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# Living Together in One Civilized World: How Luxury Companies and Consumers Can Fulfill Their Ethical Responsibilities to the Poor

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Luxury is a word of an uncertain signification, and may be taken in a good as well as in a bad sense.

David Hume<sup>1</sup>

[T]he Beijing government appears to have decided that the outdoor [luxury goods] advertisements are too ostentatious and a painful reminder to the city's more downtrodden residents of the growing gap between rich and poor.

The Telegraph<sup>2</sup>

#### INTRODUCTION

Imagine a day shopping in Hong Kong, an international hub of luxury goods where there are more Louis Vuitton stores than in any other city in the world.<sup>3</sup> You enjoy the hustle and bustle of luxury stores there: fancy luxury goods, grand luxury stores, and long lines of luxury consumers anxiously waiting outside. But you may not be aware that hidden behind the facade of luxury stores is another world of absolute poverty. There, staggering poverty has brutally reduced tens of thousands of Hong Kong residents to live as so-called “cage dogs.” Sadly, their private living spaces are actually tiny iron cages.<sup>4</sup>

<sup>1</sup> DAVID HUME, HUME: POLITICAL ESSAYS 105 (Knud Haakonssen ed., 1994).

<sup>2</sup> Malcolm Moore, *China Bans Luxury Advertising in Beijing*, TELEGRAPH (Mar. 22, 2011, 1:34 PM), [www.telegraph.co.uk/news/worldnews/asia/china/8398097/China-bans-luxury-advertising-in-Beijing.html](http://www.telegraph.co.uk/news/worldnews/asia/china/8398097/China-bans-luxury-advertising-in-Beijing.html).

<sup>3</sup> The Louis Vuitton website shows that they have seven stores in Hong Kong. See LOUIS VUITTON, [http://www.louisvuitton.com/front/#/eng\\_US/Stores/Store-Locator/stores-search/location=hong%20kong](http://www.louisvuitton.com/front/#/eng_US/Stores/Store-Locator/stores-search/location=hong%20kong) (last visited Aug. 23, 2013); see also Damien Gayle, *Cage Dogs of Hong Kong: The Tragedy of Tens of Thousands Living in 6ft by 2ft Rabbit Hutches — in a City with More Louis Vuitton Shops than Paris*, MAILONLINE (Jan. 11, 2012), <http://www.dailymail.co.uk/news/article-2084971/Hong-Kongs-cage-homes-Tens-thousands-living-6ft-2ft-rabbit-hutches.html>.

<sup>4</sup> Gayle, *supra* note 3 (“These pictures by British photographer Brian Cassey capture the misery of people — some estimates put the figure as high as 100,000 — who are forced to live in cages measuring just 6ft by 2 1/2ft.”). Another report describes the living condition in cages as follows:

If you have ever complained that your apartment is the size of a shoebox, consider the living space of Hong Kong resident Chung For Lau. Chung lives in a 625 square foot (58.06 square meter) flat here with 18 strangers. The place is sectioned into tiny cubicles made of wooden planks and wire mesh. Everything he has acquired over the years — clothes, dishes, figurines, a tired TV set — is squeezed into this tiny cube, a modernized version of what is known here as a cage home.

Hong Kong is a city where the luxury market has rapidly expanded hand in hand with the rising poverty rate. This Oriental Pearl<sup>5</sup> city of luxury marketing had 1,187 million people living in poverty in 2012, which is nearly 20% of the city population.<sup>6</sup>

This stark contrast between the rich and the poor mirrored by the luxury industry exists in many other major cities in the world where luxury stores shine through the city centers.<sup>7</sup> Long-established luxury capitals like London<sup>8</sup> and New York<sup>9</sup> flaunt the co-existence of slums

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Eunice Yoon, *Living in a Cage in Hong Kong*, CNN (Oct. 28, 2009), <http://edition.cnn.com/2009/WORLD/asiapcf/10/28/cage.homes/index.html>.

<sup>5</sup> Bobby Yip, *Pearl of the Orient: 15 Years After the Handover*, PHOTOGRAPHERS BLOG (June 29, 2012), <http://blogs.reuters.com/photographers-blog/2012/06/29/pearl-of-the-orient-15-years-after-the-handover/> (“Bearing the romanticized phrase ‘Pearl of the Orient’, Hong Kong attracts visitors from around the world.”).

<sup>6</sup> Jennifer Ngo, *One in Three Old People in Hong Kong Are Living Below the Poverty Line*, S. CHINA MORNING POST (Jan. 27, 2013, 9:38 AM), <http://www.scmp.com/news/hong-kong/article/1136870/one-three-old-people-hong-kong-are-living-below-poverty-line>.

<sup>7</sup> See Benjamin Gottlieb & Kristie Hang, *Hong Kong’s Poorest Living in ‘Coffin Home’*, CNN (July 26, 2011), <http://edition.cnn.com/2011/WORLD/asiapcf/07/25/hongkong.coffin.homes/index.html> (“Through Mak’s eyes, there are two Hong Kongs: The one seen through his only window, personified by the glitz and glamour the city is famous for. And the one inside, that has allowed less fortunate citizens to fall through the cracks.”); The Associated Press, *In Wealthy Hong Kong, the Poorest Residents Live in Metal Cages*, NYDAILYNEWS.COM (Feb. 8, 2013, 8:16 AM), <http://www.nydailynews.com/news/world/wealthy-hong-kong-poorest-live-metal-cages-article-1.1258661> (“For many of the richest people in Hong Kong, one of Asia’s wealthiest cities, home is a mansion with an expansive view from the heights of Victoria Peak. For some of the poorest, like Leung Cho-yin, home is a metal cage.”).

<sup>8</sup> See Clara Ferreira-Marques & Kate Holton, *Rich and Poor: London’s Tale of Two Cities*, REUTERS (Apr. 12, 2010, 3:36 PM), <http://www.reuters.com/article/2010/04/12/us-britain-election-poverty-idUSTRE63B57620100412> (“Residents of the decaying Robin Hood Gardens estate, where grimy windows punctuate concrete, prison-like corridors, say they feel no connection with those living a short walk away in the luxury Canary Riverside complex.”); Carla Power, *Great Divide: How the City of London Has Widened the Gap Between Britain’s Rich and Poor*, TIME (May 14, 2012), <http://www.time.com/time/magazine/article/0,9171,2113703,00.html#ixzz2PxxVA5W0> (“With 95% of the neighborhood’s children living in poverty, the area ranks among England’s poorest. Half a kilometer away is St. John’s Wood, home to bankers, football managers and former Beatle Paul McCartney . . . . With the top 10% of the population worth 273 times the bottom 10%, London ranks as one of the most unequal cities in the developed world, trumping even New York City, notes Danny Dorling, an expert in urban inequality at the University of Sheffield.”).

<sup>9</sup> Sam Roberts, *Income Data Shows Widening Gap Between New York City’s Richest and Poorest*, N.Y. TIMES (Sept. 20, 2012), [http://www.nytimes.com/2012/09/20/nyregion/rich-got-richer-and-poor-poorer-in-nyc-2011-data-shows.html?smid=tw-nytmetro&seid=auto&\\_r=0](http://www.nytimes.com/2012/09/20/nyregion/rich-got-richer-and-poor-poorer-in-nyc-2011-data-shows.html?smid=tw-nytmetro&seid=auto&_r=0) (“The rich got richer and the poor got poorer in New York City [in 2011] as the poverty rate reached its highest point in more than a

and luxury stores, a rising poverty rate and luxury spending. More staggering is the growing luxury market in developing countries where the poverty rate is on the rise. It just took a few years for China to become the world's largest luxury market.<sup>10</sup> In Nigeria, the luxury market has been booming in this African country still riddled with poverty and violence.<sup>11</sup>

This Article presents this stark contrast between the different worlds of luxury and poverty as a lens through which we can see the existence of an ethical crisis in our society. It offers a proposal to tackle this crisis. The Article argues for the creation of an “ethical responsibility initiative” that requires luxury companies to take on an ethical responsibility to actively disseminate information about the plight of human life under absolute poverty. It further examines how trademark law should be reformed to foster and promote the ethical responsibilities of luxury companies and consumers. Based on this proposal, the Article shows how trademark law can play a better social role from the ethical responsibility perspective.<sup>12</sup>

#### I. THE ETHICAL CRISIS IN THE LUXURY MARKET

The past two decades have witnessed an unprecedented growth of the luxury goods industry. Globalization has prompted trade liberalization by lowering customs tariffs and other trade barriers, and luxury companies have vastly expanded their businesses across the globe.<sup>13</sup> Rapid economic development in developing countries,

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decade, and the income gap in Manhattan, already wider than almost anywhere else in the country, rivaled disparities in sub-Saharan Africa.”).

<sup>10</sup> See *Luxury Goods in China: Beyond Bling*, *ECONOMIST* (June 8, 2013), [www.economist.com/news/business/21579015-life-getting-harder-purveyors-luxury-china-growth-prospects-are-still](http://www.economist.com/news/business/21579015-life-getting-harder-purveyors-luxury-china-growth-prospects-are-still) (“Measured by the nationality of the buyer, China is now the world's biggest luxury market, and growing fast.”).

<sup>11</sup> See *Amid Poverty and Fuel Riots, A Booming Luxury Market Has Opened in Nigeria*, *BUS. INSIDER* (Mar. 22, 2012, 6:51 AM), [http://articles.businessinsider.com/2012-03-22/news/31223053\\_1\\_nigeria-luxury-brands-commercial-capital#ixzz2Pxyi1LJf](http://articles.businessinsider.com/2012-03-22/news/31223053_1_nigeria-luxury-brands-commercial-capital#ixzz2Pxyi1LJf).

<sup>12</sup> For general discussion about the social role of intellectual property, see, for example, MADHAVI SUNDER, *FROM GOODS TO A GOOD LIFE: INTELLECTUAL PROPERTY AND GLOBAL JUSTICE* 31 (2012) (suggesting that “intellectual property law must adopt broader social and cultural analysis”); Barton Beebe, *Intellectual Property and the Sumptuary Code*, 123 *HARV. L. REV.* 809, 810 (2010) [hereinafter *Sumptuary Code*] (arguing that intellectual property should “play a crucial — and progressive — social role”); William Fisher, *Theories of Intellectual Property*, in *NEW ESSAYS IN THE LEGAL AND POLITICAL THEORY OF PROPERTY* 168, 172-75 (Stephen R. Munzer ed., 2001) (advocating a “social planning” theory of intellectual property and discussing the social planning role of intellectual property).

<sup>13</sup> See JEAN-NOËL KAPFERER & VINCENT BASTIEN, *THE LUXURY STRATEGY: BREAK THE*

especially in Asia, has made an exponentially increasing number of people in these regions able to afford luxury goods and pursue luxury lifestyles.<sup>14</sup>

It is estimated that global luxury goods sales in 2011 reached around \$250 billion.<sup>15</sup> Leading luxury brands were highlighted in the 2012 Top 100 Brands ranking.<sup>16</sup> Chief among them were Mercedes-Benz, BMW, Louis Vuitton, Gucci, Cartier, Tiffany & Co., Porsche, Burberry, Ralph Lauren, Prada, and Ferrari.<sup>17</sup> The worth of these brands ranged from \$3 to 0.377 billion.<sup>18</sup> The 2012 stock values of major luxury companies such as LVMH Moët Hennessy–Louis Vuitton S.A. (“LVMH”), Richemont S.A., Hermes, Coach, and Prada were estimated to be above \$10 billion.<sup>19</sup> Prada’s initial public offering in Hong Kong in 2012 was “five times oversubscribed,” which exhibited its enormous global market influence.<sup>20</sup>

Yet the splendor of the luxury industry has, in fact, overshadowed the enormous social injustice that still exists abundantly in society. As noted above, luxury capitals, such as Hong Kong, London, and New York, exemplify the harsh reality of massive social injustices reflected by two dividing worlds of luxury and poverty. Why can the rich afford a wide range of products and services whose prices are astronomical for the poor? The roots of social injustice are very complicated. On the surface of the problem, as many people can easily tell, is the maldistribution of economic resources among citizens. As Thorstein Veblen pointed out, luxury spending is made possible “indirectly

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RULES OF MARKETING TO BUILD LUXURY BRANDS 12-14 (2012) (discussing the role of globalization in the rapid development of the luxury industry).

<sup>14</sup> Consumers in East and Southeast Asia account for more than fifty percent of global luxury sales. See Bain & Company, *Luxury Goods Market Predicted to Grow Six to Seven Percent in 2012, Defying Global Turmoil and Spreading to New Markets, According to Spring Update of Bain & Company’s Luxury Goods Worldwide Market Study* (May 15, 2012), [http://www.bain.com/offices/middleeast/en\\_us/press/luxury-goods-market-predicted-to-grow-six-to-seven-percent-in-2012.aspx](http://www.bain.com/offices/middleeast/en_us/press/luxury-goods-market-predicted-to-grow-six-to-seven-percent-in-2012.aspx).

<sup>15</sup> Bain & Company, *Luxury Goods Worldwide Market Study, 2011*, at 3 (Jan. 20, 2012), <http://www.slideshare.net/ikusmer/luxury-goods-worldwide-market-study> [hereinafter *Worldwide Market Study 2011*].

<sup>16</sup> *The Top 100 Brands*, INTERBRAND, <http://www.interbrand.com/en/best-global-brands/2012/Best-Global-Brands-2012-Brand-View.aspx> (last visited Aug. 24, 2013).

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Prada IPO Hits Bargain Bin*, WALL ST. J. (June 18, 2011), <http://online.wsj.com/article/SB10001424052702304186404576390350685422420.html>.

<sup>20</sup> Garry White, *Prada’s Hong Kong IPO is ‘Five Times Oversubscribed,’* TELEGRAPH (June 12, 2011), <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/8571143/Pradas-Hong-Kong-IPO-is-five-times-oversubscribed.html>.

through [the] system of unequal distribution of wealth and sustenance on which the institution itself rests.”<sup>21</sup>

Beneath economic inequality, however, lies an ethical crisis. This crisis evinces rich people’s indifference to the sufferings of poor people while the rich enjoy expensive luxury goods. As I pointed out in a recent article, central to the social injustice is a fundamental ethical issue. There is a stark contrast between those who are rich enough to shop happily in luxury stores without regard for those who die of hunger. This very contrast questions whether luxury consumers are civilized enough to call themselves human beings or are too insensitive to feel the pain of their peers.<sup>22</sup>

Why are luxury consumers so indifferent to the sufferings of the poor? After all, luxury goods are not necessary goods for survival.<sup>23</sup> A luxury consumer would not die or suffer physically if he or she did not buy more jewelry or handbags. But the money that might be spent on these luxury goods could actually save starving people from dying of hunger. In 2011, rich people spent \$250 billion in total on luxury goods,<sup>24</sup> while around 15 million children died from hunger in the same year.<sup>25</sup>

What is wrong with luxury goods? Why on earth cannot a tiny portion of the \$250 billion luxury spending be diverted to save the lives of starving children? The obstacle is, in fact, the egoism growing in two kinds of wonderlands of self-indulgence bred by the luxury industry.

First, luxury companies have created a private wonderland of goods or services in which people are induced to relentlessly pursue the bubbles of self-perfection and self-comfort. The marketing strategies of the luxury industry open the door for their consumers to the wonderland of luxury spending and consumption. These strategies are

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<sup>21</sup> THORSTEIN VEBLER, *THE THEORY OF THE LEISURE CLASS* 150 (2007).

<sup>22</sup> Haochen Sun, *Can Louis Vuitton Dance with HiPhone?: Rethinking the Idea of Social Justice in Intellectual Property Law*, 15 U. PA. J.L. & SOC. CHANGE 389, 434 (2012).

<sup>23</sup> Pierre Bourdieu divides consumption of goods with two kinds of tastes: “the tastes of luxury” and “the tastes of necessity.” PIERRE BOURDIEU, *DISTINCTION: A SOCIAL CRITIQUE OF THE JUDGEMENT OF TASTE* 175 (1984). Bourdieu also observes that the working-class lifestyle is characterized by both “the absence of luxury goods, whisky or paintings, champagne or concerts, cruises or art exhibitions, caviar or antiques” and by “the presence of numerous cheap substitutes for these rare goods. . . .” *Id.* at 386.

<sup>24</sup> Bain & Company, *Worldwide Market Study 2011*, *supra* note 15.

<sup>25</sup> *World Hunger Statistics*, STAT. BRAIN (May 7, 2013), <http://www.statisticbrain.com/world-hunger-statistics/>.

meticulously designed to highlight high quality, exclusivity, craftsmanship, precision, and innovation that luxury goods can deliver to their customers. Perfect-looking celebrities or models are featured in their advertisements, fashion shows,<sup>26</sup> magazines, TV programs, and social media like YouTube.<sup>27</sup> Many luxury stores are designed to look like modern urban palaces. They function to impress luxury consumers with an aura of prestige, elegance, and comfort. The combination of luxury advertising and merchandizing strategies arouses luxury consumers' desire to possess more luxury goods, making them fantasize the perfection of personal outlooks and goods quality.<sup>28</sup> Luxury goods lead people to experience the comfort of achieving perfection as they imagine it. As Coco Chanel pointed out, "Some people think luxury is the opposite of poverty. It is not. It is the opposite of vulgarity. Luxury must be comfortable, otherwise it is not luxury."<sup>29</sup>

Upon entering the luxury wonderland created by luxury companies, most people become willing to indulge themselves with the egoistic pursuit of perfection and comfort. They look at fashion shows, advertisements, luxury stores, or their peer consumers to figure out the next item they need to buy to make themselves look and behave better. The more they buy luxury goods, the more they think that they look and behave better. The more they buy luxury goods, the more they become egoistical in caring only about the perfection and comfort of their own lives.<sup>30</sup>

Second, luxury companies have created a public wonderland of goods or services in which people spend for the purpose of showing off their wealth and social status. Conspicuous consumption is a major element in luxury spending. More than a century ago, Thorstein

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<sup>26</sup> Here I take many fashion shows as advertisements for luxury brands.

<sup>27</sup> See KAPPERER & BASTIEN, *supra* note 13, at 262-63 (discussing the importance of brand ambassador strategy for merchandizing luxury goods).

<sup>28</sup> See Antoine Danchin, *The Biology of Luxury*, PROJECT SYNDICATE (Oct. 16, 2012), <http://www.project-syndicate.org/commentary/why-we-buy-luxury-goods-by-antoine-danchin> (arguing that luxury products "signal[] a lifestyle that values the preservation of beauty and youth. Cosmetics, like all luxury products, gain influence not from their production, or even their purchase, but from their visibility").

<sup>29</sup> Paulo Coelho, *Coco Chanel and Elegance*, PAULO COELHO'S BLOG (Feb. 22, 2012), <http://paulocoelhoblog.com/2012/02/22/coco-chanel/>.

<sup>30</sup> See, e.g., JAMES RACHELS, *THE ELEMENTS OF MORAL PHILOSOPHY* (4th ed. 2002) ("We spend money on ourselves, not only on necessities but on luxuries-DVDs, jewelry, concert tickets, iPods, and so on. In America, even people with modest incomes enjoy such things. But we could forgo our luxuries and give the money for famine relief instead. The fact that we don't suggests that we regard our luxuries as more important than the lives of the starving.").



Veblen explained the relationship between luxury goods and conspicuous consumption. He noted that “[t]he basis on which good repute in any highly organized industrial community ultimately rests is pecuniary strength; and the means of showing pecuniary strength and so of gaining or retaining a good name are leisure and a conspicuous consumption of goods.”<sup>31</sup>

As positional goods, luxury goods are priced much higher than their non-luxury equivalents. Prices signal the quality, craftsmanship, and design of luxury goods. With high prices, luxury goods are supposed to belong exclusively to a tiny group of people who can afford them. The price-based exclusivity of luxury goods, therefore, enables people to publicly signal their status in society and therefore to gain the esteem of others.<sup>32</sup>

The status recognition is achieved publicly, directly or indirectly. The consumption of luxury goods may be photographed, videotaped, or verbally described in media reports even if consumption occurs in private gatherings or events. Luxury consumers can also use luxury items in public spaces like squares, shopping malls, parks, and airports, attracting the attention of passers-by. In these processes, recognition of wealth status is essentially achieved for luxury consumers. The conspicuous consumption of luxury goods, therefore, caters to the egoistic quest for “self-perceived ‘position’ in society.”<sup>33</sup>

Professor Peter Singer highlighted a very important observation in his influential essay published in 1972. This observation is still timely enough to capture the nature of the ethical crisis simmering in the luxury market:

People do not feel in any way ashamed or guilty about spending money on new [luxury] clothes or a new [luxury] car instead of giving it to famine relief. (Indeed, the alternative does not occur to them.) This way of looking at the matter cannot be justified. When we buy new clothes not to keep

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<sup>31</sup> VEBLÉN, *supra* note 21, at 63-64.

<sup>32</sup> See Young Jee Han, Joseph C. Nunes & Xavier Drèze, *Signaling Status with Luxury Goods: The Role of Brand Prominence*, J. MARKETING, July 2010, at 15, 15.

<sup>33</sup> See CHRISTOPHER J. BERRY, THE IDEA OF LUXURY: A CONCEPTUAL AND HISTORICAL INVESTIGATION 31 (1994); see also Vldas Griskevicius et al., *Blatant Benevolence and Conspicuous Consumption: When Romantic Motives Elicit Strategic Costly Signals*, 93 J. PERSONALITY & SOC. PSYCHOL. 85, 99 (2007) (summarizing that “Puritans, Marxists, and Freudians . . . have traditionally alleged that showy consumption and charity are narcissistic indulgences of the sexually self-deceptive bourgeoisie”).

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ourselves warm but to look “well-dressed” we are not providing for any important need.<sup>34</sup>

The interplay of private and public wonderlands, as I described earlier, explains why many luxury consumers are almost “unjustifiably” indifferent to the poor. The process of purchasing and consuming luxury goods, in fact, has locked them in the egoistic pursuit of self-indulgence without due regard to the suffering of the poor.

## II. A PROPOSAL TO COMBAT THE INJUSTICE OF THE ETHICAL CRISIS

### A. *The Ethical Responsibility Initiative*

How can we deal with the ethical crisis brought about by the luxury industry? I argue that we should reconsider the nature of the ethical responsibilities of luxury companies and consumers. To this end, I put forward that luxury companies should take on an ethical responsibility that would require them to actively disseminate information about the plight of human life under absolute poverty. For example, each luxury company would be required to hand out a brochure containing information about a poor child and how people can help poor children. The following steps should be taken to carry out the ethical responsibility initiative.

First, a non-governmental or governmental organization should take charge of collecting information about poor children. The organization could first select one hundred children and design a brochure for each of them. Each brochure would contain pictures of a poor child, the child’s story, and information about how people can help him or her. The costs for running this program can be covered by a special fund to be created by the government or a charitable organization.

Second, the organization should distribute copies of the brochures to luxury companies. After receiving the brochures, luxury companies should distribute them to their stores and ask their sales associates to give a brochure to each of their customers when they check out items. Sales associates should also explain to customers the background and purpose of the brochures. The initial targets should be companies that are widely recognized as luxury companies: Chanel, Dior, Hermès, Louis Vuitton, Prada, just to name a few. To select an initial subset of luxury companies, easy targets are luxury companies that have opened flagship stores in central shopping districts in cities like Hong Kong

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<sup>34</sup> Peter Singer, *Famine, Affluence, and Morality*, 1 PHIL. & PUB. AFF. 229, 235 (1972).

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(Canton Road), London (Bond Street), New York (Fifth Avenue), Milan (Via Montenapoleone), and Paris (Avenue Montaigne).<sup>35</sup>

Third, this brochure distribution initiative should have a review program that would take place every other year. The program could organize an international conference open to the representatives of luxury companies and their customers. Before the conference, interested parties such as luxury companies and relevant fashion and luxury associations could submit reports. They could make suggestions on how the initiative could better be carried out and any additional companies that should be included in the initiative.<sup>36</sup> At the conference, the organization in charge should submit a report about how poor children have been helped and also highlight any major donations from luxury customers. Anonymity should be strictly preserved if particular luxury customers prefer.

This review program would function as a venue for conducting “democratic” deliberation about the progress of the ethical responsibility initiative. This open-ended program would not only make the operation of the initiative transparent, but also engage more companies and individuals to consider the ethical dimensions of luxury merchandizing, spending, and consumption. With years of meticulous planning and devoted organization, this program has the potential of expanding to a global event called World Ethics Forum. It would function to engage representatives from different regions, countries, and industries to deliberate on major ethical issues associated with luxury goods and services. Later, in Part III of this Article, I will discuss how legislators and judges can utilize trademark law to incentivize luxury companies to become part of this initiative.

#### *B. Problems with Taxation and Charity*

The ethical responsibility initiative is proposed to deal with the problems created by previous measures that have been adopted to address social injustice related to the luxury industry. As this section will show, these voluntary and involuntary measures lack the dynamics to ignite ethical sentiments among the rich to confront the social roots of injustice and their responsibilities to tackle it. To some

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<sup>35</sup> See *The Top European Streets for Luxury Retail*, LUXURY SOC'Y (Aug. 31, 2011), <http://luxurysociety.com/articles/2011/08/the-top-european-streets-for-luxury-retail>.

<sup>36</sup> The scope of luxury brands is controversial. Therefore, the conference would serve as an opportunity for people to deliberate the scope of luxury brands. This element reflects that luxury is still a controversial idea. Different people have different visions of luxury. See KAPFERER & BASTIEN, *supra* note 13, at 45 (“Luxury is an elusive concept. There are as many definitions as there are authors.”).

extent, they even help to obscure the enormous social inequalities that still exist in our society. In the following, I will discuss why taxation and charity exemplify such measures.

### 1. Taxation

Taxation is a policy tool that can function to alleviate economic inequality. The government imposes heavier pecuniary burdens on the rich and then utilizes social welfare schemes to transfer appropriate benefits to the poor. Under this redistributive scheme, the rich, to a certain extent, bear a burden to financially aid the poor.<sup>37</sup>

Luxury companies are required to pay corporate taxes. Luxury customers are required to pay sales taxes in countries such as the United States. While these taxation schemes imposed on luxury companies and consumers have been instrumental in ameliorating social injustices, they have failed to require luxury companies and consumers to fulfill their ethical responsibilities. First, many luxury companies and consumers have made every effort to avoid paying taxes. For example, the head of LVMH, the largest luxury conglomerate, Bernard Arnault, applied for Belgian nationality because the president of France proposed a new tax rate of 75% on earnings over 1 million euros.<sup>38</sup> Recently, the Italian tax authority fined Dolce & Gabbana 343.4 million euros for tax evasion.<sup>39</sup>

Second, taxation schemes do not encourage luxury companies and consumers to think seriously about their ethical responsibilities. Often they just take it for granted that they are forced to pay taxes, or even hate paying taxes. Take luxury taxes as an example. The levy of luxury taxes would increase government revenues to finance programs that benefit the entire society. Luxury taxes, therefore, can be seen as a redistributive tax regime. When higher taxes are levied, the luxury industry, however, often launch severe protests against them.<sup>40</sup> In

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<sup>37</sup> See LIAM MURPHY & THOMAS NAGEL, *THE MYTH OF OWNERSHIP: TAXES AND JUSTICE* 76 (2002) (discussing the distributive function of taxation).

<sup>38</sup> See Devorah Lauter, *Bernard Arnault Applies for Belgian Citizenship as Francois Hollande Plans New Taxes*, TELEGRAPH (Sept. 9, 2012), <http://www.telegraph.co.uk/news/worldnews/francois-hollande/9532131/Bernard-Arnault-applies-for-Belgian-citizenship-as-Francois-Hollande-plans-new-taxes.html>.

<sup>39</sup> See Kelly Phillips Erb, *Dolce & Gabbana Fined Millions for Tax Evasion*, FORBES (Apr. 3, 2013), <http://www.forbes.com/sites/kellyphillipserb/2013/04/03/dolce-gabbana-fined-millions-for-tax-evasion/>.

<sup>40</sup> In May 1919, the New York Times reported an organized protest by the Soda Foundation Association. The protest was intended to “creat[e] a public sentiment for the repeal of the luxury tax.” See *Soda Fountains Protest: Association Says Luxury Tax Is Unfair — Revenue Ruling Issued*, N.Y. TIMES (May 3, 1919), <http://query.nytimes.com/>

November 1990, the U.S. government decided to levy a 10% luxury tax on private yachts priced above \$100,000, luxury cars above \$30,000, furs, jewelry, and airplanes.<sup>41</sup> The luxury boating industry ferociously opposed this. They argued that it had significantly decreased their sales volume<sup>42</sup> and caused the loss of over 7,600 jobs.<sup>43</sup> Due to severe protests against the luxury tax on such economic grounds, almost all of the luxury taxes were subsequently repealed by the Budget Reconciliation Act of 1993.<sup>44</sup> Generally there is no luxury tax in the United States, although President Obama recently proposed a luxury tax on corporate jets.<sup>45</sup>

## 2. Charity

Compared with taxation that is imposed by the government, charity activities are voluntarily organized by individuals and organizations for the purpose of benefiting the poor. Many luxury companies have organized charity activities that attract their consumers. For example, Montblanc has initiated a charity program called “Signature for Good.” It supports UNICEF’s educational projects that benefit children around the globe. To date Montblanc has raised over \$5 million for this charity program.<sup>46</sup>

However, charity programs have very limited power in making rich individuals and luxury company shareholders think ethically about

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mem/archive-free/pdf?res=F30F17FE385C1B728DDDA0894DD405B898DF1D3; see also Jonah Wigley, *Industry Protests Luxury Car Tax Hike*, CARS GUIDE (May 12, 2008), [http://www.carsguide.com.au/news-and-reviews/car-news/industry\\_protests\\_luxury\\_car\\_tax\\_hike](http://www.carsguide.com.au/news-and-reviews/car-news/industry_protests_luxury_car_tax_hike) (reporting that luxury car companies protested against luxury car tax hike implemented in Australia in 2008).

<sup>41</sup> See Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, §§ 4001-4007, 104 Stat. 1388, 439-42; see also Liu Pin, *U.S. Luxury Tax — A Total Failure*, WATCHING AM. (Mar. 10, 2011), <http://watchingamerica.com/News/94396/u-s-luxury-tax-%E2%80%94-a-total-failure/>.

<sup>42</sup> See Joe Meglen, Letter to the Editor, *Boat Luxury Tax Drives an Industry Aground*, N.Y. TIMES (Dec. 27, 1990), <http://www.nytimes.com/1991/01/03/opinion/l-boat-luxury-tax-drives-an-industry-aground-926091.html>.

<sup>43</sup> See ROBERT H. FRANK & BEN S. BERNANKE, PRINCIPLES OF ECONOMICS 96 (2d. ed. 2004).

<sup>44</sup> Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, § 13161, 107 Stat. 312.

<sup>45</sup> See Walter Williams, *Luxury Tax Idea Reveals Poor Thinking*, COLUMBIA DAILY TRIB. (Aug. 16, 2011), [http://www.columbiatribune.com/opinion/luxury-tax-idea-reveals-poor-thinking/article\\_a71f6124-2e5a-5745-936d-15467a93e053.html](http://www.columbiatribune.com/opinion/luxury-tax-idea-reveals-poor-thinking/article_a71f6124-2e5a-5745-936d-15467a93e053.html).

<sup>46</sup> See *The Montblanc “Signature for Good” Initiative*, MONTBLANC (Feb. 26, 2013), <http://stories.montblanc.com/2013/02/the-montblanc-signature-for-good-initiative/#.UYdoA1Ka5SI>.

social injustice. A recent study has revealed that rich people are on average more reluctant to donate for charity purposes than middle- or low-income people are.<sup>47</sup> Despite the fact that charity programs may be initiated for tax break<sup>48</sup> or personal fame<sup>49</sup> purposes, statistics showed that Americans with earnings in the top 20% contributed on average 1.3% of their income to charity, while those in the bottom 20% donated 3.2% of their income.<sup>50</sup>

Large companies commonly promote corporate social responsibility (“CSR”) and organize charitable activities. They often claim that their aim is not solely for profits, but also to serve the greater purposes of the society. While it is certainly encouraging to see large corporations acting to benefit society and to ease the burden of normal citizens, the truth is that most of these corporations do so in order to further their commercial interests. Through CSR and charity, they can raise their reputation with the public or with the government,<sup>51</sup> or avoid their share of tax contribution.<sup>52</sup> Companies, especially large corporations, exist as legal entities to generate income for the shareholders. A recent

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<sup>47</sup> See Ken Stern, *Why the Rich Don't Give to Charity*, THE ATLANTIC (Mar. 20, 2013), <http://www.theatlantic.com/magazine/archive/2013/04/why-the-rich-dont-give/309254/>.

<sup>48</sup> Many donate money in order to use tax reliefs, but some even go as far as to “exploit” the system to pay less in tax than the average family. See Robert Winnett, James Kirkup & Christopher Hope, *Wealthiest People “Abusing Tax System with Donations to Charities that Don't Do Charitable Work,”* TELEGRAPH (Apr. 10, 2012), <http://www.telegraph.co.uk/news/politics/georgeosborne/9195571/Wealthiest-people-abusing-tax-system-with-donations-to-charities-that-dont-do-charitable-work.html> (“A confidential study by HM Revenue and customs found they are using aggressive avoidance schemes to reduce their income tax rate to an average of [ten percent] — less than half the level paid by the average Briton.”); see also Pat Garofalo, *30 Major Corporations Paid No Income Taxes in the Last Three Years, While Making \$160 Billion*, THINK PROGRESS (Nov. 3, 2011, 9:15 AM), <http://thinkprogress.org/economy/2011/11/03/360185/30-corporations-no-taxes/?mobile=nc>.

<sup>49</sup> KEN STERN, WITH CHARITY FOR ALL: WHY CHARITIES ARE FAILING AND A BETTER WAY TO GIVE 131 (2013) (pointing out that sometimes people donate for “public acclaim through naming rights”).

<sup>50</sup> Stern, *supra* note 47.

<sup>51</sup> PETER SINGER, THE LIFE YOU CAN SAVE: ACTING NOW TO END WORLD POVERTY 65 (2009) (pointing out that “many of us believe that if people are motivated only by a desire to ‘be honored by men’ or to improve their reputations for generosity, they are not really being generous, and will not be generous when no one is looking”).

<sup>52</sup> Although corporations spend a lot of money on charitable donations, it is actually about maximizing their profitability. Corporate social responsibility “is about conducting business with integrity and attention to the community in a way that benefits shareholders.” See Alice Korngold, *Freeland's Washington Post Op-Ed is Wrong: CSR Does Maximize Corporate Profitability*, FAST COMPANY (July 19, 2010, 4:27 PM), <http://www.fastcompany.com/1671763/freelands-washington-post-op-ed-wrong-csr-does-maximize-corporate-profitability>.

study shows that the primary role of companies to generate profit is inherently in conflict with CSR and charity activities because the executives' decisions must answer to the shareholders.<sup>53</sup>

Similarly, many luxury companies host charity activities primarily for the purpose of promoting their businesses rather than promoting social justice. Luxury companies thrive on the creation of public images that communicate brand associations to their customers.<sup>54</sup> While they may choose to accept diminished profits to enhance social welfare, luxury companies — like most public companies — must also answer to their investors. Realistically, they may only engage in charitable activities that are in line with the interests of the company, and this is not often the case. When private profits conflict with the public interest-related CSR/charitable activities, luxury companies will have to opt for protecting their private interests for shareholders.<sup>55</sup> For instance, the decline in the sales of luxury goods in the Chinese market has prompted some luxury companies to eschew their anti-corruption CSR in exchange for the boost to their retail business. It has been reported that many luxury stores deliberately aided corruption in China by following their clients' requests to invoice their luxury goods as “gift[s] or expenses for work.”<sup>56</sup> The invoices can later be used by their clients as documents for obtaining reimbursements from public funds.

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<sup>53</sup> See Aneel Karnani, *The Case Against Corporate Social Responsibility*, WALL ST. J. (June 14, 2012), <http://online.wsj.com/article/SB10001424052748703338004575230112664504890.html>.

<sup>54</sup> UCHE OKONKWO, LUXURY FASHION BRANDING: TRENDS, TACTICS, TECHNIQUES 122 (2007) (emphasizing that the value of luxury brands is sustained by “the enhancement of the brand associations in the consumers' minds”).

<sup>55</sup> Professor Aneel Karnani comments on this conflict of interests as follows:

[I]n cases where private profits and public interests are aligned, the idea of corporate social responsibility is irrelevant: Companies that simply do everything they can to boost profits will end up increasing social welfare. In circumstances in which profits and social welfare are in direct opposition, an appeal to corporate social responsibility will almost always be ineffective, because executives are unlikely to act voluntarily in the public interest and against shareholder interests.

Karnani, *supra* note 53.

<sup>56</sup> See *Why the Luxury Market in China Has Taken a Sudden Dive*, WORLDCRUNCH (May 7, 2013, 12:47 PM), <http://www.worldcrunch.com/business-finance/why-the-luxury-market-in-china-has-taken-a-sudden-dive/luxury-officials-china-public-money-corruption/c2s11711/#.UYn6k8u9KSM>.

C. *Inducing Ethical Deliberation About Injustice*

The core problem with the above two conventional ways is that they still leave many luxury consumers with little direct access to information about the plight of the poor people's lives. Instead, the purchase and consumption experience of luxury goods only makes many luxury consumers confined in the self-oriented world of perfection, comfort, and status. Research has shown that the lack of generosity from the rich people may be attributed to their isolation from people in need.<sup>57</sup> Consequently, it has become much more difficult for most rich people to care about social injustice.

A recent study conducted by the Chronicle of Philanthropy affirms this propensity of luxury consumers. The researchers analyzed giving habits across all ZIP codes in the United States. They found out that the differences in behavior among wealthy households depended on the type of neighborhood they lived in. Wealthy people who lived in homogeneously affluent areas were less generous than wealthy people who lived in more socioeconomically diverse surroundings. The research suggests that greater exposure to the challenges of meeting basic needs may create higher empathy and willingness to give.<sup>58</sup>

As a response to the lack-of-information problem, the ethical responsibility initiative directly exposes luxury consumers to information about the enormous social injustice that still exists in society. It seeks to open the possibility that the dissemination of information about poor children through luxury stores would encourage luxury merchandisers and consumers to engage in ethical deliberation about the stark contrast between the rich and the poor and the roots of social injustice. The moral deliberation could further play a role in inducing them to adopt more ethical merchandising, purchasing, or consuming behaviors. The ethical responsibility initiative, therefore, responds directly to the problems that have significantly weakened the conventional practices to grapple with social injustice in the context of the luxury market. It is a proposal to steer away from the direct use of money as a tool to deal with social injustice, because the primary function of the initiative is to induce ethical deliberation about social injustice among luxury consumers.

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<sup>57</sup> ANEEL KARNANI, *FIGHTING POVERTY TOGETHER: RETHINKING STRATEGIES FOR BUSINESS, GOVERNMENTS, AND CIVIL SOCIETY TO REDUCE POVERTY* 85 (2011) ("The affluent can actually visit poor neighbourhoods and photograph or film the poor in their 'natural habitat,' either sanitizing or romanticizing their lives.").

<sup>58</sup> Stern, *supra* note 47.



Empathy has been hailed as “the most essential quality of civilization.”<sup>59</sup> By nature, the initiative celebrates empathy as an ethical power that a human being can acquire and strengthen through proper ethical deliberation to deal with poverty and hardships that have deteriorated other human beings’ lives. To nurture empathy, the initiative takes the following two steps.

The first step involves the process that one can only nurture empathy in himself through his exposure to information about people who need empathy.<sup>60</sup> Psychologists have conducted a controlled experiment with low-income and upper-class participants. Initially, the low-income group exhibited a higher willingness to help others. However, when both groups were exposed to a sympathy-eliciting video on child poverty, the compassion of the wealthier group began to rise. Later on, the two groups’ willingness to help others became almost identical.<sup>61</sup>

After disseminating information that may arouse empathy, the second step of the initiative requires a luxury consumer to engage in deliberation about his individual responsibility toward others whose situation needs empathy. In this process, a luxury consumer is supposed to treat himself as a responsible member of a just society that requires proper division of responsibilities among its members.<sup>62</sup>

The ethical responsibility initiative seeks to strengthen empathy by encouraging luxury consumers to consider how they can take on individual responsibility to help poor people with a focus on

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<sup>59</sup> See *11th Hour “Roger Ebert”* (Colorado Public Television 12 broadcast Apr. 4, 2013), available at [video.cpt12.org/video/2364991008](http://video.cpt12.org/video/2364991008). For a comprehensive discussion about empathy, see Karsten Stueber, *Empathy*, STAN. ENCYCLOPEDIA PHIL. (June 21, 2013), <http://plato.stanford.edu/archives/sum2013/entries/empathy/>.

<sup>60</sup> See PETER UNGER, *LIVING HIGH AND LETTING DIE: OUR ILLUSION OF INNOCENCE* 35-36 (1996) (pointing out that social distance and informative directness play important roles in people’s ethical deliberations).

<sup>61</sup> Stern, *supra* note 47.

<sup>62</sup> Regarding this point, John Rawls states:

Th[e] conception [of justice] includes what we may call a *social division of responsibility*: society, the citizens as a collective body, accepts the responsibility for maintaining the equal basic liberties and fair equality of opportunity, and for providing a fair share of the other primary goods for everyone within this framework, while citizens (as individuals) and associations accept the responsibility for revising and adjusting their ends and aspirations in view of the all-purpose means they can expect, given their present and foreseeable situation.

JOHN RAWLS, *Social Unity and Primary Goods*, in *COLLECTED PAPERS* 359, 371 (Samuel Freeman ed., 1999).

children.<sup>63</sup> The brochures contain information about how the rich can help poor children. When luxury consumers see it, they may empathize with poor children and think about how they should help them. Therefore, the most important feature of the ethical responsibility initiative is its potential to induce luxury consumers to think about their individual responsibilities in the social justice setting. This echoes a principle of ethical conduct that Professor Peter Singer proposed as a path to alleviate economic inequality.<sup>64</sup> By highlighting the importance of responsibility, the principle dictates that “if it is in our power to prevent something very bad from happening, without thereby sacrificing anything else morally significant, we ought, morally, to do it.”<sup>65</sup>

Moreover, the initiative encourages shareholders and managerial personnel of luxury companies to engage in ethical deliberation about their companies’ responsibilities in addition to distributing brochures. First, luxury consumers who have conducted ethical deliberations may publicly urge luxury companies to take further responsibilities. Second, as luxury consumers, many of those shareholders or managerial personnel will receive brochures as well. This opportunity may induce them to deliberate about their individual responsibilities as well as any further responsibilities that their companies should fulfill. For example, they may consider any additional charity programs their companies should create.<sup>66</sup>

### III. REFORMING TRADEMARK LAW

Trademark law could play an important role in implementing the ethical responsibility initiative. To this end, trademark law should be reformed in a manner conducive to promoting ethical responsibility. Courts have ruled that “a mark with extensive public recognition and renown deserves and receives more legal protection than an obscure

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<sup>63</sup> See, e.g., IRIS MARION YOUNG, RESPONSIBILITY FOR JUSTICE 40-41 (2011) (highlighting the importance of “a more active relation between individuals, social-structural processes, and responsibility”).

<sup>64</sup> Singer, *supra* note 34, at 235.

<sup>65</sup> *Id.*

<sup>66</sup> For example, Kate Spade has been helping Women for Women International create meaningful employment opportunities for women in Bosnia and Herzegovina, Kosovo, Rwanda, and Afghanistan. See *Hand in Hand: Kate Spade New York and Women for Women International Expand Partnership*, WOMEN FOR WOMEN INT’L, <http://www.womenforwomen.org/help-women/kate-spade-hand-in-hand.php> (last visited Oct. 13, 2013).

or weak mark.”<sup>67</sup> Therefore, if luxury companies endeavor to fulfill ethical responsibilities, their brands will be entitled to stronger anti-confusion as well as anti-dilution protection of their brands. This Part will discuss why this reform of trademark law in the United States would encourage luxury companies to take proactive measures to fulfill their ethical responsibilities. It will show that the international intellectual property system can embrace this reform without amending relevant treaty rules, making it possible to further bring forward the reform in other countries.

#### A. Additional Factor for Recognizing Famous Trademarks

First, factors for determining the famous mark status should include a factor involving whether and how luxury companies fulfill their ethical responsibilities. The fame of the registered mark plays a “dominant” role in the likelihood of confusion analysis.<sup>68</sup> Famous marks, according to judicial decisions, should “enjoy a wide latitude of legal protection.”<sup>69</sup> A famous mark is one that has “extensive public recognition and renown.”<sup>70</sup> Thus, anti-confusion protection under the Lanham Act usually favors famous marks.<sup>71</sup> As a senior mark’s fame increases, the Act’s tolerance for similarities in competing senior and junior marks falls, leading to stronger anti-confusion protection for the senior mark.<sup>72</sup> This may be a disputable standard of protection.<sup>73</sup>

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<sup>67</sup> *Kenner Parker Toys Inc. v. Rose Art Indus., Inc.*, 963 F.2d 350, 353 (Fed. Cir. 1992).

<sup>68</sup> *Kenner Parker*, 963 F.2d at 352 (ruling that “fame of the prior mark . . . plays a dominant role in cases featuring a famous or strong mark. Famous or strong marks enjoy a wide latitude of legal protection”).

<sup>69</sup> See *Recot, Inc. v. M.C. Becton*, 214 F.3d 1322, 1327 (Fed. Cir. 2000); see also *Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772*, 396 F.3d 1369, 1374 (Fed. Cir. 2005) (“[A] strong mark . . . casts a long shadow which competitors must avoid.” (citation omitted)).

<sup>70</sup> See *Kenner Parker*, 963 F.2d at 353.

<sup>71</sup> See, e.g., *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007) (“[F]inding a mark to be strong and famous usually favors the plaintiff in a trademark infringement case . . .”).

<sup>72</sup> Courts have noted that “[w]hen an opposer’s trademark is a strong, famous mark, it can never be ‘of little consequence’. The fame of a trademark may affect the likelihood purchasers will be confused inasmuch as less care may be taken in purchasing a product under a famous name.” *Specialty Brands, Inc. v. Coffee Bean Distribs., Inc.*, 748 F.2d 669, 675 (Fed. Cir. 1984) (citing *Giant Food, Inc. v. Nation’s Foodservice, Inc.*, 710 F.2d 1565 (Fed. Cir. 1983)); see also *B.V.D. Licensing Corp. v. Body Action Design, Inc.*, 846 F.2d 727, 730 (Fed. Cir. 1988) (Nies, J., dissenting) (arguing that “a purchaser is less likely to *perceive* differences from a famous mark” (emphasis in original)); 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND

But courts have at least cautioned that a third party intending to use marks that may be similar to famous marks must take vigilant measures to avoid causing confusion.<sup>74</sup> Although proof of fame alone is insufficient to establish likelihood of confusion, fame deserves its full measure of weight in assessing likelihood of confusion.<sup>75</sup> The Agreement on Trade-Related Aspects of Intellectual Property Rights (“the TRIPS Agreement”)<sup>76</sup> mandates that member states should extend protection of well-known trademarks against unlawful uses in dissimilar classes of goods or services.<sup>77</sup>

Currently, factors for determining the fame of a mark for anti-confusion analysis focus heavily on brand owners’ promotional

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UNFAIR COMPETITION § 24:49 (4th ed. 2009) (“The more ‘famous’ and ‘well known’ a plaintiff’s mark, the greater the likelihood that use on noncompetitive products will cause confusion.”).

<sup>73</sup> See, e.g., *Starbucks U.S. Brands, LLC v. Ruben*, 78 U.S.P.Q.2d (BNA) 1741, 1750 (T.T.A.B. 2006) (“As the fame of a mark increases, the degree of similarity between the marks necessary to support a conclusion of likely confusion declines.”). However, in parody cases, courts have ruled that “an effective parody will actually diminish the likelihood of confusion.” *Louis Vuitton*, 507 F.3d at 261; see also *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 503-04 (2d Cir. 1996); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 464 F. Supp. 2d 495, 499 (E.D. Va. 2006) (“In cases of parody, a strong mark’s fame and popularity is precisely the mechanism by which likelihood of confusion is avoided.”), *aff’d on other grounds*, 507 F.3d 252 (4th Cir. 2007); *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp. 2d 410, 416 (S.D.N.Y. 2002) (ruling that the strength and fame of the “TOMMY HILFIGER” mark did not favor the mark’s owner in an infringement case against “TIMMY HOLEDIGGER” pet perfume); *Schieffelin & Co. v. Jack Co. of Boca*, 850 F. Supp. 232, 248 (S.D.N.Y. 1994).

<sup>74</sup> See, e.g., *Kenner Parker*, 963 F.2d at 353 (noting that when a famous mark is at issue, a competitor must pause to consider carefully whether the fame of the mark, accorded its full weight, casts a “long shadow which competitors must avoid”); see also *Nina Ricci, S.A.R.L. v. E.T.F. Enters., Inc.*, 889 F.2d 1070, 1074 (Fed. Cir. 1989) (“[T]here is no excuse for even approaching the well-known trademark of a competitor.” (internal quotation omitted)).

<sup>75</sup> See, e.g., *Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 1367 (Fed. Cir. 2012) (ruling that a mark’s fame “deserves its full measure of weight in assessing likelihood of confusion” (quoting *Recot, Inc. v. M.C. Becton*, 214 F.3d 1322 (Fed. Cir. 2000))).

<sup>76</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 [hereinafter TRIPS Agreement], available at [http://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](http://www.wto.org/english/docs_e/legal_e/27-trips.pdf).

<sup>77</sup> See *id.* art. 16.3 (“Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.”).

activities that increase the popularity of brands. The TRIPS Agreement directs member states to include public recognition “obtained as a result of the promotion of the trademark” as a factor determining fame.<sup>78</sup> Similarly, additional factors adopted by the World Intellectual Property Organization (“WIPO”) Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks<sup>79</sup> center on the promotional efforts made by well-known trademark owners.<sup>80</sup> The *DuPont* factors adopted by U.S. courts in determining whether the registration of a mark would cause likelihood of confusion examine a factor about “[t]he fame of the prior mark.”<sup>81</sup> Courts have clearly pointed out that this factor should be examined by considering sales, advertising, and length of use of the prior mark.<sup>82</sup> More specifically, courts held that “statistics of sales and advertising”<sup>83</sup> should be accepted as a primary indicator of fame. With regard to luxury brands, courts have ruled that factors for measuring the fame of a mark include “sales, advertising, length of use of the mark, market share, brand awareness, licensing activities, and variety of goods bearing the mark.”<sup>84</sup>

If we integrate the ethical responsibility consideration into trademark law, the determination of the fame of a mark should include one additional factor. Different from the economic calculation-based factors as discussed above, this factor inquires into how luxury

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<sup>78</sup> See *id.* art. 16.2 (“Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.”).

<sup>79</sup> World Intellectual Property Org. [WIPO], *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, WIPO Doc. 833(E) (Sept. 28, 1999), available at [http://www.wipo.int/export/sites/www/about-ip/en/development\\_iplaw/pdf/pub833.pdf](http://www.wipo.int/export/sites/www/about-ip/en/development_iplaw/pdf/pub833.pdf).

<sup>80</sup> See *id.* art. 2(1)(b) (listing factors, including: “2. the duration, extent and geographical area of any use of the mark; 3. the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies”).

<sup>81</sup> *In re E. I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973).

<sup>82</sup> See, e.g., *Citigroup Inc. v. Capital City Bank Grp., Inc.*, 637 F.3d 1344, 1355 (Fed. Cir. 2011) (“The ‘fame of a mark may be measured indirectly, among other things, by the volume of sales and advertising expenditures of the goods traveling under the mark, and by the length of time those indicia of commercial awareness have been evident.”) (citing *Bose Corp. v. QSC Audio Products, Inc.*, 293 F.3d 1367, 1371 (Fed. Cir. 2002)).

<sup>83</sup> *Bose Corp. v. QSC Audio Prods., Inc.*, 293 F.3d 1367, 1371 (Fed. Cir. 2002) (noting that “when the numbers are large, [the Court has] tended to accept them without any further supporting proof”).

<sup>84</sup> *Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 1367 (Fed. Cir. 2012).

companies have taken measures to fulfill their ethical responsibilities. It is true that promotional efforts made by a brand owner can anchor its unique image (e.g., a certain level of quality of goods) in the minds of the relevant sector of consumers. Therefore, promotional efforts should be a significant factor in determining the fame of a brand.<sup>85</sup> Meanwhile, how luxury companies fulfill their ethical responsibilities can also strengthen the unique identity of a brand and thereby increase the fame of the brands in the minds of the consumers. Luxury companies would distribute brochures together with goods merchandized with their brands. When consumers take a closer look at a brochure, they can always recall where they acquired it. Luxury companies can also request to put their brands directly on the brochures. Media coverage also helps luxury companies raise the fame of their brands, and media reports about the ethical responsibility-related activities of luxury companies convey these stories to their audiences. Therefore, whether a brand owner has taken measures to fulfill its ethical responsibility can be added as a factor for determining the fame of luxury brands not only in economic terms but also in ethical terms.

Not all luxury brands have been recognized as well-known trademarks. The additional factor should be very helpful for luxury brands that have adopted low-profile marketing strategies. For example, Bottega Veneta is known for not using logos on the surfaces of their products for the purpose of increasing brand exclusivity.<sup>86</sup> Hermès has been marketing their products without much promotion.<sup>87</sup>

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<sup>85</sup> “Achieving fame for a mark in a marketplace where countless symbols clamor for public attention often requires a very distinct mark, enormous advertising investments, and a product of lasting value.” *Kenner Parker Toys Inc. v. Rose Art Indus., Inc.*, 963 F.2d 350, 353 (Fed. Cir. 1992); *see also Adidas-Saloman Ag. v. Target Corp.*, 228 F. Supp. 2d 1192, 1216 (D. Or. 2002) (finding Adidas’s extensive use of the Three Stripe Mark in connection with its athletic footwear since 1952, its “huge” expenditures in advertising, promoting and developing its brand identity, and its wide recognition in the athletic apparel industry to be sufficient evidence to withstand summary judgment on the issue of fame).

<sup>86</sup> *See* Kate Betts, *Fashion: The Height of Luxury*, TIME (Apr. 23, 2006), <http://www.time.com/time/magazine/article/0,9171,1186563,00.html> (describing Bottega Veneta’s strategy of not using logos with the concept that “the consumer can recognize a brand by the design and quality of the product instead of by a logo”).

<sup>87</sup> *See* Jing Jing, *Fashion Forward*, CHINADAILY (June 30, 2007), [http://www.chinadaily.com.cn/bw/2007-07/02/content\\_907229.htm](http://www.chinadaily.com.cn/bw/2007-07/02/content_907229.htm) (noting that Hermès “usually takes a low-profile marketing approach”); *Inside Hermès China — Part II*, RED-LUXURY.COM (Nov. 9, 2010), <http://red-luxury.com/2010/11/09/inside-hermes-china-part-ii/> (reporting that “Hermès marketing strategy in China is less about direct advertising and more about building a deeply loyal customer base and a carefully crafted image”).

But these low-profile marketing strategies could make it difficult for the relevant luxury companies to prove the well-known status of their trademarks. Recently, a Chinese court ruled that the Chinese name of Hermès was not a well-known trademark in China on the grounds that Hermès lacked promotional activities to increase its fame in China.<sup>88</sup> If Hermès participated in the ethical responsibility initiative, then the additional factor would help its Chinese version win recognition as a well-known trademark.

### B. Raising the Bar for Anti-Dilution Protection

Second, legislators should revise trademark law to provide anti-dilution protection only to luxury brands that adequately fulfill their responsibilities within the ambit of the ethical responsibility initiative. Anti-dilution is a form of trademark protection that guards against blurring the distinctiveness of brands and tarnishing the reputation of brands.<sup>89</sup> It plays an important role in protecting the exclusivity of brands, which is crucial for luxury companies.<sup>90</sup> For example, in *Cartier, Inc. v. Deziner Wholesale, LLC*,<sup>91</sup> the court pointed out that Cartier consumers were sophisticated enough to tell the difference between the sunglasses produced by Cartier and Deziner.<sup>92</sup> However, the court enjoined the defendant Deziner from using the CARTIER mark on its sunglass box label, because Cartier's distinctive reputation in the marketplace may still be harmed by the defendant's use of the CARTIER mark.<sup>93</sup> The court reasoned that "it is also likely that these sophisticated, brand conscious consumers will lose interest in the Cartier name as they see the number of inferior products in the market bearing the Cartier name grow."<sup>94</sup> Implied in this line of reasoning is that the exclusivity of Cartier products would be diminished when Cartier consumers are alerted to the availability of inferior Deziner sunglasses in the mass market. Therefore, trademark protection shields Cartier against the dilutive use of its brand that would harm the exclusiveness of its brand.

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<sup>88</sup> See *France's Hermès Loses China Trademark Fight*, REUTERS (Feb. 26, 2012), <http://www.reuters.com/article/2012/02/27/hermes-china-idUSL4E8DR01820120227>.

<sup>89</sup> 15 U.S.C. § 1125(c)(1) (2012).

<sup>90</sup> Sun, *supra* note 22, at 404-05.

<sup>91</sup> No. 98 Civ. 4947 (RLC), 2000 U.S. Dist. LEXIS 4157 (S.D.N.Y. Apr. 3, 2000).

<sup>92</sup> *Id.* at \*6.

<sup>93</sup> *Id.*

<sup>94</sup> *Id.*

While anti-confusion protection only treats the fame of a mark as one factor among others to be weighed by courts, proving the fame of a mark is the prerequisite for seeking anti-dilution protection. A trademark owner alleging fame must establish that its mark “is widely recognized by the general consuming public of the United States.”<sup>95</sup> The Trademark Dilution Revision Act of 2006 (“TDRA”) provides a non-exhaustive list of factors that a court may consider in determining the famous trademark status:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.<sup>96</sup>

The first three are the main factors. Ostensibly, they focus on the promotional efforts made by brand owners. Some luxury companies have relied on their promotional activities to successfully claim the famous mark status. In *Rolex Watch U.S.A., Inc. v. AFP Imaging Corp.*,<sup>97</sup> Rolex opposed the registration of the mark “Roll-X” for medical and dental X-ray tables based upon a likelihood of dilution by blurring of its ROLEX mark for timepieces. The main pieces of evidence Rolex submitted included extensive sales figures in the hundreds of millions of dollars over the course of 25 years; extensive sales presence in the United States through the operation of 700 official branded jewelers; \$10 million or more in annual advertising expenditures for promoting the mark in the United States since 1985; and continuous and prominent advertisements in nationally circulated publications reaching the general public.<sup>98</sup> In *Audi AG v. Shokan Coachworks, Inc.*,<sup>99</sup> the court recognized AUDI as a famous mark entitled to anti-dilution

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<sup>95</sup> 15 U.S.C. § 1125(c)(2)(A) (2012).

<sup>96</sup> *Id.*

<sup>97</sup> 101 U.S.P.Q.2d (BNA) 1188 (T.T.A.B. 2011).

<sup>98</sup> *Id.* at \*11. For detailed analysis of this case, see Alisa C. Simmons, *Trademark Dilution Developments from the TTAB*, 5 LANDSLIDE 33, 34 (2012), [http://www.americanbar.org/publications/landslide/2012\\_13/november\\_december/trademark\\_dilution\\_developments\\_the\\_ttab.html](http://www.americanbar.org/publications/landslide/2012_13/november_december/trademark_dilution_developments_the_ttab.html).

<sup>99</sup> 592 F. Supp. 2d 246 (N.D.N.Y. 2008).



protection because plaintiffs submitted evidence of their multi-million dollar international advertising and sales of their products, as well as the length of time of the registration of the AUDI mark.<sup>100</sup>

Although some luxury brands have already been recognized by courts as famous marks,<sup>101</sup> the inclusion of the ethical responsibility factor would help luxury companies that have taken on this responsibility achieve sufficiently high fame for anti-dilution protection. It is well-established that such fame is “difficult to prove”<sup>102</sup> and that courts apply “a rigorous standard.”<sup>103</sup> Fame for dilution protection “requires widespread recognition by the general public”<sup>104</sup> and a mark owner “must show that, when the general public encounters the mark ‘in almost any context, it associates the term, at least initially, with the mark’s owner.’”<sup>105</sup> The reference to the general public eliminates any possibility that a brand owner can rely on a brand’s niche fame in a limited geographic area or a specialized market segment to claim anti-dilution protection.<sup>106</sup> The stakes in alleging dilution and setting out to prove fame, therefore, are high. If a plaintiff fails to provide sufficient evidence of fame as defined in Lanham Act § 43(c)(2)(A), then its dilution claim completely fails.

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<sup>100</sup> *Id.* at 280 (ruling that Audi successfully established famousness element of its dilution claim under Federal Trademark Dilution Act (FTDA), based on the length of time of its trademark registration, its multi-million dollar international marketing campaign, and large amount, volume, and geographic extent of sales); *see also* Audi AG v. D’Amato, 469 F.3d 534, 543 (6th Cir. 2006) (ruling that Audi trademarks are famous because they are recognizable and widely known).

<sup>101</sup> In addition to Rolex and Audi, courts have recognized a few other luxury brands as famous marks entitled to anti-dilution protection. These brands include Louis Vuitton, Victoria’s Secret, and Tiffany. *See* Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 265 (4th Cir. 2007); Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 523 (S.D.N.Y. 2008), *aff’d in part, rev’d in part*, 600 F.3d 93 (2d Cir. 2010); V Secret Catalogue, Inc. v. Moseley, 558 F. Supp. 2d 734, 743-44 (W.D. Ky. 2008).

<sup>102</sup> *Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 1373 (Fed. Cir. 2012) (citing *Toro Co. v. ToroHead Inc.*, 61 U.S.P.Q.2d (BNA) 1164, 1180 (T.T.A.B. 2001) (“Fame for dilution purposes is difficult to prove.”)).

<sup>103</sup> *Everest Capital, Ltd. v. Everest Funds Mgmt., LLC*, 393 F.3d 755, 763 (8th Cir. 2005) (“The judicial consensus is that ‘famous’ is a rigorous standard [for anti-dilution protection].”); *see also* MCCARTHY, *supra* note 72, §§ 24:319, 24:327 (pointing out that fame for anti-dilution protection is “a difficult and demanding requirement” and that, although “all ‘trademarks’ are ‘distinctive’ — very few are ‘famous’”).

<sup>104</sup> *Coach Servs.*, 668 F.3d at 1373.

<sup>105</sup> *Id.*

<sup>106</sup> *Top Tobacco, LP v. N. Atl. Operating Co.*, 509 F.3d 380, 384 (7th Cir. 2007) (noting that the general public requirement “eliminated any possibility of ‘niche fame,’ which some courts had recognized before the amendment”).

The Federal Circuit's recent decision in *Coach Services, Inc. v. Triumph Learning LLC*<sup>107</sup> demonstrates significant evidentiary pitfalls that even the owner of a very familiar brand may face for satisfying the fame precondition for anti-dilution protection. In this case, Coach opposed the registration of the defendant's mark COACH for educational materials used to prepare students for standardized tests. It asserted that the defendant's trademark registration had caused consumer confusion and diluted the COACH mark for luxury goods.<sup>108</sup> Coach successfully proved the famous mark status of COACH for its anti-confusion claim.<sup>109</sup> But it failed to prove that the fame of COACH is high enough to deserve anti-dilution protection.<sup>110</sup> In this respect, the court ruled that Coach failed to submit sufficient evidence to prove the following three points regarding the fame of COACH: (1) media coverage showing its "widespread recognition" in the market;<sup>111</sup> (2) success of joint marketing efforts with LEXUS and CANON and the effect of these efforts in promoting the COACH mark in these partners' products;<sup>112</sup> and (3) a high level of brand awareness among women or men generally.<sup>113</sup>

The inclusion of the ethical responsibility factor would help Coach to achieve the famous mark status for anti-dilution protection by increasing its fame not only within a narrow consumer segment but also in the general marketplace. The *Coach Services* decision shows that in order to prove fame for anti-dilution protection, trademark owners should submit consumer surveys or recognition studies that are broad enough to satisfy the general public requirement.<sup>114</sup> If Coach carries out the ethical responsibility to disseminate brochures as required, it would be able to reach out to the wider public. The segment of the public would not just be confined to consumers of

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<sup>107</sup> *Coach Servs.*, 668 F.3d 1356.

<sup>108</sup> *Id.* at 1362.

<sup>109</sup> *Id.* at 1365-71.

<sup>110</sup> *Id.* at 1376 (ruling that Coach "failed to provide sufficient evidence of fame for dilution purposes"); see also MCCARTHY, *supra* note 72, § 24:324 ("The standard for the kind of 'fame' needed to trigger anti-dilution protection is more rigorous and demanding than the 'fame' which is sufficient for the classic likelihood of confusion test.").

<sup>111</sup> *Coach Servs.*, 668 F.3d at 1375.

<sup>112</sup> Coach "argued that other popular brands, including LEXUS and CANON, have used the COACH mark in connection with their products." *Id.*

<sup>113</sup> The court agreed that "although the study [conducted by Coach] showed a high level of brand awareness among women ages 13-24, it provided no evidence of brand awareness among women generally, or among men." *Id.*

<sup>114</sup> *Id.*

luxury goods. Instead, it would expand to the general public as media reports become abundant. Evidence of advertising alone may not satisfy the court. Rather, trademark owners should endeavor to prove the fruits of their marketing, either through timely brand awareness surveys or by other means such as media coverage. Again, the ethical responsibility activities would help Coach. The company may rely on the consumers' response to media reports on its efforts to carry out its ethical responsibilities to prove its fame. There would be news reports about Coach's efforts that would appear on different kinds of social media, and public discussions about the effects of those efforts. With the increased flurry of media exposure, the public recognition of Coach's brand will significantly increase. The same applies to other luxury brands.

The inclusion of the ethical responsibility factor would not be a problem. First, the 2006 TDRA makes it clear that the factors listed therein for measuring fame are non-exhaustive.<sup>115</sup> Therefore, courts have the liberty to consider more factors that are appropriate for measuring the fame of a mark. So far luxury brands such as Louis Vuitton,<sup>116</sup> Victoria's Secret,<sup>117</sup> and Tiffany<sup>118</sup> have been recognized by courts as having adequate fame for anti-dilution protection. The additional ethical responsibility factor would help other luxury brands to achieve the famous mark status for anti-dilution protection.

Moreover, the ethical responsibility factor would help luxury companies to prove whether the distinctiveness of their brands has been blurred or the reputation of their brands has been tarnished. Take the dilution by blurring for example. Under the 2006 TDRA, dilution by blurring is defined as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark."<sup>119</sup> The TDRA also

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<sup>115</sup> 15 U.S.C. § 1125(c)(2)(A) (2012) (providing that "[i]n determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors," including the four factors listed *supra* note 97).

<sup>116</sup> *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 265 (4th Cir. 2007).

<sup>117</sup> *V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734, 743-44 (W.D. Ky. 2008).

<sup>118</sup> *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 523 (S.D.N.Y. 2008), *aff'd in part, rev'd in part*, 600 F.3d 93 (2d Cir. 2010).

<sup>119</sup> § 1125(c)(2)(B). For example, courts have pointed out that "[s]ome classic examples of blurring include 'hypothetical anomalies as Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth.'" *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 105 (2d Cir. 2009) (quoting *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989)).

identifies a non-exhaustive list of six factors that courts “may consider” when determining whether a mark is likely to cause dilution by blurring.<sup>120</sup> In *Tiffany (NJ) Inc. v. eBay Inc.*,<sup>121</sup> Tiffany sued eBay for offering venues for selling counterfeit Tiffany products. The circuit court rejected Tiffany’s dilution by blurring claim, because Tiffany failed to demonstrate that eBay’s promotional efforts were likely to dilute the distinctiveness of the TIFFANY mark.<sup>122</sup> Agreeing with the district court, it reasoned that while eBay had certainly used the TIFFANY mark to describe products available on the eBay website, eBay had not used it to identify its own goods and services.<sup>123</sup> Therefore, eBay never used the TIFFANY mark in an effort to create an association with its own products. Instead, it used the mark directly to advertise and identify the availability of authentic Tiffany merchandise on the eBay website.

The ethical responsibility factor would help Tiffany convince court to uphold its dilution by blurring claim if a similar dispute arises in the future. Courts have ruled that not every factor listed by the TDRA will be relevant in every case, and not every blurring claim will require extensive discussion of the factors.<sup>124</sup> As the list of factors is non-exhaustive, when dealing with the Tiffany case, courts should have the liberty to apply the ethical responsibility factor to weigh whether eBay’s use of its mark blurs the distinctiveness of the TIFFANY marks. Central to proving dilution by blurring is “the whittling away of [the] established trademark’s selling power and value through its unauthorized use by others.”<sup>125</sup> According to Professor Barton Beebe, if the plaintiff just proves a loss of uniqueness in the marketplace in general, the court would not uphold its dilution claim.<sup>126</sup> Instead, plaintiff must show that “consumers who are exposed to both the

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<sup>120</sup> These six factors are: (1) “[t]he degree of similarity between the mark or trade name and the famous mark”; (2) “[t]he degree of inherent or acquired distinctiveness of the famous mark”; (3) “[t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark”; (4) “[t]he degree of recognition of the famous mark”; (5) “[w]hether the user of the mark or trade name intended to create an association with the famous mark”; and (6) “[a]ny actual association between the mark or trade name and the famous mark.” § 1125(c)(2)(B)(i-vi).

<sup>121</sup> 600 F.3d 93, 101 (2d Cir. 2010).

<sup>122</sup> *Id.* at 112.

<sup>123</sup> *Id.* at 111-12.

<sup>124</sup> *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 266 (4th Cir. 2007).

<sup>125</sup> *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 105 (2d Cir. 2009).

<sup>126</sup> Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 16 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 1143, 1169-70 (2006).

plaintiffs and the defendant's marks are less competent to make a 'mental connection' between the plaintiff's mark and the plaintiff's source . . . ."<sup>127</sup> Following this approach, the court can rule that eBay's use of the TIFFANY mark may blur the mental connection between the marks and Tiffany's responsibility fame. Because Tiffany only sells new products in their own retail stores,<sup>128</sup> the company can accumulate adequate fame for fulfilling the ethical responsibility to distribute brochures. By contrast, the first sales of both genuine and counterfeit Tiffany products on the eBay sites did not distribute the brochures from the ethical responsibility initiative. The absence of this process would lead luxury consumers to think that Tiffany does not distribute the brochures through online sales, resulting in a likelihood of blurring Tiffany's ethical responsibility fame. However, for genuine Tiffany products, this decision only applies to the situations in which eBay is used as the venue to start the first sale of genuine products. Because of the first-sale doctrine,<sup>129</sup> it does not apply to the situations in which the subsequent sales of genuine, unaltered Tiffany products are made on eBay after they are first sold to consumers by Tiffany.

### *C. The Power of Trademark Law in Inducing Ethical Deliberation*

The new ethical responsibility as discussed in the preceding section presents a call to alter the common understanding of the function of trademark law. Trademark law has long been shaped by the economic

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<sup>127</sup> *Id.* Regarding this point, the recent Rolex Watch decision must prove a likelihood of blurring in the minds of consumers after proving fame of a mark for a dilution claim. *Rolex Watch U.S.A., Inc. v. AFP Imaging Corp.*, 101 U.S.P.Q.2d (BNA) 1188 (T.T.A.B. 2011).

<sup>128</sup> See Complaint at 6, *Tiffany & Co. v. Costco Wholesale Corp.*, No. 13-CV-1041 (S.D.N.Y. Feb. 14, 2013), available at <http://www.ipwatchdog.com/blog/Tiffany-Costco-Complaint.pdf> ("To protect the brand, Tiffany fine jewelry is only sold in Tiffany retail stores in the United States by trained sales professionals, and is not distributed or sold at discount through off-price retail establishments anywhere in the world.").

<sup>129</sup> See *Tumblebus Inc. v. Cranmer*, 399 F.3d 754, 767 (6th Cir. 2005) ("When a retailer merely resells a genuine, unaltered good under the trademark of the producer, the use of the producer's trademark by the reseller will not deceive or confuse the public as to the nature, qualities, and origin of the goods."); *Sebastian Int'l, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1076 (9th Cir. 1995) (ruling that under the first-sale doctrine, "a purchaser who does no more than stock, display, and resell a producer's product under the producer's trademark violates no right conferred upon the producer by the Lanham Act"); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 285 (1988) (defining a "grey market" good under U.S. law as "a foreign-manufactured good, bearing a valid United States trademark, that is imported without the consent of the United States trademark holder").

efficiency policy.<sup>130</sup> Following this policy, trademark law serves the economic need to incentivize enterprises to offer high quality goods and to protect the consumer interest in obtaining correct information about the source of goods.<sup>131</sup>

The infusion of the ethical responsibility-based reform shows that trademark law can also perform an ethical function. Following the ethical responsibility proposal, trademark law would function to shape socially beneficial behaviors of producers and consumers.<sup>132</sup> Trademarked signs signify social and cultural information.<sup>133</sup> Trademark law should be empowered to inform both producers and consumers of the importance of ethical consumerism through the

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<sup>130</sup> See SUNDER, *supra* note 12, at 31 (pointing out that “intellectual property is understood almost exclusively as being about *incentives*” (emphasis in original)); Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 624 (2004) [hereinafter *Semiotic Analysis*] (observing that the economic efficiency-based theory “has been adopted at the highest levels of American law. No alternative account of trademark doctrine currently exists” (citation omitted)); Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 467 (2005) (“Trademark law . . . aims to promote more competitive markets by improving the quality of information in those markets.”); Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1844 (2007) (concluding that the conventional wisdom about “the goal of trademark law is — and always has been — to improve the quality of information in the marketplace and thereby reduce consumer search costs”).

<sup>131</sup> Beebe, *Semiotic Analysis*, *supra* note 130, at 623 (“The Chicago School asserts that trademarks serve two efficiency-enhancing functions: First, trademarks lessen consumer search costs by making products and producers easier to identify in the marketplace, and second, trademarks encourage producers to invest in quality by ensuring that they, and not their competitors, reap the reputation-related rewards of that investment.” (citation omitted)).

<sup>132</sup> See generally Seana Valentine Shiffrin, *Inducing Moral Deliberation: On the Occasional Virtues of Fog*, 123 HARV. L. REV. 1214 (2010) (discussing the role of law in inducing ethical/moral deliberation).

<sup>133</sup> See ROSEMARY J. COOMBE, *THE CULTURAL LIFE OF INTELLECTUAL PROPERTIES: AUTHORSHIP, APPROPRIATION AND THE LAW* 130 (1998) (exploring the cultural dimension of trademarks as “visual symbols of hegemonic power and as vehicles for alternative articulations in consumer societies”); SUNDER, *supra* note 12, at 42 (arguing that the success of Ethiopia in using trademark to merchandize coffee shows that the trademark is “a purveyor of social meaning with real economic value”); Beebe, *Semiotic Analysis*, *supra* note 130, at 648 (“The trademark . . . is not an irreducible, indivisible thing, but rather a set of relations, specifically, of semiotic relations of reference.”); Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 397 (1990) (arguing that trademarks should be seen as “indicators of the status, preferences, and aspirations of those who use them” and “bases for vibrant, evocative metaphors”); Sonia K. Katyal, *Trademark Intersectionality*, 57 UCLA L. REV. 1601, 1612 (2010) (“Both views — trademark as commodity and trademark as social symbol — are deeply suffused with notions of culture and identity.”).

signs it protects. This informing power facilitates both producers' and consumers' acquisition and appreciation of information about humanistic values such as justice and dignity for combating social inequality and promoting environmental protection.

It would also change our vision about brands, leading us to highlight the ethical value of brands. Underpinning the conventional wisdom about the function of trademark law is the notion that brands are symbols that have only economic values. We hail the top 100 brands, each of which is worth billions of dollars.<sup>134</sup> Standards for recognition of well-known trademarks closely follow this pattern of evaluation by focusing on the economic value that promotional efforts inject into brands.<sup>135</sup>

The proposed change to trademark law channels in the ethical value of brands. Brands would no longer be valued only in economic terms. Instead, brands would also play a role in shaping the ethical sentiments of consumers. When consumers purchase and consume goods, they would be encouraged to consider whether companies that produce branded goods or services fulfill the ethical responsibility to distribute information about poor children. Increasingly, consumers would think more about other ethical issues. For instance, consumers would make purchase decisions by associating branded goods or services with an extra consideration on whether they have established the reputation for being environmentally friendly.<sup>136</sup> From this perspective, trademark law would function to design "rules that will encourage the production of reputation but not its consumption."<sup>137</sup> Similarly, the implementation of the ethical responsibility initiative would encourage luxury consumers and companies to increasingly care about their reputations that may be derived from ethical behaviors. Meanwhile, what they increasingly care less about is social distinction that may be derived from consumption of luxury goods or services.

Measuring the value of brands from the ethical viewpoint is important for the success of the ethical responsibility initiative. Luxury companies may oppose the initiative by arguing that it may associate their products, services, and brands with undesirable images of poverty, resulting in the reduction of their popularity among their

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<sup>134</sup> *The Top 100 Brands*, *supra* note 16.

<sup>135</sup> See *supra* text accompanying notes 79-85, 97-114.

<sup>136</sup> See Annamma Joy et al., *Fast Fashion, Sustainability, and the Ethical Appeal of Luxury Brands*, 16 *FASHION THEORY* 273, 291 (2012) (arguing that "luxury brands can become the leaders in sustainability").

<sup>137</sup> Beebe, *Sumptuary Code*, *supra* note 12, at 886.

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consumers. When they have direct access to information about poverty, luxury consumers may feel guilty. As a result, they may purchase less or stop purchasing luxury goods. This might lead to a negative impact on the business of luxury companies and the value of their luxury brands.

However, if we measure the value of brands not only in economic terms but also in ethical terms, then the above concern would not arise. This is because ethical considerations would lead us to ponder whether luxury companies have fulfilled their responsibilities. By being proactive in their social responsibilities in their business operations, an organization can build a good reputation and image that helps the organization in the long run. For example, sections A and B of this Part has shown that the use of the ethical responsibility factor in trademark law would benefit luxury companies to receive enhanced anti-confusion and anti-dilution protection. Therefore, the efforts that luxury companies make to fulfill their responsibilities would increase the ethical value and thus the total value of their brands.

#### CONCLUSION

The future of our society depends on how we can care about the pains suffered by our fellow human beings. Anyone or any society that is obsessed with the luxury of perfection, comfort, or status recognition will have no claim to be regarded as an ethical person or community.

Nobody is born as an ethical being from the outset of their life-long journey into the world of civilization. The same applies to every luxury company and consumer from the outset of their fanciful journey into the world of luxury. All need to undergo a learning process to cultivate ethical impulses. The ethical responsibility initiative I propose opens up this learning process. It highlights the need for luxury consumers to deliberate on ethical issues relating to their luxury spending and consumption. The ultimate goal of the ethical responsibility initiative is to raise an ethical question about how luxury consumers should react appropriately to the two worlds of luxury and poverty that co-existed in 2011: \$250 billion was spent on luxury goods while 15 million children died from hunger.<sup>138</sup>

This question carries significant ethical consequences. Today, luxury consumers control much of society's wealth and political

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<sup>138</sup> For the data about the amount of luxury spending and death of children resulting from hunger in 2011, see *supra* text accompanying note 25.



power.<sup>139</sup> If they cannot take part in the ethical learning process, the future of human civilization will not bear the sparks of ethics but will sink into the abyss of luxury.<sup>140</sup>

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<sup>139</sup> Professor Peter Singer reports that governmental officials in various countries are luxury consumers obsessed with the conspicuous consumption of luxury goods. See Peter Singer, *Why Pay More?*, PROJECT SYNDICATE (May 9, 2013), <http://www.project-syndicate.org/commentary/the-moral-shortcomings-of-conspicuous-consumption-by-peter-singer> (lamenting that “[w]earing a ridiculously expensive watch to proclaim that one has achieved an elevated social standing seems especially immoral for a public official in a country where a significant portion of the population still lives in real poverty”).

<sup>140</sup> In a letter to Jean-Paul Sartre, Simone de Beauvoir presents luxury gardens in Charleston for rich whites as a symbol of “horrible civilization,” because she found that there were slave markets existing in this American city. This contrast calls into question whether the rich can enjoy luxury goods without due regard to social justice. See SIMONE DE BEAUVOIR, *LETTERS TO SARTRE* 448 (1992) (“Yesterday we saw Charleston, a very pretty old English town, and some marvellous romantic gardens full of flowers, lakes, little bridges and great trees veiled in grey — Gardens dating from 1700 in the middle of plantations, the ultimate luxury in that delicious, horrible civilization. You can still see the slave market at Charleston on your way back from the gardens.”).