

PRIVATIZING TRADEMARKS

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While trademarks promote a competitive and productive marketplace, the Patent and Trademark Office runs the current system of trademark registration as a monopoly of questionable productivity. Delays in obtaining trademark registrations result in a risk to applicants of investing substantial sums into ultimately unregistrable marks. This Article proposes a system of privatized trademark registration as a solution, with features including: multiple entities serving as registrars; an optional expedited process; and quality-control mechanisms. To explore the viability of trademark privatization, the Article relies on the theoretical privatization literature and practical examples in which government exclusivity has been removed from intellectual-property (and other) decision-making. By challenging the PTO's monopoly, the Article pursues a more general discussion about improvements to the existing system of trademark registration.

INTRODUCTION

Trademark law is guided by market-oriented principles that encourage productivity and successful sale of goods—or so the story goes. It is true that at their root, trademarks are commercial instruments that designate goods and their origins effectively, thus promoting competition in the market. The way the United

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States runs its system of trademark *registration*, however, is both ineffective and antithetical to principles of competition. This Article uncovers a number of flaws in the current system and proposes the idea of a privatized system of trademark registration. If implemented correctly, this model would likely decrease both fees and wait times associated with obtaining trademarks, while providing high-quality registrations and respecting society's public policy preferences for the substantive content of marks.¹

As Frank Schechter pointed out in his seminal article *The Rational Basis of Trademark Protection*, “[t]he true functions of the trademark are . . . to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public.”² Throughout his 1927 article, Schechter emphasized how preserving the selling power of the mark is the key consideration in designing a trademark system.³ Some have gone further in explaining why trademarks are so important to both producers and consumers and have stated that without proper identification of goods, “[t]here could be no pride of workmanship, no credit for good quality, no responsibility for bad.”⁴

In this understanding, trademark law offers a form of commercial regulation like any other. Indeed, unlike in the case of copyright and patents—which are both explicitly mentioned in the U.S. Constitution⁵—the federal government draws its entire authority to run a system of trademark registration from the Commerce Clause of the Constitution.⁶ The government performs this function through the U.S. Patent and Trademark Office (PTO). The PTO handles all matters related to trademark registration and seeks to ensure that each mark “in trade enables buyers to distinguish competing goods from each other,” which “makes possible the democratic right of free choice.”⁷ To do so, it is at times

1. See discussion about the prohibition on marks that are, for instance, scandalous, immoral, or disparaging in Part I.B, *infra*.

2. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 818 (1927).

3. *Id.*

4. Edward S. Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 LAW & CONTEMP. PROBS. 173, 175 (1949). Rogers also notes that, but for the existence of trademarks, products would only have to conform to “minimum government specifications” and no more. *Id.* at 180.

5. U.S. CONST. art I, § 8, cl. 8.

6. *Id.* § 8, cl. 3; see also *Int'l Bancorp, LLC v. Société des Bains de Mer et du Cercle des Étrangers à Monaco*, 329 F.3d 359, 363–64 (4th Cir. 2003) (holding that “‘commerce’ under the [Lanham] Act is coterminous with that commerce that Congress may regulate under the Commerce Clause of the United States Constitution”).

7. Rogers, *supra* note 4, at 177; see also Sidney A. Diamond, *The Historical Development of Trademarks*, 73 TRADEMARK REP. 222, 247 (1983) (arguing that “[t]rademarks are essential to the operation of a competitive system of free enterprise” because they provide the “only feasible means by which the consumer can select the particular variety of product that he wishes to buy from among the multitude of choices that manufacturers now make available to satisfy individual tastes and individual preferences among the purchasing public”); 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:1 (4th ed. 1996) (explaining that in addition to protecting

necessary for the PTO to award trademarks in a way that “cede[s] control of distinct product markets to individual producers and thereby lead[s] to monopoly.”⁸ It is understood, however, that the creation of such monopolies should only serve as an instrumental device in the grander scheme of maintaining a thriving competitive market. As one scholar writes, when developing trademark law, “[t]he proper task was, therefore, one of crafting a trademark regime that appropriately balanced the competitive interests at stake by providing protection that minimized material deception without discouraging competitive entry.”⁹

Juxtaposed with this concern for protecting competitive forces in society, it appears paradoxical that the government runs the trademark registration system in a monopolistic, noncompetitive, and, as a result, often wasteful manner. An individual who chooses to apply for a federally valid trademark can only direct her request to the PTO and no other entity. The applicant has to pay the PTO’s set application fee and sometimes incur additional fees after applying.¹⁰ After conforming to a set of such requirements, more serious difficulties set in: the average time between when a person files a trademark application and when the PTO registers the mark is an unfortunately lengthy 13.9 months.¹¹

This period is one of uncertainty for a trademark applicant. He can choose to launch his product or service with an unregistered mark, but doing so could mean losing any investments in advertising and marketing associated with a potential registration refusal and a subsequent change in marks.¹² Or, he could wait

consumers and producers, trademark law seeks to “encourag[e] competition from which the public benefits”).

8. Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 370 (1999).

9. *Id.* at 370–71. Lunney believes that this balance began to be destabilized in the 1950s and that trademark protection became too favorable to trademark owners. *Id.* at 371–73. *But see* Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1840–41 (challenging traditional notions of trademark law history and arguing that the goal of the law was always to primarily protect producers rather than consumers).

10. An application for trademark registration costs between \$275 and \$375 per trademark, per international class, plus possible additional fees. U.S. Patent & Trademark Office, Fees – FY 2009 Fee Schedule, http://www.uspto.gov/web/offices/ac/qs/ope/fee2009january01_2009jan12.htm#tm.

11. U.S. PATENT & TRADEMARK OFFICE, PTO PERFORMANCE AND ACCOUNTABILITY REPORT, Fiscal Year 2008 20–23, *available at* <http://www.uspto.gov/web/offices/com/annual/2008/2008annualreport.pdf>. The PTO emphasizes how this is an improved performance and enumerates the ways in which the process has been enhanced. *Id.*

12. One might object that the applicant can often continue to use the mark and rely on common law rights rather than the benefits of federal registration. Many parties are, however, not willing or able to use an unregistered mark. This was illustrated in recent years by the amount of money and efforts that the Washington Redskins football team invested in keeping its trademarked name when the trademark was challenged for being scandalous and disparaging by Native American activists. For a brief summary of the history of the litigation, see Eric M. Weiss, *Indians Fight Redskins Name*, WASH. POST (Aug. 12, 2006), *available at* http://www.washingtonpost.com/wp-dyn/content/article/2006/08/11/AR2006081101045_pf.html.

until registration has succeeded before using the mark, but this decision could entail financial losses as well from foregoing possible business opportunities. He thus finds himself at an impasse. Further, because no organization clearly represents in the political arena the interests of trademark applicants—a scattered group that spans many demographics—his predicament is difficult for him to change any time soon.¹³ Researchers and policymakers may thus be better equipped to study the matter and act on it, and experts in various countries have indeed started calling for reforms such as the introduction of a fast-track system.¹⁴

Federal registration is highly relevant to the proper functioning of trademark law because of the many benefits that it confers onto a mark owner. One of the key advantages of registration is that it provides nationwide constructive notice of use and ownership of specific marks.¹⁵ This means that the trademark owner obtains exclusive rights to the mark across the country, including regions where the registrant does not plan to expand. Individuals who infringe upon federally registered marks cannot plead a defense of ignorance or good faith.¹⁶ Owners of registered marks can further prevent other applicants from registering marks that are confusingly similar to the original owners.¹⁷ Federal registration constitutes “prima facie evidence of the validity of the registered mark and of the registration of the mark” and “of the registrant’s ownership of the mark.”¹⁸ The registration procedure also enables a mark to become incontestable five years after registration (which means that a mark can only be challenged for a very limited set of reasons from then on),¹⁹ permits a mark owner to rely on the assistance of customs officials to prevent importation of infringing marks,²⁰ and increases the number of legal remedies available to an owner.²¹ The existence of these features thus protects the interests of registered trademark owners in a variety of settings and allows them a greater degree of reliance in their marks.²² It explains why many companies and individuals need the PTO to confirm quickly if they can register particular marks; in the vast majority of cases, these trademark owners would

13. See discussion *infra* Part II.

14. See discussion *infra* notes 172–174 and accompanying text.

15. 15 U.S.C. § 1072 (2006).

16. This is not to imply that such defenses will necessarily or even normally prove successful in litigation involving unregistered marks. I thank Graeme Dinwoodie for his comments on this point.

17. *Id.* § 1114.

18. *Id.* § 1115(a).

19. *Id.* § 1065.

20. *Id.* § 1124.

21. *Id.* §§ 1116–1120. For a discussion of the benefits of federal registration, see also Todd Anten, Note, *Self-Disparaging Trademarks and Social Change: Factoring the Reappropriation of Slurs into Section 2(A) of the Lanham Act*, 106 COLUM. L. REV. 388, 396–98 (2006).

22. *But see* Robert Burrell, *Trade Mark Bureaucracies*, in TRADEMARK LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH, Chapter 4 (Graeme B. Dinwoodie & Mark D. Janis eds., 2008), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1027504 (providing a critique of trademark registration systems).

much rather have to pick a new mark—within a reasonable period of time—than undertake the vagaries of maintaining an unregistered mark.²³

If one asks the PTO why the trademark registration process is plagued by delays, it answers that the sheer bulk of applications is so large that delays are inevitable.²⁴ In 2008, more than 400,000 trademark registration applications were filed;²⁵ during the same year, 398 PTO-employed attorneys served as trademark examiners.²⁶ Some numbers suggest that patent examiners are able to spend no more than an average of eighteen hours on each application, which some scholars believe to contribute to the fact that courts hold 46% of litigated patents to be invalid;²⁷ meanwhile, the figure of average time spent per application is undoubtedly significantly lower in the trademark context.²⁸ Although the PTO has taken some measures to increase the effectiveness of the trademark application process, such as by transitioning to an ever-increasing percentage of electronic

23. It may appear at first that so-called intent-to-use applications (also known as ITU applications) solve part of this problem because they allow individuals to temporarily register marks based on only good-faith intent of use rather than actual use of the mark in commerce. *See* 15 U.S.C. § 1051(b)(1) (2006). This gives applicants the opportunity to reserve a mark while developing it commercially. At the same time, ITU applications also have to go through the same type of examination as regular applications (with the main difference being that use is, of course, not yet required in the first stage of the ITU application but rather is examined later). Thus, while ITU applications allow mark holders to establish priority in the case of disputes, the review process is equally time-intensive and thus the problems associated with delays remain.

24. This is the explanation that I received during phone calls with PTO employees.

25. U.S. PATENT & TRADEMARK OFFICE, *supra* note 11, at 129.

26. *Id.* at 10–13.

27. Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1500 (2001) (internal citation omitted).

28. Of course, less time is necessary to determine the validity of a trademark, but it is possible, judging from the patent context, that the PTO's trademark examination process contains many imperfections of its own. That being said, the extent of the problems with trademark quality is certainly no match to the issues surrounding patent quality. *See* William M. Landes, *An Empirical Analysis of Intellectual Property Litigation: Some Preliminary Results*, 41 HOUS. L. REV. 749, 756 (2004) (surmising that the absence of data about how many trademarks are struck down as invalid suggests that the problem is small compared to the patent situation).

An extremely rough estimate of how many hours are spent on the average trademark application would go something like this: about 400,000 applications are filed each year, and about 400 examining attorneys work on them. *See* U.S. PATENT & TRADEMARK OFFICE, *supra* note 11. If each attorney works about 2000 hours a year, this would mean a total of 800,000 work hours spent examining applications. The PTO probably disposes of about 400,000 applications a year (a part filed the same year and a part earlier). This would lead to a figure of about two hours per application. Because this calculation is so rough, it could be that the number is double or triple that figure, so four or six hours. In any case, (1) it appears doubtful that examiners spend a significant number of hours on each application, and (2) these low figures make the necessity of the existing delays even more questionable. I would like to thank Eric Goldman for our discussion on this subject.

rather than paper-based applications,²⁹ many problems remain. Some may suggest that we simply need to hire more examiners to correct these issues.

This Article hypothesizes, however, that we need to dig deeper than that to truly make the process more efficient.³⁰ Rejecting entrenched notions about the traditionally purely governmental nature of the PTO, this piece engages in a thought experiment and asks if we perhaps ought to return to the root of trademark theory—i.e., that trademarks serve to regulate commerce and should seek to improve competition—and construct a trademark registration system based on the same principles and more strongly guided by concerns about economic waste. This analysis results in a proposal to replace the PTO’s trademark registration procedures through a competitive market in which private actors would act as trademark registrars, with built-in safeguard mechanisms to protect the function and legitimacy of the process.³¹ In discussing the proposal, the Article also raises questions both directly and indirectly about different levels of examination, the weights and presumptions we should attach to them, and a number of other recurring issues in trademark law and policy.

The United States has traditionally used privatization to enhance the country’s ability to supply goods and services as diverse as utilities, transit system operation, trash removal and recycling, medical services, industrial services, and many more.³² Nonetheless, the United States has maintained the centralized nature

29. *Id.*

30. Mark Lemley suggests that in the patent context, doubling the number of hours spent per application would involve a 50% increase in the cost of patent prosecutions. Lemley, *supra* note 27, at 1508. Further, many examples have shown that hiring additional staff in government services does not actually necessarily improve service quality. For instance, New York City increased the number of police officers from 16,000 to 24,000 over a twenty-five year period, and yet the total numbers of hours worked by the entire police force decreased. E.S. SAVAS, PRIVATIZATION AND PUBLIC-PRIVATE PARTNERSHIPS 34 (2000). “The entire 50 percent increase in personnel was devoted to shortening the workweek, lengthening the lunch hour and vacation period, and providing more holidays and paid sick leave.” *Id.*

31. In his work, Lawrence Lessig briefly suggests the idea of using private registrars in the copyright context. LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE, 289–90 (2004); *see infra* note 227 and accompanying text.

32. SAVAS, *supra* note 30, at 72–73; *see also* PRIVATIZATION: THE PROVISION OF PUBLIC SERVICES BY THE PRIVATE SECTOR (Roger L. Kemp ed., 1991) (discussing several examples of privatization). It should be noted that for many goods and services that were successfully privatized, many critics spoke out against privatization before the fact and believed that the government was a necessary component whose absence would be sorely felt. Perhaps the most famous instance of what was considered a good that could not be privatized is Ronald Coase’s lighthouse example. *See* R. H. Coase, *The Lighthouse in Economics*, 17 J.L. & ECON. 357 (1974). It is understood that the history of lighthouses was more multifaceted than Coase suggests and that special cooperation existed between the government and lighthouse operators. *See, e.g.*, Richard Epstein, *The Libertarian Quartet*, REASON MAGAZINE, Jan. 1999 (reviewing RANDY E. BARNETT, *THE STRUCTURE OF LIBERTY: JUSTICE AND THE RULE OF LAW* (1998)), *available at* <http://www.reason.com/news/show/30841.html> (describing the special role of lighthouses at the intersection of private and public forces); Andrew Odlyzko, *The Evolution of Price Discrimination in Transportation*

of essential government functions like administration of the law. The introduction of the decentralized, privatized provision of internet domain-name registration and related dispute resolution has, however, challenged these notions to some extent. This Article's proposal pushes the boundaries of privatization a step further in that direction and seeks to replace the current administrative process of registering marks with a market-oriented mechanism. It remains mindful, however, of the pitfalls of the internet privatization experience and hopes to provide a more nuanced course of action that maximizes productivity while promoting procedural fairness.

To pursue the project of providing a privatized model, this Article first analyzes the function and use of trademarks in commerce. This examination yields the need for a registration system that reliably allows trademarks to fulfill their function as providers of information in contexts such as source identification, quality, and advertising. The discussion shows that the main goal of trademarks in all these areas is to provide effective markets, and it raises the question whether systems other than the PTO might better track that goal. Then, the argument explores the findings of the existing privatization literature to identify processes that could enhance the functioning of the trademark registration system; the closest attention is given to some of the areas of privatization that relate the most directly to trademarks, namely the use of private certification marks, the current system of internet domain names, and the peer-to-patent model. This Article goes on to propose a model that uses private entities where appropriate to decrease processing time and costs while maintaining or increasing the quality of trademark registrations. The model balances the introduction of private actors with governmental protections that would help to ensure economic gains as well as provide a forum for the public to continue exercising its values and judgments into the noncommercial aspects of the trademark registration process.

The resulting model proposes the use of private entities as competing registrars that would process trademark applications and enter registrations into a common, national database. These entities may offer their services for different fees, allowing for more expensive expedited processes as well as slower, cheaper registrations. Both formal and informal mechanisms would provide potential customers with information as to the quality of each entity, and the government would regulate both entry into this market and who could remain in it. The government would set a number of conditions for the necessary start-up capital and expertise on the part of registrars. It would also conduct random checks to ensure high-quality registration as well as shut down any entities that fail the checks or whose marks are struck down in litigation with high frequency. The government could further impose penalties on registrars who fail to fulfill their obligations to apply the conditions of the Lanham Act when accepting marks for registration.

The private registrars would also use an eBay-style feedback mechanism where applicants could leave comments and ratings both immediately after registration and periodically after a number of years, for instance when renewing

and Its Implications for the Internet, 3 REV. NETWORK ECON. 323, 341-42 (2004) (explaining the complex status of lighthouses). The model proposed here is also one of cooperation between the government and private entities.

registrations. This would give registrars the incentive to provide speedy and professional services while also maintaining high registration quality; after all, marks that are struck down in litigation due to their infringing character would result in poor ratings and thus fewer customers down the line. In a similar vein, registrars could provide liability insurance (such as the type one can observe in the land-title search context) that would partially or entirely reimburse applicants for damages suffered due to problematic registrations. This combination of governmental and private quality-enforcement mechanisms would keep any reckless behavior on the part of registrars to a minimum and allow trademark applicants to reap the full benefits of a privatized system. After presenting the model, this Article demonstrates how the same principles used to analyze trademark registration may shed light on other areas of administrative regulation that could benefit from targeted reforms through privatization.

This Article proceeds in three parts. Part I discusses the function of trademarks and their use in commerce. Part II provides a background on privatization theory and its successes, failures, and lessons; as mentioned, it also gives examples of privatization in areas related to trademark registration. In Part III, the piece describes a new model for a partially privatized trademark registration system based on the insights of Parts I and II. Part III also addresses objections to the model and briefly discusses further areas of government regulation where a similar model could be applied.

I. TRADEMARKS IN COMMERCE

A. Background

As scholars have often remarked, “[t]rademarks have existed for almost as long as trade itself.”³³ Some believe that marks were already used on stone-age pottery thousands of years ago.³⁴ Others think that marking began with the branding of animals such as cattle.³⁵ As trade between countries expanded over time, so did the need for marks: manufacturers wanted to provide source-identification information to remote customers who could then make repeat orders

33. ROBERT P. MERGES, PETER SETH MENELL & MARK A. LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 529 (3d ed. 2003).

34. Gerald Ruston, *On the Origin of Trademarks*, 45 TRADEMARK REP. 127, 128 (1955). Throughout the article Ruston also provides pictorial examples of what ancient marks looked like. *See, e.g., id.* at 129.

35. Diamond, *supra* note 7, at 223. There is a rich tradition of cattle branding in the United States due to the historical importance of the cattle industry in the West. *See, e.g.,* THEODORE ELHARD, N.D. DEP’T OF AGRIC., *HISTORY AND LAWS PERTAINING TO LIVESTOCK BRANDS* (1966) (describing the history of branding in North Dakota); JOE NUNN, *HISTORY OF BRANDS AND BRANDING IN SIOUX COUNTY* (1978) (recounting branding history for Sioux County, Nebraska); GERALD A. SMITH, *CATTLE BRANDS OF SAN BERNARDINO COUNTY* (1974) (discussing the history of branding in San Bernardino County, California); J. J. Wagoner, *A History of Cattle Branding in Arizona*, 27 N.M. HIST. REV. 187 (1952) (providing background on branding history in Arizona).

if they enjoyed the quality of certain goods; thus, these early marks performed similar functions in commerce to today's trademarks.³⁶

One scholar describes trademarks as mainly serving three purposes in commerce over time and to this day.³⁷ First is the identification function, which allows customers to distinguish amongst similar goods from different manufacturers.³⁸ The mark “bridges the gap between the consumer and the manufacturer, a gap that tends to grow wider as production units increase in size, distribution extends to more distant markets, and self-service retailing takes the consumer even farther away from the source of supply.”³⁹ The second function is the guarantee function through which consumers begin to view particular marks as symbols of quality.⁴⁰ While a certain mark may not guarantee quality per se, it does tend to guarantee consistency.⁴¹ The third function is the advertising function, because trademarks serve both as symbols that can be employed in advertising and “the package that bears the trademark becomes an advertising medium itself.”⁴²

Although marks initially mostly served the identification and guarantee functions, there has been a “shift from viewing a trademark as a source of information about a product, to viewing the trademark as a product.”⁴³ The goodwill of a business, instantiated by its trademark, is often more valuable than all its other assets combined.⁴⁴ In 1988, for example, Kraft, which owns trademarks such as Kraft cheese, Miracle Whip, and Breyers ice cream, was purchased for a total of \$12.9 billion, a sum worth four times Kraft's tangible

36. Diamond, *supra* note 7, at 227.

37. *Id.* at 246.

38. *Id.* Numerous scholars have mentioned or discussed the identifying function of trademarks. *See, e.g.*, Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 725 (2004); Graeme B. Dinwoodie, *Reconceptualizing the Inherent Distinctiveness of Product Design Trade Dress*, 75 N.C. L. REV. 471, 477 n.18 (1997); Peter Lee, *The Evolution of Intellectual Infrastructure*, 83 WASH. L. REV. 39, 58 (2008); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1695 (1999).

39. Diamond, *supra* note 7, at 246.

40. *Id.*; *see also* Nicholas S. Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 527 (1988) (emphasizing the importance of the role of trademarks as identifying a quality standard by the start of the twentieth century).

41. Diamond, *supra* note 7, at 246; *see also* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 270 (1987) (“[A] firm has an incentive to develop a trademark only if it is able to maintain consistent quality.”). Customers do, however, often associate marks with quality and not just consistency expectations. As early as medieval times, for instance, marks were used by each bladesmith as a mandatory matter and had to be registered in his guild-halls so that defective work could be traced back to the individual who manufactured it. Thomas D. Drescher, *The Transformation and Evolution of Trademarks—From Signals to Symbols to Myth*, 82 TRADEMARK REP. 301, 314 (1992). A bladesmith could be fined and even expelled from the profession if that occurred. *Id.* at 314–15.

42. Diamond, *supra* note 7, at 247.

43. Lunney, *supra* note 8, at 371.

44. Edward S. Rogers, *Some Historical Matter Concerning Trade-Marks*, 62 TRADEMARK REP. 239, 254 (1972).

assets.⁴⁵ Similarly, the impressive growth of Starbucks's revenues from \$975 million to over \$2.6 billion in only four years has been attributed to the company's strong brand name.⁴⁶ A 2008 report ranking the most powerful brand names lists values between \$6 billion and \$86 billion for each of one hundred brands.⁴⁷ Another report currently values the Wal-Mart brand at \$129 billion.⁴⁸ Trademarks are therefore obviously extremely valuable assets in their own right.⁴⁹

The evolution of trademark law toward greater protection for trademark owners has welcomed and encouraged this development.⁵⁰ One scholar explains that "the need for incentives that trademark law addresses becomes not just a question of minimizing consumer deception to ensure a market that generates accurate pricing signals, but a matter of rewarding and thereby encouraging investment in the marks themselves."⁵¹ With this knowledge in mind, it is useful to turn now toward the relevant statutory law and the litigation that surrounds it.

B. Commerce and the Lanham Act

In 1946, Congress enacted the Lanham Act, which governs modern federal trademark law, with the goal "to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and goodwill by preventing their diversion from those who have created them to those who have not."⁵² The focus is thus strongly on ensuring the proper treatment of marks in commerce. Indeed, to obtain a trademark registration in the first place, an applicant must show that the mark has been used in commerce or that he has a bona fide intent to use it in commerce.⁵³

The norm is that any word, symbol, or other device can be used as a mark, with designated exceptions.⁵⁴ While some of these exceptions—such as the one against permitting scandalous, offensive, or immoral marks⁵⁵—are based on noncommercial public policy considerations, the provisions most often involved in

45. Drescher, *supra* note 41, at 302.

46. Joshua Kennon, *Starbucks Franchise Value—A Case Study of an Excellent Business*, ABOUT.COM, Jan. 17, 2005, <http://beginnersinvest.about.com/cs/newinvestors/a/021103a.htm>. Some experts currently value the Starbucks brand at \$12 billion. Millward Brown Optimor, *Top 100 Most Powerful Brands 08* (2008), at 11, <http://www.millwardbrown.com/Sites/Optimor/Media/Pdfs/en/BrandZ/BrandZ-2008-Report.pdf>.

47. *Id.* at 10–12.

48. Interbrand Design Forum, *The Most Valuable U.S. Retail Brands 2009*, at 2, http://www.interbrand.com/images/studies/IBDF_MostValuableRetailBrands_FINAL.pdf.

49. For further discussion of the importance of commercialization in trademarks, see F. Scott Kieff, *Property Rights and Property Rules for Commercializing Inventions*, 85 MINN. L. REV. 697, 751–53 (2001).

50. Lunney, *supra* note 8, at 371–72.

51. *Id.*

52. S. REP. NO. 79-1333, at 4 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1277.

53. 15 U.S.C. §§ 1051(a)(3)(C), (b)(1) (2006).

54. *Id.* § 1052.

55. *Id.* § 1052(a).

litigation again seek to protect competitive markets first and foremost. The key Lanham Act provision in this context, § 1052(d), provides that no mark may be registered that is “likely . . . to cause confusion, or to cause mistake, or to deceive.”⁵⁶ The importance of this portion of the Act becomes obvious upon learning that virtually all trademark disputes are between companies that use conflicting marks.⁵⁷ The fight over marks, both at the registration and later the litigation stages, thus involves a determination by legal experts (trademark examining attorneys, judges, etc.) as to what constitutes a proper, noninfringing mark that comports with all provisions of the Lanham Act.

A failure on the part of such experts to make a timely decision with regard to a mark’s appropriateness prevents a mark from truly fulfilling functions such as providing identification, guarantee, and advertising.⁵⁸ Until registration is secured, for instance, uncertainty weakens the usefulness of the mark. It is dangerous for someone to invest in a mark that may need to be changed a year or two later, when the PTO has finally completed its review of the trademark application. All three functions of identification, guarantee, and advertising are disrupted when a registrant has to change a mark. Consumers may be confused and have to be educated about name changes. The longer a mark is in use, the more expensive a name change is likely to be.⁵⁹ Thus, increased delays in application processing result in costlier refusals for mark holders.⁶⁰

Furthermore, the faster a mark holder develops a successful product and trademark, the more she will suffer if the PTO decides not to register her mark. If she produces high-quality merchandise and thrives in the management of her brand, people will quickly learn to appreciate her product and seek it out on the basis of its trademark. It runs contrary to the general spirit of trademark law (where society seeks to reward manufacturers of popular products for investing in their marks) to undercut her efforts. Sometimes undercutting is unavoidable; a manufacturer who carelessly chooses an infringing or generic mark will

56. *Id.* § 1052(d).

57. 1 MCCARTHY, *supra* note 7, § 2:33.

58. *See supra* Part I.A.

59. This principle is most dramatically illustrated by marks that have been in force for many years and now face accusations of infringement. In the dispute between the World Wrestling Federation and the World Wildlife Fund over the initials WWF, it was estimated that for the former organization to change the name on all its products “could cost as much as \$50-million.” Paul Waldie, *WWF Knocked Out by Environmentalists*, GLOBE & MAIL (Toronto), May 7, 2002, available at <http://www.commondreams.org/headlines/02/0507-04.htm>.

60. Private search firms can reduce some of the uncertainty that applicants face, but they cannot fully alleviate the problem for a number of reasons. First, only a small percentage of applicants can likely afford to hire these attorneys. Second, there is an inherent softness to trademark law due to questions such as what makes a new mark “too similar” to an existing one. Private attorneys can provide an educated guess in borderline cases as to what the PTO will do, but they cannot say for sure. Of course, the counterargument here is that even a PTO determination does not guarantee that a trademark will hold up in court, but at least the mark will benefit from a presumption of validity in court that a private search firm cannot provide through its determinations in the current system.

undoubtedly have to suffer losses due to this decision. Many cases, however, are ambiguous, and making a good-faith effort to choose a proper mark can still fail.

It bears mentioning that ineffective registrations are often compounded by ineffective proceedings in later trademark infringement litigation. To name one example, previous work discussed the uncertainties inherent in the courts' current treatment of trademark infringement surveys, which have become essential to virtually any successful infringement litigation.⁶¹ Courts have struggled with nearly every aspect of these surveys, such as what constitutes the proper survey stimulus with which subjects should be presented, the right form of survey questions, and what the ideal survey environment should look like.⁶² This struggle leads to wasteful results where a trademark owner can lose her case despite having a legitimate claim because of the lack of clarity in the judicial system.⁶³ Past scholarship suggested a number of procedural and substantive changes to enhance the ability of courts to deal with these surveys,⁶⁴ but the issues with trademark litigation remain manifold. Improving the trademark system on the front end by potentially increasing registration quality may, however, lower the pressure on the courts.

It would be to everyone's advantage—the producer, competing producers, and consumers—to use procedures at the trademark registration stage that minimize the waste that results from delays and litigation. One solution that has significantly improved productivity problems and cut down costs in other contexts has been the complete or partial privatization of government services. Part II examines both the theoretical framework of privatization and examples of its practice, with a special emphasis on areas related to trademark registration and intellectual property.

II. PRIVATIZATION—THEORY AND PRACTICE

A. *The Theory and Background of Privatization*

Various definitions of privatization are used in the scholarly and general literature. This Article adopts the understanding of privatization as “the use of the

61. Irina D. Manta, *In Search of Validity: A New Model for the Content and Procedural Treatment of Trademark Infringement Surveys*, 24 CARDOZO ARTS & ENT. L.J. 1027 (2007). Trademark infringement surveys ask consumers to identify attributes of products such as their source and can provide evidence of likely confusion in the marketplace. *See id.* at 1036–37.

62. *Id.*; *see also* Jacob Jacoby, *A Critique of Rappeport's "Litigation Surveys—Social 'Science' As Evidence,"* 92 TRADEMARK REP. 1480 (2002); Michael Rappeport, *Litigation Surveys—Social "Science" As Evidence*, 92 TRADEMARK REP. 957 (2002). Some scholarship has particularly focused on the construction of the survey universe, i.e., the choice of the population that surveys should examine. *See, e.g.*, Robert C. Bird, *Streamlining Consumer Survey Analysis: An Examination of the Concept of Universe in Consumer Surveys Offered in Intellectual Property Litigation*, 88 TRADEMARK REP. 269 (1998); Shashank Upadhye, *Trademark Surveys: Identifying the Relevant Universe of Confused Consumers*, 8 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 549 (1998).

63. Manta, *supra* note 61, at 1058.

64. *Id.* at 1059–70.

private sector in the provision of a good or service, the components of which include financing, operations (supplying, production, delivery), and quality control.⁶⁵ Historically, arguments made in favor of privatization have been varied and have included pragmatic, economic, ideological, commercial, and populist influences.⁶⁶ Given the close relationship between trademarks and the concept of effective markets, this Article mainly focuses on the pragmatic influences positing that reasonable privatization results in more cost-friendly public services.⁶⁷ The idea is that privatization “invokes the power of private property rights, market forces, and competition to give people more for their money.”⁶⁸ Of course, the effectiveness of a particular privatization possibility significantly depends on one’s definition of privatization as well as a great variety of other factors (some of which this Part discusses), and so it would be overly simplistic for anyone to claim that privatization “usually works” or “usually fails.”

That said, government services are largely run as monopolies, which leads to an inherent set of drawbacks. Meanwhile, competition within government is often viewed as “waste and duplication”⁶⁹ and does not tend to work well. Two scholars have noted in their influential work on privatization that “[i]t is one of the enduring paradoxes of American ideology that we attack private monopolies so fervently but embrace public monopolies so warmly.”⁷⁰ Although democracy is supposed to provide a check on poor government services despite their monopoly status, this often does not occur in practice. The scholars do not mince their words when explaining why that is the case:

Most public agencies don’t get their funds from their customers. Businesses do Public agencies get most of their funding from legislatures, city councils, and elected boards. And most of their “customers” are captive: short of moving, they have few alternatives to the services their governments provide. So managers in the public sector learn to ignore them [W]hile businesses strive to please customers, government agencies strive to please interest groups.⁷¹

Note that while trademark applicants technically pay a fee to the PTO, they cannot choose to take their business elsewhere. They are stuck with whatever

65. Kevin R. Kosar, *Privatization and the Federal Government: An Introduction*, Congressional Research Service Report for Congress, 3 (Dec. 28, 2006) (emphasis omitted).

66. SAVAS, *supra* note 30, at 6.

67. *Id.*

68. *Id.*

69. DAVID OSBORNE & TED GAEBLER, *REINVENTING GOVERNMENT: HOW THE ENTREPRENEURIAL SPIRIT IS TRANSFORMING THE PUBLIC SECTOR* 79 (1992). The authors explain: “We assume that each neighborhood should have one school, each city should have one police force, each region should have one organization driving its buses and operating its commuter trains.” *Id.*

70. *Id.*; see also Jonathan Remy Nash, *Framing Effects and Regulatory Choice*, 82 NOTRE DAME L. REV. 313 (2006) (discussing the effects of framing on popular resistance to market-based mechanisms in environmental regulation regimes).

71. OSBORNE & GAEBLER, *supra* note 69, at 167. Public choice theory, which posits that self-interest drives human behavior, predicts that “in the absence of the profit motive . . . bureaucrats look after their own interest, not the public interest.” GRAEME A. HODGE, *PRIVATIZATION: AN INTERNATIONAL REVIEW OF PERFORMANCE* 36 (2000).

economic waste the monopolistic system contains, similarly to the people who deal with government services for which they do not pay a direct fee.⁷²

Many government agencies enjoy monopoly status, and they can take advantage of their status in several ways. It is extremely difficult to reduce an agency's budget, and agencies may respond to attempts to do so by presenting a budget that focuses the cuts on the most salient and popular programs.⁷³ One scholar offers the example of the National Parks Service offering to lower its budget by shutting down a city's most popular tourist attraction, also known as the "Washington Monument strategy."⁷⁴ Another practice that flows from the monopoly status is the use of "tie-in sales" that force customers to pay for an unwanted service if they wish to obtain a wanted one; one such case is when the city of Plaquemine, Louisiana, attempted to force its water customers to also buy city power.⁷⁵

Another reason that democracy does not always keep government service in check is because the majority of Americans may not make use of a service on any regular basis. In the case of the PTO, most Americans will never file a trademark application, which is why the problems with the process remain unknown to the general population. It is often difficult for a minority to combat problems with the PTO because: (1) many trademark applicants do not possess the funds or time to put up a fight; (2) these applicants do not represent any one organized group; and (3) it is unclear whether such resistance will make a noticeable difference. Between these and other factors, the incentives are low for individual trademark applicants to combat the entire current system.

Even if elements within a governmental service seek to adapt the organization to better serve the public, a number of obstacles stand in the way. Some believe that there are three key problems: the political environment that surrounds government organizations; the organizational culture from which the management and employees of the governmental agencies suffer; and the types of personnel and procurement policies that impair the organization's ability to

72. Of course, while there is no direct fee, individuals often still pay for these services through taxation.

73. SAVAS, *supra* note 30, at 31.

74. *Id.* The Washington Monument strategy refers to the following:

When budget times are tough in Washington, D.C., government agencies are asked what they can do to trim spending. In an effort to preserve their existing spending levels, they threaten to close the Washington Monument. They believe that if they can cause enough public outrage they can protect their department from cuts or get lawmakers to raise taxes.

Sam Blakeslee, *Washington Monument Strategy Alive and Well in California*, FLASHREPORT, Jan. 17, 2008, <http://www.flashreport.org/featured-columns-library0b.php?faID=2008011701415955>.

75. SAVAS, *supra* note 30, at 31–32. Savas notes that every once in a while, this tactic may actually run into antitrust concerns. *Id.*

complete its work.⁷⁶ One of the goals of privatization is to allow entities to perform the same services while minimizing these kinds of problems.

The idea of privatization is far from new. As early as 1789, for example, Congress enacted a statute that provided for the contracting out of a project to build a lighthouse near the Chesapeake Bay and maintain lighthouses, public piers, and other such facilities across states.⁷⁷ The privatization movement really took off in the United States and Great Britain in the late 1970s and early 1980s.⁷⁸ Great Britain denationalized a series of major state-owned companies (the United States pursued less privatization by sale, in part because it did not have as many such organizations to begin with).⁷⁹ Many other countries—Western and developing countries in the 1980s, then the former Soviet block in the 1990s—followed suit.⁸⁰ “By the mid-1990s privatization of state and local services in the United States was universal, having penetrated even large cities with strong public-employee unions, and it had become a policy of the federal government.”⁸¹ All U.S. presidents starting with Ronald Reagan have, to varying degrees, shown support for the idea of privatization.⁸² This has been the case on both sides of the political aisle—for example, the Clinton Administration endorsed thirty-six alternatives to “standard delivery service” as part of its “Reinventing Government” initiative.⁸³

Because of the complexity of the subject, there is no single answer as to whether privatization is a good idea in a given situation. The trend amongst empirical studies, however, tends to show that privatization reduces waste more often than not across a variety of industries. One summary of studies conducted from the 1960s through the 1980s that examined areas such as electric utilities, refuse, water, health-related services, and others shows that a majority of studies found that private companies were more productive than state-owned companies while only a few found state-owned companies to be more productive.⁸⁴ The summary authors’ own study of the 500 largest international manufacturing and

76. JEFFREY A. ROY, AN APPROACH TO PRIVATIZATION IN THE 21ST CENTURY 13–14 (2003).

77. Kosar, *supra* note 65, at 2.

78. SAVAS, *supra* note 30, at 15. For a history of the practice of contracting out government services in the United States, see Daniel Guttman, *Public Purpose and Private Service: The Twentieth Century Culture of Contracting Out and the Evolving Law of Diffused Sovereignty*, 52 ADMIN. L. REV. 859 (2000).

79. SAVAS, *supra* note 30, at 15. Some examples of companies that Great Britain privatized were British Petroleum, British Aerospace, Britoil, National Freight Corporation, British Telecom, British Gas, British Airways, Jaguar, and Rolls Royce. *Id.*

80. *Id.* at 16.

81. *Id.* at 16–17 (footnote omitted).

82. Kosar, *supra* note 65, at 9. It is too early to tell at this stage whether this trend will continue during the Obama Administration.

83. Guttman, *supra* note 78, at 861. The initiative was named after David Osborne and Ted Gaebler’s book by the same name. See OSBORNE & GAEBLER, *supra* note 69.

84. Anthony E. Boardman & Aidan R. Vining, *Ownership and Performance in Competitive Environments: A Comparison of the Performance of Private, Mixed, and State-Owned Enterprises*, in 2 PRIVATIZATION AND PUBLIC POLICY 353 (Vincent Wright & Luisa Perrotti eds., 2000).

mining corporations outside the United States also concluded (after controlling for the regulatory/competitive environment in which each corporation operated) that large state-owned enterprises were less productive than equivalent private corporations.⁸⁵ Similarly, in another international study, three scholars found “significant increases in profitability, output per employee (adjusted for inflation), capital spending, and total employment” associated with privatization.⁸⁶ While certainly not every study on privatization has found increased productivity in private corporations,⁸⁷ the average effects of privatization have been positive.

Privatization experts have extensively described the arguments that favor contracting government work out to private actors. Contracting can be more effective than government services because it: (1) “harnesses competitive forces and brings the pressure of the marketplace to bear on inefficient products;” (2) facilitates higher-quality management less encumbered by political constraints; and (3) aligns management’s goals with customers’ through the use of performance-based incentives.⁸⁸ Further, contractors are often better able to provide the public with fast and flexible responses to new needs and are more likely to innovate when doing so.⁸⁹ Of course, contracting can also prove problematic if issues arise such as a lack of qualified suppliers and, thus, insufficient competition or a loss of quality in the provision of services.⁹⁰ Part III, *infra*, will provide more details as to the circumstances that should be in place to ensure successful privatization.

It is useful at this stage to examine a few concrete instances of privatization in the context of intellectual property. These existing models teach important lessons as to both the benefits of privatization and the pitfalls one would need to avoid when privatizing the trademark registration system.

85. *Id.* at 373.

86. William L. Megginson et al., *The Financial and Operating Performance of Newly Privatized Firms: An International Empirical Analysis*, in 2 PRIVATIZATION AND PUBLIC POLICY 340 (Vincent Wright & Luisa Perrotti eds., 2000). Steve Savas presents an impressive array of studies that found cost and time savings in a great variety of settings (such as postal service, printing, railroads, fire protection, legal services, and numerous others) where contracting was used to replace government services. SAVAS, *supra* note 30, at 149–67.

87. For instance, one scholar is critical of problems with contract work in Iraq and also states that 22% of local governments have reported privatization failures in other contexts. Ellen Dannin, *Red Tape or Accountability: Privatization, Public-ization, and Public Values*, 15 CORNELL J.L. & PUB. POL’Y 111, 115–16 (2005) (citations omitted). She also mentions privatization failures in the provision of medical care in jails and prisons. *Id.* at 115 n.19 (citations omitted). Anupam Chander and Madhavi Sunder cite to failures in the Russian utility privatization experience and discuss how scholars’ views of privatization have become more nuanced over time and now include considerations such as the identity of the private actors involved, what type of self-dealing they face, and what their business environment is. Anupam Chander & Madhavi Sunder, *The Romance of the Public Domain*, 92 CAL. L. REV. 1331, 1336–37 (2004).

88. E.S. SAVAS, PRIVATIZATION: THE KEY TO BETTER GOVERNMENT 109 (1987).

89. *Id.* at 109–10.

90. *Id.* at 110–11.

B. Examples of Privatization in Intellectual Property

I. ICANN

One of the most important examples in the context of intellectual property and privatization is the Internet Corporation for Assigned Names and Numbers (ICANN). The U.S. government delegated the management of internet numbers and names to ICANN, a nonprofit corporation, in 1997 due to the tremendous international expansion of the internet.⁹¹ “The relevance and power of ICANN to implement new policies for the internet is based on two main characteristics: (1) the monopoly of the main Domain Name system in the Internet, and (2) the lack of technological compatibility between competing Domain Name systems, preventing other private firms from competing with ICANN.”⁹² ICANN is charged with accrediting registrars who can give out control over individual domain names to applicants.⁹³

Another of ICANN’s key tasks was to design a system that would resolve the increased number of conflicts between the domain-name registrants and the owners of pre-existing trademarks.⁹⁴ ICANN implemented the Uniform Domain Name Dispute Resolution Policy (UDRP), which specifies that a domain-name owner has to submit to a mandatory administrative proceeding under the following conditions: if a complainant argues that the “domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights,” the domain-name owner has “no rights or legitimate interests in respect of the domain name,” and the “domain name has been registered and is being used in bad faith.”⁹⁵ While an extensive discussion and complete evaluation of ICANN and the UDRP is outside the scope of this Article, this Subsection seeks to present

91. Jay P. Kesan & Andres A. Gallo, *The Market for Private Dispute Resolution Services—An Empirical Reassessment of ICANN-UDRP Performance*, 11 MICH. TELECOMM. & TECH. L. REV. 285, 290 (2005). The detailed history of how the government ended up delegating these powers to ICANN is more complex as a number of other organizations were initially involved in the management of the domain-name system. For further information, see, for example, *id.* at 289–91. It also bears mentioning that international pressures played a role in the formation of ICANN as many “believed the U.S. government should not solely control a global resource like the Internet.” Matthew T. Sanderson, *Candidates, Squatters, and Grippers: A Primer on Political Cybersquatting and a Proposal for Reform*, 8 ELECTION L.J. 3, 5 (2009). For a general discussion of the privatization of the internet, see also Brett Frischmann, *Privatization and Commercialization of the Internet Infrastructure: Rethinking Market Intervention into Government and Government Intervention into the Market*, 2 COLUM. SCI. & TECH. L. REV. 1 (2001).

92. Kesan & Gallo, *supra* note 91, at 291.

93. For a list of accredited registrars, see ICANN, ICANN-Accredited Registrars, <http://www.icann.org/registrars/accredited-list.html> (last visited Apr. 17, 2008).

94. Kesan & Gallo, *supra* note 91, at 291.

95. ICANN, Uniform Domain Name Dispute Resolution Policy § 4(a) (Aug. 26, 1999), <http://www.icann.org/udrp/udrp-policy-24oct99.htm>. For further discussion of the development of the UDRP, see Justin Hughes, *The Internet and the Persistence of Law*, 44 B.C. L. REV. 359, 376–80 (2003).

the basic framework of the system and highlight its principal advantages and flaws in ways that will aid in constructing an optimized trademark registration model.⁹⁶

The mission of ICANN is to enforce the stable and secure operation of the internet's unique identifier systems by coordinating the allocation of domain names, internet protocol addresses, and so on.⁹⁷ Today, ICANN accredits registrars that can then competitively register domain names for clients. At the inception of this system, ICANN issued a set of guidelines that registrars would have to meet before fulfilling this function, including financial and business qualifications for potential registrars, and the payment to ICANN of a fixed fee of \$5000, as well as a variable fee of \$1 per year for every domain-name registration.⁹⁸ Registrars also had to pay a one-time \$10,000 fee to Network Solutions (the company that previously held the monopoly on domain-name registrations) to obtain the proper software that enabled them to actually perform registrations.⁹⁹ Meanwhile, Network Solutions fought to maintain a special status that allowed the company to remain exempt from ICANN accreditation.¹⁰⁰ Only after Network Solutions agreed to a compromise solution in which it consented to divesting its registrar business did competition begin to thrive and did domain-name registration prices begin to go down.¹⁰¹

ICANN has had a significant effect on the domain-name market and its transactions. Previously, complaints about poor service by the then-monopoly Network Solutions and an annual fee of \$35 for domain-name registration plagued the registration system.¹⁰² Domain-name applicants now have numerous choices as

96. A word of caution is warranted here. While ICANN provides a useful analogy as a privatized device in the intellectual-property world, the registration of domain names and that of trademarks certainly exhibits significant differences. Most importantly, awarding domain-name registrations tends to be a fairly routine task that does not require complex judgments. That alone means that one could not simply "copy" the ICANN system one for one and apply it to trademarks. While the ICANN experience is encouraging in some respects, for instance because the system lowered application fees, trademark registration raises a host of issues—many of which are unrelated to domain-name registration—that this Article seeks to address in turn. I thank Jacqueline Lipton and others for their comments on this subject.

97. ICANN, Bylaws (May 19, 2008), <http://www.icann.org/general/bylaws.htm#1>.

98. MILTON L. MUELLER, RULING THE ROOT: INTERNET GOVERNANCE AND THE TAMING OF CYBERSPACE 188 (2002).

99. *Id.*; see also ICANN, NSI-Registrar License and Agreement (Nov. 9, 1999), <http://www.icann.org/en/nsi/nsi-rla-04nov99.htm>.

100. MUELLER, *supra* note 98, at 194.

101. *Id.* at 188, 194–96. ICANN continues, however, to charge a number of substantial fees such as a \$2500 application fee, \$4000 yearly accreditation fee, and variable fee billed every quarter that is between \$1200 and \$2000 per quarter. ICANN, Registrar Accreditations: Financial Considerations, <http://www.icann.org/registrars/accreditation-financials.htm> (last visited Apr. 26, 2008). Other conditions include a working capital requirement of \$70,000 and commercial general liability insurance coverage of at least \$500,000. *Id.*

102. Anupam Chander, *The New, New Property*, 81 TEX. L. REV. 715, 727 n.62 (2003) (internal citations omitted).

to which registrar to use¹⁰³ and can pay below \$10 for registration.¹⁰⁴ This experience allows for optimism in the area of trademark registration and suggests that implementing a system with true competition amongst registrars could lead to significant savings and increased client satisfaction there as well.

The area related to ICANN that has generated the greatest amount of discussion is the implementation of the UDRP. The UDRP's proponents state that before the UDRP, "trademark claims against domain-name registrants were too long, too expensive, and the results were too unpredictable."¹⁰⁵ Skeptics believe, however, that the UDRP encourages forum-shopping and is biased in favor of trademark holders, who always constitute the complainants in these types of cases.¹⁰⁶ In response to the criticism that the UDRP does not contain the procedural protections that courts afford, proponents say: "It was not intended to."¹⁰⁷ To proponents, the speed and low price of UDRP procedures precisely stem from the ways in which the system is different from the legal system, and the proponents emphasize that the remedies available to UDRP arbitrators are limited accordingly.¹⁰⁸

Translated to the world of trademark registration, concerns with forum-shopping might arise if applicants chose registrars on the basis of their likelihood to register a desired mark rather than other measures of quality. In the ICANN context, some critics such as Michael Fromkin and David Post have pointed out:

Complainant choice has the useful property of promoting price competition. Unfortunately, economic theory suggests that it also will tend to promote other types of competition, including competition among dispute resolution service providers to be perceived as being most "complainant-friendly" in order to capture all, or a disproportionate share, of the market. We consider this to be

103. ICANN, *supra* note 95.

104. See, e.g., GoDaddy.com, *Domain Name Search Tool*, <https://www.godaddy.com/gdshop/registrar/search.asp?ci=8990> (offering domain names for around \$9) (last visited Aug. 12, 2008); see also JACK GOLDSMITH & TIM WU, WHO CONTROLS THE INTERNET? ILLUSIONS OF A BORDERLESS WORLD 170 (2006) (noting the "dramatic drop in the price of registration" that ICANN delivered).

105. Edward C. Anderson & Timothy S. Cole, *The UDRP—A Model for Dispute Resolution in E-Commerce?*, 6 J. SMALL & EMERGING BUS. L. 235, 236 (2002).

106. See, e.g., Michael Geist, *Fair.com?: An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP*, 27 BROOK. J. INT'L L. 903, 905 (2002).

107. Anderson & Cole, *supra* note 105, at 239.

108. *Id.* Further, the UDRP—while mandatory—is nonbinding, and parties seeking to attack or defend particular domain names can choose to take cases to court. See, e.g., Justin Hughes, *Of World Music and Sovereign States, Professors and the Formation of Legal Norms*, 35 LOY. U. CHI. L.J. 155, 171 (2003) (citing ICANN, Uniform Domain Name Dispute-Resolution Policy (Sept. 29, 1999), <http://www.icann.org/udrp/udrp-policy-29sept99.htm>); see also Anticybersquatting Consumer Protection Act, 15 U.S.C.A. § 1125(d) (2006) (providing for legal cause of action against cybersquatting).

a very serious issue, as even the appearance of partiality would so taint the UDRP as to call the entire enterprise into question.¹⁰⁹

Froomkin and Post suggest the introduction of the calculation of market concentration through mechanisms such as the Herfindahl-Hirschman Index (HHI) to measure if competition is functioning adequately.¹¹⁰ They explain that if this analysis showed a heightened degree of concentration, further investigation would be warranted given the “appearance of impropriety.”¹¹¹ They add that concentration could stem from benign factors such as price differences between providers, and they believe that comparing different firms’ prices could demonstrate whether the causes are indeed these benign factors.¹¹² The situation is actually likely to be more complicated, as factors other than price or unfair preference for complainants could account for significant market concentration. Speed of process and quality of service could produce great differences in market share that society would want to encourage. Nonetheless, Froomkin and Post’s point is well-taken that large differences—both when judging the UDRP context and when evaluating a privatized trademark registration model geared toward competition—should be examined carefully if discovered.

Trademark registration, unlike the UDRP, does not pit two private parties against one another, at least not in its initial stages and not in the majority of cases. Rather, trademark registration involves the interest of a trademark applicant and the more amorphous interest of society at large. Another key distinction is the following: in the UDRP context, it is virtually always in the complainant’s financial interest to win her case, whether she has an objectively legitimate claim or not. She has usually already invested money in a brand name or the like and now seeks to protect its use in cyberspace. In the case of trademark registrants, unlike what appears to be a common assumption, it is not as universally in the registrant’s financial interest to have just any mark registered. Even leaving aside the possibility of the registrant having to deal with public opposition in the process, a mark that does not follow the requirements of the Lanham Act risks later attacks through litigation. As a result, the owner may have to: (1) pay legal fees both to defend actions and to pay for damages; (2) suffer reputational damage if he is depicted as an intellectual property “thief” or infringer of various sorts; and (3) build a new mark if the current one is held to be invalid. Thus, he is usually better off selecting and registering a mark that conforms to the Lanham Act.¹¹³

109. Michael Froomkin & David Post, Froomkin and Post Send Letter to ICANN Board (Jan. 26, 2000), http://www.icannwatch.org/archive/post_froomkin_udrp_letter.htm. Some scholars would say that these types of concerns were validated in the following years and criticize the UDRP accordingly. For an extensive discussion of these issues, see the sources cited in footnote 114, *infra*.

110. *Id.* For a more extensive discussion of the HHI, see, for example, Neil B. Cohen & Charles A. Sullivan, *The Herfindahl-Hirschman Index and the New Antitrust Merger Guidelines: Concentrating on Concentration*, 62 TEX. L. REV. 453 (1983).

111. Froomkin & Post, *supra* note 109.

112. *Id.*

113. An individual who is deliberately using a trademark in an infringing manner may also be less likely to wish to draw attention to this use by attempting to register his mark. I would like to thank Rebecca Tushnet for her comments in this Section.

As will be discussed in Part III.C, there are also other measures that can protect the quality of privately performed trademark registrations and that should allay the fears of UDRP critics while allowing for a registration system of greater productivity and flexibility than the current one.¹¹⁴

A recent proposal introduces more ideas on how to fix the way that ICANN handles domain-name disputes, such as introducing an “IP Registry” of sanctioned names that could then be restricted to their ‘owners.’ Brand holders would bear the burden of proof, according to ICANN-defined procedures, of establishing their ownership of a brand name.” Thomas M. Lenard & Lawrence J. White, *ICANN at a Crossroads: A Proposal for Better Governance and Performance*, Technology Policy Institute, at 20 (Mar. 2009), <http://www.techpolicyinstitute.org/files/icann%20at%20a%20crossroads1.pdf>. Another suggestion is to create

a ‘loser pays’ policy for the UDRP, where the losing party would pay the litigation costs of the prevailing rights holder. This would provide an incentive for applicants to make sure that they weren’t infringing on a trademark or copyrighted name, or at least quickly to relinquish their claim on a name when the legitimate owner made a complaint.

Id. Additionally, the authors provide a helpful discussion of the experience of other standard-setting organizations outside the intellectual-property context; while addressing their specifics is outside the scope of this article, they could provide further guidance if the proposal delineated here enters a phase that requires detailed policy-making. *Id.* at 32–48 (discussing the American National Standards Institute, the Depository Trust & Clearing Corporation, the International Telecommunication Union, the National Automated Clearinghouse Association, Nav Canada, the North American Numbering Plan Administrator, the Options Clearing Corporation, and the Universal Postal Union).

114. This piece does not purport to address all criticisms of the UDRP and ICANN generally. The creation of ICANN and the UDRP has raised a number of issues that are either unrelated to trademark registration or that go beyond the scope of this Article. For more extensive discussions of some of these questions, see, for example, Edward Brunet, *Defending Commerce’s Contract Delegation of Power to ICANN*, 6 J. SMALL & EMERGING BUS. L. 1 (2002); Jose MA. Emmanuel A. Caral, *Lessons from ICANN: Is Self-Regulation of the Internet Fundamentally Flawed?*, 12 INT’L J.L. & INFO. TECH. 1 (2004); Susan P. Crawford, *The ICANN Experiment*, 12 CARDOZO J. INT’L & COMP. L. 409 (2004); A. Michael Froomkin, *ICANN’s “Uniform Dispute Resolution Policy”—Causes and (Partial) Cures*, 67 BROOK. L. REV. 605 (2002); A. Michael Froomkin & Mark A. Lemley, *ICANN and Antitrust*, 2003 U. ILL. L. REV. 1 (2003); Victoria Holstein-Childress, *Lex Cyberus: The UDRP as a Gatekeeper to Judicial Resolution of Competing Rights to Domain Names*, 109 PENN ST. L. REV. 565 (2004); Jay P. Kesan, *Private Internet Governance*, 35 LOY. U. CHI. L.J. 87 (2003); Jay P. Kesan & Andres A. Gallo, *Pondering the Politics of Private Procedures: The Case of ICANN*, 4 J. L. & POL’Y FOR INFO. SOC’Y 345 (2008), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1028128; David E. Sorkin, *Judicial Review of ICANN Domain Name Dispute Decisions*, 18 SANTA CLARA COMPUTER & HIGH TECH. L.J. 35 (2001); Luke A. Walker, *ICANN’s Uniform Domain Name Dispute Resolution Policy*, 15 BERKELEY TECH. L.J. 289 (2000); Jonathan Weinberg, *ICANN and the Problem of Legitimacy*, 50 DUKE L.J. 187 (2000); John G. White, *ICANN’s Uniform Domain Name Dispute Resolution Policy in Action*, 16 BERKELEY TECH. L.J. 229 (2001). For a discussion of the UDRP’s impact on free speech matters, see Jacqueline D. Lipton, *Commerce Versus Commentary: Gripe Sites, Parody, and the First Amendment in Cyberspace*, 84 WASH. U. L. REV. 1327, 1353–61 (2006).

The ICANN experience also brings up other issues that are outside the scope of this article but could provide guidance for the implementation of the proposal delineated here.

2. Certification Marks

In the Lanham Act, the term “certification mark” refers to a type of mark used by a person other than its owner “to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person’s goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.”¹¹⁵ One example of such a mark is the Orthodox Union’s (OU) trademark consisting of the letter U in a circle that certifies a product as kosher.¹¹⁶ While the PTO awards a particular mark to a private organization that wishes to use it for certification purposes, it is the organization that independently sets the standards that someone’s product will have to meet to use the mark. The PTO can, at any point, cancel a certification mark if its owner fails to control its use, produces goods himself to which the mark is applied, allows the use of the mark for purposes other than certification, or refuses to certify or continue to certify the goods of individuals in a discriminatory manner.¹¹⁷ Thus, the PTO continues to regulate the use of a certification mark much past the actual moment of its registration, and the mark owner’s decisions as to how to award the right to use his mark are restricted both by procedural concerns and public policy.¹¹⁸

While many individuals and companies wish to affix a certification mark voluntarily to increase consumer trust in their products, there has been an “increase in the number, type, and uses of certification marks [that] can be attributed in part to changes in global product safety and conformity assessment regulations.”¹¹⁹ The

One example is the splintering off of the WHOIS database, which allows users to identify who owns and operates particular domain names, into several databases in the privatization process. *See, e.g.,* Jay P. Kesan & Rajiv C. Shah, *Fool Us Once Shame on You—Fool Us Twice Shame on Us: What We Can Learn from the Privatizations of the Internet Backbone Network and the Domain Name System*, 79 WASH. U. L.Q. 89, 183 (2001). Other examples of issues that deserve further study based on the ICANN experience are domain tasting (where applicants register and delete significant numbers of domain names after a short test period) and domain sniping (where applicants register a domain name immediately after its former application has expired, though ICANN has taken some measures to address this problem). I appreciate my discussions with Justin Hughes and Eric Goldman on these topics. For a discussion of domain tasting, see, for example, Christopher Healey, *Domain Tasting Is Taking over the Internet as a Result of ICANN’s “Add Grace Period,”* 2007 DUKE L. & TECH. REV. 9 (2007).

115. 15 U.S.C. § 1127 (2006).

116. *See* Orthodox Union, <http://www.oukosher.org> (last visited July 3, 2008). A variety of other certification marks exist that designate products as kosher. *See, e.g.,* EarthKosher Inc., Reg. No. 3110495 (mark consisting of a K inside an earth globe); Chicago Rabbinical Council, Reg. No. 3192909 (IKS Kosher mark); Vaad Hakashrus of Crown Heights Corporation New York, Reg. No. 3131894 (CHK mark).

117. 15 U.S.C. § 1064(5) (2006).

118. For a more extensive discussion of the obligations of certification-mark owners, see Terry E. Holtzman, *Tips from the Trademark Examining Operation*, 81 TRADEMARK REP. 180 (1991).

119. Mark R. Barron, Comment, *Creating Consumer Confidence or Confusion? The Role of Product Certification Marks in the Market Today*, 11 MARQ. INTELL. PROP. L. REV. 413, 418 (2007).

use of certification marks for the purpose of increasing consumer confidence may present disadvantages as well. There is likely to be some disparity in the quality of certification-mark management amongst different owners, with some of these owners being more careful about awarding and monitoring marks than others. This lack of homogeneity allows for the possibility of competition between different certification marks. It also gives individuals who want to affix said marks a greater variety of choices between slightly different marks and lets them choose the certification-mark owners that provide the most effective services.

One scholar has argued that the American certification-mark system largely works well and in fact possesses some distinct advantages over its European counterparts.¹²⁰ The French system of appellations d'origine contrôlées (AOC) provides a stark contrast to certification marks. It is based on the idea of "terroir"—the notion that there is a relationship between the land on which a product is grown and the qualities the product possesses as a result.¹²¹ The AOC system is directed by the Institut National des Appellations d'Origine (INAO), which is currently part of the Ministry of Agriculture.¹²² The INAO regulates a variety of product requirements, such as "for wine, the grape varieties, hectare production quotas, natural alcohol content during vinification, permitted irrigation, etc."¹²³ As discussed, unlike the AOC system, in the United States the PTO does not dictate standards for certification.¹²⁴ As a result, certification marks are able to offer greater flexibility than the system of AOC, particularly because the conditions for a specific AOC can only be modified if "the government agency is convinced to make the change."¹²⁵ Theoretically, the French system should at least bring about more stability and encourage consumers to learn to read the information on wine labels given that said information is unlikely to change quickly.¹²⁶ In reality, however, French and other consumers find the labeling confusing, leading many to the conclusion that the American system has "tapped into a simpler, more efficient system of communicating wine characteristics."¹²⁷

120. Justin Hughes, *Champagne, Feta, and Bourbon: The Spirited Debate About Geographical Indications*, 58 HASTINGS L.J. 299, 336–37 (2006).

121. *Id.* at 307.

122. *Id.* For a brief description of the AOC system provided by the French Ministry of Foreign and European Affairs, see France Diplomatie, *French Food—Appellation d'Origine Contrôlée: A Regional Label of Excellence*, http://www.diplomatie.gouv.fr/en/france_159/discovering-france_2005/france-from-to-z_1978/life-in-france_5279/french-food_5356/appellation-origine-controlee-regional-label-of-excellence_8389.html (last visited Aug. 12, 2008).

123. Hughes, *supra* note 120, at 307.

124. *Id.* at 310.

125. *Id.* at 336. *But see* Rosemary J. Coombe et al., *Bearing Cultural Distinction: Informational Capitalism and New Expectations for Intellectual Property*, 40 U.C. DAVIS L. REV. 891, 900–01 (2007) (describing how the idea of AOC has led to some advantages with regard to claims of tradition and authenticity that European wines have enjoyed for centuries).

126. Hughes, *supra* note 120, at 336–37.

127. *Id.* at 337.

Furthermore, there is a consensus among wine-industry experts that the AOC system discourages innovation while the American one fosters it.¹²⁸

A recent proposal suggests that certification marks might even be increasingly used to address complex political problems. Given the difficulty in having Congress pass the Employment Non-Discrimination Act (ENDA) that would prohibit employment discrimination based on sexual orientation, Ian Ayres proposed the use of a certification mark as a means for employers to commit to the substantive obligations associated with ENDA.¹²⁹ Essentially, Ayres's mark would not certify that an employer does not discriminate, but would rather certify that an employer has promised not to discriminate on the basis of sexual orientation and "has granted all of its employees and applicants express third-party beneficiary status to remedy any breach of the nondiscrimination promise."¹³⁰ The third-party beneficiaries would consist of everyone who would be covered by ENDA if it were passed, which means actual and potential employees as well as governmental civil-rights enforcement agencies.¹³¹ Ayres's proposal bypasses the problems inherent in adopting a controversial bill and gives businesses the freedom to (1) fulfill the conditions necessary to affix his mark, (2) refuse to affix any mark of this type, or (3) seek out a certification mark with an alternative message. He thus provides a creative model to address a complex problem through the use of a privately awarded mark.

The certification-mark system is a prime example of a form of public-private partnership in the trademark arena. This model could extend to the entire trademark registration system by having the government award the right to a number of private registrars to give out use over a regular rather than certification mark to other individuals. As in the certification-mark context, the awarding entity itself would not be the one using the mark on its products but would rather designate *who* can use it. Also, the PTO and courts could become involved if someone made illegitimate use of a mark.

3. Peer-To-Patent

Aside from the delays in the patent system already mentioned, a number of scholars have argued that there is also a significant problem with patent quality, which leads to a number of social costs.¹³² Beth Noveck has suggested that many patents are "vague and overbroad, lack novelty, and fail the constitutional mandate '[t]o promote the Progress of Science and useful Arts.'"¹³³ She suggests that this

128. *Id.* at 338.

129. Ian Ayres & Jennifer Gerarda Brown, *Mark(et)ing Nondiscrimination: Privatizing ENDA with a Certification Mark*, 104 MICH. L. REV. 1639, 1641 (2006) [hereinafter Ayres & Brown, *Mark(et)ing Nondiscrimination*]; see also Ian Ayres & Jennifer Gerarda Brown, *Privatizing Employment Protections*, 49 ARIZ. L. REV. 587 (2007).

130. Ayres & Brown, *Mark(et)ing Nondiscrimination*, *supra* note 129, at 1644.

131. *Id.* at 1645.

132. See, e.g., Shubha Ghosh & Jay Kesan, *What Do Patents Purchase? In Search of Optimal Ignorance in the Patent Office*, 40 HOUS. L. REV. 1219 (2004).

133. Beth Simone Noveck, "Peer to Patent": *Collective Intelligence, Open Review, and Patent Reform*, 20 HARV. J.L. & TECH. 123, 123 (2006) (citing U.S. CONST. art. 1, § 8, cl. 8). Other commentators have pointed out the problems with vague or overbroad

situation stems from a lack of access to information on the part of the PTO and that, due to reasons such as lack of resources, patent examiners “neither consult the public, talk to experts, nor, in many cases, even use the Internet.”¹³⁴ Noveck proposes a system of “peer-to-patent” open review in which the public could provide input in the examinations of patents by submitting to the PTO prior art relevant to particular patent applications.¹³⁵ The public could also become involved by rating patent claims, commenting on prior-art submissions, ranking prior-art submissions, and rating other contributors.¹³⁶ Noveck likens this system to an open scholarly debate that would serve not only the needs of the patent examination process but could even inform more general scientific discussions.¹³⁷ She also underlines the democratizing effect of her proposal because it allows private individuals greater participation in legal processes and makes the government accountable to the larger public in novel ways.¹³⁸

The peer-to-patent model essentially represents a proposal to inject private forces and their know-how into a public institution. In June 2007, the PTO adopted the model as a pilot study involving applicants who volunteered their materials for open review in exchange for priority in the examination of their applications.¹³⁹ As of April 2008, the PTO hailed the results of the study as a success: of the nineteen applications examined at that point, each was examined by an average of fourteen reviewers who submitted five examples of prior art per application; of the nineteen applications, five received nonfinal rejections based on the input of the private reviewers.¹⁴⁰ Some suggest that these five rejected applications may well have slipped through the cracks had they undergone regular PTO review.¹⁴¹

Doug Lichtman and Mark Lemley have criticized the model because, while they could think of many knowledgeable potential volunteer patent

patents. *See, e.g.*, Ian Ayres & Gideon Parchomovsky, *Tradable Patent Rights*, 60 STAN. L. REV. 863, 870 (2007) (noting the innovation-stifling effect of overbroad patents); Jonathan M. Barnett, *Private Protection of Patentable Goods*, 25 CARDOZO L. REV. 1251, 1277 (2004) (stating that “most issued patents are vague to a significant degree and therefore vulnerable to infringement attempts by, and boundary disputes with, third-party innovators”); Michael Risch, *The Failure of Public Notice in Patent Prosecution*, 21 HARV. J.L. & TECH. 179, 181 (2007) (explaining that potential competitors can suffer from vague patents if the competitors are uncertain about infringement and then get sued, and that patentees can be harmed as well if vague patents are interpreted in ways that contradict their initial understanding of the patent).

134. Noveck, *supra* note 133, at 124.

135. *Id.* at 145.

136. *Id.* at 147. Individuals can view online and provide input into the applications that are a current part of this project on a specialized website. Peer to Patent, Community Patent Review, <http://www.peertopatent.org/patent/list> (last visited Aug. 12, 2008).

137. Noveck, *supra* note 133, at 154.

138. *Id.* at 145.

139. *Patents: Peer-to-Patent Project Has Already Produced Results, Sponsors*, PTO SAY, PAT. TRADEMARK & COPYRIGHT L. DAILY (BNA), D-12 (Apr. 28, 2008).

140. *Id.*

141. *Id.*

examiners, “few of those individuals are likely to work for free, let alone do so on a project so intellectually unrewarding as poking holes in dud patent applications,” and the two scholars likened reading problematic applications to “grading F term papers,” which “may not draw qualified volunteer reviewers in sufficient numbers to make peer review more than a pilot project.”¹⁴² Despite the touted success of the peer-to-patent pilot study, it is entirely possible that the project drew reviewers due to its novelty and that this interest would not endure. It is alternatively conceivable that while some scientific areas would draw sufficient reviewers, this result would not translate to all types of patent applications. The private examiners—despite their volunteer status—were able to provide input no less valuable than that of professional PTO examiners, but the benefits of Noveck’s proposal could be significantly multiplied by taking into account Lichtman and Lemley’s concerns. One could do so by changing the incentive structure surrounding private input and especially using *paid* individuals instead of volunteers. Ideally, society could enjoy the expertise of private individuals in intellectual property in an organized setting that would provide both incentives through remuneration and high-quality contributions through mechanisms such as competition from other actors and various quality-monitoring measures.

III. A MODEL FOR PRIVATIZING TRADEMARK REGISTRATION

The foregoing examples show how private forces have already had an impact on various areas of intellectual property. As in the privatization of other services, the involvement of private individuals and organizations in numerous contexts has had such positive effects as lowering prices through competition, providing a greater variety of choices and increased flexibility to consumers, having the government benefit from the know-how of private individuals who may have otherwise remained outside a number of decision-making processes, and democratizing legal processes by involving said individuals. In the hope of improving the effectiveness of the trademark registration system for the benefit of both applicants and the public, this Article will now attempt to propose a model for registration that provides the advantages of privatization while avoiding some of its possible pitfalls. In particular, this Part will focus on three key features. First, it will discuss the use of competing private entities to provide registration services. Second, it will introduce the idea of flexible price schedules into the registration system. Third, it will discuss quality-enforcement mechanisms meant to keep private registrars in check. This Part will also respond to possible criticisms of a

142. Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law's Presumption of Validity*, 60 STAN. L. REV. 45, 46 n.4 (2007). The peer-to-patent model is only one of many examples where individuals are providing volunteer work on the internet to contribute to various projects, one of the most famous other examples being Wikipedia. For further discussions on that topic, see, for example, Don Tapscott & Anthony D. Williams, *WIKINOMICS: HOW MASS COLLABORATION CHANGES EVERYTHING* (2006); Yochai Benkler, *Coase's Penguin, Or, Linux and the Nature of the Firm*, 112 YALE L.J. 369 (2002). *But see* Eric Goldman, *Wikipedia Will Fail in Four Years* (Dec. 5, 2006), Technology & Marketing Law Blog, http://blog.ericgoldman.org/archives/2006/12/wikipedia_will_1.htm (predicting the downfall of Wikipedia, mentioning among other things the fact that contributors do not get paid).

privatized trademark registration system and suggest other policy areas that may benefit from some of the ideas associated with the model presented here.

A. Multiple Competing Private Registrars

The key goal of privatization is to introduce competition and market forces into public services, enterprises, and asset use.¹⁴³ One expert on privatization, Steve Savas, argues that privatization, in the context of contracting, is effective when the following conditions are met: “(1) the work to be done is specified unambiguously; (2) several potential producers are available, and a competitive climate either exists or can be created and sustained; (3) the government is able to monitor the contractor’s performance; and (4) appropriate terms are included in the contract document and enforced.”¹⁴⁴ While this Article focuses on opening the registration markets to private actors altogether rather than having paid government contractors, Savas’s test for contractors is still a useful tool to evaluate the necessary conditions for privatization in the current context: (1) there is a need for clarity in the description of work that society would want private registrars to perform; (2) a competitive climate would need to exist; (3) registrars would need to be monitored through governmental and/or private means; and (4) effective regulations would have to be put in place to sustain such a system of private registrars. This Article suggests that the introduction of private competing registrars, if implemented properly, could fulfill these conditions and improve productivity.

First, the task of trademark registration can be specified unambiguously. Private attorneys—most likely organized as part of entities similar to firms—would have to search the registry (which would remain a collective one to maintain the current advantages of federal registration) and determine whether an applicant’s mark infringes on any existing trademark.¹⁴⁵ They would then need to decide whether a mark conforms to the conditions stated in the Lanham Act. This work would be no different from the work currently performed by trademark examiners at the PTO.

Second, competition would need to exist to fulfill Savas’s conditions. The fact that numerous law firms already perform very similar work when they assist individuals in applying for trademarks suggests that several private organizations would be both willing and able to perform trademark registration services. In fact, many firms specialize exclusively in providing this type of service, i.e., they search the PTO’s registry and ensure that applicants’ marks conform to all other requirements. Applicants can find these firms most easily

143. SAVAS, *supra* note 30, at 122; *see also* JOHN D. DONAHUE, THE PRIVATIZATION DECISION: PUBLIC ENDS, PRIVATE MEANS 222 (1989); Kesan & Shah, *supra* note 114 (discussing the need for competition in the context of the privatization of the internet).

144. SAVAS, *supra* note 30, at 109.

145. Similarly, the Trademark Official Gazette that records trademark applications and allows for public opposition would remain in the hands of a single entity, be it private or public. To view copies of the Gazette, see U.S. Patent & Trademark Office, *Trademark Official Gazette*, <http://www.uspto.gov/web/trademarks/tmog/> (last visited Jan. 20, 2009).

through an online search that leads to their websites.¹⁴⁶ These entities would likely want to perform the task of registering marks if they were allowed, as that could lead to additional revenue. Further, these firms could serve as models for lawyers and entrepreneurs who would be interested in entering the registration business.

Third, society would have to be able to monitor performance. Part III.C will discuss the role of both governmental and private quality-enforcement mechanisms in this context. Finally, any governmental regulation of private entities would need to be clear and actually enforced. Careful drafting would be necessary at the regulation stage, and registrars that did not meet their obligations would have to be shut down.

A number of lessons can be learned from the initial privatization of the domain-name system (DNS), which—as mentioned in Part II.B.1—involved the delegation of power to organizations outside the government such as Network Solutions, Inc. and ICANN. The DNS privatization lacked transparency in decision-making, there was insufficient public input into crucial decisions, and government-subsidized companies impeded competition, which led to the introduction of only limited competition for the DNS.¹⁴⁷ In the model proposed here, there would be no government-subsidized companies but rather non-subsidized private firms. The number of registrars would not be limited; instead, the needs of the market would determine those numbers. The government would set out regulations that firms would have to fulfill to become registrars and then it would allow anyone who meets the relevant conditions to serve as a registrar. The government might impose requirements such as evidence of an infrastructure that could support registration or certain credentials on the part of private trademark examiners. Drawing from the DNS privatization experience, it would be best if the crafting of these regulations were as transparent as possible and open to public comment. The regulations should also remain free of favoritism toward any particular constituency that might have an interest in entering the registration business.¹⁴⁸ Some work has recently suggested that ICANN “should be accountable to external parties” and that “[i]nternal procedures are not sufficient.”¹⁴⁹ Creating safeguards that protect principles of accountability and thus

146. See, e.g., Augustyn Law Office, Trademark Search, <http://alawoffice.com/trademark/search/?gclid=COXNiP2215QCFQgfswodEzwlIQ> (last visited July 23, 2008); Creative Trademark Services, *Trademark Search*, <http://www.creativetrademark.com/> (last visited July 23, 2008); Government Liaison Services, Inc., GLS Services, <http://www.trademarkinfo.com/> (last visited July 23, 2008); TradeMark Express, Expert Trademark Legal Research and Application Services, <http://www.tmexpress.com/index.php?gclid=CLne6M-315QCFSXNIgodv13tkQ> (last visited July 23, 2008). This is just a sampling of existing services that specialize in searching the trademark registry and filing applications; there are numerous other firms performing this type of work.

147. Kesan & Shah, *supra* note 114, at 94.

148. For instance, poorly drafted regulations could excessively favor large businesses or attorneys that have particular types of work experience that may not directly relate to the registration process.

149. Lenard & White, *supra* note 113, at 16. To address some of the other concerns about ICANN, Lenard and White further suggest including the implementation of “a competitive application process, whereby prospective generic top-level domains (gTLD)

also transparency is a key part of designing a privatized system of trademark registration, and this Article proposes a number of such measures in Part III.C.¹⁵⁰

One potential financial regulation for trademark registrars might set the necessary starting capital and resources required of registrars so that applicants are guaranteed a minimum level of service. Such a requirement would lower the risk of seeing a registrar fail as a business in the middle of an application. In the case of ICANN, applicants were initially required to have \$100,000 in liquid capital, \$500,000 in liability insurance, a reliable computer infrastructure, and a minimum of five employees.¹⁵¹ Some of these conditions have changed over time; for instance, the guidelines currently require applicants to have \$70,000 in liquid capital.¹⁵² When establishing the proper figures, regulators should consider the fact that there is little need for an expensive infrastructure to set up a basic registrar business. In fact, it would be unsurprising to see many private examiners telecommute,¹⁵³ thus making access to a computer network and the trademarks database the primary capital barriers to entry.¹⁵⁴ While there may be some governmental requirements for fundamental knowledge of trademark law on the part of private examiners, regulations regarding start-up capital should mostly show restraint.

To prevent self-dealing, the government may also want to restrict a trademark registrar's ability to register marks for itself or any business affiliates. This would avoid some of the accusations that were made in the ICANN context, where Afilius, the manager of the .info domain-name space, reserved for itself domains such as Dot.info, Search.info, Directory.info, and Email.info, "which many in the Internet community view[ed] as an illegitimate attempt to hoard valuable domain names."¹⁵⁵ Of course, hoarding marks is not quite as simple as hoarding domain names because a trademark applicant must at least show good-faith intent to use a mark for any sort of registration. Nonetheless, it remains an issue that regulators should consider when building the appropriate legal

operators would compete by proposing registry terms, including price, for new gTLDs and for renewals." *Id.* at 18.

150. For instance, as discussed *infra*, one measure that enhances accountability indirectly improves transparency in this proposal by having the PTO conduct random checks of registrars' work and thus produce more public information as to the registrars' performance. Lenard and White suggest that ICANN's nature as a nonprofit entity, combined with the way it is funded, makes it almost inherently less accountable than a regular private for-profit company, which is closer to the type of entity that this model envisions. *Id.* at 22.

151. Chander, *supra* note 102, at 727 n.63 (internal citation omitted).

152. ICANN, Registrar Accreditation: Financial Considerations, <http://www.icann.org/registrars/accreditation-financials.htm> (last visited July 30, 2008).

153. Fifty-eight percent of trademark employees already telecommute at least one day a week. U.S. PATENT AND TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2008 22 (2008), available at <http://www.uspto.gov/web/offices/com/annual/2008/2008annualreport.pdf>.

154. A small percentage of applications may require legal research beyond the basic database searches, but those cases are unlikely to significantly increase the ideal start-up capital.

155. Chander, *supra* note 102, at 765 n.285.

framework. While regulators should take these factors into account, their foremost focus should remain on providing a regime that promotes and sustains competition in the marketplace.

It is important to note that in this competitive system, the PTO would likely retain its role in dispute resolution. The vast majority of privately registered trademarks would encounter no public opposition. If there was public opposition, or if an individual requested cancellation of a mark, the PTO could resolve the question, and the Trademark Trial and Appeal Board (TTAB), as well as the courts, would continue to hear any appeals. This would avoid the problems that critics have raised in the UDRP context.¹⁵⁶ While a system of private arbitration is conceivable for some of these disputes and such an option remains worth exploring for its productivity-enhancing features, its proponents would need to provide answers to the difficult questions that would arise as a result.¹⁵⁷ In any case, the model presented here does not preclude the implementation of such arbitration options down the line should they appear beneficial.

The model does assume, however, that the determinations of private entities at the registration stage will continue to receive the presumption of validity for marks that PTO registration entails. This means that if a mark were challenged in litigation, courts would presume a mark to be valid, and the challenging party would have the burden of overcoming that presumption.¹⁵⁸ There are a number of examples in other areas where the government similarly lends the determinations of private actors such a presumption in legal proceedings, even when the presumption affects the right of third private parties. For example, in some jurisdictions the decision of a private condemner to take land is awarded a presumption of validity.¹⁵⁹ Also, nominating petitions for political candidates that are circulated, signed, and filed, are generally presumed to be valid in court; it is the challenger who has the burden of proving that an individual who signed the

156. See *supra* Part II.B.1.

157. One of the problems with this model arises out of the complications of choosing an arbitrator for such disputes. If the plaintiff chooses the arbitrator, some of the concerns from the UDRP context could arise here as well and there would be a need for another layer of monitoring to ensure the fairness of proceedings. If the public chooses one, this could impose costs on the public to research and decide on an arbitrator each time an individual from the public chooses to oppose a mark.

158. An alternative system might provide different levels of rigor in examinations based on applicants' needs and then varying presumptions in courts depending on the type of examination used. While such a feature to the model could provide certain advantages, it obviously also introduces a number of complications; its efficacy may best be evaluated at a later point, some time after the initial model is in place and its results have been studied. For discussions about introducing different levels of examination in the patent context, see, for example, Lichtman & Lemley, *supra* note 142; Kristen Osenga, *Entrance Ramps, Tolls, and Express Lanes—Proposals for Decreasing Traffic Congestion in the Patent Office*, 33 FLA. ST. U. L. REV. 119 (2005). I am grateful to Graeme Dinwoodie for the discussion we had on this subject.

159. See, e.g., *Wiard Mem'l Park Dist. v. Wiard Cmty. Pool, Inc.*, 52 P.3d 1080, 1083 n.5 (Or. Ct. App. 2002). Oregon statutory law makes a distinction in the language that it uses for the presumptions that the determinations of private versus public condemners carry, but both types of determinations are presumptively valid. See *id.*

petition is not a qualified elector.¹⁶⁰ The due execution of a will, which requires no governmental action, makes the will carry a presumption of validity in court, and any third parties challenging the will have the burden of overcoming that presumption.¹⁶¹ The certificates of acknowledgment that a notary public issues carry a strong presumption of validity.¹⁶² The conduct of private attorneys also benefits from a strong presumption that it falls within a broad range of reasonable professional assistance.¹⁶³ The decisions of private trademark registrars would receive the same type of deference in this model and would, ideally, be treated the same way as today's PTO decisions.¹⁶⁴

B. Flexible Price Schedules and Registration Processing Speeds

A private system of competing registrars will allow for increased price discrimination. The PTO already offers some expedited processing in the patent context (aside from the peer-to-patent test cases mentioned previously), but private registrars could offer many more options that could guarantee different prices and different speeds of processing. Currently, certain patents can receive expedited consideration depending on the applicant's age or health or if the invention will materially improve the quality of the environment, lead to the development or conservation of energy resources, or assist in countering terrorism.¹⁶⁵ Even those patent applications that qualify, however, are only guaranteed a pendency of no more than twelve months.¹⁶⁶ The PTO also allows for the expedited processing of design patents for an extra fee.¹⁶⁷ When this design patent rule was proposed in 1998, Nike Inc. responded very positively to the planned change, noting that it would avail itself of this possibility for 100 to 150 design applications per year.¹⁶⁸ Nike also noted the importance of the opportunity to "maximize a patentee's protection by synchronizing protection with the retail market launch" of a product and explained that Nike would be willing to pay the additional fees "only if the PTO set a timed goal for the issuance of design patent applications that are filed complete and ready for expedited processing."¹⁶⁹ The company further explained:

160. See, e.g., *Jenkins v. Hale*, 190 P.3d 175, 176–77 (Ariz. 2008).

161. See, e.g., *In re Malnar's Estate*, 243 N.W.2d 435, 439 (Wis. 1976) (citing *In re Estate of Barnes*, 112 N.W.2d 142 (Wis. 1961)).

162. See, e.g., *Alfieri v. Guild Times Pension Plan*, 446 F. Supp. 2d 99, 109–10 (E.D.N.Y. 2006) (citation omitted).

163. See, e.g., *Miller v. State*, 914 So. 2d 800, 803 (Miss. Ct. App. 2005).

164. It is worth noting that whenever courts lend the "presumption of innocence" to the actions of a private party, they basically state that the party's actions have presumptive legal validity. This remains the case whether the litigation involves the state and the private party, or rather a private party that may have injured another private party.

165. Advancement of Examination, 37 C.F.R. § 1.102 (2009).

166. U.S. Patent & Trademark Office, Accelerated Patent Examination, <http://www.uspto.gov/web/offices/com/strat21/action/aep10.htm> (last visited Feb. 23, 2009).

167. Expedited Examination of Design Applications, 37 C.F.R. § 1.155(a)(3)(i) (2009).

168. Nike, Inc., Comment on Advance Notice of Proposed Rulemaking Regarding Changes to Implement the Patent Business Goals (Dec. 4, 1998), <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/anpr/c05.htm>.

169. *Id.*

“Without such a goal for issuance, the PTO’s additional fee for the expedited procedure is a one-way bargain, and one that customers are not likely to utilize especially given the high processing fee [of \$900].”¹⁷⁰ It appears, however, that while the PTO’s procedure for design patents allows for applications to be considered out of turn, it does not guarantee that the application will be examined within any particular time-frame as some had hoped.¹⁷¹

This is precisely the type of issue the market is well-equipped to handle. The commercial world is replete with examples of services where customers are happy to pay more in exchange for a guarantee of speedy processing; overnight shipping and expedited printing are only two examples of many. Virtually any service can be performed faster or more optimally if one is willing to pay more for it. In a competitive market, where there is a need for speed, there is usually someone willing to meet that need, for a mutually agreeable price.

Calls for speedier trademark registration are not unique to the United States but are resonating all over the world. In December 2005, the British Government commissioned Andrew Gowers, the editor of the Financial Times, to examine whether intellectual property law in the United Kingdom was tailored to the challenges of globalization and technological development.¹⁷² This report became known as the “Gowers Review.”¹⁷³ Based on the fact that “[i]n today’s fast moving business environment products are regularly launched within short timescales,” the Gowers Review proposed the introduction of a “fast track system” for trademark applications that would allow marks to be examined and accepted within ten days of filing, after which the three-month period of public opposition would begin.¹⁷⁴ In Canada, an expedited registration procedure exists precisely because “the applicant wants to know if [the mark] could be registered before a large amount of money is spent on advertising or production costs.”¹⁷⁵ As of

170. *Id.* The National Association of Patent Practitioners endorsed the creation of such a “rocket docket” for design applications. The National Association of Patent Practitioners, Comments on the Changes to Implement the Patent Business Goals; Proposed Rule Making, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/anpr/a08.htm>. Meanwhile, another group commented that the proposal “may be advantageous to applicants as well as the public,” but the group had some doubts “as to whether the PTO is capable of carrying out this expedited examination.” Section of Intellectual Property Law, Comments of Section of Intellectual Property Law—American Bar Association to Advanced Notice of Proposed Rulemaking, Oct. 5, 1998, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/anpr/a01.htm>.

171. It is understood that this problem is ultimately more dramatic in the patent context, not only because the delays are more significant than for trademark registrations, but also because trademarks at least receive common law protection prior to registration whereas patents do not. I thank Graeme Dinwoodie for his comments here.

172. Péter Mezei, *Fair Use and Culture: Comments on the Gowers Review*, 39 U. TOL. L. REV. 653, 654 (2008).

173. *Id.*

174. Andrew Gowers, *Gowers Review of Intellectual Property*, § 5.38 (Nov. 2006), available at http://www.hm-treasury.gov.uk/d/pbr06_gowers_report_755.pdf.

175. Canadian Intellectual Property Office, Amendments to the Examination Manual: Requests for Expedited Examination (Feb. 23, 2000), <http://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr00653.html>.

March 2000, however, the Canadian Intellectual Property Office restricted the procedure for requesting expedited processing, making it more difficult to obtain.¹⁷⁶ The Office justified its decision to restrict the procedure by explaining that “[t]he advancement of an application out of routine order creates a favored position at the expense of all other applicants.”¹⁷⁷

Indeed, as long as all registrations are performed by one government entity, expedited review for one applicant comes at the expense of other applicants. This would remain the case unless a near-infinite amount of resources were invested in the process. If, however, the registration process was opened to private actors, the pressure on any given registrar would be diminished. If a registrar’s resources could no longer satisfy applicants, applicants could find a different registrar. Not only would private entities provide a more reliable chance at a speedy outcome, but prices would likely drop from where they currently stand, i.e., in the hundreds of dollars.¹⁷⁸ This would alleviate concerns about economic disparities between applicants,¹⁷⁹ and would allow individuals who currently opt for state registration due to the cost of federal registration to obtain the latter. Some trademark applicants might even be willing to accept a slower registration process in exchange for lower fees.¹⁸⁰ Further, registrars could set different prices and processing times for applications that vary in type and complexity, for instance distinguishing between more traditional trademarks that consist of graphic materials as opposed to those that consist of sounds. One could envision a system where a registrar charges based on an estimate of how many work hours different applications will require. Private registrars are therefore likely to allow for a multitude of possibilities in this area. The PTO is simply unable to match the reduced prices and variety of options that private registrars could offer.

176. *Id.*

177. *Id.* One organization criticized the aforementioned creation of a design patent “rocket docket” for the same reason, i.e., that such a system would “have a tendency to delay action of other applications as the prosperous applicants rush to the front of the examination queue].” American Intellectual Property Law Association, Re: AIPLA Comments on the Advance Notice of Proposed Rulemaking Entitled “Changes to Implement the Patent Business Goals,” (Dec. 4, 1998), <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/anpr/a02.htm>; *see also* The New York Intellectual Property Law Association, Inc., Comments on Advance Notice of Proposed Rulemaking Concerning 21 Topics to Implement the Patent Business Goals, (Nov. 30, 1999), <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/anpr/a09.htm> (similarly arguing that the expedited procedure for design applications would create delays for applicants who lack “deep pockets”).

178. *See supra* note 10 and accompanying text.

179. Of course, applicants with greater financial means could afford a faster process. That being said, they would not do so at the expense of other applicants, and all applicants—no matter what their economic background—would likely obtain speedier registrations than they do today. It is also important to note that faster registration would not result in increased substantive rights if there is a race for registering a particular mark; the decisive factor in such races is the date that an application is filed, not the date when a mark is actually registered.

180. The internet domain-name area has seen a great variety of services spring up that are customized to consumers’ needs and come with a corresponding diversity of price tags.

C. Quality-Enforcement Mechanisms

One of the greatest concerns of privatization opponents is that private registrars could register marks indiscriminately to accrue rapid financial gain, without regard for the conditions of the Lanham Act or as to whether a mark is infringing. Two types of quality-enforcement mechanisms can minimize this type of problem. The first consists of governmental safeguards, and the second—which will likely become the key mechanism—consists of market protections.

Governmental safeguards must not stifle competition in their strictness but must still eliminate blatant abuse. One possibility would be for the government to record data about the percentage of registrations issued by each individual registrar that receive public opposition and/or are later struck down by courts. While this might prove useful in some cases, it could admittedly take a long time to uncover a registrar's widespread abuse in this way. Some registrars could also try to game the system by allowing a number of marks that either violate the Lanham Act or infringe against another mark but that are unlikely to provoke much opposition or litigation.¹⁸¹ A registrar would have to expend a substantial amount of resources, however, to calculate which improper registrations would be likely to cause trouble and which would not, possibly to the point of making the selective registration of improper marks a nonlucrative endeavor. Furthermore, even if some improper registrations occur in this context, their number would likely remain small, and it is unclear that they would have a major impact on the system.

Another government safeguard would be random PTO audits of registrations. Individuals in the public or the PTO itself could initiate such audits if they saw suspicious activity. If the PTO found an inordinate number of improper registrations,¹⁸² the registrar in question could lose his or her license and face legal sanctions such as large fines.¹⁸³ It would also be possible to implement a system where registrars have the option to forward particularly complex or unclear applications to the PTO in case of doubt. The vast majority of applications are unlikely to require any such extra help, and a relatively small number of PTO attorneys could handle these types of supervisory or assistance-oriented functions.

Private quality-enforcement mechanisms would likely assume a much more dominant function than government-driven ones. These private mechanisms fall into both formal and informal categories. In the formal realm, registrars could provide guarantees by offering liability insurance. That is, a registrar could communicate to trademark applicants that if they lose their marks through

181. I would like to thank Eugene Volokh for his observations on this subject.

182. One could envision different ways to define “improper” in this context and regulate accordingly. Some relevant factors in making that determination would be to evaluate the number of marks that a registrar approved and courts held to be invalid or infringing, but also a significant number of marks that—while never challenged—clearly fall outside of what any reasonable reading of the Lanham Act would allow. I am grateful to Justin Hughes and Lisa Ramsey for their comments here.

183. These fines could cover the costs of the PTO-monitoring procedures. Further, entities could be asked to pay a fee when becoming approved registrars to cover any remaining costs.

cancellation or owe damages for trademark infringement down the line, the registrar will pay them a certain sum of money or percentage of damages. Alternatively, registrars could contribute to the legal costs associated with the defense of marks. Some companies both in the United States¹⁸⁴ and abroad¹⁸⁵ offer several types of insurance for various forms of intellectual property, and registrars could use these companies' procedures as a model.¹⁸⁶

Title-insurance firms provide another helpful analogy. When an individual purchases land, she can hire a title-insurance company that will perform a title search to ensure that no unknown entities hold legally cognizable interests in the land. Should the insurance company later prove to have been incorrect, it compensates the land buyer for any losses. Similarly, in the case of trademark registrars, registrars would perform trademark searches, award marks, and indemnify trademark owners for losses incurred as a result of an improper search.¹⁸⁷ Understandably, searches in the trademark context may not be as ironclad as those in the land-title context, but that fact can be considered when calculating insurance premiums.

Perhaps the most important measure for ensuring the high quality of registrations would be the implementation of private quality-enforcement mechanisms that use word-of-mouth or gossip. The importance of such mechanisms has been previously examined in legal scholarship, and gossip has been found to play a profound role as either a replacement or supplementation to governmental law enforcement in areas such as the now-famous disputes between ranchers and farmers in Shasta County¹⁸⁸ and the resolution of agreement breaches in the diamond industry.¹⁸⁹ The reputational damages that result from negative

184. See, e.g., Intellectual Property Insurance Services Corporation, How Does It Work?, <http://www.ipisc.com/products/insurance-policies/how-does-it-work/> (last visited Aug. 3, 2008).

185. See, e.g., Professional Insurance Agents Ltd, What Is Intellectual Property Insurance, <http://www.intellectualpropertyinsurance.co.uk/what-is-intellectualproperty-insurance/> (last visited Aug. 3, 2008).

186. The assumption is that applicants could use a different registrar for a trademark renewal than the initial application, and so the government or insurance policies would have to clarify which registrar is liable in each case. One possibility would be to have liability attach to the last registrar who reviewed a particular mark (i.e., the registrar who performed the most recent renewal would be liable in the case of litigation).

187. For a more detailed overview of title insurance, see, for example, Charles Nyce & M. Martin Boyer, *An Analysis of the Title Insurance Industry*, available at <http://neumann.hec.ca/gestiondesrisques/98-14.pdf> (last visited Apr. 10, 2009). I would like to thank Richard Epstein for suggesting the parallel to title insurance.

188. ROBERT C. ELLICKSON, *ORDER WITHOUT LAW: HOW NEIGHBORS SETTLE DISPUTES* (1991); Robert C. Ellickson, *Of Coase and Cattle: Dispute Resolution Among Neighbors in Shasta County*, 38 STAN. L. REV. 623 (1986). Rather than resorting to litigation, cattle farmers would often use self-help measures including community gossip to enforce norm violations. See *id.* at 677–85.

189. Lisa Bernstein, *Opting Out of the Legal System: Extralegal Contractual Relations in the Diamond Industry*, 21 J. LEGAL STUD. 115 (1992). The diamond trade relies greatly on extralegal contracts whose “enforcement depends on social ostracism or reputational damage.” *Id.* at 133. Another related example that Lisa Bernstein has discussed is the use of gossip in the cotton industry, which greatly relies on internal mechanisms to

gossip can extend to both the social and the economic realm, but the latter is the focus of private trademark registration.

When customers “are cheaply and accurately informed about the quality of [a] product, reputation can function as a perfect enforcer of representations as to that quality.”¹⁹⁰ Simply put, when it comes to trademark registration, applicants will choose the best possible combination of speed, low cost, and reliability if given a choice between different registrars. The most valuable information about these variables is likely to come from other applicants. Since the advent of the internet, gossip has become a powerful tool outside of small, tightly knit communities,¹⁹¹ and individuals are able to communicate about the quality of products or services all over the country and worldwide. One scholar has described a number of internet mechanisms that promote better quality of products and services; he discusses both websites that incorporate ratings—such as eBay’s feedback system in which one can rate sellers and buyers—and sites whose entire purpose is the rating of businesses, such as Epinions.com.¹⁹² While these feedback systems are bound to be imperfect in some respects, “because most feedback providers are sincere, and algorithms can help the purveyors or users of these sites weigh more heavily the feedback provided by reviewers who have proven their reliability, their signal-to-noise ratios are often quite high.”¹⁹³

A system of private trademark registrars would greatly benefit from a similar mechanism. Early on, the PTO could implement a rating system through its website, but this would probably not be necessary down the line. An ideal system would allow trademark applicants to rate registrars at several stages. First, applicants should be able to give ratings after the completion of registration so that applicants could comment on the speed, price/quality relationship, competence of the examiners, and so on. Then, applicants (now mark owners) should have the opportunity about every five years to leave further feedback. This way, they could communicate to other potential applicants whether anyone sued them for trademark infringement and if the legal system held their marks to be invalid.¹⁹⁴

perform. Lisa Bernstein, *Private Commercial Law in the Cotton Industry: Creating Cooperation Through Rules, Norms, and Institutions*, 99 MICH. L. REV. 1724 (2001).

190. David Charny, *Nonlegal Sanctions in Commercial Relationships*, 104 HARV. L. REV. 373, 413 (1990).

191. See generally DANIEL J. SOLOVE, *THE FUTURE OF REPUTATION: GOSSIP, RUMOR, AND PRIVACY ON THE INTERNET* (2007) (discussing the changes in societal views and impact on reputation created by the advent of the internet); Eric Goldman, *Online Word of Mouth and Its Implications for Trademark Law*, in *TRADEMARK LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH* 404, 411–13 (Graeme B. Dinwoodie & Mark D. Janis eds., 2008) (explaining how the internet has amplified the effect of word of mouth).

192. Lior Jacob Strahilevitz, *Reputation Nation: Law in an Era of Ubiquitous Personal Information*, 102 NW. U. L. REV. 1667 (2008).

193. *Id.* at 1716. Some of these measures could perhaps also thwart some applicants’ attempts to excessively reward with positive feedback any registrars who give out impermissibly broad trademark rights. One could also envision a secondary market for companies that would engage in independently rating registrars.

194. To ensure sufficient and representative amounts of feedback, leaving feedback could be a mandatory part of the process to obtain one’s final registration and renewals.

Applicants whose marks were rejected from the start during registration proceedings should perhaps not have access to the feedback system (or their comments should be designated as coming from rejected applicants). Otherwise, there is a risk that such applicants would simply seek to exact revenge on registrars who legitimately turned down marks.¹⁹⁵ The eBay site changed its feedback system after it became clear that many sellers were leaving negative feedback against complaining buyers as a tit-for-tat measure.¹⁹⁶ Applicants could become angry over rejections and leave unfair criticism that could damage scrupulous registrars, which would make the ratings unreliable and defeat their purpose.

Of course, this cannot work on its own in the beginning, when few people, or none, will have used a particular registrar. As one scholar has pointed out, “expulsion [from the marketplace] may not deter the manufacturer from breaching when the manufacturer earns a net profit from sales *before* reputation is devalued.”¹⁹⁷ In some cases, informal mechanisms will still remain sufficient if “the specific investment required of the firm to enter the market—its dedication of assets whose value would be sacrificed if the firm were later excluded from the market”—is “so great that the firm suffers a net loss when expelled from the market, even though the firm sells some defective products before the market discovers the defect.”¹⁹⁸ It is conceivable that for many registrars, it is not worth trying to make a quick buck because as soon as the feedback system begins retaliating, much of the registrar’s initial investment could be lost.

Governmental and private formal quality-enforcement mechanisms can play a key role in containing misbehavior early in the life of a registrar. They ensure a minimum standard, which is particularly relevant in the beginning, and down the line the private informal mechanism can signal finer gradations to potential clients. Of course, in addition to all these measures, regular contract and fraud laws would apply and would restrain the behavior of any registrars who remained undeterred by the other mechanisms.¹⁹⁹

195. See Lior Jacob Strahilevitz, “How’s My Driving?” for Everyone (and Everything?), 81 N.Y.U. L. REV. 1699, 1714 (2006) (explaining that a desire for revenge often motivates participants in “how is my driving” feedback programs).

196. See, e.g., Marketplace, *eBay Changes Its Feedback Rules* (May 19, 2008), http://marketplace.publicradio.org/display/web/2008/05/19/ebay_feedback.

197. Charny, *supra* note 190.

198. *Id.*

199. For a general discussion of accountability mechanisms in the privatization context, see Dannin, *supra* note 87, at 147–51.

It is understood that a number of questions remain to be resolved before the implementation of a proposal like the one delineated here. For instance, would private registrars also be responsible for applications to the Supplemental Register and for ITU applications? The intuitive answer appears to be yes, but these are subjects deserving of further study. Also, how would this model function with the Madrid Protocol for the International Registration of Marks? There is no obvious conflict between the partial privatization proposed here and the international agreements governing intellectual property. Further work is needed to establish the best way to optimize the functioning of this model in the international context, and the idea of privatized system that spans several countries is potentially conceivable as well.

These new features could ultimately provide a much more robust safeguard against poor quality of registration than those existing in the current system. As one scholar points out, governmental trademark bureaucracies themselves have incentives to choose not to scrutinize applications thoroughly.²⁰⁰ “[T]he drive to measure performance by reference to clearly identifiable and quantifiable outputs means that things like increases in the number of applications and renewals and decreases in the amount of time it takes to process applications will always be treated as evidence of success.”²⁰¹ While it is useful to keep track of processing time due to the difficulties inherent in delays, as this Article suggests, this should not come at a significant expense to application quality. The safeguards proposed here stem from recognizing and addressing the problem that registrars—be they public or private—can have reasons to provide “quick and dirty” processing. Thanks to the introduction of these safeguards, and due to the fact that private companies are not the only ones to suffer from potentially harmful incentives, it is conceivable that quality of registration will actually go up through the model proposed here. Even if the harmful incentives turn out to be stronger in the private sector because companies may want to show more responsiveness to applicants than the government does, the safeguards would ensure that quality of registration would at least remain about the same. The issue of quality is further addressed in the next Subsection.

D. Possible Objections to the Model and Responses

As with any new legal model, a number of potential objections to this model exist. This Section will attempt to address three of these arguments and their relevant points.

The first concern is that some registrars could recklessly register random marks, with complete disregard for Lanham Act guidelines, in hopes of making short-term gains and then exiting the business. These registrars would exhibit little concern over negative feedback left by applicants down the line when their marks get struck down because the registrars would have closed down the business by then. As a result of poor-quality registrations, there would be a chilling effect on both other mark applicants and potentially on speech because it would appear as if certain words (including, for example, impermissibly generic ones) are now reserved, and not everyone would want to launch full-blown litigation to find out which marks are legitimate. A few points must be raised in this context. First, formal measures could be implemented to deter this type of behavior on the part of registrars through exogenous mechanisms. One way to do so, as mentioned, would be for the government to impose heavy financial penalties if this occurred. Also, given that lawyers would be the ones performing the actual registrations, state bar associations could impose sanctions against them for malpractice or other unethical behavior, even using disbarment as a deterrent in extreme cases.²⁰²

200. Burrell, *supra* note 22, at 35–38 (SSRN pagination).

201. *Id.* at 36.

202. One could imagine an alternative system that does not necessarily use attorneys but rather otherwise trained examiners to perform some of this work (which could

One must examine more closely the assumption that a low number of poor trademarks would actually have a significant effect on society. If the government shut down a registrar, the PTO could check its previously registered marks and weed out any excessive violations of its quality requirements, such as generic marks. This would likely not occur frequently given that registering risky trademarks tends to go against the interest of both applicants and registrars.²⁰³ Also, even if some “bad” marks were not removed (either because they were not caught by the PTO or because a registrar was only slightly careless and thus did not get shut down despite registering some invalid marks), these marks would probably not survive for long. Individuals and companies who obtain marks for valuable products are unlikely to want high-risk trademarks because this would entail the loss of marketing investment and company reputation mentioned previously in this Article. William Landes and Richard Posner have calculated that only 27% of trademarks were renewed in the period from 1934 to 1999, and that the average effective life of a mark was 15.4 years.²⁰⁴ Owners of valuable marks with heavy investment are seemingly more likely to renew them; conversely, most unrenewed marks (almost three quarters of all marks) are probably not very valuable and their owners do not care enough about maintaining exclusivity over them to file a renewal application. This would likely happen with a substantial majority of the small number of invalid marks in a privatized system as well, and any chilling effects would thus likely remain minimal.²⁰⁵

The second objection to the model is almost diametrically opposed to the first objection. It states that a system of private registrars is inferior to a world in

provide further savings, though potentially at some cost to quality), but this would presumably require larger changes to the rules governing the performance of legal work.

203. This is not to say that it never happens, including in the current system. Some actors attempt to obtain illegitimately broad trademark rights to extort money from competitors. See, e.g., Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 WASH. & LEE L. REV. 585 (2008) (arguing that the drop in litigated trademark cases and simultaneous rise of initial claims stems from an increase in the use of strike suits to deter market entrants). One notorious case is that of Leo Stoller, an individual who baselessly sought to extort money by accusing various companies and people of infringing against his trademarks. See Colin Moynihan, *He Says He Owns the Word ‘Stealth’ (Actually, He Claims ‘Chutzpah,’ Too)*, N.Y. TIMES, July 4, 2005, at C5. Stoller’s efforts, however, ended in a rather unfortunate fate for the man: after receiving sanctions from numerous courts including the PTO’s Trademark Trial & Appeal Board and encountering various other troubles, he had to file for bankruptcy and his assets were sold. See Beth Chapman, Oblon, Spivak, McClelland, Maier & Neustadt, P.C., *Stoller Sanctioned By USPTO’s Trademark Trial & Appeal Board*, (July 2006), <http://www.oblon.com/media/index.php?id=320>; John L. Welch, *Sale of Stoller Trademark Assets to SPTA is Completed*, THE TTABLOG, Aug. 21, 2007, <http://thettablog.blogspot.com/2007/08/sale-of-stoller-trademark-assets-to.html>.

204. William M. Landes & Richard A. Posner, *Indefinitely Renewable Copyright*, 70 U. CHI. L. REV. 471, 514 (2003).

205. I thank Jonathan Barnett for the helpful conversation we had on this subject. Of course, this presents a major difference between the privatization of a government activity like trademark registration and functions related to areas such as public health or national security. This is no judgment about the feasibility of privatization in such areas but rather an assessment that the privatization proposal here presents relatively low risks, especially if implemented through a slow and careful transition.

which we eliminate the registration system altogether. The idea would be to maintain solely a federal database of marks (privately or publicly run) where mark holders could give notice of their use or intent to use of particular marks. This would eliminate all the costs associated with a registration system and would leave the court system to handle any conflicts between mark users. The presumption of validity that marks possess in litigation would, of course, also disappear given that nobody would be checking database entries. While attractive in its apparent simplicity, such a setup would suffer from a significant number of problems. For one, litigation is expensive. If there is no gatekeeper function for the database, the database is likely to be flooded with entries. This would result in a massive amount of litigation that would soon clog up the courts. There is also nothing to stop database users from engaging in various forms of trademark-hoarding, meaning that individuals who are not actually using or intending to use certain marks would put them into the database in the hope of turning a fraction of those terms into sellable goods. At that point, there really would be large chilling effects against competitors²⁰⁶ and possibly free speech.²⁰⁷

This would also necessitate a reevaluation of virtually all of trademark law because federal registration currently comes with particular benefits in addition to giving constructive notice of use and priority,²⁰⁸ which is all the database would achieve in the best-case scenario. As discussed in the Introduction,²⁰⁹ federal registration allows a mark to become incontestable five years after registration,²¹⁰ permits a mark owner to rely on the assistance of customs officials to prevent importation of infringing marks,²¹¹ and increases the number of remedies available to an owner.²¹² Dismissing all of these measures by introducing a notice-only database would deal a huge blow to brand owners' investments and ability to rely on their marks.²¹³

206. Mark Lemley discusses these so-called “in terrorem” effects in the patent context, i.e., the fear that a potential competitor would be afraid to enter a field because of a pre-existing patent. Lemley, *supra* note 23, at 1516. He does not believe this to be a problem for patents because innovators do not tend to perform patent database searches before they innovate. *Id.* This is a much larger problem for trademarks, where companies often do search the trademark databases before choosing brand names and would thus be affected more by false entries.

207. For a discussion of the relationship between trademarks and free speech, see Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397 (1990).

208. 15 U.S.C. §§ 1057(c), 1072 (2006).

209. See *supra* note 19 and accompanying text.

210. 15 U.S.C. § 1065 (2006).

211. *Id.* § 1124.

212. *Id.* §§ 1116–1120.

213. I am grateful to Mark Lemley and Eric Goldman for the conversation we had on this subject. Of course, the Supplemental Register that the PTO operates is in effect a notice-only register, but it serves very specific purposes and trademark owners often use it to obtain more reliable benefits such as eventual regular registration in the United States or other countries. Leaving one's mark on the Supplemental Register alone comes with a number of disadvantages, such as “[b]ecause registration on the Supplemental Register

Further complication comes from the fact that a notice-only system leaves great uncertainty when it comes to licensing. Trademark registrations, while imperfect, provide information about whether an individual wishing to use a mark needs to request a license from an existing owner. One scholar suggested that “trademark users often seek a license when none is needed” as it is, and that this occurs because they “do not want to take their chances with trademark’s indeterminate doctrines and supracompensatory remedies.”²¹⁴ This problem would be much compounded if we renounced the registration system altogether. Due to all these concerns, it is highly unlikely that a notice-only system would function well, and in any case it would suffer from numerous drawbacks when compared to the model presented here.²¹⁵

The European Union’s system of community trademarks (CTMs), which covers all countries in the European Union through a single application, effectively provides a middle way between U.S.-style registration and notice-only models. While the administrator of the system, the Office for Harmonization in the Internal Market (OHIM), examines whether marks meet certain characteristics as to distinctiveness and so on, OHIM does not verify whether a mark may conflict with marks already in existence.²¹⁶ The first opportunity for the resolution of a conflict is during opposition proceedings that the owner of the allegedly pre-existing right has to initiate.²¹⁷ The functioning of trademark law outside the United States is mostly outside the scope of this Article, but a few words about CTMs are apposite. The system proved very popular, and the number of applications that OHIM received doubled from 1996, when the system was created, to 2007 (from 43,135 to 88,251 applications in a year).²¹⁸ A large percentage of applications, however—about 20%—have been opposed in that time period, which “has caused significant delays. As of January 1, 2008, approximately 642,170 applications were pending at OHIM.”²¹⁹ OHIM has further been plagued by a number of other problems, such

implies that secondary meaning cannot be shown, a prior user can cancel a Supplemental Registration.” MCCARTHY, *supra* note 7, at § 19:37.

214. James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 907 (2007).

215. At least one scholar has actually even suggested the creation of a registration system for famous trademarks in addition to the existing general registration procedure. See Lars S. Smith, *Implementing a Registration System for Famous Trademarks*, 93 TRADEMARK REP. 1097 (2003). It is worth noting that the calculus may look different in the patent context, where several scholars have raised serious arguments in favor of moving to a more cost-effective “soft-look” system of registration that would focus on resolving disputes through litigation rather than providing significant scrutiny through ex-ante examination. See, e.g., F. Scott Kieff, *The Case for Registering Patents and the Law and Economics of Present Patent-Obtaining Rules*, 45 B.C. L. REV. 55 (2003); Lemley, *supra* note 23, at 1526–27. Patent applications, however, require much more intensive inquiry than trademark ones, and thus a greater move toward litigation could easily proportionally raise costs more in the trademark than patent system.

216. See, e.g., Vincent O’Reilly, *The Community Trademark System: A Brief Introduction and Review*, 8 MARQ. INTELL. PROP. L. REV. 93, 105–06 (2004).

217. See *id.* at 106.

218. See Paul W. Reidl, *Understanding Basic Trademark Law: A Primer on Global Trademark Protection*, 939 PLI/PAT 205, 234 (2008).

219. *Id.*

as when the entire OHIM Staff Committee resigned in protest in 2004 over a number of issues in the workplace, including that the target for examining marks was cut from eleven to six minutes.²²⁰ Additionally, as of mid-March 2009, the CTM online database was apparently close to a month out of date due to disruption caused by the installation of new software, a situation met with particular criticism because applicants were “struggling to trade efficiently” in the midst of an economic recession.²²¹ While the subject deserves more extensive study, these issues do not inspire confidence that the CTM system, at least in its current implementation, is preferable to the one presented here.²²²

A third objection about the private-registrar model is the possibility that while the model does not formally change the substantive requirements of the Lanham Act with regard to the conditions that marks need to fulfill, registrars will soon begin lobbying for harmful changes to the Act. These lobbying efforts would seek to allow registrars to register a greater variety of marks and earn increased income. This is unlikely because, when it comes to picking a mark, an applicant who cannot choose one mark is likely to create another. Thus, it is unclear that—assuming one preserves the use requirement—such changes to the Lanham Act would result in a net increase of marks and thus registrar revenues.

Additionally, if the prison-privatization debate is any indication, increased lobbying from private actors in these types of frameworks is unlikely to significantly distort the law.²²³ In the prison context, the standard argument is that private prisons will lobby for higher incarceration rates to increase their business opportunities.²²⁴ As one scholar argues, however, any lobbying from the private sector is negligible compared to the pre-existing lobbying on the part of public employees performing the same type of work; he explains that a reduction in lobbying is often possible because breaking up the government’s monopoly can introduce a collective-action problem within an industry.²²⁵ In light of both the

220. See IPKat, *OHIM Staff Committee Resigns, Or How to Run the Six-Minute Mile* (Apr. 29, 2004), <http://ipkitten.blogspot.com/2004/04/ohim-staff-committee-resigns-or-how-to.html>.

221. IPKat, *OHIM System Delays: The World Waits* (Mar. 19, 2009), <http://ipkitten.blogspot.com/2009/03/ohim-system-delays-world-waits.html>.

222. This being said, the CTM system does possess a number of assets (such as potentially greater stability and predictability than existed previously) and ultimately OHIM does not have a monopoly over trademark registration in Europe, which is one of several differences between that system and PTO registration in the United States. I thank Graeme Dinwoodie, Spyros Maniatis, and Jeremy Phillips for the discussions we had on this topic.

223. Alexander Volokh, *Privatization and the Law and Economics of Political Advocacy*, 60 STAN. L. REV. 1197 (2008).

224. See, e.g., Sharon Dolovich, *State Punishment and Private Prisons*, 55 DUKE L.J. 437, 542–43 (2005) (arguing that “the state ought not to foster yet another potentially influential industry that could seek to compromise further the possibility of legitimate punishment to promote that industry’s own financial interests”).

225. Volokh, *supra* note 223, at 1203–04. In the prison context, “[t]he public-sector unions will spend less because under privatization they experience less of the benefit of their advocacy, while the private firms will tend to free ride off the public sector’s advocacy.” *Id.* at 1204. Of course, there are likely some differences between public

nature of the trademark system and the mixed arguments when it comes to likelihood of lobbying in privatization contexts, there is little evidence to show that the risk from substantive and negative changes to the Lanham Act through privatization-related lobbying is a serious concern.

E. Other Application Areas for the Private Registrar Model

A number of other administrative processes could potentially benefit from great improvement with the help of the model presented here. For one, if the model proves successful, it could also apply to the patent arena.²²⁶ The advantage of first implementing this idea for trademark registration is that it is an area of more diminished legal and technical complexity than patent registration; thus, it may prove simpler to find a significant number of competent entrepreneurs that could perform trademark as opposed to patent registration at least as well as the PTO. If the privatized trademark registration system succeeds as expected, one could study the matter more extensively and make adjustments to the model as needed before adapting it to the patent context.

Lawrence Lessig has also suggested that copyright law could benefit from a more formalized system of registration. Analogizing to the private system of domain-name registration, he explained:

The Copyright Office may well serve as the central registry, but it should not be in the registrar business. Instead, it should establish a database, and a set of standards for registrars. It should approve registrars that meet its standards. Those registrars would then compete with one another to deliver the cheapest and simplest systems for registering and renewing copyrights. That competition would substantially lower the burden of this formality—while producing a database of registrations that would facilitate the licensing of content.²²⁷

The discussion of whether copyrights should be registered differently than they do today goes beyond the scope of this Article,²²⁸ but the conclusions drawn here support Lessig's contention that any such copyright registration system would gain from the use of private competing registrars.

employees in the intellectual-property context and those in the prison context, but a number of public employees in both worlds presumably prefer a world without privatization.

226. John Duffy and Michael Abramowicz at George Washington University Law School are currently working on a proposal to use private actors in the patent registration arena.

227. LESSIG, *supra* note 31, at 289–90. Christopher Sprigman provides a more in-depth treatment of the idea that copyright law would benefit from an increased number of formalities. Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485 (2004).

228. For a more extensive discussion of copyright registration, see, for example, Douglas Y'Barbo, *On Section 411 of the Copyright Code and Determining the Proper Scope of a Copyright Registration*, 34 SAN DIEGO L. REV. 343 (1997); Mose Bracey, Note, *Searching for Substance in the Midst of Formality: Copyright Registration as a Condition Precedent to the Exercise of Subject-Matter Jurisdiction by Federal Courts over Copyright Infringement Claims*, 14 J. INTELL. PROP. L. 111 (2006).

Conceivably, a similar model could benefit a number of other administrative areas that currently involve government monopolies, be they at the federal or state level. The private trademark registration model may also teach lessons as to the decision to privatize (or not) in areas such as driver's licenses, liquor licenses, health inspections, and any number of other areas that require decisions regarding licensing or certification. These areas often involve questions as to safety or specific effectiveness determinations, however, and require much further study in that regard. Many of the same criteria used in this Article to find the best possible model would apply in these other fields as well, and there would especially be a need for the creation of a competitive market and ways to establish monitoring mechanisms. In addition to the more traditional means of various forms of government regulation, one of the rather unique features of this proposal—the eBay-style feedback mechanism that would provide not only short-term but also long-term information about registrars and mark quality—could prove to be a valuable tool in these other contexts. The combination of public and private safeguards proposed here could thus provide a type of safety net that would allow for privatization in spheres outside intellectual property where that possibility has remained unexplored.

CONCLUSION

The current system of trademark registration is problematic in ways that are unlikely to change as long as the procedure remains in the hands of the government. This Article has shown how a paradigm shift could allow for innovation and subsequent improvement in the areas of speed and pricing without sacrificing quality. The combination of private registrars, flexible pricing, and public as well as private quality-enforcement mechanisms holds great promise for the future in an area where there is much hand-wringing and few proposed solutions.

One can expect a large number of businesses and individuals in need of effective trademark registration services to support this model and help to promote its passage in the political process once a centralized proposal is actually on the table.²²⁹ Of course, opposition will follow, both from members of the PTO comfortable with their current roles and from individuals who fundamentally disagree with all or most privatization proposals. Many of the features presented here can be tweaked and should be considered as a jumping board for the development of a full-fledged legislative proposal. There is reason to be confident, however, that entrepreneurial groups will respond if given the chance to compete and optimize registration procedures. Hopefully some current PTO trademark examiners will use their know-how and be amongst those that contribute to this project. Whether that turns out to be the case or not, a significant percentage of firms that currently perform trademark searches for clients and advise them in their applications will likely step up to the plate. This process will not happen from one day to the next, and it may in fact be preferable to gradually shift from public to private registrations, beginning with volunteer applicants the way that the peer-to-

229. It appears intuitively easier for scattered individuals and groups to gather around an existing proposal than to rally and lobby at the initial stage.

patent model did or through a pilot contract with one to two companies (awarded through bidding) to take over a certain percentage of existing applications. In any case, it will be exciting to watch the response of the first pioneers in the new land of private trademark registration.