ABSTRACT:
THE CHICAGO SCHOOL TRAP IN TRADEMARK:
THE CO-EVOLUTION OF CORPORATE, ANTITRUST, AND TRADEMARK LAW
By
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The central claim of this article is that, as a descriptive matter, trademark legislation and court interpretation is a close normative match with the Chicago School approach of scholars such as Robert Bork and Richard Posner. The organizing intellectual structure of modern trademark law, as developed in the law, has been freedom of action for the owner of the mark, not minimizing search costs as repeatedly stated in academic writing. This article thus reveals that modern trademark law is a subset of the Chicago School’s approach to the firm, deference to management, and competition. That view is not interested in limiting firms or trademarks; its goals lie in the opposite direction.

Understanding this reality dramatically changes the normative project of trademark scholars and reformers. Instead of chastising judges for their mistaken understanding of search costs, potential reform must recognize the reigning intellectual structure and shape recommendations in light of it. As a normative matter, challenging current trademark law becomes essentially the same debate as challenging the Chicago School approach to antitrust and corporate law.

This Article thus frees trademark scholarship to mount a clearer critique and deeper attack on what truly drives trademark law. This approach allows discussions of social costs in trademark policy to focus on other aspects of welfare rather than serving total wealth maximization. In addition, the approach shows that behavioral economics—which has mounted an effective critique on antitrust and corporate law—should also be marshaled to question the now identified core of trademark law. As a question of trademarks’ function in the marketplace, the approach offers a way to reclaim the term, information, and recast trademarks as information devices that serve all in the marketplace rather than mainly producers. In short, I offer that this Article’s diagnosis of trademark law explains how trademark law works and its current foundation, which in turn provides a way out of its current conceptual trap and towards normative outcomes that current critics desire.
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Academic Research Counsel, Google, Inc. This Article has benefitted from discussions with and input from
Stacey Dogan, Brett Frischmann, Mark Lemley, Barak Orbach, Peter Swire, and Spencer Waller. I thank all
for their help.
INTRODUCTION

Twenty-five years ago Stephen Carter offered that there is “Trouble with Trademark.”¹ Today things are arguably worse.² This Article explains why trademark law is still so troubled and offers insights to find a way out of the bind. Dissatisfaction with trademark law has only grown since Carter wrote his Comment, with critics arguing that trademark rights have expanded too far in protecting rights holders’ interests, have become property rights, and that trademark law does not regulate competition well.³ Other reproaches focus on the way trademark law allows mark holders to chill expression.⁴ Critics often hold that the problem is that the changes violate the economics of trademarks and that a return to trademark law’s economic foundations would fix the problems.⁵ But what are those foundations? Carter captures the idea when he offers, “The

¹ Stephen L. Carter, The Trouble with Trademark, 99 YALE L.J. 759 (1990) (criticizing revisions to trademark law as upsetting the balance in trademark law and deviating from a specific economic view of trademarks as information devices).
³ See supra note, 2.
⁵ See e.g., Dogan & Lemley, supra note 2, at 778; Carter, supra note 1; Lunney, supra note 2, at 477 (“we must limit actionable confusion to cases where, if the use is allowed to continue, a substantial number of purchasers or prospective purchasers will actually become confused concerning information that will materially influence their buying decisions”); Desai & Rierson, supra note 4, at 1792 (“we contend that the genericism doctrine should be reanchored to focus on the mark’s ability to act as a source identifier for the consumer in commercial contexts.”); Robert Bone, Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law, 86 B.U. L. REV. 547, 549, 622 (arguing that “[t]he core of trademark law, …[is an] “information transmission model,” [which] “views trademarks as devices for communicating information to the market and sees the goal of trademark law as preventing others from using similar marks to deceive or confuse consumers” and that courts must justify decisions based on those grounds) 595-596 (2006) cf. Mark A. Lemley & Mark McKenna, Irrelevant Confusion, 62 STAN. L. REV. 413, 416 (2010) (arguing that confusion doctrine has expanded too far by embracing claims regarding confusion regarding
economic argument for protecting marks is straightforward and quite forceful. The principal benefit of trademark protection is that it lowers consumer search costs. Mark Lemley, one of the most cited professors of intellectual property law, concurs and says that a positive economic justification for trademarks is that they “communicate useful information to consumers, and thereby reduce consumer search costs.” These views stem from aspects of the Chicago School’s approach to trademark law and can be understood as the Search Costs School. That position, however, fails to recognize other fundamental aspects of the Chicago School approach, notably its commitment to supporting the autonomy of the firm and maximizing total welfare rather than consumer protection and wealth distribution. Support for the autonomy of the firm, in turn, provides a previously hidden basis for and explains the expansive version of trademark law that Search Costs School criticizes.

Put differently, my research into the legal history supports the conclusion that trademark law has closely evolved with corporate and antitrust law. I argue that changes in the way firms operate and the laws governing firms show that business interests precede and inform trademark practices over time and explain trademark law’s past and current shape. Trademark law, in history and observed practice, is fundamentally shaped by a given period’s theory of the firm. The law has moved from a narrow view of what firms can or should be allowed to do to a conception of the firm as able to do almost anything it wishes. This change in recent decades flows from the Chicago School’s view of the firm, competition, and consumer welfare. Today, corporate and antitrust law defer to the firm as the arbiter of action in the marketplace, vaunt property rights as efficient, and rarely find management or firm actions to be a problem. This posture mirrors the current critique and state of trademark law. In simplest terms, trademark law also allows mark holders to do almost anything they wish with a mark. I offer a reason
for this outcome. In short, there are conflicting views on the nature of welfare in trademark law. The ideal of lowering search costs is not the key rationale behind modern trademark law as those in the Search Costs School argue. It is in fact subservient to another mandate. As Judge Posner has stated, the general “rationale” of trademark law has come to be to “promote competition and consumer welfare.”"\textsuperscript{12} But, as built into statute and court decisions, those terms mean something quite different than the Search Costs School would like.\textsuperscript{13}

There has been a striking confluence between stages in the theory of the firm and stages in the development of competition and trademark law. This paper describes three eras: (1) the local competition era of limited firm charters, lasting into the early part of the 20\textsuperscript{th} Century; (2) the national competition era accompanying the development of national and essentially unrestricted corporate charters; and (3) the period since the rise of the Chicago School of law and economics, as the views of Robert Bork, Richard Posner, and others have become deeply embedded in U.S. antitrust and corporate law.

Firms were not always the unfettered, manager-driven, maximizing entities that are common today. In the early era, two types of firms—partnerships and corporations—and their companions, trademarks, were seen as quite limited. The connection amongst doctrines and theories governing firms, competition, and trademarks, however, has not been made explicit.\textsuperscript{14} A better understanding of this relationship is vital for understanding the doctrinal evolution of trademark, as well as the holdings of courts today in controversial cases that have fallen outside of the theories of the critics. As such in Part I, I show that business practices and pre-Coasian conceptions of what firms could do informed trademark decisions. Fears of monopoly and the nature of business practices dictated and restricted the way firms operated.\textsuperscript{15} Competition “connoted only the independent rivalry of two or more persons.”\textsuperscript{16} Competition drew on a morality-based view concerned with fair dealing and passing off goods so as to defraud buyers and sellers, not modern price competition.\textsuperscript{17} Economics of the era viewed markets as monopolistic or competitive; there was “very little conception of ‘degrees’ of competition.”\textsuperscript{18} This was a type of “race” for either “limited supplies” or to unload

\textsuperscript{12} Peaceable Planet, Inc. v. Ty, Inc., 362 F.3d 986, 990 (2004).
\textsuperscript{13} I thank Mark Lemley for pressing me to clarify this point.
\textsuperscript{14} Mark McKenna has argued that trademark law has normative foundations in natural rights law, that trademark law’s true foundations are in preventing passing off by one dealer against another, and that trademark law was not consumer focused. See Mark P. McKenna, The Normative Foundations of Trademark Law, 82 NOTRE DAME L. REV. 1839, 1843-1844 (2007). Although McKenna is correct that the Chicago School has overstated historical roots, I offer that trademark law was driven by a more complex interplay of factors. It is not the “information transmission model” as described by those in the Search Costs School, as I have defined it, that has to lead to expansion. Rather, it the Chicago School view of firms, competition, and search costs within that School that leads to expansion. See also Cesar Ramirez-Montes, A Re-examination of the Original Foundations of Anglo-American Trademark Law, 14 MARQUETTE INTELL. PROP. L. REV. 91 (2010) (showing that the history of trademarks was complex and sought to balance interests of “traders, consumers, and competitors”).
\textsuperscript{15} See infra notes 54 to 56.
\textsuperscript{16} See George J. Stigler, Perfect Competition, Historically Contemplated, 65 J. POL. ECON. 1, 1 (1957)
\textsuperscript{18} Herbert Hovenkamp, United States Competition Policy in Crisis: 1890-1955, 94 MINN. L. REV. 311, 316 (2009).
“excess supplies”  amongst what was later called “small dealers and worthy men.” This binary view fit with the era’s legal notion that there was either direct competition based on the facts and legal powers of a corporation or there wasn’t. These limits informed and drove trademark law of the era, which required directly competing goods and services to find infringement of a mark. Courts also looked to the nature of the disputing firms and corporate charters, to assess whether competition was even possible. These approaches worked while the economy was mainly local shops and low-capital industry. Once the economy grew beyond that stage, business practices, the needs of management, and the law changed. The simple world of local business and direct competition was gone.

In Part II, I show that firm, competition, and trademark law adjusted to accommodate the realities of companies making, advertising, and selling their goods and services on a national scale. Restrictions on corporate power fell away in favor of allowing a firm to pursue almost any objective that was legal. Corporate governance moved manager liability to a gross negligence standard under the business judgment rule. These and other changes allowed firms to pursue higher-risk projects and accumulate capital like never before. In addition, advertising and branding practices helped firms move beyond local retailers and reach consumers directly. Trademark law changed to support the activity of new, national firms over smaller, old ones. New state and federal trademark statutes allowed firms to register marks and protect them more easily and nation-wide. Rather than requiring direct competition, courts started to find infringement for non-competing goods. The marketing industry heralded the advent of trademark statutes as fostering “a golden age” where “every commodity of large consumption will have its market leader firmly entrenched by advertising.” The changes in business practices meant that competition law and policy faced entirely new questions. It was only in 1871, close to the date of the passage of the Sherman Act, that competition in economics was “explicit[ly] and systematic[ally]” theorized. The birth of antitrust laws saw debates about what competition was and whether policy should protect “small dealers and worthy men”—a Jeffersonian vision—or adhere to a view of individual liberty supported by strong property rights, freedom of contract, and classical economics. The debates were not resolved right away, but once they were, corporate,

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19 Id. at 2 (quoting Adam Smith, Wealth of Nations, 126, 342 (Modern Library ed.)).
20 The phrase “small dealers and worthy men” comes from a key case in anti-trust law, United States v. Trans-Missouri Freight Ass’n, 166 U.S. 290, 326 (1897). Rudolph Peritz has characterized this view of business and what competition law protects as Jeffersonian. See RUDOLPH J. R. PERITZ, COMPETITION POLICY IN AMERICA, 11, 406 (2000); accord PHILIP LONGMAN, YEOMAN’S RETURN, 9 (2008) (connecting Justice Peckham’s idea of “small dealers and worthy men” to Jefferson’s view of the yeoman).
21 To be clear other work has looked at the history of trademark law and business but has not looked to the firm structures that traveled with trademark law. See Bone, supra note 5.
22 See infra Part I.A.
24 See Petty, supra note 23, at 91.
25 See Stigler, supra note 16.
competition, and trademark law went into their current state. The clear winner in these
realms was and is the Chicago School of law and economics.27

What has been missed to date is how the core logic of the Chicago School has not
only taken over and now drives corporate and antitrust law but also drives modern
trademark law.28 Some have looked to Coase’s theory of the firm to explain how
trademark law influences the boundaries of the firm.29 I offer that Coase’s theory and
later developments in the Chicago School regarding the ideal of consumer welfare play a
much larger role in trademark law. In Part III, I show that the Chicago School’s views of
the firm, deference to management, and competition underlie the core of modern
trademark law. Robert Bork’s notion that antitrust law was always about competition and
consumer welfare has been questioned, criticized, and debunked.30 Most agree that this
version of consumer welfare is in fact total welfare, and that regardless of Bork’s
historical inaccuracies, his view has taken hold in antitrust law.31 Examining the Chicago
School’s explanation of trademarks reveals that the same logic underlies and fuels
modern trademark law.

Just as corporate law is designed to allow managers the greatest possible freedom
in running a firm on the faith that this approach will maximize total wealth, so too for
trademark law. Trademarks are key firm assets. Trademark law is designed to support
management’s use of the mark to pursue wealth maximization. In short, those who adhere
to the Search Costs School of trademarks might be surprised that trademark law is not
directly about consumers, fosters expanded property rights in trademarks, and yields the
same firm-centric results over and over again, but that is precisely what the core theory
enables and dictates.

This deeper understanding of the history of trademark law poses crucial
normative questions that trademark scholars and judges must address. No longer should it
be sufficient for the Search Costs School to complain that judges and legislators deserve
low grades for their failure to conform the law to the goal of minimizing search costs.
The deeper understanding of trademark history and policy reveals an important
alternative normative vision, founded in enabling firms to define and achieve their goals,
as part of the same theory of competition that dominates U.S. antitrust and corporate law.
Any thoughts of reform will have to overcome the powerful place the Chicago School
holds in corporate, competition, and trademark law.

Although that task is daunting, by identifying the deep forces behind trademark
law, this Article seeks to offer a clearer target for future work. I conclude by showing that
abandoning the belief that trademark law’s “traditional conceptual moorings” exist or

28 As discussed and cited throughout this Article, work has been done regarding firm theory and trademark law and competition theory and trademark law. I am indebted to that work and add to the discussion in offering an understanding of how the Chicago School’s view of firms and competition explains modern trademark law.
29 Burk & McDonnell, supra note 9.
30 See infra Part III.A.
31 Id.
function in the way described—i.e., avoiding the Chicago School trap—opens the door to the sort of reforms critics desire. Discussions of welfare costs in trademark policy can be crisper about harms to consumers and other views of welfare rather than serving total wealth maximization. In addition, the last few decades of empirical work in behavioral economics can be rallied to question the now identified core of trademark law. As a question of trademarks’ function in the marketplace, one can reclaim the term, information, and recast trademarks as information devices that serve all in the marketplace rather than simply one side of it. In short, I offer that this Article’s diagnosis of trademark law provides insights about how trademark law works and its current foundation, which in turn provides a way to get out of the Chicago School trap and a path to normative outcomes that could lay the trouble with trademark to rest.

I. LIMITED: NARROW CONCEPTIONS OF FIRMS AND MARKS

The modern, flexible, liability-limited entities of today were not the norm in the 18th, 19th, and early 20th centuries. Seeing how the law treated firms and trademarks in this era reveals two things. First, the idea of what a firm was and how it operated was narrow. Second, that narrow view informed the structure of trademark and competition law. It was a different business era, and the laws served the era’s needs.

A. Limited: Narrow Conceptions of Firms

Firms, as we think of them today, were not the firms of early American business. A short examination of how the law conceived of and managed partnerships and corporations reveals that the law limited organizations in powerful ways. It also provides a foundation to understand how the nature of business informed and controlled competition and trademark law of the era.

Partnership, the simplest business organization other than a sole proprietorship, was, and continues to be, a major form of business, but partnerships have changed over time. Partnership is the default business organization. Unlike a corporation, there are no formalities required to create a partnership. There is no registration requirement. If there are facts showing two or more people entered into business to pursue profit. One does not need to make a profit; all that is required is working together for profit.33 Also by default, partners share liabilities and profits equally. Today partnerships can be separate legal entities, but that was not always the case. Under the common law and under the Uniform Partnership Act promulgated in 1914, partnerships were an aggregation of individuals, not a separate business entity.34 Under this view, if a

32 Mark A. Lemley & Mark P. McKenna, Owning Mark(et)s, 109 MICH. L. REV. 137, 156 (2010).
partnership exists, it exists because of the precise group of people who form it. A partnership may start with four people, A, B, C, D, who name their partnership Your Everyday Dry Goods. If anyone leaves or is added to the group, the partnership ends.\textsuperscript{35} The original, specific aggregate—A, B, C, D that made up Your Everyday Dry Goods—no longer exists, and so Your Everyday Dry Goods does not and cannot exist.\textsuperscript{36} In the aggregate view of partnerships, “a partnership is a unique aggregation of individuals, a specific cast of characters. The cast is ‘dissolved’ whenever anyone leaves.”\textsuperscript{37} As an 1888 treatise explained, it does not matter whether a partner leaves, joins, or dies, “No matter how numerous the changes without apparent break in the continuity of the business, at each change an existing firm dissolves and a new one is formed.”\textsuperscript{38} It does not matter what agreements have been made about ongoing debts, the right to continue using the name of the firm, or even what tax law says about the ability of the firm to continue; under the UPA, the partnership ceases to exist.\textsuperscript{39} The consequences of dissolution in this system could be harsh; the partnership had to be liquidated and the remaining group could not use the name of the previous partnership.

Thus although a partnership was easy to form, the state dictated the reach of its possible activities in at least two key ways. First, by denying the capability of a partnership to operate as an entity (and so persist regardless of partners joining or leaving the firm), partnerships had limited duration. As such, assets and on-going name recognition could not accumulate. Second, the rule that a partner is liable for every other partner’s acts placed personal risk on partners. That rule limited the amount and type of activities a partnership might undertake.

The legal view of corporations was also quite different. It was not just that corporations were rare, they were limited and viewed with suspicion.\textsuperscript{40} Corporations are creatures of corporate charters, which set out corporate existence and power. In their early, medieval history, corporate charters were a type of property, with “monopolistic and exclusionary characteristics” much like other property interests of the time.\textsuperscript{41} The next phase of corporate rights was the restricted one where the state granted limited rights and the corporation had a “public character” such as mills, canals, bridges, and roads.\textsuperscript{42} Under this mercantilist view of corporations, “The corporation was a unique entity created by the state for a special purpose and enjoying a privileged relationship with the state.”\textsuperscript{43} The view of corporate personality also changed “over a long history” but can be

\textsuperscript{35} See Melvin Aron Eisenberg, An Introduction to Agency, Partnerships, and LLCs, 90 (2005).
\textsuperscript{36} Id.
\textsuperscript{37} Weidner, supra note 34, at 836.
\textsuperscript{39} See e.g., Weidner, supra note 34, at 836-837 (offering even with such facts under “the UPA, the ‘old’ partnership is dissolved and a ‘new’ partnership is created.”).
\textsuperscript{40} Kent Greenfield, Ultra Vires Lives! A Stakeholder Analysis of Corporate Illegality (With Notes on How Corporate Law Could Reinforce International Law), 87 Va. L. Rev. 1279, 1303 (2001) (“The ultra vires doctrine, then, was one way in which the law reflected society’s wariness of large aggregations of economic power.”).
\textsuperscript{42} Id.
\textsuperscript{43} Hovenkamp, supra note 10, at 1595.
summarized as fitting into “three broad categories” the first of which was “an ‘associational’ view, which dominated the Marshall Court’s thinking.” Under that view a corporation was not a distinct entity capable of citizenship but rather an association of individuals; so much so that a lawsuit for diversity purposes required complete diversity of all the shareholders.45

The associational view of corporations informed the ultra vires doctrine—meaning beyond the power—which was a limit on corporate power.46 The corporate charter had to set out the purpose and powers of the corporation.47 For example, today we would assume a corporation would be able to “carry on general manufacturing and merchandising business, to buy and sell stocks, shares, bonds or other evidences of indebtedness, to act as agent, broker or factor, to buy, sell and develop land, trade-marks and patent rights, to borrow money and give security therefor and to do all business incidental thereto, and to exercise all powers conferred upon [a corporation properly incorporated]” without these powers being explicitly stated.48 Yet in a case over whether a corporation could endorse a specific type of note, the court listed a charter that enumerated such powers and then found that the action was not covered by the charter and so was ultra vires.49 It might seem strange, but rather than assume a corporation could conduct what today would be obvious and ordinary business actions—buying and selling stock, obtaining a trademark—such acts had to be listed in the charter. Furthermore, if the corporation exceeded its purpose and powers, investors had a claim against the corporation.50 Exceeding the power granted in the charter could lead to the

44 Id. at 1597-1598.
45 Bank of the United States v. Deveaux, 9 U.S. (5 Cranch) 61, 81 (1809); (“That invisible, intangible, and artificial being, that mere legal entity, a corporation aggregate, is certainly not a citizen; and, consequently, cannot sue or be sued in the courts of the United States, unless the rights of the members, in this respect, can be exercised in their corporate name.”); accord Hovenkamp, supra note 10, at 1598. Although the current debate about corporate personhood is important, it is raises different issues than the ones in this Article. See e.g., Virginia Harper Ho, Theories of Corporate Groups: Corporate Identity Reconnceived, 42 SETON HALL L. REV. 879, 880, 891-897 (2012) (“Theoretical debates about the nature of the corporation have raged for over a century, with competing understandings of the corporation holding sway in different regulatory arenas and each view making competing claims for normative supremacy”) (discussing competing theories of corporate personhood); Patricia Nassif Fetzer, The Corporate Defamation Plaintiff as First Amendment “Public Figure”: Nailing the Jellyfish, 68 IOWA L. REV. 35, 65–69 (1982) (describing the Supreme Court’s varied approaches to corporate personhood). Regardless of how the doctrine about corporate personhood has evolved, the lack of corporate personhood created a problem for jurisdiction. See infra note 166 and accompanying text.
46 See Hovenkamp, supra note 10, at 1599-1600 (discussing Justice Marshall’s view that the corporation operated in the aggregate and that “Implicit in Marshall’s reasoning was that the individual actors of the corporation, rather than the corporation itself, were responsible for acts not strictly authorized by or in conformity with the corporate charter”).
47 The quo warranto doctrine served a similar function. See Note, Quo Warranto Against Private Corporations, 41 HARV. L. REV. 244 (1927); accord Hovenkamp, supra note 10, at 1658. The doctrine relates to the way the state could demand specific actions by a corporation. As only the state could bring such an action, the doctrine shows another way in which corporations were limited in power and capabilities, but it is not directly pertinent to this Article.
49 Id. (“Although the charter of the defendant was broad, it did not include this.”).
50 Cf. Allen v. Woonsocket Co., 11 R.I. 288, 300 (1876) (“Where a corporation is created for special purposes, there is no doubt that it must be confined in its operations to those purposes, and it can only exercise the powers expressly granted or impliedly necessary to carry out these purposes.”).
end of the corporation.\textsuperscript{51} This limit was hornbook law in the early 1800s.\textsuperscript{52} Ultra vires
doctrine was seen as “an important tool to protect the state’s interest in restricting the
power and size of corporations and to protect the shareholders from managerial
overreaching.”\textsuperscript{53}

Ultra vires was not the only way the law limited corporations. Examples of other
limits include Pennsylvania dictating the amount and manner of coal production in the
state, New Jersey requiring a bank to aid local fishery, and New York limiting capital to
$2 million until 1881 and then $5 million 1890.\textsuperscript{54} A simple, powerful restriction was to
limit how long a company could exist.\textsuperscript{55} Limits on the amount of authorized capital, the
length of time a corporation could exist, the ability to buy stock in other corporations, the
amount of debt a corporation could hold, and where corporate directors could live (in the
state of incorporation), aided the effort to constrain corporations.\textsuperscript{56} Like partnerships,
corporations operated under restrictions.

As a matter of firm power and capabilities, partnerships and corporations were not
free-ranging business organizations. Different doctrines governed them, but the results
were similar. Whichever organization you chose had limits. An entity’s existence and
what it could do was tied to specific views of the nature of the organization. Because
partnerships existed as an aggregate of specific people, partnerships could not expand or
shrink; they dissolved with a change in membership. Plus partners were exposed to
personal liability for the partnership’s acts. Together these rules limited what a
partnership could do and how long it could last. The limits on the corporate form had
roots in fundamental aspects of American law and politics. The Jeffersonian ideal of the
yeoman farmer carried with it deep suspicion of granting broad powers to corporations.\textsuperscript{57}
The Jacksonian opposition to the Bank of the United States similarly showed an
opposition to unrestricted powers to corporate institutions.\textsuperscript{58} These perspectives were

Lumber Co. v. State of S. Dakota, 226 U.S. 157, 33 S. Ct. 66, 57 L. Ed. 164 (1912) (“At the creation of
every corporation, in consideration of the rights and powers given to it by the state, there is the implied
covenant or agreement, on the part of such corporation, that it will use the powers given it to the benefit of
the public; … in case of a serious breach of such implied covenant and agreement, the corporation shall
forfeit its right to exist, it having ceased to be of public benefit. So by the common law it was early
recognized that corporations may forfeit their charters by the misuser thereof.”); accord Greenfield, supra
note 40, at 1304 (“The ultra vires doctrine gave force to [the limited view of corporations] in that it
established the corporation as a legal entity of enumerated powers, beyond which the firm could not go.”).
\textsuperscript{52} See Hovenkamp, supra note 10, at 1600; Greenfield, supra note 40, at 1283 (“ultra vires … was an
important part of corporate law through the nineteenth and early twentieth centuries.”) (citing JOSEPH K.
ANGELL & SAMUEL AMES, A TREATISE ON THE LAW OF PRIVATE CORPORATIONS AGGREGATE 60 (Arno
Press Inc. 1972) (1832)).
\textsuperscript{53} Greenfield, supra note 40, at 1302.
\textsuperscript{54} JOHN MICKLETHWAIT AND ADRIAN WOOLDRIDGE, THE COMPANY: A SHORT HISTORY OF A
\textsuperscript{55} Id. at 866-872 (“In 1848, Pennsylvania’s General Manufacturing Act set a twenty-year limit on
manufacturing corporations. As late as 1903, almost half the states limited the duration of corporate
charters to between twenty and fifty years.”).
\textsuperscript{56} See Greenfield, supra note 40, at 1303 n. 71; see also MICKLETHWAIT AND WOOLDRIDGE, supra note 54,
at 866-872 (noting that states often “hedg[ed] in ‘their’ companies with restrictions, both financial and
social”).
\textsuperscript{57} See e.g., supra note 20, and sources cited therein.
\textsuperscript{58} See e.g., BRAY HAMMOND, BANKS AND POLITICS IN AMERICA FROM THE REVOLUTION TO THE CIVIL WAR
(1957).
reflected in strict rules regarding what corporations could do and requirements that managers stay within those bounds or the corporation could cease to exist. In sum, there was a tendency to restrict or define permitted activity and limit power. Those restrictions and views informed conceptions and treatment of competition and marks.

B. Limited: Narrow Conceptions of Competition and Marks

Just as entities were limited to start, so too for trademarks and competition. Both were informed by the limited ideas of what an entity was and could do as set out in a corporation’s charter or by principles of what constituted a partnership. To start, the era distinguished between technical trademarks and trade names. The reason for the distinction came in part from a concern that giving a private party exclusive, property rights control over a common or descriptive word or phrase would provide “a monopoly in language” which could lead to a monopoly in production. Technical trademarks would today be classified as fanciful—a made up word such as EXXON—, arbitrary—such as using APPLE to denote computers—, or suggestive marks—such as COPPERTONE which suggests the hoped for outcome of using the good but does not describe the suntan lotion itself. Because technical trademarks were either made up, arbitrarily assigned to goods or services unconnected to those goods or services, or suggested goods and services but did not describe them, technical trademarks were not seen as restricting the use of common language. Courts deemed such marks as a type of property. Because technical trademarks were treated as property, courts could address the monopoly concern by holding that competitors “were not likely to need” someone else’s property to compete. Given the exclusivity that goes with the property view, cases involving infringement of technical trademarks did not require actual confusion of purchasers or fraudulent intent to deceive by the defendant. Thus technical trademarks received greater protection than trade-names. And yet, the reach of technical trademarks

59 See Desai & Rierson, supra note 4, at 1811-1819.
60 Daniel M. McClure, Trademarks and Unfair Competition: A Critical History of Legal Thought, 69
62 See, e.g., Kenneth J. Vandevelde, The New Property of the Nineteenth Century: The Development of the
Modern Concept of Property, 29 BUFF. L. REV. 325, 343-44 (1980) (describing early treatment of trademarks as “absolute property”); McClure, supra note 60, at 317-19 (characterizing early treatment of technical trademarks as conferring monopolistic property rights); Grafton Dulany Cushing, On Certain
Cases Analogous to Trade-Marks, 4 HARV. L. REV. 321, 322 (1890) (noting that “[a] trademark has become an absolute right”); cf. JAMES LOVE HOPKINS, THE LAW OF TRADEMARKS, TRADENAMES, AND
UNFAIR COMPETITION § 24 (4th ed. 1924) (arguing that trademark rights are not “monopolistic” in character).
63 McClure, supra note 60, at 318.
64 Id. at 317.
65 See Church & Dwight Co. v. Russ, 99 F. 276, 278-79 (C.C. Ind. 1900) (discussing differences between technical trademarks and trade names); McClure, supra note 60, at 316-17 (describing differences between technical trademarks and trade names in the context of late-nineteenth century “legal formalism”); Milton Handler & Charles Pickett, Trade-Marks and Trade Names – An Analysis and Synthesis: Part I, 30 COLUM. L. REV. 168, 168-70 (1930) (explaining the technical differences between trademarks and trade names);
was limited by views of consumer care. Prior to 1900 trademark law applied a reasonable person standard. Courts expected consumers to pay not just attention, but “careful attention,” to the purchase. If, after such an investigation, a purchaser was confused, infringement might be found. But courts rejected the idea that the law should protect the “negligent,” “indifferent” or “careless” consumers. Trade names, however, were different.

Personal names, geographic terms, and descriptive terms fell under the category of trade names, were considered part of common language, raised the concern over a “monopoly” over common language, and were treated differently. They could not be registered but could gain protection if the term in question had acquired secondary meaning. Trade-names cases sought to balance public and private interests, and unfair competition law governed that analysis.

But we must recognize that the understanding of competition was not the same as it is today. Unfair competition was a tort claim and sought to regulate morality of the marketplace by preventing fraud. The standard for infringement was quite narrow. Intent to infringe was required. If a business sued another for unfair competition, the plaintiff had to show real, direct competition between the plaintiff and the defendant.

HOPKINS, supra note 62, at § 4 (opining that trademark rights are “broader and by far . . . more valuable” than rights to a trade-name).

67 Id. (discussing Partridge v. Menck, 2 Sand. Ch. 622 (N.Y. Ch. 1846) as an exemplar of the need for consumers to pay “attention” to purchases).
68 Id. at 7-8.
69 Desai & Rierson, supra note 4, at 1812.
70 McClure, supra note 60, at 313-317 (explaining monopoly concerns and rationales for differing treatment of technical trademarks and trade-names).
71 Desai & Rierson, supra note 4, at 1812.
73 See Bartholomew supra note 66, at 5 (“Trademark law in the nineteenth century sounded in tort and . . . [c]ourts maintained that the goal of trademark law was “the promotion of honesty and fair dealing” between competitors.”); McClure, supra note 60, at 314; accord HERBERT HOVENKAMP, OPENING OF AMERICAN LAW at 123 (2014 (noting mid-nineteenth century view of tort law as stemming from “original moral duty, enjoined on every person, so to conduct himself or exercise his own rights not to injure another.”) (citation omitted).
74 See Bartholomew supra note 66, at 6 (“if a plaintiff could not demonstrate that a defendant purposely intended to infringe, no relief would be granted”); McClure, supra note 60, at 314 (“proof of fraudulent intent was typically a prerequisite for relief”). This perspective can be found in early English case law, which required fraudulent intent and looked to protect the public from passing off. Id. at 311-312; but see Desai & Rierson, supra note 4, at 1814 (noting that over time the requirement “was applied inconsistently with most courts eventually adopting . . . [the view that] “an actual fraudulent intent need not be shown if the necessary and probable tendency of defendant’s conduct is to deceive the public and to pass off his goods or business as that of the plaintiff. ...” (citations omitted).
75 See Actual competition as necessary element of trademark infringement or unfair competition, 148 A.L.R. 12 (1944) (“It has been frequently stated that there cannot be unfair competition unless there be in fact competition; that generically the term “unfair competition” presupposes a real competition, present or prospective, of some kind; and that to invoke the aid of a court of equity the plaintiff must show that there is competition.”) (citations omitted).
Direct competition was narrow. Products had to be the same. To be competitors, the businesses had to go after the same customers, in the same area, at the same time. A lack of any of these elements meant competition was lacking. The harm from unfair competition was trade diversion or passing off. Modern ideas of harm such as to goodwill and reputation was not enough harm to gain relief. If one’s business was not diverting trade from another, there was no problem. For example, two businesses could be offering the same goods or services but in different geographies and so not be in competition.

Courts that adhered to the narrow view of competition were quite restrictive in granting plaintiffs relief, and the results would be quite foreign to anyone with a modern view of corporate powers, trademarks, and infringement. For example, today, if someone tried to operate Haagen-Dazs Milk Company, one would expect that Haagen-Dazs, the ice cream company, would sue and likely win to stop that use. The names are quite similar; and milk and ice cream are dairy products, so people might be confused about whether the same company was behind both offerings. Yet when Borden’s Condensed Milk Co. tried to sue Borden Ice Cream Company for use of the name Borden, the court denied relief. Borden, the milk company, sold many milk products including a malted milk ice cream for consumers. The defendant set up Borden Ice Cream Company, and its charter authorized it “to manufacture and sell ice cream, ices and similar products.” The ice cream company sold to commercial institutions. The ice cream company was not subtle in its designs on the Borden name. The main operator had been in the ice cream business, subscribed to 47 of the 50 shares in the company, and found someone named

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76 See Bartholomew supra note 66, at 8 (“[A]n advertiser could only block the infringing use of a trademark on products identical to its own. The Trademark Act of 1905 prohibited only those uses of an existing trademark on “merchandise of substantially the same descriptive properties as those set forth in the registration.” This language was derived from common law cases holding that infringement could only occur when the defendant used the mark on the same class of goods as the plaintiff.”).

77 See supra note 75 (“Actual or direct competition, as the term is used in this annotation, exists where the litigants solicit the same trade from the same customers in the same territory at the same time.”).

78 Id. (“Actual or direct competition in that sense does not exist where the litigants, although operating in the same geographical area, do not offer the same kind of goods or services or do not solicit trade from the same kind of customers, or where the litigants, although engaged in like lines of business, do not operate in the same geographical area.”)

79 See e.g., McClure, supra note 60, at 314 (noting American trademark law began from the torts of fraud or deceit which was also known as “passing off.”).

80 Cf. See Bartholomew supra note 66, at 5 (distinguishing nineteenth century trademark goals of tort and moral trade regulation with “protecting an absolute right in brand-name goodwill or safeguarding the public interest”).

81 See supra note 75. This idea reappears in Dawn Donut Co. v. Hart’s Food Stores, Inc., 267 F. 2d 358 (2d Cir. 1959) which imported the common law rule that until the senior user had in fact entered the geographic area where the junior user operated, the senior user could not obtain an injunction. Accord Carter, supra note 1, at 790.

82 See e.g., Fleischman Distilling Corp., v. Maier Brewing Co., 314 F.2d 149, 160 (1963) (sale of Black & White beer would likely cause confusion with Black & White Scotch whiskey because both are “in the alcoholic beverage industry”).

83 See Borden Ice Cream Co. v. Borden’s Condensed Milk Co., 201 F. 510 (7th Cir. 1912); see also Bass, Ratcliff & Gretton, Ltd. v. Henry Zeltner Brewing Co., 87 F. 468, 468 (C.C.S.D.N.Y. 1898), aff’d, 95 F. 1006 (2d Cir. 1899) (finding ale and lager to be “different article[s]” in suit for trademark infringement).

84 Borden, 201 F. at 510.

85 Id.
Charles F. Borden to subscribe to one share of stock for which he had not paid.\textsuperscript{86} The entire plan seems to have been to use Charles Borden to defend the strategy of using Borden for an ice cream business that would benefit from the milk company’s reputation.\textsuperscript{87} The Seventh Circuit Court of Appeals acknowledged that the name, Borden, was “a trade-name of great value, identified almost universally with the business of milk and milk products of the appellee and its predecessors.”\textsuperscript{88} The court also recognized that “The trade-name ‘Borden,’ or the word ‘Borden,’ constitute[d] one of the principal assets of the appellee, and [was] widely known and identified with the good will and public favor enjoyed by it throughout the United States.”\textsuperscript{89} Borden had a mark. The court recognized it but didn’t find infringement.

The key question was whether the companies competed with each other, and that inquiry shows how charters informed the analysis. The court looked to the milk company’s charter and denied it relief, because the companies were in different lines of business, and their products did not cross over. The court saw commercial ice cream as a separate product than all of the milk company’s products including malted ice cream for consumers.\textsuperscript{90} Borden, the milk maker, argued that it was authorized under its charter to make commercial ice cream and might one day do so.\textsuperscript{91} The court stated that until the authorization had been acted on, the intention alone was irrelevant as only the act of using Borden on ice cream mattered for the assertion of rights over the name for a given product.\textsuperscript{92} Thus the charter helped assess the reach of the trademark claims and whether there was the potential for competition. Even if the charter allowed a corporation to enter a business area, the corporation still had to engage in the business area in question for there to be competition and actionable harm.\textsuperscript{93}

Charters also informed whether competition was even possible. For example, in \textit{Ricker v. Portland & R. F. RY},\textsuperscript{94} the Supreme Court of Maine looked to corporate charters and the ultra vires doctrine and found competition was impossible when the disputants were not allowed to be in each other’s market. The court stopped a hotel from asserting its trademark claim over the name Poland Spring against a railroad company operating Poland Springs Junction, a railway station four miles from the hotel. The plaintiff described the mark’s history, sales, and renown, just as a modern trademark

\textsuperscript{86} \textit{Id.}
\textsuperscript{87} Cf. \textit{Id.} at 514 (“Doubtless it is morally wrong for a person to proclaim, or even intimate, that his goods are manufactured by some other and well-known concern; but this does not give rise to a private right of action, unless the property rights of that concern are interfered with. The use by the new company of the name ‘Borden’ may have been with fraudulent intent.”)
\textsuperscript{88} \textit{Id.} at 512.
\textsuperscript{89} \textit{Id.}
\textsuperscript{90} \textit{Id.} at 514 (“By making commercial ice cream the appellants do not come into competition with the appellee.”).
\textsuperscript{91} \textit{Id.}
\textsuperscript{92} \textit{Id.}
\textsuperscript{93} Lemley and McKenna read Borden as related to the small markets of the era and trade diversion. See Lemley and McKenna, \textit{supra} note 7, at 422-423 (arguing Borden turned on the “tight fit” between “source confusion” and “trade diversion”). Given the court’s stated acknowledgement of Borden’s national prominence, I offer that the case is better understood as a late example of the reliance on corporate mandates and charters to examine whether a charter authorized entry into a market and followed by assessing whether entry occurred so that infringement was possible. The distinction was about market segments more than geography.
\textsuperscript{94} 90 Me. 395, 38 A. 338, 339 (1897).
plaintiff might do to show the existence, validity, and strength of a mark. The mark referred to “a spring of water known as the ‘Poland Spring,’ which water is of great medicinal and commercial value, and has been for upwards of thirty years; that it is widely sold throughout the United States and foreign countries.” The court agreed that the plaintiff had a trademark, but the court denied relief, because the mark had “not been infringed upon, nor threatened to be infringed upon, by the defendant.” In assessing whether there was competition, the Court looked to the defendant railroad’s corporate charter that was narrow and explicit: “for the transportation of persons and merchandise, as a common carrier, and only for that.” The defendant was not even allowed to enter the business of the plaintiff, because it would be ultra vires for it to do so, and that indicated no competition was at hand. The defendant in Ricker could, as a practical matter, engage in practices beyond its powers, but then it would have two problems. It would be acting ultra vires and would be in competition with the plaintiff. Until that competition existed, the plaintiff had no claim. Unlike Borden, the milk company, which was authorized to engage in ice cream-making, the defendant in Ricker did not even have the power to engage in competition. As matter of law, it was beyond the power of the corporation to compete in that space. Charter analysis could be inverted to apply to a plaintiff. In one case, a plaintiff sought to enforce its claim on a trademark but did not have the corporate authority to operate in the defendant’s market. The Supreme Court of Pennsylvania explained, “The business the complainant is engaged in, and seeks to appropriate the name for, is ultra vires, and it has no standing in a court of equity for relief by injunction.” So unlike the Borden plaintiff, this one could not bring its claim ever, as it did not have the power to engage in competition with the defendant.

Although the claimed power in a charter mattered, charters did not have to be exactly the same to find that corporations were operating the same business, and the claimed harm had to relate to the charter’s strictures. Thus, in Philadelphia Trust, Safe Deposit & Ins. Co. v. Philadelphia Trust Co., the defendant argued its corporate charter was not an exact match to the plaintiff’s to defeat a claim against the defendant’s use of the name, Philadelphia Trust Company, and failed. The defendants pointed to some variances in the two charters to show that the two companies were not in competition. The court rejected that argument, because the charters provided the same

95 See e.g., Zattarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 795 (5th Cir. 1983) (examining “advertising, volume of sales, and length and manner of use” to assess strength of mark).
96 See id. at 339. (offering further “that it is of great value, both because of the patronage which it draws to said hotels, and because of its wide sale”; that it has been for many years sold “under the name of ‘Poland Spring Water,’ or ‘Poland Water, Natural Mineral Spring Water,'” and that said name is of great value “as a trademark”; and that “by reason of the reputation of the water from said spring, and of the popularity and reputation of said hotels,” the tract of land has been for many years, and still is, known as “Poland Spring” or “Poland Springs.”).
97 Id.
98 Id. (“It would be ultra vires for it to enter upon the business of bottling, shipping, and selling water, or to enter into any commercial business not necessary and incident to its business of common carrier.”).
99 Id. (“Until it does or threatens to do this, the complainants are not injured, and have no cause for an injunction upon that ground.”).
100 Id.
102 123 F. 534 (1903).
corporate powers regarding the business activities at issue; and the two in fact offered the same services in the same geographic area.¹⁰³ In simple terms, the two competed. The charters informed what could be done, and then the court looked to what acts the defendant had taken as proof of actual, direct competition.

Charters also bounded defenses to competition claims. A defendant could claim that a plaintiff was acting ultra vires and so had unclean hands. Given the power and purpose of the ultra vires doctrine, one might think that any proof of ultra vires acts would suffice. The ultra vires claim, however, had to relate to the “the commission of ultra vires acts by a complainant, which [] connected with the subject-matter of the relief it was seeking in equity” or the claim would fail.¹⁰⁴ Again the charter defined the scope of the dispute and the powers of the corporation. Obtaining a charter did not, however, sanctify all corporate actions.

For example, the corporate charter could not work a fraud.¹⁰⁵ This question came up in context of choosing the name of the corporation. “A corporation chooses its own name. It does it with a view to the business in which it is presently to engage. It is therefore charged with the duty of not selecting a name for fraudulent purposes.”¹⁰⁶ The Supreme Court of Florida put it this way “In assuming its name, a corporation acts at its peril. Its organizers are charged with the duty of selecting a name, which will not result in material deception. … A corporate name, although derived through authority of the state, cannot be used in a manner which will result in fraud or deception.”¹⁰⁷ Corporations of course choose names beyond the corporate name; they choose trademark names.

As with corporation names, courts would not honor a trademark claim if the trademark perpetrated a fraud. In Joseph v. Macowsky, a plaintiff made razors stamped with “Queen’s Own Co., Sheffield” to allow the razors to be “known in the market, and easily identified, and their origin known.”¹⁰⁸ The plaintiff sued the defendant alleging that it had made razors stamped “Queen’s Own.”¹⁰⁹ The plaintiff had “endeavor[ed] to make the public believe that his razors were manufactured in Sheffield,” because “[c]utlery,

¹⁰³ Id. at 541 (“Many of the powers above cited from the charters of the two corporations are substantially alike, if not in all instances expressed in ipsissimis verbis, and can be exercised in the same territory.”). The defendant pointed to differing management structures, but the court held that those differences did not relate to “corporate power.”) Id.
¹⁰⁴ American University v. Wood, 216 Ill.App. 189, 197 (1919); see also Warshawsky & Co. v. A. Warshawsky & Co., 257 Ill. App. 571, 582 (1930) (explaining in a defense of unclean hands based on ultra vires acts, the acts must relate to controversy at hand).
¹⁰⁵ General Film Co. of Missouri v. General Film Co. of Maine, 237 F. 64, 67 (1916) (“the act of taking out a corporate charter, although it invokes the authority of the state, cannot be made use of for purposes of fraud.”)
¹⁰⁶ Id.
¹⁰⁷ Children’s Bootery v. Sutker, 91 Fla. 60, 72 (1926). The court noted “An individual will be enjoined, in proper cases, from the fraudulent or deceptive use of his own natural name. With even greater justification will an artificial person, a corporation, be enjoined from such a use of a corporate name voluntarily chosen by it.” Id.; accord Home Insulation Co. v. Home & Bldg. Insulation Co., 175 Okla. 428 (1935) (there is an absolute right to use a “name honestly and reasonably in his own business” … But he cannot use his name in such a way that it plainly appears that he has resorted to some contrivance or artifice which is intended to produce an impression upon the public that his establishment, business or firm, or the goods which he is selling, are the same as that of another, and thus produce injury beyond that which results from similarity of the names).
¹⁰⁸ Joseph v. Macowsky, 96 Cal. 518, 519 (1892).
¹⁰⁹ Id.
manufactured in Sheffield had a wide reputation for excellence,” but the plaintiff’s razors were not made there. In another case a whiskey maker’s “trademark” on its bottles had “Old Joe, V. O. S. Rye Whiskey,” the name and location of the “Proprietors,” and “a likeness of a human head and bust.” The defendant had used bottles “similar in size, shape, and appearance” to the plaintiff’s and the label had “Old Jack, J. W. E. Rye Whiskey,” the name and location of the “Proprietors,” and “an illustration of a man’s head and bust.” Given the similarity of the names, the products, and the packaging, one might think the defendant would be found liable. Yet, the court did not reach the infringement question. Instead, the court stated that a trademark suit operated “to prevent fraud upon [the plaintiff] and upon the public, and a party invoking its aid must himself be free from fraud.” Prevention of fraud was important regardless of who created the fraud, including someone who asserted trademark rights: “Any material misrepresentation, therefore, in a label or trade, as to the person by whom the article is manufactured, or as to the place where manufactured, or as to the materials composing it, or any other material false representation, deprives a party of the right of relief in equity, although the respondents’ conduct is without justification.” The defendant presented evidence that “irresistibly” showed that the plaintiff’s label misled the public about the quality and nature of the whiskey. As such, the plaintiff could not claim its mark in the first place. Its harm to the public undermined any claim for harm to the plaintiff’s interests.

The question of ingredients and fraud in trademark tracks issues in the ultra vires and fraud issues in corporate law. In both cases one could lose one’s claim or in the extreme find that the corporation or trademark was null. A contract case shows how powerful this idea could be. In Petrolia Manufacturing Co. v. Jenkins, a soap maker had contracted with a supplier for soap with a particular percentage of petroleum. The soap maker refused to accept the soap, because the soap did not have a sufficient level of petroleum, as it believed it had specified in the contract. The soap maker was worried about the petroleum, because of “the necessity of protecting his trade-mark.” He competed with other soap dealers that “threatened [] prosecution for failing to have his soap conform to his filed statement.” He sued the supplier to receive the soap as

110 Id. at 520.
111 Id. at 521.
112 J.W. Epperson & Co. v. Bluthenthal et al., 149 Ala. 125, 126 (1906).
113 Id. at 127.
115 149 Ala. at 132.
116 Id. The defendants also argued and showed that what had been sold as very fine old rye was neither very fine old nor rye. Id. at 128-129; cf. American University v. Wood, 216 Ill.App. 189, 208-209 (1919) (denying plaintiff relief because its business operated a fraudulent “Great University”).
117 51 N.Y.S. 1028 (1898).
118 Id. at 1029.
119 Id. at 1030.
120 Id. at 1030-1031.
ordered and as such to protect his mark’s validity. The court held that the contract was not specific regarding the petroleum content and that the soap maker was in breach of the contract. The dissent disagreed and looked to the relationship between the formula for the soap and the trademark as evidence of what the contract required:

Experiments had been made in the manufacture of soap in which a considerable portion of petroleum had been used, and apparently with success; and the defendants, in registering their trade-mark, evidently contemplated a soap which would contain a substantial quantity of petroleum. It was this soap—a soap that would comply with the trade-mark which the defendants had registered, a soap which would be a petroleum soap, containing a substantial amount of petroleum—that the plaintiff’s agreement required it to make.

Even though the plaintiff lost, the logic behind the plaintiff’s suit is what matters here and shows the need for a firm to live up to what was stated in its filings. If one invested in a particular way to make something, the registration of the trade-mark would reflect that method of manufacture; it had to. Failing to live up to those claims opened the plaintiff to claims that could negate the mark at issue. According to the dissent, given that the supplier knew these details, they also knew the nature of the soap it was asked to make. Inquiring whether the supplier’s soap could work as well as what the soap maker wanted was not the correct question, because the supplier was giving “soap that [the maker] did not want and could not use.” The soap maker might have received a better quality of soap but still “could not” use it because of the trade-mark requirements. In not providing soap compliant with the trade-mark needs, the supplier had not lived up to the contract.

Issues regarding business purpose, competition, and trademark overlapped. Courts looked to charters to see what a corporation could do, which in turn informed whether competition was at hand, which in turn required an examination of defenses, which led back to the charters and questions about whether the charter permitted competition. In addition, companies had to be sure not to perpetrate fraud. Claims about goods as reflected in labels and trademarks had to be honest. The location of manufacture and the ingredients mattered to establish a mark, to assess whether the mark was accurate, and to maintain the mark. These connected concerns take us to the idea of goodwill.

C. Limited: The Goodwill-Place-Use Connection

The concept of goodwill appears in partnership, corporation, and trademark law, and further shows that core ideas in this area began with limited views of entities’ nature.

121 Id. at 1033.
122 Id. at 1037.
124 51 N.Y.S. at 1038.
125 Id.
126 Id. (“when the plaintiff refused to furnish [a soap which complied with the order that they had given, I think it was the plaintiff that broke the contract, and not the defendants”].
In the early 1800s, goods and services were locally made, sold, and bought. A buyer went to a seller’s place of business and knew that seller. A buyer could perhaps see a blacksmith, silversmith, or potter’s shop area. Apothecaries mixed medicines on site. The person, the inputs, and the place of business were in the same spot and fairly transparent to the seller. The place of business and goodwill were intertwined. Courts routinely looked to real property locations and leases as the physical, but inseparable, part of goodwill. As A.S. Biddle said in his 1875 review of the concept of goodwill, the idea that goodwill was “purely local seems to have been firmly rooted.” Good will went with the place of business and the things needed to operate it. As another court said, “the good-will of an inn or tavern is local and does not exist independently of the house in which it was kept.” The connection between location and good will was tight. As one court explained, “the good will of a concern (so far as it is local and arises from an established place of business), while it cannot well be divided, may be sold.” But that sale had to be of a going concern; not as part of a winding up of the business. The business itself had to persist at that location and operate in the same way for a sale of good will to make sense in this view. As with the idea that a partnership consists of exactly the partners who created the partnership, the goodwill and the actual operation of a business traveled together; without that ongoing operation, there was no good will to convey.

Looking at the idea of goodwill and corporations reveals that the charter once more played a role. The statement of business purpose in a company’s charter was so important that it shaped the idea of what line of business constituted a corporation’s existence and what acts triggered shareholder rights. In Fisk v. Toys & Novelties Pub Co., the plaintiff argued that a sale of some assets was in reality a sale of all assets and if so, she was entitled to certain appraisal rights. The answer to the question of her rights turned on the nature of the sale, which included the nature of the goodwill sold. The sale was for two publications, “the names and the good will in connection with said publications; and all such other assets as are a part of and essential to the future business of publishing said publications and any of them.” The definition of the good will and the “essential” assets included intellectual property (e.g., trademarks and customer lists)

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127 See Bone, supra note 5, at 575.
129 Id. (“I cannot separate the good-will from the lease.” “[T]he good-will attached to the lease of the premises formerly occupied by the partners.”) (citations and quotations omitted)
130 A.S. Biddle, Goodwill at 23 AM. L. REG. 1, 3 (1875).
131 Williams v. Wilson, 4 Sand. Ch. 379, 380-381 (1846) (when partnership ended, receiver had to “sell immediately, the lease of the premises where the business was conducted, with the good will of the business and the movables which belonged to the institution.”).
132 Elliot’s App., 10 P. F. Smith 161, Read, J.; accord Biddle, supra note 130, at 3 (quoting same); Dougherty v. Van Nostrand, Hoff. Ch. 68, 70 (1839) (“It is difficult to see how the good will, consisting of the habit of the trade being carried on in the same place, can be distinguished and separated from the lease of the house.”) (quoting Crawshaw v. Collins, (15 Vesey, 224).
133 Woonsocket, 11 R.I. at 299.
134 Biddle, supra note 130, at 2 (quoting Wedderburn v. Wedderburn, 22 Beav. 84)
135 259 Ill. App. 368(1930).
136 Id. at 376-377.
137 Id. at 371 (emphasis in original).
and physical assets needed to conduct the business. The court found that the company’s sale of the good will related to calendar making was not in the ordinary course of business, because that sale would prevent the corporation from ever engaging in its line of business. The charter was to be in the calendar business and acts that turned the business into something else triggered shareholder rights. Once the good will—the sum of the essential physical and intangible aspects of the calendar business—was sold, the company could no longer make the calendars and that “would, therefore, be corporate suicide to a certain extent, and to that extent a sale or abandonment of the charter.” The corporation had to stay in the business as set out in the charter, and that business was defined by the things needed to conduct it.

A modern corporate manager, shareholder, and scholar would be shocked at the way goodwill and charters intersected and limited the nature of businesses. Charters were explicit contracts “between the corporation and its stockholders.” Corporations, their directors, or shareholders who stepped beyond that charter breached “the contract between the corporation and each one of its stockholders.” If such a breach occurred, any stockholder could object and require that the corporation adhere to the charter. If the corporation was a going concern, a stockholder could “prevent the sale of all the corporate property … and, even where a dissolution [was] the purpose in view, [] if the corporation [was] a prosperous one, such a sale [could not] be made.” Only when the sale was a true end of the business was such a sale allowed. Instead of a profit-maximizing entity, free to pursue the best business outcomes possible as determined by the board and executives, the corporation was locked into its original business objectives and powers and couldn’t be sold unless the sale was to discontinue the business. As odd as this view may seem today, the era is coherent.

D. Lessons

Business realities informed the theories and limits on firms. Concerns about the ability to amass wealth, beliefs about the nature of a partnership or a corporation, and the
nature of how business was done connected to create a system of limited entities with limited powers. Business was a local enterprise, and the law sought to manage the needs of that realm. At first, these restrictions did not hinder the growth of industry. Early English industrialists such as Richard Arkwright (textiles), Abraham Darby (iron), and Josiah Wedgwood (pottery and stoneware) stuck with the partnership approach, because capital investment was small and raising money for a factory was not difficult. Early United States business people favored partnerships as well. For example, John Jacob Astor who ran American Fur Company, employed a “handful of people”, and his main office had a “few clerks working in a room the size of a hotel suite.” Yet when he died in 1848, his estate was valued at about $20 million making him the richest man in America at that time. In addition, some viewed limited liability as “a weakness rather than a strength, because it would lower the commitment of the partner-owners.” Smaller, limited entities and business needs fit well with limited views about the nature of business and competition. But that world was coming to an end.

As the facts changed—i.e., the arrival of capital, market, and managerial needs of large scale operations such as rail, oil, electricity, and retail—new views emerged. The nature and theory of firms, competition, and marks and were debated until finally old views gave way to the ones with which we are familiar.

II. UNLIMITED: EXPANDED CONCEPTIONS OF FIRMS AND MARKS

As business practices changed, the limited view of entities and trademarks changed to accommodate business realities. Confronted by the limits of the aggregate approach to partnerships, partnership law moved to an entity view that better addressed the realities of business practices. Corporate law also moved to a less limited view—the classical model—of corporate power. As corporate law and business practice expanded, competition and trademark law adjusted to accommodate companies making, advertising, and selling their goods and services on a national and international scale.

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147 MICKLETHWAIT AND WOOLDRIDGE, supra note 54, at 796-799.
148 Id. at 1029-1032.
149 Id.
150 Id.
151 See Rosin, supra 34, at 400-40 (discussing history and fights between Dean Crane and Dean Lewis regarding the entity and aggregate conceptions of partnerships).
152 See e.g., Donald J. Weidner, Three Policy Decisions Animate the Revision of Uniform Partnership Act, 46 BUS. LAW. 427, 470 (1991) (“RUPA attempts to respond to the practical problems experienced under the UPA.”).
153 Hovenkamp, supra note 10, at 1595 and 1597. As Hovenkamp explains, some of the developments that led to the rise of the classical view of corporations also “undermined the theory” and led to the emergence of a new era corporate regulation. Id. at 1597.
A. Expansion: New Firms and New Powers

The debates about the nature of partnerships and the evolution of theories underlying partnerships reveal an ongoing struggle to meet business needs and a decision to let partnerships operate more like a corporate entity. Recall that the standard view of partnerships was that they were an aggregate and so when a partner joined or left, the firm vanished. The common theme in debates about partnerships was that the aggregate view did not address the reality and practical necessities of a changing economy. As Judge Learned Hand put it:

The whole subject of partnership has undoubtedly always been exceedingly confused, simply because our law has failed to recognize that partners are not merely joint debtors. It could be straightened out into great simplicity, and in accordance with business usages and business understanding, if the entity of the firm, though a fiction, were consistently recognized and enforced. Like the concept of a corporation, it is for many purposes a device of the utmost value in clarifying ideas and in making easy the solution of legal relations.

This view was picked up during the revision of the Uniform Partnership Act (UPA). As Donald Weidner, a drafter of the Revised Uniform Partnership Act, explains, three major policy choices inform RUPA: abandoning the aggregate theory in favor of the entity theory of partnerships, changing dissolution rules so that a partnership could survive as partners joined and left, and embracing “the supremacy of the partnership agreement” rather than relying on “mandatory rules among partners.” Thus the RUPA sought to “straighten[] out into great simplicity, and in accordance with business usages and business understanding” a more corporate view of partnerships. Some have argued that the UPA took a hybrid approach with implicit entity changes creeping into the law depending on “particular factual and policy context application.” That view supports the point that the law was trying to accommodate business realities and mitigate the problems of a pure aggregate view. Despite those who adhered—maybe as a matter of
principle—to the idea that the UPA operated under the aggregate view, the entity view was taking hold as matter of practice. For those who adopted the RUPA, partnerships explicitly had an independent existence that could be easily modified to meet the needs of business practices and realities “of a society far more complex than that existing when the UPA was adopted.”\textsuperscript{161} That point tracks the expansion of corporate existence and powers.\textsuperscript{162}

The business practices and needs that challenged partnerships were more acute for corporations and pushed them to become general-purpose entities engaged in all manner of business. The limited views of corporate capabilities came to an end, and corporate powers expanded. Limits on who could create a corporation and what the entity could do went away. In this world ultra vires was bound to die. The doctrine of ultra vires made some sense if one understood the corporation to be a special entity created by the state for a specific public purpose.\textsuperscript{163} Charters authorized any act within the law.\textsuperscript{164} Another part of the shift was the idea that corporations were legal entities. Although there is a current debate about legal personhood for corporations and the extent to which that status confers rights similar to natural persons,\textsuperscript{165} the original legal fiction helped solve a problem.\textsuperscript{166} Under the previous view of the corporation, the corporation was an association of people and if one wanted to sue a corporation, one had to sue the shareholders. Recall that federal diversity jurisdiction was often defeated, because it was difficult to find “complete diversity between all plaintiffs and defendants.”\textsuperscript{167} By recognizing the legal fiction of corporate personhood, corporations could sue and be sued.\textsuperscript{168} Once that position took hold, other changes removed shareholders from personal liability, and that idea opened the door to the separation of ownership and control that underlies modern views of the corporation.\textsuperscript{169} Together these changes opened the door to increased capital flow, which fostered change across the economy.\textsuperscript{170}

The rise of the large corporation spanning across states and requiring large capital investments in industries such as steam, shipping, rail, kerosene, oil, and electricity altered the nature of business.\textsuperscript{171} Recall that early British and American industrialists

\textsuperscript{161} Weidner, \textit{supra} note 152, at 470 (“RUPA attempts to respond to the practical problems experienced under the UPA.”).


\textsuperscript{163} Hovenkamp, \textit{supra} note 10, at 1663.

\textsuperscript{164} See e.g. 8 \textsc{Del. C. §} 1-101(b) (“A corporation may be incorporated or organized under this chapter to conduct or promote any lawful business or purposes, except as may otherwise be provided by the Constitution or other law of this State.”); MODEL \textsc{BUS. CORP. ACT} § 2.02(b) (“The articles of incorporation may set forth … provisions not inconsistent with law regarding…the purpose or purposes for which the corporation is organized”).

\textsuperscript{165} See e.g., \textit{supra} note 45 and sources cited therein.

\textsuperscript{166} Hovenkamp, \textit{supra} note 10, 1599.

\textsuperscript{167} \textit{Id.} at 1598.

\textsuperscript{168} \textit{Id.}

\textsuperscript{169} \textit{Id.} at 1600.

\textsuperscript{170} Hovenkamp admits that limited liability is not about pure classical theory where each player must pay for the full consequences of their acts but is instead a “pragmatic” solution to address the “perceived a ‘market failure’ in the capital market.” \textit{Id.} at 1656.

\textsuperscript{171} See Thomas J. DiLorenzo, \textit{The Origins of Antitrust: An Interest Group Perspective}, 5 \textsc{Int’l. Rev. Law. Econ.} 73, 77 (1985) (stating “There is no doubt that economic conditions were changing very rapidly in the latter part of the nineteenth century.” and detailing rise of rail, steel, cement, telecommunications, and industrial society).
found that partnerships served their needs well enough as they were able to raise capital and build a factory.\(^\text{172}\) The crucial change was the railways, and their demands for large amounts of capital. That shift began in England in 1830 when the Liverpool-Manchester line, the world’s first regular passenger railway, opened.\(^\text{173}\) In the U.S., access to capital allowed rail to grow to 31,000 miles of track by 1860.\(^\text{174}\) Rail was a far cry from the small, though wealthy, enterprises that came before. As rail grew and cost structures prompted consolidation, rail took on sizes comparable to and greater than national government. For example, in 1891, the Pennsylvania Railroad employed 110,000 people, 2.75 times the nearly 40,000 of the entire U.S. army, navy, and marines.\(^\text{175}\) That corporation had a “capitalization of $842 million”—only $155 million less than the total U.S. debt at the time.\(^\text{176}\) The changes in how business ran and employment practices were not limited to rail. New companies such as Standard Oil, Sears and Roebuck, Montgomery Ward, and U.S. Steel also required capital, which was raised on the stock market.\(^\text{177}\) Rather than a small group owning and controlling these entities, the public began to own stock traded on a public market. Managers may not have owned the companies as before, but they had to run these organizations including employing huge numbers of workers, creating the world of professional management, instituting internal benchmarking practices, and building national networks of suppliers.\(^\text{178}\) Allowing a corporation to accumulate capital and undertake almost any act was, however, not enough to unleash all corporate potential.

Despite the expansion of what a corporation was and could do, other areas of the law such as property and tort had to be, and were, altered to accommodate new corporate power, management, and activity. Even notions of property fell before the impetus to promote economic activity by corporations. Corporations of the time created much, but those creations often destroyed others’ property as they “trespassed on or flooded the lands of others.”\(^\text{179}\) A system where one could prevent others from “interfering with one’s quiet enjoyment of one’s property” became one where one could develop one’s property “regardless of the injurious consequences to others.”\(^\text{180}\) The states where industrialization and corporations flourished were also where negligence arose as a way to limit strict liability for harm to private property. That removed “the crushing burden of damages” the new entities faced as they deployed their new businesses.\(^\text{181}\) These changes helped, but managers were still open to liability for taking risks until the advent of the business judgment rule. And by the end of the nineteenth century, the business judgment rule had taken hold.

\(^{172}\) See supra notes 147 to 149 and accompanying text.
\(^{173}\) MICKLETHWAIT AND WOOLDRIDGE, supra note 54, at 888-890.
\(^{174}\) Id. at 1054.
\(^{175}\) Id. at 1090-1092.
\(^{176}\) Id. at 1090-1092.
\(^{178}\) MICKLETHWAIT AND WOOLDRIDGE, supra note 54, at 1023-1025.
\(^{179}\) Hovenkamp, supra note 10, 1656.
\(^{180}\) HORWITZ, supra note 41, at 99.
\(^{181}\) Id.
By shielding managers from liability expect in the most egregious cases of negligence, the business judgment rule completes the picture of expanded corporate ability to raise and use capital. An early iteration of the rule stated that managers are not liable for a breach of fiduciary duty as long as they are acting within the charter. 182 With charters allowing any acts within the law, it would seem that managers would never be liable for mismanagement. That is incorrect, but arguably close to accurate. The standard became gross negligence. 183 As one treatise summed up:

1. Where directors are clothed with a discretion, they are not responsible to the corporation for damages flowing from an exercise of this discretion, however erroneous their exercise of it may have been. 2. In respect of their ministerial duties, they are not responsible to the corporation for anything short of gross negligence, non-attendance, and fraud, whereby frauds have been perpetrated, or the property of the corporation embezzled or wasted. 184

Rather than the constricted, do-what-we-contracted-for view of the manager, we now had one with broad discretion. 185

New views of what a corporation was and could do altered the nature of corporate existence and power. The limited liability structure that allowed shareholders to invest but capped their risk to the amount invested enabled greater capital accumulation in firms. 186 These changes fit with the move to an entity run by professional managers who decided what a given corporation should pursue and in that sense use the money of investors as the managers saw fit. Rather than a world where the charter bound managers and shareholder expectations ruled whether a corporate act was permitted, managers had, and have, the freedom to pursue wealth maximization and business strategies. By design, almost anything a corporation wished to do was possible. 187 The corporation and the law governing it had evolved.

B. Expansion: New Views of Competition and Marks

Competition moved from a view of regulating morals in trade via tort law to an economic concept informed by new businesses and new practices. That change reveals

183 Hovenkamp, supra note 10, 1668.
184 3 S. Thompson, Commentaries on the Law of Private Corporations § 4105 at 2996-97 (emphasis in original) (1st ed. 1895)
185 See Horwitz, supra note 41, at 98 (noting the shift to a standard where a chartered company did not exceed its authority “unless it acted carelessly”).
186 Hovenkamp, supra note 10, 1656 (“Limited liability greatly facilitated the flow of capital into new investments by allowing an entrepreneur with $50,000 in assets to invest $1,000 in a new incorporation without risking the other $49,000.”).
187 Cf. Horwitz, supra note 41, at 99-101 (arguing that the changes in the law were a “legal subsidization” of corporate activity as it saw fit and that placed the costs of that activity on “weakest and least organized groups in American society”).
that we may “keep using that word, but [it doesn’t] mean what we think it means.”

Competition in economics was not “explicit[ly] and systematic[ally]” theorized until 1871. Before that, competition for Adam Smith “connoted only the independent rivalry of two or more persons.” Smith’s view can be understood as “a race” for either “limited supplies” or to unload “excess supplies.” Smith’s example for this type of race—two grocers bidding against each other—maps to the sort of competition of his era—two local firms offering the same goods in the same area. It also fits with a Jeffersonian idea of yeoman citizens or what was later called “small dealers and worthy men.” Economics of the era viewed markets as monopolistic or competitive; there was “very little conception of ‘degrees’ of competition.” This binary view also tracks the legal notion that there was either direct competition based on the facts and legal powers of a corporation or there wasn’t. Changes in business challenged these premises.

Businesses such as rail, steel, and national retailing required expensive investments, but those outlays reduced costs and created a competitive advantage, i.e., economies of scale. Andrew Carnegie learned this fact from his work at Pennsylvania Railroad and applied it to his companies Keystone Bridge Works and U.S. Steel. In his words, “To make ten tons of steel would cost many times as much as to make one hundred tons. … The larger the scale of the operation, the cheaper the product.” Thanks to rail, goods that used to take three weeks to move the roughly seven hundred fifty miles between Chicago and Philadelphia now arrived in “a couple of days.” Companies such as Sears and Roebuck or Montgomery Ward could offer almost anything a consumer could want “from guns to stoves” directly and quickly. These new sellers applied scale to retail. In 1905 Sears and Roebuck’s mail-order plant was the largest building in the world and used a special system—entailing rail tracks, elevators, conveyors, chutes, and pneumatic tubes—to handle order fulfillment. Instead of local dealers and manufacturers, national ones were now possible and taking hold. In the three

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188 The Princess Bride, (MGM/United Artists 1987); see also George J. Stigler, Perfect Competition, Historically Contemplated, 65 J. Pol. Econ. 1, 1 (1957) (noting competition is used by general population and so complicates precision regarding its meaning within economics); Barak Orbach, Was the Crisis in Antitrust a Trojan Horse?, 79 Antitrust L.J. 881, 897 (2014) (showing that Robert Bork “used modern economic insights” to justify his explanation of Sherman Act goals at the time the act was written); see also Thomas J. DiLorenzo, The Origins of Antitrust: An Interest Group Perspective, 5 Int’l. Rev. Law. Econ. 73, 74 (1985) (“There is evidence that the Sherman Antitrust Act may never have been intended to promote competition.”).

189 See George J. Stigler, Perfect Competition, Historically Contemplated, 65 J. Pol. Econ. 1, 1 (1957)

190 Id.

191 Id. (quoting Adam Smith, Wealth of Nations, 126, 342 (Modern Library ed.)).

192 Id.

193 The phrase “small dealers and worthy men” comes from a key case in anti-trust law, United States v. Trans-Missouri Freight Ass’n, 166 U.S. 290, 326 (1897). For the connection between this view and Jefferson’s view of the yeoman see supra note 20, and sources cited therein.

194 Hovenkamp, supra note 18.

195 Id. at 325-326.

196 MICKLETHWAIT AND WOOLDRIDGE, supra note 54, at 1121-1123.

197 Id.; accord Hovenkamp at 324-325 (“In sum, fixed costs created production “economies of scale” whenever per-unit costs were lower in firms that operated at high rates of output.”).

198 MICKLETHWAIT AND WOOLDRIDGE, supra note 54, at 1096-1097.

199 Id. at 1014-1018.

200 Id.
decades from 1840-1870, the economy went from local “wheeling and dealing” to large wholesaling to mass retailing.201

The issues economic theorists addressed once they engaged with modern competition tracked new problems stemming from new business practices.202 For our purposes, whether a given theory was correct is not the question. Rather it is the fact of the debates and the issues that spurred the work that shows how the nature of business pushed theory and policy. Theorists such as Chamberlin, Cournot, Ricardo, Jevons, Marshall, and Robinson addressed different aspects and assumptions of competition.203 Marginal costs were a large issue. Theorists argued that classic competition was not the norm in industries with economies of scale. Fixed costs and scale economies dictated that firms could not price at the competitive level.204 The economic theories of the late nineteenth and early twentieth centuries held that such firms would be driven to overproduction and “ruinous competition” as prices would be forced so low that they could not cover a firm’s fixed-cost investments.205 This view indicated that perhaps mergers and monopolies should be allowed. Although this outcome would mean small dealers and competitors would be driven out, it would allow a firm to obtain economies of scale, keep prices low, but still make a profit. Other work examined the way in which product differentiation and entry barriers defeated the ruinous competition view.206 Still others looked to how large fixed-cost industries (e.g. factory-based ones) affected labor by tending to move wealth to capital instead of labor.207 High fixed costs. Product differentiation. Entry barriers. Effects on labor. These are not the issues of a local shop or ones of simple, pure competition. These issues travel with large entities capable of large capital expenditures, employing large numbers of people, and selling at statewide, national, and international scale.208 Trademark law followed a similar path.

Trademark law began with common law and state-by-state statutes but as industry grew to national scale and employed advertising and branding to sell their goods and services, trademark law changed into the federal legislation that is the basis for today’s

201 Id.
202 Hovenkamp, supra note 18, at 317.
203 Id. at 318.
204 See e.g., HOVENKAMP, supra note 73, at 198 (“Edward Chamberlin’s ground-shifting book on Monopolistic Competition (1933) pursued the relationship between IP rights and product differentiation. Existing theory, which assumed homogenous products, saw firms as competing in price so strenuously that they were unable to recover their fixed costs. As a result, collusion, monopolization, or ruin seemed inevitable”).
205 See e.g., Id.
206 Hovenkamp, supra note 18, at 320.
207 Id. at 327-328.
208 As Lawrence Anthony Sullivan has argued these changes altered society, and many disciplines and ideas other than economics influenced the debates. See Lawrence Anthony Sullivan, Economics and More Human Disciplines: What Are the Sources of Wisdom for Antitrust?, 125 U. Pa. L. Rev. 1214, 1219-1221 (1977) (“The changing perceptions of and attitudes about antitrust that ultimately affect its content—and I am speaking very broadly here of the views and attitudes of the bench, the bar, the legislative and executive branches, and the constituencies of business, labor, and consumers affected by the law—are interrelated with changes in social and political attitudes that have affected other American institutions as well.”); accord Herbert Hovenkamp, Distributive Justice and Antitrust Laws, 51 GEO. WASH. L. REV. 1, 16 (1982) (“Yet much of the antitrust laws’ legislative history and a good deal of antitrust jurisprudence call for a multi-valued policy—for example, that antitrust policy should promote high output and low prices generally, but tend toward fairness or distributive justice in close cases”).
trademark law. A call for federal trademark legislation was made as early as 1791;\textsuperscript{209} federal legislation, however, did not progress.\textsuperscript{210} The economy did not have a large manufacturing sector, and so such a law was not needed.\textsuperscript{211} As argued in Federalist XI, the country, the United States, was needed in part as a way to have central management of international trade, because the colonies offered “the markets of three millions of people” which were growing fast. But this growing country was “for the most part exclusively addicted to agriculture, and likely from local circumstances to remain so.”\textsuperscript{212} As late as 1829 a study described manufacturing in the United States as:

carried on in little hamlets, which often appear to spring up in the bosom of some forest, gathered around the waterfall that serves to turn the mill wheel. These villages are scattered over a vast extent of country — from Indiana to the Atlantic, and from Maine to North Carolina — instead of being collected together, as they are in England, in great manufacturing districts.\textsuperscript{213}

Again, this picture is not one of firms competing in large markets, but rather of “races” for resources and the narrow reach of goods and marks based on small operations and local, on-going businesses. The reason to have such a federal statute stemmed from business conditions but was for regulation of international trade by other “manufacturing nation[s]” trying to reach the “important” consuming markets in the U.S.,\textsuperscript{214} not for the benefit of American manufacturing, which was nascent at best.\textsuperscript{215} But as industry grew, the need and rules for marks grew too.

Rather than pure common law, legislation cropped up to organize trademark law and practice and allow it to work for changing business realities. States moved faster than

\textsuperscript{211} Report of the Commissioners Appointed to Revise the Statutes Relating to Patents, Trade and Other Marks, and Trade and Commercial Names, under Act of Congress Approved June 4, 1898 at 93 (Government Printing Office 1902) (hereinafter “Report of the Commissioners”), ("The commercial conditions of the time were not such as to create any general demand for such a law as was suggested in Jefferson's report") at http://en.wikisource.org/wiki/Dissenting_Report_of_Mr._Greeley_With_Reference_to_the_Revision_of_the_Trademark_Law#cite_ref-39
\textsuperscript{212} FEDERALIST XI.
\textsuperscript{213} Report of the Commissioners Appointed to Revise the Statutes Relating to Patents, Trade and Other Marks, and Trade and Commercial Names, under Act of Congress Approved June 4, 1898 at 93 (Government Printing Office 1902) (hereinafter "Report of the Commissioners"), (“The commercial conditions of the time were not such as to create any general demand for such a law as was suggested in Jefferson's report") at http://en.wikisource.org/wiki/Dissenting_Report_of_Mr._Greeley_With_Reference_to_the_Revision_of_the_Trademark_Law#cite_ref-39
\textsuperscript{214} FEDERALIST XI.
\textsuperscript{215} MICKLETHWAIT AND WOOLDRIDGE, supra note 54, at 834-835 (noting by 1800 there were 335 business corporations but “Manufacturing and trading companies made up only 4 percent of the total”).
the federal government. Between 1845 and 1865 eleven states including New York, Pennsylvania, and Massachusetts, had passed statutes governing marks used in trade.\textsuperscript{216} Despite early legislative problems at the federal level, the number of trademark registrations under the various, early federal systems indicates that trademarks were seen as important.\textsuperscript{217} Registrations went from four hundred ninety-one in the first year of the 1870 Act to more than ten thousand five hundred in the first year of the 1905 Act.\textsuperscript{218} After the Act’s passage, thousands of registrations were issued each year.\textsuperscript{219} As registrations went up under the 1905 Act, so did litigation.\textsuperscript{220} Firms registered trademarks, and then firms sued potential imitators and competitors to protect those brands.\textsuperscript{221} The embrace of federal trademarks mapped to the new business practices of the era.

Firms had begun to use advertising and branding as part of offering national goods and services, and the new federal trademark law protected and supported those efforts. The marketing industry explicitly discussed the new trademark law as creating “a golden age” where “every commodity of large consumption will have its market leader firmly entrenched by advertising.”\textsuperscript{222} Materials from 1904-1914 show that “Advertising agencies, trademark lawyers, and others” urged clients to develop unique brands and advertise them to develop national brands and so that consumers would not think of the source of goods but instead ask for the brand by name all across the country.\textsuperscript{223} The purpose of this activity was to get around local retailers and middlemen who ran general stores or larger retail outfits and to reach consumers directly.\textsuperscript{224} All these new business practices raised a question: What is the best way understand and organize the laws governing competition and trademarks?

**C. Expansion: New Ideas About Welfare, Goodwill, and Consumers**

Changes in business needs created fundamental shifts in how the law fostered economic development.\textsuperscript{225} Jeffersonian yeoman business practices and the laws that supported them gave way to new ideas about corporate, property, and competition law.\textsuperscript{226} When development was just starting in the U.S., simple rules ensuring “economic certainty” for businesses and a property law system that fed “monopolistic development

\textsuperscript{216} See Rogers, supra note 23, at 41-42.

\textsuperscript{217} Federal legislation was attempted in 1870 and an act banning counterfeiting was passed in 1876, but both failed to follow Jefferson’s recommendation from almost eighty years before that federal legislation should be limited to interstate and foreign trade. Thus the Supreme Court invalidated the acts. Later iterations fared better with the 1905 Act being a major point in trademark legislative history. Id.

\textsuperscript{218} Id. at 43; see also Petty, supra note 23, at 89-90.

\textsuperscript{219} See Petty, supra note 23, at 90.

\textsuperscript{220} Cf. Rogers, supra note 23, at 43 (noting relationship between new advertising and branding practices and increase in litigation”).

\textsuperscript{221} See Petty, supra note 23, at 90-91 (2011) (noting Nabisco stopped almost 900 “imitative” marks and Coca-Cola’s claim to “driven 7,000 imitators into ‘the copy cat’s graveyard’”).

\textsuperscript{222} Id. 91.

\textsuperscript{223} See Rogers, supra note 23, at 43; see also Petty, supra note 23, at 91-92.

\textsuperscript{224} See Deven R. Desai & Spencer Waller, Brands, Competition, and the Law, 2010 BYU L. REV. 1425, 14-1441 (discussing shift in branding practices as a way to reach consumers directly).

\textsuperscript{225} HORWITZ, supra note 41, at 109.

\textsuperscript{226} Id. at 109-111.
by enforcing the exclusionary privileges of first entrants” co-existed.\textsuperscript{227} Both public and private law “applied anticompetitive rules of priority.”\textsuperscript{228} They also granted “freedom from competitive injury.”\textsuperscript{229} But as the economy continued to grow, this approach set up barriers to further economic growth.\textsuperscript{230} When new mills competed with old ones, turnpikes with common roads, bridges with ferries, and railroads with canals, incumbent corporations claimed special privileges against competition as part of their quasi-public nature.\textsuperscript{231} These problems upended assumptions about corporations, property, and competition. A key question was “whether the power to exclude competition was inherent in the general right of property or instead represented a more limited grant of public privilege.”\textsuperscript{232} According to Horwitz when faced with restrictions and power based on the old system, courts found ways to reject ideas about protection from competition and absolute property rights in favor of economic progress and utilitarian analysis.\textsuperscript{233} That outcome did not mean, however, that all agreed about how best to achieve such progress. The new winners in the new economy forced debates about trusts and fair competition.\textsuperscript{234}

The new antitrust laws struggled to define competition and answer whether policy should protect “small dealers and worthy men”—the Jeffersonian vision—or adhere to a view of individual liberty supported by strong property rights, freedom of contract, and classical economics.\textsuperscript{235} The first vision sought to maintain a “rough equality” amongst competitors as a way to maintain perfect competition and cut off the power of “industrial concentration,” which was fueled by the second vision.\textsuperscript{236} These strains of thought came out during the debates surrounding the passage of the Sherman Antitrust Bill—a bill that bears Senator Sherman’s name but not the words of his original bill.\textsuperscript{237} This fact raises a few points. First, although Robert Bork has argued that the antitrust bill was devoted to a modern notion of economic efficiency that he equated with his view of consumer welfare, many scholars have shown that his presentation is inaccurate as matter of history.\textsuperscript{238} Second, the historical debate is important to understand the policy tensions, but the results of the time did not resolve the issues once and for all. Examining the early debates provides no normative guidance, for history alone does not do that.\textsuperscript{239} Instead, it shows

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\item \textsuperscript{227} Id. at 110.
\item \textsuperscript{228} Id.
\item \textsuperscript{229} Id. at 111.
\item \textsuperscript{230} Id.
\item \textsuperscript{231} Id. at 114, 119-122.
\item \textsuperscript{232} Id. at 110.
\item \textsuperscript{233} Id. at 130-132; accord Hovenkamp at 123, 129-130.
\item \textsuperscript{234} See e.g., See Thomas J. DiLorenzo, The Origins of Antitrust: An Interest Group Perspective, 5 INT’L REV. LAW. Econ. 73, 75-77 (1985) (examining interest groups’ efforts to maintain their position against new trusts and cartels and the tensions between lower prices and older businesses’ difficulty in meeting those prices, i.e., compete).
\item \textsuperscript{235} See Peritz supra note 20, at 301; accord Crane, supra note 26.
\item \textsuperscript{236} See Peritz supra note 20, at 301.
\item \textsuperscript{237} Id. at 13-14; accord Hovenkamp, supra note 208, at 16.
\item \textsuperscript{238} See infra notes 311 to 317 and accompanying text. As we will see, the Chicago School vision of firms and competition also took over and animated trademark law.
\item \textsuperscript{239} Cf. Hovenkamp, supra note 208.
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the facts and tradeoffs at stake that may inform current debates. Given that these tensions were working themselves out in major areas of the law such as property, nuisance, negligence, and competition, it should come as no surprise that trademark law followed a similar path.

As the economy changed, trademark law also encountered challenges. The intersection of national manufacturing and distribution with advertising altered the idea of goodwill. The world and view of goodwill and trademarks went from “local rural communities, [where] goodwill tended to attach to individual persons or small shops”—goodwill tied to local place and personal reputation—to one somehow generated by an anonymous corporation “removed at great distance from the ultimate consumer.”

National corporations competed for customers by using advertising to reach consumers directly. National magazines such as Harper’s and the Saturday Evening Post might carry more than one hundred pages of advertisements that helped turn “Ivory Soap, Welch’s Grape Juice... Kodak, and a host of other products and brand names into household words.” Advertising shifted from emphasizing utilitarian product information to psychological persuasion designed to produce emotional effects, shape consumer preferences, and create new demand. As Robert Bone has argued, this “psychological approach tightened the connection between advertising, goodwill, and trademarks.” Furthermore, the belief was that firms built goodwill. Firms invested in advertising and used it to fashion consumers, thus logically, firms invested in and created goodwill just as they might invest in a factory or office building. Some looked at this possibility and argued that goodwill was property created by the labor of the firm and owned by the firm. This view included a belief that the firm had “a moral right to reap all the benefits of the resulting goodwill, and the greater its investment, the more goodwill it created and the stronger the case for protecting its trademark.”

Changes in business practices fueled other changes in trademark law that further expanded trademark’s reach and further supported business practices of the time. Recall that infringement began by requiring that a reasonable, “careful shopper” be confused

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240 Cf. JOHN WHITT, THE ACCIDENTAL REPUBLIC 21 (2004) (“the paths ultimately taken in [in tort law] were the contingent outcomes of encounters between there alternatives, institutions, and individual men and women of American law.”)
241 HORWITZ, supra note 41, passim.
242 Cf. McClure Competition History at 14 (“The history of trademark law may be understood in the context of broader currents in legal philosophy and as reflecting historical changes in legal thought characteristic of other areas of law.”). I agree with McClure’s work and add to it by showing the connection amongst business practices, corporate, competition, and trademark law.
243 See Bone, supra note 5, at 576-577.
244 Id. at 576, 579.
246 See Bone, supra note 5, at 580-581.
247 Id. at 582.
248 Id.
249 Id. (“If advertising through trademarks could be used to manipulate consumer response and shape demand, it was possible for a firm to control its goodwill directly and predictably, simply by adjusting its advertising expenditures. Indeed, on this view, a firm could build goodwill in much the same way it built a building, by investing in the materials and tools needed for the task.”).
250 Id.
251 Id.
before imposing liability, courts rejected the idea that the law should protect the “negligent,” “indifferent” or “careless” consumer. By the late 1800s, as trademarks were being described as property and the goodwill theory arose, intent dropped away as a necessary part of an infringement action. Instead of the careful, rational, investigating consumer, courts saw trademark as protecting “not the cautious, experienced, or discriminating purchaser, but the average, ordinary, and unwary customer.” Courts thought of consumers as “hasty, heedless, and easily deceived” and as “that vast multitude which includes the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyze, but are governed by appearances and general impressions.” This view has persisted in trademark law and is now the norm. Furthermore, the requirement of direct competition was loosened. Despite the 1905 Act’s requirement that infringement required that the goods in question had to have the “same descriptive properties,” a series of cases found infringement despite products being far afield from each other (e.g., Yale locks versus Yale flashlights and batteries). These changes supported and flowed from the advent of national advertising. Rather than consumers facing limited choices in local shops where neighbors and corner retailers informed buying decisions, consumers now lived in a hectic, modern city world filled with an abundance of choices in a city or within a single department store. Aggressive advertising designed to promote goods and using psychological and emotional pleas rendered this busy, average, unthinking or manipulated consumer unable to process information like consumers of the past. As we shall see, the changed standard as

252 See Bartholomew supra note 66, at 7.
253 Id. at 7–8.
254 See Desai & Rierson, supra note 4, at 1814 (noting intent requirement “applied inconsistently, with most courts eventually adopting what the Supreme Court of Georgia characterized as the “better view” that “an actual fraudulent intent need not be shown if the necessary and probable tendency of defendant’s conduct is to deceive the public and to pass off his goods or business as that of the plaintiff. . . .”) (citing Saunders System Atlanta Co., Inc. v. Drive It Yourself Co. of Georgia, 123 S.E. 132, 136 (Ga. 1924); McGraw-Hill Pub. Co. v. American Aviation Associates, 117 F.2d 293, 296 (D.C. Cir. 1940) (“Unfair competition in the trade name field is not concerned with intent or plan; it is enough if the acts of the defendant in light of plaintiff’s reputation result in an unfair benefit to the former”)).
258 See e.g. Graeme W. Austin, Trademarks and the Burdened Imagination, 69 Brook. L. Rev. 827, 887 (2004) (“[O]rdinarily prudent consumers have also been characterized as ‘credulous,’ ‘inexperienced,’ and ‘gullible.’” (footnote omitted) (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 23:93 (4th ed. 1996))).
260 See Bartholomew supra note 66, at 11.
261 Id. at 12-16.
262 Id. at 10-11 (tracing cases and evolution of standard from “careful inspection” to protecting “vast multitude which includes the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyze, but are governed by appearances and general impressions”)(citations omitted).
263 Cf. Beebe, supra note 2, at 2035, 2038.
applied aids producers more than consumers. For now, the claim in this view was that the standard had to be lowered to protect the hasty, uncritical, credulous purchaser.\textsuperscript{264}

 Nonetheless, some questioned the effects of new trademark practices and theories. The goodwill-as-property idea faced scrutiny. Goodwill’s expansion beyond a connection to a physical place and operation made any natural rights, formal approach to trademark as property difficult to maintain from within that view,\textsuperscript{265} and the legal realists attacked goodwill as “transcendental,” formalist nonsense.\textsuperscript{266} Neither camp could justify or reconcile practices and shifts with their respective theories. In addition, some picked up on the possibility that trademarks would lead to brand-loyalty and allow firms to raise prices and prevent competition by creating barriers to entry.\textsuperscript{267}

 These tensions appeared in legislative and scholarly arenas. Concerns about trademarks and monopoly power started by economists Chamberlin and Robinson entered the Congressional debate over the proposed law that would become the Lanham Trade-Mark Act of 1946 and on which today’s federal trademark law is based. Those ideas fueled the Justice Department’s efforts to curtail broad trademark rights.\textsuperscript{268} Passage of the Lanham Act did not settle the debate. For example, in perhaps one of the earliest statements about trademarks having two functions, an informational and persuasive one, Ralph Brown connected trademarks with the growing power of advertising and argued that “From the view of the economic purist, imparting information is the only useful function of advertising” and that protecting trademarks “informational value” is “legitimate.”\textsuperscript{269} Brown understood that persuasive advertising and trademarks could work together to differentiate products, raise prices, but rejected legal protection of the persuasive function as it over-focused on advertisers’ interests, raised prices, harmed consumers, and was “of dubious social utility.”\textsuperscript{270} In essence, Brown offered a view of trademarks as source identifying and championed legal protection of marks as information devices that lowered search costs and facilitated a better marketplace for consumers, but rejected broader protection for the persuasion function which today would be called product differentiation or branding. This view might thus be an early iteration of today’s Search Costs School.

 From around 1940 to 1960 courts also struggled with the potential monopoly and competition issues trademarks raised.\textsuperscript{271} As Robert Bone has shown, the tensions played

\textsuperscript{264} See Bartholomew supra note 66, at 10-11 (tracing cases and evolution of standard from “careful inspection” to protecting “vast multitude which includes the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyze, but are governed by appearances and general impressions”) (citations omitted).

\textsuperscript{265} See Bone, supra note 5, at 585 (“According to established precedent, goodwill existed only as attached to a particular business and could be transferred only in connection with the sale of that business. … [This fact was] troubling for a late nineteenth and early twentieth century formalist, who believed that property was a natural law concept from which legal rules could be derived and that free transferability was an essential ingredient of property.”)

\textsuperscript{266} Id. at 586-587 (quoting Felix Cohen, Transcendental Nonsense and the Functional Approach, 35 COLUM. L. REV. 809, 815 (1935)).

\textsuperscript{267} See Bone, supra note 5, at 589-590.

\textsuperscript{268} See Lunney, supra note 2, at 368, 378-381.

\textsuperscript{269} See Ralph Brown, Advertising and the Public Interest: Legal Protection of Trade Symbols, 57 YALE L.J. 1165, 1168, 1185, 1187 (1948).

\textsuperscript{270} Id. at 1185, 1190.

\textsuperscript{271} See Bone, supra note 259, at 1320.
out across courts, but the Second Circuit Court of Appeals—because of its prominence and the high number of trademark cases it heard—was emblematic and important to understanding the issues. Judge Hand altered course from his decision in *Yale Electric* and in a series of cases held that trademark harm had to examine a mark holder’s reputational interests or possible interest in entering a defendant’s market against a defendant’s interest in using the mark. Hand did not, however, honor “abstract risk of reputation harm or a mere possibility of market entry” and instead “required actual reputation injury or actual plans to enter the market.” Hand also rejected property approaches to trademarks as leading to a monopoly problem. Judge Frank looked to an idea of consumer welfare as opposed to absolute interests of the mark holder. He also rejected property and free-riding arguments as formalistic. These approaches saw the inquiries as “gatekeeping” ones that limited potential monopoly harms and negated facile property and free-riding arguments. In contrast, Judge Clark looked to the Lanham Trade-Mark Act of 1946 and found no trouble with allowing infringement actions against non-competing goods or services. Offering views later echoed by the Chicago School approach to trademarks, Clark did not see trademark protection as creating anticompetitive problems in part because there were plenty of words for competitors to use. As Bone has put it, Clark held “in effect, that confusion by itself harmed consumers even when they ended up with a high-quality product at a lower price.” Clark also saw newcomers as free-riding on others’ efforts.

Thus two distinct strains of thought could be applied. One tried to use trademark law to protect consumers and enhance welfare by facilitating market transactions with better information and by limiting mark holders’ rights and reach as a way to curtail monopoly, promote competition, and lower prices. The other followed a modern approach under the Lanham Act, removed the direct competition requirement, rewarded advertising efforts, and did not mind higher prices. As Bone explains, the two views competed until the advent and triumph of the multi-factor likelihood of confusion test in the early 1960s. That test, which is the touchstone of modern trademark infringement, undermined the harm inquiries of Hand and Frank by collapsing them into a set of factors.

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272 *Id.* at 1321.
273 *Id.* at 1323.
274 *Id.* at 1323-1324.
275 *Id.* at 1325.
276 *Id.*
277 *Id.* at 1332.
278 *Id.* at 1328.
279 Best & Co. v. Miller, 167 F.2d 374, 378 (2d Cir. 1948) (“The resources of the English language are such that a defendant may be required without undue hardship to choose his own formula or slogan to exploit without riding upon the successful advertising of another.”). L&P at 274 (“the distinctive yet pronounceable combinations of letters to form words that will serve as a suitable trademark are as a practical matter infinite, implying a high degree of substitutability and hence a slight value in exchange”).
280 Bone, *supra* note 259, at 1328.
281 See e.g., Hyde Park Clothes, 204 F.2d at 228-29 (Clark, J., dissenting) (claiming “equal repugnance for the excesses of American advertising as for the attempts at a ‘free ride’ upon a business reputation built up by others”); LaTouraine Coffee Co. v. Lorraine Coffee Co., 157 F.2d 115, 119 (2d Cir. 1946) (stating that “one cannot ride upon another's coattails in the inevitable process of becoming bigger”).
282 *See* Bone, *supra* note 259, at 1329.
balanced against each other and in the name of eliminating “confusion alone.” That removed the “gatekeeping” power of the Hand and Frank inquiries and put in place “a vague and open-ended test, [giving] judges [] wide latitude to impose liability on questionable grounds—such as anti-free riding—as long as they can find a plausible confusion risk.”

Thus it is no wonder that today’s search costs adherents and trademark critics dislike the modern likelihood of confusion test. Regardless, the test makes sense when considered as part of the changes in corporate and antitrust law emerging from the Chicago School during the 1960s and later.

D. Lessons

Several shifts in law favored large corporate interests over consumers or “small dealers and worthy men.” Consider negligence and property law. In corporate law, the shift in negligence law shielded corporations from strict liability and shielded managers from liability except for gross negligence under the business judgment standard. Combined with charters that allowed corporations to pursue all legal acts, these changes allowed the corporation and its managers great leeway in choosing business activities and limited risk for those choices. In trademark the standard for infringement seems to track negligence in the corporate realm, because the standard went from finding harm only when careful consumers were confused to one where confusion by the careless was actionable. Both corporate law and trademark law move to the careless standard. Yet both outcomes favor the corporation over the consumer. By moving to the gross negligence standard for managers, the law allows firms to do as they please and leaves shareholders/consumers little recourse other than selling their stake or not buying goods as the main, if not only, practical remedy. The corporation comes out on top with more power to do as it wishes. When one assumes consumers are confused easily, competitor’s marks are more likely to be found infringing. As Professor Barton Beebe has noted trademark law offers two clashing views of the consumer—highly rational or inane.

The careful and rational consumer standard of old, narrows the scope of protection, because “an informed consumer is less likely to be confused and so the scope of protection for the trademark would be commensurately less. One is not confused when one can discern between two marks.” In contrast, the new view that assumes an unsophisticated, less informed consumer supports greater trademark protection albeit in the name of protecting the consumer. The effect is that instead of fewer cases where a trademark claim could succeed, the law expanded the possibility of infringement and thus the power of the incumbent mark holder. Again the corporation and its managers have

283 Id. at 1331-1334.
284 The Progressive Movement, of course, had its day, but as that era came to end, the shift away from its principles to offering more to corporations began and continued.
285 Desai, From Trademarks to Brands at 1030 (“Ironically, trademark law’s role has been to use consumers as a lever in prying trademark law away from consumer protection towards brand protection.”).
286 Beebe, supra note 2, at 2035, 2038.
287 Desai, From Trademarks to Brands at 1030 (“Ironically, trademark law’s role has been to use consumers as a lever in prying trademark law away from consumer protection towards brand protection.”).
288 Id. (noting Judge Hand “maintained that the judiciary had, in recent years, realized that a trademark holder had “a sufficient economic interest in the use of his mark outside the field of his own exploitation”).
greater room to operate, and consumers have few options other than not purchasing goods as a remedy.

Changes in property also aided corporate power and management freedom. Real property law switched from an owner’s power to prevent “interfere[nce] with one’s quiet enjoyment of one’s property” to the power to use one’s property almost “regardless of the injurious consequences to others.” This change aided corporations as their activities rubbed against and harmed others’ property. The goodwill-as-property idea also favored large, corporate mark holders. Instead of goodwill flowing from a consumer knowing the source of a good in deep way, because she knew a local shop, its proprietor, and the way a good was made, courts shifted the “anonymous source” doctrine. Under that doctrine, as long as some amorphous, unknown firm was behind the good and its mark, the firm’s mark was protected. This shift tracked the desire to reach national markets. Goodwill lost its tight location to a place. Firms could operate their factories far from consumers’ eyes. Reputation was built by investments in advertising and branding, which were rewarded with legal protection. Thus property offers another irony. On the one hand, property assumptions were relaxed to allow corporate development as opposed to individual real property rights. On the other hand, property rights were extended for a type of property, trademarks, that can provide much more wealth to firms than consumers.

As the world of local, known dealers gave way to large, branded ones, trademark law also relaxed its view of competing goods. Judge Hand captured the shift in Yale Elec. Corp. v. Robertson when he ruled that restraining the use of a mark on a non-competing good was merited, because firms had “a sufficient economic interest in the use of his mark outside the field of his own exploitation.” Even though Hand and others started to question and move away from that position, the shift took hold. The Lanhan Act entrenched these changes as it severed trademark law from previous doctrine. The change is seen in Fleischman Distilling Corp., v. Maier Brewing Co. where a whisky maker who made Black Label whisky sued a beer maker for using the name, Black Label. The trial court followed the logic of Borden and other charter-informed trademark cases and found “There is no real competition between plaintiffs’ Scotch whisky and defendants’ beer. This lack of real competition renders it unlikely that there is, or will be, any confusion as to source in the mind of a buyer.” The Ninth Circuit Court of Appeals reversed, because under the Lanham Act actual competition was not a requirement. The court applied the “the unskilled purchaser” standard and found that such consumers would have the “impression” that the beer “relates” to the whisky. This low threshold or intolerance for any confusion connects to letting a mark holder have greater room to use its mark beyond its current market. The court made this point when it cited Yale Corp. to support protection of a mark “outside the field of its own exploitation” and the idea that a use of a mark had to be “so foreign to that of [the senior user] as to insure

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289 Horwitz, supra note 41, at 99.
290 Deven R. Desai, From Trademarks to Brands, 64 FLORIDA L. REV. 981, 1010-1011 (2012).
291 See generally Bartholomew supra note 66.
292 Yale Elec. Corp. v. Robertson, 26 F.2d 972, 974 (2d Cir. 1928).
294 Id. at 151.
295 Id.
296 Id. at 161.
against *any identification of the two.* 297 The world of *Borden* was dead. Direct competition was no longer necessary to find infringement. Corporations could prevent non-competing entities from using marks on non-competing goods. These changes supported a new world that moved away from the Progressive Era’s attention to potentially anticompetitive outcomes to one supporting firm expansion and where trademarks could be used as a lever to aid in that effort.

In short, the decision in both corporate law and trademark law was to foster and support a certain type of economic activity. 298 The theoretical debates were not on whether economics should inform business, competition, and trademark law, but which economic theory should drive the analysis. 299 As we shall see, the clear winner in corporate and antitrust law, the Chicago School, is also the driver and winner in modern trademark law. That fact explains the seeming oddities in and expansion of trademark law.

III. AUTONOMOUS: FIRMS, COMPETITION, AND MARKS UNLEASHED

There is a missing link in trademark scholarship. The assumption that trademark law is about search costs and protects consumers is powerful, pervasive, and problematic. I argue instead that neoclassical views of the firm, deference to management, and competition underlie the core of modern trademark law. Understanding the origins of this view and the theoretical assumptions that go with it reveals the different ways the view supports the modern firm and its interests over all else. In short, those who adhere to the search costs view should not be surprised that trademark law is not directly about consumers, fosters expanded property rights in trademarks, and yields the same firm-centric results over and over again.

A. Autonomous: Modern Firms and Competition

The Chicago School’s neoclassical view of the firm and efficiency offers a world that unleashes firm autonomy on the faith that autonomous firms working within a market will maximize wealth. The Chicago School began in the 1950s, as a reaction to New Deal Era Progressive ideals, and by “the 1960s neoclassical economics gradually rehabilitated private markets, eventually concluding that most of them worked tolerably well, if not perfectly.” 300 By 1979 Richard Posner was able to say that the school went from being “regarded as little better than a lunatic fringe” to prevailing on its view of

297 Id. at 160.
298 HORWITZ, supra note 41.
299 See e.g., Brown, supra note 269, at 1168, 1171, 1176, 1195 (citing Pigou and Chamberlain for ideas about limiting advertising spending, allowing “unlimited imitation” to prevent production differentiation and price control as wasteful and a type of monopoly). These views lost in the end.
300 HOVENKAMP, supra note 73, at 314.
price theory\textsuperscript{301} or as Hovenkamp puts it, having “mainstream legitimacy.”\textsuperscript{302} The autonomous firm view is rooted in ideas from Ronald Coase’s \textit{The Nature of the Firm},\textsuperscript{303} which “had a pervasive influence on thinking about the structure of the business firm and the rationales for vertical integration.”\textsuperscript{304} In simplest terms, Coase offered that a firm must choose between making or buying a good or service, and the firm’s choice will turn on which option is cheaper.\textsuperscript{305} Market transactions are, however, expensive,\textsuperscript{306} because “using the market efficiently requires full and accurate information about prices, quality, and usability of the products and services offered by others.”\textsuperscript{307} After taking all costs into consideration, managers may pursue either option.\textsuperscript{308} Thus a steel company may choose to buy iron ore or own the source, contract for distribution or own trucks and rail, hire outside counsel or employ in-house counsel, and so on.\textsuperscript{309} The core point is that the firm is “absolutely driven by the neoclassical proposition that firms maximize their value.”\textsuperscript{310} These ideas connect to the Chicago School view of antitrust.

For the Chicago School, antitrust law is about a certain type of efficiency—total welfare—that flows from firm actions and is “the sole normative objective of U.S. antitrust law.”\textsuperscript{311} Robert Bork’s work was a key part of this effort, and the Supreme Court in \textit{Reiter v. Sonotone}\textsuperscript{312} adopted Bork’s view that “Congress designed the Sherman Act as ‘a consumer welfare prescription’—a view that 29 federal courts have followed.”\textsuperscript{313} The idea that antitrust’s only goal is to protect consumer welfare is now well entrenched and accepted.\textsuperscript{314} Daniel Crane explains the importance of the shift:

\begin{quote}
This singular normative vision provided foundations to the reorientation of antitrust law away from an interventionist, populist, Brandeisian, and vaguely Jeffersonian conception of antitrust law as a constraint on large-scale business power and toward a conception of anti-trust as a mild
\end{quote}

\textsuperscript{302} Hovenkamp, supra note 73, at 314.
\textsuperscript{303} Coase, The Nature of the Firm, 4 ECONOMICA (n.s.) 386 (1937).
\textsuperscript{304} Hovenkamp, supra note 73, at 316; see also Herbert Hovenkamp, Antitrust Movement and Rise of Industrial Organization 68 TEX. L. REV 105, 120-121 (1989) (“The most famous expression of the new classicism in industrial organization theory was Ronald Coase’s essay, \textit{The Nature of the Firm}”).
\textsuperscript{305} Coase, supra note 303, at 396-97; accord Hovenkamp, supra note 304, at 120.
\textsuperscript{306} Coase, supra note 303, at 390-392.
\textsuperscript{307} Hovenkmap, supra note 304, at 120-121.
\textsuperscript{308} TM and the Firm.
\textsuperscript{309} Hovenkmap, supra note 304, at 121.
\textsuperscript{311} Crane, supra note 26, at 835.
\textsuperscript{312} 442 U.S. 330, 343 (1979).
constraint on a relatively small set of practices that pose a threat to allocative efficiency.\textsuperscript{315}

Two points come out of this analysis. First, consumer welfare here relates to “allocative efficiency,” which, as we will see, is about total welfare. Second, as matter of policy, there are few cases when firm action merits interference. Both points are important for understanding how trademark law has reached its current state.

Regardless of whether one agrees with Bork and his followers’ definition of consumer welfare and/or the way they supported the claim that antitrust law was and should be about consumer welfare,\textsuperscript{316} that a particular view of efficiency was the goal is clear.\textsuperscript{317} The logic is that “[b]usiness efficiency necessarily benefits consumers by lowering the costs of goods and services or by increasing the value of product or service sold.”\textsuperscript{318} In this “framework ‘consumer welfare’ means ‘efficiency’.\textsuperscript{319}” But make no mistake, consumer welfare has only a “superficial association with the protection of consumers.”\textsuperscript{320} After all, this model is not solely concerned with lowering prices and increasing quality. The system claims that competition “permits individual consumers to determine by their actions what goods and services they want most.”\textsuperscript{321} But if firms use advertising and marketing strategies to increase demand and raise prices for otherwise fungible goods, that outcome also increases total welfare.\textsuperscript{322} Firms have more income, and consumers now have access to an image or perception they would have otherwise had.\textsuperscript{323} The system is just as happy if consumers value a good or service and pay more, regardless of how that happens.\textsuperscript{324}

Thus this consumer welfare ideal in fact serves increasing total welfare regardless of where the welfare goes—i.e. all surplus can go to the firm and that is not a problem in this view.\textsuperscript{325} The assumption is that competition allows for “maximum output … with the

\textsuperscript{315} Crane, supra note 26, at 835; see also Orbach, supra note 188, at 897 (critiquing Bork’s claims about Brandeian and common law antitrust).

\textsuperscript{316} See Orbach, supra note 188, at 886 (discussing the consumer welfare as a “Trojan Horse”); HERBERT HOVENKAMP, ECONOMICS AND FEDERAL ANTITRUST 49 (1985) (calling the “terminology” “little more than chicanery”).

\textsuperscript{317} See Crane, supra note 26, at 846.

\textsuperscript{318} ROBERT H. BORK, THE ANTITRUST PARADOX: A POLICY AT WAR WITH ITSELF at 7 (1978) (emphasis added).

\textsuperscript{319} Orbach, supra note 188, at 885.

\textsuperscript{320} Orbach, supra note 188, at 898; Orbach, supra note 314, at 134-135 (“In promoting “consumer welfare” as the object of antitrust law, Bork selected a phrase of great rhetorical power, because it combined popular appeal with a patina of economic erudition.”).

\textsuperscript{321} Bork and Wardman.

\textsuperscript{322} Cf. Economides, supra note 8, at 535 (arguing that advertising and branding that changes consumer perceptions is not wasteful, because they now have access to an image or perception they would have otherwise had); Hovenkamp, supra note 18, at 320, (noting power of differentiation to defeat ruinous competition but differentiated markets “tended to have excess capacity and to invest too much in product design and advertising”).

\textsuperscript{323} Economides, supra note 8, at 535.

\textsuperscript{324} But see Lemley supra note 7, at 1692 (accepting the argument that product differentiation can allow consumers access to “optimal brands for them” but questioning differentiation’s effect on what he sees as truly equivalent goods such as pharmaceuticals).

\textsuperscript{325} See Lawrence Anthony Sullivan, Economics and More Human Disciplines: What Are the Sources of Wisdom for Antitrust?, 125 U. PA. L. REV. 1214, 1218 (1977); Oliver E. Williamson, Allocative Efficiency and the Limits of Antitrust, 59 AM. ECON. REV. 105 (1969); Orbach, supra note 314, at 141, 147 (noting
resources at its command.”\textsuperscript{326} Firms need to be free to manipulate resources and strategies to achieve the greatest profits possible.\textsuperscript{327} That view fits Coase’s ideal of a firm choosing how to spend its money, in other words allocating resources, as it decides whether to make or buy goods or services as it seeks to maximize wealth.\textsuperscript{328} As Robert Lande put it, the phrase consumer welfare here is a less “honest term” than terms such as “total welfare,” “total utility,” or just plain “total economic efficiency,” but is powerful because “After all, who can be against “consumer welfare”?\textsuperscript{329} The consumer welfare claim is really that this increase in total welfare occurs, because competition “assists in achieving a prosperous society and permits individual consumers to determine by their actions what goods and services they want most.”\textsuperscript{330} As Barak Orbach explains, the belief is that “competition necessarily promotes allocative efficiency, which in turn is a driving force of prosperity, and, as such, it serves individual consumers as well.\textsuperscript{331}

Under this view, firms are better placed to manage resources and increase wealth, and so only rare cases support limiting a firm’s actions. This position adheres to an extension of Alexander Bickel’s passive virtues and a preference not to act.\textsuperscript{332} Whereas Bickel argued that courts should avoid ruling on vague statutes and defer to Congress, in antitrust the idea is that anything other than “efficiency and consumer welfare” is too vague to enforce.\textsuperscript{333} Non-interference is inherent to those lodestars. Rather than the legislature or courts shaping or acting on competition, the system defers to market forces as inherently meeting and responding to the requirements of “efficiency and consumer welfare.”\textsuperscript{334} By design, such a system seldom intervenes with business practices and has little fear of large businesses being able to harm consumers or tamp down competition.\textsuperscript{335} Trademark law follows this similar path of deference to the firm as part of wealth maximization.

that this view supports firms taking actions to increase a “consumer’s willingness to pay.”); cf. PERITZ supra note 20, at 239-240 (explaining Posner’s and other “Chicago Schooler’s” use of allocative efficiency is abut wealth maximization, a view that is in contrast to the way other economists talk about the concept).\textsuperscript{326} See Robert H. Bork and Ward S. Bowman, Jr., The Crisis in Antitrust, 65 COLUMBIA L. REV. 363, 365 (1965)
\textsuperscript{327} Id. (“Under a competitive regime, productive resources are combined and separated, shuffled and reshuffled in search for greater profits through greater efficiency. Each productive resource moves to that employment where the value of its marginal product, and hence the return paid to it, is greatest.”)
\textsuperscript{330} See Robert H. Bork and Ward S. Bowman, Jr., The Crisis in Antitrust, 65 COLUMBIA L. REV. 363, 365 (1965)
\textsuperscript{331} Orbach, supra note 314, at 143 (emphasis added).
\textsuperscript{332} See Crane, supra note 26, at 844 (showing the connection between Bork’s overall jurisprudence and Bickel’s work).
\textsuperscript{333} Id.
\textsuperscript{334} Id.
\textsuperscript{335} For a specific example of how non-interference works in antitrust law, see Sokol, supra note 313, at 1008 (explaining that three areas “maximum Resale Price Maintenance, non-price restraints, and Robinson-Patman violations” went from per se illegal to “de facto per se legal” and so enabled “more aggressive vertical behavior” by firms as there was now “little legal risk” to such acts).
B. Autonomous: Modern Marks

Modern trademark law operates as a subset of the Chicago School’s approach to firms and competition, and in that approach trademark law’s true goal is to enable the firm to maximize wealth. Although trademark law has embraced the idea that trademarks promote economic efficiency, there is a misunderstanding about trademark law’s current view of what drives efficiency and efficiency’s goal in trademark law. Stephen Carter offers, “Successful marks are like packets of information. They lower consumer search costs, thus promoting the efficient functioning of the market.” His concern is that as trademark law has been revised and modernized, it has strayed far from that function. Mark Lemley argues that as a matter of economic efficiency trademarks are justified because they “communicate useful information to consumers, and thereby reduce consumer search costs.” For him “the economic rationale for trademarks today is roughly the same as it was a half-century ago” when Ralph Brown offered his view of the economic justification for trademark protection. Those in this tradition of trademarks and economics can be called the Search Costs School. The Search Costs School focuses on trademarks information function, see that function as a sound economic justification for trademarks, and question the expansion of trademark protection beyond that. Yet, that approach misses the other, more fundamental goal of enabling firms to use trademarks to pursue a range of activities that run contrary to a pure search costs approach to trademarks. Part of the confusion stems from the fact that both the Chicago School and the Search Costs School invoke economics, efficiency, and use the phrase “search costs,” but the Schools diverge on what those words mean and how they work. In other words, modern trademark law, rooted in the Chicago School, sees trademark protection and reducing search costs as instrumental to wealth maximization but not as an end in itself or as part of consumer protection. Thus the Schools diverge on what welfare means and how it operates.

The difference between the Schools can be seen in William Landes’s and Richard Posner’s work on trademarks, which uses search costs to explain trademark law but in service of the Chicago School view of efficiency as wealth maximization. Landes and Posner offered their efficiency hypothesis as a continuation of their project to use a

336 See e.g., Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163-64 (1995) (“[T]rademark law... reduces the customer’s costs of shopping and making purchasing decisions, for it quickly and easily assures a potential customer that this item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past.”) (citing Landes & Posner, supra note 6, at 269, and Landes & Posner, The Economics of Trademark Law, 78 T. M. REP. 267, 271-272 (1988)); see also, supra note 2, and sources cited therein.
337 Carter, supra note 1, at 759.
338 Id. at 759-760 (“Too few ask the question, however, whether Federal trademark law is consistent with this theory.”).
339 Lemley supra note 7, at 1690, 1697.
340 Id.; see also Dogan & Lemley, supra note 2, at 786 (“trademarks contribute to economic efficiency by reducing consumer search costs”).
specific type of economics to explain the law.\textsuperscript{341} They claimed that trademark law, because of its roots in unfair competition law, is a species of tort law. They argued that like their claims about other tort law, trademark law “can best be explained on the hypothesis that the law is trying to promote economic efficiency.”\textsuperscript{342} The nature of efficiency here flows from a set of assumptions about the way trademarks function. In this view trademarks are protected, because that protection allows for the reduction of consumer search costs. As Landes and Posner put it, “[A] trademark conveys information that allows the consumer to say to himself, “I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier.”\textsuperscript{343} Thus in theory, protection of trademarks helps consumers and producers. Consumer choice is “facilitated,” because consumers know what they want and can rely on the mark to assure that the goods are genuine (i.e., no one or entity has passed off its goods as those of another).\textsuperscript{344} This basic aspect of trademark law—ensuring that we can buy a bottle of Coke or Tiffany diamond or Louis Vuitton bag and know that it is the article we wanted to buy—is needed, helps consumers, and protects the marketplace.\textsuperscript{345} If trademark law were truly limited to the information function, expansion might be less likely.\textsuperscript{346} But in the full Chicago School approach there is an additional claim about how the overall system works. Consumer-buying choices are supposed to feed price mechanisms and should help prevent “opportunistic” behaviors by producers.\textsuperscript{347} This formulation is “a remedy that is introduced into the ‘market’ to produce efficiency: this is the neoclassical thesis by definition.”\textsuperscript{348}

A key problem is that the Chicago School approach appears to ignore the way the legal protection of trademark leads to branding strategies that change the competitive arena, allows firms to compete on aspects other than price, and thus alters the assumptions of the search costs approach.\textsuperscript{349} The reality is that the Chicago School finds

\textsuperscript{341} Landes & Posner, supra note 6, at 265-266.

\textsuperscript{342} Id. By 2003 they updated their work and said, “Not only is trademark law highly amenable to economic analysis, but the legal protection of trademarks has a more secure efficiency rationale than the legal protection of inventive and expressive works.” WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW at Kindle Locations 2269-2270 (2003). Despite law and economics claim that the common law tends to reach efficient results, at least one study shows that this may not be supported empirically. See Anthony Niblett, Richard A. Posner, and Andrei Shleifer, The Evolution of a Legal Rule, 39 J. LEGAL STUD. 325 (2010).

\textsuperscript{343} Landes & Posner, supra note 6, at 269.

\textsuperscript{344} See e.g., Economides, supra note 8, at 526; accord Giovanni Ramello and Francesco Silva, Appropriating Signs and Meaning: The Elusive Economics of Trademark, 15 INDUST. AND CORP. CHANGE 937, 941 (2006).

\textsuperscript{345} Cf. Rebecca Tushnet, Gone in 60 Milliseconds: Trademark Law and Cognitive Science, 86 TEX. L. REV. 507, 517 (2008) (“Everyone agrees that trademark infringement—use of a mark in a way likely to confuse consumers about who is responsible for the quality of a product or service—is harmful.”).

\textsuperscript{346} See e.g., Deven R. Desai, Response: An Information Approach to Trademarks, 100 GEO. L.J. 2119 (2012).

\textsuperscript{347} See e.g., Economides, supra note 8, at 526; accord Ramello and Silva, supra note 344; cf. George Akerloff, The Market for ‘Lemons’: Quality Uncertainty and Market Mechanism, 84 QUARTERLY J. OF ECON. 488, 500 (1970) (arguing consumer can “retaliat[e] [against the brand] if the quality does not meet expectations.”)

\textsuperscript{348} See e.g., Ramello and Silva, supra note 344.

\textsuperscript{349} See Desai & Waller, supra note, 224, at 1426; accord Ramello and Silva, supra note 344.
these outcomes to be efficient. Branding allows a firm to both product differentiate and to turn a mark into a thing with value and desired on its own. Product differentiation is the use of advertising, design, and others means to make an otherwise interchangeable good different enough that consumers will pay a premium for the good. Rather than a system where information drives prices down, prices go up even for fungible commodities. Mark holders can also use persuasive advertising combined with product differentiation to alter consumers’ view of the mark and goods, if not create consumer demand as well. This tactic turns a given mark into a thing people wish to buy independent of the underlying good. But a trademark, as an information device, is not supposed to “be exchanged—[it is] an economic device accessory to the exchange.” That view comports with the historical claim that trademarks do not provide rights in gross but instead travel with a business, as was the case historically. Marks, such as Gucci, Prada, Coca-Cola, Mercedes, PanAm, Nike, The Lakers, or Star Wars, are not supposed to be things traded on their own, but of course, they are. The practice of merchandising or relaunching a bankrupt or defunct brand with nothing more than the trademark to start fits with a property approach to trademarks. These practices show that trademarks are indeed traded as goods independent of the underlying good or service. Rather having value as an indication of source that helps reduce search costs, the trademark has value on its own. People buy the sign, i.e., the trademark, not the good to which it is attached.

These practices smack of trademarks being treated as property, and some hold that trademarks should be understood that way. In this view, a mark is a created thing, built by labor, skill, and money and is now a commodity separate from the information function that trademark law claims to protect and require. This view is old. In 1925

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350 Cf. Hovenkamp, supra note 18, at 336-339 (discussing product differentiation as a way to create difference for otherwise fungible goods). CITE DESAI & DESAI WALLER ON SAME

351 See Desai & Waller, supra note 224, at 1427; Economides, supra note 8, at 532-533 (the “very competitive situation [of easy or perfect substitution] is not desirable ... firms will take steps to avoid it by differentiating their products in variety and quality dimensions.”); McClure, supra note 60, at 329-330 (detailing Edward Camberlin’s critique of trademarks and product differentiation allowing firms to defeat “price competition”), and cf. David Aaker, Measuring Brand Equity Across Products and Markets, 38 CAL. MANAGEMENT REV. 102, 114 (1996) (explaining differentiation creates ability to generate “price premium” over competitors).


353 See Economides, supra note 8, at 533-534 (acknowledging that perception advertising allows firms to create markets and control prices for “products identical in respects except in purely perceived features”) Lemly Common Sense admits this point. CITE

354 See e.g., Ramello and Silva, supra note 344, at 944 (emphasis added).

355 See Desai, supra note 290, at 1011-1019 (explaining that the quality requirements that are supposed to limit problems with treating trademarks as rights in gross have been relaxed to the point of meaningless).

356 Trademarks can be symbols indicating source but they are also signs such that a consumer may want to buy the sign, e.g., Nike on a T-shirt, for the Nike swoosh not because of the source behind the shirt. See Barton Beebe, The Semiotic Analysis of Trademark Law, 51 UCLA L. REV. 621, 669 (2004) (the “sign value is the source of [the mark’s] economic value.”).

357 Cf. McKenna, supra note 14, at 1848, 1873-896 (arguing that trademark law’s origins are natural rights-and property-based and that natural rights explains “a variety of longstanding doctrines” better than a “consumer protection rationale”); see also Ramello and Silva, supra note 344, at 948; accord Lemley, supra note 7 (criticizing property approach to trademarks); Desai, supra note 346, at 2020-2021 (criticizing a property approach to trademarks in favor of an information theory approach to guide trademark law).
Frank Schecter, at the time an attorney for the national clothing company BVD, argued that trademark law should protect “the creation and retention of custom, rather than the designation of source … and [] the preservation of the uniqueness or individuality of the trademark [because that is] of paramount importance to its owner.” The focus here is on the firm, its efforts, and protecting against free-riding, not consumers’ search costs. The logic is that the firm has labored to create its mark. Trademarks thus return to being property as they were in the formalist period of trademark law’s history. This view means that the holder has “exclusive rights” against the world and injury occurs regardless of intent or harm to a consuming public. The recent adoption of the dilution standard for famous marks in federal trademark law embraces this property approach. The essence of a dilution claim is that holders of famous marks can sue junior users “regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.” The property approach to trademarks, and especially dilution protection, is quite removed from the search costs rationale.

These outcomes—potentially higher costs, rent seeking, product differentiation, merchandising—should trouble a view of trademarks as information devices that aid in reducing search costs and one that holds that trademarks are not property, and yet Chicago School adherents easily dismiss these results. That is because the Chicago School view of trademarks is about much more than search costs.

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358 Frank I. Schecter, The Historical Foundations of the Law Relating to Trademarks 822 (1925)
359 On the co-evolution of branding and trademark law, see generally Desai, supra note 290.
360 See McClure, supra note 60, at 317-318 (“the development of the ‘property’ concept as a unifying principle in trademark law [] was the cornerstone of the rising structure of legal formalism in the late nineteenth century”).
361 See McClure, supra note 60, at 318.
363 15 U.S.C.A. § 1125(c) (2010). Federal dilution law has been revised since its initial passage in 1995. The original federal statute for dilution simply stated that the holder of a famous mark may bring a claim for dilution but only stated that the holder of the famous mark could obtain an injunction against the junior user of the mark if that use “causes dilution of the distinctive quality of the mark.” 15 U.S.C. § 1125(c)(1).
364 15 U.S.C.A. § 1125(c) (2010). Under the revised federal statute a claim may still only be brought by the holder of a famous mark, but now the junior user’s use must be “likely to cause dilution by blurring or dilution by tarnishment of the famous mark” for there to be a remedy under the cause of action.” 15 U.S.C.A. § 1125(c) (2010).
365 Landes and Posner’s claim that trademarks are information devices that function like property inherently presents a conflict about the nature of trademarks. Given the property bent of the claim and the criticism that property treatment of trademarks they offered that there is an unending supply of names so only in rare cases would allowing control over a name be a problem. Landes & Posner, supra note 6, at 272 (suggesting “the universe from which trademarks are picked is very large”); accord Carter, supra note 1, at 769 (“[For Landes and Posner], the set of marks appropriate to a given product category is practically infinite.”). Carter has shown why that claim fails. Id. at 769-771 (“As an empirical matter, marketers care quite a bit about which word or words are available for use as marks. The choice of mark is not ‘irrelevant.’ The idea that some marks are better than others plainly accords with intuition.”). To be clear, Posner has voiced concerns over dilution as possibly overreaching if it works on a “misappropriation” rationale rather than blurring or tarnishment as the statute requires. See Richard A. Posner, Misappropriation: A Dirge, 40 Hous. L. Rev. 621, 623 (2003). But his concerns are that this approach ignores his claims about more than enough supply of marks and would run against letting some marks become generic and thus useful to all.
The Chicago School sees search costs as instrumental to the School’s view of firms and competition; in other words the true goal is to grant mark holders the greatest range of options to maximize firm wealth through a mark. Despite invoking tort law to justify explaining trademark law by economic analysis, Landes and Posner’s analysis is one of property rights. And yet they also argue that the core idea of trademarks is that they reduce search costs. It may seem that their view is convoluted. After all, the tort of unfair competition is a far cry from the type of price theory and economic concerns that modern competition addresses. And one may wonder how a tort becomes a property interest that somehow relates to search costs. It turns out that the area of law under which trademarks is filed does not matter.

The core of the Chicago School approach is about wealth maximization as defined by that School’s peculiar view of consumer welfare and competition, not whether trademark is part of tort or property law. Judge Posner made the explicit connection between these ideals and trademark law in Peaceable Planet, Inc. v. Ty, Inc. He started by explaining that in general the “rationale” of rules limits their scope. He applied that idea to trademark doctrine and said, “[When] none of the purposes that animate the [trademark] rule is present, and application of the ‘rule’ would impede rather than promote competition and consumer welfare, an exception should be recognized.” Thus the “rationale” and “purpose” behind trademark law are the “promotion of competition and consumer welfare.” The Chicago School approach to trademarks is a subset of and necessarily leads to that school’s approach to competition and consumer welfare. When trademarks are understood this way, we can see that the law’s approach to the firm and competition shapes and explains its approach to trademarks. As in past eras, the three travel together.

C. Autonomous: Firms, Competition, and Marks Unleashed

At bottom current trademark law is designed to support and defer to firms’ choosing a range of paths for their business endeavors—a goal that lies beyond a pure search costs, informational approach to trademarks. Brands can be, and often are a firm’s “most valuable” assets, and trademark law protects those assets. Trademarks allow firms to achieve “economies of scale and/or scope,” lower costs to raise capital, attract high quality labor, enable research and development that lowers costs, and enter

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365 Landes & Posner, supra note 6, at 266. The first section is called “The Economic Theory of Property” and begins “The economics of property rights, on which our analysis of trademark law draws heavily, are well understood and can be summarized quite briefly.” Id.
366 Daniel M. McClure, Trademarks and Competition: The Recent History, 59 LAW AND CONTEMPORARY PROBLEMS 13, 32 (1996) (Chicago School reduces all of trademark law “to a single goal of economic efficiency to maximize wealth”).
369 See Ramello and Silva, supra note 344, at 945 (“[T]he existence of the trademark makes it possible for firms to adopt the hierarchy best to achieving productive efficiency.”)
370 See e.g., Burk & McDonnell, supra note 9, at 394 (“In the modern economy [] the recognition and reputation associated with a trademark is frequently the most valuable asset associated with a business.”).
new markets beyond where the firm started.\footnote{371} At the same time, trademarks can aid firms choosing to narrow their operations and specialize.\footnote{372} Consider someone who opens a burger restaurant. The business could be quite successful, and management may wish to grow. On the one hand, a firm like In-and-Out Burgers, may choose to stay family owned and control growth to maintain quality. On the other hand, a firm like McDonald’s may choose to franchise. In that model, the firm handles specific aspects of the business such as supply chain and advertising, while the franchisee focuses on operating a specific facility.\footnote{373} The law, however, is agnostic as to which action a firm chooses.\footnote{374} It is up to management to choose. This point connects to the general shift in corporate law from limiting management’s discretion to freeing it to pursue all legal courses of action.

The business judgment rule and trademark law work together to allow managers to choose where to set the boundaries of the firm including the boundaries of a firm’s trademark, but they do not dictate what the specific boundaries are. For example, from a Coasian perspective on whether to “make or buy,” franchising shows “that the boundaries of the firm can be porous.”\footnote{375} This point applies to firms’ management of trademarks in general. “The decision is not in fact binary, but rather takes different forms along a continuum from fully integrating a production function within the firm to fully arm’s length negotiations for production.”\footnote{376} Thus firms can choose to merchandise.\footnote{377} Firms can sell the mark as an object.\footnote{378} People buy key rings, T-Shirts, tables, and almost anything to which a mark can be attached not for the goods but for the mark on the goods.\footnote{379} Firms can choose to make the goods or license others to do so, while the firm collects royalties. But the exact way in which management chooses whether or how to franchise or merchandise is not under scrutiny. The business judgment rule defers to management on such decisions on the belief that management is best placed to decide what course or courses of action to take.\footnote{380}

All these possibilities map to the world of the autonomous firm. They also show that trademarks support functions other than, and in conflict with, lowering search costs and enhancing price competition.\footnote{381} Yet, from a property and firm perspective these
outcomes make sense.\(^{382}\) As long as wealth maximization occurs, little, if anything, poses a problem, and so whether trademarks are information devices or property does not matter.\(^{383}\) That is why Landes and Posner can offer a theory of trademark that seems to be tort, property, and some third thing having to do with search costs. When faced with the issues of product differentiation and wasteful advertising, they simply wave away the possibility that trademarks can “create social waste and consumer deception” by saying that the law “implicitly” follows their model “which lowers search costs and fosters quality control.”\(^{384}\) That argument is quite circular.\(^{385}\) Nonetheless it points to the crux of the issue.

In the Chicago School, shaping consumer preferences is not a problem.\(^{386}\) Landes and Posner reject the idea that “brand advertising [] bamboozles the public and thereby promotes monopoly.” Nicholas Economides captures the thrust of the logic. He admits that perception advertising allows firms to create markets and control prices for “products identical in respects except in purely perceived features.”\(^{387}\) But he argues that advertising and branding that changes consumer perceptions is not wasteful, because consumers now have access to an image or perception they would not have otherwise had.\(^{388}\) Lemley agrees that differentiation creates artificial distinctions between goods of identical quality, enables power over price, and there are many robust ways to assure quality outside of trademarks.\(^{389}\) Yet, although essentially in the Search Costs School, he too rejects the idea that branding manipulates consumers to the point of harm, because, “preference[s] may be [] irrational, induced by childhood memories of teaching the world to sing or some similar promotional effort. But in a free market economy, perhaps the choice should be mine to make, for good or ill.”\(^{390}\) These views hold that the firm’s ability to shape preferences and wield market power is weak, irrelevant, or just fine. This logic should be familiar.

For both trademark and antitrust, few actions cause harm, and both laws are supposed to be “mild constraints” on firms’ actions. Landes and Posner see the “allocative”—i.e., wealth maximizing—harm from “individual trademark abuses” as minor, because they are “pretty much limited to raising consumer search costs within

2027–2035 (explaining the difference between source distinctiveness, which relates the way a mark identifies source, and differential distinctiveness, the way a trademark is distinct, from other marks).

\(^{382}\) “[S]upporters of the economic view” differ about whether utilitarian efficiency or property are the ways to think about trademarks. See McClure supra note 366, at 33. But this difference is about how best to achieve their specific type efficiency, not whether that type of efficiency is the correct goal.

\(^{383}\) Cf. Brennan, supra note 9, at 283 (“matters little to a business making branding decisions whether [rescourse is based on] property or … the tort of passing off”).

\(^{384}\) Landes & Posner, supra note 6, at 275.

\(^{385}\) They try to bolster the argument by a broad claim that economists have rejected “the hostile view of brand advertising.” Id. at 275. They cite to a paper that focuses on price competition and ignore the fact that branding is about competing on something other than price. See Desai and Waller, supra note 224.

\(^{386}\) For a discussion of the bounded rationality, preference shaping and search costs, see Deven R. Desai, Bounded by Brands: An Information Network Approach to Brands, 47 U.C. Davis 821 (2014).

\(^{387}\) Economides, supra note 8, at 533–534.

\(^{388}\) Id. at 535.

\(^{389}\) Lemley supra note 7, at 1692.

\(^{390}\) Id. at 1692-1693; but see Desai, supra note 386 (arguing that preference shaping matters and deference to rationality may undermine the information function of trademarks). Lemley nonetheless does not support trademark law that limits a consumer from knowing that a good is made in exactly the same way as another good. Lemley supra note 7, at 1692-1693.
narrow product categories.”\footnote{LANDES & POSNER, supra note 342, at 2554-2555.} Furthermore when compared to antitrust, “the potential misallocations [in trademark] are smaller than in most antitrust cases and the private stakes usually much smaller as well.”\footnote{Id.; accord Landes & Posner, supra note 6, at 274, 289.} These ideas could be rewritten using Crane’s point about the Chicago School’s view of antitrust as “a mild constraint on a relatively small set of practices that pose a threat to allocative efficiency.” Furthermore, antitrust matters are of greater concern than trademark ones, so even if trademark harms occur they aren’t that serious for the Chicago School. In short, trademark law, like antitrust law, is set up to allow firms the widest possible room to operate.\footnote{See Brennan, supra note 9.}

The Chicago School simply rejects that marks create significant market power and as such harm to consumers.\footnote{See McClure supra note 366, at 24.} This view fits the shift started by Coase’s theory of the firm which favors the “organization of vertical structures” when certain efficiencies can be gained.\footnote{See Brennan, supra note 9 (arguing that trademark as property fits well into the Coasian perspective and allows for efficient contracting and vertical integration). This point flows from antitrust too. As Daniel Sokol explains, the unleashing of vertical actions is a major outcome of Bork’s consumer welfare. See Sokol, supra note 335.} His work and others in the Chicago School rejected worked by Edward Chamberlin and Joan Robinson, which looked at brands and product differentiation as posing competitive problems and possibly being “a source of sub-optimal market performance.”\footnote{See Brennan, supra note 9; but see Posner, supra note 301, at 948 (arguing that the Chicago School and Harvard Schools of antitrust have converged and differences are “technical rather than ideological”).} In antitrust, Bork explicitly saw advertising not as an “artificial barrier” but as “create[ing] efficiency.”\footnote{BORK, supra note 318, at 52.} Advertising and branding are seen as “unilateral” acts that “cannot in general obtain or enhance monopoly power.”\footnote{See Posner, supra note 301, at 928.} And, if buyers pay more for a branded good, that is a welcome result, because it shows the buyer’s preference but is not anticompetitive.\footnote{See McClure supra note 366, at 24-25.} Trademark law takes a narrow view of consumer harm, just as antitrust law does. If a harm occurs, trademark law sees the harm as much smaller than in antitrust, and a fortiori even if one calls the trademark right property, the harm is quite negligible. Thus Hovenkamp offers, “IP rights are too narrow to confer much in the way of market power.”\footnote{Herbert Hovenkamp, Response: Markets in IP and Antitrust, 100 GEO. L.J. 2133, 2139 (2012).} And even when IP rights might confer such power, of the three branches of IP, trademarks “confer significant power” in the rarest of cases.\footnote{Id. (“Patent portfolios have some relation to market power, but copyrights “confer significant power rarely and trademarks more rarely still.”).}

\section*{D. Lessons}

Trying to force trademark law back in time to a world before merchandising, associational harm, property treatment of trademarks, and other goals not supported by a pure informational, search costs approach is unlikely to succeed. Trademark law is a servant of the firm and a subset of corporate and competition law, but the Search Costs School, prominent in academia, wants trademark law to serve something else. Criticisms
of trademark law are mainly about doctrinal expansion. Doctrines such as dilution, the protection of product configuration, domain name protection, initial interest confusion, the shift to a registration system rather than one where rights accrue based on use, treating marks as property by allowing merchandising and licensing, making confusion over sponsorship or association actionable, and the core test of harm, the likelihood of confusion test, have all been questioned.\footnote{402} The common theme is that these changes are “[i]nconsistent with [the] theory [that trademarks] lower consumer search costs, thus promoting the efficient functioning of the market.”\footnote{403} Lemley’s more direct observation is that: “[T]hese legal doctrines are being used to serve other purposes, ones that [search costs] trademark theory does not support.”\footnote{404} Additional criticisms focus on the way trademark law fails to accommodate free expression.\footnote{405} Although the concerns are clear, and the diagnosis that these changes serve something other than lowering search costs is correct; they miss a key point. Chicago School corporate, competition, and trademark law simply do not recognize the harms critics of trademark law’s expansion identify.

The problem is the Search Costs School’s faith that trademark law’s “traditional conceptual moorings” exist or function in the way described.\footnote{406} Despite Congress’ and courts’ invocation and apparent adoption of the search costs rationale, the language of efficiency has masked a key distinction that has led to the doctrinal expansion questioned by critics. It might appear that the Search Costs School and Chicago School would agree about the problems in trademark law. After all both look to search costs and hold that trademarks as information devices aid the marketplace. As Stacey Dogan and Mark Lemley have said, when search costs theory works, “trademarks have the potential to lead to better-informed customers and more competitive markets.”\footnote{407} But when it comes to competition, the Search Costs School means something quite different than the Chicago School.

Trademark law’s current moorings are in reality firm focused and flow from a theoretical base that relies on firms and a view of markets and property that map to and advance current business practices. That view also clashes with free speech concerns, because once private property is at issue, recent free speech doctrine has championed private interests in exclusion over the public’s interest in access and use of property.\footnote{408} I agree that trademark law’s expansion poses problems, but a more fundamental problem is at hand. When faced with the claim that current trademark law departs from the way the Search Costs School sees trademark law and understands search costs theory, Congress and courts might say “We disagree” or “So what? Wealth has been maximized and so all is well.”
Put differently, the Search Costs School wishes to impose a different law and economics on trademarks than the Chicago School and is a throw-back to the world of Ralph Brown and Judges Hand and Frank where limiting or gatekeeping doctrines addressed the harms to competition, potential monopoly outcomes, and expansive property interpretations of trademarks. For example, Lemley embraces search costs theory as way to prevent fraud and deceiving consumers, which in turn facilitates the market, but like Hand and Frank, Lemley rejects property and free-riding arguments in trademark law. The recent re-examination of the trademark use doctrine fits this approach as well. By asking whether the way someone uses another’s mark is a type of use about which trademark law should be concerned, courts would “engage in a preliminary inquiry regarding the nature of that use, … [and] would not even reach the question of confusion absent the defendant’s use being a ‘trademark use’.” Mark Lemley and Stacey Dogan support this approach as another way to rein in trademark law’s expansion as a gatekeeper inquiry to limit trademark law’s reach. In simplest terms, modern Search Costs-based trademark reformers seek to make trademark law more consumer-focused and have trademark law enhance consumer protection and consumer welfare but have quite a different vision of what consumer welfare is and how those outcomes occur as compared to the Chicago School vision.

This point leads to the challenge going forward: any reform of trademark law must also take on and refute deep-seated views about the nature of the firm, competition, and welfare. Robert Bone’s work captures one way to state the tradeoffs:

The objective of an optimal system of trademark law is to minimize total expected social cost. For example, broader trademark rights can reduce search costs and increase incentives to invest in product quality, but they can also increase administrative and litigation costs and in some cases the risk of product monopolies and chilling effects. The social benefits of reducing expected search and inferior-quality costs must be balanced against the expected administrative, litigation, and other costs that the broader rights create.

409 Bone, supra note 259.
410 Lemley supra note 7, at 1694. I thank Mark Lemley for discussing his views and project with me. Any mistakes in interpretation of his project are my own.
413 Dinwoodie and Janis question search costs as an all-encompassing theory of trademarks and argue for a contextual approach to trademark problems. See Dinwoodie and Janis, supra note 411, at 1629-1631. In that sense the disagreement is more about perhaps an over-correction towards consumers but an agreement that trademark law ought not take absolute position towards either producers or consumers. Nonetheless, they also invoke unfair competition and ethics as part of trademark law and that look beyond economic efficiency considerations. Id. at 1638 n. 178 and 179.
414 Bone, supra note 259, at 1362; see also Lunney, supra note 2, at 421-433 (examining welfare tradeoffs in calibrating trademark rights).
The Search Costs School and those asking what are the social outcomes when a given trademark right is granted or denied, or when a particular use is permitted or enjoined, or whether harm to a mark holder exists, if at all, are asking the correct questions. But any trademark reform must offer answers about why their view is more efficient or acknowledge that they are asking for outcomes driven and theoretically supported by another vision of trademark law. And the effort has to show that “total expected social cost” encompasses, is different than, and offers a better goal than total welfare as defined by the Chicago School.

The power and seductiveness of the Chicago School approach lies in its ability subsume several goals that have appeared in trademark law history such as “commercial morality, preventing consumer deception, and protecting a trademark owner’s business goodwill from passing off” into “a single economic theory.” To break out of this trance, trademark law and theory must recognize the interplay between business and society and choose something other than rote deference to lowering search costs and in reality total wealth maximization as dictated by the firm as the goal. Although that task is large, there are nonetheless ways forward.

Future trademark scholarship can continue to sharpen the understanding of what trademarks are and how they benefit society or it can accept the producer-focused, property approach to trademarks and engage with the negative implications of that approach. On the first option, the Search Costs School has done much work. To be clear, I believe that the Search Costs School seeks to move beyond the Chicago School, as evidenced by its detailed questioning of doctrines and the nature of trademark harm. But as a matter of theory and persuasion, invoking and citing the Chicago School’s approach to efficiency, economics, and search costs, drops one into a trap from which one cannot escape.

A simple, powerful change is to start talking of the information function of trademarks and to ground trademark law in information theory rather than the search costs function. That clean break recaptures Ralph Brown’s point that trademarks have an information function and persuasion function but grounds the information function outside of the economic debates. It draws on computer science’s view of information to explain the function and show that in only rare cases does use of mark other than by the mark holder disrupt the ability of a mark to work in the marketplace. Thus it inverts the current status where almost any use by someone other than the mark holder is deemed a problem. That shift also forces a deeper discussion about exactly what the persuasion function offers to society as a whole and how best to protect that function if at all. In

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415 I thank Stacey Dogan for continued discussion about, and pressing the idea that, good examples of benefits are required to change trademark law’s current posture. For example, as she has noted, empirical work on the costs to protecting merchandising would aid in understanding the benefits and harms in protecting this right. One could see whether prices rose or fell depending on whether a school or other entity enforced its mark. Such a study would pressure the system to identify what harm, if any, exists if the merchandising right is not enforced or whether a system that required unofficial goods to be labeled as such would work as an alternative.

416 McClure at 32.

417 See Desai, supra note, 346 (arguing for an information theory approach to trademark law).

418 CITE BEEBE AS PICKING UP THAT THREAD

419 In short, if we protect the information function as I have described it, persuasive activity may be subject to fierce market competition and spending on advertising, but whether that activity requires legal protection is doubtful.
corporate and competition law, behavioral economics has provided an effective critique of many aspects of the Chicago School. Behavioral economics can also be brought to bear on the Chicago School’s assumptions about the benefits of the persuasion function, rationality, consumer choice, information processing, and confusion. That perspective shows that Chicago School assumptions about competition as applied to trademarks hinders rather than enhances competition. Further trademark law analysis of consumers’ role and agency in constructing a trademark’s meaning and the way in which business and marketing theory and practice match or diverge from formal trademark law would enhance discussions about the nature of trademark creation, how trademarks operate in practice, and what is stake when new demands for trademark protection are made. Nonetheless given the dominance of the Chicago School approach, the way that the World Intellectual Property Organization has embraced that approach, and the length of time the propertization approach has persisted, many will claim reliance and need for those protections and so complete reversal may not be possible.

The second option is to acknowledge the reality of the property treatment of trademarks and argue for better and clearer “leaks and limitations” in trademark law similar to what is found in patent and copyright law. That approach cedes, or perhaps acknowledges the realities of modern trademark law and will face the same challenges that doctrines such as fair use have encountered in copyright law. Many, including Lemley, have consistently resisted a property approach to intellectual property, and the

420 See e.g., Herbert A. Simon, Rational Choice and the Structure of the Environment, 63 PSYCHOL. REV. 129, 136 (1956) (“Since the organism . . . has neither the senses nor the wits to discover an ‘optimal’ path . . . we are concerned only with finding a choice mechanism that will lead it to pursue a ‘satisficing’ path, a path that will permit satisfaction at some specified level of all of its needs.”); Robert C. Ellickson, Bringing Culture and Human Frailty to Rational Actors: A Critique of Classical Law and Economics, 65 CHI.-KENT L. REV. 23, 23 (1989); Jon D. Hanson & Douglas A. Kysar, Taking Behavioralism Seriously: The Problem of Market Manipulation, 74 N.Y.U. L. REV. 630, 732-33 (1999); Russell B. Korobkin & Thomas S. Ulen, Law and Behavioral Science: Removing the Rational Assumption from Law and Economics, 88 CALIF. L. REV. 1051, 1075 (2000) (noting that “[b]ounded rationality,’ the term coined by Herbert Simon, captures the insight that actors often take short cuts in making decisions that frequently result in choices that fail to satisfy the utility-maximization prediction”); Lynn Stout, On the Proper Motives of Corporate Directors (Or, Why You Don’t Want to Invite Homo Economicus to Join Your Board), 28 DEL. J. OF CORP. LAW 1 (2003).
421 See Desai, supra note 386 (applying behavioral economics to trademark law).
422 Id. at 844-845.
423 Generally, Desai, From Trademarks to Brands.
425 Cf. Hovenkamp, supra note 17, at 1275-1277 (“The concept of the New Property is powerful; today many lawyers are trained to think of property within this paradigm. Under this approach, . . . a property right is a promise by the state to protect a particular position or status.”).
426 Brett M. Frischmann & Mark A. Lemley, Spillovers, 107 COLUM. L. REV. 257, 285 (2007).  Bill McGeveran’s work on adding a fair use component to the trademark statute points to a tacit acknowledgement of the change in trademark law as working more like copyright than trademark law has in the past, for the change would not be needed if trademark law functioned as it once did when it was less of a property-styled right. See McGeveran, 4.
concerns behind that position are not illusory. Yet, the problem is what one offers instead of whatever foundation or guiding principles are in place. Lemley adheres to a belief that utilitarianism is the best ground for intellectual property in general. The idea that there are no a priori rights to any type of intellectual property and that the structure of intellectual property “should depend on whether [its] rules will do more harm than good,” may be correct, but that does not tell us what the rules ought to be. Whether utilitarian analysis can truly embrace something other than wealth-maximization, such as Julie Cohen, Madhavi Sunder, and others have offered, remains to be seen. Whether empirical evidence can be rallied to show that the current system does not function as claimed and to show what an alternative system should look like presents opportunities for future work but must still convince current entrenched perspectives. Regardless of whether one pursues the information or the property perspective, these challenges flow from a distinct, producer-based Chicago School perspective. Thus part of the answer is to meet that School’s claims head on with clear statements about efficiency, other economic metrics, or other social goals that can be applied to the question as must be done for any trademark reform effort.

CONCLUSION

Firms and trademarks travel together, but firms come first. A firm without a trademark is unlikely to conduct meaningful trade. A trademark without a firm is meaningless. Both have intersected with and been governed by competition law. These relationships have persisted since the beginning of U.S. law for the three linked areas of corporate, competition, and trademark law. But laws governing these three areas of the law have not been static. They have changed as business realities have changed. Firms began with limits, and those limits controlled ideas of competition and the reach of trademark rights. With new business practices came new firm structures, new views of competition, and new trademark rights. At each stage, understandings of the firm and competition law shaped understandings of trademark law. In short, there has been and continues to be a deep relationship amongst the three areas of law.

In the latest era of this dynamic, the Chicago School approach to firms and competition sees the firm as best placed to use all resources at its disposal to maximize wealth and rarely sees firm behavior as anticompetitive. In contrast, current trademark critics such as those in the Search Costs School see trademarks as protecting consumers and reject the way trademark law has expanded to grant greater rights to mark holders. A

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428 Most recently Lemley has offered that the emphasis on IP as property has become a faith in that approach rather than grounded in empirics. See Mark A. Lemley, Faith-Based Intellectual Property, 62 U.C.L.A. L. Rev. 1328 (2015).
429 Id. at 1338.
430 Id. at 1344.
core claim by the Search Costs School is that expansion runs contrary to modern trademark law’s economic foundations in reducing search costs and by extension improving competition. This Article has shown that the search costs and competition rationale behind current trademark law and theory flows from and serves the Chicago School vision of autonomous firms wielding all resources to maximize wealth as the firm sees fit. Thus critics looking to efficiency and search costs do themselves a disservice. By using part of the Chicago School’s foundations and approach, critics either confuse their project or worse, inadvertently find their foundations lead to outcomes with which they disagree. This Article has thus shown that one must understand that firm and competition law underlie trademark law and that theory and doctrine from those areas trump any notion that trademark law has a historical, traditional, or theoretical foundation independent of the other two areas. This insight thus frees trademark scholarship to mount a clearer critique and deeper attack on what truly drives trademark law.

By recognizing the ambiguities within the law and economics community, and seeing the descriptive triumph of the Chicago School over the Search Costs School, all of us in the field at least have an obligation to consider what overarching normative framework to adopt going forward. The burden on the Search Costs School, or any effort to reform trademark law, becomes greater once we see how much of corporate and antitrust law may also need to be shifted if we are to shift trademark law. Through this more accurate understanding of what trademark law is, we can begin a better-informed and ultimately successful dialogue about what it should become and perhaps make trademark less troubled.