

The Effects of the Corporate Diversification Trend on Trademarks

Katherine E. Halmen

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THE EFFECTS OF THE CORPORATE DIVERSIFICATION TREND ON TRADEMARKS

KATHERINE E. HALMEN*

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INTRODUCTION

Trademark law is constantly developing and changing and is affected by many external forces, including corporate diversification. As the law is subjected to such pressures, it is forced to adapt. In making such adaptations, lawmakers must always keep the fundamental goal of trademark law—to enable consumers to distinguish the origin of goods and services—in mind and not veer from it.

The constantly changing face of the modern business world is an extremely influential force affecting trademark law. Today, many companies that were previously specialized are implementing diversification strategies that result in production of a vast array of unrelated goods by a single company. This trend has forced lawmakers and courts to address the impact of diversification upon trademarks. In particular, courts have acknowledged this trend toward diversification when assessing the possibility that consumers will associate a mark on a product with a similar mark on another non-competing product.¹

This area of trademark law is constantly developing, and no definite answers exist. However, by carefully identifying the relevant issues and concerns, one may come to a better understanding of the ongoing discussion surrounding diversification and trademarks. This Article will attempt to identify the problems and issues that arise as a result of corporate diversification. Further, it will attempt to provide guidance in finding answers to the following pertinent issues:

- Whether the law should recognize the corporate diversification trend and, if so, under what circumstances.
- Whether the diversification trend should be considered by courts in determining whether confusion exists.
- How a variety of goods falling under one trademark will affect consumers, and whether this will cause them to assume that even very different goods originate from the same source.
- Whether the effects of diversification upon consumer perceptions will force the expansion of protection afforded to a mark and, therefore, make it less likely that two companies will be able to use the same mark in completely separate industries.

These are just a few of the pertinent issues in the ongoing debate surrounding the relationship between trademark law and the corporate diversification trend. Although there are no solutions with regard to

1. 4 J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 24:54 (4th ed. 2005).

many related issues, it is clear that corporate diversification is something that will continue to influence trademark law.

I. THE CORPORATE DIVERSIFICATION TREND

To understand the importance of the relationship between trademark law and corporate diversification, it is essential that the basic principles and trends of diversification are fully understood. This section will provide an overview of certain fundamental aspects of diversification methods and strategies. Additionally, specific examples and statistics of diversification trends will be discussed to enable a full understanding of a trend that has, and will continue to have, a profound impact upon trademark law.

A. *Why Companies Diversify*

Many factors may influence a company's decision as to whether it should adopt a diversification strategy. Although each company will certainly have a personalized rationale for engaging in diversification, certain common motivations can be identified. Natural progression, seasonal business, complementary strategic "fit," excess capacity, raising revenues, and exploiting brand image are just a few of the primary factors that tend to motivate businesses to diversify.²

1. Natural Progression

Through natural progression, a company widens its product selection simply because that is the natural development of the business.³ For example, a company providing temporary employee placement services may expand into the related area of recruitment as the business develops.⁴

2. Seasonal Business

Companies subject to seasonal business cycles are also prone to diversification to overcome the difficulties associated with cycles of high and low business activity and profitability.⁵ For example, Iglu.com was originally an online travel agency devoted to ski vacations.⁶ To

2. Growing Business, *Diversify or Focus*, http://www.growingbusiness.co.uk/YTJzrctoG9RP_Q.html (last visited Mar. 10, 2006).

3. *Id.*

4. *Id.*

5. *Id.*

6. *Id.*

overcome the slow summer months, the business expanded into tropical vacation rentals.⁷

3. Complementary Strategic “Fit”

Another motivation to diversify exists when a company can diversify into an area that will provide a strategic advantage. An example of such diversification is when a company buys into its own supply chain.⁸ For example, a company that purchases a large quantity of chemicals may consider purchasing a chemical manufacturer.

4. Excess Capacity

Other companies may diversify to utilize idle excess capacity. This enables a company to profit from supplies for which it has already paid regardless of diversification.⁹

5. Raising Revenues

Raising revenues is a major motivation for many companies to diversify. Diversification enables a company to utilize existing resources, meaning that certain costs (for example, human resources and payroll) will remain fixed while producing a larger profit.¹⁰

6. Exploiting Brand Image

The diversification decision is also influenced by the branding strategies of the particular company. In particular, a company may decide to adopt a diversification strategy because it will enable the company to use a common brand name (one already known in the current business area) across a variety of new business endeavors. Such use will enhance the value of the brand name by making it more well known among consumers. This branding motivation has been a reason for diversification in companies such as the Virgin Group and the Easy Group.¹¹

Although these are just a few of the motivating factors considered by a firm when it decides whether to adopt a diversification strategy, they provide a great deal of insight into why the trend toward diversification exists.

7. *Id.*

8. *Id.*

9. *Id.*

10. *Id.*

11. *Id.*

C. Ways in Which Companies Diversify

There are a variety of ways in which companies choose to diversify. Through diversification under any of the methods, a company may diversify geographically or simply diversify its services or products. The following methods of diversification are a few of the most common ways in which companies tend to diversify.

1. Single Brand Versus Multiple Brands

First, a company may opt for either a “single brand” diversification or it may choose to diversify under a variety of names or trademarks.¹² Companies such as the Virgin Group and the Easy Group have followed the “single brand” diversification model, which involves using a single brand name in all of the new areas of business.¹³ Other companies have chosen to diversify using a variety of trademarks specifically geared toward the particular market in which each mark will be used.¹⁴ A company’s decision regarding whether to use a “single brand” or multiple trademarks will have a substantial impact upon the company’s trademark rights. These impacts will be further discussed below.

2. Single Company Versus Group of Entities

Next, companies may choose to diversify as a single company or as a group of entities. When a company chooses to enter new areas without incorporating other businesses into the plan, it will engage in single company diversification and handle all of the diversification itself. However, a company may also choose to include other businesses in the diversification plan either by establishing joint ventures with others or by starting new businesses.¹⁵ Many managerial, financial, and strategic considerations will often determine which of these methods a business will choose to follow.

3. Mergers and Acquisitions

Additionally, companies may achieve diversification through mergers and acquisitions. Mergers and acquisitions are often undertaken for purposes of obtaining a competitive advantage, assisting struggling companies, obtaining new resources, and increasing potential

12. *Id.*

13. *Id.*

14. *Id.*

15. *Id.*

market power.¹⁶ By engaging in mergers and/or acquisitions, companies will successfully diversify their activities.

4. Conglomerates

Some companies will achieve diversification by creating conglomerates. In the following discussion of diversification, the concept of the conglomerate business form is of particular importance. A conglomerate may be defined as “[a] corporation that owns unrelated enterprises in a wide variety of industries”¹⁷ or “[a] group of subsidiary companies linked together and forming a group making very different types of products.”¹⁸ Although the conglomerate structure allows a business to diversify, it also makes management more difficult.¹⁹

5. Trademark Licensing

A final way in which many companies choose to diversify is through trademark licensing. The trend toward trademark licensing has become quite popular, especially for highly successful trademarks that have gained a reputation in the marketplace.²⁰ This method is of particular interest in trademark law as it often results in a trademark being used on “collateral” goods or services that are in no way related to the goods or services upon which the mark was previously used.²¹ To illustrate how trademark licensing can have a truly profound impact upon the variety of goods or services falling under a common trademark, specific examples should be examined.

A good example of a company engaging in trademark licensing is DreamWorks SKG (“DreamWorks”).²² DreamWorks entered into a joint venture with Microsoft to create the “DreamWorks Interactive” computer program.²³ Then, it went on to establish a “micropub and

16. Laura Empson, *Wrestling With the Intangible: Creating Value in Knowledge-Based Mergers* 8 (Univ. of Oxford Saïd Bus. Sch., Clifford Chance Ctr. for the Mgmt. of Prof'l Serv. Firms, Working Paper No. 4, 2005).

17. BLACK'S LAW DICTIONARY 320 (8th ed. 2004).

18. WEBSTER'S ONLINE DICTIONARY, <http://www.websters-online-dictionary.org/definition/conglomerate> (lasted visited Mar. 10, 2006).

19. InvestorWords.com, Conglomerate, <http://www.investorwords.com/1034/conglomerate.html> (last visited Mar. 10, 2006).

20. Richard L. Kirkpatrick, *Likelihood of Confusion in Trademark Law*, in UNDERSTANDING BASIC TRADEMARK LAW, 569 PLI/PAT 107, 172 (1999).

21. *See id.*

22. *Dreamwerks Prod. Group, Inc. v. SKG Studio*, 142 F.3d 1127 (9th Cir. 1998).

23. *Id.* at 1128.

virtual reality arcade” under the name “GameWorks.”²⁴ Additionally, “DreamWorks Toys” was established through a joint venture with the toymaker Hasbro.²⁵

Other examples include “The ‘21’ Club,” Black & Decker, and Bridgestone. “The ‘21’ Club” originally started as a restaurant but then went on to produce other collateral products such as clothing and towels.²⁶ Black & Decker used its WORKMATE trademark for various products, including workbenches, vises, work accessories, and clothing.²⁷ Bridgestone used its BRIDGESTONE trademark for tires, bicycles, tennis and golf balls, clothing, and promotional items.²⁸ The ability to sell such diverse items under one mark was made possible through diversification methods such as trademark licensing.

As demonstrated above, many methods of diversification exist. The impact that diversification will have upon the particular trademark(s) involved will often depend upon the method chosen by the firm. Therefore, the methods of diversification are of great importance with regard to trademark law.

C. Diversification Trends and Statistics

Over the years, many companies have chosen to adopt diversification strategies. This trend has continued for many years and continues to gain popularity. Although the methods through which companies diversify have changed, diversification as a whole continues to be a popular business trend.

The diversification trend has a long history beginning approximately eighty years ago when large companies such as General Motors and DuPont began to adopt diversification strategies.²⁹ As a result of diversification, these companies also began to follow divisional organization methods by forming product divisions to better manage the diverse product lines.³⁰ Throughout the past century, companies

24. *Id.*

25. *Id.*

26. *In re Phillips-Van Heusen Corp.*, 228 U.S.P.Q. (BNA) 949, 951 (T.T.A.B. 1986).

27. *Black & Decker Mfg. Co. v. Big Yank Corp.*, 231 U.S.P.Q. (BNA) 484, 485 (T.T.A.B. 1986).

28. *Bridgestone Tire Co. v. Bridgestone Trading Co.*, 221 U.S.P.Q. (BNA) 1012, 1014 (T.T.A.B. 1984).

29. Richard Whittington et al., *New Notions of Organizational “Fit,”* in *FINANCIAL TIMES MASTERING STRATEGY: THE COMPLETE MBA COMPANION IN STRATEGY* 151, 151 (2000).

30. *Id.*

continued to diversify and create various product divisions.³¹

In the 1970s, Professor Alfred Chandler conducted studies at the Harvard Business School relating to the diversification trend.³² These studies revealed that approximately fifty to seventy-five percent of large European companies had adopted diversification strategies, while forty percent had adopted divisional organization methods.³³ In a more recent study at Oxford University, it was found that the percentage of companies following a diversification strategy had grown dramatically.³⁴ Additionally, it was found that between seventy-five and ninety percent of large companies in Europe are currently following divisional organization methods.³⁵ This study also revealed that many firms continue to diversify, not only into related product areas, but also into unrelated areas.³⁶

Studies have also shown that conglomerates continue to be a popular business form.³⁷ This diversified business structure has been popular over the years and continues to gain popularity. In Europe, conglomerates have continued to gain popularity since the 1950s. Between 1950 and 1990 the number of conglomerates in Germany increased from approximately ten percent of the largest businesses to approximately twenty-five percent. Similarly, between 1970 and 1990, the number of conglomerates in the United Kingdom increased from approximately five percent of the largest businesses to approximately twenty-five percent.³⁸ Despite the recent tendencies to restructure, down size, participate in buy-outs and various spin-outs, there is still a strong presence of conglomerates encompassing varieties of diversified business ventures.³⁹ This trend suggests that diversification through the formation of conglomerates is a popular trend that does not appear to be declining.

The diversification trend, including the trend toward the

31. *Id.*

32. Richard Whittington, *Chandler's Triumph in Europe*, SBS NEWS: THE BUSINESS SCHOOL OF THE UNIVERSITY OF OXFORD, Mar. 28, 2001, at 10.

33. *Id.*

34. *Id.*

35. *Id.*

36. *Id.*

37. *Id.* at 11.

38. Richard Whittington, *In Praise of the Evergreen Conglomerate*, in FINANCIAL TIMES MASTERING STRATEGY: THE COMPLETE MBA COMPANION IN STRATEGY, *supra* note 29, at 327-28.

39. *Id.* at 327.

conglomerate business form, helps us understand why diversification is so significant in the area of trademark law. This trend shows how many unrelated products may be, and are likely to be, produced by a single firm. Because statistics do not suggest that this trend is declining, it is highly likely that there will continue to be an increase in the vast array of goods or services bearing the same trademark. As a result, trademark law must take these trends into account.

D. Examples of Diversification

While some companies diversify into somewhat related business areas, other companies, such as the Virgin Group and Proctor & Gamble, have taken diversification to the extreme and have diversified into completely unrelated business areas. As part of such diversification strategies, some companies will adopt a variety of brand names under which the diverse products will be marketed, while other companies will maintain a common brand name throughout diverse product areas. As will be seen, regardless of the extent to which companies diversify, the trademarks involved will inevitably be affected. For purposes of illustrating the extent to which companies diversify their product lines, the Virgin Group and Proctor & Gamble will be discussed.

1. The Virgin Group

The Virgin Group is an excellent example of the extent to which a diversification strategy may be undertaken and how successful a diversification strategy may be. In fact, it has been said, with regard to the Virgin Group, that “diversification has almost become a brand value in itself.”⁴⁰ The Virgin Group has pursued diversification into completely unrelated business areas. Although it has faced numerous successes and failures in doing so, the overall result has been highly effective.⁴¹

A feature of the Virgin Group’s diversification strategy that is particularly interesting with regard to trademark law is the fact that most of the diversified activities pursued have fallen under a common mark.⁴² In fact, the related businesses throughout the world are operated under the VIRGIN trade name, trademarks, and service marks. All of which are protected by approximately 956 registrations in

40. Growing Business, *supra* note 2.

41. *Id.*

42. *Id.*

114 different countries, including twelve in the United States.⁴³ In promoting the various goods and services offered, these businesses utilize a common stylized version of the VIRGIN trademark consisting of a white logo against a red background.⁴⁴

Virgin Retail Limited, one of the Virgin Group's licensees, is one of the company's many diverse business ventures.⁴⁵ Virgin Retail Limited owns and operates a chain of retail stores under the mark VIRGIN MEGASTORE throughout the United States, Europe, Japan, Canada, and the United Kingdom.⁴⁶ There are approximately 150 Virgin Megastores worldwide selling various products bearing the VIRGIN logo.⁴⁷ Among the goods and services provided at these stores are CDs, clothing, computer games, books, beverages, and travel-related services.⁴⁸

Involvement in the beverage industry is another example of how the Virgin Group has diversified. Through the Virgin Cola Company (USA), Inc., a licensee, the Virgin Group has been able to expand its business activities into the area of beverages.⁴⁹ They have done so through the production of a soft drink product entitled VIRGIN cola.⁵⁰ This product is bottled and distributed entirely through the Virgin Cola Company.⁵¹

The airline industry is yet another area of business into which the Virgin Group has diversified. Virgin Atlantic Airways, Ltd., a licensee of the Virgin Group, provides airline service to and from various cities in the United States.⁵² Passengers on these flights receive various VIRGIN-branded products. Additionally, there is a VIRGIN duty-free catalog that offers the passengers a variety of VIRGIN-branded merchandise, including wristwatches, toys, hats, pens, clocks, sweatshirts, t-shirts, and playing cards.⁵³

The Virgin Group has also ventured into the limousine business.

43. *Virgin Enters. Ltd. v. Virgin Petroleum, Inc.*, No. CV 99-12826 (MMM), 2000 U.S. Dist. LEXIS 8100, at *5 (C.D. Cal. Jan. 19, 2000).

44. *Id.* at *8.

45. *Id.* at *6.

46. *Id.*

47. *Id.*

48. *Id.*

49. *Id.*

50. *Id.*

51. *Id.* at **6-7.

52. *Id.* at *7.

53. *Id.*

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Through its licensee, Virgin Limousines (California) L.L.C., the Virgin Group offers limousine services to passengers in California.⁵⁴

Other products that have been offered through the Virgin Group's diverse business activities include rail services, balloon services, access to hotel properties, bikes, cars, and mobile phones.⁵⁵ Although certain ventures, such as Virgin Bike and Virgin Cars, have been considered failures, others, such as Virgin Atlantic and Virgin Mobile, have been extremely successful.⁵⁶ Overall, the Virgin Group has been highly successful in pursuing a diversification strategy that entails ventures in a vast array of business areas.

As a result of diversifying under a common brand, the Virgin Group has received much praise. The VIRGIN mark, recognized as a famous brand, was identified as early as 1992 as one of the "world's greatest brands," because it was "established as a broadly based entertainment and travel brand with a dependable but nonetheless somewhat 'fun' and irreverent image."⁵⁷ The mark has also been identified as one of the "twenty-five rising international brands."⁵⁸

2. Proctor & Gamble

Proctor & Gamble is another example of a company that has engaged in a great deal of diversification. However, in contrast to the Virgin Group, Proctor & Gamble has not maintained a common brand name for all of its diverse product lines. Instead, Proctor & Gamble has utilized numerous brand names that are individualized to market particular products.

The diverse business areas in which Proctor & Gamble's products may be found include antiperspirants, baby care, colognes, commercial products, cosmetics, deodorants, dish care, feminine protection, hair care and color, health care, household cleaners, laundry, oral care, paper products, personal cleansing, pet health and nutrition, prescription drugs, prestige fragrances, skin care, snacks and beverages, and special fabric care.⁵⁹ Obviously, Proctor & Gamble has engaged fully in an effective and broad diversification strategy.

54. *Id.*

55. *Id.* at **27-28.

56. Growing Business, *supra* note 2.

57. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *8.

58. *Id.*

59. Proctor & Gamble, All P & G Products, http://www.pg.com/en_US/products/all_products/index.jhtml (last visited Mar. 10, 2006).

Within each of the above mentioned product categories, Proctor & Gamble has utilized numerous marks under which the diverse products are marketed. For example, within the pet health and nutrition category, marks such as EUKANUBA and IAMS are used.⁶⁰ However, in the hair care product lines, marks such as PANTENE, PERT PLUS, and AUSSIE are used.⁶¹ In contrast to the Virgin Group, the marks used by Proctor & Gamble are as diverse as the products.

The Virgin Group, with its widely diversified line of goods and services all bearing a common mark, and Proctor & Gamble, with its diverse products promoted under numerous marks, are prime examples of companies that have successfully engaged in diversification. These types of diversification strategies, that is, those involving such vast arrays of unrelated goods and services, are of particular interest in trademark law. As will be seen, companies such as the Virgin Group and Proctor & Gamble will inevitably force judges and lawmakers to address the effects of corporate diversification on trademark law.

II. RELEVANT TRADEMARK LAW: LIKELIHOOD OF CONFUSION

A. *Likelihood of Confusion, In General*

In trademark law, once the plaintiff has established his or her protectable rights for a particular trademark, the likelihood of confusion test is used to determine whether infringement exists (or whether a mark is interfering with a pre-existing trademark).⁶² Because the likelihood of confusion test plays such a fundamental role in trademark law, it is essential to understand the basics of the test before addressing the effects of diversification upon trademark law. Additionally, it is important to have a basic understanding of the test because it is the primary area of trademark law that has been impacted by the diversification trend.

The purpose of the likelihood of confusion test is to ensure that the goals of trademark law are met. This means that the interests of consumers and trademark owners are taken into account when applying the test. While seeking to protect consumers by ensuring that they are able to avoid deception and accurately base their purchasing decisions on past experience or the reputation of the producer, trademark

60. *Id.*

61. *Id.*

62. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *17.

owners' investment in their own reputation is also protected.⁶³

The likelihood of confusion test involves an identification of whether there has been a creation of likelihood of confusion as to origin, sponsorship, or affiliation.⁶⁴ Simply stated, "[t]he test for likelihood of confusion is whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks."⁶⁵ In determining this, the similarity between the marks and the similarity between the goods or services are the primary factors of consideration.⁶⁶ It is important to note, however, that the marks need not be identical, the goods or services need not be competing or the same, and not all consumers must actually be confused.⁶⁷ In fact, it is often sufficient that the marks are similar and the goods or services are related.⁶⁸ To support a finding of likelihood of confusion, it is sufficient that an appreciable number of "average" or "reasonably prudent" consumers would more likely than not be confused as to the origin, sponsorship, or affiliation of a good or service as a result of a mark.⁶⁹

B. The Reasonably Prudent Consumer

Because the likelihood of confusion test requires a showing that an appreciable number of "reasonably prudent" consumers be more likely than not confused, the state of mind of the reasonably prudent consumer is of extreme importance.⁷⁰ For this reason, many courts have been forced to define specifically what constitutes this "reasonably prudent" consumer.⁷¹

In defining the profile of the "reasonably prudent" consumer, courts acknowledge the fact that as the type of good or service changes, so does the profile of the relevant consumer. In determining the appropriate standard of care for the consumer, courts will analyze the situation from many angles. Courts will determine what kind of person the "reasonable" consumer is likely to be.⁷² In doing so, the court will

63. 1 MCCARTHY, *supra* note 1, §§ 2:1, 2:2, 2:5.

64. U.S. Trademark Act, 15 U.S.C. § 1125(a) (2000).

65. Dreamwerks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, 1129 (9th Cir. 1998).

66. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at **17-18.

67. *Id.* at *30.

68. *Id.*

69. 3 MCCARTHY, *supra* note 1, § 23:91.

70. *Id.* § 23:51 n.6.

71. *Id.*

72. *Id.*

determine whether the consumer is likely to be cautious or somewhat careless.⁷³ Further, it is also important whether the consumer is likely to suspect that the seller is attempting to confuse him or her.⁷⁴ Whether the consumer is trusting or naïve in thinking that products with similar markings originate from the same source is also a relevant issue.⁷⁵ Additionally, the nature of the consumer's attitude is important, that is, whether the consumer is buying on impulse without carefully analyzing all advertisements, or whether the consumer has spent a great deal of time comparing competing products and analyzing his or her buying decision.⁷⁶ By addressing all of these considerations, the court is able to define the relevant "reasonably prudent" consumer for the particular context.

Through careful analysis of all of the pertinent factors, courts determine the profile of the "reasonably prudent" consumer and then apply that profile to the facts to determine whether a likelihood of confusion exists. Because the determination of what constitutes the "reasonably prudent" consumer depends on the particular facts of the case, courts often come up with different definitions. For example, in *Fotomat Corp. v. Cochran*,⁷⁷ the "reasonably prudent" consumer was defined as the "ordinary consumer using ordinary care under ordinary buying conditions."⁷⁸ In *Electronic Communications, Inc. v. Electronic Components for Industry Co.*,⁷⁹ the court simply referred to the "ordinarily prudent purchaser."⁸⁰ Again, in *New West Corp. v. NYM Co. of California, Inc.*,⁸¹ the definition of a "reasonable consumer of average intelligence and experience" was also slightly different.⁸² The relevant consumer has also been defined as a "typical buyer exercising ordinary caution."⁸³ Clearly, even though the courts seem to make similar findings as to what constitutes the "reasonably prudent" consumer, the exact definition of the term may differ.

73. *Id.*

74. *Id.*

75. *Id.*

76. *Id.*

77. 437 F. Supp. 1231 (D. Kan. 1977).

78. *Id.* at 1244.

79. 443 F.2d 487 (8th Cir. 1971).

80. *Id.* at 492 (quoting *David Sherman Corp. v. Heublein, Inc.*, 340 F.2d 377, 380 (8th Cir. 1965)).

81. 595 F.2d 1194 (9th Cir. 1979).

82. *Id.* at 1202.

83. *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 353 (9th Cir. 1979).

C. Likelihood of Confusion Factors

Once the court has defined the characteristics of the “reasonably prudent” consumer, the court will determine whether this consumer is more likely than not to be confused by the coexistence of the marks in question regarding origin, sponsorship, or affiliation of the goods or services upon which the marks are used. In making this analysis, the courts weigh various factors. The exact factors taken into consideration differ among the courts; however, for illustrative purposes, the factors used in *Quality Inns International, Inc. v. McDonald’s Corp.*⁸⁴ will be discussed.

In *Quality Inns*, the court identified six factors that were addressed to determine whether a likelihood of confusion existed.⁸⁵ First, the visual, auditory, and connotative similarities of the marks are identified.⁸⁶ Second, the similarities between the goods or services are identified, especially regarding whether the goods are competing or related but non-competing.⁸⁷ As will be seen, this is one of the primary areas in which diversification is taken into account. Third, whether the marketing channels used by the parties to advertise the products are the same is of importance.⁸⁸ Fourth, the sophistication of the buyers and the care that they take in making their purchases is considered.⁸⁹ Fifth, the strength and reputation of the mark allegedly infringed is taken into account. Sixth, the court considers the intent of the alleged infringer in using the allegedly infringing name, that is, whether he or she may have acted knowingly and in bad faith.⁹⁰ Depending on the court, other factors, such as evidence of actual confusion and the likelihood that the parties will expand their product lines, may also be taken into account.⁹¹

1. Similarity of the Marks

When considering the similarity of the marks involved, courts will consider the visual similarities, similarities in sound, and similarities in meaning.⁹² In considering such similarities, the marks should be

84. 695 F. Supp. 198 (D. Md. 1988).

85. *See id.* at 217.

86. *See id.*

87. *See id.*

88. *See id.*

89. *See id.*

90. *See id.*

91. *Virgin Enters. Ltd. v. Virgin Petroleum, Inc.*, No. CV 99-12826 (MMM), 2000 U.S. Dist. LEXIS 8100, at **17-18 (C.D. Cal. Jan. 19, 2000).

92. *Id.* at *19.

considered in the context of the way in which they are encountered under normal circumstances in the marketplace.⁹³

2. Similarity of the Goods and Services

The similarity of the goods and services offered under each of the marks will be taken into account. In making this assessment, the goods or services involved are categorized as either competing or non-competing but related. The existence of a competitive relationship between the goods or services at issue is usually a strong indication of a likelihood of confusion. Therefore, the easiest way to show that this factor—addressing the similarity of the goods and services—supports a likelihood of confusion finding is to establish that the goods or services at issue are competing.⁹⁴

However, the issue is not so clear when the goods or services are related but not in competition with one another. Goods and services are considered related (and therefore similar) if, because of their particular use, buyers would reasonably believe that they originate from the same source when they are sold under the same mark.⁹⁵ In other words, the “[g]oods are ‘related’ if customers are likely to mistakenly think that the infringer’s goods come from the same source as the senior user’s goods or are sponsored by, affiliated with or connected with the senior user.”⁹⁶ To be considered similar, it is not necessary that the goods or services be identical or in competition with one another; instead, their relation in the mind of the prospective buyer is the determinative factor.⁹⁷ Furthermore, it is important to note that this similarity does not depend upon similar qualities or upon some physical relationship between the goods or services.⁹⁸

Because the similarity of the goods or services is a matter defined by the state of mind of the relevant consumer (as opposed to a matter of physical similarities), the diversification trend has quite an impact on this factor in the likelihood of confusion analysis because it changes the consumer’s expectations as to what types of products might originate from a common source. In particular, consumer awareness of the diversification trend tends to increase the sphere of the likelihood of

93. *Id.*

94. 3 MCCARTHY, *supra* note 1, § 23:20.1.

95. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *26.

96. 4 MCCARTHY, *supra* note 1, § 24:24.

97. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *27.

98. 4 MCCARTHY, *supra* note 1, § 24:24.

confusion. Likewise, the use of a common trademark (particularly well-known trademarks) on a variety of diverse goods or services, as a result of diversification through brand extension or co-branding, will also tend to increase the sphere of the likelihood of confusion. As will be seen, this is particularly true with regard to well-known trademarks.⁹⁹

The relationship between the similarity of goods or services and the similarity of the marks in question is also of importance. These two factors have a somewhat inverse relationship in that the greater the degree of similarity between the marks, the lesser the degree of similarity between the goods or services that is required to support a finding of a likelihood of confusion.¹⁰⁰ This means that, in the case of identical or almost identical marks, only a “viable” relationship between the goods or services is necessary.¹⁰¹ Reaffirming this point with regard to identical marks, the Trademark Trial and Appeal Board (“Board”) made the following statement:

Inasmuch as the marks here involved are identical, the question of likelihood of confusion . . . turns on whether the goods . . . are related in any viable manner and/or they are marketed under conditions and circumstances that enable common purchasers or users to encounter them in an environment likely to cause these individuals to ascribe a common origin thereto because of the identity of the marks.¹⁰²

Clearly, the relationship between the goods or services and the marks is quite influential and important.

3. Marketing Channels

Courts will also address whether the goods or services bearing the marks in question are sold or advertised through the same channels of marketing. In particular, courts will assess the situation by addressing issues such as whether the goods or services are sold in common locations (i.e., under the same roof), whether the parties advertise using similar methods or avenues, or whether the advertising efforts are directed at the same group of people.¹⁰³

99. *Id.* § 24:54.

100. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *30.

101. *Id.*

102. *In re Whittaker Corp.*, 200 U.S.P.Q. (BNA) 54, 55 (T.T.A.B. 1978).

103. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *38.

4. Buyer Sophistication and the Degree of Care Likely to Be Exercised

The sophistication of the relevant consumers and the degree of care that they will likely exercise in making a purchase decisions are also taken into account: the greater the degree of care that is likely to be exercised by the consumers, the less likely it is that they will be confused. This idea encompasses the assumption that buyers are likely to take more time to investigate and learn about certain products before making a decision as to whether to purchase the item. Such products often include expensive products or other products for which the consumer, for personal reasons (e.g., health or safety), would exercise greater care in making his or her purchasing decision.¹⁰⁴ Because consumers are likely to educate themselves with regard to these products, they are less likely to be confused.

On the other hand, certain items do not require such careful decision-making. These products often include inexpensive or everyday purchases.¹⁰⁵ It is assumed that reasonable consumers do not give much care or thought to the purchases of such items; therefore, the likelihood of confusion is greater.¹⁰⁶

5. Strength of the Mark

In determining the strength of a mark, its distinctiveness and commercial strength are taken into account. The stronger the mark, the more likely it is that consumers will be confused when confronted with identical or similar marks. Therefore, the scope of protection for strong marks is broader than for weak marks.

i. Distinctiveness

It has been said that “[t]he strength of a given mark rests on its distinctiveness.”¹⁰⁷ This statement is quite accurate because the court’s determination with regard to distinctiveness will not only determine the strength of the mark, but will also determine the scope of protection for the mark.¹⁰⁸ In assessing distinctiveness, courts generally categorize trademarks according to the degree to which the consumers associate

104. 3 MCCARTHY, *supra* note 1, § 23:95.

105. *Id.*; *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *37.

106. 3 MCCARTHY, *supra* note 1, § 23:95; *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at **37–38.

107. *Miss World (UK) Ltd. v. Mrs. Am. Pageants, Inc.*, 856 F.2d 1445, 1448 (9th Cir. 1988).

108. *Id.*

the mark with a particular source.¹⁰⁹ The categories generally adopted include, in order of increasing distinctiveness, (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, and (5) fanciful.¹¹⁰

A fanciful mark is considered to be the most distinctive and includes words or phrases invented solely for the purpose of functioning as a trademark.¹¹¹ Other than their function as a trademark, these marks, such as KODAK, have no literal meaning.¹¹² Arbitrary marks, on the other hand, do have a meaning outside of the trademark context. Such marks include common words that are used in a fictitious or random manner for purposes of identifying the source of the product. These marks, such as DUTCH BOY for paint, are distinctive because they use words in a way in which the words are not normally used.¹¹³ Fanciful and arbitrary marks are afforded the broadest protection due to their distinctive qualities.¹¹⁴

Suggestive marks include marks that suggest the nature of the product but do not actually describe it. Because they suggest the nature of the product, they are neither considered to be as distinctive as arbitrary marks nor as common as descriptive marks. Descriptive marks include those marks that describe the particular good or service provided. These trademarks require acquired secondary meaning (i.e., that consumers have come to associate the descriptive mark with a particular source) to be granted protective rights. It has been held that the fact that a mark is registered is *prima facie* evidence that the mark is valid, thereby relieving the holder from the burden of proving secondary meaning.¹¹⁵ Generally, the scope of protection afforded to descriptive and suggestive marks is not as broad as that for arbitrary or fanciful marks.

Finally, generic terms are not entitled to trademark protection, no matter how closely they are tied to a particular source. Generic marks include words or phrases that have become so commonplace that they refer to “the genus of which the particular product is a species” and are not inherently distinctive.¹¹⁶ For this reason, these types of marks are

109. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *21.

110. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992).

111. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *23.

112. *Id.*

113. *Id.* at *22.

114. *Id.* at *23.

115. *Qualitex Co. v. Jacobson Prods. Co.*, 13 F.3d 1297, 1301 (9th Cir. 1994).

116. *Girl Scouts of the U.S. v. Bantam Doubleday Dell Publ'g Group, Inc.*, 808 F. Supp. 1112, 1123 (S.D.N.Y. 1992).

not afforded trademark protection.¹¹⁷

i. Commercial Strength

After determining the category of distinctiveness into which a trademark falls, the next step is to determine the strength of the mark by assessing its strength in the marketplace.¹¹⁸ The commercial strength of a mark is determined by identifying the degree to which the mark is recognized in the minds of the relevant consumers.¹¹⁹ The extent to which the reputation of the trademark has been built up is also of importance. This recognition within the marketplace, at the time of litigation or registration, is an essential element in determining the strength of a mark; placement in one of the above categories of distinctiveness alone is insufficient.¹²⁰

The Ninth Circuit has used a two-step test to determine the strength of a mark in the marketplace.¹²¹ The first step is the “imagination test.”¹²² This step requires a court to ask how much imagination a consumer must use to associate the mark with the goods or services it identifies.¹²³ The more imagination required for such an association, the stronger the mark.¹²⁴ The second step is the “need test.”¹²⁵ This step requires the court to determine the extent to which competitors need the mark to identify their goods or services.¹²⁶ Together, these two steps enable the court to make a better determination regarding the strength of the particular mark in the marketplace.

6. Evidence of Actual Confusion

Although evidence of actual confusion is not required for a finding of a likelihood of confusion, it is quite possibly the strongest form of proof that such likelihood exists.¹²⁷ Additionally, evidence of actual consumer confusion is an extremely strong indication of a future

117. *Id.*

118. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *23.

119. *Miss World (UK) Ltd. v. Mrs. Am. Pageants, Inc.*, 856 F.2d 1445, 1449 (9th Cir. 1988).

120. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *25.

121. *Id.*

122. *Id.*

123. *Id.*

124. *Id.*

125. *Id.*

126. *Id.*

127. *Id.* at **31–32.

likelihood of confusion, and even small amounts of evidence will provide a strong argument in favor of confusion.¹²⁸ However, evidence of actual confusion is often unreliable and difficult to obtain.¹²⁹

7. Likelihood of Expansion

Another factor suggesting that a likelihood of confusion exists is the likelihood of the business in question expanding into new business areas.¹³⁰ Likelihood of expansion into areas of business that would put the products of the parties in competition or into areas that would otherwise cause consumer confusion tends to support a likelihood of confusion finding.¹³¹ As will be discussed below, this factor often depends upon the actual plans of the trademark owner to expand and consumer perception in this era of diversification.¹³²

8. Intent of the Alleged Infringer

The intent of the alleged infringer in adopting and using the allegedly infringing mark is also significant in assessing the likelihood of confusion. Courts will look for evidence that the alleged infringer adopted and used the mark in bad faith for purposes of confusing the public and benefiting from the goodwill of the original trademark owner.¹³³ Evidence of willful and intentional actions (e.g., causing confusion) to achieve such goals will be considered a strong indication that a likelihood of confusion exists.

These factors are used by courts to analyze the relevant facts and to determine whether a likelihood of confusion exists. The factors are intended to be a guide for courts in assessing the likelihood of confusion and are not intended to be a strict set of rules.¹³⁴ Therefore, it is not required that all of the factors are taken into account or that all of the factors weigh in favor of one party.¹³⁵ Not all of the factors are given equal weight, and the weight given to each individual factor will vary depending on the facts of the particular case.¹³⁶ For these reasons, the likelihood of confusion test is extremely flexible and responsive to the

128. *Id.* at *32.

129. *Id.*

130. 4 MCCARTHY, *supra* note 1, § 24:18.

131. *Id.*

132. *Id.*

133. *Virgin Enters. Ltd.*, 2000 U.S. Dist. LEXIS 8100, at *35.

134. *Id.* at *18.

135. *Id.*

136. *Id.* at *19.

particular facts of each case.

It is important to keep factors such as these in mind when considering the effects of diversification upon trademark law because the diversification trend directly impacts these factors. Furthermore, in light of the diversification trend, courts must consider whether such factors should be altered and, if so, to what extent.

III. CORPORATE DIVERSIFICATION AND TRADEMARK LAW

A. Introduction

Because of the existence and continued popularity of the trend toward diversification, it is clear that trademarks will be affected and that courts must develop means to deal with the effects. One of the primary effects of the trend upon trademarks is that a single mark might be used by a single company for a variety of products. While this may benefit the company using the mark, it may have adverse effects in that it suggests that trademarks will demand a wider scope of protection.

Other obstacles also add complexity to the situation. For example, many trademark owners attempt to benefit from the goodwill of an existing trademark of another company by using it for different types of products.¹³⁷ In this way, the junior user (second to use the mark) is benefiting from the diversification trend because consumers may assume that the senior user is diversified and that the product bearing the mark, even though completely unrelated to the senior user's products, is a product originating from the senior user.¹³⁸ The Board addressed this situation in *Miles Laboratories, Inc. v. Naturally Vitamin Supplements, Inc.*¹³⁹ when it held that consumers would not be surprised to find a new natural vitamin marketed as VIT-A-DAY when the original synthetic vitamin from another company was called ONE A DAY.¹⁴⁰ This type of situation adds complexity to the issues related to diversification and trademark law because it demonstrates how the goodwill of the trademark owner must be protected; however, the scope of trademark protection cannot be so broad that it essentially creates a monopoly for the particular trademark in all categories of goods and services.

137. Kirkpatrick, *supra* note 20, at 171.

138. *See id.*

139. 1 U.S.P.Q.2d (BNA) 1445 (T.T.A.B. 1986).

140. *Id.* at 1451.

Courts must attempt to protect the rights of the trademark owner, but must carefully balance the competing interests in not creating monopolies over certain words at the same time. Certain courts have responded by giving attention to the diversification trend when considering whether the reasonable consumer is likely to associate a product with another non-competing product bearing a similar trademark.¹⁴¹ In particular, courts have suggested that a buyer might associate non-competing or unrelated products with one another because he or she is aware of the trend toward diversification.¹⁴² Even though a common rule regarding diversification has not been set out, the effects of the diversification trend upon the reasonable buyer tend to be the primary focus of the courts. As will be discussed, courts handle the issue in various ways, but all seem to come to a somewhat similar conclusion.

B. The Reasonably Prudent Consumer

In today's world, corporate diversification is extremely common. Large companies with control over many assets, such as Procter & Gamble and the Virgin Group, often engage in a great deal of advertising to promote their diverse products.¹⁴³ Additionally, many of these companies market their diverse products under a common trademark. As a result, many individuals are aware of the fact that one company may produce a large array of unrelated products.

One of the fundamental aspects of trademark law is the likelihood of confusion test, which is based on the state of mind of the reasonably prudent consumer.¹⁴⁴ Because individuals are aware of modern corporate diversification trends, the law must acknowledge that the reasonable consumer knows that companies often offer a diverse range of products.¹⁴⁵ This need has been addressed by numerous courts over the years, but the means used to incorporate the acknowledgement of the diversification trend into the likelihood of confusion analysis are not always the same in every court.

The court in *Waterman-Bic Pen Corp. v. Beisinger Industries Corp.*¹⁴⁶

141. 4 MCCARTHY, *supra* note 1, § 24:54.

142. *Id.*

143. See *FTC v. Procter & Gamble Co.*, 386 U.S. 568, 572-73 (1967); *Virgin Enters. Ltd. v. Virgin Petroleum, Inc.*, No. CV 99-12826 (MMM), 2000 U.S. Dist. LEXIS 8100, at **38-39 (C.D. Cal. Jan. 19, 2000).

144. 4 MCCARTHY, *supra* note 1, § 24:54.

145. *Id.*

146. 321 F. Supp. 178 (S.D.N.Y. 1970).

addressed the diversification trend when it discussed the reasonable consumer's reaction to the mark BIC, which was used by Waterman-Bic for pens and used by Beisinger as a stock ticker and in its advertising for rubber and plastic products.¹⁴⁷ The court found that, although the products of the companies were not at all similar, the relevant consumer "may assume, in an era of extreme corporate diversification, that defendant is a part of plaintiffs' corporate structure."¹⁴⁸

Later, in *Fuji Photo Film Co., Inc. v. Shinohara Shoji Kabushiki Kaisha*,¹⁴⁹ the Fifth Circuit incorporated the diversification trend into the likelihood of confusion analysis by using it to analyze one of many enumerated factors for determining whether confusion exists.¹⁵⁰ In particular, when addressing the similarity between the products at issue (one of the factors used by the court in determining whether confusion exists), the court found that complementary products are more likely to cause confusion, especially when the senior user of the trademark is a diversified company.¹⁵¹ The court clarified this finding by stating that, although two companies are not in competition with one another, diversification makes it more likely that a consumer will associate the goods or services of the non-diversified company with the diversified company.¹⁵²

Similarly, the court in *Carling Brewing Co. v. Philip Morris, Inc.*¹⁵³ held that the current trend toward diversification of products created by a single entity should be a factor used in determining whether a potential for confusion exists.¹⁵⁴ Rationalizing that diversification trends affect the reasonably prudent consumer's perceptions with regard to the source of a new product bearing the same trademark as one previously used on another product, the court held that buyers would associate BLACK LABEL cigarettes with BLACK LABEL beer and assume that they came from the same source.¹⁵⁵ The court suggested that, although the general public is most likely unaware of the specific corporate structure of the particular company in question, it is aware of corporate diversification and operations through subsidiaries, mergers,

147. *Id.* at 179.

148. *Id.* at 180.

149. 754 F.2d 591 (5th Cir. 1985).

150. *Id.* at 598.

151. *Id.*

152. *Id.*

153. 297 F. Supp. 1330 (N.D. Ga. 1968).

154. *Id.* at 1337.

155. *Id.*

and acquisitions.¹⁵⁶ Therefore, the court reasoned that the use of BLACK LABEL for cigarettes could potentially lead to confusion with regard to the source of either the beer or the cigarettes.¹⁵⁷ As an aside, the court stressed that “this is a dynamic, developing field of law, and the court must consider events in the business world and the public impact of name association.”¹⁵⁸

Another example illustrating how courts have applied the diversification rationale to the likelihood of confusion of the reasonably prudent consumer test is the *In re Duofold*¹⁵⁹ decision, in which the Board applied the diversification argument to men’s clothing.¹⁶⁰ Registration was refused despite the applicant’s argument that “manufacturers of suits and overcoats do not normally make sports apparel such as sports shirts and vice versa.”¹⁶¹ It was held that, due to today’s trends of diversification, consumers expect many products within a particular field to be made by the same company and to bear the same mark.¹⁶²

These decisions show how courts have used the diversification trend to determine what the rationale of the reasonably prudent consumer might be when confronted with identical or similar marks on different non-competing or unrelated goods. These cases provide a foundation for future cases because they help to identify what factors will influence the thoughts of the reasonably prudent consumer. From the foregoing decisions, it is clear that the corporate diversification trend is clearly a factor to be considered in relation to trademarks because it has a profound influence upon the state of mind of the reasonably prudent consumer.

C. Taking Judicial Notice That “Everyone Knows”

Another way in which courts have assessed the impacts of diversification upon trademarks is through taking judicial notice that “everyone knows” certain things related to business.¹⁶³ This approach is highly related to the reasonably prudent consumer approaches noted

156. *Id.*

157. *Id.*

158. *Id.* at 1337–38.

159. 184 U.S.P.Q. (BNA) 638 (T.T.A.B. 1974).

160. *Id.* at 638.

161. *Id.* at 639.

162. *Id.*

163. 4 MCCARTHY, *supra* note 1, § 24:54.

above in that it allows the court to make assumptions as to what the state of mind of the reasonably prudent consumer would be with regard to diversification. In particular, courts have taken judicial notice that “everyone knows” that several products are often sold by one company under a single mark.¹⁶⁴ In other words, when consumers see various products bearing the same trademark, they will know that there is a connection between the products.¹⁶⁵

To illustrate this point, *Villager Co. v. Dial Shoe Co.*¹⁶⁶ is of assistance. In this case, the court was faced with a situation in which one company produced women’s clothing under the trademarks THE VILLAGER and JUNIOR VILLAGER, while another company sought to produce shoes of a lesser quality under the name “Miss VILLAGER.”¹⁶⁷ The court took judicial notice that it is common knowledge among the relevant consumers that companies sell a variety of items under a single trademark.¹⁶⁸ In particular, it was noted that, especially regarding apparel, it is common for a single trademark to be used for the entire line of apparel, including footwear.¹⁶⁹ The court assumed that it was common knowledge among women buyers that many companies, such as Bonwit, Capezio, Dior, and Jantzen, advertised multiple products under a single name, and that, in light of this, these consumers would believe the same was true for the products in question.¹⁷⁰

Taking judicial notice of the common knowledge of the consumer is just one way in which courts have approached the diversification issue. As the *Villager* case suggests, this method appears to be effective.¹⁷¹ However, this approach does not attempt to identify the extent to which the scope of trademark protection should be expanded in light of diversification and the common knowledge of the consumer. Such unresolved issues leave a great deal of uncertainty in this area of law.

164. *Id.*

165. *Id.*

166. 256 F. Supp. 694 (E.D. Pa. 1966).

167. *Id.* at 695.

168. *Id.* at 701.

169. *Id.*

170. *Id.*

171. *See id.*

D. Use of a Single Trademark Versus Use of Multiple Trademarks for a Wide Range of Goods or Services

Every company has different diversification strategies. Some companies will opt to continue using a single trademark as they expand into new product areas, thus creating a variety of dissimilar products bearing the same trademark. Other companies will instead opt to create new trademarks for each of the new products resulting from diversification. Differences such as these in corporate strategies result in different legal consequences.

1. Use of a Single Trademark for a Wide Range of Goods or Services

As mentioned above, some companies adopt diversification strategies that entail using an existing trademark in new product area: A company uses a single trademark for various types of the same product or for various categories of different products.¹⁷² Such strategies have a profound impact upon the trademark owner's rights and the scope of protection that he or she can expect the trademark to receive. The consequences of a diversified company's decision to maintain a single trademark, as opposed to adopting multiple trademarks, will be examined here.

i. Companies Known for Diversification

Some diversified companies are known to have a variety of diverse products bearing a single trademark.¹⁷³ "In such cases, the relevant public is more likely to associate with the senior user a similar mark used by the newcomer on yet other products."¹⁷⁴ The likelihood of the consumer making such associations increases with the strength of the mark.¹⁷⁵ To fully understand these and related issues, case law will be examined.

The Fifth Circuit discussed diversification in its likelihood of confusion analysis in *Armco, Inc. v. Armco Burglar Alarm Co.*¹⁷⁶ This case involved a diversified company, Armco, Inc., that engaged in numerous activities including selling steel, supplying industrial credit, providing insurance services, mining coal, manufacturing plastics, and

172. Kirkpatrick, *supra* note 20, at 171.

173. *Id.*

174. *Id.*

175. *Id.*

176. 693 F.2d 1155 (5th Cir. 1982).

engaging in oil and gas exploration.¹⁷⁷ The defendant, Armco Burglar Alarm Company, was only involved in providing security and alarm services.¹⁷⁸ In analyzing whether a likelihood of confusion existed, the court noted that the relevant consumers would be more likely to investigate carefully the products before purchasing, due to the high cost nature of the items, and, therefore, would be less likely to be confused.¹⁷⁹ The court went on to state, “On the other hand, it may also be significant that Armco [Inc.] is diversified.”¹⁸⁰ With regard to this fact, the court stated that “[d]iversification makes it more likely that a potential customer would associate the non-diversified company’s services with the diversified company, even though the two companies do not actually compete.”¹⁸¹

Similarly, in *Mobil Oil Corp. v. Pegasus Petroleum Corp.*,¹⁸² the Second Circuit stated that Mobil Oil’s diversification throughout the petroleum industry made confusion more likely.¹⁸³ Likewise, in *Bridgestone Tire Co. v. Bridgestone Trading Co.*,¹⁸⁴ the Board held that because of Bridgestone Tire Company’s use of the BRIDGESTONE trademark on a variety of products including tires, bicycles, tennis balls, golf balls, and clothing, it was likely that the relevant consumer would associate BRIDGESTONE shoes with the tire company rather than with Bridgestone Trading Company.¹⁸⁵

Another case, *Geoffrey Inc. v. Stratton*,¹⁸⁶ involves a constantly diversifying company with an extremely diverse range of products marketed under the variations of the same R US mark. In this case, the plaintiff company’s products included “toys, . . . computers, furniture, lamps, phones, stereos, calculators, audio and video tapes, pools and pool chemicals, sporting equipment, linens, books, stationery items, electronic games, children’s clothing and jewelry, diapers, cosmetics, candy, baby food, safety items, and other items.”¹⁸⁷ The defendant was

177. *Id.* at 1156.

178. *Id.* at 1157.

179. *Id.* at 1160–61.

180. *Id.* at 1161.

181. *Id.*

182. 818 F. 2d 254 (2d Cir. 1987).

183. *Id.* at 258 (citing *Armco, Inc.*, 693 F.2d at 1161).

184. 221 U.S.P.Q. (BNA) 1012 (T.T.A.B. 1984).

185. *Bridgestone Tire Co. v. Bridgestone Trading Co.*, 221 U.S.P.Q. (BNA) 1012, 1014 (T.T.A.B. 1984).

186. 16 U.S.P.Q.2d (BNA) 1691 (C.D. Cal. 1990).

187. *Id.* at 1692.

using the mark PHONES-R-US for a retail store selling a variety of phones and phone-related products.¹⁸⁸ Recognizing the “ever-expanding” product lines of the plaintiff, the court found that there was a likelihood of confusion because it was likely that the consumer would associate PHONES-R-US with the plaintiff company.¹⁸⁹

Although the products in the above cases were unrelated and non-competing, a likelihood of confusion was found based upon diversification principles. These cases are illustrative of how a court may use a company’s known diversification as a factor to counterbalance the general assumptions made regarding likelihood of confusion.

ii. Industries Known for Diversification

In addition to recognizing the fact that certain companies are known for diversification, courts have also recognized diversification in particular industries as an indication suggesting possible confusion. As is true with the above analysis concerning companies known to diversify, when an industry is known to include diversified companies, it is likely that the relevant consumer will associate the junior user’s similar mark with the senior user in the diversified industry.

*Philip Morris, Inc. v. K2 Corp.*¹⁹⁰ is an example of this recognition that the propensity of a particular industry to diversify will have effects on whether a likelihood of confusion exists. In this case, Philip Morris’ application for the mark K2 for filter cigarettes was successfully opposed by the K2 Corporation based on its mark K2 for snow skis.¹⁹¹ In assessing the likelihood of confusion, it was noted that although the goods at issue were non-competing and unrelated, confusion still existed.¹⁹² This conclusion was founded, in part, upon the recognition that Philip Morris “is a diversified company in an industry apparently known for its diversification.”¹⁹³ As a result, a likelihood of confusion was found to exist.¹⁹⁴

The recognition of industry diversification is also recognized in

188. *Id.* at 1692–93.

189. *Id.* at 1695.

190. 555 F.2d 815 (C.C.P.A. 1977).

191. *Id.* at 816.

192. *Id.*

193. *Id.*

194. *Id.*

*Kabushiki Kaisha Hattori Seiko v. Satellite International Ltd.*¹⁹⁵ In this case, registration for SAKO for shoes and footwear was opposed by the holder of the trademark SEIKO for watches, clocks, and other goods.¹⁹⁶ The opponent submitted evidence demonstrating that in the relevant industry many companies market shoes and watches under a single trademark, including ANNE KLEIN, CHEROKEE, FILA, GITANO, GUCCI, and LA GEAR.¹⁹⁷ The applicant unsuccessfully argued that it is irrelevant that other companies in the industry have diversified products under a single trademark.¹⁹⁸ The applicant urged that, without evidence that the opponent is likely to diversify under the same mark, no confusion based upon diversification exists.¹⁹⁹ Rejecting this argument, the court held that despite the fact that the opponent had not diversified into the area of footwear, the fact that other companies in the industry had diversified had caused consumers to become accustomed to seeing the same mark on watches and shoes.²⁰⁰ Because of this, consumers who had seen the SEIKO mark on watches would not be surprised to see the same on a pair of shoes.²⁰¹ Therefore, a likelihood of confusion was found to exist because the consumer would likely associate shoes marked SAKO with the opponent's company.²⁰²

Similarly, the Board in *Black & Decker Manufacturing Co. v. Big Yank Corp.*²⁰³ cited the presence of other diversified companies in a particular industry as a factor suggesting likelihood of confusion.²⁰⁴ In this case, Black & Decker, based on its WORKMATE trademark used for workbenches, vises, and accessories, opposed Big Yank's applications for registration of WORK-MATES and WORK-MATES BY BIG YANK for "men's, women's and children's apparel, namely work shirts, jackets and pants."²⁰⁵ Black & Decker's opposition was sustained upon a finding of a likelihood of confusion.²⁰⁶ In coming to

195. 29 U.S.P.Q.2d (BNA) 1317 (T.T.A.B. 1991), *aff'd mem.*, 979 F.2d 216 (Fed. Cir. 1992).

196. *Id.* at 1318.

197. *Id.* at 1319.

198. *Id.*

199. *Id.*

200. *Id.*

201. *Id.*

202. *Id.* at 1320.

203. 231 U.S.P.Q. (BNA) 484 (T.T.A.B. 1986).

204. *Id.* at 486.

205. *Id.* at 485 (quoting Serial Nos. 257,370 and 257,371, both filed April 9, 1980, claiming use since March 14, 1980).

206. *Id.* at 487.

this conclusion, the Board recognized that numerous companies, including Coca-Cola, Champion, Firestone, Dunlop, and Goodyear, had all diversified through licensing into the area of clothing.²⁰⁷ This fact led the Board to believe that the relevant consumers would associate work clothes bearing a mark similar to the opponent's with the opponent's WORKMATE products.²⁰⁸

In *Spring Mills, Inc. v. Ultracashmere House, Ltd.*,²⁰⁹ the court addressed a situation involving a fabric manufacturer using the trademark ULTRASUEDE and another using the mark ULTRACASHMERE for different types of fabric.²¹⁰ In making the likelihood of confusion analysis, the court stated that "the ordinary consumer may well be aware that the fabric manufacturers have several lines of fabric and such a purchaser could easily assume that, while the fabrics themselves are different, they belong to the same genre of products and might well have the same source."²¹¹ This holding again shows how courts recognize the diversification within the industry as a factor suggesting confusion.

As can be seen, industries known for diversification may have a strong influence upon the court's likelihood of confusion analysis. This influence may be found to exist even when the company in question is, in fact, not diversified. As a result, one needs to be aware of the potential dangers of expanding the scope of trademark protection for undiversified companies within the industry.

iii. Consequences and Limitations

The recognition of the prevalence of diversification within an industry, or of a single company's diversification under a single mark, leads to uncertainties in the area of trademark law. One primary consequence of this recognition of diversification involves the analysis of product similarity. Generally, under trademark law, dissimilar goods or services bearing similar trademarks will not lead to source confusion.²¹² This general rule is based upon the idea that consumers will assume that a company limits its activities to a particular industry.²¹³

207. *Id.* at 486.

208. *Id.* at 487.

209. 689 F.2d 1127 (2d Cir. 1982).

210. *Id.* at 1128.

211. *Id.* at 1134.

212. *Source Servs. Corp. v. Chicagoland JobSource, Inc.*, 643 F. Supp. 1523, 1529 (N.D. Ill. 1986).

213. *Id.*

One court offers the example that most consumers, when faced with chocolate bearing the mark FORD CHOCOLATE, would assume that automobile companies are unlikely to produce candy and would, therefore, not associate such a chocolate with Ford Motor Company.²¹⁴

The acknowledgement of diversification trends tends to put this general rule into question. The more that product lines falling under a single trademark are diversified, the more that the definition of “dissimilar” products needs to be analyzed and possibly redefined.²¹⁵ The relevant issue is “whether the products are the kind the public attributes to a single source.”²¹⁶ But with continued diversification, would virtually all products be capable of being attributable to a single source? What limits should be placed on the possible scope of products? These and other related issues are difficulties facing lawmakers and the courts as a result of the recognition of the diversification trend.

While there is no general consensus as to how to resolve many of the issues relating to the recognition of the diversification trend, courts have identified certain limitations of the diversification argument. One such limitation is mentioned in *In re American Olean Tile Co.*²¹⁷ In a decision reversing the denial of registration, the Board found that the examining attorney’s opinion that consumers were likely to assume that the registrant had expanded its business into the area of ceramic tile was not supported by the evidence.²¹⁸ Instead, the Board stated that “[m]ere recognition of the greater amount of diversification and expansion of manufacturing enterprises in our contemporary society is not enough support for the proposition that purchasers are likely to assume from the use of the same trademark that products so different . . . have the same source.”²¹⁹ This holding suggests that a limitation requiring specific evidence should be placed upon the diversification line of argumentation.

Another case that expresses that limitations must be placed upon the diversification argument is *UMC Industries, Inc. v. UMC Electronics Co.*²²⁰ In this decision, the Board stressed that the diversification

214. *Id.*

215. *Id.*

216. *Id.*

217. 1 U.S.P.Q.2d (BNA) 1823 (T.T.A.B. 1986) (quoting *McGraw-Edison Co. v. Walt Disney Prods.*, 787 F.2d 1163, 1169 (7th Cir. 1986)).

218. *Am. Olean Tile Co.*, 1 U.S.P.Q.2d (BNA) at 1826.

219. *Id.*

220. 207 U.S.P.Q. (BNA) 861 (T.T.A.B. 1980).

argument should not be taken to the extreme in a way that would encompass virtually all products:

The fact that a company is a widely diversified and expanding corporation does not mean that it has the propensity to move or will move under a particular mark in any or all directions or that it is entitled to an unlimited scope of protection of the mark. To accept this proposition would, in effect, bestow upon a company a right in gross in a mark which is contrary to the basic concept of trademark law²²¹

This statement depicts how a limitation should be placed on the scope of trademark protection even in situations in which the diversification argument seems to suggest otherwise. It also suggests that, even if the company is situated in a diversified industry, or if the company itself is diversified, diversification should not entitle the trademark owner to protection in all areas.

2. Use of Multiple Trademarks for a Wide Range of Goods or Services

In contrast to those companies that adopt a diversification strategy in which they maintain one trademark for all of the diverse products, some companies adopt a strategy in which they use a different trademark for each diverse product line. Consequently, courts have taken notice of the fact that, while consumers may be aware of diversification, they may also be aware that companies may use multiple trademarks for the diverse goods.²²² Several cases address this issue and propose methods in which the situation should be handled.

In *Geo. A. Dickel Co. v. General Mills, Inc.*,²²³ the use of CASCADE for baking mix was not considered to cause a likelihood of confusion with regard to the same mark that had been used for whiskey.²²⁴ In opposing the registration of the trademark for baking mix, it was argued that because the public is familiar with the diversification trend and because that trend has resulted in many conglomerates producing many unrelated goods under the same name, the general public would believe that the baking mix and the whiskey had originated from the same source.²²⁵ Rejecting this argument, the court held that recognition of the diversification trend by itself is not sufficient to establish a likelihood of

221. *Id.* at 879 (quoting *Tex. Gas Transmission Corp. v. Chemplex Co.*, 174 U.S.P.Q. (BNA) 117, 123 (T.T.A.B. 1972)).

222. 4 MCCARTHY, *supra* note 1, § 24:54.

223. 317 F.2d 954 (C.C.P.A. 1963).

224. *Id.* at 956.

225. *Id.* at 955.

confusion every time the same mark is used by two companies for entirely unrelated products.²²⁶ In support of this, it was said that although the public may be aware of diversification under the same trademark, it is also aware that companies often diversify under a variety of trademarks.²²⁷ This case shows how courts will put limits on the extent to which the diversification argument may be taken.

Additionally, courts have rejected the diversification argument in cases in which the senior user has used a variety of marks rather than a single mark on its diverse products.²²⁸ This type of situation is seen in *Schenley Distillers, Inc. v. General Cigar Co.*,²²⁹ in which the court rejected the appellant's diversification argument because of the variety of marks it had used in the past for its diverse product lines.²³⁰ In this case, the court found that no likelihood of confusion existed when the trademark OLE was used for cigars and tequila.²³¹ Attempting to show such likelihood, the appellant tequila producer presented a corporate diversification argument citing the growing number of companies in the tobacco business engaging in other enterprises, including spirits.²³² In response to this argument, the court found that although the argument would be supported in the situation in which a well-known arbitrary mark is used on many diversified products and a newcomer seeks to use the same mark for unrelated products, the argument was not convincing in this case because the appellant had used different marks for many related beverage products.²³³ In particular, the court noted that different marks were used for each type of beverage sold.²³⁴ For example, some of the marks used by the appellant included MacNaughton Canadian Whiskey, Cook's Champagne, and Dubonnet aperitif wine.²³⁵ Further, the court recognized that in doing so, the appellant was not transferring the goodwill of one product to another.²³⁶ Instead, the appellant was creating separate identities for each of its products.²³⁷ In recognizing the

226. *Id.* at 956.

227. *Id.*

228. 4 MCCARTHY, *supra* note 1, § 24:54.

229. 427 F.2d 783 (C.C.P.A. 1970).

230. *Id.* at 785.

231. *Id.* at 784–85.

232. *Id.* at 784.

233. *Id.* at 785.

234. *Id.*

235. *Id.*

236. *Id.*

237. *Id.*

variety of marks used by the appellant, the court concluded that the ordinary consumer would not have any reason to expect that the same mark on unrelated products suggests a common origin, especially in light of the fact that the appellant used different marks for products that were more closely related (i.e., beverages) than the products in question (i.e., tequila and cigars).²³⁸

Similarly, the Board in *Con-Stan Industries, Inc. v. Villaamil Tobacco, Inc.*²³⁹ held that without circumstances “where a widely known arbitrary trademark is being used for diversified products emanating from one source and . . . a newcomer . . . use[s] the same mark on unrelated goods,” the diversification argument would be rejected.²⁴⁰ The *Con-Stan* case involved the opposition of the registration for the trademark VISANT “for tobacco products, namely, cigars made of leaves and scraps of leaves of tobacco” based upon the alleged likelihood of confusion in relation to the registered trademark VISAN for dietary supplements.²⁴¹ The owner of the senior mark, VISAN, produces a variety of diverse products including food supplements, cosmetics, toiletries, outerwear, hosiery, and household cleaning products.²⁴² However, the company utilizes a variety of trademarks to market these products. For example, VISAN and BELCO are used for food supplements, JEUNIQUE is used for outerwear, SCULPRESS is used for lingerie, and NUTRI-CLEAN is used for household cleaners.²⁴³ The opponent urged that the diversification trend is especially popular in the tobacco industry, and that consumers would therefore be confused because tobacco companies have been known to “diversif[y] into totally unrelated fields such as paper products, safety razors, crackers, leather goods, baby products, fruit juices, packaging products, and candy . . . toilet soap, chewing gum, razor blades, and shave lather and lotion.”²⁴⁴ Finding this argument unconvincing, the Board held that although the owner of an arbitrary mark may prevent registration of a similar mark for any goods or services that would be likely to originate from the original owner or that would be likely to be associated with him or her because of normal business expansion, the opponent was not

238. *Id.*

239. 157 U.S.P.Q. (BNA) 397 (T.T.A.B. 1968).

240. *Id.* at 399 (quoting *Geo. A. Dickel Co. v. General Mills, Inc.*, 317 F.2d 954, 956 (C.C.P.A. 1963)).

241. *Con-Stan Indus., Inc.*, 157 U.S.P.Q. (BNA) at 398.

242. *Id.*

243. *Id.* at 399.

244. *Id.* at 398–99.

entitled to such a vast scope of protection because there was no evidence of the use of a single mark for the diverse product lines.²⁴⁵

These cases clearly suggest that courts tend to acknowledge the fact that, while the reasonable consumers may be aware of the diversification trend, they are also well aware that diversified companies may not always market their diverse product lines under a single trademark. Furthermore, these cases seem to place a limitation on the extent to which the diversification argument may be construed to expand the scope of protection for a trademark. “Perhaps this means that the diversification argument is persuasive only where plaintiff shows that it has used [the senior] mark on a wide range of products, such that buyers would expect to see it on many different types of goods.”²⁴⁶

F. The Zone of Natural Product Expansion

Another aspect of the effects of corporate diversification upon trademark law relates to the extension of trademark protection to related but non-competing products.²⁴⁷ Courts have acknowledged the need for trademark protection to extend, in certain cases, to areas in which trademark owners might expand their businesses and, therefore, uses of their trademarks as well.²⁴⁸ Therefore, when assessing the likelihood of confusion, some courts have incorporated consideration of a business’ plans or the assumptions of consumers that a business has indeed made plans to venture into new areas through diversification.²⁴⁹

Although this type of diversification might not result in a vast array of unrelated products, it does result in a broader range of products and provides for an interesting discussion. In considering the following analysis, it is important to consider the extent to which this “natural zone of expansion” could be extended, in light of corporate diversification, to result in extremely different products. If the trend toward corporate diversification continues, would the “natural zone of expansion” eventually become infinite and therefore require an unlimited scope of trademark protection? Or will these tests eventually become obsolete due to the corporate diversification trend?

245. *Id.* at 399.

246. 4 MCCARTHY, *supra* note 1, § 24:54.

247. *Id.* § 24:18.

248. *Id.*

249. *Id.*

1. Competing Interests

With regard to non-competing but similar products, courts have been forced to weigh two competing interests. On one hand, courts hope to prevent consumer confusion with regard to the source of the product.²⁵⁰ On the other hand, courts seek to protect the reputation and business expansion interests of the trademark owner.²⁵¹ In balancing these two interests, the extent to which the public will continue to associate various products bearing the same mark with a particular source is of importance.

As seen in *Brinkmann Corp. v. Optronics, Inc.*,²⁵² the Board acknowledged the trademark owner's interest in extending his or her mark to new markets.²⁵³ In discussing this interest, it was suggested that the trademark owner should be able to prevent others from using the mark in markets into which he or she might logically expand.²⁵⁴ Without permitting such protection, the trademark owner would be bound to his initial business area and interests of expansion would not be served. However, the extent to which this extra protection should be afforded into areas other than those in which the trademark has been used is a critical issue. The Board suggested that the probability that the consumers will continue to associate the mark with the original source decreases as the difference between the products increases.²⁵⁵

There is a constant struggle between the competing interests of the consumer and the trademark owner. Some courts have held that this extension of protection, that is, allowing a trademark owner to prevent others from using the same mark in other areas, is extremely limited.²⁵⁶ For example, courts have declined to permit trademark owners from preventing others from using the mark if the true motivation is simply to preserve potential markets in case of possible future business exploitations.²⁵⁷ Other courts, however, are more inclined to permit such extension of protection when there is a likelihood or strong possibility that either the senior or junior user will expand into

250. Kirkpatrick, *supra* note 20, at 176.

251. *Id.*

252. 211 U.S.P.Q. (BNA) 653 (T.T.A.B. 1981).

253. *Id.* at 661.

254. *Id.*

255. *Id.*

256. *S.C. Johnson & Son, Inc. v. Johnson*, 116 F.2d 427, 429 (2d Cir. 1940).

257. *Emerson Elec. Mfg. Co. v. Emerson Radio & Phonograph Corp.*, 105 F.2d 908, 910 (2d Cir. 1939).

competing business areas.²⁵⁸ Consequently, there is no general rule that is applicable to all cases because the decision will always depend upon the balancing of these interests in light of the particular facts at hand.²⁵⁹

2. “Bridging the Gap”

Through analysis of “bridging the gap,” courts have attempted to balance the competing interests of the consumers and trademark owners. This form of analysis has often been used by the Second Circuit in its assessment of the probability of the senior user’s expansion.²⁶⁰ In using the “bridging the gap” analysis, the court will seek to preserve the trademark owner’s avenues of expansion and will consider the proximity of the goods or services in question when deciding on likelihood of confusion.²⁶¹ In addressing this proximity, the court ultimately seeks to identify whether the two parties are likely to become competitors in the same market.²⁶²

“Bridging the gap” has been determined to include both the trademark owner’s plans and the perception of the consumer.²⁶³ Likelihood of confusion may be found to exist under either of these perspectives. First, if the trademark owner intends to expand his or her business into another area that would be in direct competition with the junior user, a likelihood of confusion would be created because of the likelihood that the two products will directly compete.²⁶⁴ Alternatively, a likelihood of confusion may be found, even if the trademark owner does not intend to expand into another area, if the consumers assume that diversification has occurred and, therefore, assume that the junior and senior users are somehow related.²⁶⁵

In showing this likelihood of expansion, a trademark owner must prove that his or her intent to diversify and expand is realistic.²⁶⁶ This requirement reflects the fundamental principle that trademark law is intended to protect actual use rather than simply an intent to use a

258. Kirkpatrick, *supra* note 20, at 177.

259. *Id.* at 176.

260. 4 MCCARTHY, *supra* note 1, § 24:18.

261. *Id.*

262. Charles of the Ritz Group Ltd. v. Quality King Distribs., Inc., 832 F.2d 1317, 1322 (2d Cir. 1987).

263. 4 MCCARTHY, *supra* note 1, § 24:18.

264. *Id.*

265. *Id.*

266. Kirkpatrick, *supra* note 20, at 179.

mark.²⁶⁷ In showing this intent to diversify, the court will take into account factors such as whether the trademark owner has investigated acquisitions or licensing, whether the changing market conditions support the expansion, whether new incentives to expand exist, and whether the expansion will be under the mark at issue (as opposed to new marks being developed for the new products).²⁶⁸ Factors such as a long delay in diversifying into new business areas will tend to show a lack of realistic intent.²⁶⁹ Nevertheless, the existence of intent to diversify and expand, or the lack thereof, will not be the deciding factor with regard to confusion.²⁷⁰ The factor that is of ultimate importance is the perception of the relevant consumer.²⁷¹ Whether the consumer is likely to expect or make assumptions regarding expansion is extremely influential because it tends to suggest confusion.²⁷² However, it should be noted that the relevant consumer may be completely unaware of the trademark owner's intent to expand and may make assumptions based solely on knowledge of the existence of the corporate diversification trend.²⁷³

3. The Natural Expansion Doctrine

Natural expansion is another important factor in assessing the situation presented when a senior user attempts to prevent a junior user from using the same mark in a related but non-competing context. Generally, the rights of a trademark extend to subsequent uses of the same or similar mark for any good or service that consumers could reasonably believe to have originated from the original user through the normal expansion of the business.²⁷⁴

The natural expansion doctrine helps to define what this zone of expansion may include. This doctrine suggests that, in light of the ordinary consumer's expectations, the expansion must be natural.²⁷⁵ Expansion of other businesses in a certain manner is considered to be a suggestion of what might be perceived as "natural," but is not a

267. *Id.*

268. *Id.*

269. *Id.*

270. *Id.* at 180.

271. *Id.*

272. *Id.*

273. *Id.*

274. *Id.*

275. *Id.* at 180–81.

determination of what will ultimately be deemed natural.²⁷⁶

Therefore, courts have established certain factors to assist in determining whether an expansion is natural. First, courts may look at whether the new business area is a “distinct departure” from the original area of business.²⁷⁷ The need for new technology and knowledge would tend to suggest a departure from the original area, whereas the use of previously employed resources would not.²⁷⁸ Second, courts may analyze the nature and purpose of the goods and services in each of the relevant areas.²⁷⁹ Similar types of goods with similar purposes would tend to suggest a natural expansion. Third, the channels of trade, customers, and the senior user’s goodwill would be addressed.²⁸⁰ Situations in which the channels of trade and the class of consumers are the same for the original business area and the proposed area tend to suggest a natural area of expansion when the goodwill of the senior user is carried over into the new area.²⁸¹ Finally, the tendency of other companies to diversify in a similar way would tend to suggest natural expansion.²⁸²

Another aspect of the natural expansion doctrine relates to the junior user establishing “intervening” equitable rights.²⁸³ In situations in which the junior user has gained recognition in a certain market, the natural expansion doctrine will also apply to prevent the senior user from intervening in that particular market.²⁸⁴ Such recognition is gained over time through sales and advertising.²⁸⁵ When a senior user of a trademark attempts to expand into a market in which the junior user has gained reputation and attempts to disrupt the junior user’s goodwill, the junior user will be able to assert his or her intervening rights.²⁸⁶ In this context, the natural expansion doctrine will prevent the senior user from expanding into other areas in which the goods are different if the expansion would result in a conflict with the established intervening

276. *Id.* at 181.

277. *Id.*

278. *See id.*

279. *Id.*

280. *Id.*

281. *See id.*

282. *See id.*

283. *Id.* at 181–82.

284. *Id.* at 182.

285. *Id.*

286. *Id.*

rights of the junior user.²⁸⁷ In assessing such situations, courts will often take into account factors such as the junior user's goodwill, whether the junior user acted in good faith, and the quality of the goods involved.²⁸⁸ This application of the natural expansion doctrine to situations of inequitable conduct shows how junior users may assert their established rights in light of diversification.

The natural expansion doctrine assists in setting limits on the extent to which the scope of trademark protection may be expanded in light of corporate diversification. However, the continuing trend toward diversification into new business areas that are completely unrelated to the initial areas of business may present obstacles that make future use of this doctrine more difficult. For example, the factors used by courts to determine whether an expansion is natural may eventually require alteration to address more extreme diversification issues. Further, diversification into completely unrelated business areas may eventually be considered "natural" in the business world, and the law must take that into consideration. These types of issues will inevitably be addressed by courts in the future in their efforts to accommodate a changing business world.

G. Well-Known Marks and Diversification

Another aspect of the effects of corporate diversification on trademark law relates to the use of well-known marks for a diverse range of products. When taking into consideration the diversification trend, courts have often held that when a famous mark is involved, a finding of likelihood of confusion with regard to unrelated and non-competing goods or services is more likely than when a less well-known mark is at issue. In this way, it appears that as a result of the corporate diversification trend, the scope of protection for well-known marks will be afforded greater expansion than lesser-known marks. For this reason, this section will explore the use of well-known marks into diverse product areas and the available protection.

1. Well-Known Marks, In General

The strength of a mark is of fundamental importance in trademark law. As discussed above, the strength of a trademark can be assessed in terms of the mark's qualities such as whether it is fanciful or unique,

287. *Id.*

288. *Id.*

arbitrary, suggestive, or descriptive.²⁸⁹ These qualities will determine what scope of protection the mark is given. Additionally, the fame a mark has acquired will contribute to the mark's strength and its scope of protection.

As mentioned above, if the trademark is strong, there is a wider scope of protection.²⁹⁰ A wider scope of protection exists because there is a greater likelihood of confusion when a mark is well known.²⁹¹ This rationale is clarified in *R.J. Reynolds Tobacco Co. v. R. Seelig & Hille*:²⁹²

[I]t is well recognized that the law today rewards a famous or well known mark with a larger cloak of protection than in the case of a lesser known mark because of the tendency of the consuming public to associate a relatively unknown mark with one to which they have long been exposed if the [relatively unknown] mark bears any resemblance thereto.²⁹³

Because of the larger scope of protection that is recognized for well-known marks, the impact of diversification is particularly visible.

2. The Effects of Diversification on Well-Known Marks

With regard to diversification, the mark's strength is of particular importance in determining whether likelihood of confusion exists when identical or similar marks are used for dissimilar goods or services. There is a presumption that confusion is even more likely for stronger marks when the goods or services at issue are dissimilar and, therefore, in entirely different product categories.²⁹⁴ Accordingly, it is generally held in the context of dissimilar products that a junior user is more likely to infringe upon a senior user's strong mark as opposed to a weak one.²⁹⁵ Similarly, courts have assumed that in situations in which the relevant consumers are aware that companies often offer a variety of diverse and unrelated goods or services, the consumers are more likely to assume that diversification has occurred when confronted with dissimilar products (not at all related to the senior user's original products) bearing a mark similar to that of the well-known senior

289. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992).

290. *Jaguar Cars, Ltd. v. Skandrani*, 771 F. Supp. 1178, 1183 (S.D. Fla. 1991).

291. *Id.*

292. 201 U.S.P.Q. (BNA) 856 (T.T.A.B. 1978).

293. *Id.* at 860.

294. William E. Gallagher & Ronald C. Goodstein, *Inference Versus Speculation in Trademark Infringement Litigation: Abandoning the Fiction of the Vulcan Mind Meld*, 94 TRADEMARK REP. 1229, 1248 (2004).

295. *Id.* at 1247.

trademark.²⁹⁶ Upon assuming diversification, the consumer will associate goods and services in many unrelated product areas with the well-known mark.

The court in *Virgin Enterprises Ltd. v. Virgin Petroleum, Inc.*²⁹⁷ addressed this issue. This case involved the well-known mark used by the Virgin Group for a vast and diverse variety of goods and services. The Virgin Group sought a temporary injunction that would prevent Virgin Petroleum from using a VIRGIN logo similar to the logo used by the Virgin Group.²⁹⁸ In assessing the similarity of the goods and services with regard to whether a likelihood of confusion could exist, the court focused on the Virgin Group's diverse activities in various transportation-related businesses.²⁹⁹ These activities included balloon services, additional aviation services, access to hotel properties, and rail services.³⁰⁰ In granting a temporary injunction against further use of the allegedly infringing mark, the court held that "[g]iven the wide diversity of businesses that operate under the VIRGIN mark, and the number of Virgin Group companies that offer transportation services, consumers might mistakenly believe that defendant's gasoline station was connected in some fashion to [the Virgin Group]."³⁰¹ In particular, the court concluded that consumers, being aware of the Virgin Group's diverse range of goods and services and its demonstrated willingness to expand, would likely conclude that the Virgin Group had expanded its business into the petroleum industry.³⁰² This finding is even more convincing in light of the fact that the VIRGIN logo is very well known and consumers are therefore more likely to be aware of the Virgin Group's diversification.

Similarly, the court in *Tuxedo Monopoly, Inc. v. General Mills Fun Group, Inc.*³⁰³ reached a similar conclusion with regard to famous marks. Based upon the registered trademark MONOPOLY for real estate board games, the court found a likelihood of confusion and, therefore, sustained an opposition of the registration of the trademark MONOPOLY for "men's, women's, and children's wearing apparel."³⁰⁴

296. *Id.* at 1248.

297. No. CV 99-12826 (MMM), 2000 U.S. Dist. LEXIS 8100 (C.D. Cal. Jan. 19, 2000).

298. *Id.* at *1.

299. *Id.* at *27.

300. *Id.* at *28.

301. *Id.*

302. *Id.*

303. 648 F.2d 1335 (C.C.P.A. 1981).

304. *Id.* at 1336.

In determining the mark to be “famous,” the court made reference to the goodwill that had been established in the MONOPOLY mark since its first use for a board game in 1935.³⁰⁵ The court stated that “it is a matter of common knowledge that famous marks are frequently used on items such as clothing, glassware, and trash cans.”³⁰⁶ Taking these factors into consideration, the court then held that it was likely that upon seeing MONOPOLY on the items proposed in the application, consumers would be likely to believe that the producer of the board game had expanded its business.³⁰⁷

These cases tend to suggest that likelihood of confusion is likely to be found, especially when a famous or well-known trademark is at issue and even in completely unrelated business areas, due to consumer expectations that these well-known marks are likely to expand. However, the rationale in these cases may be somewhat presumptuous because it makes assumptions as to what consumers know and expect without providing specific evidence in support thereof.³⁰⁸ Furthermore, these findings completely ignore the fact that while many businesses diversify under multiple trademarks, some companies adopt branding strategies that cause them to limit the use of their trademarks to specific product areas.³⁰⁹ In light of such considerations, findings in many decisions, such as in *Virgin* and *Tuxedo Monopoly*, may be unfounded and unsupported.

The use of well-known marks on diverse collateral products conditions the public to expect that a wide variety of products originate from a common source. This phenomenon makes it possible to increase the scope of protection for a trademark into areas far from the original product.³¹⁰ Although this change in consumer expectations may also be true with regard to marks that are not famous, as discussed above, courts seem to be much more willing to accept this line of argumentation with regard to famous marks.

The use of well-known marks for collateral products was addressed by the Board in *Harley-Davidson Motor Co. v. Pierce Foods Corp.*³¹¹ In denying registration for the mark HARLEY-HOG for pork, the court

305. *Id.*

306. *Id.*

307. *Id.*

308. Gallagher & Goodstein, *supra* note 294, at 1248.

309. *Id.* at 1249.

310. Kirkpatrick, *supra* note 20, at 173.

311. 231 U.S.P.Q. (BNA) 857 (T.T.A.B. 1986).

found that the opponent's use of Harley-Davidson's famous trademark for many diverse products made it likely that confusion could exist.³¹² In finding a likelihood of confusion, the Board placed emphasis on the fact that Harley-Davidson had used various marks including HARLEY and HOG for a wide variety of "whimsical" collateral products.³¹³ For example, such marks had been used for beer, wine coolers, chocolate bars, HOG piggy banks, t-shirts with phrases such as I LOVE MY HOG HARLEY, and HOG TALES publication.³¹⁴ Because of the numerous and diverse collateral products, the Board held that a consumer having knowledge of these uses would not be surprised to see HARLEY-HOG pork products originating from the Harley-Davidson company.³¹⁵

Similarly, the court in *Jaguar Cars, Ltd. v. Skandrani*³¹⁶ found a likelihood of confusion based upon the plaintiff's use of its well-known trademark for various collateral goods.³¹⁷ In this case, the plaintiff, a manufacturer of automobiles and related products, brought an infringement action against the defendant for its use of JAGUAR and LADY JAGUAR for fragrances.³¹⁸ At the time of the alleged infringement, the plaintiff had expanded into many product areas that were unrelated to automobiles.³¹⁹ Some of these collateral products included sunglasses, clothing, sports equipment, watches, leather goods, and umbrellas.³²⁰ The court also found that the JAGUAR trademark was a strong mark and was, therefore, entitled to the broadest scope of protection possible because of the likelihood of confusion.³²¹ The court found that because of the collateral uses of the mark and the strength of the mark, a likelihood of confusion existed because consumers were likely to be aware of these uses of the JAGUAR mark and, therefore, might assume that the fragrance products originated with the plaintiff.³²²

Other courts, such as those in *Steinway & Sons v. Robert Demars & Friends*³²³ and *Conan Properties, Inc. v. Conans Pizza, Inc.*,³²⁴ have

312. *Id.* at 858, 863.

313. *Id.* at 863.

314. *Id.*

315. *Id.*

316. 771 F. Supp. 1178 (S.D. Fla. 1991).

317. *Id.* at 1184.

318. *Id.* at 1182.

319. *Id.* at 1184.

320. *Id.* at 1181, 1184.

321. *Id.* at 1183.

322. *Id.* at 1184.

323. 210 U.S.P.Q. (BNA) 954 (C.D. Cal. 1981).

reached similar conclusions with regard to well-known marks used for collateral products. The court in *Steinway* found a likelihood of confusion based on the plaintiff's use of its well-known mark, which was primarily used for pianos, for promotional items such as pens, paperweights, ashtrays, and piano technician tools.³²⁵ In *Conan*, the court based its decision in part upon the promotional uses of cartoon characters for a vast array of products ranging from toys to fast food.³²⁶ Upon recognition of the common promotional uses of cartoon characters, the court stated that the public had grown to expect such endorsements and was, therefore, likely to be confused when confronted with a character similar to that of the plaintiff's in a restaurant setting.³²⁷

These cases show how courts tend to expand the scope of protection to collateral products, especially in the case of well-known marks. However, this type of finding is not proper in every case because, as will be seen, certain limitations must be established.

3. Limitations

In contrast to the above findings, courts will sometimes find that the fame of a mark does not extend to its diversified or collateral products.³²⁸ It is important to recognize such findings to understand and to be able to anticipate the extent to which the scope of protection for well-known marks will be expanded. The following discussion explores only a few of the limitations that courts have placed upon well-known marks in product areas outside the original product category.

i. Lack of Secondary Meaning in the New Product Area

One way in which courts have placed limitations upon the extent of protection for well-known marks in unrelated product areas is by not allowing the fame of the mark to extend to unrelated product categories unless secondary meaning is proven. This effectively limits the scope of protection for well-known marks to product areas in which it is well known.

*Lever Bros. Co. v. Mattel, Inc.*³²⁹ is an example of a court holding that

324. 752 F.2d 145 (5th Cir. 1985).

325. *Steinway & Sons*, 210 U.S.P.Q. (BNA) at 965.

326. *Conan Props., Inc.*, 752 F.2d at 150.

327. *Id.*

328. Kirkpatrick, *supra* note 20, at 174.

329. 609 F. Supp. 1395 (S.D.N.Y. 1985).

the fame of the trademark would not extend to its collateral products due to a lack of secondary meaning. The plaintiff in *Lever* sought to enjoin the defendant's use of SNUGGLES THE SEAL for plush toys based upon the plaintiff's trademark SNUGGLE for a teddy bear used to promote fabric softener.³³⁰ The court held that the SNUGGLE teddy bear had "significant consumer recognition" in relation to fabric softeners, but "only a tentative entry into the plush toy field" through the teddy bear that is used primarily to promote the fabric softener.³³¹ Accordingly, the court held that there was no evidence suggesting that the SNUGGLE trademark had a strong secondary meaning in the area of plush toys; therefore, there would probably be no likelihood of confusion.³³² This illustrates that, absent secondary meaning in the collateral product area(s), there may be limitations upon the extent to which the scope of protection for well-known marks will be extended to diverse collateral products.

ii. More Than One Famous Mark

A second type of limitation upon the extent to which the scope of protection for a well-known mark may be expanded involves situations in which more than one well-known mark exists. As was discussed above, limitations exist on a mark's protection when there is no evidence of secondary meaning in a product area outside the initial product area. Similarly, courts will limit the scope of protection when more than one famous mark is involved, especially when the marks do not necessarily have fame in the other mark's product category.

This situation is illustrated in the *Marshall Field & Co. v. Mrs. Fields Cookies*³³³ decision. The Board denied the petitions for cancellation and dismissed the opposition upon a finding that no likelihood of confusion existed when the MRS. FIELDS trademark for "bakery goods" was used concurrently with the MARSHALL FIELD'S trademark for retail department stores.³³⁴ The Board first determined that, although a wide scope of protection is afforded to famous marks, this situation involved the famous marks of both parties.³³⁵ For this reason, the Board concluded that the public would easily be able to distinguish the

330. *Id.* at 1396.

331. *Id.* at 1400-01.

332. *Id.* at 1395.

333. 25 U.S.P.Q.2d (BNA) 1321 (T.T.A.B. 1992).

334. *Id.* at 1332, 1336.

335. *Id.* at 1332.

marks.³³⁶ Additionally, it was found that the evidence did not support a finding that the mark MARSHALL FIELD'S, although famous for department stores, was famous in the area of bakery goods.³³⁷ In fact, the only evidence suggesting its involvement in the area of bakery goods was that such goods were sold in its department stores.³³⁸ Because of this, the Board held that the reasonable consumer would not expect to find a Marshall Field's bakery outside of the department store and, therefore, the fame of the mark did not extend to such collateral or diverse products.³³⁹ This opinion presents another limitation upon the scope of protection for well-known marks for situations in which both marks involved are famous and the fame of the mark is not clearly proven for the product area at issue.

iii. Inverse Relationship Resulting from the Mark's Fame

Another way in which the scope of protection has been limited is when courts have identified the existence of a mark that is so strong that the likelihood of confusion is actually decreased. Although the strength of the mark generally increases the likelihood of confusion, certain marks are so strong and well known that consumers are more likely to notice small differences between similar marks and are therefore less likely to be confused.³⁴⁰ Because the consumers are less likely to be confused in such situations, courts are hesitant to extend the scope of protection.³⁴¹

A final case suggesting that the scope of protection for well-known marks should be limited is *Girl Scouts of United States of America v. Bantam Doubleday Dell Publishing Group, Inc.*³⁴² In this case, the plaintiffs ("Girl Scouts" and "Boy Scouts") alleged that the defendants' use of words such as "scout" and "scouting" in their series of children's books (entitled *Pee Wee Scouts*) was an infringement of the plaintiffs' registered marks.³⁴³ The court did not find a likelihood of confusion based partially upon the fact that no secondary meaning of the plaintiffs' trademark was shown in the area of children's books.³⁴⁴

336. *Id.*

337. *Id.*

338. *Id.*

339. *Id.*

340. Gallagher & Goodstein, *supra* note 294, at 1250.

341. *Id.* at 1250–51.

342. 808 F. Supp. 1112 (S.D.N.Y. 1992).

343. *Id.* at 1114.

344. *Id.* at 1122–24.

Although the plaintiffs had various famous marks that had been used in connection with a variety of diverse products, including clothing, books, catalogs, and magazines, the court found that these uses alone were not sufficient to establish a secondary meaning in the area of children's books such that consumers would associate the "scouting" activities in the books with the plaintiffs' organizations.³⁴⁵ The court further supported this finding by stating that because of the fame of Girl Scouts and Boy Scouts, the likelihood of confusion in the context of children's books entitled *Pee Wee Scouts* was further diminished because consumers were more likely to identify small differences between the marks.³⁴⁶ For these reasons, the court did not find a likelihood of confusion and, therefore, did not extend the scope of protection of the well-known marks to the collateral area of children's books. This case tends to suggest that the scope of protection for well-known marks will be limited in situations in which no secondary meaning in the collateral area is shown and the fame of the mark makes it less likely that consumers would be confused by a similar mark.

4. Well-Known Marks: Summary and Conclusions

As can be seen, courts are not always willing to extend the scope of protection for well-known marks to diverse or collateral products. This is especially true when there is insufficient evidence of a secondary meaning of the famous mark in the collateral product area,³⁴⁷ when more than one famous mark is involved,³⁴⁸ or when the fame of the mark itself actually decreases confusion regarding similar marks.³⁴⁹ As diversification continues to push the boundaries of trademark law, other constraints will certainly limit the extent of the expansion of the scope of protection for well-known marks.

All of the above cases concerning well-known marks and collateral products depict how closely related the strength of a mark and collateral merchandising are in the mind of the consumer.³⁵⁰ The strength of the mark tends to cause consumers to increasingly believe that there is an association between unrelated (collateral) products, and this belief

345. *Id.* at 1116, 1123.

346. *Id.* at 1124.

347. *Lever Bros. Co. v. Mattel, Inc.*, 609 F. Supp. 1395 (S.D.N.Y. 1985).

348. *Marshall Field & Co. v. Mrs. Fields Cookies*, 25 U.S.P.Q.2d (BNA) 1321 (T.T.A.B. 1992).

349. *Girl Scouts*, 808 F. Supp. 1112 (S.D.N.Y. 1992).

350. *See Kirkpatrick, supra* note 20, at 174.

directly impacts the product-relatedness factor in considering whether a likelihood of confusion exists. For this reason, the various collateral areas in which well-known marks are often diversified should be explored.

H. Dilution and Diversification

Trademark dilution is another area of trademark law potentially affected by corporate diversification. Trademark law seeks to protect owners of famous trademarks against dilution of such marks. In doing so, the law in the United States provides remedies for owners of famous trademarks against those who have caused dilution of the distinctive quality of the mark.³⁵¹ Such dilution has been defined as “the lessening of the capacity of a famous mark to identify and distinguish goods or services” and may exist regardless of whether a likelihood of confusion is present.³⁵²

The concept of dilution is relevant in a discussion of corporate diversification because the possibilities of dilution are decreased as the amount of diversification under a single trademark is increased. This is true because as the products marketed under a single trademark become more diverse, the possibility of a likelihood of confusion will expand to more product areas. Therefore, there will be more likelihood of infringement and less possibility for a dilution action, the more a company engages in diversification.

I. Branding Strategies Casting Doubt Upon the Diversification Argument

Now that the importance of the strength of a mark and its use with regard to collateral products has been established, the specific types of collateral products that tend to cause confusion and the branding strategies employed to avoid such confusion should be addressed. In determining whether to diversify under a single well-known mark, companies often consider the market effects that such actions will have upon the mark in the minds of the consumers. These considerations influence the types of new product areas into which companies will extend their mark. Furthermore, deciding whether several targeted marks rather than a single famous mark should be used is heavily influenced by these anticipated consumer perceptions.

Companies often assess probable consumer perceptions with respect

351. U.S. Trademark Act, 15 U.S.C. § 1125(c) (2000).

352. *Id.* § 1127.

to the use of a single brand across a variety product areas.³⁵³ Often, they do so by identifying whether the new products fit together with the products originally marketed under the mark.³⁵⁴ When there is a close fit between the products, consumers will generally react favorably to the brand extension.³⁵⁵ Specifically, consumers will be more willing to accept the new products, and the brand's image will be placed in a favorable light in the eyes of the consumers.³⁵⁶ On the other hand, when there is a poor fit between the products, the consumers will not perceive the product diversification in a positive manner. Generally, consumers will detect the inconsistency and will not readily accept the new products. This is true even when the mark is famous.³⁵⁷

Because of the concerns related to finding the proper fit, many companies are extremely cautious with regard to brand extension into new product areas. In fact, many companies try to carefully limit the number of extensions for fear that "too many extensions may lead to confusion as to the core meaning of the brand name."³⁵⁸ Consequently, companies owning strong marks will often refuse to extend the mark into new product areas having little relation to the initial product.³⁵⁹ Instead, these companies will develop new marks that are targeted to each of the new product categories.³⁶⁰

For example, Procter & Gamble owns a variety of well-known marks that are each specifically targeted to the particular product, including IAMS for pet foods, OLAY for skin care products, CREST for dental care products, CHARMIN for bathroom tissue, PEPTO-BISMOL for indigestion products, and SURE for deodorant.³⁶¹ What is remarkable about Procter & Gamble's method is that it does not use its corporate name as a mark for any of the products.³⁶² Another example of a company engaging in a similar branding strategy is PepsiCo.³⁶³ PepsiCo has numerous trademarks that are each targeted toward the particular product that they promote, including PEPSI for soft drink products,

353. Gallagher & Goodstein, *supra* note 294, at 1248.

354. *Id.* at 1248–49.

355. *Id.* at 1249.

356. *Id.*

357. *Id.*

358. *Id.* at 1249 n.54.

359. *Id.* at 1249.

360. *Id.* at 1249 n.55.

361. *Id.*

362. *Id.*

363. *Id.*

FRITO-LAY for snack foods, TROPICANA for fruit juices, QUAKER for cereal products, and GATORADE for sports drinks.³⁶⁴ These are just two examples of how many large companies engage in a branding strategy that is individualized for each market.

Although many companies, such as PepsiCo and Procter & Gamble, pursue branding strategies in which no single mark is used for the diverse range of products, other companies choose to utilize a single mark or family of related marks when diversifying their product lines. As previously discussed, the Virgin Group is an example of a company that has successfully employed such a strategy. The presence of different branding strategies used in diversification adds complexity to trademark law.

With regard to trademark law, the presence of these different branding strategies appears to put the entire diversification argument into question. As a direct result of the different corporate diversification and branding strategies, it might appear from the consumers' perspective that a company is just as likely to use a new trademark for a new product category as it would be to extend the existing mark to the new products.³⁶⁵ For this reason, it seems presumptuous to assume, without evidence clearly indicating otherwise, that a consumer would believe that a producer had diversified into new product areas when the producer had only used the mark in a single product area in the past. This is particularly true when the mark in question is not unique and when a variety of similar marks have been used in other product areas.³⁶⁶ For reasons such as these, the relationship between trademark law and corporate diversification is still developing.

CONCLUSION AND THE FUTURE OF TRADEMARK LAW IN LIGHT OF CORPORATE DIVERSIFICATION

These findings and observations reflect the presence of the diversification trend's significant impact upon trademark law. Additionally, it is clear that there are not yet any definite answers with regard to the scope of trademark protection in light of diversification. However, it appears to be clear that corporate diversification trends have a definite influence upon consumers, but do not control their perceptions. Furthermore, it may be concluded that the diversification

364. *Id.*

365. *Id.* at 1249.

366. *Id.*

argument should not be taken to its extreme, because it would confer upon the trademark an essentially unlimited scope of protection that could be extended to completely unrelated goods and services.

Many uncertainties exist, especially regarding the effects of various branding strategies and diversification techniques upon the perceptions of the reasonably prudent consumer and the more general effects of the diversification trend upon the public. These uncertainties are especially troublesome in light of the fact that not all companies pursue diversification in the same way. Therefore, if most findings with regard to consumer perceptions are mere speculations, it may be arguable whether the diversification argument should even exist.

Despite these uncertainties, courts have been able to create methods that enable them to assess the impacts of diversification upon trademark law. These methods have addressed issues including whether the reasonable consumer is impacted by diversification, whether a likelihood of confusion exists in light of diversification, whether certain circumstances (resulting from diversification) warrant an extension or limitation of the scope of trademark protection, and whether well-known marks should be afforded special treatment. In addressing such issues, the courts have begun to identify and address the effects that diversification has upon the law.

In the future, courts will be forced to acknowledge continually the trends in the business world and their impacts upon the public. In doing so, the courts will be required to embark upon analysis in many unexplored legal contexts. With regard to diversification, it is likely that courts will continue to develop and revise the existing methods of interpretation while also creating new methods to accommodate the changing business environment.

The perceptions of the reasonably prudent consumer will be of particular importance in the future, as will other related issues. If the diversification trend continues, how might these perceptions change as consumers become increasingly aware of the diverse business activities pursued by a single company? Additionally, if diversification into completely unrelated product areas (as seen with the Virgin Group, for example) continues to gain popularity, how might this affect consumer perceptions and principles such as the "natural expansion" doctrine? Further, what limits should be set upon the extent to which the diversification argument may be taken? Although many other related issues will present themselves before the courts, these issues illustrate how difficult and uncertain the diversification analysis can be.

The answers to these questions will depend on many factors, such as

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how the diversification trend progresses, trends relating to branding strategies, and consumer awareness. These factors, of course, cannot be predicted because they are constantly changing. Nevertheless, courts will be forced to continually develop this area of the law in light of a changing society and business environment. Consequently, it is certain that so long as corporate diversification continues to exist, the future of trademark law will inevitably include the constantly evolving considerations resulting from the diversification trend.