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## Why We Are Confused about the Trademark Dilution Law

Christine Haight Farley\*

Trademark law, like copyright law and patent law, achieves its policy objectives by granting what would be monopoly rights but for the important limitations on these rights. In the case of trademarks, the stated goal is to prevent consumer confusion.<sup>1</sup> The law achieves this goal by granting trademark owners exclusive rights over a broad and indefinite subject matter for an indefinite term.<sup>2</sup> Thus, trademark law has a broader subject matter and duration than patent and copyright law, but it is narrower in scope than the others. Trademark owners' rights are saved from being over-broad and thus an offensive monopoly by the restriction that they be exercised only in situations in which the defendant's use of the mark would be likely to injure consumers by causing

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<sup>1</sup> See 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:33 (4th ed. 2005).

<sup>2</sup> See Lanham Act § 9, 15 U.S.C. § 1059 (2000) ("Subject to the provisions of section 8, each registration may be renewed for periods of 10 years at the end of each successive 10-year period following the date of registration. . ."); see also Lanham Act § 45, 15 U.S.C. § 1127 (2000) ("The term 'trademark' includes any word, name, symbol, or device, or any combination thereof—(1) used by a person, or (2) which a person has a bona fide intention to use in commerce."); see generally Viva R. Moffat, *Mutant Copyrights and Backdoor Patents: The Problem of Overlapping Intellectual Property Protection*, 19 BERKELEY TECH. L.J. 1473, 1494 (2004).

While the term of trademark protection has always been indefinite, with protection lasting so long as the mark is used (unless the mark becomes generic), the subject matter of trademarks has expanded markedly. . . . The Lanham Act has been amended numerous times; various acts of Congress and decisions by the federal courts have greatly expanded the scope of federal trademark protection in the last sixty years.

*Id.*

confusion.<sup>3</sup> Thus, the “confusion test” has been a critical limitation on what would otherwise be broad monopoly rights over language.

Dilution is a fairly recent invention in trademark law that radically shifts the balance in the law by dispensing with the confusion test.<sup>4</sup> In its place, this law grants exclusive rights in situations in which the defendant’s use “causes dilution of the distinctive quality of the mark.”<sup>5</sup>

Dilution has proven to be a “dauntingly elusive concept,”<sup>6</sup> in the words of the first circuit Court of Appeals to address the law, in the decade that it has been a feature of federal law. Professor McCarthy, author of the famed trademark treatise, has stated that

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<sup>3</sup> See Lanham Act § 32(a)–(b), which is incorporated into 15 U.S.C. § 1114(a)–(b) (2000).

Any person who shall, without the consent of the registrant—(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive or (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided.

*Id.*

<sup>4</sup> Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 794 (1997); *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 801 (6th Cir. 2004) (“Dilution law, unlike traditional trademark infringement law . . . is not based on a likelihood of confusion standard, but only exists to protect the quasi-property rights a holder has in maintaining the integrity and distinctiveness of his mark.”) (citation omitted).

<sup>5</sup> Lanham Act § 43(c), 15 U.S.C. § 1125(c)(1) (2000). “Dilution” is defined in 15 U.S.C. § 1127 to mean “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception.” *Id.*

<sup>6</sup> *Ringling Bros.-Barnum & Bailey Circus Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 451 (4th Cir. 1999) (hereinafter “*Ringling Bros.*”) (“This case requires us to interpret and apply the dauntingly elusive concept of trademark ‘dilution’ as now embodied in the Federal Trademark Dilution Act of 1995.”) (citation omitted).

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in his forty years of teaching trademark law, nothing has been this difficult to explain.<sup>7</sup>

Even the United States Supreme Court does not “get” dilution. In oral arguments in the only Supreme Court case on dilution—*Moseley v. V Secret Catalog*<sup>8</sup>—nearly all of the questions from the Justices were seeking to simply understand what dilution is.<sup>9</sup> They posed hypotheticals, asking the attorneys whether or not such a real or hypothetical use would constitute dilution.<sup>10</sup> Disappointingly, none of the attorneys could definitively answer these questions or offer any useful definition of dilution.<sup>11</sup>

Other courts similarly do not get dilution, or else they just do not like it. In oral arguments in *Ringling Bros.-Barnum & Bailey Circus Combined Shows, Inc. v. Utah Div. of Travel Dev.*, the trial judge said to the attorney for the trademark owner, “boy, you must have some lobby to get a law like that passed.”<sup>12</sup> Other courts that have ruled in dilution cases have read additional restrictions into the act.<sup>13</sup> For instance, the Court of Appeals for the Second Circuit restricts dilution actions to inherently distinctive marks.<sup>14</sup>

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<sup>7</sup> J. Thomas McCarthy, *Dilution of a Trademark: European and United States Compared*, 94 THE TRADEMARK REPORTER 1163, 1163 (2005).

<sup>8</sup> *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003).

<sup>9</sup> See Transcript of Oral Argument, *Moseley*, 537 U.S. 418, 2002 WL 31643067 (hereinafter “*Moseley* Oral Argument”). For example, the attorneys were asked to: (1) distinguish between “dilution” and “tarnishment”; (2) specify the harm caused to the “selling power of a big famous name” where there is a totally separate product with the same name; and (3) clarify where “actual confusion” is relevant to “dilution.” *Id.*

<sup>10</sup> See *id.* In trying to understand the harm against which dilution law seeks to protect, Justice Ginsburg posed the hypothetical of Kodak entering a small market to sell monkey wrenches. *Id.* In particular, Justice Ginsburg questioned the existence of injury where there was no tarnishment to the trademark of “KODAK.” See *id.* Later in the argument, the example of “Delta” was used to understand the scope of protection where there existed a Delta Airlines, Delta Faucets, and Delta Peanuts. See generally *id.*, at 22–23.

<sup>11</sup> See *id.* Instead of answering the questions or defining dilution, the attorneys focused on the causes of dilution and the extent of proof needed to sustain a dilution claim, which, in their defense, was the question certified by the Court. *Id.*

<sup>12</sup> Transcript of Oral Argument, *Ringling Bros.-Barnum & Bailey v. Utah Div. of Travel Dev.*, 935 F. Supp. 763 (E.D. Va. 1996).

<sup>13</sup> See, e.g., *Star Indus. v. Bacardi & Co.*, 412 F.3d 373, 381 (2d Cir. 2005); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002) (discussing the First Amendment limitations of the Lanham Act).

<sup>14</sup> See *Star Indus.*, 412 F.3d at 381.

What these courts are doing can be characterized as “judicial nullification”—they are undoing the law because they do not like it.<sup>15</sup> These courts seem to be uncomfortable with the apparent breadth of the new right and are seeking to reign it in with additional limitations.<sup>16</sup>

The Supreme Court in the *Victoria’s Secret* case also evidenced some distaste for dilution, but admirably tried to wrestle it down nonetheless. The Court ultimately failed to define dilution and acknowledged this by holding that whatever dilution is, at least you have to prove it.<sup>17</sup>

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An unregistered mark is entitled to protection under the Lanham Act if it would qualify for registration as a trademark. To qualify for registration a mark must be sufficiently “distinctive” to distinguish the registrant’s goods from those of others. Such distinctiveness may be demonstrated in either of two ways. The mark may be “inherently distinctive” if its intrinsic nature serves to identify its particular source. Alternatively, even if not inherently distinctive the mark may be distinctive by virtue of having acquired a “secondary meaning” in the minds of consumers.

*Id.* See also *TCPIP Holding Co. v. Haar Comm., Inc.*, 244 F.3d 88, 98 (2d Cir. 2001).

<sup>15</sup> “Judicial nullification,” much like “jury nullification,” is the process by which a judge knowingly and deliberately refuses to apply the law either because the judge wants to send a message about some social issue that is larger than the case itself or because the result dictated by law is contrary to the judge’s sense of justice, morality, or fairness. See BLACK’S LAW DICTIONARY 875 (8th ed. 2004). Judicial nullification has been used most prominently in the areas of civil justice reform and tort reform. See generally Victor E. Schwartz & Leah Lorber, *Judicial Nullification of Civil Justice Reform Violates the Fundamental Federal Constitutional Principle of Separation of Powers: How to Restore the Right Balance*, 32 RUTGERS L.J. 907 (2001); John C.P. Goldberg, *The Constitutional Status of Tort Law: Due Process and the Right to a Law for the Redress of Wrongs*, 115 YALE L.J. 524 (2005).

<sup>16</sup> The Fourth Circuit in *Ringling Bros.* required proof of “actual harm” to mark’s distinctiveness to successfully prove trademark dilution. 170 F.3d at 464. In *TCPIP Holding*, the Second Circuit held that only marks that are “inherently distinctive” could claim dilution under the FTDA. 244 F.3d at 96. In *Mattel*, the Ninth Circuit narrowed the scope of the “non-commercial use” exemption set forth in the Act by requiring that use consists entirely of noncommercial, or fully constitutionally protected, speech. 296 F.3d at 905.

<sup>17</sup> See *Moseley v. V Secret Catalogue*, 537 U.S. 418, 434 (2003).

It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proved through circumstantial evidence—the obvious case is one where the junior and senior marks are identical. Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.

*Id.*

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Why would some of the strongest legal brains not be able to grasp dilution? I will return to this question later.

When dilution was invented in English<sup>18</sup> and German courts,<sup>19</sup> and in the now infamous law review article by Frank Schechter,<sup>20</sup> it was felt that a new legal theory was needed because trademark owners could not win a trademark infringement case where a defendant used their mark on drastically different goods or services. Thus, the owner of a mark for mouthwash could not otherwise win when the mark was used on steel, and the owner of a mark for cameras could not otherwise win when the mark was used for bicycles.<sup>21</sup> It was felt that these types of plaintiffs should win because the appropriated marks were highly unusual if not fanciful.<sup>22</sup> Consequently, the right at that time contained these important limitations: 1) the plaintiff's mark must be unusual or fanciful; 2) there must be a wide gulf between the goods or services of the parties; and 3) defendant's use must be an exact duplication of the mark.<sup>23</sup>

But that is not what the present law looks like, and this is not what the present world looks like. In neither the current dilution law nor the current bill to amend it is there a requirement for any heightened creativity in the mark or any identity in the defendant's use.<sup>24</sup> Nor is there a requirement that the plaintiff could not

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<sup>18</sup> *Eastman Photographic Materials Co. Ltd. v. John Griffiths Cycle Corporation Ltd.* (1898) 15 R.P.C. 105 (U.K.) (finding that a bicycle producer cannot use the Eastman mark "KODAK," even though the mark is used for cameras).

<sup>19</sup> Frank Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 829 (1927) (citing *Odol Case*, 1924, 25 *Juristische Wochenschrift* 502) (discussing the "Odol" case, in which a German court prevented the name, originally registered in connection with a well known mouthwash, from being used in connection with unrelated steel products).

<sup>20</sup> *See id.*

<sup>21</sup> *See Eastman*, 15 R.P.C. 105 (concerning the use of the "KODAK" mark on bicycles); *see also* Schechter, *supra* note 19.

<sup>22</sup> *See* H.R. 11592 § 2(d)(3), 72d Cong., 1st Sess. (1932). Frank Schechter argued in favor of a federal dilution law in testimony before Congress in 1932. This led to H.R. 11592 (the so-called "Perkins bill"), which embodied a kind of dilution protection. *Id.*

<sup>23</sup> *See generally* H.R. 11592 § 2.

<sup>24</sup> *See* Lanham Act § 43(c), 15 U.S.C. § 1125(c)(1); H.R. 683, 109th Cong., 1st Sess. (2005). The new bill simply sets out a list of "relevant factors" for determining whether a mark or trade name is likely to cause dilution. These factors include: (a) The degree of similarity between the mark or trade name and the famous mark; (b) The degree of

otherwise win under a confusion action.<sup>25</sup> In fact, many dilution actions are brought against competitive uses and most plaintiffs sue under both theories simultaneously.<sup>26</sup>

Most importantly, the perceived “gap” in trademark protection no longer exists. Trademark owners who sued to enjoin uses of their mark on dissimilar goods or services before the enactment of the Federal Trademark Dilution Act [FTDA] were by and large successful.<sup>27</sup> Trademark owners were successful in these situations both because trademark protections have expanded over time<sup>28</sup> and consumers are increasingly exposed to brands that span a variety of products and services.<sup>29</sup> We are living in an age of maximum exploitation of the brand. Trademark owners are licensing and branching out to an incredible extent.<sup>30</sup> The most

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inherent or acquired distinctiveness of the famous mark; (c) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (d) the degree of recognition of the famous mark; (e) whether the user of the mark or trade name intended to create an association with the famous mark; and (f) any actual association between the mark or trade name and the famous mark. *Id.* at § 2(B)(i)–(vi).

<sup>25</sup> *See id.*

<sup>26</sup> *See Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003); *see also, e.g., Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, (2d Cir. 1999); *CareFirst of Md., Inc. v. First Care, P.C.*, 434 F.3d 263 (4th Cir. 2006); *Empresa Cubana Del Tabaco v. Culbro Corp.*, 399 F.3d 262 (2d Cir. 2005); *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400 (2d Cir. 2005); *I.P. Lund Trading, ApS v. Kohler Co.*, 163 F.3d 27, 44 (1st Cir. 1998).

<sup>27</sup> *See, e.g., Allstate Ins. Co. v. Allstate, Inc.*, 307 F. Supp. 1161 (N.D. Tex. 1969) (finding that a local ALLSTATE car wash company infringed upon the trademark of ALLSTATE insurance company); *Waterman-Bic Pen Corp., et. al. v. Beisinger Indus. Corp.*, 321 F. Supp. 178 (S.D.N.Y. 1970) (granted an injunction to holder of trademark “BIC” on its trademark infringement suit against manufacturer of rubber and plastic products); *Quality Inns Int’l v. McDonald’s Corp.*, 695 F. Supp. 198 (D. Md. 1988) (finding that Quality Inns International infringed on McDonald’s trademarks when it attempted to use the name “McSleep” for a chain of budget motels); *MGM-Pathe Communications Co. v. The Pink Panther Patrol*, 774 F. Supp. 869 (S.D.N.Y. 1991) (finding that a gay rights political organization infringed MGM’s PINK PANTHER trademark when it called itself the Pink Panther Patrol); *Am. Express Co. v. Am. Express Limousine Serv. Ltd.*, 772 F. Supp. 729 (E.D.N.Y. 1991) (granting an injunction to holder of trademark “AMERICAN EXPRESS” on its trademark infringement suit against limousine service using name “American Express Limousine Service, Ltd.”).

<sup>28</sup> *See Mathias Strasser, The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context*, 10 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 375, 406–07 (2000).

<sup>29</sup> *See Byron M. Sharp, Managing Brand Extension*, *J. Consumer Marketing* Vol. 10, Issue 3, at 11 (1993).

<sup>30</sup> *See id.*

recognizable brands are ubiquitous and applied to a seemingly infinite range of diverse goods and services.<sup>31</sup> Today, strong trademarks cast long shadows so that a case of confusion can be made even where consumers would encounter the mark in an unrelated area. Query whether Microsoft would win a trademark infringement case against a defendant selling “Microsoft Cola”? Microsoft would most probably be successful and it would not need dilution law to succeed.

So why did trademark owners lobby so hard for dilution law? It is in part due to the comparatively weak protection for well-known marks under U.S. law, coupled with our narrower and looser protection for unfair competition. Outside of dilution law, U.S. law grants extremely limited protection to famous marks even though international treaties demand protection for “well-known marks.”<sup>32</sup> Far short of our international obligations, and in

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<sup>31</sup> Take for example, a brand like “Virgin,” which has expanded its services to include an airline (“Virgin Atlantic”); travel company (“Virgin Vacations”); record store (“Virgin Megastore”); and a cell phone company (“Virgin Mobile”). See [www.virgin.com](http://www.virgin.com), (last visited 7/7/06). Even a company like “Hooters,” which traditionally had done business only in the food services industry, now offers a magazine (“Hooters Magazine”) and even runs a small airline (“Hooters Air”). See [www.hootersair.com](http://www.hootersair.com) and [www.hootersmagazine.com](http://www.hootersmagazine.com), (last visited July 7, 2006). Perhaps a more famous example, and one that has led to legal action, is Apple Computer’s expansion into the music business to the consternation of Apple Records. See Matthew Healey, *For a 3rd Time Two Apples Meet in Court*, N.Y. TIMES, Mar. 27, 2006, at C8.

<sup>32</sup> See Paris Convention for the Protection of Industrial Property of March 20, 1883 art. 6bis, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305.

The countries of the Union undertake . . . to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.

*Id.* See also General Agreement on Tariffs and Trade: Multilateral Trade Negotiations Final Act Embodying the Results of the Uruguay Round of Trade Negotiations, Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights art. 16, Apr. 15, 1994, 33 I.L.M. 1125 [hereinafter “TRIPS”].

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.

*Id.*

contrast to other countries,<sup>33</sup> an old New York common law doctrine is the only protection afforded to “well-known marks.”<sup>34</sup> Other countries also offer a more developed set of rights under their unfair competition laws, which allow famous trademark owners access to prevail in certain cases in which defendants, without causing confusion, usurp the goodwill of the mark.<sup>35</sup> Most of the dilution cases could be resolved under an expanded unfair

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<sup>33</sup> See, e.g., Trade Marks Act, 1994, Ch. 26, § 10 (U.K.).

A person infringes a registered trade mark if he uses in the course of trade a sign which—(a) is identical with or similar to the trade mark, where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”

*Id.* See also 1989 O.J. (L 40) 5.

Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

*Id.* See also Davidoff/Gofkid, Case C-292/00 (ECJ 2003) (finding that the EC’s Trademarks Directive’s Article 5(2) entitle well-known trademarks to specific protection against later identical or similar marks registered for identical or similar goods).

<sup>34</sup> See, e.g., *Empresa Cubana Del Tabaco v. Culbro Corp.*, 399 F.3d 462, 484–85 (2d Cir. 2005) (holding that the internationally renown COHIBA mark could only be protected in the United States under New York common law as the protections for well known marks under international treaties have not been implemented into U.S. law); see also *Vaudable v. Montmartre, Inc.*, 20 Misc. 2d 757, 759–60 (N.Y. Sup. Ct. 1959) (holding that under New York common law the defendant was enjoined from the use of “Maxim’s” for a restaurant in New York, based on the international fame achieved by plaintiff’s French mark in the United States before the defendant began its domestic use of the mark); *The All England Lawn Tennis Club (Wimbledon) Ltd. v. Creations Aromatiques, Inc.*, 220 U.S.P.Q. 1069, 1072 (T.T.A.B. 1983) (owner of the WIMBLEDON mark for tennis tournament services, had acquired fame and notoriety to have acquired rights in the term ‘WIMBLEDON’ in the United States, and therefore was permitted to oppose U.S. registration of a similar mark).

<sup>35</sup> See, e.g., Gesetz gegen den unlauteren Wettbewerb [Act Against Unfair Competition], June 7, 1909, RGBI. at 499, last amended June 22, 1998, BGBI. I at 1474, translated by the World Intellectual Property Organization, available at <http://www.wipo.int/clea/en/fiche.jsp?uid=de059>; see also *Sony, K.K. v. Yugen Kaisha Walkman*, 1598 Hanrei Jiho 142 (Chiba D. Ct., Apr. 4, 1996) (finding that defendant violated of Japan’s Unfair Competition Prevention Law and infringed on Sony’s registered trademarks, “Walkman” (in English) and “Walkman” in *katakana* when the defendant used the word “Walkman” on signs, bags, and packaging used in connection with its small shoe and clothing store.).

competition law, if such law were to provide rights to trademark owners to enjoin uses of their mark that take unfair advantage of their fame. As further proof that these sets of rights are related, at present, we are witnesses to the unfortunate collapsing of the three in international policy making, leading both to further confusion and expansion of rights.<sup>36</sup>

So what is dilution? An example that is frequently utilized is the use of the famous jeweler's mark TIFFANY for a restaurant in Boston. What this example is supposed to illustrate is that a consumer who encountered the TIFFANY restaurant would undoubtedly recall the TIFFANY jewelers, but not be confused into thinking that the two are related. The Supreme Court, however, has stated that dilution must be more than mere mental association.<sup>37</sup> The American Intellectual Property Law Association [AIPLA] testified before Congress that "dilution by blurring" is the "impairment of the public's association of a famous mark and substantially unique mark exclusively with a single source."<sup>38</sup> David Welkowitz, the author of the only treatise on dilution, explains the concept as "source distraction."<sup>39</sup> It sounds like what is being sought by the trademark bar is statutorily enforced mind control. Indeed, the International Trademark Association [INTA] testified before Congress that the injury in dilution is to the mark's ability to "hold upon the public mind."<sup>40</sup>

In her testimony before Congress, INTA's then-President hypothesized her own client's trademark, Pentium, used as a mark

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<sup>36</sup> See World Intellectual Property Organization, Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (1999), available at [http://www.wipo.int/about-ip/en/development\\_iplaw/pdf/pub833.pdf](http://www.wipo.int/about-ip/en/development_iplaw/pdf/pub833.pdf).

<sup>37</sup> See *Moseley v. V Secret Catalogue*, 537 U.S. 418, 433 (2003) ("at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution").

<sup>38</sup> Trademark Dilution Revision Act of 2005: Hearing on H.R. 683 Before Subcommittee on Courts, the Internet, and Intellectual Property of the H. Comm. On the Judiciary, 109th Cong. 28 (2005), available at [http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.21&filename=98924.pdf&directory=/diskb/wais/data/109\\_house\\_hearings](http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.21&filename=98924.pdf&directory=/diskb/wais/data/109_house_hearings) [hereinafter Hearing].

<sup>39</sup> DAVID WELKOWITZ, *TRADEMARK DILUTION: FEDERAL, STATE, AND INTERNATIONAL LAW*, 67 (2002), & Supp. 2004.

<sup>40</sup> Hearing, *supra* note 38, at 8.

on real estate services and sportswear.<sup>41</sup> She concludes that “consumers would learn over time to distinguish between the different Pentium brands, their sources, and their brand attributes.”<sup>42</sup> This hypothetical example is supposed to elucidate dilution, but it instead raises further questions. Why should Pentium care if real estate and sportswear companies use the same mark where consumers are not confused and can even distinguish between the various brand attributes? What is the harm then of dilution?

Let me suggest that trademark owners desire a likelihood of dilution standard rather than an actual dilution standard because they cannot prove actual dilution. There is a good reason that trademark owners cannot prove actual dilution. My thesis is that there is no such harm; it does not exist. The Supreme Court could not provide guidance because they could not articulate the harm that needed to be proved. The trademark bar (as exemplified by *Victoria's Secret*) takes it on faith that dilution exists and would like it to be presumed. The main problem with dilution law is that it provides a remedy without a supportable theorization of the harm. Hence the judicial resistance and the efforts by the plaintiffs' bar to make the cause of action more per se.

I keep asking proponents of dilution to provide me with an example of a diluted mark. So far not one example has been provided to me. During oral arguments in the *Victoria's Secret* case, the Supreme Court played with some examples of dilution in order to try to understand what dilution was and to which marks it applied. Justices asked about the coexistence of brands such as APPLE Records and APPLE Computers, DELTA Faucets, DELTA Dental, and DELTA Airlines, and FORD Motor Company and FORD Modeling Agency.<sup>43</sup> These examples were not intended as examples that undermined the theory of dilution. They were meant to understand when dilution occurs. Nevertheless, they do demonstrate that famous marks associated with other

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<sup>41</sup> See *id.* at 13.

<sup>42</sup> *Id.*

<sup>43</sup> See Transcript of Oral Argument, *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003), 2002 WL 31643067 at \*10–11.

goods do not invariably suffer the harm of dilution. So when do they?

I actually do not think that it is a strong sense of harm that is motivating the push for dilution protection. Instead, I think it is a strong reaction to a perceived sense of the bad faith on the part of defendants. When defending dilution, proponents frequently state that defendants in dilution cases, like Victor Moseley, can only have bad faith intentions to use these famous marks.<sup>44</sup> So dilution protection is desired not so much to protect famous trademark owners' property, but instead to protect against others' free rides. Interestingly, bad faith is not even present in any dilution "test,"<sup>45</sup> as it is under the traditional confusion test.<sup>46</sup>

The thinking is, "why would this small company use this famous mark in their business anyway?" Why would a start-up piano maker use KODAK on their business? It is a rhetorical question whose answer presumably is, "because they want to take a free ride; because they want to appropriate goodwill for easy gain." This understanding of dilution can even be extended to expressive uses of famous trademarks like parodies.<sup>47</sup> In the Congressional hearings on the bill to amend the FTDA, a Congressman essentially asked the representative of the ACLU, "Why does anyone need to disparage Joe Camel in order to criticize cigarettes?"<sup>48</sup>

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<sup>44</sup> *E.g.*, Brief for Respondents at 1, *Moseley*, 537 U.S. 418 ("Attempting to ride the coattails of respondents' success in creating a unique and powerful mark with great selling power, petitioners used the mark VICTOR'S SECRET . . .").

<sup>45</sup> *See* Trademark Dilution Revision Act, H.R. 683, § 2(B)(i)–(vi), 109th Cong. (2006), for a list of the "relevant factors" for courts to consider when determining whether a mark or trade name is likely to cause dilution.

<sup>46</sup> *See, e.g.*, *Polaroid Corp. v. Polarad Elects. Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied* 368 U.S. 820 (1961) (listing as one of eight factors to determine trademark infringement defendant's good faith in adopting the mark); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979) (determining that the intent of the defendant is one of seven relevant factors (the Sleekcraft factors) in determining trademark infringement).

<sup>47</sup> *See, e.g.*, *Elvis Presley Enters. V. Capece*, 141 F.3d 188 (5th Cir. 1998) (holding proprietor of the "Velvet Elvis" nightclub, which featured velvet paintings, lava lams and vinyl furniture, violated the trademarks of the Elvis Presley Estate. The court, in reversing the district court's finding of a parody, noted the defendant's intent to confuse.).

<sup>48</sup> *See* Hearing, *supra* note 38, at 44–45 ("So your position is that you have to be able to rip off somebody's mark in order to disparage cigarettes?").

If dilution is really about preventing the unfair advantage that results from the non-confusing use of a famous mark, then this really is unfair competition legislation. But an unfair competition right without strict boundaries could easily become a right in gross for the trademark owner. At an AIPLA Annual Meeting just after the FTDA passed, I once heard a lawyer try to explain dilution to an audience of trademark lawyers. The last slide of his PowerPoint presentation was picture of a bull's eye. He used it to explain that previously in order to succeed under the confusion test, a plaintiff would need to hit the target. But now, he cheerfully explained, under dilution a plaintiff can win a case if he hits anywhere on the board. I have also heard a similar expression of the "diluted" standards of trademark law; that dilution is best understood as Confusion with a small "c." Just before the *Victoria's Secret* case, there were 400 cases filed under FTDA.<sup>49</sup> This fact demonstrates how popular the act was with plaintiffs' lawyers.

I frequently get calls from the media when they find out that Fox News owns a trademark on "Fair and Balanced,"<sup>50</sup> or that Donald Trump owns one for "You're Fired."<sup>51</sup> I have always calmed them down by explaining that trademarks can only be enforced against those using them in a confusing or misleading way. For example, Al Franken can use "Fair and Balanced" to humorously critique Fox News,<sup>52</sup> and pottery studios can call themselves "You're Fired."<sup>53</sup> I suppose I may now be more optimistic than accurate.

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<sup>49</sup> See Thomas J. McCarthy, *Proving a Trademark Has Been Diluted: Theories or Facts?*, 41 HOUS. L. REV. 713, 715 (2004).

I estimate that as of the end of 2003 there were almost 400 reported judicial decisions from both trial and appellate courts interpreting and applying the federal antidilution law. So there is a considerable body of case law precedent. Unfortunately, much of the case law does not help make sense of what an antidilution law means.

*Id.*

<sup>50</sup> See *Fox News Network, LLC v. Penguin Group (USA), Inc.*, 2003 U.S. Dist. LEXIS 18693, 31 Media L. Rep. (BNA) 2254 (S.D.N.Y. Aug. 20, 2003).

<sup>51</sup> See Amee Sachdev, *Trump's Trademark Plan is Under Fire*, CHI. TRIB., Mar. 30, 2004. Of course it is still possible too for employers to utter the trademarked phrase.

<sup>52</sup> *Fox News Network*, 2003 U.S. Dist. LEXIS 18693.

<sup>53</sup> See Sachdev, *supra* note 51.

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For the last decade, the biggest question in trademark law has been how to prove dilution. This is a clear sign of something. Can no smart attorney, judge, trademark owner or social scientist figure out what dilution is and how to prove it? If not, why not? I contend that it is because dilution cannot be concretized. It cannot be brought into the realm of the real. It exists only in the realm of the imaginary. In intellectual property law today, this realm is powerful and a bit scary. It is kind of like the Matrix: You can feel it but you can't touch it.

If you have not guessed by now, I do not like dilution law—I wish we did not have it. But I do realize that the train has already left the station. Nevertheless, I would like to see some justification for this radical expansion of trademark law. And now as Congress has passed a bill<sup>54</sup> that would by all accounts weaken the standards of a dilution claim, I think this is a good moment to demand this justification.

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<sup>54</sup> See H.R. 683, *supra* note 45.