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How to Stop the Fast Break: An Evaluation of the “Three-Peat” Trademark and the FTC’s Role in Trademark Law Enforcement

Todd D. Kantorczyk*

I. INTRODUCTION

Since its inception, federal trademark law has refused to give legal protection to “generic” terms,¹ that is, terms which refer to a group of products rather than a specific producer’s product.² For example, federal law would not protect the term “shoe” as the trademark of Nike’s newest line of footwear. While this concept seems simple enough, disputes about the genericness of various terms have resulted in much litigation. During the 1980’s, Congress passed two amendments to the Lanham Act to help clarify whether or not a term is generic under trademark law, and thus undeserving of federal protection. First, Congress passed the Federal Trade Commission Improvements Act of 1980,³ which prohibited the Federal Trade Commission (“FTC”) from using any funds to petition to cancel trademarks on the basis of alleged genericness. Congress next passed

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¹ In this Comment, the word “term” refers to any word or group of words for which a person or an entity seeks trademark protection.

² 15 U.S.C. § 1051 *et. seq.* (1988). For a more complete definition of generic marks, see 15 U.S.C. § 1064 (1988).

³ FTC Improvements Act of 1980, Pub. L. No. 96-252, 94 Stat. 391 (1980).

the Trademark Clarification Act of 1984,⁴ which attempted to clarify genericness doctrine within trademark law by specifically adopting a "primary significance test" to determine genericness of a given term. While Congress, by passing these amendments, intended to resolve inconsistencies concerning genericness doctrine in trademark law, it may have actually created an opportunity for persons to receive trademark protection for generic terms. Specifically, by removing FTC authority to petition to cancel generic trademarks, producers have been able to trademark sports slogans before they become generic terms and then capitalize on large, short-lived merchandising profits when they do become generic terms. A prime example of this generic term manipulation is the events surrounding Pat Riley's trademark on the term "three-peat," a popular sports slogan that represents doing something three-times-in-a-row.

By analyzing the circumstances surrounding Pat Riley's trademark on the term "three-peat," this Comment demonstrates that the FTC Improvements Act allows producers to trademark sports slogans and reap profits due to that protection once that term has become generic. First, this Comment asserts that "three-peat" had become a generic term, as defined by the Trademark Clarification Act, before it became profitable to design apparel bearing the "three-peat" slogan, and thus Riley was not legally entitled to any proceeds from the sale of "three-peat" apparel.⁵ Next, this Comment contends that the mark would have been canceled only if the FTC had been able to petition to cancel the trademark on the grounds of genericness. Part II briefly outlines current genericness doctrine and its underlying policies. Part III applies the doctrine and policies arguments to the "three-peat" trademark, and concludes that "three-peat" is a generic term because the consuming public does not find that the term denotes any single source of goods. Part III uses both current case law and economic

⁴ Trademark Clarification Act of 1984, Pub. L. No. 98-620, 98 Stat. 3335 (1984).

⁵ There are other possible reasons why the "three-peat" trademark should be canceled. These include: the term is decorative and does not function as a trademark, the trademark is descriptive and not distinctive of Pat Riley's goods, the trademark was abandoned, and the trademark has been assigned "in gross." See Cancellation Action No. 21,851, *Jim Coleman, Ltd. v. Riles & Co., Inc.* (T.T.A.B. 1993) (on file with *UCLA Entertainment Law Review*). This Comment will focus only upon the genericness claim.

analysis in reaching this conclusion. Finally, Part IV argues that the most effective way to police these types of generic slogans is to allow the FTC once again to challenge generic trademarks, because private enforcement is inadequate due to a lack of private incentives to challenge the slogans.

II. GENERICNESS POLICY, STATUTES AND CASE LAW

A. *Trademark Law Rewards a Producer's Ability To Create a Strong Association Between a Term and a Product*

A trademark is a word or symbol that distinguishes one source's goods or services from another source's similar goods or services.⁶ For example, when you buy toothpaste, just by looking at the names, colors, and logos on the boxes you know that Crest is a different product than Close-Up which is different than Aqua Fresh. Trademarks serve two important and related functions in the marketplace. First, they reduce consumer search costs by using a word or symbol as a shortcut for product research.⁷ For a consumer, a specific trademark signifies a certain expectation of quality, which in turn substitutes for the information a consumer would normally need to make a purchase decision.⁸ Second, a trademark enhances product quality.⁹ A trademark is worthless to a producer if a

⁶ See 15 U.S.C. § 1127 (1988); J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2 (3d. ed. 1993); Jacqueline Stern, *Genericide: Cancellation of a Registered Trademark*, 51 FORDHAM L. REV. 666 (1983); see also, PAT. & TRADEMARK OFF., U.S. DEP'T OF COM., BASIC FACTS ABOUT TRADEMARKS (1992).

⁷ See MCCARTHY, *supra* note 6, at § 2.01[2][b]; John F. Coverdale, *Trademarks and Generic Words: An Effect-on-Competition Test*, 51 U. CHI. L. REV. 868, 869-70 (1984); William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265, 268-70 (1993).

⁸ See MCCARTHY, *supra* note 6, at § 2.01[2][b], Coverdale, *supra* note 7, at 869-70, Landes & Posner, *supra* note 7, at 268-70.

⁹ See MCCARTHY, *supra* note 6, at § 2.01[2][a], Coverdale, *supra* note 7, at 869, Landes & Posner, *supra* note 7, at 270.

consumer associates inferior or inconsistent quality with the mark.¹⁰ These two beneficial properties do not flow from the trademark itself, but rather from the ability of the product to be associated with that strong trademark.

To serve these two beneficial functions, trademarks must be protected by law.¹¹ Without protection, all potential trademarks would lose their value due to “free rider” problems.¹² From a consumer perspective, a free rider uses a competitor’s trademark to fool consumers into purchasing his potentially inferior product. The free rider appropriates the same trademark as another product by using similar names, colors or logos. The consumer may then purchase the free rider’s product when he recognizes the trademark. The consumer believes he is purchasing a known product but is actually purchasing the free rider’s product due to the similarity of the two trademarks. From a producer perspective, a free rider steals and destroys the consumer goodwill built up by the original producer towards his brand. A trademark holder can create consumer goodwill by maintaining high quality standards for products bearing the trademark. If a free rider’s goods bear the same trademark and do not meet the consumer’s expectation, the consumer may conclude that any goods using the trademark are not high-quality. Therefore, a free rider can destroy the trademark holder’s goodwill in the trademark that it has built up by maintaining quality standards for products bearing the trademark, because consumers cannot count upon the trademark to signify a certain level of quality. When both producers and consumers are legally protected from free rider problems, producers have incentives to maintain the high quality of products associated with trademarks because consumers can rely on those trademarks to help them make their purchasing decisions.

While legal protection of valid trademarks can increase producer incentives to maintain high quality goods, legal protection of terms that do not signify to consumers a single source, terms that do not

¹⁰ See MCCARTHY, *supra* note 6, at § 2.01[2][a], Coverdale, *supra* note 7, at 869, Landes & Posner, *supra* note 7, at 270.

¹¹ See Landes & Posner, *supra* note 7, at 270.

¹² MCCARTHY, *supra* note 6, at § 2.10.

perform a "source denoting function," do not. Terms of this type are often called generic terms because the public generally uses them to describe a number of goods, rather than a single source of goods.¹³ If a producer could prevent others from using the widely known generic term for a good, consumers would not purchase competitor's goods because consumers would perceive the competitor's goods as a different or inferior product, rather than the same product with marginal (and perhaps beneficial) differences. For example, if a generic term such as aspirin is trademarked, a consumer who has a choice between a product labeled aspirin and a product labeled acetyl salicylic acid will most likely choose the bottle labeled aspirin even if the other product contains the same chemical make-up, because the consumer may believe that only aspirin (the term he knows as the good itself) could fulfill his pain relieving needs. Therefore, legal protection of a generic term would be tantamount to granting a monopoly over a product to a single producer. Competitors would be unable to correctly describe their products to the public, because the generic name would be unavailable for use.¹⁴ This in turn creates barriers to entry into the marketplace because other producers will not enter a market in which they cannot correctly describe their products to the public.¹⁵ For these reasons, generic terms should never enjoy trademark protection.¹⁶

According to the previous description of generic terms, a term is,

¹³ *Id.* at § 12.01.

¹⁴ *Id.* See also *In re Merrill Lynch*, 828 F.2d 1567, 1569 (Fed. Cir. 1987). Landes and Posner describe this as a language monopoly rather than a true product monopoly, but they also realize that this language monopoly results in product monopoly rents. Landes & Posner, *supra* note 7, at 292-93.

¹⁵ Landes & Posner, *supra* note 7, at 292-93.

¹⁶ In addition, public policy is against denying the use to the general public of particular words because it may suppress individual ideas. See *Cohen v. California*, 403 U.S. 15, 26 (1971); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122 (1938). Some courts have gone as far to bring First Amendment issues into their analyses of generic trademarks. See *Girl Scouts of the United States v. Bantam Doubleday Dell Publishing Group, Inc.*, 808 F. Supp. 1112 (S.D.N.Y. 1992), *aff'd*, 996 F.2d 1477 (2d Cir. 1993); *International Olympic Comm. v. S.F. Arts & Athletics*, 789 F.2d 1319 (9th Cir.), *aff'd*, 479 U.S. 913 (1986).

at any given time, either generic or not.¹⁷ Despite this mutually exclusive conception of genericness, a term may shift from source specific, representing a single source, to generic if the public consistently uses the trademark as a generic term to describe all similar products regardless of their source.¹⁸ Thus, a term that at one point indicated a singular source for a good could be “captured” by the public and thus become the generic term for that good.¹⁹ For example, words such as “aspirin” and “cellophane” originally received trademark protection, but later became generic terms when the public adopted those terms as the generic name of the product, regardless of source.²⁰ Once this occurs, the term is no longer valid as a trademark.²¹ This poses a “Catch 22” dilemma for many producers. A producer will always want consumers to think of his particular trademark as “the” good to purchase. Yet, if this process goes too far, the public may use the trademark to identify the entire class of goods, rendering the term generic.²²

B. *Statutes and Case Law*

1. The Lanham Act and Case Law Determine Genericness by Public Perception of the Term

Trademark protection in the United States is regulated by the Lanham Act of 1946.²³ Congress passed the Act to help protect consumers from fraud and trademark owners from misappropriation

¹⁷ MCCARTHY, *supra* note 6, at § 12.01[1]. *But see* Ralph H. Folsom & Larry L. Teply, *Trademarked Generic Words*, 89 YALE L.J. 1323, 1339-40 (1980) (Trademarks can have a hybrid nature, acting as both generic and source specific. While this analysis is still debated, it makes no difference to this Comment’s analysis).

¹⁸ MCCARTHY, *supra* note 6, at §§ 12.09-.10.

¹⁹ *Id.*

²⁰ *DuPont Cellophane Co. v. Waxed Prods. Co.*, 85 F.2d 75 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936); *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921).

²¹ *DuPont Cellophane*, 85 F.2d at 82; *Bayer*, 272 F. at 510-11.

²² *DuPont Cellophane*, 85 F.2d at 80, *Bayer*, 272 F. at 509; *see also* Folsom & Teply, *supra* note 17, at 1323; Landes & Posner, *supra* note 7, at 296.

²³ Lanham Act, 15 U.S.C. § 1051 et seq. (1988).

by granting federal protection to valid trademarks.²⁴ The Lanham Act recognized the public policy against protecting generic marks by denying protection through federal registration to any term that was the "common descriptive name," *i.e.*, the generic name, of a product.²⁵

The Lanham Act also recognized that a term which had once served as a valid trademark could become a generic term. Section 1064 explicitly provided for cancellation of a term's registration, "[a]t any time if the registered mark becomes the common descriptive name for the goods or services . . . for which it is registered."²⁶ In 1988 the term "common descriptive" was changed to "generic" to make the language of the statute consistent with the language developed in the case law.²⁷

Case law interpreting trademark law before and after the Lanham Act has also recognized that even after a valid trademark registration has been granted, terms which have become generic are not protected by trademark law.²⁸ Case law has also attempted to define when a previously valid trademark has become generic. Courts often use public perception to determine whether or not a term has become generic.²⁹ Judge Learned Hand enunciated the classic explanation of

²⁴ The Senate Committee on Patents explained this dual purpose in 1946:

One [purpose] is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent time, energy, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.

S. REP. NO. 1333, 79th Cong., 2d Sess. 1 (1946).

²⁵ 15 U.S.C. § 1064 (1988).

²⁶ 15 U.S.C. § 1064(3) (1988).

²⁷ Trademark Clarification Act of 1984, Pub. L. No. 98-620, 98 Stat. 3335 (1984). For a view that the Trademark Clarification Act did not do enough to clarify genericness doctrine, see Wayne F. Osoba, *The Legislative Response to Anti-Monopoly: A Missed Opportunity to Clarify the Genericness Doctrine*, 1985 U. ILL. L. REV. 197.

²⁸ See, *e.g.*, *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95 (2d Cir. 1989) (Murphy Bed became generic); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976) (Safari became generic on certain products); *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577 (2d Cir. 1963) (Thermos became generic).

²⁹ *Murphy Door Bed*, 874 F.2d at 101; *King-Seeley Thermos*, 321 F.2d at 579-81.

this idea in *Bayer Co. v. United Drug Co.*³⁰ In *Bayer*, a drug manufacturer challenged the continued validity of the trademark on the term “aspirin.” Judge Hand believed, “[t]he single question . . . is merely one of fact: What do the buyers understand by the word for whose use the parties are contending?”³¹ Judge Hand found in this case that the term aspirin had become generic because “the general consuming public . . . did not understand by the word anything more than a kind of drug to which for one reason or another they had become habituated.”³² This test of public perception has been called the primary significance test because the key factor in determining genericness is whether the primary significance to the public of the term is generic or source specific.³³ Because this test relies upon the primary significance to the purchasing public, the magnitude of investments in a trademark is irrelevant if a court finds that the public perceives a previously protected trademark as generic.³⁴

Courts attempted to consistently apply the primary significance test until 1983 when the Ninth Circuit Court of Appeals used a “purchaser motivation test” in *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, to cancel Parker Brothers’ trademark of the term “Monopoly” when Parker Brothers sued the producers of a game called Anti-Monopoly for trademark infringement.³⁵ The producers of Anti-Monopoly alleged that Monopoly had become, over the course of fifty years, a generic term for a board game. The Ninth Circuit agreed, reasoning that Monopoly ceased to function as a trademark because purchasers of the product desired the game Monopoly and did not care

³⁰ 272 F. 505 (S.D.N.Y. 1921).

³¹ *Id.* at 509.

³² *Id.* at 510.

³³ *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 580 (2d Cir. 1963). *Feathercombs, Inc. v. Solo Prods. Corp.*, 306 F.2d 251, 256 (2d Cir.), *cert. denied*, 371 U.S. 910 (1962).

³⁴ *DuPont Cellophane Co. v. Waxed Prods. Co.*, 85 F.2d 75, 81 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936).

³⁵ 684 F.2d 1316 (9th Cir. 1982), *cert. denied sub nom.*, *CPG Prod. Corp. v. Anti-Monopoly, Inc.*, 459 U.S. 1227 (1983).

who produced it.³⁶ Thus, the new test for genericness seemed to be whether or not consumers purchased the product because they knew and trusted the specific producer.

Criticism of this decision was fervent and swift because the new test seemed to mean that in order for a trademark not to be generic, the consumer must know not only that the trademarked goods come from a single source, but also precisely who that source is, and this producer, rather than the product's qualities, must be the reason for purchase.³⁷ Congress, with uncharacteristic speed, passed the Trademark Clarification Act of 1984 to clean up genericness doctrine and to abolish the purchaser motivation test in determining genericness.³⁸ The end result of this uproar was a clear repudiation of the purchaser motivation test and a congressional intent to evaluate genericness under the classic primary significance test.³⁹

2. The FTC Improvements Act of 1980 Removed Authority of the FTC to Petition for Cancellation on Grounds of Genericness

While the 1984 Act may have been the most widely publicized event concerning genericness doctrine since the passage of the Lanham

³⁶ The court relied upon survey results "show[ing] that two-thirds of the members of the public who purchased the game 'Monopoly' did not care who made it." Thus, the term was generic. *Id.* at 1323.

³⁷ See *In re DC Comics, Inc.*, 689 F.2d 1042 (C.C.P.A. 1982); Stern, *supra* note 6; Coverdale, *supra* note 7; see also 'Monopoly' Mark's Death Was Greatly Exaggerated, LEGAL TIMES, Dec. 3, 1984, at 15.

³⁸ The Act provided that "[t]he primary significance of the registered mark to the relevant public rather than the purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used." 15 U.S.C. § 1064(3) (1988).

³⁹ In a Senate report concerning the bill that would eventually become The Trademark Clarification Act, Senator Thurmond stated the purposes of the bill as such.

First, S.1990 prohibits the use of the so-called "motivation test" to determine genericism. Second, it confirms that the established test for genericism is whether the primary significance of the mark to consumers of the product or service in question is to identify a product or service which emanates from a particular source, known or unknown, or whether the mark merely functions as a common descriptive name for the product or service irrespective of its source.

S. REP. NO. 627, 98th Cong., 2d Sess. 1 (1984).

Act, earlier in the decade, Congress passed the FTC Improvements Act of 1980, which has the potential to have a much deeper and long-run impact on genericness doctrine.⁴⁰ This Act removes FTC authority to petition to cancel generic trademarks on behalf of the public interest.⁴¹

Under the original 1946 Act, the FTC had the authority to petition to cancel a trademark for any of the reasons enumerated in section 1064.⁴² Despite this authority, the FTC never petitioned the Trademark Trial and Appeal Board to cancel a trademark for genericness until 1979 when it petitioned to cancel the "Formica" trademark.⁴³ In response to this FTC action, Congress passed Public Law 96-252, which conditioned FTC funding upon the commission's not pursuing the cancellation of any marks solely upon genericness.⁴⁴ Since then, every FTC appropriation has contained this type of language.⁴⁵

C. Conclusion

In sum, trademark law and policy recognize public perception as the ultimate legal test to determine whether a term is or is not generic. The public perception test rewards the investment in associating a particular term with a particular product, which reduces search costs, promotes quality, and prevents consumer confusion. The genericness policy, statutes, and case law recognize that terms can be created with the purpose of becoming valid trademarks but later become generic terms, regardless of the original inventiveness or investment in creation of that term.

⁴⁰ FTC Improvements Act of 1980, Pub. L. No. 96-252, 94 Stat. 391 (1980).

⁴¹ *Id.*

⁴² Lanham Act of 1946, Pub. L. No. 79, 489, 60 Stat. 427, 433 (1946) (originally Lanham Act § 14, repealed 1980).

⁴³ This action was killed by the passage of the FTC Improvements Act of 1980. See Federal Trade Comm'n v. Formica Corp., 209 U.S.P.Q. (BNA) 255, 256 (1980).

⁴⁴ See *supra* note 40.

⁴⁵ See *e.g.*, H.R. 2519, 103d Cong., 1st Sess. (1993).

III. EVALUATION OF "THREE-PEAT" UNDER THE PUBLIC PERCEPTION TEST

A. Introduction

Current case law concerning generic trademarks suggests that "three-peat" is a generic term because the primary significance of "three-peat" to the public is the generic name for any event occurring three-times-in-a-row. As stated earlier, public perception is determined by what is called the primary significance test. This test is embodied by Judge Hand's ruling in the *Bayer* aspirin case. In determining whether aspirin had become a generic term, Judge Hand simply asked, "What do the buyers understand by the word for whose use the parties are contending? . . . [T]he question is whether the buyers merely understood the word 'Aspirin' meant this kind of drug, or whether it meant . . . that it came from the same single, . . . [or] anonymous source. . . ." ⁴⁶ While this test has been modified and perhaps misunderstood since Judge Hand's pre-Lanham Act decision,⁴⁷ Congress recently reaffirmed the original test through the passage of the Trademark Clarification Act of 1984, which expressly stated that the primary significance test was the test for determining genericness.⁴⁸

The determination of the primary significance of a term is a question of fact.⁴⁹ In determining the primary significance of a specific term, courts have often relied upon surveys of the relevant

⁴⁶ 272 F. 505, 509 (S.D.N.Y. 1921).

⁴⁷ For example, some courts have believed that secondary meaning can allow a generic term to function as a trademark. See *Soweco, Inc. v. Shell Oil Co.*, 199 U.S.P.Q. (BNA) 325 (N.D. Tex. 1978), *aff'd in part and rev'd in part*, 617 F.2d 1178 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981). This, however, is not the case. Once a term is generic, no amount of secondary meaning can allow it to function as a trademark. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 8 (2d Cir. 1976). Most of this confusion seems to arise from terms that are "merely descriptive." These are terms that are regular, everyday words, but may act as a valid trademark if they possess secondary meaning as to a particular product.

⁴⁸ See *supra* notes 38-39 and accompanying text.

⁴⁹ *Dan Robbins & Assoc. v. Questor Corp.*, 599 F.2d 1009, 1014 (C.C.P.A. 1979).

buying class.⁵⁰ In addition, courts have taken into consideration third party usage of the trademark in newspaper articles,⁵¹ dictionaries,⁵² and other publications.⁵³ Courts have also examined a trademark holder's behavior, length of use, and the availability of alternative terms.⁵⁴ If this type of evidence shows consistent generic use of a term by the public, a court may refuse to grant trademark protection.

B. *Application of the Test*

1. Factual Background of the "Three-Peat" Trademark

When the Los Angeles Lakers won their second consecutive National Basketball Association championship over the Detroit Pistons on June 21, 1988,⁵⁵ it was the first time a team had repeated as champion in almost 20 years.⁵⁶ This, coupled with the grueling path the Lakers took to the championship, left many basketball fans wondering what could motivate the Lakers to perform their best the next season, and perhaps win a third-straight championship.

The Lakers' popular coach, Pat Riley, answered their question by adopting as a slogan a new word that one of his players allegedly uttered at the Lakers' second victory parade.⁵⁷ At the beginning of

⁵⁰ See *infra* notes 69-74 and accompanying text.

⁵¹ See *e.g.*, *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989).

⁵² See *e.g.*, *id.*

⁵³ See, *e.g.*, *In re Northland Aluminum Prods., Inc.*, 777 F.2d 1556, 1559 (Fed. Cir. 1985) (The registration for the term "Bundt" was refused on genericness grounds. The examiner used generic uses from cookbooks to demonstrate his case.)

⁵⁴ *But see King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 580 (2d Cir. 1963) ("But the test is not what is available as an alternative to the public, but what the public's understanding is of the word that it uses.")

⁵⁵ Gordon Edes, *48 Minutes: Lakers and Pistons Seek Their Place in Time*, L.A. TIMES, June 21, 1988, at C1.

⁵⁶ *Id.* The last team to do so was the Boston Celtics in 1969.

⁵⁷ See Scott Ostler, *Champions Entering a New Phrase as Riley Impels by Word of Mouth*, L.A. TIMES, June 6, 1989, at C1. See also *NBA Notebook, Pacific*, THE SPORTING NEWS, June 19, 1989, at 67.

the new season, Riley challenged his players to make their mark on NBA history by completing a three-peat, that is winning the championship for the third straight time.⁵⁸

The "three-peat" slogan was popular, not only with the Lakers, but with their fans as well. One of the most popular souvenir items in Los Angeles was a T-shirt with a cartoon likeness of Pat Riley and the "three-peat" slogan.⁵⁹ The slogan and the T-shirt became so popular that Riley's agent thought it would be wise to obtain a trademark on the phrase for use on, "shirts, jackets and hats."⁶⁰ Unfortunately for the Lakers' fans (and for many Los Angeles T-shirt vendors), the "three-peat" apparel quickly went out of style when the Lakers lost the championship series in 1989 to the Detroit Pistons.⁶¹

Although the Lakers' attempt to three-peat died, the term itself lived on. Many sports teams and their fans used the term "three-peat" to represent doing something for a third consecutive time, from winning Super Bowls to winning state high school titles.⁶² Despite all the desire for teams to three-peat, no major sporting franchise was successful in any bid to win three consecutive championships until the Chicago Bulls won their third consecutive NBA championship in

⁵⁸ Mike Barnes, *NBA: Lakers Plan Sendoff For Kareem Abdul-Jabbar*, UPI INT'L, Oct. 29, 1988.

⁵⁹ See Ostler, *supra* note 57.

⁶⁰ P.D.P Paperon De Paperoni, Serial No. 1,552,980 (Dep't of Commerce, July 11, 1989). Obtaining this trademark was probably not very difficult. A trademark can be obtained by showing that the mark is already in use in commerce, or by demonstrating a bona fide intention of using the mark in commerce. These use requirements are not very stringent. All an applicant must do is file an intent to use form along with a \$200 fee, and then within six months, submit a sample of only three specimens along with another \$100 fee. PAT. AND TRADEMARK OFF., U.S. DEP'T OF COM., BASIC FACTS ABOUT TRADEMARKS (1992).

⁶¹ Tony Kornheiser, *Anybody Need a 3-Peat Slogan?*, L.A. TIMES, June 18, 1989, at C15.

⁶² See Bill Berkrot, *49ers Romp to Fourth Super Bowl Title*, REUTERS, Jan. 28, 1990, available in LEXIS, Nexis Library, Ruena File; Steve Lowery, *Courting Success: Laguna Beach's Volleyball Team Returns as Powerhouse with Experienced Players Hoping to Relive Glory Days*, L.A. TIMES, (Orange County Edition), May 8, 1989, at C16; *O'Meara Set To Defend Title*, L.A. TIMES, Jan. 31, 1990, at P10; *Final Five; Three-Peat*, USA TODAY, May 31, 1989, at 1C; Steve Springer, *L.A. Breakers Pursue Third Consecutive Dwarf Athletic Ass'n Basketball Championship*, L.A. TIMES, July 2, 1989, at C14.

1993.⁶³ As a result, the most popular T-shirt in Chicago and other locations after the championship series was one featuring the Bulls' logo along with the "three-peat" slogan.⁶⁴

Just before the Bulls' championship win, the news media remembered that Pat Riley had actually registered "three-peat" as a trademark. They discovered that Riley had licensed this trademark to NBA Properties and to Magic Johnson's T-shirt company.⁶⁵ These licenses were estimated to be worth anywhere from \$300,000 to \$3,000,000 to Riley from apparel sales immediately after the championship series.⁶⁶

2. Definition of Generic Use of "Three-Peat"

To determine whether evidence points to the primary significance of "three-peat" to the general public as generic or source specific, a generic and a source specific use of the term "three-peat" must be defined.⁶⁷

Courts have sometimes answered these questions using a biology analogy where a generic use is analogous to a genus of goods and a source specific use is analogous to a species of goods.⁶⁸ For instance, "Ivory" would be considered a species belonging to the soap genus. Under this conception, for "three-peat" to be a species, the genus would have to be doing something three-times-in-a-row. It is

⁶³ Jack McCallum, *They're History; In a Memorable Series, the Bulls Defeated the Suns for Their Third Straight Title and Joined the NBA's All Time Elite*, SPORTS ILLUSTRATED, June 28, 1993, at 14.

⁶⁴ *Bulls Are Tops in Merchandise*, PHOENIX GAZETTE, June 23, 1993, at E2; Michael Hiestand, 'Four Peat,' a Phrase That's Worth Coining, USA TODAY, June 22, 1993, at 1C.

⁶⁵ See E.J. Montini, '3-Peat' Riley Wins Even When Losing, ARIZ. REPUBLIC, June 25, 1993, at B1; Richard Sandomir, *The Economics of a Sports Cliche*, N.Y. TIMES, June 22, 1993, at D1; George Diaz, *Riley Banks on 3-Peat for Bulls*, ORLANDO SENTINEL TRIB., June 18, 1993, at D3.

⁶⁶ See *supra* note 65.

⁶⁷ See *H. Marvin Ginn Corp. v. Int'l Ass'n of Fire Chiefs*, 782 F.2d 987, 989 (Fed. Cir. 1986).

⁶⁸ See *e.g.*, *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 8 (2d Cir. 1976).

implicit in this conception that a source specific use of "three-peat" is a subset of doing something three-times-in-a-row. In other words, at a certain level one can separate out three-peats from other three-times-in-a-row events. If the public does not perceive this distinction, but rather believes that any event occurring three-times-in-a-row is a three-peat, then the term is generic.

3. Third Party Use of "Three-Peat" in a Generic Sense

Evidence concerning the primary significance of the term "three-peat" suggests that it is synonymous with, rather than a subset of, an event occurring three-times-in-a-row. A general computer search is an acceptable method of determining primary significance, according to *Gear v. LA Gear of California, Inc.*, where the term "gear" was found to be generic when a computer search found that the term was commonly used to refer to equipment used for a particular purpose.⁶⁹ A sample computerized NEXIS search of the term "three-peat" results in about 2500 newspaper articles matching the search term.⁷⁰ Even if one eliminates twenty percent of the items due to incorrect matches,⁷¹ over 2000 uses of the term "three-peat" remain. In almost all these articles, "three-peat" is used as a shorthand synonym for an event occurring three-times-in-a-row, rather than as a special way of doing things three-times in a row.⁷² Examples include sources as varied as high school sports and dwarf basketball.⁷³

⁶⁹ *Gear, Inc. v. L.A. Gear Cal., Inc.*, 670 F. Supp. 508, 516 (S.D.N.Y. 1987) (computer word search used to show common use of "gear"). Cf. *In re Merrill Lynch*, 828 F.2d 1567, 1571 (Fed. Cir. 1987) (computer search turned up a "mixture of usages" of the relevant purchasing class, thus the term was not generic).

⁷⁰ The search term used was "three-peat" and the file used was the NEXIS, Omni file.

⁷¹ The only incorrect matches occurred when an article referred to three Peat Marwick employees.

⁷² See *supra* note 62. There are some media usages which recognize that "three-peat" is a trademark, but these articles often refer to that trademark with surprise and disbelief that such a public term is a registered trademark. See, e.g., Ostler, *supra* note 57. The only article I could find which made an effort to recognize the trademark was Eric Zorn, *Just What We All Need: A New T-Shirt*, CHI. TRIB., June 8, 1993, § 2, at 1, although the recognition seems sarcastic.

⁷³ See *supra* note 62.

Therefore, this type of third party evidence suggests that “three-peat” is a generic term, especially in a sports context.⁷⁴

It may be argued that “three-peat” is a special kind of event occurring three-times-in-a-row if one considers “three-peat” as only applying to sports. Even if this is a valid designation,⁷⁵ the aforementioned newspaper evidence still suggests a finding of genericness because genericness is not determined by primary significance to every consumer, but rather it is determined by primary significance to only the relevant purchasing class.⁷⁶ In this case, the relevant purchasing class is sports fans because they are the most likely consumers of “three-peat” apparel. As illustrated by the newspaper articles, sports fans often refer to a “three-peat” as any event occurring three-times-in-a-row, no matter what the sport.⁷⁷ Thus, because the relevant purchasing class is sports fans, exclusive use in a sporting context does not mean that the term cannot be generic.

4. Trademark Holder Used Term Generically

Another factor that courts examine when determining the primary significance of a trademark is the trademark holder’s behavior.⁷⁸ If, in addition to the public perceiving the term as generic, the trademark holder also uses the term generically, courts tend to view the term as generic. In *Remington Products, Inc. v. North American Philips*

⁷⁴ Cf. *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1254-55 (9th Cir. 1982) (finding employees’ view of customer perception was not enough to prove genericness).

⁷⁵ There are, however, uses of “three-peat” in non-sports context. See, e.g., Carrie Rickey, *Spike Lee Gains World Status*, BOSTON GLOBE, May 25, 1989, at 86.

⁷⁶ See *Magic Wand, Inc. v. RDB, Inc.*, 940 F.2d 638 (Fed. Cir. 1991) (holding that “touchless” as a form of car wash was a valid trademark, even though it was a trade term, because car owners did not perceive it as generic).

⁷⁷ See *supra* note 62.

⁷⁸ See, e.g., *Loglan Inst. Inc. v. Logical Language Group*, 962 F.2d 1038, 1041 (Fed. Cir. 1992) (creator used term in generic sense); *Remington Prods., Inc. v. North Am. Philips Corp.*, 892 F.2d 1576, 1580 (Fed. Cir. 1990). But see *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 579 (2d Cir. 1963) (“[L]ack of diligence in policing or not is of no consequence.”).

Corp.,⁷⁹ the holder of a trademark on the term "travel care" often used it in a generic sense when describing its products in its advertisements and catalogs. As a result, trademark protection was cancelled.⁸⁰ In much the same way, Pat Riley often used the term in a generic sense. For example, he referred to the Lakers' attempt to win three consecutive championships as a particular attempt within the category of possible three-peats.⁸¹ Riley himself even expressed surprise when he first heard of the trademark on the term, demonstrating that he, as the holder, had been consistently using the term generically each time he referred to the Lakers' chance to three-peat.⁸² In other words, because Riley himself did not realize that the three-peat was associated with any singular source, he was using the term generically.

Other trademark holder behavior can also lead to finding a term generic. A lack of policing by a trademark owner is a factor in a cancellation proceeding.⁸³ Here, Pat Riley never attempted to police generic use of his trademark by the media, as is evidenced by its widespread use of "three-peat" without reference to Riley.⁸⁴ While he could not legally do anything about third-party usage, he could have attempted corrective measures, comparable to Xerox or Coca-Cola, which have attempted to ensure that retailers use their marks only in the trademark sense through advertisements or in-house

⁷⁹ 892 F.2d 1576, 1580 (Fed. Cir. 1990).

⁸⁰ *Id.* at 1582.

⁸¹ See, e.g., Sam McManis, *Riley Wants Piston Rematch Rather than 'Easy Way Out,'* L.A. TIMES, June 2, 1989, at C6 ("If we go in there and say we just want to 'three-peat' and win one for Cap . . . then you don't have the right competitive attitude.").

⁸² *NBA Notebook, Pacific*, THE SPORTING NEWS, June 19, 1989, at 67 (When asked about the trademark, Pat Riley stated "I didn't even know about it until I read about it myself.").

⁸³ See *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1252 n.4 (9th Cir. 1982) (Trademark infringement was discovered by "trade research employees" who were employed by Coca-Cola. They would visit various establishments and ask for a "coke." If there was no comment, they would take the beverage to Coca-Cola's laboratory for analysis to determine if it actually was a Coca-Cola product.).

⁸⁴ See *supra* note 62. It should be noted that this policing has to occur before the term enters the public domain. Once it does, policing is of no consequence. See *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989); *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 579 n.2 (2d Cir. 1963).

investigations.⁸⁵

C. Possible Counter-Arguments

This section presents, analyzes, and attempts to refute the possible arguments against finding “three-peat” to be a generic term. Specifically, defenders of “three-peat” as a valid trademark may assert that: (1) “three-peat” is a protectable slogan, (2) “three-peat” is a protectable coined word, or (3) the term “three-peat” has not been in commerce long enough to become generic.

1. “Three-Peat” Is Not a Protectable Slogan

A defender of “three-peat” as a valid trademark may argue that the term is actually a slogan which deserves trademark protection. While generic terms are not protected by trademark law, courts have held that slogans comprised of generic terms can be valid trademarks. For example, slogans like “Haircolor So Natural Only Her Hairdresser Knows For Sure”⁸⁶ and “The Greatest Show On Earth”⁸⁷ have been granted trademark protection because the primary significance of these slogans to consumers was to identify a particular source of goods. In those cases, the courts recognized the theoretical genericness of the slogans, but granted trademark protection because of the large amounts of advertising and effort on the part of the holders to associate their slogans with their particular products.⁸⁸

“Three-Peat” does not fall under this category because the primary significance to consumers still does not identify a particular source of goods. Aside from the original T-shirts in Los Angeles, Pat Riley, as the current trademark holder, has made no effort to associate “three-peat” with any particular good. In fact, Riley is attempting to do with

⁸⁵ See *supra* note 83.

⁸⁶ *Roux Lab. v. Clairol, Inc.*, 427 F.2d 823 (C.C.P.A. 1970).

⁸⁷ *Ringling Bros. v. Celozzi-Ettleson Chevrolet*, 6 U.S.P.Q.2d (BNA) 1300 (N.D. Ill. 1987), *aff'd*, 855 F.2d 480 (7th Cir. 1988).

⁸⁸ *Roux Lab.*, 427 F.2d at 829.

his trademark what the trademark holders in the previous cases were attempting to prevent—letting it apply to more than one product. In *Ringling Brothers v. Celozzi-Ettleson Chevrolet*, the trademark “The Greatest Show on Earth” was valid because Ringling Brothers had consistently applied it to their one and only circus.⁸⁹ Pat Riley, on the other hand, is attempting to apply the term “three-peat” to different teams at different times.

2. “Three-Peat” Is Not a Protectable Coined Word

A defender of “three-peat” as a valid trademark may also assert that “three-peat” is a coined word, which guarantees that it cannot be generic. Sometimes coined words, meaning invented words, are not considered generic because they are new to the particular consuming public. For instance, the term “L.A.” was held not to be generic for low alcohol beer, even though it was the generic term in Australia for low alcohol beer.⁹⁰ The key factor, though, in determining non-genericness was the fact that “these [U.S.] customers . . . had not formed a consensus that L.A. or ‘low alcohol’ is the name of a distinctive type of beer.”⁹¹ Thus, the primary significance to the purchasing public, even of an invented term, is controlling.

Other cases also illustrate that combining two words to create a coined phrase does not guarantee trademark protection.⁹² For

⁸⁹ *Ringling Bros.*, 6 U.S.P.Q.2d (BNA) at 1303.

⁹⁰ *G. Heileman Brewing Co. v. Anheuser-Busch Inc.*, 873 F.2d 985, 998 (7th Cir. 1989). While this term was not considered generic, it was considered merely descriptive and Anheuser-Busch was not granted trademark protection. *Id.* at 997. It may be argued that “three-peat” on shirts is not generic, but rather merely descriptive, like “L.A.” and thus entitled to a determination of secondary meaning (which Anheuser-Busch failed to demonstrate). In other words, Riley should be allowed to argue that consumers are looking for a “‘three-peat’ T-shirt.” This line of reasoning, though, is misguided because “three-peat” does not identify a significant characteristic of the goods, as “L.A.” identifies low alcohol, but rather only identifies the writing on it. It is tantamount to saying that Kodak is a descriptive term because every Kodak product says Kodak.

⁹¹ *Id.* at 998.

⁹² See *Berner Int’l Corp. v. Mars Sales Co.*, 987 F.2d 975, 981 (3d Cir. 1993) (holding that the primary significance test of genericness applies to combinations of old words to create new phrases in addition to coined words); *Remington Prods., Inc. v. North Am. Philips*

example, the court in *Remington Products* applying the primary significance test, found the term “travel care” to be generic, and held that the fact that the trademark holder invented the term was not enough to guarantee trademark protection.⁹³ In addition, trademarks have been canceled upon genericness grounds despite the fact that the term was new to the English language. For example, the term “Loglan” was held to be generic under the primary significance test even though it was a new word, created by a combination of the words “logical” and “language.”⁹⁴ Therefore, the fact that the holder of a trademark invented the term is not dispositive as to whether or not it will lose trademark protection upon genericness grounds. The key issue is whether or not the public understands the good to identify a source or a product (*i.e.*, the primary significance test) because coined words may become generic if the primary significance of those terms to the purchasing public is generic. Thus, any hand that Riley had in the creation of the term “three-peat” is inconsequential to a determination of genericness.

3. The Length of Time that “Three-Peat” Has Been in the Marketplace Does Not Determine Genericness

Finally, a defender of “three-peat” as a valid trademark may argue that a coined term cannot become generic in such a short span of time. For example, in *Scientific Applications, Inc. v. Energy Conservation Group*, a district court held that a term could not have become generic in just three years.⁹⁵ While time may be evidence contributing to a determination of genericness, it should not be a *per se* rule. Because genericness doctrine rests upon public perception, time is only one

Corp., 892 F.2d 1576 (Fed. Cir. 1990); ‘Primary Significance’ Genericness Test Applies to New Phrases and Coined Words, 45 PAT., TRADEMARK & COPYRIGHT J. (BNA) 429, 432-33 (1993). Cf. *Texas Pig Stands, Inc. v. Hard Rock Cafe Int’l*, 951 F.2d 684 (5th Cir. 1992) (“Pig sandwich” held to be a valid trademark after a jury determination of non-genericness).

⁹³ 892 F.2d 1576, 1579-80 (1990).

⁹⁴ See, *e.g.*, *Loglan Inst., Inc. v. Logical Language Group*, 962 F.2d 1038 (Fed. Cir. 1992).

⁹⁵ 436 F. Supp. 354, 361 (N.D. Ga. 1977).

factor in a determination of trademark validity. Each case must be weighed on its own merits.⁹⁶ Thus, the limited length of time that "three-peat" has been in the marketplace should not be a bar to finding that the term has become generic.

D. *Conclusion*

Current case law demonstrates that "three-peat" is a generic term through application of the public perception test and examination of Pat Riley's behavior as the holder of the trademark. Third party media usage illustrates that the public, especially the relevant buying class of sports fans, uses "three-peat" as a generic term for any three times in-a-row event. In addition, Riley, as the trademark holder, has weakened any protection claims by his behavior. Finally, Riley cannot claim that "three-peat" is either a protectable slogan or newly coined phrase because both of these defenses still rely upon the public perception test that, as previously illustrated, "three-peat" has failed.

IV. ECONOMIC EVALUATION OF "THREE-PEAT" AS A TRADEMARK

A. *Introduction*

While the above evidence points to a generic designation of "three-peat," a cancellation action based upon the above reasoning alone could fail for two reasons. First, courts often rely upon consumer surveys to determine genericness, and no party has conducted a comprehensive study of the term "three-peat." Second, if one perceives the goods that "three-peat" represents as T-shirts, jackets, and hats, "three-peat" on a superficial level does seem distinctive because it can distinguish those items which display a "three-peat"

⁹⁶ See Osoba, *supra* note 27, at 203-06.

logo from those that do not.⁹⁷ Therefore, it is beneficial to examine from an economic standpoint whether “three-peat” can serve a trademark function for any product. According to William M. Landes and Richard A. Posner, in economic terms, a trademark should lose protection due to genericness when the costs of protection—specifically, deadweight monopoly of language losses—exceed the benefits of protection—specifically, less consumer confusion, lower search costs, and the gains associated with the incentive for firms to develop high quality goods.⁹⁸ When a trademarked aesthetic feature of a product falls into this category of the costs outweighing the benefits of protection, it is said to have achieved “true aesthetic functionality” and should be denied protection.⁹⁹ A brief analysis demonstrates that protection of the term “three-peat” provides none of the benefits of protection while possibly imposing the large costs.

B. *Evaluation of Benefits from Trademark Protection*

1. Protection of “Three-Peat” Does Not Reduce Search Costs

Trademarks reduce consumer search costs by enabling consumers to make rational choices without having to test the qualities of a product at each purchase. For instance, in buying toothpaste, a consumer only has to look for the Crest label rather than spending resources either searching or discovering on a tube-by-tube basis which one is right for her.

Along those lines, one could argue that “three-peat” as a word represents an aura of accomplishment, and this quality separates this apparel form others. In other words, they would correctly observe that a Chicago Bulls T-shirt with the phrase “three-peat” is much more

⁹⁷ See, e.g., *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976) (term “safari” held generic on specific types of clothing and on hats, but not generic for shoes).

⁹⁸ Landes & Posner, *supra* note 7, at 294-95.

⁹⁹ See *id.* at 299.

valuable to consumers than a Chicago Bulls T-shirt without the phrase. So, in a very blunt way, "three-peat" reduces consumer search costs, because its very inclusion on a T-shirt allows consumers to immediately identify the product they most desire.

However, the above argument ignores two important market conditions. First, the value of "three-peat" is completely dependent upon the value of another term, in this case "Chicago Bulls." Thus, a "three-peat" Chicago Bulls T-shirt would be much more valuable to a consumer than a "three-peat" New York Knicks T-shirt because only the Bulls have achieved this milestone.¹⁰⁰ So "three-peat" is not, what I shall call, a primary source identifier, because it is not the first factor that a consumer looks to in making a purchase decision. It is rather a secondary source identifier which can be applied to many different primary source identifiers.

This dependency upon a primary source identifier for value is analogous to fair use, where a trademarked term is used, but its use does not imply sponsorship or endorsement. Using this reasoning, news stations were allowed to use the term "Boston Marathon" to describe their coverage of the race even though only one station was the official sponsor of the Boston Marathon.¹⁰¹ The court held that other news stations could refer to the race as the "Boston Marathon" during their coverage because that reference did not imply that the coverage was endorsed by the organizers.¹⁰² Similarly, use of the term "three-peat" alone on a T-shirt does not imply sponsorship by the Chicago Bulls or the NBA. It is only the addition of some other term (in this case a sports franchise) which implies sponsorship and relevance to the purchasing public.

The second overlooked market condition is the fact that this primary source identifier is always a trademarked term. Thus, adding a secondary source identifier does nothing to identify a different source. In other words, the Bulls T-shirts with the term "three-peat"

¹⁰⁰ The Chicago Bulls beat the New York Knicks, ironically coached by Pat Riley, in the Eastern Conference Finals in 1993 on the way to their three-peat.

¹⁰¹ *WCVB-TV v. Boston Athletic Ass'n*, 926 F.2d 42 (1st Cir. 1991); *see also* *New Kids On the Block v. News Am. Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992).

¹⁰² *WCVB-TV*, 926 F.2d at 45-46.

come from the same source as the shirts without the term, because of the trademark on the primary term, "Chicago Bulls."

Trademark practitioners will be quick to point out, though, that a term need only identify a single anonymous source, so the fact that consumers might not realize that "three-peat" shirts and non-"three-peat" shirts come from the same source is irrelevant.¹⁰³ However, true anonymous source trademarks still reduce search costs by at least identifying themselves with a particular product. Consumers may not realize that Crest is manufactured by Procter & Gamble, but the term does reduce search costs because the consumer need only see the name to know that he is purchasing toothpaste with certain qualities. So even with anonymous sources, valid trademarks reduce search costs by identifying themselves with a unique bundle of qualities that a consumer would ordinarily have to experience on a product-by-product basis.

"Three-peat," on the other hand, has become popular for consumers precisely because it is not identified with a particular product, but rather can be applied to many different products, especially sports teams and their trademarks. In other words, a person who says, "I want a 'three-peat' shirt," can, at various points and locations, be asking for one of many possibilities because different teams in different locations may have the possibility of a three-peat.¹⁰⁴ Thus, "three-peat" as a term is not a shortcut, especially when national sports are considered, to identifying a particular product. When deciding upon a purchase, the consumer has some specific product in mind which cannot be solely expressed by the term "three-peat." One can imagine a Chicago area store which sells both a Chicago Bulls "three-peat" T-shirt and a local high school team's "three-peat" T-shirt after the high school has won three conference titles in a row. The common application of the term "three-peat" means a consumer must either specify which "three-peat" products he desires, or view each possible one before making a purchase. Therefore, "three-peat" as a term does not reduce search costs.

¹⁰³ See *supra* notes 35-39 and accompanying text (describing the explicit statutory repudiation of the purchaser motivation test found in the *Anti-Monopoly* decision).

¹⁰⁴ See *supra* note 62.

2. Protection of "Three-Peat" Does Not Provide Incentive to Develop High Quality Goods

Valid protected trademarks provide incentives for producers to develop high-quality goods. A trademark is only valuable to a producer if consumers can associate that term with some level of quality that the consumers desire. To return to toothpaste, if Procter & Gamble does not consistently produce high quality tubes of toothpaste with the Crest label, consumers will not purchase that product because the name will mean inconsistent, shoddy quality. Thus, once a producer has trademark protection, he has an incentive to develop and ensure the quality of the associated goods. Consistent high-quality associated with a trademark makes it valuable because it will cause consumers to purchase products based on the trademark alone, relying upon its representation of high quality.

A trademark on the word "three-peat," though, provides no incentives to manufacturers to enhance and develop the continuous quality of the trademarked goods, in this case apparel. As stated earlier, all desirability of the "three-peat" mark is derived from its association with another term, in this case a team which has successfully completed a three-peat. Thus, the owner of the trademark, in this case Pat Riley, must license it out to individuals if the mark is to have any value whatsoever. According to Landes and Posner, licensing of a trademark should be disallowed when it is a last period license, *i.e.*, the holder is leaving the product market, because the licensor has no incentive to monitor the quality of goods with which the term is associated in order to protect the value of the trademark.¹⁰⁵ In other words, a trademark holder who licenses in the last period does not care if the consumer is fooled into buying an inferior product bearing the trademark because the holder does not plan to use the trademark again in that market.

Because the value of "three-peat" is dependent upon a second, distinct term, each license could be considered a last period sale, due to the nature of sports apparel marketing. Any particular slogan for

¹⁰⁵ Landes & Posner, *supra* note 7, at 284-87.

a particular team will probably only be popular for a short time and yield only a one-time gain for a particular team's apparel.¹⁰⁶ Thus, each time Pat Riley grants a license to use "three-peat" on merchandise it is akin to a last period sale, because the term will probably never be used again for a particular team in order to sell that team's sports apparel. In other words, every time Riley licenses "three-peat" to a particular team (or organization in charge of team apparel, such as NBA Properties, Inc.), he is essentially leaving the "three-peat" market for that team because it is very unlikely that that team will three-peat again. Therefore, Riley, as the trademark holder, would have no incentive to monitor the quality of any "three-peat" apparel because it is most likely that consumers will not desire a particular team's "three-peat" apparel in the future. Thus, granting protection to the "three-peat" trademark will not provide an incentive for Riley to make sure that any apparel displaying "three-peat" is of a high quality.

3. Protection of "Three-Peat" Does Not Reduce Consumer Confusion

Protection of valid trademarks reduces consumer confusion. If no other producer can produce a toothpaste and call it Crest, a competitor cannot fool consumers into buying another toothpaste when they really desire Procter & Gamble's Crest toothpaste.

In contrast, protection of "three-peat" could actually increase consumer confusion. As stated earlier, "three-peat" is always associated with another term,¹⁰⁷ *i.e.*, a primary identifier, and therefore the trademark rights must be licensed for the mark to serve any purpose. Thus, "three-peat" could actually be licensed to a

¹⁰⁶ The earliest any particular sports franchise can three-peat again after an original three-peat is four years after the original three-peat (there has to be an intervening year or else the accomplishment is actually six times in a row). Even with an intervening year, sports fan consumers may consider it less of a new three-peat, and more of a continuation of previous success.

¹⁰⁷ It should be noted that the fair use doctrine also says that this necessary association does little to reduce consumer confusion, lending support to the idea that a secondary source identifier does not reduce consumer confusion. *See supra* note 100 and accompanying text.

producer that is infringing on that primary identifier, in this case a producer that is illegally using an official team logo, and is therefore not subject to the quality requirements of the holder of the primary identifier trademark. A primary identifier infringer with a license to use "three-peat," however, can legally use the term "three-peat." This valid protection of "three-peat" could make the infringing use of a mark seem to be authorized due to the popularity of "three-peat" used in conjunction with the primary identifier, coupled with the fact that the infringer is the only producer allowed to use "three-peat." In other words, consumers may believe they are purchasing an "official" product, when in fact they are purchasing a product that is infringing upon the holder of the trademark on the primary identifier, solely because of the legal use of a secondary identifier. This may increase consumer confusion because consumers may believe they are getting the official team merchandise when they are actually purchasing an infringer's product.¹⁰⁸

C. *Evaluation of Deadweight Monopoly Losses Produced by Protection*

In a monopolistic market, the holder of the monopoly may restrict output so that the supply of a product never equals the consumer demand, which in turn drives up the price of the product.¹⁰⁹ The resulting discrepancy between the monopolistic market and the normal equilibrium is called a deadweight monopoly loss. Protection of generic trademarks produces costs such as deadweight monopoly losses because producers can restrict output of like products by barring competitors from using the generic term to identify their similar product.¹¹⁰ For example, if a producer held the trademark to the

¹⁰⁸ It is true that any infringement will increase consumer confusion. But even an attempt at infringement may not be effective for various reasons. I assert that valid protection of the term "three-peat" will give potential infringers a legal and better chance of infringing, thus increasing consumer confusion. If the term is not protected and is able to be used by anyone, consumers will eventually realize that the term does not connote any level of quality.

¹⁰⁹ See Landes & Posner, *supra* note 7, at 274.

¹¹⁰ *Id.* at 291-92.

term "orange juice" that producer could have a monopoly over the orange juice market. Any competitors would have to use a term other than "orange juice" to identify their orange juice, and consumers seeking orange juice probably would not purchase anything labeled otherwise. Therefore, the holder would be the only producer of "orange juice" and could obtain a monopoly and create deadweight monopoly losses. In essence, these losses are due to an increase in communication costs because the existence of a trademark requires parties other than the holder to come up with new ways to describe orange juice. Because deadweight monopoly losses usually can only be present in monopolistic markets, evidence of those losses often means that a market is in a monopolistic state. Evidence of deadweight monopoly losses in a trademark context may include restrictions of output by producers, expenditures by competitors in developing new terms, and increased costs of enforcing the trademarks.

Upon examination, the behavior surrounding the "three-peat" trademark illustrates that producers have restricted output of "three-peat" goods, competitors have attempted to develop new terms, and costs of enforcement will probably increase. Because of the possible protection of "three-peat", at least one producer restricted output of products that could have used the term. According to a New York Times article, Huffy Corporation curtailed its production of "Three-peat" backboards because the licensing fee made production too costly.¹¹¹

Competitors have also attempted to develop new terms to represent doing something three-times-in-a-row. In the case of the Chicago Bulls, there was a movement to adopt various new terms to represent the Bulls' feat.¹¹² Closely related to this, upon learning of the trademark on "three-peat," many potential producers devoted resources to predict what would become the next big phrase to

¹¹¹ See Sandomir, *supra* note 65.

¹¹² See Eric Zorn, *Marketing Coup Is No Bull-oney*, CHI. TRIB. June 15, 1993, at B1 (including such trademark ideas as "tic-tac-toe," "three-in-a-row," and "tripeatabulls").

represent a possible fourth championship.¹¹³ Protection provided incentives to other persons to spend time and resources developing new words and phrases in hopes that they would become popular and profitable.

As for enforcement costs, it is reasonable to assume that NBA Properties, as the licensee, did expend some resources on enforcing its rights in the "three-peat" trademark. Trademarks are not valuable if they are often infringed upon, and only private parties, in this case NBA Properties as the licensee or Pat Riley as the trademark holder, could bring an infringement suit. In addition, the NBA previously has strongly enforced its other trademarks.¹¹⁴ There is little reason to believe that it would not do so in this case.

D. Conclusion

From an economic perspective the costs of protecting a trademark in "three-peat" as a feature on apparel outweigh the consumer benefits that would be received from that protection. Thus three-peat has achieved (according to Landes and Posner) "aesthetic functionality" and should be denied protection. "Three-peat" is not unique in imposing the costs illustrated above. All protected trademarks will impose those costs. Protection of "three-peat," however, will produce very little, if any, of the consumer benefits of trademark protection. Thus, legal protection of "three-peat" does more harm to consumers than good.

¹¹³ See Eric Zorn, *Still May Be Time To Think High Fives*, CHI. TRIB. Aug. 29, 1993, at B1. The article asserts that at that time there had been 48 claims to the Patent and Trademark Office to register the term "four-peat" and there were many other similar applications ranging from "formidabull" to "fourgasm." *Id.* Even Scottie Pippen, a member of the Chicago Bulls, admitted he sat around and tried to think of "something to patent" when he heard of Pat Riley's trademark. See *ABC News* (ABC television broadcast, June 15, 1993).

¹¹⁴ See, e.g., Kathleen Coleman, *Trench, Charlotte Firm Settles Trademark Infringement Suit*, BUS. FIRST BUFFALO, Feb. 22, 1993, at Sec. 1, p. 6; Elisabeth Malkin, *U.S. Sports Teams Tackle Sales in Mexico*, ADVERTISING AGE, Sept. 13, 1993, at 50; Barbara Rabinovitz, *Chasing Copycats*, MASS. LAW. WKLY., Feb. 22, 1993, at 25.

V. FTC ENFORCEMENT

A. *Introduction*

If “three-peat” truly is a generic term, the question still remains as to what to do about it. At this time, the only way to cancel a trademark for genericness is through private litigation. A challenging party can either: (1) attempt to generically use the trademark and then defend an infringement suit by alleging genericness, or (2) petition the Trademark Trial and Appeal Board directly if it can show that it is being hurt by the registration of the generic term.¹¹⁵ While some private parties have chosen this route with respect to the “three-peat” trademark,¹¹⁶ this Comment asserts that policing by the FTC is the most effective and efficient method to remove generic terms like this from the register.

B. *Removal of FTC Authority*

When the Lanham Act was passed, the FTC could petition the Trademark Trial and Appeal Board to cancel a trademark on all the same grounds that a potential private party could, including the grounds that a trademark had become generic.¹¹⁷ The FTC never used this power until 1979 when it petitioned the Board to cancel the “Formica” trademark on the grounds of genericness.¹¹⁸ Reaction to this FTC action was generally negative.¹¹⁹ Many lawmakers viewed this FTC action as an attempt by the agency to impose antitrust penalties without having to prove antitrust liability.¹²⁰ In response

¹¹⁵ See Osoba, *supra* note 27, at 200.

¹¹⁶ See *infra* notes 134-36 and accompanying text.

¹¹⁷ See *supra* notes 40-45 and accompanying text.

¹¹⁸ *Id.*

¹¹⁹ See *Trademarks and the Federal Trade Commission: Hearings on H.R. 3685 Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary* 96th Cong., 1st Sess. (1979) [hereinafter *House Hearings on Trademarks and the FTC*].

¹²⁰ See *Id.* at 101 (testimony of the Hon. Andrew Maguire, Rep. from N.J.).

to this possible antitrust loophole, Congress quickly passed the FTC Improvements Act of 1980, which conditioned FTC funding upon the agency not pursuing the cancellation of generic marks.¹²¹ Language similar to this has been a part of every subsequent FTC funding legislation.¹²²

In subcommittee hearings on the bill, many witnesses and committee members did not believe that there could be a situation where the private market would not naturally cancel a generic trademark.¹²³ This Comment asserts, however, that an action to cancel "three-peat" would be most efficiently pursued by the FTC due to its relatively infrequent and short term windows of money making opportunity.

C. Market Analysis Results in FTC Being the Most Efficient Entity to Pursue Cancellation

When facing a trademark such as "three-peat," potential competitors have very little economic incentive to pursue a cancellation action. Theoretically, a potential party will only litigate a case when its chance of winning multiplied by the potential damage award is greater than its expected litigation costs.¹²⁴ In a typical cancellation action, costs for a petitioner are high due to procedural rules and evidentiary requirements. Federal registration carries with it a presumption of non-genericness.¹²⁵ Thus, a petitioner must

¹²¹ Specifically, the law reads, "The Federal Trade Commission shall not have any authority to use any funds . . . with respect to the cancellation of any mark on the ground that such mark has become the common descriptive name of an article or substance." Pub. L. No. 96-252, 94 Stat. 391 (1980).

¹²² See, e.g., H.R. 2519, 103d Cong., 1st Sess. (1993).

¹²³ See *House Hearings on Trademarks and the FTC*, *supra*, note 119, at 11 (statement of Sidney A. Diamond, Assistant Commissioner for Trademarks, Patent and Trademark Office).

¹²⁴ Robert D. Cooter & Daniel L. Rubinfeld, *Economic Analysis of Legal Disputes and their Resolution*, 27 J. ECON. LIT. 1067, 1071-73 (1989).

¹²⁵ 15 U.S.C. § 1057(b) (1988) ("A certificate of registration of a mark . . . shall be prima facie evidence of the validity of the registered mark."). See *Frito-Lay, Inc. v. Bachman Co.*, 704 F. Supp 432, 440 (S.D.N.Y. 1989); see also, *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 100-01 (2d Cir. 1989); *Dan Robbins & Assoc. v. Questor Corp.*, 599

make a strong affirmative showing that a term is generic to “burst” this presumption.¹²⁶ The strongest type of evidence to burst the presumption is a consumer survey,¹²⁷ but consumer surveys can be expensive.¹²⁸ Plus, in almost all trademark actions that attempt to rely upon surveys, the validity of the survey is challenged, adding to the litigation costs.¹²⁹

Even if the petitioner wins, trademark cancellation is the only remedy available. Not only does the petitioner not receive any compensation for winning, but all parties, including competitors, are free to use the term to describe products. This is a classic free rider problem which deters any potential litigation.¹³⁰ No party would rationally expend resources and challenge the trademark because it would receive little benefit from a cancellation that allows everyone to benefit from the use of a term. In addition, the relative infrequency of three-peats and the short window of opportunity¹³¹ to use the term for any economic benefit tends to tilt the cost-benefit analysis to the cost side.

The actions surrounding the “three-peat” analysis verify this

F.2d 1009, 1013-14 (C.C.P.A. 1979).

¹²⁶ See *E.I. DuPont De Nemours & Co. v. Yoshida Int'l Inc.*, 393 F. Supp. 502, 523-24 (E.D.N.Y. 1975).

¹²⁷ See *Osoba*, supra note 27, at 205 (citing *Gimix, Inc. v. JS & A Group, Inc.*, 213 U.S.P.Q. (BNA) 1005, 1006 (N.D. Ill. 1982), *aff'd*, 699 F.2d 901 (7th Cir. 1983)). See also *Anheuser-Busch, Inc. v. Stroh Brewery Co.*, 750 F.2d 631, 639 (8th Cir. 1984) (“In determining the viewpoint of the prospective purchasers . . . substantial weight may be accorded the result of a properly conducted survey.”).

¹²⁸ See *House Hearings on Trademarks and the FTC*, supra note 119, at 60 (testimony of Paul C. Daw, Director, Denver Regional Office, FTC) (stating in 1979 that consumer surveys can cost “[u]pward of \$20,000 a piece, in some instances upward of \$100,000.”). But see *id.* at 66 (statement of Thomas J. Ward, attorney for the United States Trademark Association) (disputing the FTC’s figures and claiming that cancellation procedures could cost \$10,000-\$15,000, and that he had a survey done for \$3000 in 1979).

¹²⁹ See, e.g., *Anheuser-Busch*, 750 F.2d at 639-40 (argument over design of survey which included expert witnesses on both sides); *Frito-Lay*, 704 F. Supp. at 440 (survey disputed on grounds of hearsay and exceeding scope of pre-trial order); *E.I. DuPont*, 393 F. Supp. at 523-28 (court choice on which survey was more accurate was critical factor in deciding whether TEFLON was generic).

¹³⁰ See *House Hearings on Trademarks and the FTC*, supra note 119, at 198 (statement of J. Thomas McCarthy, Professor of Law, University of San Francisco).

¹³¹ See supra note 63 and accompanying text.

prediction. First, no party litigated the validity of the trademark "three-peat" before the Bulls won their third championship. Rather, large companies, like NBA Properties, chose to obtain licensing agreements from Pat Riley rather than litigate.¹³² Some smaller companies chose to produce less "three-peat" merchandise, rather than pay the licensing fees to Riley.¹³³

After the championship, two private parties did attempt to cancel the "three-peat" trademark.¹³⁴ One party withdrew its application.¹³⁵ The other has been filed and is still pending.¹³⁶ The fact that only one party has actually challenged the mark is even more striking when compared to the many people who attempted to think up a new phrase.¹³⁷ Evidence that potential litigants would rather expend resources registering new trademarks rather than litigating to cancel an existing generic trademark may demonstrate that there is little incentive for a private party to pursue this type of action.

The FTC would be the ideal party to prevent the opportunities to obtain monopoly rents from generic trademarks. Because the FTC has no stake in any future profits in a particular product, they do not care if post-cancellation everyone can freely use a term. Thus, the disincentives present in a private action do not exist where the FTC is the filing party. In addition, the FTC has relatively greater resources at its disposal than most producers to conduct the widespread surveys many courts require for genericness findings. Finally, because the FTC would represent the public interest, it would be in a better position to evaluate which terms should be canceled and given back to the public. Private parties, on the other hand, would only attempt to cancel marks that harm their interest. Although the FTC cannot possibly identify all potentially generic trademarks, the mere threat of a possible drawn-out action against the FTC may deter a good portion of possible generic registrations.

¹³² See *supra* note 65 and accompanying text.

¹³³ See Sandomir, *supra* note 65.

¹³⁴ See Cancellation Action No. 21,851, Jim Coleman, Ltd. v. Riles & Co., Inc. (T.T.A.B. 1993) (on file with *UCLA Entertainment Law Review*).

¹³⁵ Telephone Interview with Kevin Parks, Attorney, Baker & McKenzie (Nov. 16, 1993).

¹³⁶ *Id.*

¹³⁷ See *supra* notes 112-13 and accompanying text.

VI. CONCLUSION

Trademarks serve important functions in our market system by reducing search costs and promoting consistent quality products from producers. A trademark on the term "three-peat" serves neither of these functions and should therefore be cancelled. In addition, this policy evaluation of the term "three-peat" is consistent with current case law concerning genericness doctrine. The test for genericness relies upon the primary significance of that term to the public. Media research provides ample evidence that the primary significance to the public of "three-peat" is a generic description of an event occurring three-times-in-a-row.

Despite this showing, the trademark is still registered. Pat Riley has made considerable amounts of money from licensing the mark after the success of the Chicago Bulls, and has the potential to do so again. In fact, in March and April of 1994, Riley expanded his registration of "three-peat" to include products besides apparel,¹³⁸ probably in anticipation of a possible three-peat by the Dallas Cowboys as National Football League champions.¹³⁹ This money is a monopoly rent, in economic terms, which stifles competition.

Under current law, the market itself is supposed to correct these possible occurrences. An analysis of market conditions surrounding the trademark, though, show that no private party would rationally challenge the mark. Thus, a stricter policing system is necessary to prevent banking of these generic terms. The best way to accomplish this is to reinstate the FTC's authority to petition to cancel trademarks on genericness grounds. Without this enforcement mechanism, opportunists will consistently attempt to bank generic trademarks and get away with the fast break.

¹³⁸ See Riles & Co., Inc., Serial No. 74-517,582 (Dept. of Commerce April 26, 1994) (Key chains, buttons, pins and plaques); Riles & Co., Inc., Serial No. 74-508,157 (Dept. of Commerce March 30, 1994) (Plates, mugs and tankards); Riles & Co., Inc., Serial No. 74-496,795 (Dept. of Commerce March 4, 1994) (Bumper stickers, decals, pennants, paperweights, posters and trading cards).

¹³⁹ The Cowboys, however, were defeated in the NFC finals in January 1995, failing this attempt to capitalize upon the registration of "three-peat."