

# THE HIGH PRICE OF (CRITICIZING) COFFEE: THE CHILLING EFFECT OF THE FEDERAL TRADEMARK DILUTION ACT ON CORPORATE PARODY

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## I. INTRODUCTION

Starbucks Coffee is famous for offering high-priced, high-octane drinks and an uptown atmosphere in which to enjoy them.<sup>1</sup> Cartoonist Kieron Dwyer lampooned Starbucks' trendy image as a symbol of rampant consumerism when he published an anatomically enhanced parody of the coffee purveyor's famous green-and-white mermaid logo on the cover of his comic magazine and on his website.<sup>2</sup> After Starbucks' trademark attorney saw the parody on Dwyer's website, Starbucks sued for trademark and copyright infringement, unfair competition, and trademark dilution via tarnishment.<sup>3</sup> The federal district court rejected all but one of the corporation's claims on the grounds that Dwyer had probably created a legitimate parody subject to First Amendment protection.<sup>4</sup> The court, however, granted a preliminary injunction based on trademark dilution via tarnishment.<sup>5</sup> The

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1. See Jennifer Reese, *Starbucks: Inside the Coffee Cult*, FORTUNE, Dec. 9, 1996, at 190.

2. See Defendant's Memorandum of Points and Authorities in Opposition to Order to Show Cause Re Preliminary Hearing at 2, *Starbucks Corp. v. Dwyer*, No. 3:00-CV-1499 MMC (N.D. Cal. filed Apr. 28, 2000) [hereinafter Defendant's Memorandum].

3. See Plaintiff's Memorandum of Points and Authorities in Support of Application for Temporary Restraining Order and Order to Show Cause Re Preliminary Injunction, Order Requiring Impoundment of Infringing Goods and Order Requiring Preservation of Evidence at 6 n.3, *Starbucks Corp.* (No. 3:00-CV-1499 MMC) [hereinafter Plaintiff's Memorandum].

4. See Order for Preliminary Injunction at 4, *Starbucks Corp.* (No. 3:00-CV-1499 MMC) [hereinafter Preliminary Injunction]. All references to the First Amendment in this Note refer to that portion of the First Amendment that guarantees "Congress shall make no law...abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances." U.S. CONST. amend. I.

5. See Preliminary Injunction, *supra* note 4.

case ultimately settled out of court after Dwyer was unable to procure financial assistance from legal aid services, including the American Civil Liberties Union and the Comic Book Legal Defense Fund.<sup>6</sup>

Satirists and parody artists are social and political critics who ridicule society's corruptions and follies using language and images that are sometimes profane and often offensive.<sup>7</sup> Parody is a form of satire that imitates the characteristic style of another work in a humorous way, usually by applying it to an inappropriate subject.<sup>8</sup> A successful parody must borrow enough of an original work to be easily identified as mocking that work.<sup>9</sup> Courts recognize parody as an important form of social and political commentary, and the Supreme Court has granted parody—including some corporate parodies—significant First Amendment protections.<sup>10</sup>

Cartoonists and humorists like Dwyer discovered a perfect format in the Internet to get their parodies and commentary to a worldwide audience of millions of consumers.<sup>11</sup> Internet technology not only provides a global audience, but it also provides dramatic new ways for the satirist to ridicule. These artists have the ability to create video spoofs from doctored film, animated cartoons with voice imitations, and animated logo parodies,<sup>12</sup> all of which create new forms of

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6. See Kieron Dwyer, *Sued by the Siren*, TOO MUCH COFFEE MAN MAG., at <http://www.tnmc.com/pages/content/suedbystrbcks.html> (last visited Aug. 27, 2001).

7. See Harriette K. Dorsen, *Satiric Appropriation and the Law of Libel, Trademark, and Copyright: Remedies Without Wrongs*, 65 B.U. L. REV. 923, 924 (1985).

8. See WEBSTER'S NEW WORLD DICTIONARY OF AMERICAN ENGLISH 983 (3d College Ed. 1988) [hereinafter WEBSTER'S].

9. See *Hormel Foods Corp. v. Jim Henson Prod., Inc.*, 73 F.3d 497, 503 (2d Cir. 1996) (stating that successful parody conveys "two simultaneous and contradictory messages: that it is the original, but also that it is *not* the original and is instead a parody").

10. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 581 (1994); *Hustler Magazine v. Falwell*, 485 U.S. 46, 55–56 (1988). Although the Supreme Court in *Campbell* addressed parody in the context of copyright infringement, and not trademark law, *Campbell* informs the parody defense in the trademark setting as well. See *Harley-Davidson, Inc. v. Grottanelli*, 164 F.3d 806, 813 (2d Cir. 1999) (stating that "whatever protection is to be afforded a trademark parody must be informed by the Supreme Court's recent elucidation in the copyright context of parodies allegedly protected by the defense of fair use").

11. See GLOBAL REACH, *Evolution & Projections of Online Linguistic Populations*, at <http://www.glreach.com/globstats/evol.html> (last visited Aug. 27, 2001) (estimating that there were 391 million people online worldwide as of December 2000. This figure has increased steadily since 1996, when there were an estimated 50 million people online worldwide). See also NUA Internet Surveys, *How Many Online?*, at [http://www.nua.ie/surveys/how\\_many\\_online/index.html](http://www.nua.ie/surveys/how_many_online/index.html) (last visited Aug. 27, 2001) (estimating that there were 407.1 million people online worldwide, and 167.12 million people online in Canada and the United States, as of November 2000).

12. See THE ONION, available at <http://www.theonion.com> (last visited Aug. 27, 2001) (parody newspaper); see also CAMP CHAOS, at [http://www.campchaos.com/cartoons/napsterbad/napsterbad\\_se.html](http://www.campchaos.com/cartoons/napsterbad/napsterbad_se.html) (showing an animated cartoon lampooning Metallica band members Lars Ulrich's and James Hetfield's attempt to stop Napster, the Internet database through which users trade and download MP3 versions

borrowing from an original work. Their websites are designed with pages of lowbrow humor<sup>13</sup> alongside political and social commentary.<sup>14</sup> Frequently, Internet humor takes aim at the consumerism that drives American society, making super-celebrities and high-profile corporations—and their trademarks—the likeliest targets.<sup>15</sup>

In response to websites dedicated to undermining certain corporations and the proliferation of trademark parodies on the Internet,<sup>16</sup> companies that have been the primary targets of Internet fodder have dramatically increased their congressional lobbying in order to gain increased trademark and copyright protections.<sup>17</sup>

One of these protections is the Federal Trademark Dilution Act of 1996.<sup>18</sup> The Trademark Dilution Act enables owners of famous trademarks to sue unauthorized users of their trademarks for lessening the capacity of the mark to

of copyrighted music); PENNY ARCADE, at <http://www.penny-arcade.com/snote.php3> (last visited Aug. 27, 2001) (parodying a Microsoft Word screen).

13. For example, Kieron Dwyer's website, *Lowest Comic Denominator*, proudly includes this description of his latest comic book: "The big event of the (San Diego) Con...was LCD. Kieron has come up with just about the funniest, sickest, most depraved filth I've seen in a long time....You'll laugh 'til you prolapse." Kieron Dwyer, *LOWEST COMIC DENOMINATOR*, at <http://members.tripod.com/~LowestComicD/index-1.htm> (last visited Aug. 27, 2001).

14. See *CAMP CHAOS*, at <http://www.campchaos.com> (last visited Aug. 27, 2001) (lampooning, among others, President George W. Bush and the anti-Napster campaign led by heavy metal band Metallica).

15. Courts recognized that trademarks were natural targets of parody and satire because of their influence on advertising, commerce and even political campaigns long before the Internet. See *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 28 (1st Cir. 1987) (noting that "[o]ne need only open a magazine or turn on television to witness the pervasive influence of trademarks").

16. For example, see *I HATE MICROSOFT*, at <http://www.ihatemicrosoft.com> (last visited Aug. 27, 2001) (website dedicated to undermining Microsoft Corporation). (Editors Note: It is strongly recommended that you not visit this site via Microsoft's products.)

17. The music and entertainment industry contributed more than \$15.5 million to candidates during the 1999–2000 election cycle. Much of this money went toward lobbying for new restrictions on copyright infringement and the Internet. See Ctr. For Responsive Politics, *Land of the MP3: A Look at Hollywood's Lobbying on Napster & Copyright Issues*, June 12, 2000, at [http://www.opensecrets.org/alerts/v5/alertv5\\_48.asp](http://www.opensecrets.org/alerts/v5/alertv5_48.asp) (last visited Aug. 27, 2001).

18. See Lanham Act § 43(c), 15 U.S.C. § 1125(c) (1999). The Federal Trademark Dilution Act is commonly referred to as section 43(c) of the Lanham Act, which is the primary means for protecting trademarks. The Federal Trademark Dilution Act is codified as subsection 1125(c) of the Lanham Act, 15 U.S.C. §§ 1051–1128 (1999). Other sections of the Lanham Act that have traditionally applied to trademark infringement, including damages and preliminary injunction sections, apply to trademark dilution as well. This note is limited to a discussion of the Federal Trademark Dilution Act as it applies to corporate trademarks. The Federal Trademark Dilution Act allows *any* owner of a famous trademark, regardless of their status as individual, association, or corporation, to sue for dilution. See Federal Trademark Dilution Act, 15 U.S.C. § 1114 (1999).

identify and distinguish goods or services, regardless of the presence or absence of competition between the owner of the mark and the secondary user, or a likelihood of confusion, mistake, or deception.<sup>19</sup> Thus, owners of famous trademarks are entitled to nationwide injunctive relief against uses that would tend to “dilute” the mark.<sup>20</sup>

The Act includes exceptions for fair use by competitors, for “noncommercial” uses and for news reporting and news commentary.<sup>21</sup> The noncommercial use exception was defined by Senator Hatch in introducing the bill to include “parody, satire, editorial and other forms of expression that are not part of a commercial transaction.”<sup>22</sup>

Although parody appears to be a statutory and First Amendment exception to the Trademark Dilution Act, parody is frequently profane and necessarily degrades the reputation of its target.<sup>23</sup> Relying on the legislative history, federal courts have interpreted the Trademark Dilution Act to include actions for trademark tarnishment.<sup>24</sup> Tarnishment occurs when an unauthorized use tarnishes, degrades, or dilutes the mark’s distinctive quality.<sup>25</sup> Tarnishment is most

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19. See Lanham Act § 45, 15 U.S.C. § 1127 (1999). Under the Lanham Act, “trademark” includes any word, name, symbol, or device adopted and used in commerce to identify and distinguish goods from those manufactured or sold by others. *See id.* “Service mark” refers to any word, name, symbol or device used in the sale or advertising of a particular service to identify the service and to distinguish it from others. *See id.* For purposes of this Note, the word “trademark” will be used to mean both trademark and service mark. Slogans that become identified with a particular product may also be registered as trademarks, such as Nike’s “Just do it.” Dilution is generally found where there is either blurring or tarnishment. Blurring occurs when the mark’s appearance on other, unrelated goods weakens the distinctive link between the mark and the trademark holder’s goods even when there is no likelihood of consumer confusion. *See Minn. Mining & Mfg. Co v. Rauh Rubber, Inc.*, 943 F. Supp 1117, 1131 (D. Minn. 1996), *aff’d*, 130 F.3d 1305 (8th Cir. 1997). Such junior use of a trademark generally involves use of a famous mark merely to sell an anomalous product, without any expressive purpose. “Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns...” are all examples of dilution via blurring. *Mead Data Cent., Inc. v. Toyota Motor Sales, Inc.*, 875 F.2d 1026 (2d Cir. 1989). The discussion in this Note is limited to the problem of the parody defense to dilution created by the theory of trademark tarnishment.

20. 15 U.S.C. § 1125(c)(1).

21. 15 U.S.C. § 1125(c)(4).

22. 141 CONG. REC. S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch).

23. *See Dorsen, supra* note 7, at 924.

24. *See Dr. Seuss Enter. v. Penguin Books USA, Inc.*, 924 F. Supp. 1559, 1573 (S.D. Cal. 1996), *aff’d*, 109 F.3d 1394 (9th Cir. 1997); 141 CONG. REC. S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch) (“This bill is designed to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it....”).

25. *See Minn. Mining & Mfg. Co. v. Rauh Rubber, Inc.*, 943 F. Supp. 1117, 1131–1132 (D. Minn. 1996), *aff’d*, 130 F.3d 1305 (8th Cir. 1997).

often found when the mark is associated with sexually explicit, obscene, or profane materials, and other negative associations.<sup>26</sup>

The tarnishment theory of trademark dilution, coupled with the statutory exceptions, has resulted in inconsistent application of the parody defense to trademark dilution because it is not always possible to separate the newsworthy and the political from the commercial.<sup>27</sup> In fact, today's political hot buttons are often corporate in nature.<sup>28</sup>

Some courts have declined to give trademark parody First Amendment consideration, instead reviewing the parody defense strictly within the parameters of the Trademark Dilution Act.<sup>29</sup> Where this occurs, the plaintiff trademark owner

26. See, e.g., *Toys "R" Us, Inc. v. Akkaoui*, 40 U.S.P.Q.2d 1836, 1838-39 (N.D. Cal. 1996); *Anheuser-Busch Inc. v. Andy's Sportswear Inc.*, 40 U.S.P.Q.2d 1542 (N.D. Cal. 1996) (finding tarnishment by "Buttweiser" T-shirts resembling "Budweiser" beer advertising); *Coca-Cola Co. v. Alma-Leo U.S.A., Inc.*, 719 F. Supp. 725, 728 (N.D. Ill. 1989) (finding tarnishment by "Enjoy Cocaine" poster in style of "Enjoy Coca-Cola" design).

27. See *Paulsen v. Personality Posters, Inc.*, 59 Misc. 2d 444, 450 (N.Y. Sup. Ct. 1968) ("That the format may deviate from traditional patterns of political commentary, or that to some it may appear more entertaining than informing, would not alter its protected status. It is not for this or any court to pass value judgments predicated upon ephemeral subjective considerations which would serve to stifle free expression.").

28. For example, the Internet music-sharing file service, Napster, hired a Congressional lobbyist in December 2000 while awaiting a decision in the copyright infringement suits filed against Napster by five major music labels. See *Napster Hires Washington Hipster To Lobby Congress*, INFO. WEEK ONLINE, Dec. 7, 2000, at <http://www.informationweek.com/story/IWK20001207S0005> (last visited Aug. 27, 2001). In addition, Napster was sued by rock band Metallica and rapper Dr. Dre. These suits drew significant rancor from Internet-savvy fans. See *CAMP CHAOS, Napster Bad*, at [http://www.campchaos.com/cartoons/napsterbad/napsterbad\\_se.html](http://www.campchaos.com/cartoons/napsterbad/napsterbad_se.html) (last visited Aug. 27, 2001) and *SCREW METALLICA.ORG*, at <http://www.screwmetallica.org> (last visited Aug. 27, 2001).

29. See *Lloyd v. Tanner*, 407 U.S. 551, 567 (1972) (stating that "[i]t would be an unwarranted infringement of property rights to require them to yield to the exercise of First Amendment rights under circumstances where adequate alternative avenues of communication exist"); *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987) (rejecting Defendant's claim of First Amendment protection, in favor of the Plaintiff's property interest in protecting its trademark "where adequate alternative avenues of communication exist"); *Reddy Communications, Inc. v. Envtl. Action Found.*, 199 U.S.P.Q. (BNA) 630, 634 (D.D.C. 1977) (giving preference to the plaintiff's property interest in its trademark and rejecting the defendant's First Amendment argument because alternative avenues of communication "appear infinite"). But see *Rogers v. Grimaldi*, 875 F.2d 994, 998-999 (2d Cir. 1989) (rejecting other courts' broad application of the Lanham Act on the grounds that requiring a defendant to prove that there were "no alternative avenues of communication" might intrude on First Amendment values); *Trustco Bank, Nat'l Ass'n v. Glens Falls Nat'l Bank & Trust*, 903 F. Supp. 335, 339 (N.D.N.Y. 1995) (construing the Lanham Act narrowly where the unauthorized use was for the purpose of communicating a message, not for identifying the origin of a product or service); *Yankee Pub. Inc. v. News Am. Publ'n Inc.*, 809 F. Supp. 267, 276 (S.D.N.Y. 1992) (holding that when a trademark is used without permission as source identification, trademark law

is granted significant protections that are unavailable under the First Amendment.<sup>30</sup> These protections act to chill meaningful criticism of corporations.<sup>31</sup>

The First Amendment generally governs reputational torts.<sup>32</sup> Under First Amendment jurisprudence outside of the commercial speech realm, a famous plaintiff will not be granted preliminary injunctions and must prove actual malice, not merely intent, before the plaintiff may recover damages for defamation, emotional distress, or other torts that allegedly caused harm to the plaintiff's reputation.<sup>33</sup> Where a corporate holder of a famous trademark sues a non-competitor critic for parodying its famous mark, the injury to the trademark owner is not trademark infringement; it is reputational harm.<sup>34</sup> Thus, a more appropriate approach to trademark tarnishment would be to treat these claims as reputational harm.

Corporations that hold famous marks are of public concern and heavily influence American public policy and public discourse. Because the only trademarks protected by the Trademark Dilution Act are famous, the corporate owners of these trademarks should be treated as public figures and should be held to the actual malice standard, which applies to parody of public figures regardless

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generally prevails over First Amendment concerns. However, where the trademark is used to communicate a message—particularly, where the trademark is used for the express purposes of comedy, parody, allusion, criticism, news reporting, and commentary—the law requires balancing the trademark owner's rights against the free speech interests).

30. The Federal Trademark Dilution Act grants the plaintiff substantial evidentiary presumptions. *See* *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000) (holding that irreparable harm is generally presumed in cases of trademark infringement and dilution); *Am. Dairy Queen Corp. v. New Line Prod. Inc.*, 35 F. Supp. 2d 727, 729 (D. Minn. 1998) (presuming irreparable harm to the corporation by dilution). These courts balance the plaintiff's economic harm against the defendant's economic harm, regardless of either party's First Amendment interests. *See* *Gucci Shops, Inc. v. R.H. Macy & Co., Inc.*, 446 F. Supp. 838, 840–41 (S.D.N.Y. 1977) (determining irreparable harm to plaintiff corporation by the fact that plaintiff had spent over \$1 million in the previous five years to promote its merchandise and exploit the identification value of its trademark name and logo). Preliminary and permanent injunctions are granted freely. *See* Lanham Act § 43(c), 15 U.S.C. § 1125(c) (1999). If the infringing use was "willfully intended to trade on the owner's reputation or to cause dilution of the famous mark," the trademark owner is entitled to additional remedies, including treble damages or profits. *Id.* § 1125(c)(2). *See also* 15 U.S.C. § 1117 (1999).

31. *See* *Bill Johnson's Rests., Inc. v. NLRB*, 461 U.S. 731, 740–41 (1983) (noting in the context of a libel suit brought by an employer against picketing, non-union, employees, lawsuits seeking damages in addition to injunctive relief have a substantial chilling effect on an employee's willingness to engage in protected speech activities).

32. *See, e.g.,* *Hustler Magazine v. Falwell*, 485 U.S. 46 (1988); *N.Y. Times v. Sullivan*, 376 U.S. 254, 279–280 (1964).

33. *See, e.g.,* *Hustler Magazine v. Falwell*, 485 U.S. 46 (1988); *Gertz v. Robert Welch, Inc.*, 418 U.S. 323 (1974).

34. *See* 141 CONG. REC. § 19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch) (presenting Senator Hatch's definition of dilution).

of whether the suit arises from defamation or some other claim related to reputational harm.<sup>35</sup>

## II. STARBUCKS CORP. V. DWYER

### A. The Siren Parody

In Dwyer's parody of the Starbucks Coffee siren logo, the mermaid has nipples and a naval ring.<sup>36</sup> Her eyes are open, and her mouth is agape.<sup>37</sup> She holds a steaming cup of coffee in one hand and a cellular telephone in the other.<sup>38</sup> Symbols of speech flow from the telephone.<sup>39</sup> The words "Starbucks Coffee" were replaced with "Consumer Whore," and Dwyer replaced the stars in the original logo with dollar signs.<sup>40</sup> Some versions of the parody included the words "Buy More Now" underneath the circular logo.<sup>41</sup> Certain illustrations of the parody on Dwyer's website were programmed so that the mermaid's red nipples blink rapidly.<sup>42</sup>

The purpose of the cartoon was to lampoon Starbucks as an "icon of rampant consumerism," criticizing both Starbucks and the customer as "prostitutes of consumerism."<sup>43</sup> Dwyer posted the parody on his website and printed the parody on a small number of T-shirts, coffee mugs and bumper stickers.<sup>44</sup> He also put the cartoon on the cover of the first edition of his comic magazine, *Lowest Comic Denominator*.<sup>45</sup> Dwyer only printed two thousand copies of the comic book.<sup>45</sup> The other items were advertised on and sold through Dwyer's website and available via a mail-order form inside the comic book.<sup>47</sup>

### B. The Starbucks Image

As a multi-billion dollar industry leader, Starbucks Corporation has a lot riding on its popular image. Starbucks began as a single Seattle-based coffee shop in 1971. As of 2000, the company operated thousands of retail coffee shops throughout the world and generated revenues of more than \$1.6 billion annually.<sup>48</sup>

35. See *Hustler Magazine*, 485 U.S. at 57 (holding that a famous plaintiff may not avoid the actual malice standard by suing for emotional distress instead of defamation).

36. See Defendant's Memorandum, *supra* note 2, at 2.

37. See *id.*

38. See *id.*

39. See *id.*

40. *Id.*

41. *Id.*

42. See Plaintiff's Memorandum, *supra* note 3, at 6 n.4.

43. Defendant's Memorandum, *supra* note 2, at 2.

44. See *id.* at 3. Dwyer sold approximately 200 T-shirts with the cartoon on it.

See *id.*

45. See *id.* at 4.

46. See Dwyer, *supra* note 6.

47. See Defendant's Memorandum, *supra* note 2, at 3.

48. See *id.*

The company's goal is to establish Starbucks as the world's most recognized and respected brand of coffee and coffee-related products.<sup>49</sup>

The most easily recognized symbol of Starbucks' identity is its green-and-white siren logo.<sup>50</sup> The logo adorns the exterior of nearly 3,000 Starbucks retail outlets. It is featured on every cup served at the retail cafes, on its prepackaged "frappacinos," ice creams and coffees, on shirts and travel mugs—even on the napkins.<sup>51</sup> Moreover, thousands of restaurants, bookstores, sports and concert venues, airlines and cruise ships have been authorized to sell Starbucks coffee under the siren logo.<sup>52</sup> The logo has also been featured prominently in movies and television.<sup>53</sup>

The coffee retailer has cultivated a specific image, which it has replicated worldwide.<sup>54</sup> Its cafes all include an assortment of comfortable chairs, small tables or street-facing bars. Patrons give their drink orders to the "baristas" using a special Starbucks vocabulary while jazz plays in the background.<sup>55</sup> Starbucks retail stores are typically clustered in high-traffic, high-visibility locations.<sup>56</sup> The corporate image is trendy and often filled with new age-style philosophies.<sup>57</sup> It is a high-energy, wholesome image.

Starbucks did not want its logo associated with Kieron Dwyer's website. Part of Starbucks' dilution claim rests on the fact that items bearing the parody

49. *See id.*

50. *See* Plaintiff's Memorandum, *supra* note 3, at 4.

51. *See id.*

52. *See id.* at 4–5.

These companies include: United Airlines, which carries more than 70 million passengers each year and serves Starbucks coffee on every flight; Canadian Airlines, which carries an additional 10 million fliers each year; Barnes & Noble, which operates 415 Barnes & Noble Cafes featuring Starbucks products; Host Marriott, which operates more than 250 Starbucks kiosks in airports across the country; and Sheraton and Westin Hotels, which include Starbucks coffee on their room service menus.

*Id.* at 5.

53. *See id.* at 5.

54. *See* Reese, *supra* note 1; Mark Riley, *Starbucks Is Coming. Just Don't Ask for a Flat White*, AGE, May 13, 2000, at <http://www.theage.com.au/news/20000513/A57528-2000May12.html> (last visited Aug. 27, 2001).

55. *See* Reese, *supra* note 1.

56. *See* Starbucks Corporation, 10-K, filed Dec. 12, 2000, Accession No. 0000891020-00-002203, at <http://www.sec.gov/Archives/edgar/data/829224/000089102000002203/0000891020-00-002203.txt> (last visited Aug. 27, 2001).

57. *See* Riley, *supra* note 54 (writing that "[a]t times, [Starbucks'] marketing language verges on the new age, associating itself with the four elements—'Earth to grow, Fire to roast, Water to brew and Air for aroma'—and branding itself in one annual report as about 'coffee...community...camaraderie...connection'").



were easy to obtain because they were sold via the Internet.<sup>58</sup> In Starbucks' application for an injunction, the coffee maker took exception to the fact that products bearing the logo parody were sold on the website alongside unrelated merchandise that was, in the plaintiff's opinion, generally offensive.<sup>59</sup> Dwyer's website offers clothing and bumper stickers, many of which are profane, sexually explicit or related to drug use.<sup>60</sup> Starbucks is not the only corporate target of Dwyer's humor.<sup>61</sup> One T-shirt features a Pokemon look-alike smoking marijuana and is labeled Toke-Mon.<sup>62</sup> Another product ridicules the famous cartoon rabbit used to advertise the sugary children's cereal Trix by joking, "Silly Rabbit, Crack is for Kids!"<sup>63</sup>

### C. The Court's Decision

Dwyer knew there was some risk that Starbucks would seek legal action based on copyright and trademark laws.<sup>64</sup> However, after an attorney informed him that he would most likely be faced with a cease-and-desist letter, and not a lawsuit, Dwyer decided to publish his parody on the cover of his comic magazine.<sup>65</sup> Starbucks did not send Dwyer a cease-and-desist letter. Instead, on April 28, 2000, Starbucks filed, *ex parte*, for an injunction based on copyright infringement, trademark infringement, trademark dilution and unfair competition.<sup>66</sup>

*Starbucks Corp. v. Dwyer*<sup>67</sup> illustrates how corporations have been given the statutory authority under the Trademark Dilution Act to silence otherwise legitimate parody. The court in *Starbucks* found that the corporation was unlikely to succeed on its copyright and trademark infringement claims because the defendant's drawing was likely to be deemed a legitimate parody.<sup>68</sup> However, the

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58. See Plaintiff's Memorandum, *supra* note 3, at 7, (arguing for preliminary injunction in part because "consumers throughout the world can not only view Dwyer's infringing design, but can order his goods with the click of a mouse").

59. See *id.* at 7.

60. See Dwyer, *supra* note 13.

61. See *id.*

62. See *id.*

63. *Id.*

64. See Dwyer, *supra* note 6 (stating, "I was aware of the potential for trouble from Starbucks.... Still, it seemed like a long shot that they would sue someone like myself, someone clearly doing a humorous magazine and related merchandise, and on such a...limited scale—infinitesimal, by contrast with Starbucks").

65. See *id.*

66. See Plaintiff's Ex Parte Application for Temporary Restraining Order, for Order to Show Cause, For Order Requiring Impoundment of Infringing Goods and Order Requiring Preservation of Evidence at 1, *Starbucks Corp. v. Dwyer*, No. 3:00-CV-1499 MMC (N.D. Cal. filed Apr. 28, 2000) [hereinafter Plaintiff's Application for Temporary Restraining Order].

67. See Preliminary Injunction, *supra* note 4, at 4.

68. See *id.*

court granted the injunction because it also found that the defendant's parody likely tarnished Starbucks' image, thus constituting dilution.<sup>69</sup>

In granting the preliminary injunction, the court made several findings based on the Federal Trademark Dilution Act and judicial interpretations of the act that demonstrate why tarnishment claims against parodies would be more appropriately reviewed under the First Amendment rather than trademark laws.<sup>70</sup> First, the court granted the injunction because the plaintiffs demonstrated a likelihood of proving that the Starbucks mermaid logo is a famous mark and that Dwyer's use tarnished the mark.<sup>71</sup> Significant to the second part of this finding, the court held that Dwyer's use was a commercial use despite the editorial nature of the comic book parody.<sup>72</sup> Second, the court held that irreparable harm is presumed to result from the dilution of a famous trademark.<sup>73</sup> Finally, the court held that the preliminary injunction did not threaten significant economic hardship to the defendant.<sup>74</sup>

The court rejected the plaintiff's other trademark and copyright actions because a fact-finder was likely to determine that Dwyer's cartoon was a parody,<sup>75</sup> and therefore likely to be protected speech. The court also found that there was no likelihood that consumers would confuse Dwyer's merchandise with Starbucks products.<sup>76</sup> Yet, the court concluded that while Dwyer's cartoon does not use Starbucks' name or a pun on its name in the parody, the image was substantially similar to the mermaid logo.<sup>77</sup> The parody could conjure "in the minds of consumers negative associations that clash with those generated by Starbucks' use of the mermaid logo."<sup>78</sup> Thus, the parody constituted tarnishment because it borrowed enough of the logo to be immediately recognizable as mocking the Starbucks mark; in other words, the parody was banned because the parody was effective.<sup>79</sup>

Ultimately, the court held that: (1) Dwyer's cartoon is likely to be a protected form of speech, but (2) the sale of any item containing the parody, including the comic magazine, and the display of the parody on a website that contains both editorial commentary and a separate linked page of merchandise for sale, constitutes trademark dilution and is therefore barred pending settlement.<sup>80</sup>

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69. *See id.*

70. *See id.* at 3–5.

71. *See id.* at 4.

72. *See id.*

73. *See id.*

74. *See id.*

75. *See id.* (stating "Dwyer has demonstrated a likelihood that the Consumer Whore Logo will be found to be a parody that comments upon both Starbucks and consumers in general").

76. *See id.* at 5.

77. *See id.* at 3.

78. *Id.*

79. *See Dorsen, supra note 7, at 924.*

80. *See id.*

Under the first court order, Dwyer was permitted to keep the parody on his website, as long as he did not sell products containing the image.<sup>81</sup> The court later ordered Dwyer to completely remove the parody from his website,<sup>82</sup> and the case later settled out of court after Dwyer was unable to find financial assistance for the trial and possible appeals.<sup>83</sup>

Thus, Starbucks succeeded in preventing Dwyer from using his parody in any way—even in a strictly editorial capacity on a website—through a preliminary injunction under the Trademark Dilution Act, even though Starbucks failed under the traditional trademark laws because parody is a First Amendment and statutory defense to infringement.

### III. FIRST AMENDMENT AND TRADEMARK PARODY

#### A. Parody Defined

Satire is an ancient form of social commentary that criticizes the follies, corruption and ridiculous aspects of society using harsh, sometimes profane, and often offensive, language and images.<sup>84</sup> Satire identifies a painful or absurd situation or foolish or wicked person or group as vividly as possible; uses highly critical language, including words that are callous, crude, obscene, or taboo in order to shock the reader; and attempts to evoke an emotion in the reader, blending amusement and contempt.<sup>85</sup>

In literary scholarship, parody is treated as a form of satire.<sup>86</sup> Modern dictionaries define parody as “a literary or musical work imitating the characteristic style of some other work or of a writer or composer in a satirical or humorous way, usually by applying it to an inappropriate subject.”<sup>87</sup> Parody is, necessarily, simultaneously derivative and creative.<sup>88</sup> A successful parody borrows enough of an original work to be easily identified as mocking that work.<sup>89</sup> Thus, a

81. See *id.*

82. See *id.*

83. See Order Dismissing Case Without Prejudice Due To Settlement at 1, Starbucks Corp. v. Dwyer, No. 3:00-CV-1499 MMC (N.D. Cal., filed Apr. 24, 2000); Dwyer, *supra* note 6.

84. See Dorsen, *supra* note 7, at 924.

85. See *id.*

86. See *id.*

87. See WEBSTER’S, *supra* note 8.

88. See Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994) (finding that rappers 2 Live Crew probably had created a parody of Roy Orbison’s song *Oh, Pretty Woman* that constituted a “fair use” under copyright law).

89. See Hormel Foods Corp. v. Jim Henson Prod., Inc., 73 F.3d 497, 503 (2d Cir. 1996) (holding that a successful parody conveys “two simultaneous—and contradictory—messages: that it is the original, but also that it is *not* the original and is instead a parody”).

good trademark parody will instantly bring to mind the product or firm it ridicules.<sup>90</sup>

### *B. Trademark Parody Defined*

The courts recognize satire, in a noncommercial setting, as an important form of social and political commentary that is subject to liberal First Amendment protections.<sup>91</sup> In the commercial speech context, the Supreme Court has distinguished between satire and parody, holding that, in limited circumstances, parody may constitute an affirmative defense; whereas, satire is not protected at all because it cannot claim any legitimate need to appropriate the trademark for its creative purposes.<sup>92</sup> In the commercial context, satire refers to a derivative work<sup>93</sup> that the infringer uses merely to get attention or to “avoid the drudgery in working up something fresh” without commenting on the original author’s work.<sup>94</sup> For example, T-shirts and other products containing a rendition of Mutual of Omaha Insurance Co.’s logo with the words “Mutant of Omaha” were unprotected as a form of satire because the defendant was criticizing national nuclear weapons policies without commenting on the insurance company.<sup>95</sup>

Trademark parody, on the other hand, uses substantial elements of a prior author’s composition to create a new one that, at least partly, comments on the original author’s work.<sup>96</sup> Thus, when the court in *Starbucks v. Dwyer* determined

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90. See *Hormel Foods Corp.*, 73 F.3d at 503.

91. See *Hustler Magazine v. Falwell*, 485 U.S. 46, 54–55 (1988).

92. See *Campbell*, 510 U.S. at 581. *Campbell* involves a copyright infringement claim for which the Court deemed a specific parody a “fair use,” therefore protected by the statutory Fair Use defense to copyright infringement. See *id.* at 594. The Federal Trademark Dilution Act provides three exceptions to dilution: (1) fair use of a famous mark in comparative commercial advertising to identify the competing goods of the owner of the famous mark; (2) noncommercial use of a mark; and (3) all forms of news reporting and news commentary. See Lanham Act § 43(c), 15 U.S.C. § 1125(c)(4) (1999). Unlike the copyright fair use defense, the Federal Trademark Dilution Act’s fair use defense is limited to competitors. See *id.* However, *Campbell*’s distinction between satire and parody probably applies to trademark as well as copyright law. See *supra* note 10; *Harley-Davidson, Inc. v. Grottanelli*, 164 F.3d 806, 813 (2d Cir. 1999). Defendants may invoke parody as an affirmative defense to trademark dilution under the First Amendment and under the noncommercial use exception to trademark dilution. See Lanham Act § 43(c), 15 U.S.C. § 1125(c)(4)(b) (1999). Whether individual defendants will succeed under the noncommercial use exception will depend upon whether the court construes commercial use narrowly or broadly. See *infra* notes 176–98 and accompanying text.

93. A derivative work is a work based upon preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, or any other recast, transformed, or adapted version. See 17 U.S.C. § 101 (1995). A copyright holder has the exclusive authority to prepare derivative works. See 17 U.S.C. § 106(2) (1995).

94. *Campbell*, 510 U.S. at 580.

95. Ridicule is not a necessary component of trademark parody, but a trademark parody must “comment on” the thing being parodied. See *Mut. of Omaha Ins. Co. v. Novak*, 648 F. Supp. 905, 910 (D. Neb. 1986), *aff’d*, 836 F.2d 397 (8th Cir. 1987).

96. See *Campbell*, 510 U.S. at 581.

that Dwyer's cartoon was substantially similar to the Starbucks logo without causing consumer confusion,<sup>97</sup> the court merely identified a properly executed trademark parody.

Courts look at the extent to which the parody comments about something other than the original in order to determine whether the unauthorized use constitutes parody of the mark.<sup>98</sup> For example, Danish rock band Aqua's song "Barbie Girl," which poked fun at the popular Mattel toy's plastic life and simultaneously criticized the commercial values of American society, was held to be a valid parody because it borrowed the Barbie and Ken doll images to comment on those dolls more than it commented on society in general.<sup>99</sup>

In *Campbell v. Acuff-Rose Music, Inc.*,<sup>100</sup> the Court declared editorial parody of copyrights to be a fair use, with or without authorization from the copyright owner, under certain circumstances.<sup>101</sup> The Court stated that "[l]ike less ostensibly humorous forms of criticism, [parody] can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one."<sup>102</sup>

### C. Trademark Tarnishment as Corporate Defamation

Prior to *New York Times v. Sullivan*,<sup>103</sup> the Supreme Court considered defamatory statements to be lacking in any constitutional value.<sup>104</sup> The Restatement (Second) of Torts defines defamation as a communication that harms the reputation of another, lowering him in the estimation of the community or deterring third persons from associating or dealing with him.<sup>105</sup> A defamatory communication exposes the defamed party to hatred, ridicule or contempt,<sup>106</sup> and may reflect unfavorably upon the defamed party's personal morality or integrity, or may tend to discredit his financial standing in the community.<sup>107</sup> According to Professor Dan B. Dobbs, courts have followed either the classic English definition of defamation, or the Restatement approach, which Professor Dobbs deems to be more accurate.<sup>108</sup> Under the traditional English definition, defamation is that which

97. See Preliminary Injunction, *supra* note 4, at 4–5.

98. See *Campbell*, 510 U.S. at 581.

99. See *Mattel, Inc. v. MCA Records, Inc.*, 46 U.S.P.Q.2d 1407, 1410 (C.D. Cal. 1998) (finding that in general, Danish rock band Aqua's "Barbie Girl" video of the song spoofs what children do with their dolls even though the song also mocked the popular Mattel toy as an icon of American society).

100. 510 U.S. 569 (1994).

101. See *id.* at 579.

102. *Id.* at 579.

103. 376 U.S. 254 (1964).

104. See *Chaplinsky v. New Hampshire*, 315 U.S. 568, 571–72 (1942) (holding libelous statements to be unprotected as without any redeeming social value, on par with fighting words and obscenity).

105. See RESTATEMENT (SECOND) OF TORTS § 559 (1977).

106. See *id.* at § 559 cmt. b (1977).

107. See *id.*

108. See DAN B. DOBBS, THE LAW OF TORTS § 403, at 1126–27 (2000).

“exposes the plaintiff to hatred, ridicule, or contempt” or that which “subject[s] the plaintiff to obloquy, odium, shame, disgrace or other forms of discredit or harm to reputation.”<sup>109</sup> Moreover, a publication was deemed defamatory if it caused the plaintiff to be “shunned or avoided by others, even if she were not discredited or subject to disgrace.”<sup>110</sup>

Corporate defamation generally involves derogatory statements alleging that the corporation has committed a crime or fraud.<sup>111</sup> Other forms of disparagement, including attacking a particular product, are subject to different types of reputational torts.<sup>112</sup> Regardless of whether the corporate plaintiff brings suit for corporate defamation or for another corporate reputational tort, the plaintiff is required to prove four elements: (1) derogatory publication; (2) fault; (3) a provably false statement; and (4) pecuniary damages.<sup>113</sup> These requirements are significantly more demanding than the common law libel rules, and are even more demanding than the Constitutional libel law, which has developed in this country since the Supreme Court’s 1964 decision in *New York Times Co. v. Sullivan*.<sup>114</sup> Through the tarnishment theory of trademark dilution, the Trademark Dilution Act has given corporations the ability to circumvent the restrictive reputational tort requirements while accomplishing the same goal—silencing derogatory publications.

Although tarnishment is usually found where the distinctive mark is depicted in sexual or illegal activities or is connected to obscenity, tarnishment is not limited to “seamy” conduct. Instead, dilution via tarnishment requires only a finding that the mark will suffer negative associations through the defendant’s use.<sup>115</sup> The Supreme Court has held content-based restrictions of commercial

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109. *Id.* See also WILLIAM L. PROSSER, HANDBOOK OF THE LAW OF TORTS § 111, at 739 (4th ed. 1971).

110. DOBBS, *supra* note 108, § 403, at 1127.

111. See DOBBS, *supra* note 108, § 407, at 1138.

112. See *id.* (stating that claims that the corporation has gone out of business are subject to liability as injurious falsehoods, attacks against particular products are subject to liability for trade libel or commercial disparagement, and attacks to a corporation’s title to property are subject to slander of title claims).

113. See DOBBS, *supra* note 108, § 407, at 1138.

114. See *id.*

115. See *Hormel Foods Corp. v. Jim Henson Prod., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996); *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 30 (1st Cir. 1987) (discussing tarnishment under Maine’s anti-dilution statute, the First Circuit held that tarnishment arises when goodwill and reputation of a trademark is linked to products of shoddy quality or products that stigmatize the owner’s lawful use of the mark); *Am. Dairy Queen Corp. v. New Line Prod., Inc.*, 35 F. Supp. 2d 727, 733 (D. Minn. 1998) (finding a likelihood of tarnishment because some viewers may consider certain portions of the film “Dairy Queens” to be offensive, even if others find it humorous); *Minn. Mining & Mfg. Co. v. Rauh Rubber, Inc.*, 943 F. Supp. 1117, 1131–32 (D. Minn. 1996) (stating that “[t]arnishment results from unauthorized use which tarnishes, degrades or dilutes the mark’s distinctive quality”), *aff’d*, 130 F.3d 1305 (8th Cir. 1997); 3 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24.16[1] (4th ed. 1997) (stating that successful

speech constitutional under the First Amendment specifically because these restrictions are necessary to protect consumers from confusion and fraud.<sup>116</sup> However, the Trademark Dilution Act as applied to non-competitor parody artists, unlike copyright and trademark infringement laws, actually protects the mark holder's interest in its reputation, rather than the consumer's interests. Neither copyright nor trademark infringement laws are intended to protect the owner's interest in its public image against valid criticism.<sup>117</sup> The purposes of these laws are to prevent consumer confusion among products and competing producers and to protect consumers and mark holders from fraud and deception—regulations that the Supreme Court has held to be valid under the First Amendment.<sup>118</sup> In order to fall within the allowable commercial speech regulations, the fair use and likelihood of confusion tests applied to infringement include direct competition between the original and junior products as evidence of bad faith and confusion.

Furthermore, courts recognize that granting the trademark holder exclusive use of its trademark would significantly deplete useful social and commercial discourse.<sup>119</sup> Such exclusive rights to a trademark would result in otherwise impermissible prior restraints on speech if speakers were under the threat of a trademark lawsuit every time they referred to a person, company or product by using its trademark.<sup>120</sup>

The Trademark Dilution Act, however, specifically states that the owner of a famous mark may hold a secondary user liable for dilution regardless of competition, confusion or deceit.<sup>121</sup> Thus, it directly conflicts with the purposes of the other Lanham Trademark Act provisions by expanding its scope into the realm of criticism and commentary via derisive parody of the mark.

Parody is frequently profane and by definition degrades the reputation of its target.<sup>122</sup> Emphasis on tarnishment ignores the substantial weight of First

tarnishment claims generally involve uses of the trademark in an "unwholesome or degrading context").

116. See *Bolger v. Youngs Drug Prod. Corp.*, 463 U.S. 60, 65 (1983).

117. See Lanham Act § 45, 15 U.S.C. § 1127 (1999).

118. See *Lorillard Tobacco Co. v. Reilly*, 121 S. Ct. 2404, 2421 (2001) (reaffirming the distinction between speech proposing a commercial transaction, which has traditionally been subject to government regulation, and other forms of speech). The Court declined to apply strict scrutiny to outdoor tobacco advertisements, instead applying the four-part commercial speech test promulgated in *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*, 447 U.S. 557 (1980). See *Lorillard Tobacco Co.*, 121 S. Ct. at 2422; see also *Bolger*, 463 U.S. at 65 (holding that content-based restrictions on commercial speech may be permissible because of the greater potential for deception or confusion in the context of advertising messages, whereas content-based restrictions of other types of speech are allowed only in extraordinary circumstances).

119. See *New Kids on the Block v. New Am. Publ'g, Inc.*, 971 F.2d 302, 307 (9th Cir. 1992) (noting the potential for injury to public discourse if individuals cannot refer to specific trademarks in their social commentaries).

120. See *id.*

121. See 15 U.S.C. § 1127.

122. See Dorsen, *supra* note 7, at 924.

Amendment doctrine when applied to all other categories of protected speech. In *Hustler Magazine v. Falwell*,<sup>123</sup> the Court reiterated that the First Amendment protects even speech motivated by hatred and ill will.<sup>124</sup> By its very nature, parody is necessarily offensive when it is most successful. For this reason, courts have recognized that “‘destructive’ parodies play an important role in social and literary criticisms and thus merit protection even though they may discourage or discredit an original author.”<sup>125</sup>

In a noncommercial setting, the fact that the defendant’s parody includes a word that is offensive to some readers does not preclude First Amendment protection from liability for reputational harm, such as the tort of defamation.<sup>126</sup> Courts have recognized that language is rich in imagery, and some words, including profanity, convey a message better than others.<sup>127</sup> This approach has some support in the commercial setting.<sup>128</sup> However, most trademark parodies are attacked under the tarnishment theory of trademark dilution. Tarnishment occurs when an unauthorized use tarnishes, degrades, or dilutes the mark’s distinctive quality.<sup>129</sup> Tarnishment is most often found when the mark is associated with

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123. 485 U.S. 46 (1988).

124. See *id.* at 53 (quoting *Garrison v. Louisiana*, 379 U.S. 64, 73 (1964), as saying, “Debate on public issues will not be uninhibited if the speaker must run the risk that it will be proved [sic] in court that he spoke out of hatred; even if he did speak out of hatred, utterances honestly believed [to] contribute to the free interchange of ideas and the ascertainment of truth”). The Court stated, “while...a bad motive may be deemed controlling for purposes of tort liability in other areas of the law, we think the First Amendment prohibits such a result in the area of public debate about public figures.” *Id.*

125. *Fisher v. Dees*, 794 F.2d 432, 437 (9th Cir. 1986).

126. See *Hustler Magazine v. Falwell*, 485 U.S. 46, 50 (1988) (protecting the use of the words “bullshit” and “come” in an advertising parody of the Rev. Jerry Falwell in which he was depicted having incestuous sex in an outhouse); see also *Cohen v. California*, 403 U.S. 15, 25 (1971) (holding the phrase “fuck the draft” as protected speech, the court in dicta states, “it is...often true that one man’s vulgarity is another’s lyric”).

127. See *New Kids on the Block v. New Am. Publ’g Inc.*, 971 F.2d 302, 306 (9th Cir. 1992) (finding that trademark creates only a limited property right because it essentially removes important words from public discourse). See also *San Francisco Arts & Athletics, Inc. v. U.S.O.C.*, 483 U.S. 522, 569 (1987) (Brennan, J., dissenting) (referring to *Cohen v. California*, 403 U.S. 15 (1971), Brennan stated, “[A] jacket reading ‘I Strongly Resent the Draft’ would not have conveyed Cohen’s message”).

128. See *Dr. Seuss Enter. v. Penguin Books USA, Inc.*, 924 F. Supp. 1559, 1574 (S.D. Cal. 1996), *aff’d*, 109 F.3d 1394 (9th Cir. 1997), *cert. denied*, *Penguin Books USA, Inc. v. Dr. Seuss Enter.*, 521 U.S. 1146 (1997). The Ninth Circuit noted that courts should “not take into account whether [an alleged parody] is in good or bad taste.” *Dr. Seuss Enter.*, 109 F.3d at 1400 n.8. See also *Mattel, Inc. v. MCA Records, Inc.*, 46 U.S.P.Q.2d 1407, 1420 (C.D. Cal. 1998) (holding that the Barbie doll manufacturer’s distaste for the message in rock band Aqua’s parody song “Barbie Girl” was insufficient to justify a preliminary injunction).

129. See *Minn. Mining & Mfg. Co. v. Rauh Rubber, Inc.*, 943 F. Supp. 1117, 1131–32 (D. Minn. 1996), *aff’d*, 130 F.3d 1035 (8th Cir. 1997).



sexually explicit, obscene or profane materials.<sup>130</sup> Other negative associations can also constitute tarnishment.<sup>131</sup>

Thus, corporations often successfully argue that profanity, vulgarity and other generally offensive words or images tarnish, and therefore dilute, their corporate trademarks by associating the mark with negative connotations that are harmful to the corporations' wholesome images.<sup>132</sup> For this reason, the term dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of competition between the owner...and other parties, or the likelihood of confusion, mistake, or deception."<sup>133</sup>

Parody is derisive and often offensive. Thus, parody falls directly within the definition of dilution via tarnishment. This enables courts to freely grant preliminary injunctions against trademark parodies under the dilution theory despite the statutory exception for noncommercial uses that ostensibly protects parody from infringement claims.

#### *D. Chilling Effect of a Tarnishment Lawsuit*

##### *1. Disparate Resources*

The goal of filing a trademark tarnishment suit against a non-competitor critic who parodies the corporate logo is to stop the person from criticizing the famous corporation about matters of public concern. The Supreme Court first extended First Amendment protection to commercial speech in *Bigelow v. Virginia*.<sup>134</sup> The Court has interpreted the First Amendment as protecting commercial speech in part to increase the free flow of commercial information, and also to check corruption and abuses through private concentrations of power in a free market economy.<sup>135</sup> By protecting only famous marks, the Trademark Dilution Act limits protections against dilution to those corporations that represent private concentrations of power.<sup>136</sup>

130. See, e.g., *Toys "R" Us, Inc. v. Akkaoui*, 40 U.S.P.Q.2d 1836, 1838-39 (N.D. Cal. 1996).

131. See, e.g., *Anheuser-Busch Inc. v. Andy's Sportswear Inc.*, 40 U.S.P.Q.2d 1542 (N.D. Cal. 1996) (finding tarnishment by "Buttwiser" T-shirts resembling "Budweiser" beer advertising); *Coca-Cola Co. v. Alma-Leo U.S.A., Inc.*, 719 F. Supp. 725, 728 (N.D. Ill. 1989) (finding tarnishment by "Enjoy Cocaine" poster in the style of "Enjoy Coca-Cola" design).

132. See Plaintiff's Application for Temporary Restraining Order, *supra* note 66, at 3.

133. Lanham Act § 45, 15 U.S.C. § 1127 (1999).

134. 421 U.S. 809 (1975).

135. See *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 765 (1976).

136. See Lanham Act § 43(c), 15 U.S.C. § 1125(c) (1999).

Although many cases of trademark parody are successfully defended on First Amendment grounds,<sup>137</sup> they present significant financial and legal hurdles to those individuals who would speak against a corporation.<sup>138</sup> The effectiveness of lawsuits to silence corporate critics derives in part from the disparity of resources between the plaintiff corporation and the defendant parody artist.<sup>139</sup> Corporate plaintiffs with famous marks will usually have large treasuries with which to mount protracted litigation.<sup>140</sup> In addition, corporations can claim tax advantages for the legal expenses involved,<sup>141</sup> and the Lanham Act allows recovery of treble damages or profits if the trademark dilution was willful.<sup>142</sup>

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137. See *Lyons P'ship v. Giannoulas*, 179 F.3d 384, 390 (5th Cir. 1999) (affirming district court's rejection of trademark infringement claim because "Barney" dinosaur look-alike was a parody); *Charles Atlas, Ltd. v. DC Comics, Inc.*, 112 F. Supp. 2d 330, 341 (S.D.N.Y. 2000) (granting defendant's summary judgment motion based on successful parody defense); *N.Y. Stock Exch., Inc. v. N.Y., N.Y. Hotel, LLC*, 69 F. Supp. 2d 479, 494-495 (S.D.N.Y. 1999) (granting defendant's summary judgment motion based on successful parody defense).

138. See Lyrissa Barnett Lidsky, *Silencing John Doe: Defamation & Discourse in Cyberspace*, 49 DUKE L.J. 855, 867 (2000) (citing one case in which a corporation with a CEO earning \$13 million per year sued a disgruntled ex-employee, who was fired from his \$35,000 per year job after he posted defamatory statements to an Internet message board); see also Lanham Act § 45, 15 U.S.C. § 1127 (1999). Anyone who willfully infringes or dilutes a trademark may be subject to treble damages and attorney's fees and costs. See *id.*

139. During the past three decades, the legal community has documented hundreds of cases in which corporations misused the courts by filing Strategic Lawsuits Against Public Participation, or SLAPPS. See John C. Barker, *Common-Law and Statutory Solutions to the Problem of SLAPPS*, 26 LOY. L.A. L. REV. 395 (1993); Edmond Costantini & Mary Paul Nash, *SLAPP/SLAPPback: The Misuse of Libel Law for Political Purposes and a Countersuit Response*, 7 J.L. & POL. 417, 423 (1991); Ron Galperin, *Getting SLAPPED*, L.A. TIMES, Apr. 29, 1990, at K1, K1 (quoting Penelope Canan's characterization of such suits as "bogus lawsuits"); Sharlene A. McEvoy, "The Big Chill": *Business Use of the Tort of Defamation to Discourage the Exercise of First Amendment Rights*, 17 HASTINGS CONST. L.Q. 503, 504 (1990); George W. Pring, *SLAPPS: Strategic Lawsuits Against Public Participation*, 7 PACE ENVTL. L. REV. 3 (1989); Mark Jackson, Note, *The Corporate Defamation Plaintiff in the Era of SLAPPS: Revisiting New York Times V. Sullivan*, 9 WM. & MARY BILL RTS. J. 491 (2001). SLAPPS are meritless suits aimed at silencing a plaintiff's opponents, or at least at diverting their resources. See John C. Barker, *Common-Law and Statutory Solutions to the Problem of SLAPPS*, 26 LOY. L.A. L. REV. 395, 396 (1993). The original SLAPP study was limited to the First Amendment right to petition because the scholars were concerned about corporate attempts to silence legitimate political speech. See *id.* Since the 1989 SLAPP study, corporations have continued to file meritless claims against individuals who criticize them such that the SLAPP phenomenon has continued to grow into new areas of grievance and the law. See Jackson, *supra* (arguing that defamation suits brought by corporations should be subject to liability as SLAPP actions).

140. See McEvoy, *supra* note 139, at 504.

141. See *id.*

142. See Lanham Act § 45, 15 U.S.C. § 1117 (1999).

In contrast, defendant parody artists are increasingly small-time Internet users.<sup>143</sup> The Supreme Court has recognized the chilling effect that lawsuits, and threats of lawsuits, have on individuals who are willing to speak out, stating that “[a] lawsuit no doubt may be used as a powerful instrument of coercion or retaliation...[and] the chilling effect of a state lawsuit upon an employee’s willingness to engage in protected activity is multiplied where the complaint seeks damages....”<sup>144</sup> The tarnishment theory of trademark dilution as applied against non-competitor parody artists protects the reputation of a famous mark’s owner, essentially acting as a defamation statute. In this capacity, the tarnishment theory of trademark dilution is an over-deterrent, chilling First Amendment discourse because the Trademark Dilution Act encourages prospective speakers to engage in undue self-censorship to avoid the negative consequences of speaking—a multi-million dollar lawsuit.<sup>145</sup>

## 2. Preliminary Injunctions and Treble Damages

The courts have almost uniformly rejected the use of preliminary injunctions to silence speech in noncommercial settings, except in certain narrowly defined circumstances.<sup>146</sup> Although not unconstitutional per se, prior restraints on expression generally carry a heavy burden for the party seeking to impose the restraint.<sup>147</sup> However, preliminary and permanent injunctions are freely given under the copyright and trademark laws<sup>148</sup> because copyrights and trademarks are

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143. See Lidsky, *supra* note 138, at 883–84 (finding that the Internet should equalize the power differential between corporations and their online critics, but fails to because corporations bring defamation suits against online critics).

144. Bill Johnson’s Rests., Inc. v. NLRB, 461 U.S. 731, 740–41 (1983).

145. See Lidsky, *supra* note 138, at 888.

146. See, e.g., Floyd Abrams, *Prior Restraints*, 540 PUB. LAW INS., PAT. 861 (1998); see also *Neb. Press Assoc. v. Stuart*, 427 U.S. 539, 565 (1976) (holding that an order restraining the press, in advance, from reporting accounts of criminal confessions violated the First Amendment where alternatives to a prior restraint would have sufficiently mitigated the adverse effects of pretrial publicity); *N.Y. Times Co. v. United States*, 403 U.S. 713, 714 (1971) (holding that any prior restraint of expression carries a heavy presumption of being unconstitutional); *Kingsley Books, Inc. v. Brown*, 354 U.S. 436, 445 (1957) (upholding an injunction of obscenity partly because the injunction restricted only speech that was already found to be unprotected); *Near v. Minn. ex rel. Olson*, 283 U.S. 697, 716 (1931) (holding that prior restraints are unavailable against publications except in certain narrowly defined cases).

147. See Abrams, *supra* note 146, at 865.

148. See *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000) (affirming district court grant of preliminary injunction partly because plaintiff established a likelihood of success in proving trademark dilution); *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176, 198 (W.D.N.Y. 2000) (granting a preliminary injunction against an Internet website that used a newspaper’s trademarked name as a domain name for a website parodying and criticizing the newspaper); *Am. Dairy Queen Corp. v. New Line Prod., Inc.*, 35 F. Supp. 2d 727, 735 (D. Minn. 1998) (granting a preliminary injunction barring a movie from using the title “Dairy Queens” based on a likelihood of dilution to the ice cream chain).

treated as limited property rights.<sup>149</sup> The Copyright Act of 1976<sup>150</sup> authorizes courts to “grant temporary and final injunctions on such terms as they deem reasonable to prevent or restrain infringement of a copyright.”<sup>151</sup> The Lanham Act<sup>152</sup> likewise authorizes courts to grant injunctions “according to the principles of equity and upon such terms as the court may deem reasonable.”<sup>153</sup> In deciding whether to grant a preliminary injunction, courts balance several factors, including the plaintiff’s likelihood of success on the merits.<sup>154</sup> This standard requires the plaintiff to overcome the defendant’s likelihood of success on the merits of any affirmative defenses raised—including parody.

The Trademark Dilution Act, however, made it even easier for corporations to procure preliminary injunctions against parodies of their trademarks, even where the corporation likely would lose on the merits of a trademark infringement claim based on the defendant’s parody defense. In determining whether to issue a preliminary injunction for trademark dilution, courts will presume irreparable harm by mere proof of likelihood of dilution without considering the defendant’s likelihood of success on the merits of any affirmative defenses.<sup>155</sup> Courts grant this evidentiary presumption despite the holding in *Campbell*, where the Supreme Court rejected the application of two evidentiary presumptions in the context of a parody of a copyrighted work: (1) where the derivative work is a parody, the fact that the parody is used in commerce does not render it presumptively unfair; and (2) where the derivative work is a parody, courts may not presume market harm.<sup>156</sup> Thus, to win a preliminary injunction for dilution, a corporate plaintiff need not demonstrate likelihood of success on the merits so long as the corporate plaintiff demonstrates that it is the owner of a famous mark and that the defendant diluted that mark. For example, in *Starbucks Corp. v. Dwyer*, the court denied a preliminary injunction based on the copyright and trademark infringement claims because the court found that Dwyer would likely succeed on a parody defense, meaning that Starbucks likely would

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149. See *Joseph Schlitz Brewing Co. v. Houston Ice & Brewing Co.*, 241 F. 817 (5th Cir. 1917) (theory of injunctive relief in trademark infringement is protection of plaintiff’s property right), *aff’d*, 205 U.S. 28 (1919). But see *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 29 (1st Cir. 1987) (finding that trademarks create only a limited property right, such that the owner’s right extends only to injurious, unauthorized commercial uses by another).

150. 17 U.S.C. §§ 101–507 (2000).

151. Copyright Act of 1976, 17 U.S.C. § 502(a) (1994).

152. 15 U.S.C. §§ 1051–1128 (1999).

153. Lanham Act § 34(a), 15 U.S.C. § 1116(a) (1999).

154. See *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325, 1330 (7th Cir. 1977); *Banks v. Trainor*, 525 F.2d 837, 841 (7th Cir. 1975).

155. See *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000) (holding that irreparable harm is generally presumed in cases of trademark infringement and dilution); *Am. Dairy Queen Corp. v. New Line Prod., Inc.*, 35 F. Supp. 2d 727, 729 (D. Minn. 1998) (presuming irreparable harm by dilution).

156. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 593–94 (1994).

lose on the merits of those claims.<sup>157</sup> However, the court granted the preliminary injunction based on the likelihood of dilution via tarnishment, even though the court believed Dwyer had produced an otherwise protected parody.<sup>158</sup>

Moreover, where the trademark owner proves that the unauthorized user willfully intended to trade on the owner's reputation or to cause dilution of the famous mark, the trademark owner is entitled to receive treble damages or three times the amount of defendant's profits, *whichever is greater*, plus attorney's fees and costs.<sup>159</sup> Generally, courts will balance the relative hardships between the parties to determine an appropriate remedy for a trademark violation.<sup>160</sup> However, where a court finds that the defendant willfully intended a trademark violation, the court is likely to resolve the hardships in the plaintiff corporation's favor.<sup>161</sup> Therefore, situations where a plaintiff will be required to prove irreparable harm are rare, generally requiring a showing of undue delay or laches.<sup>162</sup>

Preliminary injunctions serve to stop the parody artist from profiting from his work until the artist wins on the merits of his parody defense, often on appeal.<sup>163</sup> The mere threat of a protracted lawsuit that may result in treble damages or lost profits acts as a significant deterrent to critical speech. The corporate trademark owner usually can afford to drag out the settlement, trial and appeal

157. See Preliminary Injunction, *supra* note 4, at 4.

158. See *id.* at 4–5.

159. See Lanham Act § 35(a), 15 U.S.C. § 1117 (1999).

160. Jurisdictions vary greatly in determining which interests and hardships to balance. See *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) (balancing the public interest in avoiding consumer confusion against the public interest in free expression); *Yankee Publ'n Inc. v. News Am. Publ'n Inc.*, 809 F. Supp. 267, 276 (S.D.N.Y. 1992) (balancing the trademark owner's property and economic interests against the defendant's free speech interests); Preliminary Injunction, *supra* note 4, at 4 (granting plaintiff corporation a presumption of significant economic hardship based on possibility of dilution and determining that the defendant artist would not suffer significant economic hardship). See also *infra* notes 175–97 and accompanying text.

161. See *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325, 1333–34 (7th Cir. 1977) (holding that the defendant waived the right to have the court balance its harm against plaintiff's as a defense to upholding the preliminary injunction because the defendant deliberately proceeded to market and promote its infringing product despite warnings from the plaintiff that the product was infringing on the plaintiff's trademark, an injunctive order and an agreement to stop infringing).

162. See *Dial-A-Mattress Operating Corp. v. Mattress Madness*, 841 F. Supp. 1339, 1358 (E.D.N.Y. 1994); see also *Helene Curtis Indus., Inc.*, 560 F.2d at 1333; *MGM-Pathe Communications Co. v. Pink Panther Patrol*, 774 F. Supp. 869, 873 (S.D.N.Y. 1991); *Ventura Travelware, Inc. v. A to Z Luggage Co.*, 1 U.S.P.Q.2d (BNA) 1552, 1553 (E.D.N.Y. 1986).

163. See *Lyons P'ship v. Giannoulas*, 179 F.3d 384, 390 (5th Cir. 1999) (affirming district court's rejection of trademark infringement claim because "Barney" dinosaur look-alike was a parody); *Charles Atlas, Ltd. v. DC Comics, Inc.*, 112 F. Supp. 2d 330, 341 (S.D.N.Y. 2000) (granting defendant's summary judgment motion based on successful parody defense); *N.Y. Exch., Inc. v. N.Y., N.Y. Hotel, LLC*, 69 F. Supp. 2d 479, 494–495 (S.D.N.Y. 1999) (granting defendant's summary judgment motion based on successful parody defense).

process beyond the financial means of the defendant parody artist.<sup>164</sup> As one commentator noted in connection with the 1989 study of corporate Strategic Lawsuits Against Public Participation,<sup>165</sup> the cost is high for an individual defendant in a corporate lawsuit aimed at silencing a critic,

not only in terms of attorney's fees and general litigation expenses, but also through the disruption of families, physical illness and emotional upheaval. Such protracted vexation can have the effect of discouraging even the hardiest of souls from exercising their First Amendment rights.<sup>166</sup>

#### IV. PARODY AND THE NONCOMMERCIAL USE EXCEPTION

##### A. Purposes of Trademark Laws

The Supreme Court has interpreted the First Amendment to provide less protection to commercial speech than to other constitutionally safeguarded forms of expression.<sup>167</sup> In noncommercial speech, the Court has allowed content-based restrictions only under extraordinary circumstances. It allows greater content-based restrictions in the realm of commercial speech because of the perceived "greater potential for deception or confusion in the context of certain advertising messages."<sup>168</sup> Based on this Constitutional concern, three main purposes have been attributed to the Lanham Trademark Act of 1946,<sup>169</sup> which includes the Trademark Dilution Act. First, the regulations prevent consumer confusion among products.<sup>170</sup> Second, the regulations prevent false or misleading factual representations about products.<sup>171</sup> Third, the regulations prevent others from usurping the intellectual property of the corporation for their own commercial uses.<sup>172</sup>

When a non-competitor uses a famous trademark to ridicule or otherwise criticize the corporation through parody, there is no threat of consumer confusion because the non-competitor is clearly not attempting to sell a different product

164. *Starbucks v. Dwyer* settled out of court after multiple legal aid services, including the American Civil Liberties Union and the Comic Book Legal Defense Fund were unable to provide the cartoonist defendant with financial assistance. *See Dwyer, supra* note 6.

165. *See* discussion of Strategic Lawsuits Against Public Participation, *supra* note 139.

166. *McEvoy, supra* note 139, at 505.

167. *See Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 65 (1983); *Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525 (2001) (holding that regulations of tobacco outdoor advertising and sales practices do not violate the First Amendment).

168. *See Bolger*, 463 U.S. at 65.

169. *See* 15 U.S.C. § 1051-1128 (1999).

170. *See* Lanham Act § 45, 15 U.S.C. § 1127 (1999).

171. *See id.*

172. *See id.*

under the guise that the famous corporation manufactured the product.<sup>173</sup> When a non-competitor uses a trademark for parody, there is also no question of a false or misleading representation about the product because a parody is not a factual representation. The Supreme Court has held that parody is an expression of opinion, and that there is no such thing as a false *idea* under the First Amendment.<sup>174</sup> Opinions, even in the form of a parody, necessarily are exempt from the false representation category. Finally, the noncommercial use exception is confusing when coupled with the tarnishment theory of dilution, causing various federal circuits to construe the act in substantially different ways.

### *B. Problems with the Noncommercial Use Parody Exception*

Federal circuits are split over whether to give the parody defense deference because of its editorial nature and First Amendment ramifications or whether to construe "commercial use" broadly, looking only at economic factors.<sup>175</sup>

The Lanham Act defines "commerce" to mean "all commerce that may be lawfully regulated by Congress."<sup>176</sup> A mark related to a product is used in commerce when it is placed on products or their containers, on displays associated with the products, on the tags or labels, or on documents associated with the goods or their sale.<sup>177</sup> A mark related to a service is deemed to be used in commerce when it is displayed in the sale or advertising of those services.<sup>178</sup>

Some courts have declined to give trademark parody special consideration outside of the parameters of the Lanham Act, despite the First Amendment concerns raised by a parody defense.<sup>179</sup> In trademark infringement cases, parody is generally treated as a factor used to determine whether there is a likelihood of

173. Where a non-competitor attempts to sell a product unassociated with the famous corporation using a highly similar version of the corporation's famous mark, the non-competitor is liable for trademark dilution via blurring. See discussion of blurring, *supra* note 19.

174. See *Hustler Magazine v. Falwell*, 485 U.S. 46, 51 (1988); see also *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 339-40 (1974) (stating that "[h]owever pernicious an opinion may seem, we depend for its correction not on the conscience of judges and juries but on the competition of other ideas").

175. See *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989); *Trustco Bank, Nat. Ass'n v. Glens Falls Nat. Bank & Trust*, 903 F. Supp. 335, 339 (N.D.N.Y. 1995); *Yankee Pub. Inc. v. News Am. Publ'n Inc.*, 809 F. Supp. 267, 276 (S.D.N.Y. 1992). *But see* *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir.1987); *Reddy Communications, Inc. v. Envtl. Action Found.*, 199 U.S.P.Q. (BNA) 630, 634 (D.D.C.1977).

176. Lanham Act § 45, 15 U.S.C. § 1127 (1999).

177. *See id.*

178. *See id.*

179. See *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir.1987); *Reddy Communications, Inc. v. Envtl. Action Found.*, 199 U.S.P.Q. (BNA) 630, 634 (D.D.C. 1977).

confusion.<sup>180</sup> The Trademark Dilution Act, however, includes three defenses specific to dilution, including fair use by competitors and noncommercial use.<sup>181</sup> In the copyright context, the fair use defense depends upon how the courts construe the term “commercial use” because noncommercial use weighs heavily in favor of a finding of fair use under the statute,<sup>182</sup> and because some courts have held that parody is a noncommercial use.<sup>183</sup>

In the context of a public figure’s right of publicity,<sup>184</sup> the parody defense is clearly intended to protect the content of the message. Moreover, when courts drafted the parody defense, they did not envision a doctrine that would be limited to specific media.<sup>185</sup> However, in the trademark context, the medium in which the parody appears often controls over the content of the message.<sup>186</sup> If the medium is a “commercial” product, then the unauthorized use of the mark is infringing, regardless of the fact that it may collaterally convey a message.<sup>187</sup>

Where the medium is “communicative” the First Amendment may trump trademark law, depending upon whether the court interprets “commercial use” narrowly to exclude editorial uses from trademark liability, as the Second Circuit does.<sup>188</sup> Under the communicative message rule, editorial uses including comedy,

180. See *Films of Distinction, Inc. v. Allegro Film Prod., Inc.*, 12 F. Supp. 2d 1068, 1078 (C.D. Cal. 1998).

181. See Lanham Act § 43(c), 15 U.S.C. § 1125(c)(4) (1999).

182. See Copyright Act of 1976, 17 U.S.C. § 107 (1992). *But see* *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 593 (1994) (holding that commercial use is only one factor in determining whether defendant’s use is fair).

183. See *Charles Atlas, Ltd. v. DC Comics, Inc.*, 112 F. Supp. 2d 330, 336 (S.D.N.Y. 2000); *see also* *World Championship Wrestling v. Titan Sports, Inc.*, 46 F. Supp. 2d 118, 122–23 (D. Conn. 1999) (citing, *inter alia*, 141 CONG. REC. S19310 (daily ed. Dec. 29, 1995)); *Dr. Seuss Enter. v. Penguin Books USA, Inc.*, 924 F. Supp. 1559, 1574 (S.D. Cal. 1996), *aff’d*, 109 F.3d 1394 (9th Cir. 1997), *cert. denied*, *Penguin Books USA, Inc. v. Dr. Seuss Enter.*, 521 U.S. 1146 (1997).

184. There are four privacy-related torts: (1) intrusion upon physical seclusion; (2) public disclosure of private facts; (3) placing the plaintiff in a false light; and (4) appropriating the plaintiff’s name or likeness for the defendant’s use or benefit. *See* RESTATEMENT (SECOND) OF TORTS § 652(A) (1977). The right of publicity derives from the fourth privacy tort, and protects a famous person’s identity from being used for advertising or trade purposes without that person’s authorization. For a general discussion of the right of publicity, see Mark D. Robins, *Publicity Rights in the Digital Media, Part I*, 17 *COMPUTER & INTERNET LAW* 1 (2000).

185. See *Paulsen v. Personality Posters, Inc.*, 59 Misc. 2d 444, 450 (N.Y. Sup. Ct. 1968) (holding that the newsworthiness and public interest exceptions to the right of publicity should be extended from traditional newspapers, magazines and newsreels to “other communications media including books, comic books, radio, television and motion pictures”).

186. See 5 *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 31:152 (4th ed. 1997).

187. *See id.*

188. See *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) (holding that the Lanham Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression); *see also*



parody, allusion, criticism, news reporting, commentary,<sup>189</sup> and other forms of expression, are deemed noncommercial even if the use increases the defendant's sales.<sup>190</sup> Other courts interpret "commercial use" broadly to require only a balancing of the corporate plaintiff's economic interests against the defendant's potential for economic hardship.<sup>191</sup> Under this approach, the court will only consider the parody defendant's First Amendment interests if there was no other reasonable way for the artist to communicate the message.<sup>192</sup>

*Starbucks Corp. v. Dwyer* illustrates the distinction between a broad and narrow construction of "commercial use" as applied to a trademark parody used in a comic magazine. In *Starbucks*, the defendant's attorney argued that the defendant's comic book should be treated separately from the other merchandise, with the enhanced First Amendment protections provided to newspapers, and like media, because comic books are purchased for their editorial content.<sup>193</sup> Partly because the defendant included the parody on the cover of his comic book, the federal district court found no distinction between the T-shirts and the comic magazine.<sup>194</sup>

Under a narrow interpretation of commercial use, it should not matter whether the parody increased the defendant's sales because parody is expressive. Courts that have held parodies within comic books to be noncommercial uses sometimes have distinguished between magazines that include the parody on the

Trustco Bank, Nat'l Ass'n v. Glens Falls Nat'l Bank & Trust, 903 F. Supp. 335, 339 (N.D.N.Y. 1995) (holding that the Lanham Act section prohibiting false descriptions of products and services and their origins is construed narrowly when the unauthorized use of a trademark is for communicating a message, rather than for identifying the origin of a product or service); *Yankee Pub. Inc. v. News Am. Publ'n Inc.*, 809 F. Supp. 267, 276 (S.D.N.Y. 1992) (holding that where the unauthorized use of a trademark is for expressive purposes, the Lanham Act requires a balancing of the trademark owner's interests against the defendant's free speech interests).

189. See *Yankee Pub. Inc.*, 809 F. Supp. at 276.

190. *Charles Atlas, Ltd. v. DC Comics, Inc.*, 112 F. Supp. 2d 330, 336 (S.D.N.Y. 2000); see also *World Championship Wrestling v. Titan Sports, Inc.*, 46 F. Supp. 2d 118, 122-23 (D. Conn. 1999) (citing, *inter alia*, 141 CONG. REC. S19310 (daily ed. Dec. 29, 1995)); *Dr. Seuss Enter. v. Penguin Books USA, Inc.*, 924 F. Supp. 1559, 1574 (S.D. Cal. 1996), *aff'd*, 109 F.3d 1394 (9th Cir. 1997), *cert. denied*, *Penguin Books USA, Inc. v. Dr. Seuss Enter.*, 521 U.S. 1146, (1997).

191. See *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987).

192. See *id.* (finding that satire using the plaintiff's logo on a T-shirt justified a preliminary injunction because other avenues for expressing the satirical message were available); see also *Reddy Communications, Inc. v. Envtl. Action Found.*, 199 U.S.P.Q. (BNA) 630, 634 (D.D.C. 1977) (stating "we do not see how defendant's First Amendment rights will be severely hampered if this one arrow is removed from its quiver").

193. See John Woods, *Judge Considers Starbucks' Restraining Order*, AM. LAW. MEDIA, June 6, 2000, at <http://wwwv.law.com/cgi-bin/gx.cgi/AppLogic+FTContentServer?pagename=law/View&c=Article&cid=ZZZRWUCS49C&live=true&cst=1&pc=0&pa=0> (last visited Aug. 27, 2001).

194. See *id.*

covers and those that print the parody inside.<sup>195</sup> The result is that the communicative message rule will often control where the parody is included inside the book or magazine, but the parody will be deemed a commercial use if it is used on the cover. Courts reason that cover material is generally placed there for the express purpose of advertising the magazine.<sup>196</sup> This distinction reflects a broader interpretation of commercial use because the magazine is deemed to have used the famous mark to advertise and increase its sales.<sup>197</sup>

## V. BALANCING FIRST AMENDMENT INTERESTS

### A. *Flaws in the Current Balancing Approaches*

The distinctions between commercial and noncommercial parodies of corporate trademarks are minor. Cases often turn on small variations in the facts.<sup>198</sup> The result is that the decisions are confusing, giving the parody artist relatively little notice about what is and what is not protected under the parody exception to trademark dilution. Moreover, courts frequently construe “commercial use” broadly because such construction enables the court to examine only the economic interests of each party without considering the parties’ respective First Amendment interests. For example, the court in *Starbucks Corp. v. Dwyer* granted the plaintiff corporation a presumption of significant economic harm and determined that the defendant artist would not suffer significant economic hardship if an injunction were to be granted.<sup>199</sup> By focusing on the economic factors, the court avoided the problem of balancing the parties’ First Amendment interests—the plaintiff corporation’s interest in its reputation<sup>200</sup> against the defendant artist’s interest in

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195. See *Charles Atlas, Ltd.*, 112 F. Supp. 2d 330, 333, 335 (S.D.N.Y. 2000). *But see Anheuser-Busch, Inc. v. Balducci Publ’n*, 28 F.3d 769, 775 (8th Cir. 1994) (indicating that the parody advertisement on the back cover of the magazine increased the likelihood of consumer confusion because “[t]he back cover of magazines is frequently used for advertisements and cannot be expected to command the thoughtful deliberation of all or even most of the viewing public”); *cf. Dr. Seuss Enter.*, 109 F.3d 1394, 1406 (9th Cir. 1997) (holding that although the district court found only the material on the cover of the book to infringe on the Cat in the Hat trademark, injunction of the entire book was appropriate where stitching and binding of the book had been completed such that the publisher could no longer alter final production to eliminate the infringing material).

196. See *Dr. Seuss Enter.*, 924 F. Supp. at 1574.

197. See *Anheuser-Busch, Inc. v. Balducci Publ’n*, 28 F.3d 769, 775 (8th Cir. 1994).

198. See *supra* notes 195–97 and accompanying text for the different treatment of comic book parodies inside the book versus on the cover.

199. See Preliminary Injunction, *supra* note 4, at 4.

200. Tarnishment of a corporate trademark is problematic for the same reasons that it is difficult to define corporate defamation. Both deter speech by others that would tend to harm the reputation of the entity. However, a corporation is a legal fiction separate from its owners. It is thus difficult to discern whose reputation is at risk of disgrace. Limited liability provisions insulate shareholders, directors, and employees from responsibility for the torts or debts of their corporation. A corporation’s interests and motives are not necessarily the same as the interests and motives of its owners. See Austin

freedom of speech and expression. Trademark tarnishment, as applied to non-competitor parodies of corporate trademarks, is primarily a reputational harm. As such, courts should not be allowed to avoid balancing the parties' First Amendment interests by looking only to their respective economic interests.

### *B. Actual Malice and Corporations as Public Figures*

Under First Amendment jurisprudence, public officials and public figures cannot recover damages for defamation unless the plaintiff proves that the statement was made with actual malice, that is, "with knowledge that it was false or with reckless disregard of whether it was false or not."<sup>201</sup> In *Hustler Magazine v. Falwell*, the Court acknowledged the importance of parody against an individual as a form of political expression, even though the Court did not limit parody protections to public officials.<sup>202</sup> Instead, the Court held that the robust political debate encouraged by the First Amendment will produce expression that is critical of public officials or public figures who are "intimately involved in the resolution of important public questions or, by reason of their fame, shape events in areas of concern to society at large."<sup>203</sup> The Court in *Hustler Magazine* equated Larry Flynt's advertisement parody of conservative Christian leader Jerry Falwell in an incestuous act with his mother to a political cartoon.<sup>204</sup> Even though Flynt's advertisement was, in the court's estimation, "at best a distant cousin of the political cartoons," the Court identified the advertisement as a legitimate parody because Falwell was a public figure.<sup>205</sup>

In cases following *New York Times v. Sullivan*, the Court explained that public figures are held to the actual malice standard for two reasons: public figures are less vulnerable to injury because they occupy positions of power so that they can rebut defamatory statements,<sup>206</sup> and public figures voluntarily inject themselves into issues of public concern,<sup>207</sup> thus exposing themselves to the risks

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v. Mich. State Chamber of Commerce, 494 U.S. 652, 662-63 (1990). Furthermore, the shareholders, directors and employees do not own the trademark, and have no personal cause of action for its dilution against the third party. See *Jones v. H. F. Ahmanson*, 1 Cal. 3d 93, 106-07 (1969) (stating that shareholders lack standing to assert claims against third parties for harm done to the corporation or the corporation's assets).

201. *N.Y. Times v. Sullivan*, 376 U.S. 254, 279-280 (1964).

202. See *Hustler Magazine v. Falwell*, 485 U.S. 46, 56 (1988).

203. *Id.* at 51.

204. See *id.* at 55.

205. *Id.*

206. See *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 344 (1974).

207. Plaintiffs may have limited public figure status if they voluntarily thrust themselves into "public controversies." *Id.* at 345. However, courts have not defined public controversy with any certainty. See *Waldbaum v. Fairchild Publ'ns, Inc.*, 627 F.2d 1287, 1296 (D.C. Cir. 1980) (stating "[a] public controversy is not simply a matter of interest to the public; it must be a real dispute, the outcome of which affects the general public or some segment of it in an appreciable way"), *cert. denied*, 449 U.S. 898 (1980).

of defamation.<sup>208</sup> Relying on the volitional element of “public figure,” some courts have deemed corporations to be public figures in certain circumstances—including cases involving product disparagement.<sup>209</sup> One court has even held that the factors underlying the *New York Times* actual malice standard “militate perhaps even more strongly in favor of the application of the actual malice standard in product disparagement cases than they do in personal defamation actions” because (1) the corporation’s interest in protecting the reputation of its products is not as significant, nor as fundamental to ordered liberty, as a person’s interest in protecting her reputation; (2) harm to a product’s reputation is easily quantified; and (3) corporations always have access to means of communication to refute disparaging comments.<sup>210</sup>

For the actual malice standard to apply, the subject matter for which the plaintiff public figure purposefully garnered public attention must be the same subject matter of the defendant’s defamatory statements.<sup>211</sup> A parody of a famous trademark is a derisive use of the image, logo, or slogan that the plaintiff corporation used to make itself famous and to inject itself into the American consciousness.

### *1. Famous Trademarks*

A trademark owner may only recover for dilution of its mark if the mark is famous.<sup>212</sup> A famous trademark generally becomes part of the American lexicon and is used in public discourse.<sup>213</sup> The Ninth Circuit has held that it is often nearly impossible to refer to famous products “for purposes of comparison, criticism, point of reference or any other such purpose” without referring specifically to the mark.<sup>214</sup>

Under the Federal Trademark Dilution Act, courts may consider the following factors to determine whether a mark is famous: (A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use

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208. See *Gertz*, 418 U.S. at 344.

209. The tort of product disparagement closely resembles both corporate defamation and trademark dilution because product disparagement injures the reputation of a product, which reflects negatively on the corporation. See *Bose Corp. v. Consumers Union of U.S., Inc.*, 508 F. Supp. 1249, 1259 (D. Mass. 1981); see also *Steaks Unlimited, Inc. v. Deaner*, 623 F.2d 264, 273 (3d Cir. 1980) (concluding that a corporate meat distributor was a limited public figure for purposes of a corporate defamation suit because, although the corporation lacked “general fame and a pervasive involvement in the affairs of society,” the corporation had voluntarily thrust itself into the purview of the Pittsburgh area public).

210. See *Bose Corp.*, 508 F. Supp. at 1270–71 (holding that a corporation was subject to the actual malice standard in bringing a product disparagement claim).

211. See *Gertz*, 418 U.S. at 345.

212. See Lanham Act § 43(c), 15 U.S.C. § 1125(c)(1) (1999).

213. See *New Kids on the Block v. New Am. Publ’g Inc.*, 971 F.2d 302, 306 (9th Cir. 1992).

214. *Id.*

of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; and (G) the nature and extent of use of the same or similar marks by third parties.<sup>215</sup> This list is neither required nor exhaustive.<sup>216</sup> Therefore, the factors used to define a "famous" mark vary greatly by jurisdiction and by case, with many jurisdictions merely assuming the mark is famous.<sup>217</sup> Frequently, courts will look to the amount of money spent advertising the mark and the amount of product sold.<sup>218</sup>

Based on the factors used to determine whether a mark is famous such that the corporate owner will be afforded protection under the Trademark Dilution Act, the corporations that are most successful at silencing parody at the preliminary injunction stage are the most public corporations, the ones that are intimately involved in important public debates and controversies or, that by reason of their fame, shape events that are of concern to society at large. These corporations fulfill the definition of public figure against whom the Court has held that parody should receive the utmost protection under the First Amendment.<sup>219</sup>

## 2. Corporate Owners of Famous Trademarks Imbued with Public Purpose

A famous corporation has special access to wealth, the media and government. Famous corporations are inevitably involved in public debate, public controversies and public policy.<sup>220</sup>

215. *See id.*

216. *See id.*

217. *See* Hormel Foods Corp. v. Jim Henson Prod., Inc., 73 F.3d 497, 500 (2d Cir. 1996) (stating "[i]t is beyond dispute that SPAM is a distinctive, widely recognized mark").

218. *See id.* at 500 (noting that Hormel has spent millions of dollars advertising "Spam" canned ham and has sold more than five billion cans of Spam); *see also* Plaintiff's Memorandum, *supra* note 3, at 3-5 (describing the proliferation of Starbucks cafes, revenues of more than \$1.6 billion, and a presence on the Internet to demonstrate that the Starbucks logo is famous generally and to the specific population that would have viewed Dwyer's website parody).

219. *See* Hustler Magazine v. Falwell, 485 U.S. 46, 51 (1988).

220. For example, in an effort to fight sweatshops, students from more than 100 colleges nationwide called on their institutions to join a student-created group that would set a strict code of conduct for overseas factories that make apparel bearing university names. The students protested against contracts between their publicly funded universities and apparel industry giants like Nike, the Gap, and Liz Claiborne. *See Students Battling Sweatshops; Universities Urged To Push For Changes*, ARIZ. REPUBLIC, Oct. 20, 1999, at A8.

The Supreme Court has deemed money spent on political causes to be a form of political speech.<sup>221</sup> Corporations use their access to large sums of money—both individually and as industry groups—to influence elected officials and the promulgation of favorable legislation. For example, when Microsoft Corporation was facing an antitrust conviction, a major part of its corporate “strategy” was to dramatically increase its campaign contributions and federal lobbying efforts, including \$1.3 million spent during 1998 to expand its Washington D.C. presence.<sup>222</sup> New industry groups are flocking to state and federal capitols to exert their influence. Following Microsoft’s lobbying efforts, one hundred Silicon Valley executives formed a non-partisan political action committee called Tech-Net, which raised between two and four million dollars in 1998.<sup>223</sup> Not only do corporate lobbyists seek out legislators, but legislators seek out lobbyists—who are seen as educators as well as politically self-serving entities.<sup>224</sup>

The Court has recognized the important role that corporations play in the American political process.<sup>225</sup> State laws grant corporations special advantages, which associations and other groups lack. These advantages, including limited liability, perpetual life and favorable treatment regarding the accumulation and distribution of assets, have been held by the Court to enable corporations to play a dominant role in the national economy and to use the resources they amass in the economic marketplace in order to obtain “an unfair advantage in the political marketplace.”<sup>226</sup> The Court has declared that corporate influence over the political marketplace is so dominant that it is unfair because corporate resources do not indicate popular support for the corporation’s political ideas, but merely reflect the

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221. See *Meyer v. Grant*, 486 U.S. 414, 424 (1988) (invalidating on First Amendment grounds a statute that criminalized paying or receiving money for circulating initiative petitions on the grounds that persons have the right to advocate their cause and to select the most effective means for doing so).

222. See Rob Wells, *Microsoft, Under Siege, Beefs Up Political Muscle*, BLOOMBERG NEWS, Jan. 11, 1999, LEXIS, Nexis Library, Bloomberg News file. The same article quoted Ken Wasch of the Software Publishers Association as saying, “Microsoft fully understands there is a significant risk that they’re going to lose. If they need to look toward legislation to correct an adverse court decision, they want to be prepared to do so.” *Id.*

223. See Wash. Alliance of Tech. Workers, *Software Lobby Kicks Into High Gear*, WASHTECH, at <http://www.washtech.org/rounduplegislate/lobby.html> (last visited Aug. 27, 2001).

224. See Jason Zengerle, *Silicon Smoothies: The High-Tech Industry’s Low-Profile Lobbying*, NEW REPUBLIC, June 8, 1998.

225. See, e.g., *Austin v. Mich. State Chamber of Commerce*, 494 U.S. 652 (1990) (upholding a statutory restriction on nonprofit corporate political donations); *Fed. Election Comm’n v. Mass. Citizens for Life, Inc. (MCFL)*, 479 U.S. 238 (1986).

226. *Austin*, 494 U.S. at 660 (holding that statutory restrictions on corporations’ ability to make campaign contributions were constitutional because they were narrowly tailored to eliminate the corrosive effect of political war chests amassed with the aid of the legal advantages given to corporations).

economically motivated decisions of investors and customers.<sup>227</sup> Justice Scalia, disagreed, arguing against upholding restrictions on corporate donations to political causes.<sup>228</sup> Corporations, like any other individual or association, he argued, should be free to make political donations as they see fit because the government cannot be trusted to assure the fairness of political debate through censorship of certain voices.<sup>229</sup> “The premise of our system,” he stated, “is that there is no such thing as too much speech—that the people are not foolish, but intelligent, and will separate the wheat from the chaff.”<sup>230</sup>

During the 1999–2000 election cycle, there were 1,703 active corporate Political Action Committees (PACs).<sup>231</sup> Those PACs disbursed a total of \$106,226,041 to political causes, including \$60,871,011 in contributions to specific candidates.<sup>232</sup> Moreover, not all political action committees controlled by corporations are registered as corporate Political Action Committees. For instance, the Microsoft Political Action Committee is registered as a “qualified non-party” committee.<sup>233</sup> These figures also do not reflect the amount of money corporations spent on lobbying for legislation or in “soft money” contributions.<sup>234</sup> During the first six months of 1999, Congressional lobbying costs in support of corporations averaged \$116,308,528 per month.<sup>235</sup> In 1998, Microsoft Corporation alone had eighty-eight lobbyists registered on Capitol Hill, including such influential statesmen as Haley Barbour, the ex-chairman of the Republican National Committee.<sup>236</sup>

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227. See *Fed. Election Comm'n*, 479 U.S. at 258. “The availability of these resources may make a corporation a formidable political presence, even though the power of the corporation may be no reflection of the power of its ideas.” *Id.*

228. See *Austin*, 494 U.S. at 679 (Scalia J., dissenting).

229. See *id.*

230. *Id.* at 695.

231. See FED. ELECTION COMM’N, *Summary of PAC Activity, 1985–2000*, at <http://www.fec.gov/press/pachist1800.htm> (last visited Aug. 27, 2001).

232. See *id.*

233. See FED. ELECTIONS COMM’N, Microsoft Corporation Political Action Committee, Id. No. C00227546, available at <http://herndon1.sdrdc.com/cgi-bin/fecimg/?C00227546> (last visited Aug. 27, 2001).

234. Several nonprofit government watchdog organizations have analyzed Federal Election Commission reports to determine how much and where “soft money” contributions from political action committees has gone and make this information available to the public through their Internet websites. See, e.g., Political Money Line, at <http://www.tray.com> (last visited Aug. 27, 2001); Common Cause, at <http://www.commoncause.org> (last visited Aug. 27, 2001); Open Secrets Org., at <http://www.opensecrets.org> (last visited Aug. 27, 2001).

235. See Political Money Line, at <http://www.tray.com/fecinfo/OverviewLobby.html?> (last visited Aug. 27, 2001).

236. See Jim VandeHei, *Microsoft Plans to Boost Lobbying Presence on Hill; Hatch May Hold Hearings on Antitrust Case*, ROLL CALL, Nov. 11, 1999, LEXIS, Nexis Library, Roll Call file.

### 3. Part of Everyday American Discourse

If a corporation's mark is famous, the corporation is in the public consciousness. The influence of trademarks is pervasive throughout modern society. Designer labels appear on everything from computers to jelly beans. Trademarked advertising materials pervade the clothing industry, from designer logos like the famous blue, white and red Tommy Hilfiger mark to *The Far Side* T-shirts. Public schools display advertising on their marquees, buses, and athletic uniforms. Commercial advertising slogans have even become part of national political campaigns.<sup>237</sup> Some trademarks are so pervasive that they have come to symbolize broad social themes as well as their particular products and corporations.<sup>238</sup>

## VI. CONCLUSION

While courts often have lauded satire aimed at public figures and politicians as necessary and deserving of protection,<sup>239</sup> they subordinate First Amendment considerations of parody aimed at corporations because trademark laws emphasize economic and commercial factors over free speech.<sup>240</sup> By favoring economic factors over First Amendment concerns, the Federal Trademark Dilution Act, and the courts that apply it, fail to give adequate protection to legitimate public discourse. Moreover, by expanding the scope of trademark law beyond economic competitors, the Trademark Dilution Act increases the likelihood that corporations will use trademark laws to silence individuals who speak—or draw—against them. Courts have increased this likelihood by giving inconsistent and generally broad definitions to “commercial use.” Today, commercial use may include expressive use.

However, like public figures, famous trademarks are highly visible, highly recognizable symbols of societal norms and values. The corporations that

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237. See Dorsen, *supra* note 7, at 939.

238. See Robert J. Shaughnessy, Note, *Trademark Parody: A Fair Use and First Amendment Analysis*, 72 VA. L. REV. 1079, 1079 n.3 (1986) (explaining that variations on the service mark “McDonald’s” are used to conjure images of sterile, homogenized suburban America, including critics of the newspaper *USA Today*, who labeled it the “McPaper”); see also *Mattel, Inc. v. MCA Records, Inc.*, 46 U.S.P.Q.2d 1407, 1413 (C.D. Cal. 1998) (finding that Danish rock band Aqua’s song “Barbie Girl” parodies the popular Mattel toy as an icon of American society, poking fun at her “plastic” life).

239. See *Hustler Magazine v. Falwell*, 485 U.S. 46, 55 (1988); see also Paul Finkelman, *Cultural Speech and Political Speech in Historical Perspective*, 79 B.U. L. Rev. 717, 718–719 (1999) (book review) (“It is...constitutionally permissible to be rude or crude about politicians and other public figures. Indeed, to do so is almost as American as apple pie.”).

240. See *Gucci Shops, Inc. v. R.H. Macy & Co., Inc.*, 446 F. Supp. 838, 840–41 (S.D.N.Y. 1977) (granting a preliminary injunction based on likelihood of irreparable harm, determined by the fact that plaintiff’s affidavit stated that plaintiff had spent over \$1 million in the previous five years to promote its merchandise and exploit the identification value of its trademark name and logo).



own famous trademarks exert substantial influence over public and political issues, making the corporations and their marks ripe—and appropriate—targets for parody and criticism.

A public figure cannot recover damages for reputational harm without proving actual malice. This means that the plaintiff must prove the defendant acted with knowledge that the defendant's statements were false or with a reckless disregard of whether the statements were false.<sup>241</sup> Parody is an affirmative Constitutional defense to reputational torts committed against public figures because parody is not a statement of fact, but merely an expression of an opinion—and opinions cannot be false.

Public figures are subject to heightened First Amendment restrictions because they voluntarily inject themselves into issues of public concern and they occupy positions of power so that they can rebut defamatory statements publicly without resorting to the courts.<sup>242</sup> Moreover, some courts have recognized that the actual malice standard may be even more appropriately applied to corporations than to public personalities because the corporation's interest in the reputation of its products is not fundamental to ordered liberty, as a person's interest in protecting her reputation is; harm to a product's reputation is easily quantified whereas harm to a person's reputation has ramifications that are difficult to quantify monetarily; and corporations have easy access to means of communication to refute the disparagement.<sup>243</sup>

Appropriately, parody is also an affirmative statutory defense to trademark and copyright infringement under the likelihood of confusion and fair use doctrines, respectively.<sup>244</sup> Unlike reputational torts and infringement, trademark tarnishment is not limited to false factual assertions,<sup>245</sup> leaving parody artists vulnerable to multi-million-dollar lawsuits for discourse that is otherwise constitutionally and statutorily protected. Furthermore, courts are free to apply a myriad of factors to determine both whether the trademark is famous and whether the defendant's actions constitute tarnishment.<sup>246</sup> Thus, the trademark tarnishment theory of dilution means that corporations can avoid the affirmative parody defense of torts and traditional corporate rules.

It is important not to weaken the tarnishment rule where the corporation has legitimate claims of product tarnishment via false factual assertions intended solely to harm the viability of a product. However, parody<sup>247</sup> of a famous mark—

241. See *N.Y. Times v. Sullivan*, 376 U.S. 254, 279–280 (1964).

242. See *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 344 (1974).

243. See *supra* notes 210–11 and accompanying text.

244. See *supra* notes 92–103 and accompanying text.

245. See *supra* notes 130–32 and accompanying text.

246. See *supra* notes 130–32 and accompanying text for the factors used to determine tarnishment. See *supra* notes 216–19 and accompanying text for the factors used to determine whether a trademark is “famous.”

247. Trademark parody is limited to the definition used by the Supreme Court in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 581 (1994). This definition excludes the

unlike product disparagement and other efforts to undermine a product's marketability—is a form of public debate about a public figure. Thus, regardless of whether the corporation sues the parody artist under tort claims, such as product disparagement or corporate defamation, or under the tarnishment theory of trademark dilution, the corporation should be held to the actual malice standard, and parody should be an absolute defense. Under this approach, corporate plaintiffs would not be held to the actual malice standard where the claim relates to dilution via blurring or infringement, or even tarnishment that does not involve parody.

This would ensure that courts balance First Amendment interests where those interests are paramount, while retaining the lower commercial speech standard where that standard is appropriate—in instances of unfair competition, blurring, infringement, or false accusations that are likely to deceive the public. Criticism of corporations and their products is essential to an effective capitalist democracy. For this reason, trademark parody must be given the same level of First Amendment protection as that granted to parody in the noncommercial speech realm.

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use of a mark in satire that does not directly comment on the corporation or its product. *See supra* notes 92–103 and accompanying text.