

## TRADEMARK TAKINGS: TRADEMARKS AS CONSTITUTIONAL PROPERTY UNDER THE FIFTH AMENDMENT TAKINGS CLAUSE

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### ABSTRACT

*This Comment explores the intersection between trademarks and the Fifth Amendment's Takings Clause. The thesis is that trademarks—an intellectual property regime caught between its competing aims of protecting consumers and bolstering the rights of trademark owners—currently focuses heavily on the latter and consequently amounts to constitutionally protected private property. To this end, the Comment argues that trademarks are both legal private property and constitutionally protected property for purposes of the Takings Clause. Further, the Comment examines potential obstacles and applications of a trademark takings doctrine and concludes that, because the "propertization" of trademarks under the Lanham Act is unlikely to be reined in, courts and scholars should endeavor to fashion workable solutions to the trademark takings issue. The realization that trademarks are constitutional property serves to clarify the present broad scope of the trademark property right and, additionally, sheds new light on intangible takings jurisprudence.*

### INTRODUCTION

To begin, consider the following three scenarios as they relate to the intersection between the Takings Clause of the Fifth Amendment to the U.S. Constitution and the law of trademarks:<sup>1</sup>

(1) The Ringling Bros. circus company brings suit under the federal Trademark (Lanham) Act statute<sup>2</sup> claiming that its trademarked phrase "The Greatest Show on Earth" is being infringed and diluted by the federal government's similar phrase "The Greatest Snow on Earth," which the government uses to advertise the U.S. Winter

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1 This Comment uses the term "trademark" broadly to encompass also service marks, trade dress, and trade names.

2 Trademark (Lanham) Act of 1946, 15 U.S.C. §§ 1051–1141 (2006). The Lanham Act is the primary federal trademark statute in the United States. See discussion *infra* Part I.C.

Olympics team.<sup>3</sup> This use of the phrase by the federal government is a possible per se “trademark taking.”<sup>4</sup>

(2) A well-known food manufacturer, Kellogg Company, brings suit against the federal government when the Food and Drug Administration (“FDA”) drafts a proposal prohibiting products from being marketed to children unless food manufacturers adhere to strict nutritional guidelines.<sup>5</sup> The proposal defines “marketing to children” in a way that restricts product packaging design and use of animated characters, including Kellogg’s well-known mascot, Tony the Tiger. If enacted, the legal result of the proposal would be that the packaging of products which fail to meet the stringent nutritional guidelines required must be vastly altered, and the use of Tony the Tiger would be prohibited. The packaging changes and mascot loss would result in a negative impact upon Kellogg’s stock prices and market health. This restrictive government regulation is a potential regulatory trademark taking.<sup>6</sup>

(3) Assume that the proposed law is enacted in the scenario directly above. A state appellate court affirms the dismissal of Kellogg’s claim and holds that no government taking of a trademark occurred. The U.S. Supreme Court reverses the decision, and explains that the state appellate court erroneously applied the Takings Clause to the case. Ruling for Kellogg’s, it invalidates the state court decision and holds that the government regulation did, in fact, constitute a taking of Kellogg’s trademark. The state appellate court’s erroneous ruling is a hypothetical example of a judicial trademark taking—because the appellate court ruling, by not ordering that “just compensation” be

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<sup>3</sup> This scenario is based on *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 955 F. Supp. 605, 608–09 (E.D. Va. 1997). While the facts were changed in the scenario to reflect federal government use, the actual case revolved around Utah’s use of the slogan to promote the State’s winter tourism industry. *Id.* at 610–11. The court examined Ringling Bros.’ dilution claim and found that neither blurring nor tarnishment had occurred, as the circus could not show any loss of its mark’s profitability as a result of the State’s slogan. *Id.* at 616, 621. Further, surveys showed that the State’s mark was nearly unknown outside of Utah. *Id.* at 617. Because there was no trademark infringement or dilution found, *id.* at 622, the court had no reason to, and did not, discuss whether the government’s slogan implicated the Takings Clause. The facts were altered to reflect potential federal, as opposed to state, infringement due to state sovereign immunity laws set forth in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627, 630–31 (1999).

<sup>4</sup> See discussion *infra* Part III.B.1.

<sup>5</sup> See Joseph J. Lewczak & Angela M. Bozzuti, *Will Federal Food Ad “Guidelines” Tread on Brand Trademarks?*, 20 LEGAL OPINION LETTER, no. 21 (Wash. Legal Found., Washington, D.C.), Oct. 21, 2011, at 1, available at [http://www.wlf.org/publishing/publication\\_detail.asp?id=2274](http://www.wlf.org/publishing/publication_detail.asp?id=2274).

<sup>6</sup> See discussion *infra* Part III.B.2.

paid as a result of the regulation, was the mechanism that led to the taking of Kellogg's brand value.<sup>7</sup>

Do the facts in any or all of the above scenarios trigger the Takings Clause? This Comment proposes that each could be considered what this author labels a trademark taking—an action of the state that results in the seizure of a private trademark property right. Accordingly, a taking of a trademark might come to involve a per se taking,<sup>8</sup> a regulatory taking,<sup>9</sup> or perhaps, under the doctrine created by the U.S. Supreme Court's recent opinion in *Stop the Beach Renourishment v. Florida Department of Environmental Protection*, a judicial taking.<sup>10</sup>

The Fifth Amendment Takings Clause states, “nor shall private property be taken for public use, without just compensation.”<sup>11</sup> Takings jurisprudence has been referred to as a “muddle”—the doctrines used to interpret the Takings Clause are difficult to ascertain and always evolving.<sup>12</sup> A particular area of uncertainty, referred to by one scholar as the “muddle within the muddle,”<sup>13</sup> is whether intellectual

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<sup>7</sup> See discussion *infra* Part III.B.3.

<sup>8</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1373–74 (Fed. Cir. 2006) (per curiam) (explaining the distinction between per se and regulatory takings), *reh'g en banc denied*, 464 F.3d 1335, 1336 (Fed. Cir. 2006), *vacated in part*, 672 F.3d 1309, 1317, 1322, 1327 (Fed. Cir. 2012); see also discussion *infra* Part I.A.1.

<sup>9</sup> See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1005 (1984) (“The Court . . . has identified several factors that should be taken into account when determining whether a governmental action has gone beyond ‘regulation’ and effects a ‘taking.’ Among those factors are: ‘the character of the governmental action, its economic impact, and its interference with reasonable investment-backed expectations.’” (quoting *PruneYard Shopping Ctr. v. Robins*, 447 U.S. 74, 83 (1980))); see also discussion *infra* Part I.A.2.

<sup>10</sup> See *Stop the Beach Renourishment, Inc. v. Fla. Dep't of Envtl. Prot.*, 130 S. Ct. 2592, 2602 (2010) (holding that if a court declares that what was an established piece of property no longer exists, it has taken property for purposes of the Takings Clause); see also discussion *infra* Part I.A.3.

<sup>11</sup> U.S. CONST. amend. V.

<sup>12</sup> For a sample of the discussions regarding the muddled nature of Takings Clause jurisprudence, see Jane B. Baron, *Winding Toward the Heart of the Takings Muddle: Kelo, Lingle, and Public Discourse About Private Property*, 34 *FORDHAM URB. L.J.* 613, 618 (2007) (arguing that in upholding broad exercise of eminent domain powers, the Court may have paradoxically made it more difficult for state and local governments to exercise such powers); Carol M. Rose, Mahon *Reconstructed: Why the Takings Issue Is Still a Muddle*, 57 *S. CAL. L. REV.* 561, 562 (1984) (exploring the elusiveness of the meanings of the word “taking” in the law); Mark Sagoff, *Muddle or Muddle Through?: Takings Jurisprudence Meets the Endangered Species Act*, 38 *WM. & MARY L. REV.* 825, 847 (1997) (“To go beyond these per se [takings] rules . . . may be to substitute judicial activism, based on one metaphysical theory or another, for the outcome of an open and fair political process.”).

<sup>13</sup> Thomas F. Cotter, *Do Federal Uses of Intellectual Property Implicate the Fifth Amendment?*, 50 *FLA. L. REV.* 529, 529 (1998) (“If the law of takings as applied to real and personal property is the ‘muddle’ that many commentators insist it is, the law of taking with regard to *intellectual* property can only be characterized as a muddle within the muddle.”).

property rights<sup>14</sup>—patents, trade secrets, copyrights, and trademarks—are *constitutionally protected private property* under the Takings Clause.<sup>15</sup> The debate has mainly focused on patents and trade secrets so far: Somewhat recently, in *Zoltek Corp. v. United States (Zoltek III)*, the Court of Appeals for the Federal Circuit<sup>16</sup> stated that patents, despite being considered “private property interests,” *are not* constitutional property under the Takings Clause.<sup>17</sup> Years earlier, the U.S. Supreme Court held, in *Ruckelshaus v. Monsanto*, that trade secrets *are* protected.<sup>18</sup> Whether trademarks are secured under the Fifth Amendment, though, has not been examined thoroughly.<sup>19</sup>

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<sup>14</sup> Intellectual property is a form of the broader term “intangible property.” The terms, however, are often used interchangeably in this Comment to refer to intellectual property rights—trademarks, copyrights, patents, and trade secrets.

<sup>15</sup> For examples of the disagreement between academics on this point, compare DAVID A. DANA & THOMAS W. MERRILL, PROPERTY: TAKINGS 228–53 (2002) (arguing that although “[a]pplication of the Takings Clause to intellectual property—trademarks, copyrights and patents—has not yet been seriously tested in the courts,” there are other possible applications of existing legal rules to the concept of takings of intangible rights) with Shubha Ghosh, *Toward a Theory of Regulatory Takings for Intellectual Property: The Path Left Open After College Savings v. Florida Prepaid*, 37 SAN DIEGO L. REV. 637, 667 (2000) (claiming that application of the Takings Clause to “intellectual property or intangible property would occur *only* through analogy” (emphasis added)) and Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. REV. 689, 693 (2007) (arguing that nineteenth-century federal court jurisprudence applied the Takings Clause to patents but has been eclipsed by modern courts and scholars).

<sup>16</sup> A Federal Circuit Court of Appeals decision regarding patents is particularly influential as compared with decisions of other appellate courts, as the Federal Circuit has per se jurisdiction over patent appeals when a federal patent issue is raised in the plaintiff’s initial complaint, as it was in *Zoltek*. See *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 838–39 (2002) (clarifying the rules regarding the Federal Circuit’s patent jurisdiction).

<sup>17</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1347 (Fed. Cir. 2006) (per curiam) (holding that when the government uses a patented invention, it does not “take” any property interest that belongs to the patent owner), *reh’g en banc denied*, 464 F.3d 1335, 1336 (Fed. Cir. 2006), *vacated in part*, 672 F.3d 1309, 1317, 1322, 1327 (Fed. Cir. 2012); *De Graffenried v. United States*, 29 Fed. Cl. 384, 387 (Fed. Cl. 1993). But see *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002) (noting that patent owners have, borrowing a factor from takings jurisprudence, “the legitimate expectations of inventors in their property”).

<sup>18</sup> See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1013 (1984).

<sup>19</sup> Few scholarly articles have been written that touch on this area. See Abraham Bell, *Private Takings*, 76 U. CHI. L. REV. 517, 563 (2009) (discussing takings by only non-governmental actors, mentioning trademark and domain name private takings); Sam Foster Halabi, *International Trademark Protection and Global Public Health: A Just-Compensation Regime for Expropriations and Regulatory Takings*, 61 CATH. U. L. REV. 325, 331 (2012) (arguing “that trademarks are better characterized as property,” but only in the context of “public-health and consumer protection regulation”); Susan Eisenberg, Note, *Intangible Takings*, 60 VAND. L. REV. 667, 670–671 (2007) (focusing on when “an intangible interest becomes compensable ‘private property’ under the Fifth Amendment” but only with regard to

This Comment, as such, discusses how trademarks intersect with the Takings Clause.<sup>20</sup> Trademark law has broadened significantly since the advent of the Lanham Act.<sup>21</sup> The expansion of trademark doctrine is focused, first and foremost, on the protection of business goodwill.<sup>22</sup> This “propertization” of the trademark regime,<sup>23</sup> together with constitutional property dimensions favorable to trademark law, supports the claim that trademarks ought to be subject to the Takings Clause.

The issue is relevant because the scope of trademarks and takings has expanded. As trademark doctrine has focused more on securing mark owners’ brand values—relegating its more widely recognized goal of consumer protection to mere pretext—there is debate regarding the primary role of trademarks.<sup>24</sup> Moreover, larger overlap between takings and trademarks is bound to occur as both the Lanham Act and takings jurisprudence continue to grow.<sup>25</sup> Indeed, an under-

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“entity locators” such as “phone numbers, domain names, screen names, and email addresses” (internal quotation marks omitted).

<sup>20</sup> The issue of copyright’s application to the Takings Clause is also relatively unexplored. However, the fact that copyrights are a federally created right makes it quite easy to analogize copyrights to patents using the reasoning in *Zoltek*, where the court held that because patents are “creatures of federal law” and not created by “an independent source such as state law,” they cannot be protected under the Takings Clause. *Zoltek*, 442 F.3d at 1352. On the other hand, trademark law—although codified under the federal Lanham Act—has state common-law origins. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984) (stating that the “kinship” existing between patent law and copyright law does not exist between copyright law and trademark law).

<sup>21</sup> See Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2100–01 (2004) (arguing that “trademark law has expanded over the past few decades” and aspects of this expansion, particularly in the field of “trade dress,” makes it “difficult to square with an account that assumes trademarks are solely devices for delivering product information to consumers”); Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 427 (2010) (discussing “trademark law’s expansion beyond competing products”); Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1841 (2007) (noting that trademark law originally “sought to protect producers from illegitimate diversions of their trade by competitors” and has continued to expand in this direction); Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 189–90 (2005) (acknowledging, but disapproving of, the “expansion of trademarks in recent years”).

<sup>22</sup> McKenna, *supra* note 21, at 1916 (“[M]odern trademark law is industrial policy intended to protect brand value.”).

<sup>23</sup> *Id.* at 1847.

<sup>24</sup> *Id.* at 1915 (“Strong marks have been the obvious—and intended—beneficiaries of expanded protection, as trademark law has aimed to reserve to mark owners the entire value of ‘their’ marks.”); see also Kenneth L. Port, *The Congressional Expansion of American Trademark Law: A Civil Law System in the Making*, 35 WAKE FOREST L. REV. 827, 911 (2000) (arguing that the expansion of trademark law in favor of trademark owners has created a “new property” in trademarks).

<sup>25</sup> This is not to say that claimants have not already on occasion brought trademark taking claims to court, but rather that they have been largely ignored by judges. For example, in

standing of the scope of trademark law and its intersection with the Takings Clause will help to clarify the current dimensions of trademarks as property, as well as shed new light on intangible takings jurisprudence.

The thesis of this Comment is that, for better or worse,<sup>26</sup> trademarks are constitutionally protected, private property<sup>27</sup> under the Takings Clause of the Fifth Amendment. Part I provides background information regarding the Takings Clause, intangible property, and trademark law. Part II proceeds in two stages: First, this Part develops the idea that trademarks—despite claims that they are based in tort and exist mainly for the benefit of consumers—grant distinct property rights to mark owners. Second, it makes the claim that trademarks are—in addition to private property—constitutional property for purposes of the Fifth Amendment. In Part III, this Comment describes a potential trademark takings doctrine and concludes by discussing examples of per se, regulatory, and judicial takings of trademarks.

Finally, it is significant that after *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, trademark takings claims against state governments are exceedingly convoluted (if not barred entirely) due to the Supreme Court's ruling that states hold sovereign

*Singer Management Consultants v. Milgram*, 608 F. Supp. 2d 607 (D.N.J. 2009), plaintiffs—a musical group with an unregistered trademark in the name “Elsbeary Hobbs Drifters”—alleged that enforcement of the legislation called the “Truth in Music Act effects a taking of the Plaintiffs’ property rights in their unregistered trademarks without compensation” because the act “prevents holders of unregistered but valid trademarks from causing their musical groups to perform, to be promoted and to speak.” *Id.* at 608–09. The case was dismissed for unrelated reasons, and the taking claim was not addressed by the court. *Id.* at 614–15.

26 See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1688 (1999) (arguing that “recent developments threaten to stretch the rationale of trademark law beyond all limits”); McKenna, *supra* note 21, at 1916 (“There may be good reasons for concern about the scope of modern trademark law. It may be interfering excessively with competition. It may be the result of a particularly serious public choice problem. And even if the goal of protecting brand value is worthy, modern doctrines may place unacceptably high burdens on speech.” (footnote omitted)); Rothman, *supra* note 21, at 190 (recognizing that trademarks have moved in a property focused direction, but arguing that “[t]rademark law was never meant to be a property grant to individual trademark holders; rather, the protection of trademarks requires a careful balance of the interests of trademark holders, competitors and the public”). *But see* Michael Pulos, Comment, *A Semiotic Solution to the Propertization Problem of Trademark*, 53 UCLA L. REV. 833 (2006) (arguing that the propertization critique of trademark law is not wholly accurate). This Comment, though, makes no opinion of the broad scope of trademark law. Instead, it seeks to explore the ramifications of that scope.

27 In this Comment, the two elements of trademark will be referred to separately: “Private property” and “constitutional property.” For explanations of private property and constitutional property, see discussion *infra* Parts I.B.I and I.B.II.

immunity from such claims.<sup>28</sup> The federal government, however, has waived its immunity from Lanham Act claims under the Tucker Act.<sup>29</sup> Accordingly, this Comment concentrates on trademark takings claims involving the federal government rather than claims concerning state governments.<sup>30</sup>

## II. BACKGROUND: TAKINGS, INTANGIBLE PROPERTY, AND TRADEMARKS

This Part provides background information on aspects of general takings law. It then establishes a framework with which to analyze private property and constitutional property with respect to the Takings Clause as it applies to intellectual property rights. Lastly, this Part discusses relevant trademark law principles.

### A. *Takings Law*

The Fifth Amendment to the U.S. Constitution is comprised of two clauses—the Due Process Clause and the Takings Clause—each designed to protect citizens from undue government interference.<sup>31</sup> The Due Process Clause prescribes that any deprivation of “life, liberty, or property” requires “due process of law.”<sup>32</sup> While the Due Process Clause is relevant to the government acquisition of private intellectual property,<sup>33</sup> this Comment seeks to explore only trademark law’s intersection with the Takings Clause.

The Takings Clause imposes two restrictions on the government’s ability to take individuals’ property. It requires the government to

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<sup>28</sup> See *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 691 (1999) (holding that states hold sovereign immunity with regards to trademark, as well as other intangible, taking claims).

<sup>29</sup> The United States government, through the Tucker Act, has waived its sovereign immunity with respect to several constitutional claims, including Fifth Amendment taking claims. See *Tucker Act*, 28 U.S.C. § 1491 (2006) (“[T]he Court of Federal Claims shall have jurisdiction to render judgment upon . . . rights in tangible or intangible property.”).

<sup>30</sup> While it may be possible to circumvent the issue of sovereign immunity in regards to state trademark taking claims, this is beyond the scope of this Comment. For an analysis of sovereign immunity and intellectual property takings issues, see Ghosh, *supra* note 15 (analyzing whether an infringement of intellectual property rights by a state government constitutes a regulatory taking).

<sup>31</sup> U.S. CONST. amend. V.

<sup>32</sup> *Id.*

<sup>33</sup> For an analysis of due process and its relationship with intellectual property issues, see Davida A. Isaacs, *Shifting Constitutional Sands: Can and Should Patentholders Rely on the Due Process Clause to Thwart Government Action?*, 35 FLA. ST. U. L. REV. 627 (2008) (analyzing patentholders’ right to due process protection using the test applied to determine the rights of recipients of other government benefits).

take property only for “public use,” and to pay “just compensation” for property it has taken.<sup>34</sup> The government is obligated to pay a property owner “just compensation” when (1) an actor of the state, (2) authorized by law, (3) takes (4) an individual’s private property (5) for a public use or benefit.<sup>35</sup> The goal of compensable takings is to allow the government to take citizens’ private property, but also to “make whole again” the owner forced to give up the property. The Takings Clause also serves to constrain government takings by imposing on it a fiscal burden.<sup>36</sup>

A significant development in takings jurisprudence involves the widening of the “public use” language in the Takings Clause to encompass “public purpose.” In *Kelo v. City of New London*, the Supreme Court held that property may be transferred from one private actor to another private actor for a “public purpose.”<sup>37</sup> Despite the seemingly private transfer at issue,<sup>38</sup> the public purpose embraced by the Court was economic growth.<sup>39</sup> The reasoning used by the Supreme Court and the effects of the decision are controversial.<sup>40</sup> Nevertheless, the *Kelo* decision is noteworthy for considerably broadening the “public use” requirement to include public purposes.<sup>41</sup>

<sup>34</sup> U.S. CONST. amend. V.

<sup>35</sup> See Cotter, *supra* note 13, at 535 (stating the elements of a taking claim).

<sup>36</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1373 (Fed. Cir. 2006) (Plager, J. dissenting) (“By requiring just compensation the Constitution makes the property owner whole, and it also places a constraint on government action by imposing the cost of such action on the Government’s fisc, thus subjecting administrative action to the discipline of public decision-making and legislative authorization.”), *reh’g en banc denied*, 464 F.3d 1335, 1336 (Fed. Cir. 2006), *vacated in part*, 672 F.3d 1309, 1317, 1322, 1327 (Fed. Cir. 2012).

<sup>37</sup> *Kelo v. City of New London*, 545 U.S. 469, 489–90 (2005) (holding that the benefit a community gains from economic growth is sufficient to satisfy the public use language in the Takings Clause).

<sup>38</sup> *Kelo* involved an attempt by the City of New London to purchase 115 houses in an urban area in order to sell them to commercial developers. *Id.* at 474–75. This was done to take advantage of increased jobs and tax revenues that drug company Pfizer’s new plant would bring to the area. *Id.* When several residents resisted, the city used its eminent domain power to claim the land. *Id.* at 475.

<sup>39</sup> *Id.* at 489–90.

<sup>40</sup> See, e.g., Orlando E. Delogu, *Kelo v. City of New London—Wrongly Decided and A Missed Opportunity for Principled Line Drawing with Respect to Eminent Domain Takings*, 58 ME. L. REV. 17, 20 (2006) (“When one looks at the larger project area in *Kelo*, there is no indication in the record that any of the properties acquired by the New London Development Corporation (whether by condemnation or market transaction) were in a ‘rundown,’ ‘slum,’ or ‘blighted’ condition, or that any such designation hung over the neighborhood as a whole.”); Ilya Somin, *Controlling the Grasping Hand: Economic Development Takings After Kelo*, 15 SUP. CT. ECON. REV. 183, 271 (2007) (noting that the “political reaction against the *Kelo* decision may yet result in the enactment of at least some useful legislative restrictions on eminent domain at either the state or federal level”).

<sup>41</sup> See *Kelo*, 545 U.S. at 488–90.

After *Kelo*, there exist two public use categories: First, the government may transfer ownership of property from private to public hands.<sup>42</sup> Second, the government may transfer property from one private owner to another private owner, provided (1) the later private owner makes the property available for public use, or (2) the transfer is for a purpose involving the public good, as was the situation in *Kelo*.<sup>43</sup>

Seizures of property under the Takings Clause may be considered per se takings, regulatory takings, or judicial takings. The following Subparts briefly describe each category.

### 1. *Per Se Takings*

The most straightforward government taking is a per se (total) taking. Courts have found per se takings when (1) a physical governmental appropriation of a property for its own use occurs<sup>44</sup> or (2) when a regulation constitutes a complete deprivation of all use or value of property.<sup>45</sup>

A physical taking is a government-sanctioned physical occupation of property.<sup>46</sup> A physical appropriation by the government involves the acquisition of an individual's private property for the government's own use.<sup>47</sup> For example, imagine that the federal government seeks to take measures to prevent deforestation. Therefore, through the Environmental Protection Agency ("EPA"), the government cre-

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<sup>42</sup> See U.S. CONST. amend V.

<sup>43</sup> For a historical overview and analysis of the public use requirement before and after *Kelo*, see Brent Nicholson & Sue Ann Mota, *From Public Use to Public Purpose: The Supreme Court Stretches the Takings Clause in Kelo v. City of New London*, 41 GONZ. L. REV. 81 (2005).

<sup>44</sup> See, e.g., *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 441 (1982) (holding that a "permanent physical occupation of property is a taking").

<sup>45</sup> See, e.g., *Lucas v. S.C. Coastal Council*, 505 U.S. 1003, 1027 (1992) ("Where the State seeks to sustain regulation that deprives land of all economically beneficial use, we think it may resist compensation only if the logically antecedent inquiry into the nature of the owner's estate shows that the proscribed use interests were not part of his title to begin with.").

<sup>46</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1373–74 (Fed. Cir. 2006) (Plager, J., dissenting) (explaining the distinction between per se and regulatory takings in the context of intellectual property), *reh'g en banc denied*, 464 F.3d 1335, 1336 (Fed. Cir. 2006), *vacated in part*, 672 F.3d 1309, 1317, 1322, 1327 (Fed. Cir. 2012); *Loretto*, 458 U.S. at 426–27 (explaining that the Court will find a taking in instances of a "permanent physical occupation").

<sup>47</sup> *Zoltek*, 442 F.3d at 1373–74 (Plager, J., dissenting) ("In recent years the Supreme Court has extended the salutary protection of the Fifth Amendment to excessive governmental regulation—the 'regulatory taking' issue—in addition to the traditional takings area in which the government actually acquires private property interests for its own use—the '[per se] taking' issue.").

ates a new national park and designates the entire area as government property. In the process, it forces a number of property owners in the area to relinquish their land. The federal government has the authority under its Fifth Amendment eminent domain power to take this land for the public use of environmental restoration, provided that it monetarily compensates those whose property it has taken as part of the project.

The type of regulation that results in a *complete* deprivation of property value is also considered a per se taking. In *Lucas v. South Carolina Coastal Council*, the Supreme Court held that a regulation, even if temporary, that deprives an owner of all use or value of an individual's real property nearly always constitutes a taking.<sup>48</sup> The governmental regulation at issue in *Lucas* prevented the petitioner from building any homes on his beachfront property.<sup>49</sup> This effectively deprived him of "all economically beneficial" uses of his land and was thus considered by the Court to constitute a taking.<sup>50</sup>

## 2. Regulatory Takings

In *Penn Central Transportation Co. v. New York City*, the Supreme Court extended the protections of the Takings Clause to encompass regulatory takings.<sup>51</sup> A (non-per se) regulatory taking is one in which a government regulation interferes with the use or enjoyment of one's private property.<sup>52</sup> A three-factor balancing test is used in the determination of whether a government regulation amounts to a taking. The factors considered are (1) "the character of the governmental action," (2) the governmental action's "economic impact," and (3) the governmental action's "interference with reasonable invest-

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48 *Lucas*, 505 U.S. at 1011–12, 1015–16 (arguing that a regulation that denies all economically beneficial uses of land constitutes a taking and citing to the proposition that temporary deprivations of use are compensable).

49 *Id.* at 1006–07.

50 *Id.* at 1031–32 (holding that the state has committed a taking unless it can show a common law principle that would legally bar petitioner's desired use of his land).

51 *Penn Cent. Transp. Co. v. New York City*, 438 U.S. 104, 138 (1978) (concluding that no regulatory taking was effected because the "restrictions imposed are substantially related to the promotion of the general welfare and not only permit reasonable beneficial use of the landmark site but also afford appellants opportunities further to enhance not only the Terminal site proper but also other properties").

52 *See id.* at 124 (explaining that a taking is more likely to be found "when the interference with property can be characterized as a physical invasion by government than when interference arises from some public program adjusting the benefits and burdens of economic life to promote the common good" (citation omitted)).

ment-backed expectations.”<sup>53</sup> A regulation, however, that deprives the owner of a profitable use of her property may not constitute a taking if other factors dictate against such a finding.<sup>54</sup>

For example, the Court in *Penn Central* held that no taking had occurred. The government regulation in question—a restriction on the ability to build on top of the railroad terminal for the purpose of preserving the building as a historical landmark—did not significantly interfere with Penn Central’s “reasonable investment-backed expectation”<sup>55</sup> to profit from utilizing its building as a railroad terminal.<sup>56</sup>

### 3. *Judicial Takings*

Recently, the U.S. Supreme Court expanded takings jurisprudence to include judicial takings. The judicial takings doctrine was developed in the Supreme Court’s *Stop the Beach Renourishment, Inc. v. Florida Department of Environmental Protection* opinion. In *Stop the Beach*, Justice Scalia held that if “a court declares that what was once an established right of private property no longer exists, it has taken that property, no less than if the State had physically appropriated it or destroyed its value by regulation.”<sup>57</sup> Several scholars have broached the subject, but the scope of the judicial takings doctrine remains unclear.<sup>58</sup>

<sup>53</sup> See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1005 (1984) (citing *PruneYard Shopping Ctr. v. Robins*, 447 U.S. 74, 83 (1980)) (describing the regulatory takings test factors).

<sup>54</sup> *Monsanto*, 467 U.S. at 1005–06 (finding that a party’s lack of reasonable, investment-backed expectations disposed of the central taking question).

<sup>55</sup> *PruneYard*, 447 U.S. at 83.

<sup>56</sup> *Penn Central*, 438 U.S. at 138 (“The restrictions . . . not only permit reasonable beneficial use of the landmark site but also afford appellants opportunities further to enhance not only the Terminal site proper but also other properties.”).

<sup>57</sup> *Stop the Beach Renourishment, Inc. v. Fla. Dep’t. of Env’tl. Prot.*, 130 S. Ct. 2592, 2602 (2010) (emphasis omitted).

<sup>58</sup> See, e.g., D. Benjamin Barros, *The Complexities of Judicial Takings*, 45 U. RICH. L. REV. 903, 904, 919 (2011) (noting the complexity of judicial takings and arguing that judicial takings should apply to government actions that mandate transfers of private property to public ownership, but not to government actions that mandate transfers of property between private persons); Richard A. Epstein, *Littoral Rights Under the Takings Doctrine: The Clash Between the Ius Naturale and Stop the Beach Renourishment*, 6 DUKE J. OF CONST. L. & PUB. POL’Y 37, 40, 67–71 (2011) (arguing that judicial takings “should be limited to those circumstances in which the decided cases make a radical break from well-established common-law patterns that systematically work for the advantage of the state or some identifiable private faction”); Eduardo M. Peñalver & Lior Jacob Strahilevitz, *Judicial Takings or Due Process?*, 97 CORNELL L. REV. 305, 364–67 (2012) (discussing possible interpretations of the judicial takings doctrine); Ilya Shapiro & Trevor Burrus, *Judicial Takings and Scalia’s Shifting Sands*, 35 VT. L. REV. 423, 424 (2010) (arguing that “the judicial takings doctrine is necessary to a robust constitutional protection of property

### B. *Intangible Private Property and Constitutional Property*

The Takings Clause is most often applied to real property.<sup>59</sup> There is no bar to applying the Takings Clause to intangible (or personal) property, however.<sup>60</sup> One problem with attempted application, though, stems from the difficulty inherent in deciding which intangibles constitute protected property under the Fifth Amendment.

It may appear obvious that privately owned “intellectual property” is “property,” but, despite the semantic likeness of the terms, this is not always true. Accordingly, in order for an intellectual property right to be afforded protection under the Takings Clause, it must be (1) a private legal property interest that (2) is constitutionally protected.<sup>61</sup>

#### 1. *Intellectual Property as Legal Private Property*

The first step in deciding whether a form of intellectual property is property for purposes of the Takings Clause is addressing whether such a right is, in the legal sense, a private property interest. Property may be tangible or intangible,<sup>62</sup> but the simple fact that a thing is property in name (i.e. “intellectual property”) does not make it a *legal* private property interest.

In normative terms, property is often referred to as a “bundle of rights.”<sup>63</sup> The “right to exclude” is widely considered the most im-

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rights”); Ilya Somin, *Stop the Beach Renourishment and the Problem of Judicial Takings*, 6 DUKE J. CONST. L. & PUB. POL’Y. 91, 100–06 (2011) (discussing the difficulties that a judicial takings doctrine would present for federal courts).

<sup>59</sup> See Cotter, *supra* note 13, at 536 (“By far the vast majority of Supreme Court decisions concerning takings have arisen in response to governmental actions involving real, as opposed to personal or intangible, property.”).

<sup>60</sup> See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003–04 (1984) (holding that intangible property rights, such as trade secrets, may be protected under the Fifth Amendment and noting that other intangible property interests such as liens and contracts are intangible).

<sup>61</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1352–53 (Fed. Cir. 2006) (*per curiam*) (finding that although patents are private property interests, they are not constitutional property under the Fifth Amendment, and therefore they are not subject to the Takings Clause), *reh’g en banc denied*, 464 F.3d 1335, 1336 (Fed. Cir. 2006), *vacated in part*, 672 F.3d 1309, 1317, 1322, 1327 (Fed. Cir. 2012).

<sup>62</sup> *Monsanto*, 467 U.S. at 1003 (noting that property “extends beyond land and tangible goods and includes the products of an individual’s ‘labour and invention’” (citing 2 WILLIAM BLACKSTONE, COMMENTARIES \*405)).

<sup>63</sup> The bundle of rights theory is usually attributed to the work of the jurist and pioneering property scholar, Wesley Hohfeld, though Hohfeld never used the metaphor himself. See WESLEY NEWCOMB HOHFELD, *FUNDAMENTAL LEGAL CONCEPTIONS AS APPLIED IN JUDICIAL REASONING* 72–73 (David Campbell & Philip Thomas eds., 2001) (making an argument that can be generalized as the bundle of rights theory, that rights in rem are actually a collection of in personam rights against everyone under a duty to respect them, one of

portant right in the bundle.<sup>64</sup> Thomas Merrill, a prominent property scholar, has declared that the “sine qua non” of property is the right to exclude.<sup>65</sup> Another respected scholar has argued that “the right to property should be conceived of as the right to exclusive use.”<sup>66</sup> The courts also speak often of property in the context of an owner’s “right to exclude everyone else” from interfering with the thing in question.<sup>67</sup>

Additionally, courts have defined property interests as “assignable” and—in invoking John Locke’s labor theory<sup>68</sup>—“the products of an individual’s ‘labour and invention.’”<sup>69</sup> Further, courts have held that a property interest is “the right to possess, use, and dispose of” a thing.<sup>70</sup> In a practical sense, property means that someone possesses a right in a thing that will be recognized and upheld by the courts.<sup>71</sup>

Even if an intellectual property right is considered a legal property interest, it does not automatically qualify for protection under the

which can be discharged without the rest of the property rights being extinguished). The bundle of rights theory, while often criticized, remains a centerpiece of property theory. See Michael A. Heller, *The Boundaries of Private Property*, 108 YALE L.J. 1163, 1191–94 (1999) (tracing the history of the theory); Thomas W. Merrill, *The Landscape of Constitutional Property*, 86 VA. L. REV. 885, 899 (2000) (explaining that property is often conceived to be a “bundle of rights”); J.E. Penner, *The “Bundle of Rights” Picture of Property*, 43 UCLA L. REV. 711, 713 n.8 (1996) (tracing the history of the “bundle of sticks” metaphor as it relates to property theory).

<sup>64</sup> *Nollan v. California Coastal Comm’n*, 483 U.S. 825, 831 (1987) (“We have repeatedly held that, as to property reserved by its owner for private use, ‘the right to exclude [others is] one of the most essential sticks in the bundle of rights that are commonly characterized as property.’” (quoting *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 433 (1982)) (internal quotation marks omitted) (internal citation omitted)).

<sup>65</sup> Thomas W. Merrill, *Property and the Right to Exclude*, 77 NEB. L. REV. 730, 730 (1998).

<sup>66</sup> J.E. PENNER, *THE IDEA OF PROPERTY IN LAW* 103 (1997).

<sup>67</sup> See, e.g., *Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 539 (2005) (analyzing the right to exclude in the context of a regulatory taking); *United States v. Craft*, 535 U.S. 274, 280, 282–83 (2002) (analyzing the right to exclude in the context of a tax dispute); *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 672–73 (1999) (analyzing the right to exclude in the context of the Fourteenth Amendment).

<sup>68</sup> JOHN LOCKE, *THE SECOND TREATISE OF CIVIL GOVERNMENT* 14–26 (J. W. Gough ed., 1946).

<sup>69</sup> *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003 (1984) (quoting 2 WILLIAM BLACKSTONE, *COMMENTARIES* \*405).

<sup>70</sup> *Monsanto*, 467 U.S. at 986 (quoting *United States v. Gen. Motors Corp.*, 323 U.S. 373, 377–78 (1945)).

<sup>71</sup> See *In re Deister Concentrator Co.*, 289 F.2d 496, 501–02 n.5 (C.C.P.A. 1961) (“To say one has a ‘trademark’ implies ownership and ownership implies the right to exclude others. If the law will not protect one’s claim of right to exclude others from using an alleged trademark, then he does not own a ‘trademark,’ for that which all are free to use cannot be a trademark.”); 1 J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 2:14, 2-38 (4th ed. 2012) (“‘Ownership’ means that one possesses a right that will be recognized and upheld in the courts.”).

Takings Clause. This was exemplified when the Court of Appeals for the Federal Circuit held that patents are property, yet still fail to qualify as constitutional property under the Fifth Amendment.<sup>72</sup> Accordingly, for purposes of takings analysis, it is necessary to evaluate whether a legal private property interest meets the criteria necessary for constitutional protection.

## 2. Intellectual Property as Constitutional Property

After establishing that one has a private property interest in intellectual property, the second question to ask is whether such an interest is constitutional property for purposes of the Takings Clause. The definition of constitutional property differs between the Takings Clause and the Due Process Clause.<sup>73</sup> This Comment speaks of constitutional property only as it applies to the former.<sup>74</sup> Unfortunately, there are no clear tests for determining whether an intellectual property interest is considered constitutional property. This uncertainty results in confusion and unpredictability. Nevertheless, the courts have given some guidance on the matter.

Just as the right to exclude is vital to the normative evaluation of private property, it is also necessary as to whether a property right is considered constitutional property. In addressing the applicability of Takings Clause protections to intellectual property rights, the Supreme Court has held that the right to exclude others is a “hallmark” of constitutional property.<sup>75</sup> Property scholars tend to agree with this position too—most embrace the right to exclude conception of property as the theoretical gold standard.<sup>76</sup>

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<sup>72</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1370 (Fed. Cir. 2006) (per curiam) (holding that patents do not constitute property under the Takings Clause), *reh'g en banc denied*, 464 F.3d 1335, 1336 (Fed. Cir. 2006), *vacated in part*, 672 F.3d 1309, 1317, 1322, 1327 (Fed. Cir. 2012).

<sup>73</sup> Merrill, *supra* note 63, at 955–60 (contrasting the definitions of “property” under the Takings Clause and the Due Process Clause).

<sup>74</sup> For a discussion on constitutional property as related to the Due Process Clause, see Joel Hugenberg, Note, *Redefining Property Under the Due Process Clause: Town of Castle Rock v. Gonzales and the Demise of the Positive Law Approach*, 47 B.C. L. REV. 773 (2006).

<sup>75</sup> *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 666, 673 (1999) (“The hallmark of a protected property interest is the right to exclude others. That is ‘one of the most essential sticks in the bundle of rights that are commonly characterized as property.’” (quoting *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979))); *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 435 (1982) (explaining that the “power to exclude has traditionally been considered one of the most treasured strands in an owner’s bundle of property rights”).

<sup>76</sup> See, e.g., Shyamkrishna Balganesh, *Demystifying the Right to Exclude: Of Property, Inviolability, and Automatic Injunctions*, 31 HARV. J.L. & PUB. POL’Y 593, 593 (2008) (“The right to ex-

The origin of the property interest is also a significant factor in considering constitutional property. The Supreme Court has stated that “[p]roperty interests . . . are not created by the Constitution. Rather, they are created and their dimensions defined by existing rules or understandings that stem from an independent source such as state law.”<sup>77</sup> Moreover, the Federal Circuit, in *Zoltek*,<sup>78</sup> held that because patents are created by federal statutes—and would not exist but for the U.S. Constitution’s Intellectual Property Clause—they are not constitutional property.<sup>79</sup>

Additionally, the Federal Circuit explained that historically, courts had declined to protect patents under the Fifth Amendment. Therefore, precedent dictates that patent owners should not have settled expectations of constitutional property rights in their patents.<sup>80</sup>

Some principles can be extrapolated from the aforementioned illustrations. First, the right to exclude as a normative property justification is central not only to the determination of whether an intellectual property right is a property interest, but also as to whether that property interest is, constitutionally, property. Second, an intellectual property right must be created by state law (or some “independent

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clude has long been considered a central component of property.”); Merrill, *supra* note 63, at 970 (arguing that the right to exclude should be the most important factor in determining constitutional property); Joseph William Singer, *No Right to Exclude: Public Accommodations and Private Property*, 90 NW. U. L. REV. 1283, 1301 (1996) (“When asked to define private property, many judges, scholars, casebook authors, and law students focus on the right to exclude.”).

77 *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1001 (1984) (quoting *Webb’s Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 161 (1980)).

78 While the *Zoltek* opinion was later partially vacated and reversed due to reasons beyond the scope of this Comment, the reversal had nothing to do with the patent takings issue, which has firm historical backing and likely remains good law. *See Zoltek Corp. v. United States*, 672 F.3d 1309, 1329–30 (Fed. Cir. 2012) (en banc) (Dyk, J., dissenting) (commenting on the order vacating the lower court’s decision on takings jurisprudence: “This theory of liability is not even tangentially related to *Zoltek*’s claims against Lockheed, and has no relationship whatsoever to the transfer order”); *see also Demodulation, Inc. v. United States*, 103 Fed. Cl. 794, 809 (2012) (following *Zoltek*, before it was remanded); *Schillinger v. United States*, 155 U.S. 163, 172 (1894) (holding that a government contractor’s use of a patented process is not a taking, as the government is not “now in possession or enjoyment of anything embraced within the patent”).

79 *See Zoltek*, 442 F.3d at 1352 (explaining that patents are “creature[s] of federal law” and that Congress chose not to create them as constitutional property).

80 *See id.* at 1350 (citing *Schillinger*, 155 U.S. at 169) (holding that there is no constitutional property right in a patent). The judicial history of trademark law, however, dictates no such bar regarding the settled expectations of trademark owners. *See McKenna, supra* note 21, at 1860–63 (detailing the ways in which both American and English courts have used trademark law to protect the interests of producers); *see also* discussion *infra* Part II.B.3 (discussing how trademarks theoretically fall under the protection of the Fifth Amendment).

source” other than the Constitution) for it to be protected.<sup>81</sup> Third, prior precedent and “settled expectations” are considered in the evaluation of whether an intellectual property right is protected under the Takings Clause.<sup>82</sup>

In addition to court guidance, scholars have contributed to constitutional property analysis. Professor Merrill explains in his article, *The Landscape of Constitutional Property*, that the theoretical dimensions should consist of “an irrevocable right . . . to exclude others from specific [or discrete] assets.”<sup>83</sup> Separated into elements, Merrill’s definition suggests that constitutional property must: (1) be considered an irrevocable right, (2) consist of discrete assets, and (3) contain the right to exclude.<sup>84</sup> In Part II, this Comment draws from both the courts’ reasoning and Merrill’s scholarly analysis in determining that trademarks are constitutional property.

### C. Trademark Law

While sometimes referred to otherwise, trademarks are legal private property,<sup>85</sup> industrial property,<sup>86</sup> and intellectual property.<sup>87</sup> Intellectual property rights such as trademarks, copyrights, and patents are exceptions to the “public domain.”<sup>88</sup> An invention, idea, writing, or symbol that is in the public domain may be freely copied—it is not

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<sup>81</sup> This Comment does not speculate regarding “independent sources” beyond state law.

<sup>82</sup> See, e.g., *Zoltek*, 442 F.3d at 1350–53 (discussing prior precedent in concluding that patent infringement did not constitute a constitutional taking).

<sup>83</sup> Merrill, *supra* note 63, at 969. This set of criteria is purely theoretical and has not so far been utilized by the courts.

<sup>84</sup> See discussion *infra* Part II.B.3.

<sup>85</sup> See 1 MCCARTHY, *supra* note 70, § 2:20, at 2-41 (“There is no doubt that good will, together with its symbol—the trademark—are legally classified as ‘property.’”).

<sup>86</sup> WORLD INT’L PROP. ORG., UNDERSTANDING INDUSTRIAL PROPERTY 4–5, available at [http://www.wipo.int/freepublications/en/intproperty/895/wipo\\_pub\\_895.pdf](http://www.wipo.int/freepublications/en/intproperty/895/wipo_pub_895.pdf) (explaining that “[i]ntellectual property is usually divided into two branches, namely industrial property and copyright” and that “[i]ndustrial property . . . covers trademarks, service marks, layout-designs of integrated circuits, commercial names and designations, as well as geographical indications, and protection against unfair competition” (citing Paris Convention for the Protection of Industrial Property, art. 1(3), Mar. 20, 1883, available at [http://www.wipo.int/treaties/en/ip/paris/trtdocs\\_wo020.html#P71\\_4054](http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html#P71_4054))).

<sup>87</sup> See McKenna, *supra* note 21; 1 MCCARTHY *supra* note 71, § 1:3, at 1-7 (“The most important areas of the exclusive rights of intellectual property are the trilogy of patents, copyrights, and trademarks.” (footnotes omitted)); *id.* § 6:4, at 6-7 (noting that patents, trademarks, and copyrights “all share the attributes of personal property and are referred to en masse as ‘intellectual property’” (footnote omitted)).

<sup>88</sup> *Id.* § 1:2, at 1-4 (“Public domain is the general rule: Intellectual property is the exception.”).

intellectual property.<sup>89</sup> This is so because “copying is an essential element of free competition.”<sup>90</sup> While patent law involves functional and design inventions in order to encourage investment in new technology, and copyrights deal with the communication of ideas and information in tangible form, trademarks protect symbols—often in the form of brand names and images.<sup>91</sup>

The definition of a trademark is “any word, name, symbol, device or any combination thereof—“(1) used by a person, or (2) which a person has a bona fide intention to use in commerce . . . to identify and distinguish his or her goods [or services in the case of a service mark] . . . from those manufactured or sold by others and to indicate the source of the goods [or services].”<sup>92</sup> An owner acquires rights in a trademark through use of the mark.<sup>93</sup> Priority of use is determined between competing users of a mark by determining the “first user” of the trademark.<sup>94</sup>

While registration is not absolutely essential to the protection or use of a mark,<sup>95</sup> trademarks and service marks must be registered with the federal Patent and Trademark Office in order to gain the full spectrum of protections.<sup>96</sup> Trademark registrations, unlike limited duration patent and copyright registrations, can continue into perpe-

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89 See *id.* (“‘[P]ublic domain’ is the status of an invention, creative work, commercial symbol, or any other creation that is not protected by any form of intellectual property.”).

90 *Id.* § 1:2, at 1-6 (“[I]n many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying . . . . [C]opying is not always discouraged or disfavored by the laws which preserve our competitive economy . . . . [sic] Allowing competitors to copy will have salutary effects in many instances.” (quoting *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001) (citation omitted))).

91 See 1 MCCARTHY, *supra* note 71, § 6:3, at 6-5 to -6 (discussing the differences between patents, copyrights, and trademarks).

92 15 U.S.C. § 1127.

93 See 15 U.S.C. § 1051(a)(2)(C) (2006) (requiring an applicant for trademark to certify that “the mark is in use in commerce”).

94 See 1 MCCARTHY, *supra* note 71, § 2:9, at 2-21 (“There is a strong desire to protect the rights of the first user of the mark.” (quoting *Jewel Cos. v. Westhall Co.*, 413 F. Supp. 994, 1000 (N.D. Ohio 1976))).

95 Unregistered, common-law trademarks may be protected by way of unfair competition provisions. See 15 U.S.C. § 1125(a). Claims of infringement and dilution, however, may not be invoked absent registration. See *id.* § 1115; see also *San Juan Products, Inc. v. San Juan Pools, Inc.* 849 F.2d 468, 474 (10th Cir. 1988) (“Unlike the registration of a patent, a trademark registration of itself does not create the underlying right to exclude. Nor is a trademark created by registration. While federal registration triggers certain substantive and procedural rights, the absence of federal registration does not unleash the mark to public use. The Lanham Act protects unregistered marks as does the common law.”).

96 See *id.* (making registration *prima facie* evidence of a mark’s validity, and conclusive evidence where the right to use has become incontestable under § 1065).

tuity provided that they are renewed every decade.<sup>97</sup> A valid trademark registration and a showing of either the trademark's inherent distinctiveness or acquired secondary meaning allows the mark owner to pursue various causes of actions in order to protect a mark.<sup>98</sup>

The Lanham Act codifies, but also expands on, state common law. It contains trademark provisions related to infringement and dilution.<sup>99</sup> Additionally, the Lanham Act contains federal unfair competition provisions related to false advertising and false designation of origin.<sup>100</sup>

Infringement and dilution are property-related Lanham Act provisions that require a valid trademark, whereas false advertising and false designation of origin are tort causes of action in which a federal trademark registration is not required.<sup>101</sup> In an infringement cause of action, the owner of a trademark may exclude others from using a mark that is either the same or confusingly similar to an identical or related good or service.<sup>102</sup> The Lanham Act also provides a remedy for dilution—the loss of a trademark's distinctive quality as a result of a competitor's "blurring" or "tarnishment" of the mark.

American trademark law has two policy goals: (1) the protection of trademark owners' property, and (2) the defense of consumers from deception and confusion.<sup>103</sup> While the latter is commonly be-

<sup>97</sup> *Id.* § 1059(a).

<sup>98</sup> *See* *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 7–14 (2d Cir. 1976) (detailing trademark distinctiveness and secondary meaning).

<sup>99</sup> 15 U.S.C. § 1125(a), (c).

<sup>100</sup> *Id.* § 1125(a)(1)(B).

<sup>101</sup> *See id.* § 1114 (providing a civil remedy for infringement of a registered mark); *id.* § 1125(a) (requiring only that a plaintiff "is likely to be damaged" by false advertising or designations of origin).

<sup>102</sup> *See id.* § 1114(1) (granting a civil remedy for use of a "copy, or colorable imitation of any registered mark"); *id.* § 1125(a) (granting a remedy for any representation "likely to cause confusion"; *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992) (noting that proof of the likelihood of confusion is required for liability in trademark infringement causes of action).

<sup>103</sup> H.R. REP. NO. 76-944, at 2 (1939) (describing the purpose of H.R. 6618); Rothman, *supra* note 21, at 126 ("One [goal] is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. [The other goal is to protect a trademark owner's investment] of energy, time and money in presenting to the public the product . . . from [the mark's] misappropriation by pirates and cheats." (citing S. REP. NO. 79-1333, at 3 (1946); H.R. REP. NO. 79-2283, at 19 (1946); H.R. REP. NO. 79-219, at 2 (1945); H.R. REP. NO. 78-603, at 2 (1943))); *see also* 1 MCCARTHY, *supra* note 71, § 5:2, at 5-10 ("In the author's opinion, to select as paramount either protection of the trademark property or protection of consumers would be to oversimplify the *dual* goals of trademark law, both historical and modern: the protection of both consumers from deception and confusion AND the protection of the trademark as property.").

lieved to be the primary goal of trademark law, it is actually the former that has been dominant—both historically and especially in more recent times.<sup>104</sup>

### III. THE CASE FOR TRADEMARKS AS CONSTITUTIONALLY PROTECTED PRIVATE PROPERTY

This Part first claims that trademarks are legal private property. Specifically, mark owners hold a property interest in the goodwill underlying their trademarks. This part then argues that trademarks possess the qualities of constitutional property and are therefore subject to the Takings Clause.

#### A. *Trademarks are Private Property*

This Subpart claims that mark owners hold property rights in their trademarks.<sup>105</sup> First, it presents counterarguments to this claim. In order to show that trademarks are in fact property, this Subpart, second, distinguishes trademark law from the broader law of unfair competition. Third, it traces the history of trademark law; courts have long been concerned with the protection of brand-name goodwill and treated trademarks as mark owners' property rights. Fourth, this Subpart discusses the modern expansion of trademark law, highlighting the fact that each doctrinal expansion has focused not on adding protections for consumers, but instead on granting additional rights to mark holders. Fifth, it explores the theoretical structure of trademarks and its relationship to the normative foundations of property. Sixth, it is noted that the trademark assignment structure and its perpetual life cycle each support the view that trademarks are property interests. Finally, this Subpart concludes by describing trademarks as symbolic of businesses' goodwill and reputation.

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<sup>104</sup> See McKenna, *supra* note 21, at 1840–41 (claiming that the first goal of trademark law has always been focused on producers, not consumers, and tracing the history of trademark law); discussion *supra* Part I.

<sup>105</sup> See, e.g., 1 MCCARTHY, *supra* note 71, § 2:20, at 2-41 (“There is no doubt that good will, together with its symbol—the trademark—are legally classified as ‘property.’”).

1. *Counterarguments: Trademarks as Primarily Public Goods and Efficiency-Promoting Devices*

Many share the belief that trademarks are primarily public, not private, goods.<sup>106</sup> Roughly, the argument is that trademark rights contain—in addition to rivalrous uses by owners—several non-rivalrous uses by consumers.<sup>107</sup> Hence, a consumer may use a trademark and its related products in several ways without actually owning the mark. The basic premise of the argument is that the primary functions of trademarks are as consumer-driven, communicative devices. Certainly, one function of trademarks is to benefit consumers. Trademarks reduce customer search costs and create reputational incentives for businesses to keep quality high. However, the remainder of this Part explains that the private property-based functions of trademarks are now more dominant.

Another related counterargument made by those involved in the law and economics movement<sup>108</sup> is that the fundamental principles of trademark law—misappropriation of the trademark owner's goodwill and deception of the consumer—are based in tort. Therefore, some argue that "trademark law, like tort law in general . . . can best be explained on the hypothesis that the law is trying to promote economic efficiency."<sup>109</sup> Very roughly, the efficiency argument is that

[b]y protecting established trademarks against confusing uses, trademark law aids consumers in their search for satisfactory goods and suppliers in their search for customers. Too little protection obscures the signals that trademark users send to consumers and prevents consumers from find-

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<sup>106</sup> See, e.g., David W. Barnes, *A New Economics of Trademarks*, 5 NW. J. TECH. & INTELL. PROP. 22, 24 (2006) (arguing that, with or without legal protections, trademarks are non-rivalrous public goods); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 463 (1999) (arguing that without legal protections, trademarks are public goods).

<sup>107</sup> See, e.g., Barnes, *supra* note 106, at 64–65 ("The rivalrous proprietary uses are suppliers' conflicting source-indicating uses that are likely to divert trade, cause confusion, and dilute the link between the trademark and the mark owner's products or services. The non-rivalrous referential and customary uses are by consumers, competitors, non-competitors, and commentators who exploit the communicative value of the device without using it as their own mark.").

<sup>108</sup> See, e.g., RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 6 (1972) ("As we shall see, many areas of the law, especially the great common law fields of property, torts, and contracts, bear the stamp of economic reasoning. Few legal opinions, to be sure, contain explicit references to economic concepts and few judges have a substantial background in economics. But the true grounds of decision are often concealed rather than illuminated by the characteristic rhetoric of opinions."). To be clear, this author does not seek in any way to discredit the movement, but rather argues only that market efficiency is not today the principle agenda of the trademark regime.

<sup>109</sup> William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 265–66 (1987).

ing products that meet their needs. Too much protection stifles competition. It creates barriers to entry by denying competitors access to trademarked words and product features necessary to compete in the market.<sup>110</sup>

While some courts and scholars are supportive of the efficiency rationale, this author respectfully disagrees that economic efficiency is today the major aim or result of trademarks—the reasons for which are discussed in the remainder of this Part. Indeed, one scholar who advocates for a more limited function of trademark law has explained that “[u]nfortunately, the changes in trademark doctrine over the last fifty years are not supported by the new economic learning.”<sup>111</sup>

## 2. *Trademarks are Distinct From Unfair Competition*

Trademark law’s close association with the tort of unfair competition is one reason why some view trademarks as related to torts and not property. Yet trademark law derives from, but is not the same as, the tort of unfair competition. There are no precise definitions of unfair competition, and the concept is vast. Infringement and dilution of a trademark are forms of unfair competition.<sup>112</sup> Other examples include such unrelated things as the misappropriation of business values, “bait and switch” selling tactics, below-cost selling, and filing of baseless lawsuits.<sup>113</sup> The point is that while trademarks are a form of the larger unfair competition regime, other entirely disparate concepts are considered forms of unfair competition as well. Conversely, trademarks are not merely a subset of unfair competition (just as, say, the filing of a baseless lawsuit holds legal relevance beyond only unfair competition); the two are overlapping but—as the Supreme Court has explained—distinct concepts.<sup>114</sup>

For example, an unfair competition provision contained in the Lanham Act is the false designation cause of action, which is conceptually separate from the property-based provisions of the Lanham Act.<sup>115</sup> This is perhaps because the drafters of the Act wanted to create, apart from a law of trademarks, a general federal law of unfair

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110 Barnes, *supra* note 106, at 49 (footnote omitted); *see also* Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 788 (2004) (arguing that trademarks are “limited entitlements to protect against uses that diminish the informational value of marks”).

111 Lemley, *supra* note 26, at 1688.

112 *See* 1 MCCARTHY, *supra* note 71, § 1:10, at 1-25 to -29 (listing examples of unfair competition).

113 *See id.*

114 *See infra* Part II.A.5.

115 *See supra* note 95.

competition.<sup>116</sup> Consequently, a valid trademark registration is not required to invoke the Lanham Act's false designation of origin provision.

Indeed, a federal false designation of origin claim can proceed under the Act when two requirements are met: (1) a "designation of origin" is used in interstate commerce in connection with goods or services, and (2) when such use is likely to "cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of [the defendant] with another person, or as to the origin, sponsorship, or approval of [the defendant's] goods, services, or commercial activities by another person."<sup>117</sup> There is *nothing relating to trademarks* mentioned in the statutory language—this is a non-trademark provision.<sup>118</sup> Therefore, it is important to remember that the Lanham Act has property-focused trademark provisions (which are discussed later) and, *separately*, tort-like unfair competition provisions.

The state law of misappropriation is also distinct from the law of trademarks, despite a common association between the two. It is said that misappropriation is, in fact, "really a penumbra or fringe of common law protection surrounding the outer boundaries of traditional federal patent or copyright protection."<sup>119</sup> The misappropriation doctrine originated with the landmark case *International News Service v. Associated Press*.<sup>120</sup> Its elements consist of (1) plaintiff making a substantial investment of time, money, and effort into appropriating a "thing" that resembles a property right; (2) defendant having appropriated the "thing" with little to no cost or effort of her own; and, (3) defendant having injured plaintiff by way of the misappropriation.<sup>121</sup>

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116 This is so because the drafters felt that the 1938 Supreme Court decision in *Erie R.R. Co. v. Tompkins* eliminated the existing unfair competition federal common law. See 304 U.S. 64, 78 (1938) (holding that the federal courts do not have the power to create federal common law).

117 See 15 U.S.C. § 1125(a)(1)(A) (2006).

118 This does not mean, though, that one who has a valid trademark cannot pursue a false designation of origin claim. It means only that ownership of a trademark is not necessary to pursue such a claim.

119 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 10:52, at 10-141 (4th ed. 2012).

120 248 U.S. 215 (1918). For an analysis of the legacy of this case, see Shyamkrishna Balganes, "Hot News": *The Enduring Myth of Property in News*, 111 COLUM. L. REV. 419 (2011). For a more recent example of the misappropriation doctrine, see *NBA v. Motorola, Inc.*, 105 F.3d 841, 847-54 (2d Cir. 1997).

121 See 2 MCCARTHY, *supra* note 119, § 10:51, at 10-138 to -39 (listing the basic elements of the misappropriation doctrine).

No trademark is required for a misappropriation cause of action to proceed. In fact, if a claimant possesses a trademark then an unfair competition claim is unnecessary since trademarks can be protected by filing an infringement or dilution cause of action. Further, misappropriation may not be used in an infringement case as an avenue to sidestep traditional trademark standards.<sup>122</sup> As McCarthy states in regard to the distinction between trademarks and misappropriation, “[t]rademark law was specifically constructed to balance the private and public interests inherent in commercial symbols: the unfair competition tort of ‘misappropriation’ was not.”<sup>123</sup> Accordingly, there is no such thing as “misappropriation” of a trademark.<sup>124</sup>

In sum, trademark law is distinct from the greater law of unfair competition, and the purpose of each differs greatly. This is true even though the two areas do overlap at times.

### 3. *Trademark Law’s Judicial History*

While trademark law’s expansion in the past half-century has solidified trademarks as property rights, Mark McKenna and other scholars have noted that even early American trademark law cases focused on the protection of owners’ trademarks as property.<sup>125</sup> Early American courts—as English common law courts had done—saw trademark jurisprudence as targeting illegitimate trade diversion. These courts focused on remedying the harm to producers (mark owners) more than harm to consumers.<sup>126</sup>

Early examples of producer-focused opinions include the nineteenth-century cases *Coats v. Holbrook*, *Partridge v. Menck*, and *Canal*

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122 *Id.* § 10:51, at 10-140 (“[M]isappropriation cannot be used in an ordinary trademark infringement case as a shortcut around traditional trademark law standards of protection and infringement.”).

123 *Id.* § 10:72, at 10-190.

124 See Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 171 (1982) (arguing against the existence of trademark misappropriation).

125 See McKenna, *supra* 21, at 1858 (explaining that American courts had the same focus on trademarks as English common law courts, “on the harm to a producer from improper diversion of its trade”); Adam Mossoff, *What is Property?: Putting the Pieces Back Together*, 45 ARIZ L. REV. 371, 419–21 (2003) (noting that nineteenth-century American courts defined and protected trademarks as property entitlements). *But see* Dogan & Lemley, *supra* note 110, at 788–89 (“Trademark law . . . historically limited itself to preventing uses of marks that ‘defraud[ed] the public’ by confusing people into believing that an infringer’s goods were produced or sponsored by the trademark holder.” (footnote omitted) (alteration in original)).

126 For a more detailed analysis of how the history of trademark law and its property-based origins have evolved, see McKenna, *supra* note 21.

*Co. v. Clark*. In *Coats*, it was held that a person may not imitate another's product, "thereby attract[ing] to himself the patronage that without such deceptive use of such names . . . would have inured to the benefit of that other person."<sup>127</sup> In *Partridge*, the court noted that when a person "appropriated to himself a particular label, or sign, or trade-mark," he or she was "entitled to protection against any other person who attempt[ed] to pirate upon the[ir] good will."<sup>128</sup> In the *Clark* Supreme Court opinion, Justice Strong stated that "where rights to the exclusive use of a trade-mark are invaded, it is invariably held that the essence of the wrong consists in the sale of the goods of one manufacturer or vendor as those of another."<sup>129</sup>

Courts mentioned consumer protection as a rationale for trademark protection too, though it was secondary.<sup>130</sup> For example, in *Amoskeag Manufacturing Co. v. Spear*, the superior court noted that those guilty of unfair competition "commit[] a fraud upon the public and upon the true owner of the trade-mark."<sup>131</sup> But, the Court also noted—invoking a property-centered justification—that the mark owner "is robbed of the fruits of the reputation that he had successfully labored to earn."<sup>132</sup> Further, the Seventh Circuit held that "[t]he deception of the public naturally tends to injure the proprietor of a business by diverting his customers and depriving him of sales which otherwise he might have made. This, rather than the protection of the public against imposition is the sound and true basis for the private remedy."<sup>133</sup>

In sync with the producer-focused goals of early American trademark law cases, courts were specific in defining trademarks as property rights. As early as 1868, a court recognized that "[i]f a man establishes a business and makes it valuable by his skill and attention, the good will of that business is recognized by the law as property."<sup>134</sup> A decade later in the *Trade-Mark Cases*, the Supreme Court held that

<sup>127</sup> *Coats v. Holbrook*, 7 N.Y. Ch. Ann. 713, 717 (1845).

<sup>128</sup> *Partridge v. Menck*, 5 N.Y. Ch. Ann. 572, 574 (1847).

<sup>129</sup> *Canal Co. v. Clark*, 80 U.S. (13 Wall.) 311, 322 (1871).

<sup>130</sup> McKenna, *supra* note 21, at 1863–66; *see also* Mossoff, *supra* note 125, at 420 n.199 (explaining that "these consumer-oriented concerns . . . are not the principal goal the judges sought to protect in recognizing a businessman's trademark." Rather, the judges sought to protect primarily producers).

<sup>131</sup> *Amoskeag Mfg. Co. v. Spear*, 2 Sandf. 599, 605–06 (N.Y. Super. Ct. 1849) (emphasis added).

<sup>132</sup> *Id.* at 606.

<sup>133</sup> *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510, 513 (7th Cir. 1912) (denying relief to the plaintiff against defendant's use of the name Borden in regard to ice cream branding).

<sup>134</sup> *Peabody v. Norfolk*, 98 Mass. 452, 457 (1868).

“[t]he right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, to the exclusion of use by all other persons, has been long recognized by the common law . . . . It is a property right.”<sup>135</sup> In defining the right, the Court noted that “[a]t common law the exclusive right to [the trademark] grows out of its *use*, and not its mere adoption.”<sup>136</sup> This requirement of use as a prerequisite to the entitlement is an aspect of trademark property which differentiates it from other intangible property rights.<sup>137</sup>

The Supreme Court declared again in the 1916 case, *Hanover Star Milling Co. v. Metcalf*, that as “a protection [of] good will” and “in connection with an existing business,” “[c]ommon-law trademarks, and the right to their exclusive use, are, of course, to be classed among property rights.”<sup>138</sup> The Court affirmed the lower court’s opinion, which stated that “[i]t is not the trade-mark, but the trade, the business reputation and good will, that is injured; and the property or right in the trade is protected from injury by preventing a fraud-doer from stealing the complainant’s trade by means of using the complainant’s ‘commercial signature.’”<sup>139</sup>

The fact that courts considered trademark owners to have property interests in the goodwill underlying their trademarks is perhaps most clearly illuminated in *Washburn v. National Wall-Paper Co.* Here, the court stated

There is nothing marvelous or mysterious about it. When an individual or a firm or a corporation has gone on for an unbroken series of years conducting a particular business, and has been so scrupulous in fulfilling every obligation, so careful in maintaining the standard of goods dealt in, so absolutely honest and fair in all business dealings that customers of the concern have become convinced that their experience in the future will be as satisfactory as it has been in the past, while such customers’ good report of their own experience tends continually to bring new customers to the same concern, there has been produced an element of value quite as important—in some cases, perhaps far more important—than the plant or machinery with which the business is carried on. That it is property is abundantly settled by authority and, indeed, is not disputed.<sup>140</sup>

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135 Trade-Mark Cases, 100 U.S. 82, 92 (1879).

136 *Id.* at 94.

137 See *infra* notes 171–76 and accompanying discussion.

138 *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 414 (1916), *superseded by statute*, Trademark (Lanham) Act of 1946, 15 U.S.C. § 1072 (1946), *as recognized in* *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 200 (1985).

139 *Hanover Star Milling Co. v. Allen & Wheeler Co.*, 208 F. 513, 516 (7th Cir. 1913) (quoting *The Collins Co. v. Brown*, 3 K. & J. 423).

140 *Washburn v. Nat’l Wall-Paper Co.*, 81 F. 17, 20 (2d Cir. 1897).

Modern decisions, though still acknowledging trademark property rights, analyze the right differently. This is puzzling because trademark rights have broadened, and not lessened, in scope. In upholding the sanctity of the trademark property right less graciously than older decisions had, the Second Circuit explained that “[t]here is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.”<sup>141</sup> Other recent decisions have been even harsher. In *International Order of Job’s Daughters v. Lindeburg & Co.*, the Ninth Circuit noted that “[a] trademark owner has a property right only insofar as it is necessary to prevent customer confusion as to who produced the goods and to facilitate differentiation of the trademark owner’s goods.”<sup>142</sup> The Fifth Circuit agreed, explaining in *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.* that property in a trademark is defined by likelihood of consumer confusion only.<sup>143</sup> As this Comment explains in the next Subpart, though, trademark property rights are certainly more expansive than some modern decisions indicate.

#### 4. Trademark Law’s Expansion Under the Lanham Act

The Lanham Act codified—and expanded upon—state common law doctrines.<sup>144</sup> According to congressional reports leading up to the passage of the Lanham Act, its goals are not only “to protect the public from deceit, [and] to foster fair competition,” but also to “secure to the business community the advantages of reputation and goodwill by preventing their diversion from those who have created them to those who have not.”<sup>145</sup> Three developments—the doctrines of initial interest confusion (as related to trademark infringement analysis, di-

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<sup>141</sup> *PaperCutter Inc. v. Fay’s Drug Co.*, 900 F.2d 558, 561 (2d Cir. 1990) (quoting *Pirone v. MacMillan, Inc.*, 894 F.2d 579, 581 (2d Cir. 1990)). This description, while more skeptical of the trademark as a property right than nineteenth-century courts’ descriptions, simply reiterates that trademarks are property in the underlying goodwill of a business or brand, as opposed to possessing inherent value in themselves.

<sup>142</sup> 633 F.2d 912, 919 (9th Cir. 1980).

<sup>143</sup> 549 F.2d 368, 388–89 (5th Cir. 1977) (“Our cases demonstrate unbroken insistence upon likelihood of confusion, and by doing so they reject any notion that a trademark is an owner’s ‘property’ to be protected irrespective of its role in the operation of our markets.”).

<sup>144</sup> *See, e.g.*, 15 U.S.C. § 1114(1)(a) (2006) (prohibiting in commerce the use of “any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection” when “such use is likely to cause confusion, or to cause mistake, or to deceive”).

<sup>145</sup> S. REP. NO. 79-1333, at 4 (1946).

lution, and incontestability)—are consistent with an expansive notion of trademark property rights. Unlike the false-designation-of-origin cause of action mentioned earlier, infringement and dilution provisions do require a registered trademark in order to launch a cause of action.<sup>146</sup> Incontestability, the third area now considered, is a defense to trademark infringement.<sup>147</sup>

The test for trademark infringement is whether a likelihood of consumer confusion exists regarding the relationship of the defendant's mark to the plaintiff's mark.<sup>148</sup> Several types of confusion are considered with regard to infringement and most, but not all, are consumer-centered. The most widely recognized type of confusion is point-of-sale confusion.<sup>149</sup> However, courts also consider post-sale confusion,<sup>150</sup> reverse confusion,<sup>151</sup> and now, initial interest confusion. The last is a controversial doctrine that allows an infringement claim to advance even in cases where consumers are initially confused, but where such confusion is only momentary and is alleviated by the time of purchase.<sup>152</sup>

The doctrine of initial interest confusion is exemplary of the fact that trademark infringement law now serves to protect the owners' property interests in their marks, in addition to defending against consumer confusion. Citing initial interest confusion, courts have permitted infringement claims to proceed on the basis of a consumer being merely distracted, attracted to, or interested in a competitor's product.<sup>153</sup> In this way, the doctrine allows infringement even in the

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146 See 15 U.S.C. § 1114.

147 See *id.* § 1115(b).

148 See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992).

149 Point of sale confusion occurs at the time of consumer purchase. See 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:5, at 23-41 (4th ed. 2012).

150 Post-sale confusion occurs “among those who see an infringing mark in use by an owner who were not confused at the time they bought the product.” *Id.*, § 23:5, at 23-41 to -42.

151 Reverse confusion “occurs when the junior user’s advertising swamps the market and customers are likely to be confused into thinking that the senior user’s goods or services are those of the junior user.” *Id.*, § 23:5, at 23-42.

152 See *id.*; see also Rothman, *supra* note 21, at 108 (explaining that courts often use the initial interest confusion “to hold that defendants have committed trademark infringement even when no one is ever likely to be confused by the use of the trademark”).

153 See, e.g., *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1066 (9th Cir. 1999) (involving initial interest confusion with internet search engine results); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 259 (2d Cir. 1987) (holding oil trading company liable for infringing on Mobil Oil's flying horse symbol because “Pegasus Petroleum would gain crucial credibility during the initial phases of a deal. For example, an oil trader might listen to a cold phone call from Pegasus Petroleum . . . when otherwise he might not, because of the possibility that Pegasus Petroleum is related to Mobil.”); *Grotian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d

absence of true confusion. Using confusion only as a pretext, initial interest confusion protects trademark owners' goodwill by ensuring that attention is not diverted away from trademarked products. Further, this is true whether or not the distraction would have negatively affected the consumer.<sup>154</sup> Essentially, initial interest confusion expands infringement doctrine beyond the confines of consumer protection and supports the conclusion that now even infringement—the most fundamental of all trademark principles—serves to protect mark owners' property interests beyond likelihood-of-confusion analysis.

Dilution is another doctrine that enlarges the dimensions of trademark property rights.<sup>155</sup> Dilution may occur either by "blurring" or by "tarnishment" of a "famous" mark. Blurring is said to occur when a second mark's use "obscures or mars" the association of a first mark with a particular source.<sup>156</sup> Tarnishment occurs when a first user's mark is associated with a second user in a way that harms the *reputation* of the first user's mark.<sup>157</sup>

As a full-fledged doctrine, dilution is a relatively new addition to both state and federal trademark law.<sup>158</sup> The federal dilution statute was added to the Lanham Act in 1995, and about half the states now have dilution statutes. Instead of protecting against confusion, dilution protects the "distinctive quality" of the trademark.<sup>159</sup> In doing so, the doctrine suggests that trademarks have value apart from source

1331, 1339 (2d Cir. 1975) (holding that even in the absence of confusion, a customer might initially believe there was some relationship between plaintiff's piano and defendant's piano).

<sup>154</sup> See MCCARTHY, *supra* note 149.

<sup>155</sup> The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, "regardless of the presence or absence of actual or likely confusion, of competition" between the owner of the famous mark and other parties, or "of actual economic injury." See 15 U.S.C. § 1125(c)(1) (2006).

<sup>156</sup> See DAVID S. WELKOWITZ, TRADEMARK DILUTION: FEDERAL, STATE, AND INTERNATIONAL LAW 80 (2002) (discussing dilution by blurring).

<sup>157</sup> This association usually occurs either through the association of the mark with unwholesome activities, or by linking the mark with shoddy quality. *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44 (2d Cir. 1994) (describing dilution by tarnishment in the context of a parody involving the John Deere company "deer" logo); WELKOWITZ *supra* note 154, at 95 ("Even in the absence of confusion, the association of the mark with unwholesome activity can linger in the public's consciousness, leaving the viewer with residual, if undefined, bad feelings about the mark.").

<sup>158</sup> Dilution was "relatively unused until 1980." WELKOWITZ, *supra* note 156, at 4. However, cases using the language of dilution (in other words, an emphasis on the protection of the goodwill of the mark) can be found dating back to as early as the beginning of the twentieth century. See McKenna, *supra* note 21, at 1840.

<sup>159</sup> See WELKOWITZ, *supra* note 156, at 5 (explaining the distinction between trademark dilution and trademark infringement).

identification.<sup>160</sup> The concern underlying dilution is preventing brands from being “whittled away” by the existence of other uses of a mark.<sup>161</sup>

Indeed, consumer confusion is not a requirement, nor is consumer protection an underlying policy goal of the dilution doctrine. Instead, the doctrinal structure and normative considerations of dilution focus on the security of brand owners, or perhaps in the alternative, the prevention of free-riding off of an established brand.<sup>162</sup> Therefore, dilution suggests that trademarks are mark-holders’ property beyond the context of likelihood-of-confusion analysis.

Another significant recent expansion of trademark law is that after five years of registration, a trademark can become “incontestable.” This allows the incontestable mark holder additional rights in her mark.<sup>163</sup> An incontestable mark may no longer be legally challenged as to its validity, registration, or ownership.<sup>164</sup> This doctrine can be interpreted—in addition to initial interest confusion and dilution—as further solidifying the owner’s right to exclude others because it bolsters the property exclusion right by allowing the mark holder added protections against interference by others.

Other examples of the expansion of trademarks under the Lanham Act include the enhancements of trade dress protection<sup>165</sup> and

<sup>160</sup> *Id.*

<sup>161</sup> *See id.* Under state dilution law, a mark must be shown to be distinctive in order for the mark’s owner to invoke the doctrine. Under the Lanham Act, the mark must be not only distinctive, but also famous as measured by the general consuming population. *See id.* at 40–41 (discussing the distinction between merely famous versus distinctive and famous).

<sup>162</sup> The normative basis of dilution is unclear, though it is thought of as markholder, not consumer-centered. *See* David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117, 117 (2004) (arguing that “while American dilution purports to be about preventing dilutive harm, it really is about preventing free-riding on famous marks”); Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1034 (2006) (arguing that dilution is focused on protection of producers, not consumers); Brian A. Jacobs, Note, *Trademark Dilution on the Constitutional Edge*, 104 COLUM. L. REV. 161, 162 (2004) (explaining that dilution “effectively grant[s] property-like right to famous trademark holders”); *cf.* Stacy L. Dogan, *What Is Dilution, Anyway?*, 105 MICH. L. REV. (FIRST IMPRESSIONS) 103 (2006), available at <http://www.michiganlawreview.org/articles/what-is-dilution-anyway> (arguing that dilution should be about the reduction of “consumer search costs” but acknowledging that “the dilution theory has evolved into a more complicated beast”).

<sup>163</sup> *See* 15 U.S.C. § 1065 (2006).

<sup>164</sup> *See id.* § 1115(h).

<sup>165</sup> Roughly, trade dress is the nonfunctional “look and feel” of a product or design. Under the Lanham Act, trade dress is protectable without formal registration. Trade dress registered on the principal register, however, gives a trade dress owner additional protections in the forms of constructive use, constructive notice, and incontestability. *See id.*

Internet domain name “cybersquatting” as a form of trademark infringement.<sup>166</sup> In sum, all of these doctrines are representative of an expansive and property-focused trademark regime. In fact, one scholar has noted that “[v]irtually every significant doctrinal [trademark law] development in the last century has given mark owners greater control over the use and meaning of their marks.”<sup>167</sup>

### 5. *Theoretical Considerations*

As previously mentioned in Part I, the right to exclude is the “hallmark” of any private property interest and the most important “stick” in the “bundle of rights.” Trademarks are, by their nature, exclusionary.<sup>168</sup> In *The Trade-Mark Cases*, the Court described a trademark as a right “to the exclusion of use by all other persons.”<sup>169</sup> Moreover, one federal appellate court recently explained that “[i]f the law will not protect one’s claim of right to exclude others from using an alleged trademark, then he does not own a ‘trademark,’ for that which all are free to use cannot be a trademark.”<sup>170</sup>

In regard to the structure of the trademark property right more specifically, Professor Adam Mossoff argues that nineteenth-century judges were quick to label the trademark as a property right because, for these judges, “recognizing a property right in something first created and used by someone was simply a matter of legally protecting that person’s entitlements.”<sup>171</sup> The judges allude to the fact that trademarks meet the right-to-exclude criteria following a sufficient

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§ 1125(a)(3) (“[F]or trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.”); *see also* *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 776 (1992) (expanding trade dress protection by holding that trade dress that is inherently distinctive is protectable under the Lanham Act without showing that it has acquired secondary meaning).

166 Cybersquatting grants to mark holders a cause of action against those who, with bad faith intent to profit, registers, traffics in, or uses an infringing domain name. *See* 15 U.S.C. § 1125(d); *see also* *uBID, Inc. v. The GoDaddy Group, Inc.*, 623 F.3d 421, 434 (7th Cir. 2010) (“The problem with cybersquatting websites is well-documented. These websites and domain names do not exist for a legitimate purpose. Instead, the owners wait for a company . . . to buy the infringing domain name, and in the meantime . . . their licensee helps siphon customers away . . . by drawing the typo-prone to . . . competitors.” (citation omitted)).

167 McKenna, *supra* note 21, at 1915.

168 *In re Deister Concentrator Co.*, 289 F.2d 496, 501–02 n.5 (C.C.P.A. 1961) (“To say one has a ‘trademark’ implies ownership and ownership implies the right to exclude others.”).

169 *See* *Trade-Mark Cases*, 100 U.S. 82, 92 (1879).

170 *Deister Concentrator*, 289 F.2d at 502 n.5.

171 *See* Mossoff, *supra* note 125, at 421.

duration and magnitude of use (in commerce). Mossoff, quoting the superior court in *Spear*, explains that the property

right does not become established until the trade mark be so often used, and so long employed, exclusively and uninterruptedly, as to create the presumption that everybody would know and acknowledge, that it was the distinctive badge of the plaintiff's ownership.<sup>172</sup>

Here, the *Spear* court recognized that trademark use eventually leads to the exclusion right once a trademark is registered.<sup>173</sup> Essentially, once the trademark use requirements are met, the right to exclude others comes into existence and a property right in the trademark is established.

The U.S. Supreme Court has noted that trademarks are exclusionary in more recent opinions, too. In *Florida Prepaid*, Justice Scalia explains that the Lanham Act's *false advertising* provisions share no relationship to the right to exclude.<sup>174</sup> Justice Scalia, however, distinguishes the Lanham Act's false advertising provisions from its trademark provisions. He explains that "[t]he Lanham Act may well contain provisions that protect constitutionally cognizable property interests—notably, its provisions dealing with infringement of trademarks, which are the 'property' of the owner because he can exclude others from using them."<sup>175</sup>

In this way, Justice Scalia acknowledges that trademarks are exclusionary rights and—as discussed previously in Part II.A.2—differentiates trademarks from the broader law of unfair competition, which the Court years earlier argued "has its roots in the common-law tort of deceit: its general concern is with protecting *consumers*."<sup>176</sup> Here, the Supreme Court acknowledges that the normative aims of trademark law are separate from unfair competition's consumer-protection rationale. Indeed, trademarks satisfy the right to exclude because by registering a trademark, a brand owner is able to legally prevent any competitor from using the same or a similar mark for related goods or services. The same cannot necessarily be said about the non-trademark, unfair competition provisions of the Lanham Act,

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<sup>172</sup> *Id.* (quoting *Amoskeag Mfg. Co. v. Spear*, 2 Sandf. 599 (N.Y. Super. Ct. 1849)).

<sup>173</sup> See Mossoff, *supra* note 125, at 420 ("The concept of property underlying this assessment is clear: the first person to *use* a mark in commerce gains entitlement to it as property, and thus may exclude others from using it thereafter. First, use, and second, exclusion based on this use.").

<sup>174</sup> *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999) ("The hallmark of a constitutionally protected property interest is the right to exclude others . . . . The Lanham Act's false-advertising provisions . . . bear no relationship to any right to exclude.").

<sup>175</sup> *Id.*

<sup>176</sup> *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989).

of which the invocation of a cause of action does not require a trademark.

John Locke's labor theory, while perhaps less academically reputable than the right-to-exclude property theory, also justifies trademark property rights. Roughly, Locke's theory declares that one has a right to property in one's "own person" and in "the labor of [one's] body."<sup>177</sup> This standard is satisfied in the trademark context by the time and labor that a business owner expends when establishing his or her brand. Locke's labor theory is exemplified particularly by the trademark use requirement, which states that in order to acquire a trademark (and by extension a property right in the goodwill underlying it), an owner needs first to make significant use of the mark for a period of time.<sup>178</sup>

#### 6. *Assignment and Perpetual Lifecycle of the Trademark*

Like tangible property, trademarks may be transferred in myriad ways. Trademarks are assignable;<sup>179</sup> they can be bought, sold, or licensed.<sup>180</sup> The assignment-in-gross doctrine—reflected in the language of the Lanham Act's § 1060—provides that the goodwill of the trademark must be sold with the trademark itself so as to avoid an illegal "assignment in gross."<sup>181</sup> Accordingly, a trademark transfer is only legal when it is reassigned along with the business interest associated with it.<sup>182</sup> Therefore, because trademark property has no value apart from the goodwill of the trademark, in order for the transfer to be deemed valid, care must be taken to ensure that such goodwill is

177 See Sudakshina Sen, *Fluency of the Flesh: Perils of an Expanding Right of Publicity*, 59 ALB. L. REV. 739, 739–40 (1995) (discussing Locke's labor theory of property as a possible justification for the right of publicity).

178 See 15 U.S.C. § 1051(a) (2006) (mandating "use in commerce" for a trademark to be registered). Or else, the owner must file an intent-to-use application, and follow through by actually using the trademark. See *id.* § 1051(b) (2006) ("A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark . . .").

179 An "assignment" of a mark is a total sale of all rights in that mark. See *id.* § 1060 (establishing the process by which a trademark may be assigned).

180 See *id.* (permitting the transfer of registered marks and outlining the transfer procedures); see also 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:1, at 18-5 (4th ed. 2012) ("Trademarks are regarded as 'property.' Thus, marks, like any kind of property, can be bought, sold and licensed.").

181 See 15 U.S.C. § 1060 ("A registered mark . . . shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark.").

182 3 MCCARTHY, *supra* note 180, § 18:2, at 18-6 (4th ed. 2012) ("Good will and its trademark symbol are as inseparable as Siamese Twins who cannot be separated without death to both.").

not lost.<sup>183</sup> The assignment-in-gross rule reinforces the notion that trademarks are property—they can be bought, sold, and traded. Moreover, the rule illustrates that trademarks are property in the goodwill of a business, as assignments must contain the goodwill associated with the mark. The assignment-in-gross rule, in sum, illustrates that: (1) trademarks are analogous to physical forms of property in their ability to be severed, and (2) a mark and its goodwill are inseparable.

Also consistent with tangible property, trademarks are everlasting, if properly maintained. The life cycle of a trademark is perpetual, provided that renewal applications are timely filed.<sup>184</sup> Therefore, like most private property rights, but unlike patents or copyrights, a mark owner can expect to keep a trademark indefinitely.

### 7. *Trademark Property Rights as Symbolic of Goodwill*

Trademarks are intangible property symbolizing the goodwill of a brand.<sup>185</sup> Goodwill is intangible, non-physical, and often valued as a company asset.<sup>186</sup> Goodwill is defined as “buyer momentum,”<sup>187</sup> the “going concern value” of a business,<sup>188</sup> or the “expectancy of continued patronage” from consumers.<sup>189</sup> Basically, it is encompassed in the idea that buyers who find a product acceptable will tend to continue buying it in the future rather than “shop around” for a competitor’s product.<sup>190</sup>

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183 See 1 MCCARTHY, *supra* note 71, § 2:20, at 2-42 (“If there is no business and no good will, a trademark symbolizes nothing.”).

184 See 15 U.S.C. § 1059(a) (providing that “each registration may be renewed for periods of 10 years at the end of each successive 10-year period following the date of registration”).

185 1 MCCARTHY, *supra* note 71, § 2:20, at 2-41 (citing *Old Dearborn Distrib. Co. v. Seagram-Distillers Corp.*, 299 U.S. 183, 194–95 (1936); *Cont’l Distilling Sales Co. v. Brancato*, 173 F.2d 296, 298 (8th Cir. 1949); *Borden Ice Cream Co. v. Borden’s Condensed Milk Co.*, 201 F. 510, 513 (7th Cir. 1912); *Metro. Nat’l Bank v. St. Louis Dispatch Co.*, 36 F. 722, 724 (C.C.E.D. Mo. 1888), *aff’d*, 149 U.S. 436 (1893); *Hunt v. Phinney*, 2 Cal. Rptr. 57, 59 (Dist. Ct. App. 1960); *Dutcher v. Harker*, 377 S.W.2d 140, 144 (Mo. Ct. App. 1964); *Freeling v. Wood*, 361 P.2d 1061, 1063 (Okla. 1961); *Floyd A. Wright, The Nature and Basis of Good Will*, 24 ILL. L. REV. 20, 21 n.4, 22 nn.5–11 (1929)).

186 See 1 MCCARTHY, *supra* note 71, § 2:21, at 2-44.

187 See *id.* § 2:18, at 2-40.6.

188 See *id.* § 2:19, at 2-41.

189 See *Newark Morning Ledger Co. v. United States*, 507 U.S. 546, 555–56 (1993) (“[T]he shorthand description of goodwill as ‘the expectancy of continued patronage,’ . . . provides a useful label with which to identify the total of all the imponderable qualities that attract customers to the business.” (internal citation omitted)).

190 See 1 MCCARTHY, *supra* note 71, § 2:20, at 2-42 (“One who buys good will in effect buys the prospect of the continued patronage of satisfied buyers.”).

Scholars have conceptualized—but mostly rejected—other formulations of the trademark property right.<sup>191</sup> These theorizations include (1) the idea that “the right to a mark was merely incidental to rights in physical property,” or (2) “that trademarks themselves are protected as property.”<sup>192</sup> Neither, however, is satisfactory. The former “does not sufficiently account for the fact that courts rarely mentioned physical assets when they articulated the harm of trademark infringement[,] . . . instead focusing on mark owner’s patronage.”<sup>193</sup> The latter is also problematic, though some think it is gaining traction due to the prolific expansion of trademark doctrine.<sup>194</sup> As mentioned in the discussion of assignment, trademarks and their goodwill are intertwined; trademarks alone scarcely have financial worth. Further, as mentioned in the discussion of trademarks’ judicial history, courts have long regarded trademarks as property in goodwill. Consequently, for at least the purposes of constitutional property analysis, trademarks are best viewed as property symbolizing the underlying value of brands’ reputation and value.

#### *B. Trademarks are Constitutional Property*

This Subpart first discusses the facts of two seminal intangible takings cases. It then argues that trademarks meet the criteria for constitutional property required by the courts in these cases. Finally, this Subpart applies trademarks to Professor Merrill’s theoretical constitutional property requirements.

##### *1. Judicial Precedent*

The Supreme Court has held that trade secrets are protected under the Takings Clause. The U.S. Court of Appeals for the Federal Circuit explained, on the other hand, that patents are not protected. These decisions highlight many of the factors that the courts look to when deciding whether an intangible property right is constitutional property. Courts will likely apply this precedent to the trademark takings issue.

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<sup>191</sup> See, e.g., McKenna, *supra* note 21, at 1881–86 (discussing three possible conceptualizations of trademark property rights).

<sup>192</sup> *Id.* at 1881.

<sup>193</sup> *Id.*

<sup>194</sup> See Lemley, *supra* note 26, at 1687–88 (“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[,] . . . [a]nd they are well on their way to divorcing trademarks entirely from the goods they are supposed to represent.”).

*a. Ruckelshaus v. Monsanto*

A pesticide producer, Monsanto Company, brought suit against the Environmental Protection Agency (“EPA”) for relief under the data consideration and disclosure provisions of the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”), which mandated disclosure of the producer’s pesticide formulas.<sup>195</sup> The pesticide producer alleged, among other causes of action,<sup>196</sup> a taking of property without compensation by the EPA. On direct appeal, the Supreme Court held that the pesticide producer had a property interest protected by the Takings Clause “in the health, safety, and environmental data it had submitted to the EPA,” data which the Supreme Court categorized as trade secrets.<sup>197</sup>

First, the Court noted that intangible property rights created by state law deserve the protection of the Takings Clause.<sup>198</sup> The Court explained that trade secrets have many of the characteristics of tangible property forms—including the ability to be assigned.<sup>199</sup> It was also discussed that Congress, in the FIFRA amendments, noted that developers had a “proprietary interest” in trade secret data, and therefore data submitters are entitled to compensation because they “have legal ownership of the data.”<sup>200</sup> Further, the Court—invoking Locke’s labor theory—held that intangibles like trade secrets as well as tangible objects might be products of “labour and invention.”<sup>201</sup> Finally, it was explained that the Court has a long history of giving protection under the Takings Clause to intangible property rights that were created by state law, including trade secrets.<sup>202</sup>

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<sup>195</sup> See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 991 (1984) (discussing FIFRA’s history and disclosure requirements).

<sup>196</sup> Violation of due process and unconstitutional delegation of judicial power are the other causes of action alleged by Monsanto. *Id.* at 999.

<sup>197</sup> *Id.* at 1000, 1013; see also RESTATEMENT OF TORTS § 757 cmt. b (1939) (defining a trade secret as “any formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it”).

<sup>198</sup> See *Monsanto*, 467 U.S. at 1003–04 (finding “[t]hat intangible property rights protected by state law are deserving of the protection of the Taking Clause has long been implicit in the thinking of this Court”).

<sup>199</sup> *Id.* at 1002.

<sup>200</sup> *Id.* (internal quotation marks omitted).

<sup>201</sup> *Id.* at 1002–03 (internal quotation marks omitted) (citing 2 WILLIAM BLACKSTONE, COMMENTARIES \*405; JOHN LOCKE, THE SECOND TREATISE OF CIVIL GOVERNMENT AND A LETTER CONCERNING TOLERATION 14–23 (J.W. Gough ed., 1946)).

<sup>202</sup> *Monsanto*, 476 U.S. at 1003.

*b. Zoltek Corp. v. United States (Zoltek III)*

Zoltek Corporation claimed that the United States and a company hired by the United States committed patent infringement that amounted to a taking because the manufacturer's subcontractors used Zoltek's patented silicide fiber products when building F-22 fighter aircrafts.<sup>203</sup> The Court of Appeals for the Federal Circuit invoked the Supreme Court case of *Schillinger v. United States*. In *Schillinger*, the Court rejected the argument that a patent owner could sue the government for patent infringement as a taking under the Tucker Act.<sup>204</sup>

The Federal Circuit explained that constitutional property interests for purposes of the Takings Clause must arise out of "an independent source such as state law."<sup>205</sup> The court noted that patents do not meet this requirement because they are "a creature of federal law."<sup>206</sup>

The court also cited Congress's intention that patents should not be protected under the Fifth Amendment, explaining that

[i]n response to *Schillinger*, Congress provided a specific sovereign immunity waiver for a patentee to recover for infringement by the government. Had Congress intended to clarify the dimensions of the patent rights as property interests under the Fifth Amendment, there would have been no need for the new and limited sovereign immunity waiver. The manner in which Congress responded to *Schillinger* is significant. "The life of the law has not been logic; it has been experience." Neither the Court of Federal Claims nor this court can ignore the path of the patent law as it has evolved under § 1498.<sup>207</sup>

## 2. Judicial Guidelines

First, trademark law—despite its codification under the federal Lanham Act—remains largely a creature of state common law.<sup>208</sup>

<sup>203</sup> *Zoltek Corp. v. United States*, 442 F.3d 1345, 1349 (Fed. Cir. 2006) (per curiam), *reh'g en banc denied*, 464 F.3d 1335, 1336 (Fed. Cir. 2006), *vacated in part*, 672 F.3d 1309, 1317, 1322, 1327 (Fed. Cir. 2012).

<sup>204</sup> *Zoltek*, 442 F.3d at 1350; *see also* Tucker Act, 28 U.S.C. § 1491 (2006) (permitting certain claims to be brought against the United States).

<sup>205</sup> *Zoltek*, 442 F.3d at 1352.

<sup>206</sup> *Id.*

<sup>207</sup> *Id.* (footnote omitted).

<sup>208</sup> *See, e.g.*, Robert C. Denicola, *Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, 59 LAW & CONTEMP. PROBS. 75, 79–80 (1996) (explaining that "the Lanham Act codifies the basic common law principles governing both the subject matter and scope of [trademark] protection"); Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519, 520 (1993) (arguing that the goal of the Lanham Act was to codify, not to expand, trademark common law).

While patents and copyrights are granted power under the Federal Constitution's Intellectual Property Clause,<sup>209</sup> trademarks are given federal power by way of the Commerce Clause. In the 1879 *Trade-Mark Cases*, the Supreme Court denied Congress the authority under the Intellectual Property Clause to register or regulate trademarks.<sup>210</sup> Today, federal trademark jurisdiction is limited to trademarks used in interstate and foreign commerce.<sup>211</sup> Accordingly, trademarks can be distinguished from federally created patents.<sup>212</sup> The federal creation of patents is mentioned in *Zoltek* as a chief reason that patents are not today considered constitutional property.<sup>213</sup> Trademarks, on the other hand, meet the state law creation requirement for constitutional property because they are products of the common law.

Second, as previously discussed, trademarks' nineteenth-century history supports the fact that trademarks were then too considered property rights.<sup>214</sup> There is no ruling to the contrary that would serve as a procedural bar such as in the patent context with the *Zoltek* court's reliance on *Schillinger*.<sup>215</sup>

Third, theoretically, trademarks can be seen as constitutional property. Trademarks, again, meet the right-to-exclude theorization of property that is the hallmark of constitutional property. Further, the extensive use requirements necessary in order to obtain a trademark registration, as well as the effort put forth in the creation of a mark, serve to satisfy the Lockean "labour and invention" conception of property noted in *Monsanto*.

Fourth, trademarks constitute the mark owners' reasonable investment-backed expectations of exclusive use and exclusion rights. Whereas trade secrets constitute investment-backed expectations in

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209 U.S. CONST. art. I, § 8, cl. 8 (granting Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries").

210 See *The Trade-Mark Cases*, 100 U.S. 82, 93–94 (1879) (explaining that trademarks are distinct from either patents or copyrights).

211 See 3 MCCARTHY, *supra* note 180, §§ 19:103 to :122, at 19-315 to -59, §§ 25:53 to 25:56, at 25-178 to -85 ("Up to this present day, federal jurisdiction over trademarks generally extends only to marks used in interstate and foreign commerce." 1 McCarthy, *supra* note 21, § 6:2).

212 U.S. CONST. art. I, § 8, cl. 8 (granting Congress power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries").

213 See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1352 (Fed. Cir. 2006) (per curiam) (holding that patents rights do not constitute property interests under the Takings Clause because patents are "a creature of federal law"), *reh'g en banc denied*, 464 F.3d 1335, 1336 (Fed. Cir. 2006), *vacated in part*, 672 F.3d 1309, 1317, 1322, 1327 (Fed. Cir. 2012).

214 See *supra* Part II.A.3.

215 See *supra* note 203–07 and accompanying discussion.

only certain circumstances according to *Monsanto*,<sup>216</sup> it is difficult to imagine a context in which a lack of investment-backed expectations of trademark owners would prohibit protection under the Takings Clause. When an individual owns a business and registers a trademark, by using and registering the mark, the owner will always have an expectation to the exclusive name and goodwill of her or his mark and brand. The existence of trademarks for a non-finite amount of time further supports the existence of owners' reasonable investment-backed expectations because owners usually expect ownership of their marks for lengthy durations of time, and register marks with no other intention than to profit from reputation and goodwill.

Fifth, trademarks are, to review, assignable and perpetual in duration. It was explained in *Monsanto* that because trade secrets are akin to tangible property rights in several ways—assignment being one particular way—trade secrets were, among other reasons, held to be constitutionally protected.<sup>217</sup> Trademarks, like trade secrets and many forms of tangible property, are assignable.<sup>218</sup> Further, while patents and copyrights have limited legal lives, trademarks, once registered, may exist into perpetuity provided that they are renewed timely and continue to be used in commerce.<sup>219</sup>

### 3. Normative Dimensions

As briefly mentioned in Part I, Thomas Merrill's theoretical constitutional property dimensions consist of (1) an irrevocable right; (2) a discrete asset; (3) and the right to exclude.<sup>220</sup> Having previously established that trademarks satisfy the right to exclude, this Comment now explains that trademarks consist of discrete assets and constitute irrevocable rights. While courts have not invoked these requirements directly when deciding intangible takings cases, their evaluation will serve to further define the scope of the trademark property right as the sort of property that ought to be protected under the Fifth Amendment.

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216 See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1005–07 (1984) (applying the investment-backed expectations factor to the trade secret disclosure at issue).

217 See *id.* at 1002 (“Trade secrets have many of the characteristics of more tangible forms of property. A trade secret is assignable.”).

218 See *supra* notes 179–83.

219 See *supra* note 184 and accompanying discussion.

220 See Merrill, *supra* note 63, at 969 (outlining “a more complete federal patterning definition of takings property”).

### a. Discrete Asset

By discrete asset, Merrill refers to

[A] valued resource that (1) is held by the claimant in a legally recognized property form (for example, a fee simple, a lease, an easement, and so forth), and (2) is created, exchanged or enforced by economic actors with enough frequency to be recognized as a distinct asset in the relevant community. An incident of property, in contrast, is a power or privilege that belongs to one who holds property, but is not itself a legally recognized form of property.<sup>221</sup>

Moreover, the discrete asset requirement complements the right to exclude. It “tells us what it is the owner has a right to exclude others *from*; the right to exclude tells us why this particular resource can be identified as something that is *owned*, as opposed to being just ‘stuff.’”<sup>222</sup>

It appears at first that this requirement runs counter to the trademark as property argument. A trademark property right—symbolic of the underlying goodwill of a business—does not immediately appear discrete. To review, goodwill is defined nondescriptly as the going concern value of a business, buyer momentum, or the expectancy of continued patronage.<sup>223</sup> Indeed, Merrill gives as an example of a non-discrete asset “[T]he bottom line of a balance sheet.”<sup>224</sup> Goodwill is often defined as that exact bottom line.

The property right at issue, though, is not defined merely as goodwill. Instead, it is defined as the *trademark symbolizing* the underlying goodwill or value of a business.<sup>225</sup> Therefore, the trademark itself along with its goodwill—not merely the underlying goodwill—should be seen as a discrete asset. To apply trademarks to Merrill’s two discrete property criteria, the (1) “valued resource” is goodwill put into a discrete property form (the trademark). Further, (2) trademarks are “created, exchanged or enforced by economic actors” because only businesses register, maintain, and enforce their marks.

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<sup>221</sup> *Id.* at 974. To illustrate, Merrill gives two examples. Merrill mentions the case of *Hodel v. Irving*, 481 U.S. 704 (1987), in which he claims that the right to inherit is an incident and not a discrete asset. The discrete assets, Merrill notes, “were the interests in tribal lands that either would or would not be inherited.” Merrill, *supra* note 63, at 974–75. His second example involves the case of *Dolan v. City of Tigard*, 512 U.S. 374 (1994), where the property taking in question involved an easement. Merrill explains that “[e]asements are a recognized form of property and are created, exchanged, and enforced as distinct assets.” Merrill, *supra* note 63, at 975.

<sup>222</sup> Merrill, *supra* note 63, at 975.

<sup>223</sup> *See supra* notes 187–89 and accompanying discussion.

<sup>224</sup> Merrill, *supra* note 63, at 977 (“One cannot ‘take’ the bottom line of a balance sheet.”).

<sup>225</sup> *See supra*, Part II.A.7.

Accordingly, trademarks should be seen as discrete assets, even if the underlying goodwill that they represent is not, by itself, discrete.

#### b. Irrevocable Right

Professor Merrill explains:

Takings property must be “vested” in roughly the same sense that a common-law property right is vested and a mere license is not. Basically, takings property must be irrevocable for a predetermined period of time, and there must be no understanding, explicit or implicit, that the legislature has reserved the right to terminate the interest before this period of time elapses.<sup>226</sup>

Further, Merrill states that the irrevocable requirement “does not mean, of course, that [the property right] must be a fee simple absolute or otherwise have an indefinite duration. It simply means that the right is not subject to discretionary revocation for some predetermined period of time.”<sup>227</sup>

Trademarks meet the “irrevocable” requirement. As long as a trademark remains in use, it will not be revoked provided that it is timely renewed each ten-year period. Moreover, a trademark right is perpetual in duration—it is not subject to discretionary revocation for any predetermined period of time unless the registration lapses from disuse. Thus, ownership of a trademark should be seen as an irrevocable right.

### IV. TRADEMARK TAKINGS

This final Part discusses potential applications and obstacles in regard to a trademark takings doctrine. Finally, this Comment concludes by analyzing possible examples of trademark per se takings, regulatory takings, and judicial takings.

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<sup>226</sup> Merrill, *supra* note 63, at 978.

<sup>227</sup> *Id.* at 979. As examples of revocable rights, Merrill discusses *Dames & Moore v. Regan*, 453 U.S. 654 (1981), and *United States ex rel. Tennessee Valley Authority v. Powelson*, 319 U.S. 266 (1943). In *Regan*, “President Carter seized Iranian assets in response to the embassy hostage crisis, [and] he issued orders that authorized Americans with claims against Iran to obtain licenses allowing attachments of Iranian assets. Later, when a diplomatic solution to the crisis was reached, the President issued orders nullifying all such attachments.” Merrill, *supra* note 63, at 978. The Court held that because the licenses were revocable at any time, “petitioner did not acquire any ‘property’ interest in its attachments of the sort that would support a constitutional claim for compensation.” *Id.* In *Powelson*, the Court concluded that delegated power of eminent domain by the state is not a compensable property right because it can be revoked at any point in time. *Id.* at 979.

### A. Doctrinal Obstacles

This Subpart examines potential trademark takings obstacles. First, it discusses the measurement of “just compensation” in the intangible trademark takings context. Second, it examines the issue of “public use.” This Comment claims that the difficulties inherent in the application of intangible trademark property rights to takings jurisprudence, while formidable, should not be prohibitive to the establishment of a trademark takings doctrine.

#### 1. Measurement of “Just Compensation”

An issue with regard to trademark takings—and intangible takings more generally—is how to measure “just compensation.”<sup>228</sup> While “just compensation” can be defined as “what the owner has lost,”<sup>229</sup> it is not as simple to gauge the value of an intangible trademark property right as it is with real property or personal property. This is especially true in the case of infringement or dilution that is *continually* occurring. At least partially for this reason, injunctive relief—instead of damages—is usually applied as a remedy in trademark suits.<sup>230</sup> However, the Takings Clause demands fiscal “just compensation”—because the goal of takings law is to impose on the government a financial cost for the taking of property, not to enjoin it from doing so.

“Just compensation” is often determined by the fair market value of the property at issue. However, courts have held that fair market value should not be used to determine “just compensation” when the fair market standard is too difficult to ascertain.<sup>231</sup> In *United States v. Cors*, the Supreme Court explained that there is no formula for measuring “just compensation.” The Court stated that the Fifth Amendment

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<sup>228</sup> For a thorough account of the origins and history of the “just compensation” requirement, see William Michael Treanor, Note, *The Origins and Original Significance of the Just Compensation Clause of the Fifth Amendment*, 94 YALE L.J. 694 (1985) (noting that compensation was not always a requirement in takings jurisprudence).

<sup>229</sup> *Gackstetter v. State*, 618 P.2d 564, 566 (Alaska 1980).

<sup>230</sup> See, e.g., *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1988) (“Injunctive relief is the remedy of choice for trademark and unfair competition cases, since there is no adequate remedy at law for the injury caused by the defendant’s continuing infringement. It is the remedy provided by federal and state trademark infringement statutes.”).

<sup>231</sup> *Gackstetter*, 618 P.2d at 567 (“Fair market value is usually equated with just compensation, as it provides an objective standard by which to measure the loss to the owner. Nevertheless, . . . fair market value is not the end in itself, but merely a means to achieve the goal of just compensation.” (footnote omitted)).

does not contain any definite standards of fairness by which the measure of “just compensation” is to be determined. The Court in an endeavor to find working rules that will do substantial justice has adopted practical standards, including that of market value. But it has refused to make a fetish even of market value, since it may not be the best measure of value in some cases.<sup>232</sup>

It is for the courts to determine how to correctly measure “just compensation” in the context of trademark takings. Sophisticated trademark valuation techniques have been developed that can be used to determine the worth of a trademark, and a number of companies specialize in the valuation of brands and trademarks.<sup>233</sup> While determining the value of continuing infringement or dilution is still problematic, trademark valuation services may be used in trademark takings cases as a starting point. Thus, the obstacles involved in measuring the value of “just compensation” in trademarks cases are challenging, but likely not insurmountable.

## 2. Determination of “Public Use”

Determining “public use” is perhaps a less thorny issue than measuring “just compensation.” A public use will be found when a taking has at least some “conceivable public character.”<sup>234</sup> When a trademark is appropriated or interfered with in a meaningful way, such government use likely will be considered to be for a public use or purpose.

For example, consider again the FDA regulation scenario mentioned in the Introduction to this Comment.<sup>235</sup> The public purpose can be interpreted as the children’s health benefits that would, po-

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<sup>232</sup> United States v. Cors, 337 U.S. 325, 332 (1949) (internal citations omitted).

<sup>233</sup> Economic and mathematical methods are used commonly to assess the true value of a brand. Some models examine the price amount for the sale of similar brands in the marketplace. Others estimate like profits from direct sales, license fees, or other revenue over a certain time period. See GORDON V. SMITH, TRADEMARK VALUATION (1997) (offering a comprehensive description of various trademark valuation topics); *Fact Sheet: Assignments, Licenses and Valuation*, INT’L TRADEMARK ASS’N, <http://www.inta.org/TrademarkBasics/FactSheets/Pages/BrandValuation.aspx> (last visited Nov. 1, 2012) (noting that “[a] number of companies specialize in the valuation of brands and trademarks”).

<sup>234</sup> See *Kelo v. City of New London*, 545 U.S. 469, 490 (2005) (Kennedy, J., concurring) (“This Court has declared that a taking should be upheld as consistent with the Public Use Clause as long as it is ‘rationally related to a conceivable public purpose.’” (internal citations omitted)); see also *Haw. Hous. Auth. v. Midkiff*, 467 U.S. 229, 244–45 (1984) (explaining that although a “purely private taking could not withstand the scrutiny of the public use requirement[,]” courts are very deferential to the legislature in the determination of whether a taking will serve a public use).

<sup>235</sup> See *supra* notes 5–6 and accompanying discussion.

tentially, stem from this regulation. And, with regard to the “Greatest Snow on Earth” scenario also mentioned in the Introduction,<sup>236</sup> the public purpose might be the promotion of the Olympic Games—no doubt of pressing economic and reputational importance for the U.S. government.

The public use requirement, after the *Kelo* decision, is sufficiently broad to encompass most government trademark appropriations.<sup>237</sup> Therefore, it is likely that federal government interference with trademark rights would amount to a taking unless it involved a completely private transfer—a rare scenario. Of course, as with any taking, the government must compensate mark owners for the interference with their trademark property rights.

### B. Doctrinal Applications

The theoretical conception of the trademark as a property right in the underlying goodwill of a business separates trademark law normatively from patents and copyrights. Patents and copyrights are for inventions and ideas, respectively. There is no use requirement necessary to apply for a patent, and copyrights are created instantaneously, as soon as the requirements of originality and fixation are met.<sup>238</sup> With regard to patents, Professor Mossoff explains that

[A] patent is nonrivalrous and nonexhaustive in nature. The government’s unauthorized use of a patented invention, therefore, lacks the *physical dispossession* that triggers a compensable taking of land. From the perspective of land-based takings doctrine, the government’s unauthorized use of a patented invention does not interfere with a patentee’s own use of the invention, and, more importantly, the patentee can continue to exclude others from using it.<sup>239</sup>

Here, Mossoff illustrates that a patentee is not entitled to injunctive relief in the case of a patent taking because government use does not implicate the patent *exclusion* right. A patentee can continue excluding others even following the government’s unauthorized use.

While government use of others’ patents may amount only to regulatory takings, government use of private trademarks can be more easily analogized to per se takings. This is because the government,

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<sup>236</sup> See *supra* notes 2–4 and accompanying discussion.

<sup>237</sup> *Kelo*, 545 U.S. at 485 (noting that courts have employed a “traditionally broad understanding of public purpose”).

<sup>238</sup> Copyrights need, however, to be registered in order to gain additional protections. See Copyright Act of 1976, 17 U.S.C. § 411 (2006) (declaring that certain actions for infringement shall not be brought until “preregistration or registration of the copyright claim has been made in accordance with this title”).

<sup>239</sup> Mossoff, *supra* note 15, at 721.

by engaging in direct use or regulation of a trademark, is impeding directly on the goodwill of a business—the very heart of the trademark property right. It is impossible to divorce a trademark from the brand value that it symbolizes. Moreover, government interference with a trademark in any meaningful way will affect a business's bottom line.

While profits are in many cases affected with regard to a patent taking as well, interference with an invention is more subjective than interference with the value of a brand. A trademark, as a commodity—and perhaps unlike many patented inventions—is “rivalrous” and “exhaustive.” The goodwill inherent in brand name goods or services is rivalrous because of brand competition,<sup>240</sup> and is exhaustive because the consumer base is finite within any given economic market. Consequently, because of the unique nature of the trademark property right, unauthorized use of a mark by anyone other than the owner appears to more often interfere with not only the use right, but also the right to exclude.

As such, courts may analogize trademark takings to per se takings, while patents would—if considered protectable under the Takings Clause—instead more likely effect regulatory takings. The reason, in sum, is because per se takings implicate *both* the use and exclusion rights, while regulatory takings infringe *only upon* use rights.<sup>241</sup> This Comment now discusses potential examples of per se, regulatory, and judicial takings of trademarks with this consideration in mind.

### 1. Trademark Per Se Takings

Courts have found per se takings when either (1) a physical governmental appropriation of property for its own use occurs; or, (2) a regulation constituting a complete deprivation of all use or value of property is found.<sup>242</sup> Therefore, by analogy, a trademark per se taking might occur if (1) the government physically appropriates a mark for itself; or, (2) the government regulation in question amounts to a complete deprivation of a business's goodwill.

In *Loretto v. Teleprompter Manhattan CATV Corp.*, the Supreme Court held that a law mandating the installation of electronic cables

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<sup>240</sup> See Barnes, *supra* note 106, at 23 (“Private goods are rivalrous.”).

<sup>241</sup> See Mossoff, *supra* note 15, at 721; Eugene Volokh, *Sovereign Immunity and Intellectual Property*, 73 S. CAL. L. REV. 1161, 1163 n.5 (2000) (“The Court has long held that interference with the right to exclude others is close to a per se taking of property.” (citing *Dolan v. City of Tigard*, 512 U.S. 374, 384 (1994); *Nollan v. Cal. Coastal Comm’n*, 483 U.S. 825, 831 (1987)).

<sup>242</sup> See discussion *supra* Part I.A.1.

in apartments amounted to a taking.<sup>243</sup> The Court noted that a property owner suffers harm when her property is occupied.<sup>244</sup> Although the electronic cables occupied only a small area, the Court noted that the size of the occupied area is no factor in the determination of whether an occupation of property constitutes a per se taking.<sup>245</sup> A permanent, physical occupation of property is held to be more severe than a regulation.<sup>246</sup> This is because, as mentioned in the previous Subpart, the right to exclude—in addition to the use right—is violated in the case of a per se taking.<sup>247</sup>

A physical trademark taking is one where the government does not simply impose regulations on a trademark owner, but instead actually appropriates the trademark for its own use. The “Greatest Snow on Earth” scenario in this Comment’s Introduction is a sound example of this because while the government use does not deprive the owner of all the value of its trademark, the government itself uses a variation on the trademarked slogan at issue.<sup>248</sup>

Another type of per se trademark taking involves a regulation that amounts to a complete deprivation of a trademark’s value. For example, imagine that the federal government informed the Washington Redskins football team that it could no longer use the “Redskins” name or logo at all, citing reasons of racial insensitivity against Native Americans due to the derogatory nature of the mark.<sup>249</sup> Although this taking is only a regulation—the government is not itself using the mark as it was in the preceding example—it prevents the football team from using the mark completely. Therefore, the regulation imposes on the franchise a total loss of trademark value and appears, therefore, to be a per se taking.

A conceptual difficulty arises in this situation, though, because an intangible property right is at issue. As such, the “physical” characterization of a trademark taking is perhaps by analogy only. As men-

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243 *Loretto v. Teleprompter Manhattan CATV Corps.*, 458 U.S. 419, 441 (1982).

244 *See id.* at 436.

245 *See id.* at 441.

246 *See id.* at 426–27.

247 *See supra* note 241.

248 *See supra* notes 2–4, and accompanying discussion.

249 This is based on an ongoing controversy between Native Americans advocacy groups and the National Football League over the Redskins name. For example, see Petition for Cancellation, *Blackhorse v. Pro Football Inc.*, Cancellation No. 92/046,185 (T.T.A.B. 2006), available at <http://online.wsj.com/public/resources/documents/redskins.pdf> (last visited Apr. 17, 2013) (arguing that the franchises’ “federally registered marks consist of or comprise matter that disparages Native American person, and brings them into contempt, ridicule, and disrepute, in violation of Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a)”).

tioned previously, the structure of the trademark property right, despite its intangible nature, strengthens the case for the per se takings analogy because the exclusion right and the use right are closely bound in the trademark property right structure—per se takings implicate the use and exclusion rights, whereas regulatory takings only implicate the use right.<sup>250</sup> Applying this reasoning to the Redskins example, the goodwill of the football franchise's brand is destroyed if the mark is taken. Considering that goodwill is the entire basis of the property right, it seems that a total taking of this goodwill should amount to a per se taking. But, as was exemplified in *Monsanto*, there is still doubt regarding whether courts will ever regularly consider the taking of an intangible trademark property right to be a true per se taking.

## 2. Trademark Regulatory Takings

Government regulations restrict certain uses of property but are less intrusive than physical occupations since physical occupations not only restrict use of the property but also affect mark owners' rights to possess or exclude. Courts have in the past been inclined to regard intangible takings as regulatory takings.<sup>251</sup>

In *Penn Central*, the Supreme Court held that where a government action interferes with an owner's use or enjoyment of property, the Court considers three factors in balancing the government interest with the owner's property right: (1) the character of the government action, (2) the government action's economic impact, and (3) its interference with reasonable investment-backed expectations.<sup>252</sup> In *Monsanto*, the mandatory disclosure of trade secrets was held to be a regulatory taking, not a per se taking, despite the fact that the trade secret formula was physically given to the government. The Court analogized the disclosure of trade secrets to a regulatory taking and stated that "[t]he economic value of that property right lies in the competitive advantage over others that Monsanto enjoys by virtue of its exclusive access to the data, and disclosure or use by others of the data would destroy that competitive edge."<sup>253</sup>

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250 See Volokh, *supra* note 241.

251 See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1012 (1984) (holding that because Monsanto's competitive advantage was lost as a result of a regulation, this effects a regulatory taking, but not a per se taking).

252 See *Penn Cent. Transp. Co. v. New York City*, 438 U.S. 104, 124 (1978).

253 *Monsanto*, 467 U.S. at 1012.

As for trademarks, the competitive advantage may be framed as the mark's recognition among its owner's customers—which is lost as a result of certain government regulations. This loss of competitive advantage may be illustrated by returning to the FDA regulation scenario mentioned in the Introduction to this Comment.<sup>254</sup> In this example, the FDA's proposal prohibits products from being marketed to children unless strict nutritional requirements are met. This has the effect of restricting product packaging and use of characters such as Kellogg's mascot, Tony the Tiger. While the case could be made that the regulation amounts to a per se taking—perhaps by imposing regulations that Kellogg's cannot realistically meet, the FDA actually takes Kellogg's entire property right and the mark is lost completely—it can also be considered a regulatory taking because the government proposal harms Kellogg's competitive advantage. Here, Kellogg's brand recognition has been lessened following its loss of the mascot. This has, of course, a negative impact on the company's economic vitality. Further, Kellogg has investment-backed expectations in the Tony the Tiger mark, exemplified by the amount of money and time the company spent developing, implementing, and using the mascot.

### 3. Trademark Judicial Takings

The Supreme Court's opinion in *Stop the Beach* lays the framework for a judicial takings doctrine.<sup>255</sup> In *Stop the Beach*, owners of beachfront property unsuccessfully challenged Florida's Beach and Shore Preservation Act, which granted a permit to restore miles of eroded beaches.<sup>256</sup> This regulation resulted in the state obtaining title to any new dry land created along the modified waterline—the “mean high water line.”<sup>257</sup> Therefore, beachfront property owners brought suit, alleging they had been deprived of their land ownership along the mean high water line.<sup>258</sup> The property owners claimed that the state acquisition of land along the mean high water line amounted to a taking without compensation.<sup>259</sup> The Florida Supreme Court held that state water laws never gave the property owners the right to own

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254 See *supra* notes 5–6, and accompanying discussion.

255 See Somin, *supra* note 58, at 94 (citing *Stop the Beach Renourishment, Inc. v. Fla. Dep't of Env'tl. Prot.*, 130 S. Ct. 2592, 2601 (2010)).

256 See *id.* at 93.

257 See *id.*

258 See *id.*

259 See *id.*

the property up to the mean high water line created by the project.<sup>260</sup> Following the Florida Supreme Court opinion, the beachfront owners appealed the decision to the U.S. Supreme Court. They argued that the Florida Supreme Court decision constituted a taking because it allegedly contradicted Florida's established water law principles and thus unjustly deprived the owners of their land.<sup>261</sup>

While the Supreme Court affirmed, ruling against the beachfront landowners in *Stop the Beach*, it acknowledged that a judicial taking could exist under alternate fact scenarios. Consequently, a potential avenue for trademark (and other intangible) takings to present themselves without compensation measuring difficulties is through the doctrine of judicial takings. Indeed, Justice Scalia remarked that due to the unique nature of a judicial taking, such a taking may be remedied simply by invalidating the offending decision.<sup>262</sup>

Consider the following example: A state appellate court holds, in the "Greatest Snow on Earth" scenario in this Comment's Introduction,<sup>263</sup> that no dilution to Ringling Bros.' mark occurred as a result of the government's use of their trademarked phrase. The appellate court therefore dismisses the action. The U.S. Supreme Court takes up the case, overturns the state appellate court opinion, holds that dilution is in fact occurring, and declares the appellate court ruling to be a taking of Ringling Bros.' trademark property.

Under a judicial takings doctrine, if broadly construed, the appellate court's opinion amounts to a taking of the trademark property interest. The logic is that by not preventing the trademark dilution that was occurring, and interpreting the Lanham Act incorrectly, the appellate court decision serves as the *mechanism* that leads to the continuing loss of trademark value. The reversal of a holding may satisfy the "just compensation" part of the Takings Clause, because unlike per se and regulatory takings where monetary compensation is required, invalidation of the offending decision is all that is necessary in the judicial takings construct. Therefore, judicial takings might amount to a form of federal judicial review over state court decision-

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260 *See id.*

261 *See id.*

262 *Stop the Beach Renourishment, Inc. v. Fla. Dep't of Envtl. Prot.*, 130 S. Ct. 2592, 2607 (2010) (explaining that no monetary compensation is required because "[i]f we were to hold that the Florida Supreme Court had effected an uncompensated taking in the present case[,] . . . [w]e would simply reverse the Florida Supreme Court's judgment that the Beach and Shore Preservation Act can be applied to the property in question").

263 *See supra* notes 3–4, and accompanying discussion.

making. This is merely speculation, however, as the scope and objectives of the doctrine remain unclear.<sup>264</sup>

## V. CONCLUSION

An intellectual property regime caught between two competing aims—the rights of mark owners and the protection of consumers—trademarks now amount to unique private property interests in the value of brand-name goods and services. Certainly, many fear that the “propertization” of trademarks breeds monopolies.<sup>265</sup> This argument is not without merit and, on a practical level, perhaps aspects of trademark law should be reined in. However, the history, doctrines, and aims of trademark law support the claim that trademarks are *currently* legal private property. In addition, trademarks now possess the qualities necessary for constitutional protection. For these reasons, the existing trademark regime is subject to the Takings Clause. The realization that trademarks amount to constitutional property exemplifies the present broad scope of trademark law, and sheds additional light on the issue of intangible takings.

Difficulties exist, though, in determining how takings law should apply in the trademarks construct. These problems include facilitating a measurement of “just compensation,” deciding what constitutes a taking in the context of a property right symbolic of goodwill, and relating trademarks jurisprudence to the takings framework. Such concerns should not prohibit the application of the Fifth Amendment to trademarks, however. Indeed, courts and scholars should endeavor to fashion workable solutions to the trademark takings issue so as to bring clarity to this muddling area of the law.

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<sup>264</sup> See *supra* note 58 and accompanying discussion.

<sup>265</sup> See *supra* note 26.