted copyright rights. Copyright termination may not "affect" trademark rights, but trademark rights should not "affect" reverted copyright rights either; both regimes train on the same visual characters, but the nature of the rights should remain distinct. Even acknowledging the availability of anti-dilution protection for famous marks (surely including Superman), a trademark is not a right in gross; protecting the goodwill that the mark symbolizes should not override the copyright policy that grants authors a (rather circumscribed) right to benefit from the success of their works by reclaiming—and relicensing—the copyright in their works.⁵³

⁵¹ With respect to Superman as a literary character, the heirs would have recovered all the plot elements of the initial story, and accordingly could license new stories, films, and television series, so long as the new works did not incorporate plot elements or characters later introduced by or under the authority of the terminated grantee.

⁵² 17 U.S.C. § 203(a)(5) (2009).

⁵³ As discussed in the text, the rights that revert to the author or her heirs are unlikely to enable her to block the trademark owner's exploitation of the image as a trademark. If the trademark is a later representation of the character, the derivative works carve-out will preclude the author's claim. If the trademark is the original image, in which copyright rights have reverted, 17 U.S.C. § 203(b)(5) indicates that reversion will not terminate the right to license the image *as a trademark*; to the extent that copyright reproduction rights necessarily accompany the licensing of trademark rights, the statutory direction that copyright termination does not "affect" other rights, would mean that the trademark license incorporated in the copyright license survives.

D. When the Trademark Owner Becomes a Copyright Owner: Trademarks as Copyrighted Works

Most of the commentary on copyright/trademark overlaps focuses (generally, unfavorably) on attempts to extend the copyright monopoly through trademark protection.⁵⁴ But there is another side of the coin: the development of trademarks into copyrightable characters and other visual goods. Perhaps because a trademark may lack sufficient authorship to qualify as a “work”⁵⁵ and, in theory, does not confer a right in gross to exploit the symbol as an independent object of property, we recently see the adaptation of trademarks into the object of copyrights through the endowment of images not only with brand significance, but also with personalities and other attributes that convert the source-identifier into a literary, artistic, or (most often) audiovisual character. The creation of characters designed pervasively to permeate children’s media environment through a combination of branding consumer goods (such as breakfast cereal) and producing animated television shows and associated toys, all featuring the characters, is a familiar strategy at least since the advent of “Strawberry Shortcake” character and brand in the mid-1980s.⁵⁶ Nonetheless, the current evolution of trademarks into copyrighted works is different because in their commercial lives these trademarks were not born as characters, but rather had the anthropomorphizing touches that turned them into characters later thrust upon them. Moreover, without those flourishes, the trademarks might have lacked sufficient authorship to warrant copyright protection. The red disk of the 7-UP dot, for example, seems too basic to survive even a cursory Copyright Office examination for originality. But accessorize it with arms and legs and coif it with a pair of sunglasses, and a banal form blossoms into the “Cool Spot” character.

⁵⁴ See, e.g., Calboli, *supra* note 12; Viva R. Moffat, *Mutant Copyrights and Backdoor Patents: The Problem of Overlapping Intellectual Property Protection*, 19 BERKELEY TECH. L.J. 1473 (2004); ESTELLE DERCLAYE & MATTHIAS LEISTNER, *INTELLECTUAL PROPERTY OVERLAPS: A EUROPEAN PERSPECTIVE* 12–15, 47–60, 130–338, 200–05, 237–54, 290–92, 295–303, 306–33, and authorities cited therein (2011) (surveying copyright/trademark overlaps in the EU and member states); Mende & Isaac, *When Copyright and Trademark Rights Overlap*, *supra* note 2.

⁵⁵ The Copyright Office will not register a print or label consisting solely of trademark subject matter and lacking copyrightable expression. But it will register a trademark consisting of a logo or other visual image, if the image manifests sufficient original authorship. See *Compendium of Copyright Office Practices*, Chapter 900, Section 913.1 & 913.2 (3rd ed. 2014).

⁵⁶ See generally Tom Engelhardt, *The Shortcake Strategy*, in *WATCHING TELEVISION: A PANTHEON GUIDE TO POPULAR CULTURE* 70 (Todd Gitlin, ed. 1986); Stephen Kline, *OUT OF THE GARDEN: TOYS, TV, AND CHILDREN’S CULTURE IN THE AGE OF MARKETING* 138–42 (1995) (discussing Strawberry Shortcake and other licensed character tie-in programming).

Figure 9

Or take the rudimentary, single-colored shapes of M&Ms candies, endow them with arms and legs and a range of highly expressive (if rather gender-stereotyped) facial features, and they become “spokescandies” with pre-packaged personalities and backstories.⁵⁷ Moreover, trademarks-as-characters star not only in advertising for the trademarked goods, but also in independent works such as videogames and even feature films (for example, the *Lego Movie*).⁵⁸

⁵⁷ See generally *Characters, MMS*, <http://www.mms.com/us/characters> (presenting the characters). For examples of the characters’ personalities and backstories, see *M&M’S® Spokescandies to Pursue Solo Careers - Over One and a Half Million Dollars in Rewards Offered to Help Reunite ‘M’*, MARS (May 2011), <http://www.mars.com/global/press-center/press-list/news-releases.aspx?siteid=94&id=2973>; *M&M’S® Spokescandies Reunited After Four-Month Split*, MARS (Sept. 2011), <http://www.mars.com/global/press-center/press-list/news-releases.aspx?siteid=94&id=3177>.

⁵⁸ For examples of videogames incorporating M&Ms characters, see *M&M’s: The Lost Formula*, IGN, <http://www.ign.com/games/mms-the-lost-formulas/pc-15279>; *M&M’s: Minis Madness*, IGN, <http://www.ign.com/games/mms-mini-madness/gbc-15407>; *M&M’s: Shell Shocked*, IGN, <http://www.ign.com/games/mms-shell-shocked/ps-16461>; *M&M’s: Kart Racing*, IGN, <http://www.ign.com/games/mms-kart-racing/wii-909133>; *M&M’s: Adventure*, IGN, <http://www.ign.com/games/mms-adventure/wii-14268625>. Other brand examples include *7 UP: Spot: The Video Game*, MOBY GAMES, <http://www.mobygames.com/game/spot>; *Cool Spot*, MOBY GAMES, <http://www.mobygames.com/game/cool-spot>; *Spot: The Cool Adventure*, MOBY GAMES, <http://www.mobygames.com/game/gameboy/spot-the-cool-adventure>; *Spot Goes to Hollywood*, MOBY GAMES, <http://www.mobygames.com/game/spot-goes-to-hollywood>; *Burger King’s Burger King character: Big Bumpin’, Sneak King, and Pocketbike Racer*, MOBY GAMES, <http://www.ign.com/articles/2006/10/02/burger-king-and-xbox-team-up>; *Cheetos: Chester Cheetah: Too Cool to Fool*, MOBY GAMES, <http://www.mobygames.com/game/chester-cheetah-too-cool-to-fool>; *Chester Cheetah: Wild Wild Quest*, MOBY GAMES, <http://www.mobygames.com/game/chester-cheetah-wild-wild-quest>. The California Raisins have a number of television spots and even a mockumentary and also sold four music albums. See *Meet the Raisins!*, IMDB, <http://www.imdb.com/title/tt0261062/>; *Discography*, CALIFORNIA RAISINS, <http://thecaliforniaraisins.com/pages/discography.html>.

Figure 10

We have seen what copyright owners have to gain (or hope to gain) from claiming trademark protection for visual characters. What can copyright contribute to the protection of trademarks, and hence to the value of a trademark licensing program? First, because copyright is a right in gross, it strengthens the coverage available even to marks sufficiently famous to qualify for anti-dilution protection. Copyright is infringed by copying; trademark infringement requires a showing that the copying causes a likelihood of confusion or of association that is likely to “blur” or “tarnish” the mark.⁵⁹ It is true that in recent years, at least since the mid-1970s, trademark protection has increasingly come to bear on brand symbols in their own right, independent of the goods or services in connection with which they initially appeared.⁶⁰ Trademark law thus has been adapting to the reality, well established in the world of marketing, that the thing of value is the trademark; particularly for famous marks, the goods to which the brand applies are increasingly ancillary.⁶¹ If in the past trademark goodwill symbolized the business, in many instances today, the goodwill *is* the business. As Jessica Litman has written:

⁵⁹ Lanham Act, §§ 32, 43(a), 43(c), 15 U.S.C. §§ 1114, 1125(a), 1125(c) (2013).

⁶⁰ See *Boston Professional Hockey Ass’n v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004 (5th Cir. 1975); Anti-Cybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) (2013); Trademark Dilution Revision Act of 2006, PL 109-312 (2006). See also authorities cited *infra* nn. 61–63.

⁶¹ See, e.g., Katya Assaf, *Brand Fetishism*, 43 CONN. L. REV. 83 (2010) (“[M]any consumers who are loyal to a certain brand of soft drinks or cigarettes, ostensibly because of the superior taste of the product, actually cannot distinguish their favorite brand in a blind taste-test.”); Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. Rev. 621 (2004) (“In asserting that trademarks do no more than facilitate search and encourage quality, the Chicago School has long declined to acknowledge what is obvious: that firms produce trademarks as status goods, that consumers consume trademarks to signal status, and that courts routinely invest trademarks with legal protection in an effort to preserve this status-signaling function. The culture industries . . . have long sold trademarks as commodities in their own right. Entire areas of trademark doctrine cannot be understood except as systems of rules designed to facilitate the commodification—indeed, the ‘industrial production’—of social distinction. . . . [I]n

[T]he descriptive proposition that trade symbols have no intrinsic value has come to seem demonstrably inaccurate. The use of trademarks on promotional products has evolved from an advertising device for the underlying product line to an independent justification for bringing a so-called underlying product to market. . . . The worth of such valuable trade symbols lies less in their designation of product source than in their power to imbue a product line with desirable atmospherics.

Indeed, in the new orthodoxy, marketing *is* value.⁶²

But however reflective of business practice the detachment of the trademark from particular goods or services may be, its legal recognition distorts fundamental precepts of trademark law and invites doctrinal incoherence.⁶³ Trademark law evolved from the action of deceit; its common law antecedent is the tort of passing off. In theory, trademarks protect consumers against market place misinformation; free-riding off a producer's or a mark's goodwill, standing alone, should not suffice to support a claim of infringement. In fact, however, trademark law increasingly reprimands free-riding. Robert Bone has distinguished the traditional trademark function of "information transmission" from newer claims to protection of the trademark owner's goodwill, and has criticized the latter:

The core of trademark law, as it is understood today, is based on a model which I shall call the "information transmission model." This model views trademarks as devices for communicating information to the market and sees the goal of trademark law as preventing others from using similar marks to deceive or confuse consumers.

The idea of protecting goodwill fits this model rather poorly. Goodwill protection has nothing directly to do with facilitating consumer choice or

modern culture, the trademark need no longer identify any particular commodity (other than itself) in order to receive protection. . . . The modern trademark is dyadic in structure.").

⁶² Jessica Litman, *Breakfast With Batman: The Public Interest in the Advertising Age*, 108 YALE L.J. 1717, 1726 (1999).

⁶³ See, e.g., Litman, *supra* note 62; Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547 (2006); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687 (1999) ("[T]here has been a gradual but fundamental shift in trademark law. Commentators and even courts increasingly talk about trademarks as property rights; as things valuable in and of themselves, rather than for the product goodwill they embody. Courts protect trademark owners against uses that would not have been infringements even a few years ago and protect as trademarks things that would not have received such protection in the past. And they are well on their way to divorcing trademarks entirely from the goods they are supposed to represent."); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367 (1999) (commenting on the changes in trademark law since the 1950s, "This expansion has encompassed both the recognition of a new trademark subject matter and a more complete bundle of ownership rights, and despite some pretense on the issue, has been only tenuously connected to concerns over material consumer deception. Instead, the expansion has focused on a trademark's value not merely as a device for conveying otherwise indiscernible information concerning a product . . . but as valuable product in itself . . .").

safeguarding the quality of market information. It has to do instead with protecting sellers from misappropriation. Goodwill on this view denotes the special value that attaches to a mark when the seller's advertising and investments in quality generate consumer loyalty—a capacity to attract consumers over time. Trademarks are repositories or symbols of this goodwill, and trademark law prevents others from appropriating it by using a similar mark.

. . . Characterizing trademark law in terms of goodwill protection ultimately conflicts with the well-recognized consumer-oriented goals of trademark law. The resulting conflict frustrates efforts to achieve doctrinal coherence, misleads judges, and pushes trademark law in troubling directions⁶⁴

While trademark law traditionally derives from the action for deceit, misappropriation claims assert property rights grounded in the action for trespass. The critique of the expansion of trademark law essentially laments the passage of trademark law from a public-regarding claim to prevent misleading market information to one advancing the trademark owner's private property rights in gross in all but name. Set against this backdrop, one can view the conversion of certain trademarks into copyrighted characters as the logical next step in the progression: from property rights *de facto* (if uneasily) in gross, to rights *de jure* (and comfortably) in gross under copyright.

Nor, from the trademark owner's perspective, is there much of a downside to the conversion. While the fair use doctrine limits the scope of copyright protection—particularly for parody, criticism, and commentary—the last twenty years of trademark case law and legislation have given rise to the “nominative fair use” defense and have imported copyright fair use concepts to excuse parodies and other critical uses of trademarks.⁶⁵ As a result, whether they are the objects of trademarks or of copyrights, visual characters seem equally susceptible to legally-privileged copying for purposes of mockery or social commentary. Copyright therefore does not diminish the protection the characters would enjoy as a matter of trademark law. Admittedly, the copyrights will expire 95 years from the first publication of the trademarks-as-characters (assuming they are works made for hire), but during that very long stretch, the trademark owner will have ample time to update the character and start another 95-year clock rolling.

Finally, in addition to doctrinal coherence—about which trademark owners and their licensees are little likely to care—copyright offers significant remedial advantages over trademarks. The

⁶⁴ Bone, *supra* note 63, at 549.

⁶⁵ See generally Rebecca Tushnet, *Make Me Walk, Make Me Talk, Do Whatever You Please: Barbie and Exceptions*, in *INTELLECTUAL PROPERTY AT THE EDGE: THE CONTESTED CONTOURS OF IP* 405–26 (Rochelle Cooper Dreyfuss & Jane C. Ginsburg, eds. 2014); Jane C. Ginsburg, *Of Mutant Copyrights, Mangled Trademarks, and Barbie's Beneficence: The Influence of Copyright on Trademark Law*, in *TRADEMARK LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH* 481 (Graeme B. Dinwoodie & Mark D. Janis, eds. 2008).

principal remedy for trademark infringement is injunctive relief.⁶⁶ Damages require a showing of actual confusion;⁶⁷ a trademark owner would be disinclined to wait to seek relief until consumers can be shown to have been confused in fact. On the other hand, in dilution actions, where confusion need not be proved, damages up to three times the amount proved as actual damages⁶⁸ may be available, though the claimant must prove that the defendant “willfully intended to trade on the recognition of the famous mark.”⁶⁹

It is not at all clear, however, how one would demonstrate actual dilution through “blurring,” since the nature of the harm is essentially prospective. Indeed, because actual dilution is something of an oxymoron, Congress in 2006 amended the Trademark Act to clarify that a defendant is liable if its use of a famous mark “is *likely to cause* dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury;” plaintiffs do not have to demonstrate actual dilution.⁷⁰ The amendments, however, do not affect the amount of monetary relief which remains based on the plaintiff’s actual damages or on the defendant’s profits. Thus, while the wrongful act may be willful intention “to trade on the recognition of the famous mark,” an award

⁶⁶ Lanham Act § 34, 15 U.S.C. § 1116 (2013); 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:1 (4th ed. 2014) (“A permanent injunction is the usual and normal remedy once trademark infringement has been found in a final judgment.”); 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:132 (4th ed. 2014) (“The usual remedy where a violation of anti-dilution law is proven under the Federal Act is an injunction against the offending use.”) (citing H.R. Rep. No. 104-374, at 7 (1995) (“With respect to relief, a new Section 43(c)(2) of the Lanham Act would provide that, normally, the owner of a famous mark will only be entitled to injunctive relief upon a finding of liability.”)).

⁶⁷ Lanham Act § 35(a), 15 U.S.C. § 1117(a) (relief for “any damages sustained” indicates that the trademark owner would in fact have had to have lost sales).

⁶⁸ *Id.* (“In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount.”)

⁶⁹ *Id.* § 43(c)(5). For an example of proof of willfulness, see *Apple v. Samsung*, 920 F.Supp.2d 1079 (N.D. Cal. 2013) (“Samsung argues that Apple has not submitted evidence that could support the jury’s verdict of willful dilution. However, Apple has submitted evidence that Samsung viewed the iPhone as revolutionary, and that Samsung attempted to create similar products. This constitutes substantial evidence in the record to support the jury’s finding that Samsung willfully intended to trade on the recognition of Apple’s trade dresses.”); *Sporty’s Farm L.L.C. v. Sportsman’s Market, Inc.*, 202 F.3d 489 (2d Cir. 2000).

⁷⁰ Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1) (emphasis added); 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:132 (4th ed. 2014) (“Since enactment of the 2006 TDRA, a “likelihood” or probability of dilution is sufficient to violate the statute.”); Clarissa Long, *Dilution*, 106 COLUM. L. REV. 1029, n. 199 (2006) (“The proposed bill also would overturn *Moseley*, 537 U.S. 418, by allowing trademark holders to prove merely that a third party’s use is ‘likely to cause dilution’ rather than having to prove actual dilution.”); H.R. Rep. 109-23, at 4 (2005) (“The purpose of the FTDA is to protect famous trademarks, whether registered or unregistered, from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.”).

of damages would seem to require that the bad intent result in actual harm.⁷¹ As a practical matter then, trademark plaintiffs generally do not recover damages in non-counterfeiting cases.⁷²

By contrast, in copyright law, damages are a traditional remedy. Moreover, in lieu of actual damages and profits⁷³ and if the work was registered prior to the commission of the infringing acts, the plaintiff may elect to receive statutory damages (and therefore does not have to prove actual damages) ranging from \$750-\$30,000 per work infringed as the court considers just; in the case of willful infringement, the range jumps to a maximum of \$150,000 per work infringed.⁷⁴ In addition, where in trademark infringement cases attorneys fees are to be awarded only in “exceptional cases,”⁷⁵ the Copyright Act grants the judge discretion to award attorneys fees to the prevailing copyright owner if the work was registered with the Copyright Office prior to the infringement.⁷⁶ The prospect of statutory damages and attorneys fees may serve as an additional deterrent to unlicensed exploitations of trademarks that also are the objects of copyright registrations.⁷⁷

E. Conclusion

This review of trademark/copyright overlaps regarding visual characters offers the following lessons for trademark licensing:

- Where the character has fallen into the copyright public domain, the trademark owner may nonetheless retain (or create) enforceable trademark rights in particular representations of the character, but should not be able to prevent third parties from exploiting the character itself and in general.

⁷¹ See MCCARTHY, *supra* note 70, at § 24:132 (“Some proof of actual impairment or harm to the famous mark is required . . . in the author’s view, monetary recovery for dilution requires some proof that the famous mark was in fact injured or harmed by the defendant’s conduct . . . the plaintiff needs to present some reasonable method of measuring that damage.”).

⁷² See 5 MCCARTHY, *supra* note 70, at § 30:1; 4 MCCARTHY, *supra* note 70, at § 24:132 (“Monetary awards for violation for an anti-dilution statute are rare indeed.”).

⁷³ 17 U.S.C. § 504(b) (2009).

⁷⁴ *Id.*, § 504(c)(2) (2009).

⁷⁵ Lanham Act § 35(a), 15 U.S.C. § 1117(a) (2013).

⁷⁶ 17 U.S.C. § 412 (2009). *See, e.g.*, *Crescent Publ’g Group, Inc. v. Playboy Enters.*, 246 F.3d 142, 151 (2nd Cir. 2001) (referring to “district courts’ broad discretion in awarding fees.”); *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994) (“attorney’s fees are to be awarded to prevailing parties only as a matter of the court’s discretion. ‘There is no precise rule or formula for making these determination,’ but instead equitable discretion should be exercised . . .”).

⁷⁷ For examples of visual character trademarks discussed in this Chapter that are also the subjects of copyright registrations, see U.S. Copyright No. VAu000223219 (Apr. 6, 1992) (“M” character (plain)); U.S. Copyright No. VAu000232083 (July 16, 1992) (M&M’s almond “M” character); U.S. Copyright No. VA0001729343 (July 23, 2010) (M&M’s pretzel “M” character); U.S. Copyright No. VA0001841440 (Sept. 19, 2012) (M&M’s Ms. Brown character).

- In the event of conflict between the copyright public domain and trademark rights in the character, the former prevails; any remedies for trademark infringement should be limited to accurate labeling (disclaimers) of the source of the third-party goods.
- The trademark may be more likely to be enforced (and pose less risk of conflict with the copyright public domain) if it has acquired secondary meaning as a source-designation for goods or services distinct from the character's original literary, artistic, or entertainment context.
- Updating the visual appearance of the character will diminish conflicts with the copyright public domain because the modifications, if sufficiently original, will create a derivative work which (if a work made for hire) will enjoy its own 95-year copyright term; but neither the derivative work copyright owner nor the trademark licensee can prevent copyright exploitation of the copyright-expired character in its original guise.
 - To ensure continued trademark protection for the copyright-expired version of the character depicted in the mark, it would be desirable for the trademark owner to renew its registrations of the original character and forestall a finding of non-use of the original visual mark by some form of continued bona fide use, such as using the original version on promotional goods.
- If the copyright in the visual character (as a pictorial or graphic work) reverts to the author (work must not be "for hire"), the use rights of licensees under trademark licenses granted by the terminated copyright grantee will not be affected, nor will the author acquire ownership of trademark rights built up by the terminated copyright grantee's exploitation of the trademark on its own or through trademark licensing. If the trademark consists of a later depiction (derivative work) of the character, the author's termination of the original grant will not prevent the continued copyright or trademark exploitation of derivative works prepared before termination, but new derivative works will require the author's authorization. And the trademark owner's subsisting rights should not frustrate the author's exercise of the reverted rights in the pictorial or graphic work; accurate labeling may provide the trademark owner the only appropriate intellectual property remedy.⁷⁸
- At least some visual trademarks can be redesigned as copyrightable characters (e.g., by adding limbs and facial features) and registered with the Copyright Office. Copyright confers protection against copying *per se*; likelihood of confusion or of dilution are not elements of the claim. Copyright protection is not absolute; the fair use doctrine permits

⁷⁸ The trademark licensee may have a contract claim against a trademark licensor author whose copyright interests revert due to termination. Exploitation of the reverted copyright in a way that is inconsistent with the trademark license may violate the implied covenant of good faith and fair dealing under which the licensor should not take away the contract benefit conferred on the licensee by licensing a competitor. *Cf. Nova Wines v. Adler Fells Winery LLC*, 467 F.Supp.2d 965 (N.D. Cal. 2006) (not having to decide the contract issue because the licensee was found to have established its trademark rights before the copyright license was issued).

reasonable copying particularly for purposes of criticism, commentary, or parody (but trademark law now allows these kinds of uses too). Copyright remedies for works registered prior to the infringements may be more extensive than trademark remedies, particularly with respect to damages and attorneys fees.