

# INTERPRETING THE FEDERAL TRADEMARK DILUTION ACT OF 1995: THE LOGIC OF THE ACTUAL DILUTION REQUIREMENT

**Abstract:** The Federal Trademark Dilution Act of 1995 creates a cause of action for trademark dilution. In contrast to trademark infringement law, which requires a showing of consumer confusion about the source or affiliation of goods and services, dilution law protects the distinctive quality and selling power of the trademark itself, even if consumers are not confused. The Fourth Circuit Court of Appeals, emphasizing the statute's requirement that the defendant's trademark "causes dilution" of the distinctive quality of an established trademark, has required evidence of an actual diminution of the established trademark's selling power. The Second Circuit Court of Appeals has read the statute to require just a likelihood of dilution, and has held that circumstantial evidence of probable dilution is enough to prove a violation. This Note argues that the Fourth Circuit's interpretation is more consistent with the text of the statute and with the public interest in trademark law.

## INTRODUCTION

Trademarks are essential tools of the consumer in a mass society.<sup>1</sup> The existence of trademark law enables the consumer to take for granted that a restaurant bearing the MCDONALD'S trademark is affiliated with previous MCDONALD'S restaurants she has eaten at, which makes it possible to predict the quality of the food with great accuracy.<sup>2</sup> If competitors could use trademarks confusingly similar to MCDONALD'S, the consumer would not be sure what to expect.<sup>3</sup>

Trademarks also work to the advantage of their owners, for the selling power of established trademarks functions as a partial barrier against the entry of new products into the market.<sup>4</sup> If consumers prefer products bearing established trademarks to products of equal quality selling at a lower price (or higher quality at the same price),

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<sup>1</sup> See Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 853-56 (1997).

<sup>2</sup> See *id.*

<sup>3</sup> See *id.*

<sup>4</sup> See *id.* at 856-60.

new products could be forced out of the market because of the often non-rational appeal of established trademarks.<sup>5</sup> If consumers prefer for such reasons to eat at MCDONALD'S rather than JOE'S, despite the fact that JOE'S offers a better deal, the power of the MCDONALD'S trademark could force JOE'S out of business.<sup>6</sup> This would not be in the interest of consumers.<sup>7</sup>

The prevention of consumer confusion has been the traditional basis of trademark protection in the United States.<sup>8</sup> Under federal law, a trademark *infringement* claim requires a showing that the defendant's mark is likely to confuse consumers about the source or affiliation of its goods or services.<sup>9</sup> In 1995, however, Congress enacted the Federal Trademark Dilution Act (the "FTDA"), creating a federal cause of action for trademark *dilution*.<sup>10</sup> Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of . . . [a] likelihood of confusion, mistake, or deception."<sup>11</sup> In contrast to infringement law, which is based on a theory of consumer protection, dilution law is concerned with protecting the "distinctive quality" of the trademark itself, even if consumers have not been deceived or misled.<sup>12</sup> The FTDA therefore has the potential to disconnect trademark law from its foundation in consumer protection and to reconfigure it on the model of a property right in gross.<sup>13</sup>

Proponents of dilution law argue that trademark owners are entitled to protect their investment in the selling power of their mark even if there is no consumer confusion to combat.<sup>14</sup> Critics, however, believe dilution law grants established trademark owners too great a zone of exclusivity and a property right that has no clear boundaries.<sup>15</sup>

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<sup>5</sup> See *id.* at 858-59.

<sup>6</sup> See Klieger, *supra* note 1, at 858-59.

<sup>7</sup> See *id.*

<sup>8</sup> See Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 160 (1982).

<sup>9</sup> See J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION 2:03 (4th ed. 1999).

<sup>10</sup> Pub. L. No. 104-98, 109 Stat. 985 (1996) (codified at Lanham Act 43(c), 15 U.S.C. § 1125(c) (1994 & Supp. 1996)).

<sup>11</sup> 15 U.S.C. § 1125(c).

<sup>12</sup> See Klieger, *supra* note 1, at 793-94.

<sup>13</sup> See *id.* at 865.

<sup>14</sup> See *Federal Trademark Dilution Act of 1995: Hearing on H.R. 1295 and H.R. 1270 Before the House Judiciary Comm. Subcomm. on Courts and Intellectual Property* (testimony of Nils Victor Montan) reprinted in *Federal News Service*, July 19, 1995.

<sup>15</sup> See Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 448-49 (1994).

With this dispute over the merits of dilution theory in the background, the courts have advanced conflicting readings of the FTDA.<sup>16</sup> The Fourth Circuit Court of Appeals has held that the statutory text, which requires proof that the defendant's mark "causes dilution" of the distinctive quality of an established trademark, demands evidence of *actual dilution* of the senior mark's selling power.<sup>17</sup> The Second Circuit Court of Appeals, however, has read the FTDA to require just a *likelihood of dilution*, and has held that circumstantial evidence of probable dilution is enough to prove a violation.<sup>18</sup> This Note argues that the Fourth Circuit is correct in reading the statute to require proof of actual dilution.<sup>19</sup> The Second Circuit's contrary interpretation is inconsistent with the statutory text, is unpredictable in its application, and does not advance the public interest in trademark protection.<sup>20</sup>

Section I of this Note outlines the scope and the limits of the public interest in trademark protection. Section II examines the origins and the evolution of dilution law in the United States. Section III describes the FTDA and summarizes early interpretations of the statute in the courts. Sections IV and V discuss the Fourth Circuit's decision in *Ringling* and the Second Circuit's decision in *Nabisco*. Section VI argues that the Fourth Circuit's interpretation of the FTDA is more consistent with the text of the statute and with the public interest.

## I. THE PUBLIC INTEREST IN TRADEMARK PROTECTION

Why does American law protect trademarks? To supporters of the federal dilution statute, trademark owners have a right to enjoin replicating or near-replicating uses of their marks that is analogous to the right of landowners to enjoin trespass.<sup>21</sup> In hearings on the FTDA, a Warner Brothers executive explained to a House committee: "[t]he basic principle is that the trademark owner, who has spent the time and investment needed to create and maintain the property, should be the sole determinant of how that property is to be used in a com-

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<sup>16</sup> See *infra* notes 163–204 and accompanying text.

<sup>17</sup> See *Ringling Bros. Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458 (4th Cir. 1999).

<sup>18</sup> See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217–22 (2d Cir. 1999).

<sup>19</sup> See *infra* notes 163–190 and accompanying text.

<sup>20</sup> See *infra* notes 191–204 and accompanying text.

<sup>21</sup> See *Federal Trademark Dilution Act of 1995: Hearing on H.R. 1295 and H.R. 1270 Before the House Judiciary Comm. Subcomm. on Courts and Intellectual Property* (testimony of Nils Victor Montan) reprinted in *Federal News Service*, July 19, 1995.

mercial manner."<sup>22</sup> This is the property-right-in-gross view of trademark ownership.<sup>23</sup>

Such a formulation is in tension with the traditional justification for trademark protection in the United States, which is based not on the interests of the trademark owner, but on the interests of consumers in the marketplace.<sup>24</sup> While copyright and patent law are concerned with setting up incentives to create, trademark infringement law aims to prevent sellers from misleading consumers about the source and affiliation of goods and services.<sup>25</sup> This helps consumers make decisions based on their past experience with specific brands.<sup>26</sup> The concern of infringement law is not with the owner of the trademark itself, but with the consumer who is "duped into dealing with an imposter."<sup>27</sup> Indeed, the trademark infringement plaintiff has been described as the "vicarious avenger" of consumer interests.<sup>28</sup>

The benefit of trademark protection for consumers, however, comes at a potential cost.<sup>29</sup> Trademarks create barriers to the entry of new products into the market, to the extent that established trademarks succeed in luring consumers away from new products bearing unfamiliar marks.<sup>30</sup> Trademarks have this effect by virtue of their role "as vessels through which all forms of advertising, . . . must pass."<sup>31</sup> To the extent that the lure of an advertised trademark is based not on the tangible qualities of the goods or services it identifies, but on an intangible "brand personality . . . aimed at the consumer's heart rather than his [or her] mind,"<sup>32</sup> new and perhaps better and/or cheaper products could be forced out of the market by the non-rational persuasive power of established trademarks.<sup>33</sup>

In 1942, in *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*, the Supreme Court noted the non-rational aspect of trademark-driven consumer behavior:

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<sup>22</sup> See *id.*

<sup>23</sup> See Klieger, *supra* note 1, at 851.

<sup>24</sup> See *id.* at 853-56.

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

<sup>26</sup> See *id.*

<sup>27</sup> Denicola, *supra* note 8, at 160. Denicola writes that "[t]he law of trademarks and unfair competition has its roots in the common law action of deceit." *Id.*

<sup>28</sup> MCCARTHY, *supra* note 9, 2:33 (citation omitted).

<sup>29</sup> See Denicola, *supra* note 8, at 183; Klieger, *supra* note 1, at 856-60.

<sup>30</sup> See Denicola, *supra* note 8, at 183; Klieger, *supra* note 1, at 856-60.

<sup>31</sup> Klieger, *supra* note 1, at 856.

<sup>32</sup> *Id.* at 857.

<sup>33</sup> See *id.* at 858-59.

If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, *or what he has been led to believe he wants*. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol . . . .<sup>34</sup>

Product differentiation based on non-rational appeals to artificial desires "not only enables a company to charge a premium for its goods relative to the identical goods of another producer, it enables the company to keep other producers out of the market."<sup>35</sup> This cannot be good for the consumer.<sup>36</sup>

The consumer confusion test aims to strike a balance between the socially desirable function of trademarks in facilitating market competition and informed consumer decision making, and the social costs of trademarks just described, protecting trademarks to the extent required to prevent consumer confusion and encourage competition, but not beyond that point.<sup>37</sup> The Ninth Circuit Court of Appeals has stated that "[a] trademark owner has a property right [in the trademark] only insofar as is necessary to prevent consumer confusion as to who produced the goods and to facilitate differentiation of the . . . goods."<sup>38</sup> It was out of dissatisfaction with this assumption about the interests trademark law protects that dilution theory emerged.<sup>39</sup>

## II. THE ORIGINS OF DILUTION LAW

Dilution theory originated in Frank I. Schechter's 1927 *Harvard Law Review* article *The Rational Basis of Trademark Protection*.<sup>40</sup> Schechter criticized the consumer protection model of trademark law, arguing instead that "the preservation of the uniqueness of a trademark . . . constitute[s] the only rational basis for its protection."<sup>41</sup> The "real injury" that concerned Schechter was not the confusion of the con-

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<sup>34</sup> 316 U.S. 203, 205 (1942) (emphasis added).

<sup>35</sup> Klieger, *supra* note 1, at 859.

<sup>36</sup> *See id.*

<sup>37</sup> *See id.* at 851-63.

<sup>38</sup> *Int'l Order of Job's Daughter v. Lindeburg & Co.*, 633 F.2d 912, 919 (9th Cir. 1980).

<sup>39</sup> *See infra* notes 40-45 and accompanying text.

<sup>40</sup> *See* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

<sup>41</sup> *Id.* at 831.

sumer who might be misled, but an injury to the value of the trademark itself, which he described as "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods."<sup>42</sup> Schechter offered an illustrative example:

[I]f "Kodak" may be used for bath tubs and cakes, "Mazda" for cameras and shoes, or "Ritz-Carlton" for coffee, these marks must inevitably be lost in the commonplace words of the language, despite the originality and ingenuity in their contrivance, and the vast expenditures in advertising them which should be protected to the same extent as plant and machinery.<sup>43</sup>

Schechter suggested that the real power of a trademark rested not on its source signification function, but rather on its pure "selling power," which depended in turn on its "uniqueness and singularity."<sup>44</sup> Schechter's insight, in sum, was that the selling power of a trademark could be injured even in the absence of consumer confusion, via "whittling away" or "dispersion" of its distinctive quality and its hold on the public.<sup>45</sup>

For an infringement claim to succeed, the 1905 Trademark Act required that the goods in question have the "same descriptive properties."<sup>46</sup> Under the 1905 Act, the Kodak bathtubs Schechter hypothesized could not be enjoined with an infringement action, even if consumers held the mistaken belief that the camera company was associated with the bathtubs, because cameras and bathtubs do not have the same descriptive properties.<sup>47</sup> Although the 1946 Lanham Act (revising federal trademark law) did not include the dilution cause of action Schechter had advocated, it eliminated the "same descriptive properties" requirement.<sup>48</sup>

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<sup>42</sup> *Id.* at 825.

<sup>43</sup> *Id.* at 830. The new cause of action Schechter proposed would not have applied to all trademarks, but would have been limited to "coined, arbitrary or fanciful words or phrases that have been added to rather than withdrawn from the human vocabulary." *Id.* at 829. The FTDA does not include this limitation.

<sup>44</sup> See Schechter, *supra* note 40, at 831.

<sup>45</sup> See *id.* at 825.

<sup>46</sup> See Act of Feb. 20, 1905, ch. 592, § 5(b), 33 Stat. 724, 725 (repealed 1946).

<sup>47</sup> See *id.*

<sup>48</sup> See Lanham Act, ch. 540, §§ 2(d), 32, 60 Stat. 427, 428, 437-38 (1946). As Judge Learned Hand explained in *Yale Electric Corp. v. Robertson*, an influential 1928 opinion that anticipated the demise of the "same descriptive properties" requirement: "[A] merchant may have a sufficient economic interest in the use of his mark outside the field of his own

With the elimination of the "same descriptive properties" requirement, much of what had concerned Schechter was addressed: it was now possible to sue for trademark infringement against uses on non-competing products.<sup>49</sup> For example, the use of PEPSI on shovels could be enjoined if some consumers would mistakenly believe the junior use was connected with the senior use, despite the absence of competition between soda and shovels.<sup>50</sup> In the leading treatise on American trademark law, J. Thomas McCarthy writes, "The modern rule of [infringement] law gives the trademark owner protection against use of its mark on any product or service which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner."<sup>51</sup>

Despite the Lanham Act's elimination of the requirement that goods be in competition with each other for a trademark infringement action to succeed, Massachusetts enacted the first state dilution statute the next year in 1947, which provided that "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief . . . notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services."<sup>52</sup> Between 1947 and 1964, Illinois, New York, Georgia and Connecticut enacted dilution statutes.<sup>53</sup> In 1964 the United States Trademark Association put a dilution clause into its Model State Trademark Bill, and in subsequent years "state after state incorporated the language of the Model Bill

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exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask." 26 F.2d 972, 974 (2d Cir. 1928)

<sup>49</sup> See Klieger, *supra* note 1, at 808.

<sup>50</sup> See *id.*

<sup>51</sup> MCCARTHY, *supra* note 9, 24:6.

<sup>52</sup> See Act Authorizing Injunctive Relief in Certain Cases of Trade-Mark Infringement or Unfair Competition, ch. 307, 1947 Mass. Acts 300 (current version at MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 1996)).

<sup>53</sup> See Act Concerning Trademarks and Service Marks, §9(c), 1963 Conn. Acts 99, 105 (current version at CONN. GEN. STAT. § 35-11i(c)(1997)); Act of March 4, 1955, 1955 Ga. Laws 453, 454 § 1 (current version at GA. CODE ANN. § 10-1-451(b) (1994)); Act of June 24, 1953, § 1, 1953 Ill. Laws. 455, 456 (current version at 765 ILL. COMP. STAT. ANN. 1036/65 (West 1993 & Supp. 1999)); Act of Apr. 18, 1955, ch. 453, § 1, 1955 N.Y. Laws 1127, 1127 (current version at N.Y. GEN. BUS. LAW § 368-d (McKinney 2000)).

into its trademark law."<sup>54</sup> The Model State Trademark Bill reads: "Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services."<sup>55</sup>

The courts, however, were unenthusiastic about the dilution statutes.<sup>56</sup> Some courts, notwithstanding statutory declarations that consumer confusion was not required, rejected dilution claims because consumer confusion had not been demonstrated.<sup>57</sup> Other courts held dilution statutes inapplicable in cases of direct competition between the parties.<sup>58</sup> Still others were concerned about the potential impact of the dilution statutes on the overall balance of trademark law.<sup>59</sup> In 1969, in *Coffee Dan's, Inc. v. Coffee Don's Charcoal Broiler*, the United States District Court for the Northern District of California rejected a claim under California's dilution statute that COFFEE DON'S CHARCOAL BROILER, used in connection with a restaurant, diluted COFFEE DAN'S, also used in connection with eating establishments.<sup>60</sup> The court wrote: "Until [the California dilution] statute is interpreted more fully by a California court, we feel constrained not to give it overly broad application lest it swallow up all competition in the claim of protection against trade name infringement."<sup>61</sup> The court was hesitant, in other words, to create a property right in trademarks extending beyond what was required to prevent consumer confusion.<sup>62</sup>

A 1976 commentary concluded that the dilution cause of action "largely has been ignored by the courts despite the plain dictates of

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<sup>54</sup> Klieger, *supra* note 1, at 813.

<sup>55</sup> MODEL STATE TRADEMARK BILL 12 (U.S. Trademark Association 1964) *reprinted in* MCCARTHY, *supra* note 9, 24:80.

<sup>56</sup> See *infra* notes 58-72 and accompanying text.

<sup>57</sup> See, e.g., *King Research, Inc. v. Shulton, Inc.*, 324 F. Supp. 631, 639 (S.D.N.Y. 1971); *Cue Publ'g, Inc. v. Colgate-Palmolive Co.*, 256 N.Y.S.2d 239, 245 (N.Y. Sup. Ct.), *aff'd*, 259 N.Y.S.2d 377 (N.Y. App. Div. 1965) ("It would appear therefore, and the cases have so held, that to give effect to the dilution doctrine some measure of confusion must be present.").

<sup>58</sup> See, e.g., *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.* 746 F.2d 375, 380 (7th Cir. 1984) ("the Illinois Courts have consistently held that the protections of the Anti-Dilution Statute are unavailable to competitors"); *Alberto-Culver Co. v. Andrea Dumon, Inc.*, 466 F.2d 705, 709 (7th Cir. 1972) (holding Illinois dilution statute inapplicable to competing products).

<sup>59</sup> See *infra* notes 60-62 and accompanying text.

<sup>60</sup> See 305 F. Supp. 1210, 1217-18 (N.D. Cal. 1969).

<sup>61</sup> See *Coffee Dan's*, 305 F. Supp. at 1217 n.13.

<sup>62</sup> See *id.*; see also Klieger, *supra* note 1, at 816.

the statutes . . . ."<sup>63</sup> The *Restatement (Third) on Unfair Competition* explains the reluctance of courts to venture beyond the premises of infringement theory to sanction dilution claims:

Some courts, and numerous commentators, expressed fear that the uncertain limits of the antidilution cause of action would unduly expand the ability of trademark owners to monopolize language and inhibit free competition. A broad antidilution theory also has the potential to render superfluous the traditional likelihood of confusion standard of liability.<sup>64</sup>

McCarthy writes that the "subtlety of the injury caused by dilution" contributed to judicial reluctance to enforce the state statutes, and that judges have found dilution "not an easy concept to understand or explain."<sup>65</sup> Because of this, state dilution statutes fell into disuse.<sup>66</sup>

In the late 1970s, however, some courts began to reconsider their reluctance to enforce dilution statutes.<sup>67</sup> In 1977, in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, the New York Court of Appeals criticized the general trend of non-enforcement.<sup>68</sup> In an influential dictum, the court described dilution as "a cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trademark or name."<sup>69</sup> Although the court concluded on the facts of the case that the plaintiff's mark lacked the requisite distinctiveness to qualify for dilution protection, it painted the dilution cause of action in broad strokes.<sup>70</sup>

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<sup>63</sup> Beverly W. Pattishall, *The Dilution Rationale for Trademark-Trade Identity Protection, Its Progress and Prospects*, 71 NW. U. L. REV. 618, 621 (1976); see also Klieger, *supra* note 1, at 815-819; Port, *supra* note 15, at 439.

<sup>64</sup> RESTATEMENT (THIRD) ON UNFAIR COMPETITION § 25, cmt. b (1995).

<sup>65</sup> See MCCARTHY, *supra* note 9, 24:100.

<sup>66</sup> See *id.*

<sup>67</sup> See *infra* notes 68-72 and accompanying text.

<sup>68</sup> See 369 N.E.2d 1162, 1165-66 (N.Y. 1977).

<sup>69</sup> *Allied Maintenance*, 369 N.E.2d at 1165.

<sup>70</sup> *Id.* Specifically, the court held,

It would be of no significance under our statute that Tiffany's Movie Theater is not a competitor of, nor likely to be confused with Tiffany's Jewelry. The harm that [the New York dilution statute] is designed to prevent is the gradual whittling away of a firm's distinctive trademark or name. It is not difficult to imagine the possible effect which the proliferation of various noncompetitive businesses utilizing the name Tiffany's would have upon the public's association of the name Tiffany's solely with fine jewelry. The ultimate effect has been appropriately termed dilution.

In subsequent years some courts heeded the advice of the New York court and stepped up their enforcement of state dilution laws.<sup>71</sup> But the magnitude of the trend should not be overstated; one study concluded that as of 1996 courts had granted relief on state dilution-law grounds alone in just sixteen cases.<sup>72</sup>

### III. THE FEDERAL TRADEMARK DILUTION ACT

Against this background of ineffective state dilution legislation, it is easy to understand why proponents of enhanced trademark protection—with the International Trademark Association leading the charge—pursued a federal dilution statute.<sup>73</sup> An effort to insert a dilution clause into the Lanham Act passed the Senate in 1988, but failed in the House.<sup>74</sup> Seven years later, however, very similar legislation “passed rapidly through Congress with minimal hearings in the House and none in the Senate.”<sup>75</sup> The Federal Trademark Dilution Act was signed into law and went into effect on January 16, 1996.<sup>76</sup>

The purpose of the FTDA was “to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.”<sup>77</sup> The House Report offered DUPONT shoes, BUICK aspirin and KODAK pianos to illustrate the concept of trademark dilution.<sup>78</sup> A federal cause of action was said to be needed, despite the existence of the state statutes, to reduce the incentives for forum-shopping that reliance on state law created and to ensure that injunctions would have nationwide effect.<sup>79</sup> Congress also asserted that federal dilution

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*Id.*

<sup>71</sup> See, e.g., *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 485 (7th Cir. 1988); *Hyatt Corp. v. Hyatt Legal Serv.*, 736 F.2d 1153, 1158 (7th Cir. 1984); *Community Fed. Sav. & Loan Assoc. v. Orondorff*, 678 F.2d 1034, 1037 (11th Cir. 1982).

<sup>72</sup> Klieger, *supra* note 1, at 820.

<sup>73</sup> See Lynda J. Oswald, “Tarnishment” and “Blurring” Under the Federal Trademark Dilution Act of 1995, 36 AM. BUS. L.J. 255, 268 (1999). The FTDA “was the result of an intense and lengthy lobbying effort led by the International Trademark Association.” *Id.*

<sup>74</sup> See MCCARTHY, *supra* note 9, 24:86.

<sup>75</sup> See *id.*

<sup>76</sup> See 15 U.S.C. § 1125(c) (1994 & Supp. 1996).

<sup>77</sup> H.R. REP. NO. 104-374 at 2 (1995).

<sup>78</sup> *Id.* at 3.

<sup>79</sup> See *id.* at 3-4. The House Report stated that federal legislation to protect famous trademarks against dilution was needed because “famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection, in that only approximately 25 states have laws that prohibit trademark dilution.” See *id.* at 3.

protection for famous marks was required under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), an element of the Uruguay Round of the General Agreement on Trade and Tariffs (GATT), to which the United States was a signatory.<sup>80</sup>

The FTDA protects "famous" trademarks against dilution of their "distinctive quality":

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark . . . .<sup>81</sup>

Dilution is defined as "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."<sup>82</sup> The statute also lists eight non-exclusive factors for courts to weigh in deciding if a trademark is "distinctive and famous."<sup>83</sup>

In sum, the elements of a federal dilution claim are (1) the plaintiff owns a famous trademark; (2) the defendant's use is commercial and in interstate commerce; (3) the defendant's use commenced after the plaintiff's mark had achieved its fame; and (4) the defendant's use lessens the capacity of the plaintiff's mark to identify and distinguish goods and services.<sup>84</sup>

One major difference between the federal and state dilution statutes is the FTDA's requirement that the mark be famous.<sup>85</sup> Courts have had some difficulties interpreting the famousness requirement,

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<sup>80</sup> *Id.* at 4.

<sup>81</sup> 15 U.S.C. § 1125(c)(1) (1994 & Supp. 1996).

<sup>82</sup> 15 U.S.C. § 1127.

<sup>83</sup> 15 U.S.C. § 1125(c)(1)(A)-(H). The factors are (A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition for the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under [federal law]. *Id.*

<sup>84</sup> See MCCARTHY, *supra* note 9, 24:89.

<sup>85</sup> See 15 U.S.C. § 1125(c)(1).

because "famous" is a term that "lacks any technical meaning in United States trademark law."<sup>86</sup> Several courts have held trademarks to be famous without explanation of their reasoning or analysis of the statutory fame factors.<sup>87</sup> Other courts have applied at least some of the fame factors in deciding that a mark was famous.<sup>88</sup> Trademarks that have been found to be famous include NBA,<sup>89</sup> FEDERAL EXPRESS,<sup>90</sup> TOYS 'R' US,<sup>91</sup> THE SPORTING NEWS,<sup>92</sup> JEWS FOR JESUS,<sup>93</sup> EBONY,<sup>94</sup> HOTMAIL,<sup>95</sup> WAWA,<sup>96</sup> PANAVISION,<sup>97</sup> ARTHUR,<sup>98</sup> BARBIE,<sup>99</sup> PLAYBOY,<sup>100</sup> ERA,<sup>101</sup> COACH,<sup>102</sup> PORSCHE,<sup>103</sup> and POST-IT.<sup>104</sup>

Several courts have rejected claims under the FTDA on the ground that the plaintiff's trademark was not famous.<sup>105</sup> Trademarks

<sup>86</sup> See Klieger, *supra* note 1 at 842.

<sup>87</sup> See, e.g., *Sara Lee Corp. v. American Leather Prod., Inc.*, 1998 U.S. Dist. LEXIS 11914, at 32-33 (N.D. Ill. 1998) ("with [the statutory] factors in mind, this court concludes that Sara Lee's registered trademark COACH leather hang tag . . . is a famous mark"); *Mattel, Inc. v. JCOM, Inc.*, 1998 U.S. Dist. LEXIS 16195, at 9 (S.D.N.Y. 1998) (the doll BARBIE is famous "by any measure"); *Playboy Enter. v. Asiafocus Int'l, Inc.*, 1998 U.S. Dist. LEXIS 10359, at 20 (E.D. Va. 1998) ("The fame of [the] PLAYMATE and PLAYBOY marks cannot reasonably be disputed").

<sup>88</sup> See, e.g., *NBA Prop. v. Entertainment Records LLC*, 1999 U.S. Dist. LEXIS 7780, at 20 (S.D.N.Y. 1999) (NBA); *Times Mirror Magazines, Inc. v. Las Vegas Sports News*, 1999 U.S. Dist. LEXIS 2832, at 13-14 (E.D. Pa. 1999) (THE SPORTING NEWS); *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 306 (D.N.J. 1998) (JEWS FOR JESUS).

<sup>89</sup> *NBA*, 1999 U.S. Dist. LEXIS 7780, at 20.

<sup>90</sup> *Fed. Express Corp. v. Federal Espresso, Inc.*, 1998 U.S. Dist. LEXIS 15607, at 57-58 (N.D.N.Y. 1998).

<sup>91</sup> *Eli Abir*, 1997 U.S. Dist. LEXIS 22431 at 13.

<sup>92</sup> *Times Mirror*, 1999 U.S. Dist. LEXIS 2832 at 13-14.

<sup>93</sup> *Jews for Jesus*, 993 F. Supp. at 306.

<sup>94</sup> *Johnson Publ'g Co., Inc. v. Willitts Designs Int'l, Inc.*, 1998 U.S. Dist. LEXIS 9264, at 22 (N.D. Ill. 1998).

<sup>95</sup> *Hotmail Corp. v. Van Money Pie Inc.*, 1998 U.S. Dist. LEXIS 10729, at 15 (N.D. Cal. 1998).

<sup>96</sup> *WAWA, Inc. v. Haaf*, 1996 U.S. Dist. LEXIS 11494, at 5 (E.D. Pa. 1996).

<sup>97</sup> *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1302-03 (C.D. Cal. 1996).

<sup>98</sup> *Brown v. It's Entm't, Inc.*, 34 F. Supp. 2d 854, 859 (E.D.N.Y. 1999).

<sup>99</sup> *Mattel*, 1998 U.S. Dist. LEXIS 16195, at 9.

<sup>100</sup> *Playboy*, 1998 U.S. Dist. LEXIS 10359, at 20.

<sup>101</sup> *ERA*, 1998 U.S. Dist. LEXIS 15916, at 11.

<sup>102</sup> *Sara Lee*, 1998 U.S. Dist. LEXIS 11914, at 32-33.

<sup>103</sup> *Porsche*, 4 F. Supp. 2d at 802.

<sup>104</sup> *Minn. Mining and Mfg. v. Taylor*, 21 F. Supp. 2d 1003, 1005 (D. Minn. 1998).

<sup>105</sup> See, e.g., *Alltel Corp. v. Actel Integ. Communications, Inc.*, 42 F. Supp. 2d 1265, 1273 (S.D. Ala. 1999); *Conopco, Inc. v. Cosmair, Inc.*, 49 F. Supp. 2d 242, 246, 258 (S.D.N.Y. 1999) ("squat, rectangular, glass [perfume] bottle with straight edges"); *Wash. Speakers Bur., Inc. v. Leading Auth., Inc.*, 33 F. Supp. 2d 488, 504 (E.D. Va. 1999) (WASHINGTON SPEAKERS BUREAU).

held not to be famous under the federal dilution statute include LANE (financial services),<sup>106</sup> CIT GROUP,<sup>107</sup> WASHINGTON SPEAKERS BUREAU,<sup>108</sup> AUTHORITY ("The Sports Authority"),<sup>109</sup> WEATHER GUARD,<sup>110</sup> STEALTH (computer equipment),<sup>111</sup> KING OF THE MOUNTAIN SPORTS,<sup>112</sup> ALLTEL,<sup>113</sup> BONGO (junior women's apparel),<sup>114</sup> APPLESEED ("The Appleseed Foundation"),<sup>115</sup> WE'LL TAKE GOOD CARE OF YOU (drug store slogan),<sup>116</sup> STAR MARKETS (grocery stores),<sup>117</sup> a "squat, rectangular, glass [perfume] bottle with straight edges,"<sup>118</sup> and certain "humanized skeleton characters."<sup>119</sup>

Two federal appeals courts have read the famousness requirement as limiting the FTDA to a narrow, elite category of trademarks.<sup>120</sup> In 1999, in *Avery Dennison Corp. v. Sumpton*, the Ninth Circuit Court of Appeals held that the trademarks AVERY and DENNISON (for office products) were not famous, and therefore were ineligible for FTDA protection.<sup>121</sup> The court read the fame requirement as limiting the dilution cause of action to "a select class of marks" that have "such powerful consumer associations that even non-competing uses can impinge on their value."<sup>122</sup> The court explained that if dilution protection were available "on a showing of inherent or acquired distinctiveness" that fell short of genuine fame, "we would upset the balance [of American trademark law] in favor of over-protecting trademarks, at the expense of potential non-infringing uses."<sup>123</sup>

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<sup>106</sup> *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 15 F. Supp. 2d 389, 400 (S.D.N.Y. 1998).

<sup>107</sup> *CIT Group v. Citicorp*, 20 F. Supp. 2d 775, 794 (D.N.J. 1998).

<sup>108</sup> *Washington Speakers Bur.*, 33 F. Supp. 2d at 503-04.

<sup>109</sup> *Sports Auth. v. Abercrombie & Fitch, Inc.*, 965 F. Supp. 925, 941 (E.D. Mich. 1997).

<sup>110</sup> *Knaack Mfg. Co. v. Rally Accessories, Inc.*, 955 F. Supp. 991, 1005 (N.D. Ill. 1997).

<sup>111</sup> *S. Indus. v. Diamond Multimedia Sys.*, 991 F. Supp. 1012 at 1021-22 (N.D. Ill. 1998).

<sup>112</sup> *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 968 F. Supp. 568, 577 (D. Col. 1997).

<sup>113</sup> *Alltel*, 42 F. Supp. 2d at 1273.

<sup>114</sup> *Michael Caruso, Inc. v. Estefan Enters.*, 994 F. Supp. 1454, 1463 (S.D. Fla. 1998).

<sup>115</sup> *Appleseed Found.*, 981 F. Supp. at 677.

<sup>116</sup> *Genovese Drug Stores*, 939 F. Supp. at 350.

<sup>117</sup> *Star Markets*, 950 F. Supp. at 1036.

<sup>118</sup> *Conopco*, 49 F. Supp. 2d at 246.

<sup>119</sup> *Scholastic Inc. v. Speirs*, 28 F. Supp. 2d 862, 873 (S.D.N.Y. 1998).

<sup>120</sup> See *infra* notes 121-127 and accompanying text.

<sup>121</sup> See 189 F.3d 868, 877 (9th Cir. 1999).

<sup>122</sup> See *id.* at 875.

<sup>123</sup> See *id.*

In 1998, in *I.P. Lund Trading ApS, Kronin Inc. v. Kohler Co.*, the First Circuit Court of Appeals held that the plaintiff's VOLA faucet design was not famous.<sup>124</sup> The court set a "heightened fame standard," reading the legislative history to indicate that Congress understood the FTDA to be an "extraordinary remedy" for "very unique marks."<sup>125</sup> The First Circuit cited the House Report's examples of DUPONT, BUICK and KODAK as evidence of the magnitude of the fame Congress had in mind.<sup>126</sup> Although the court concluded that the language of the FTDA is not limited to these "archetypal problems" in which a "world-famous brand name" has been diluted, it required evidence that the heightened fame standard has been met.<sup>127</sup> Other courts, however, have held marks such as EBONY,<sup>128</sup> HOTMAIL,<sup>129</sup> WAWA,<sup>130</sup> PANAVISION,<sup>131</sup> and ARTHUR<sup>132</sup> to be famous, with no indication that a heightened standard has been applied.

Under state and federal dilution law, courts have recognized two kinds of dilution: blurring and tarnishment.<sup>133</sup> The FTDA's definition

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<sup>124</sup> 163 F.3d 27, 47 (1st Cir. 1998).

<sup>125</sup> *I.P. Lund*, 163 F.3d at 47 (citations omitted); see also *Lane Capital*, 15 F. Supp. at 400 ("Few marks are ever famous").

<sup>126</sup> *I.P. Lund*, 163 F.3d at 45; H.R. Rep. No. 104-374, at 3. Some courts have used these and similar examples as a yardstick for measuring fame. See *Michael Caruso*, 994 F. Supp. at 1463 ("while 'Bongo' may be a distinctive mark in the junior women's apparel market, it is not a generally famous mark like 'Exxon' and 'Kodak'"); *Knaack*, 955 F. Supp. at 1003 (WEATHER GUARD does not have the "widespread fame and celebrity" of "marks such as Coca-Cola, Polaroid, Disney, Kodak or Rolls Royce"); *Golden Bear Int'l, Inc. v. BEAR U.S.A., Inc.*, 969 F. Supp. 742, 749 (N.D. Ga. 1996) ("Golden Bear" not famous like EXXON, KODAK, or COCA COLA).

<sup>127</sup> *I.P. Lund*, 163 F.3d at 45. The court suggests that consumers surveys could be used as evidence of fame. *Id.* It notes that "although some marks, such as COCA-COLA, may be so famous as to be judicially noticed . . . the VOLA faucet is far from being a candidate for such judicial notice." *Id.* at 47.

<sup>128</sup> *Johnson Publ'g*, 1998 U.S. Dist. LEXIS 9264, at 306.

<sup>129</sup> *Hotmail*, 1998 U.S. Dist. LEXIS 10729, at 15.

<sup>130</sup> *WAWA*, 1996 U.S. Dist. LEXIS 11494, at 5.

<sup>131</sup> *Panavision*, 945 F. Supp. at 1302-03.

<sup>132</sup> *Brown*, 34 F. Supp. 2d at 859.

<sup>133</sup> See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217-22 (2d Cir. 1999) (blurring); *Am. Dairy Queen Corp. v. New Line Prod., Inc.*, 35 F. Supp. 2d 727, 733 (D. Minn. 1998) (tarnishment). What is perhaps the newest form of dilution, the use of another's trademark as an internet domain name, has in some instances been conceptualized under the blurring or tarnishment headings. See, e.g., *Jews for Jesus*, 993 F. Supp. at 307 (defendant's use of plaintiff's mark "to lure individuals to his Internet site where he makes disparaging statements about the Plaintiff Organization" held to constitute blurring and tarnishment of the mark). Other courts, however, recognize a third category of dilution. See, e.g., *Panavision*, 141 F.3d at 1326 ("[I]n concluding that [defendant's] use of [plaintiff's] trademarks diluted the marks, the district court noted that [defendant's] conduct varied from the two standard dilution theories of blurring and tarnishment. . . . The court found

of dilution—"the lessening of the capacity of a famous mark to identify and distinguish goods or services"—describes blurring, but the legislative history indicates a congressional intent for the FTDA to encompass both of the forms of trademark dilution that had been recognized under state law.<sup>134</sup> The Second Circuit has explained that "[t]arnishment generally arises when the plaintiff's trademark . . . is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product. In such situations, the trademark's reputation and commercial value might be diminished . . . ."<sup>135</sup> For example, in *Archdiocese of St. Louis v. Internet Entertainment Group, Inc.*, the United States District Court for the Eastern District of Missouri held that the plaintiff's PAPAL VISIT 1999 mark had been tarnished by the defendant's placement of pornographic materials at the PAPALVISIT.COM address on the World Wide Web.<sup>136</sup> Tarnishment is a relatively straightforward tort, and courts have not found it difficult to apply the FTDA in tarnishment cases.<sup>137</sup>

Blurring, however, is a more obscure phenomenon. The *Restatement* notes the nebulous character of blurring: "Direct evidence of a dilution of distinctiveness is seldom available because the harm at issue is a blurring of the mental associations evoked by the mark, a phenomenon not easily sampled by consumer surveys and not normally manifested by unambiguous consumer behavior."<sup>138</sup> Other commentators have described dilution by blurring as "a theory that no one understands"<sup>139</sup> and as "bewilderingly intangible."<sup>140</sup> The

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that [defendant's] conduct diminished "the capacity of the [plaintiff's] marks to identify and distinguish [plaintiff's] goods and services on the Internet").

<sup>134</sup> 15 U.S.C. § 1127 (1994 & Supp. 1996). The House Report indicates that the FTDA "is designed to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it . . . ." H.R. REP. NO. 104-374 at 2 (1995).

<sup>135</sup> *Deere & Co. v. MTD Products, Inc.* 41 F.3d 39, 43 (2d Cir. 1994).

<sup>136</sup> 34 F. Supp. 2d 1145, 1146 (E.D. Mo. 1999).

<sup>137</sup> See Oswald, *supra* note 73, at 279. Oswald concludes that "[t]he determination of whether a junior mark places a senior mark in an unwholesome or unsavory light is necessarily heavily fact-dependent. The subjective evaluations engaged in by courts, whether they are applying state statutes or the federal Act, work well in this context." *Id.*

<sup>138</sup> RESTATEMENT, *supra* note 64, § 25 cmt. f.; see also Jonathan E. Moskin, *Dilution or De-lusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122, 138 (1993) ("[T]he dilution concept supposes only a gradual dissipation or deterioration of good will, not its sudden disappearance or destruction. . . . Yet how is a witness to detect this gradual mental process . . . or for that matter, how is such a witness to be located?").

<sup>139</sup> See Moskin, *supra* note 138, at 125.

<sup>140</sup> Note, *Dilution: Trademark Infringement or Will-O-The-Wisp?*, 77 HARV. L. REV. 520, 528 (1964).

Fourth Circuit Court of Appeals has characterized it as a "dauntingly elusive concept."<sup>141</sup>

Despite these concerns, many courts have accepted circumstantial proof of dilution under the FTDA.<sup>142</sup> The test most often used has been the six-factor test Judge Sweet set out in his concurring opinion in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, a 1989 case decided under the New York dilution statute.<sup>143</sup> Judge Sweet's factors are: (1) similarity of the marks; (2) similarity of the products covered by the marks; (3) sophistication of consumers; (4) predatory intent; (5) renown of the senior mark; and (6) renown of the junior mark.<sup>144</sup> The first, second, fourth, fifth and sixth factors are positively correlated with dilution, while the third is negatively correlated with dilution.<sup>145</sup> Several courts have used the *Mead Data* test to analyze diluting by blurring, some finding dilution,<sup>146</sup> others rejecting dilution claims.<sup>147</sup> Other courts have upheld<sup>148</sup> or rejected<sup>149</sup> claims of dilution by blurring without using the *Mead Data* test.

Despite its widespread use, the *Mead Data* test has come under fire in recent decisions.<sup>150</sup> In *Lund*, the First Circuit criticized *Mead*

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<sup>141</sup> See *Ringling*, 170 F.3d at 451.

<sup>142</sup> See, e.g., *infra* note 145 and accompanying text.

<sup>143</sup> 875 F.2d 1026, 1035 (2d Cir. 1989).

<sup>144</sup> *Id.*

<sup>145</sup> See *Hershey Foods Corp. v. Mars, Inc.*, 998 F. Supp. 500, 504 (M.D. Pa. 1998).

<sup>146</sup> See, e.g., *Times Mirror Magazines*, 1999 U.S. Dist. LEXIS 2832 at 17-19; *Consol. Cigar Corp. v. Monte Cristi de Tabacos*, 58 F. Supp. 2d 188, 200 (S.D.N.Y. 1999); *Lexington Mgmt. Corp. v. Lexington Capital Partners*, 10 F. Supp. 2d 271, 289-90 (S.D.N.Y. 1998); *Clinique Lab., Inc. v. DEP Corp.*, 945 F. Supp. 547, 562-63 (S.D.N.Y. 1996); *WAWA*, 1996 U.S. Dist. LEXIS 11494, at 8.

<sup>147</sup> See, e.g., *Michael Caruso*, 994 F. Supp. at 1463-64; *Fed. Express*, 1998 U.S. Dist. LEXIS 15607 at 59-65; *Hartz & Co., Inc. v. Italia, Inc.*, 1998 U.S. Dist. LEXIS 3716, at 6 (S.D.N.Y. 1998); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. B.E. Windows Corp.*, 937 F. Supp. 204, 211-14 (S.D.N.Y. 1996).

<sup>148</sup> See, e.g., *Brown*, 34 F. Supp. 2d at 859; *Liquid Glass Enter., Inc. v. Dr. Ing.*, 8 F. Supp. 2d 398, 405 (D.N.J. 1998); *ERA Franchise Sys. v. Logan & Logan Assocs.*, 1998 U.S. Dist. LEXIS 15916, at 11 (E.D. Pa. 1998); *Danjaq, LLC v. Sony Corp.*, 1998 U.S. Dist. LEXIS 22231 (C.D. Cal. 1998); *Asiافocus*, 1998 LEXIS 10359, at 20-21; *Porsche Cars North Am., Inc. v. Manny's Porshop, Inc.*, 972 F. Supp. 1128, 1132 (N.D. Ill. 1996); *Minn. Mining*, 21 F. Supp. 2d at 1005.

<sup>149</sup> See, e.g., *Luigino's, Inc. v. Stouffer Corp.*, 170 F.3d 827, 833 (8th Cir. 1999); *Playboy Enter., Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070 (C.D. Cal. 1999); *World Gym Licensing, Ltd. v. Fitness World, Inc.*, 47 F. Supp. 2d 614 (D. Md. 1999); *CTT Group*, 20 F. Supp. 2d at 794; *Toys 'R' Us, Inc. v. Feinberg*, 26 F. Supp. 2d 639 (S.D.N.Y. 1998).

<sup>150</sup> See *I.P. Lund*, 163 F.3d at 49; see also *Ringling*, 170 F.3d at 464 ("the Mead-factor analysis simply is not appropriate for assessing a claim under the federal Act"); *Nabisco*, 191 F.3d at 227 ("it would be a serious mistake at the outset of our consideration of the new

*Data* "for introducing factors that are the offspring of classical likelihood of confusion analysis and are not particularly relevant or helpful in resolving the issues of dilution by blurring."<sup>151</sup> The court pointed out that weighing the similarity of the products (factor two) in the blurring analysis "may work directly contrary to the intent of a law whose primary purpose was to apply in cases of widely differing goods, i.e. Kodak pianos and Kodak film."<sup>152</sup> The First Circuit also found predatory intent (factor four) irrelevant, reasoning that "blurring occurs in the minds of potential customers. Predatory intent [of the junior user] tells little about how customers in fact perceive products."<sup>153</sup>

Judge Sweet assumed that the greater the renown of the senior mark (factor five), the greater the likelihood that the junior mark would cause blurring in the minds of consumers.<sup>154</sup> But the court was analyzing dilution under the New York dilution statute, which does not include the FTDA's requirement that the senior mark be famous.<sup>155</sup> Because the FTDA requires fame, factor five of the *Mead Data* test is superfluous.<sup>156</sup>

The trend in the cases has been toward the rejection of the *Mead Data* test.<sup>157</sup> Of those courts that have not used the *Mead Data* test, some have simply made conclusory statements that the plaintiff's mark has been diluted based on the identity or near-identity of the two marks, with standard dilution boilerplate tossed in for empha-

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federal antidilution statute to limit ourselves to these six factors . . ."); Oswald, *supra* note 73, at 284-95. But see *Hershey*, 998 F. Supp. at 520 ("In our view, only the second factor is irrelevant.").

<sup>151</sup> *I.P. Lund*, 163 F.3d at 49 (citation omitted).

<sup>152</sup> *Id.* (citation omitted); see also, Oswald, *supra* note 73, at 289 ("By including similarity of the products as a factor in blurring analysis under the [FTDA], courts give weight to a consideration the Act explicitly makes irrelevant.").

<sup>153</sup> *I.P. Lund*, 163 F.3d at 49-50; see also, *Clinique*, 945 F. Supp. at 562 n.22 (declining to use factor four because Congress had not included a predatory intent requirement in the FTDA).

<sup>154</sup> See *Mead Data*, 875 F.2d at 1038.

<sup>155</sup> See N.Y. GEN. BUS. LAW § 368-d (McKinney 1996).

<sup>156</sup> See Oswald, *supra* note 73, at 294. Courts are divided on the significance of consumer sophistication (factor three). Some courts have adopted Judge Sweet's premise that less sophisticated consumers are more inclined to mistakenly associate unrelated marks. See *WAWA*, 1996 U.S. Dist. LEXIS 11494, at 9; *B.E. Windows*, 937 F. Supp. at 213. The *Hershey* court, however, advanced the opposite interpretation, reasoning that "the more sophisticated the consumers the more likely they will recognize that the mark has become associated with separate sources." See *Hershey*, 998 F. Supp. at 521. For a critique of factor 6 (renown of the junior mark), see *Clinique*, 945 F. Supp. at 563 (arguing that factor 6 always weighs in favor of the junior user because the junior mark is never famous).

<sup>157</sup> See, e.g., *I.P. Lund*, 170 F.3d at 49-50; *Ringling*, 170 F.3d at 464; *Nabisco*, 191 F.3d at 227.

sis.<sup>158</sup> The Second Circuit has outlined its own multi-factor test for trademark dilution.<sup>159</sup> The Fourth Circuit, however, has rejected the circumstantial approach to proving dilution altogether, and has required evidence of an actual reduction in the selling power of the senior mark before granting FTDA relief.<sup>160</sup> The Second and Fourth Circuits have thus framed the essential question for courts deciding cases under the FTDA. Does the statute require evidence of actual dilution, an actual lessening of the senior mark's capacity to identify and distinguish goods and services?<sup>161</sup> Or is circumstantial evidence of a lessening of that capacity enough to prove a violation?<sup>162</sup>

#### IV. THE FOURTH CIRCUIT'S *RINGLING* DECISION

In 1998, in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, the Fourth Circuit rejected Ringling's claim that its THE GREATEST SHOW ON EARTH mark had been diluted by the State of Utah's THE GREATEST SNOW ON EARTH mark.<sup>163</sup> The court reasoned that Ringling had failed to offer evidence that the State of Utah had caused actual dilution of the selling power of its mark.<sup>164</sup> In explaining its decision to require proof of actual dilution, going beyond the circumstantial evidence other courts have found convincing, the Fourth Circuit pointed out that while state dilution statutes require just a "likelihood of dilution,"<sup>165</sup> the text of the FTDA—which requires that the defendant's mark

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<sup>158</sup> See, e.g., *Brown*, 34 F. Supp. at 859 ("Should unauthorized Arthur impersonators proliferate, . . . the image sought by the plaintiffs for Arthur will be difficult to control and might easily become blurred or tarnished."); *Minn. Mining*, 21 F. Supp. 2d at 1005 (holding defendant's registration, use, and attempted sale of domain names "post-it.com," "post-its.com," and "jpost-it.com" likely to dilute distinctive quality of famous POST-IT mark); *Liquid Glass*, 8 F. Supp. 2d at 405 ("Liquid Glass's unauthorized use of Porsche's trademarks and trade dress is likely to slowly whittle away the distinctiveness of Porsche's marks, demeaning the Porsche cachet and blurring the value of its famous and strong marks"); *Asiafocus*, 1998 U.S. Dist. LEXIS 10359, at 20 ("It is clear that the capacity of [plaintiff] to identify its goods and services was diminished").

<sup>159</sup> See *infra* notes 199–203 and accompanying text.

<sup>160</sup> See *Ringling*, 170 F.3d at 458; see also *World Gym*, 47 F. Supp. 2d at 625 ("proof of actual dilution caused by the junior mark is required and will not simply be inferred from the fact that there has been proof of harm only to the mark's distinctiveness").

<sup>161</sup> See *Ringling*, 170 F.3d at 458.

<sup>162</sup> See *Nabisco*, 191 F.3d at 223–24.

<sup>163</sup> See 170 F.3d 449, 463 (4th Cir. 1999).

<sup>164</sup> See *id.* at 462–63.

<sup>165</sup> See, e.g., N.Y. GEN. BUS. LAW § 368-d (2000) ("Likelihood of . . . dilution of the distinctive quality of a mark . . . shall be a ground for injunctive relief").

causes dilution of the distinctive quality of the plaintiff's mark—limits the FTDA to “actual, consummated dilution.”<sup>166</sup>

The *Ringling* court begins its analysis with Schechter's original proposition—out of which dilution law emerged—that the “uniqueness” of a trademark deserves legal protection.<sup>167</sup> This would mean that dilution could be proved with “any junior use of an identical or sufficiently similar mark, without regard to whether the junior use had any other harmful effect [on the senior mark] than its necessary destruction of the senior mark's former absolute ‘uniqueness.’”<sup>168</sup> The court criticized this “radical” proposal on the ground that its effect would be to create property rights in gross in trademarks, rights that would be similar to those copyright and patent law protect, but superior because they would be unlimited in time.<sup>169</sup> Under such a scheme, “no proof would be required to prove dilution except the fact that a junior mark replicated the protected mark.”<sup>170</sup>

The Fourth Circuit identified the diminution of the senior mark's selling power—as opposed to the mere loss of its uniqueness—as the injury dilution law aims to prevent.<sup>171</sup> The court explained that “by specifically defining dilution as ‘the lessening of the capacity of a famous mark to identify and distinguish goods or services,’ the [FTDA] makes plain what the state statutes arguably may not: that the end harm at which it is aimed is a mark's selling power, not its ‘distinctiveness’ as such.”<sup>172</sup> The court then observed that “[t]he real interpretive problem has been with how harm to the senior mark's selling power resulting from the junior mark's use could be proved.”<sup>173</sup> It rejected the method of simply presuming such harm from the identity or near-identity of the marks, the effect of which would be to create property rights in gross, reasoning that actual economic harm cannot

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<sup>166</sup> See *Ringling*, 170 F.3d at 458. See also, Eric A. Prager, *Half a Century of Federal Trademark Protection: The Lanham Act Turns Fifty: The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L. J. 121, 131 (1996) (“Logically, a defendant's mark does not ‘cause dilution’ of a plaintiff's mark until the plaintiff's mark has suffered actual dilution.”)

<sup>167</sup> See *Ringling*, 170 F.3d at 454.

<sup>168</sup> *Id.* at 454.

<sup>169</sup> See *id.* To understand the significance of a property-rights-in-gross interpretation, note that under traditional trademark jurisprudence “[t]rademark holders do not actually ‘own’ the underlying mark at issue, but rather, only possess a right to exclude others from using the mark in a manner that would confuse consumers.” See Port, *supra* note 15, at 438.

<sup>170</sup> *Ringling*, 170 F.3d at 456.

<sup>171</sup> *Id.*

<sup>172</sup> *Id.* at 458.

<sup>173</sup> *Id.* at 457.

be presumed based solely on a replicating or near-replicating junior use: "[i]ndeed, common sense suggests that an occasional replicating use might even enhance a senior mark's 'magnetism'—by drawing renewed attention to it as a mark of unshakable eminence worthy of emulation by an unthreatening non-competitor."<sup>174</sup> The mere replication or near-replication of an established mark, therefore, should not be grounds for a presumption of dilution.<sup>175</sup>

The *Ringling* court also rejected the *Mead Data* test and its premise that dilution could be proved via "the normal judicial process of fact-finding by inference from a set of contextual factors," but the court's reasoning differs from that of the First Circuit Court of Appeals and other courts that have criticized *Mead Data*.<sup>176</sup> Although the *Ringling* court noted that the *Mead Data* test "has obvious utility in making the long leaps of inference that can be used to find a mere 'likelihood of dilution,'" it declared that "inferring actual harm and effective causation from such factors as 'consumer sophistication,' and 'predatory intent' is a chancy process at best."<sup>177</sup> In contrast to the suggestion of other courts that some of the *Mead Data* factors are simply not relevant to the concept of trademark dilution,<sup>178</sup> the *Ringling* court argued that whatever their relevance to a showing of a *likelihood* of dilution, the "long leaps of inference" the test requires courts to make are not enough to establish *actual* dilution.<sup>179</sup>

What the *Ringling* court settled upon is a requirement of proof of "an actual lessening of the senior mark's selling power."<sup>180</sup> It interpreted the FTDA as requiring: "(1) a sufficient similarity between the junior and senior marks to evoke an instinctive mental association of the two by a relevant universe of consumers which (2) is the effective cause of (3) an actual lessening of the senior mark's selling power."<sup>181</sup> While granting that "[t]his . . . is a stringent interpretation" of the statute, the *Ringling* court noted that "given the critical provisions that essentially differentiate the [FTDA] on key points from the state statutes, we must assume that this was exactly what was intended by Con-

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<sup>174</sup> *Id.* at 460; *see also* Moskin, *supra* note 138, at 135 ("The junior use may . . . be a kind of free advertising").

<sup>175</sup> *Ringling*, 170 F.3d at 460.

<sup>176</sup> *See id.* at 457; I.P. Lund Trading ApS, Kronin Inc. v. Kohler Co., 163 F.3d 27, 47 (1st Cir. 1998).

<sup>177</sup> *Ringling*, 170 F.3d at 464.

<sup>178</sup> *See supra* notes 150–157 and accompanying text.

<sup>179</sup> *See Ringling*, 170 F.3d at 464.

<sup>180</sup> *Id.* at 458.

<sup>181</sup> *Id.*

gress."<sup>182</sup> In rejecting the plaintiff's argument that the FTDA just requires proof that the junior and senior marks are similar, the court declared its disbelief that "Congress could have intended, without making its intention to do so perfectly clear, to create property rights in gross, unlimited in time (via injunction), even in "famous" trademarks. Had that been the intention, it is one easily and simply expressed by merely proscribing use of any substantially replicating junior mark."<sup>183</sup> On the contrary, the FTDA requires "specific harm to the senior mark's economic value in the form of a 'lessening of [its] capacity . . . to identify and distinguish goods and services.'"<sup>184</sup>

The court acknowledged the difficulties entailed in proving actual dilution, and suggested that this "may have led a few federal courts early on simply to assume, without facing up to the interpretive difficulty of doing so, that the [FTDA] only requires proof of a 'likelihood of dilution.'"<sup>185</sup> The court rejected, however, the notion that proof of actual dilution is "impossible and therefore not . . . what Congress could have intended."<sup>186</sup> It concluded that "[p]roof will be difficult, because actual, consummated dilutive harm and its cause are difficult concepts. But the concept is a substantively viable one, and the means of proof are available."<sup>187</sup> The court suggested three potential methods of proving actual dilution under the FTDA: (1) "proof of an actual loss of revenues, and proof of [the junior mark] as cause by disproving other possible causes"; (2) "the skillfully constructed consumer survey designed not just to demonstrate 'mental association' of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred"; and (3) "relevant contextual factors such as the extent of the junior mark's exposure, the similarity of the marks, [and] the firmness of the senior mark's hold," which the court indicates are relevant "as indirect evidence that might complement other proof."<sup>188</sup>

On the facts before it, the court held that the survey evidence the plaintiff had introduced failed to show that "Utah's junior mark had caused any actual harm to Ringling's mark in the form of a lessening of [its] former capacity to identify and distinguish Ringling's circus as

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<sup>182</sup> *Id.* at 458-59.

<sup>183</sup> *Id.* at 459.

<sup>184</sup> *Ringling*, 170 F.3d at 459.

<sup>185</sup> *Id.* at 464.

<sup>186</sup> *Id.*

<sup>187</sup> *Id.*

<sup>188</sup> *Id.* at 465.

its subject."<sup>189</sup> On the contrary, the evidence included "survey results indicating that consumer familiarity with Ringling's mark was greater in Utah (46%), where Utah's mark was well-known, than in the rest of the country (41%), where Utah's mark was virtually unknown," and that "virtually every" respondent associated Ringling's mark with the circus and not with Utah's winter sports.<sup>190</sup>

## V. THE SECOND CIRCUIT'S *NABISCO* DECISION

In 1999, in *Nabisco, Inc. v. PF Brands, Inc.*, the Second Circuit expressly rejected the Fourth Circuit's approach.<sup>191</sup> At issue in this case were "orange, bite-sized, cheddar cheese-flavored, goldfish-shaped cracker[s]."<sup>192</sup> Pepperidge Farm, which had sold such crackers since 1962, claimed that Nabisco's CatDog snack—made up of small orange crackers in three shapes, based on the CatDog cartoon program, one of which "closely resembles Pepperidge Farm's Goldfish cracker in color, shape, . . . size, and taste"—would dilute the distinctive quality of its GOLDFISH mark.<sup>193</sup> Pepperidge Farm prevailed on its dilution claim, but without the showing of actual dilution the Fourth Circuit requires.<sup>194</sup>

In rejecting the Fourth Circuit's approach, the *Nabisco* court described the requirement that actual loss of revenues be demonstrated as "inappropriate," reasoning that "[i]f the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior."<sup>195</sup> The court argued further that "[e]ven if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark."<sup>196</sup> The court dismissed consumer surveys as "expensive, time-consuming, and

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<sup>189</sup> *Ringling*, 170 F.3d at 463.

<sup>190</sup> *Id.*

<sup>191</sup> 191 F.3d 208, 223–25 (2d Cir. 1999).

<sup>192</sup> *See id.* at 212.

<sup>193</sup> *See id.* at 213. One quarter of the crackers in each package were fish, the favorite food and symbol of the cat half of the CatDog character. *Id.* One quarter were bones, the favorite food and symbol of the dog half. *Id.* The other half of the crackers were in the shape of the CatDog character itself. *Id.* The court noted that the Nabisco fish was "somewhat larger and flatter" and had "markings on one side." *Id.*

<sup>194</sup> *See id.* at 222.

<sup>195</sup> *Id.* at 223–24.

<sup>196</sup> *Id.* at 224.

not immune to manipulation."<sup>197</sup> In contrast to the Fourth Circuit's requirement that actual dilution be established, the court concluded that plaintiffs should be "free to make their case through circumstantial evidence that will justify an ultimate inference of injury."<sup>198</sup>

In that spirit, the *Nabisco* court adopted what it called "a cautious and gradual approach," which entails the selective use of factors found in its infringement jurisprudence that seem helpful in the dilution context on the facts of the specific case.<sup>199</sup> The factors the court deemed relevant to the facts before it were (a) distinctiveness; (b) similarity of the marks; (c) proximity of the products and likelihood of bridging the gap; (d) interrelationship among (a), (b) and (c); (e) shared consumers and geographic limitations; (f) sophistication of consumers; (g) actual confusion; (h) adjectival or referential quality of the junior use; (i) harm to the junior user and delay by the senior user; and (j) effect of the plaintiff's prior laxity in protecting the mark.<sup>200</sup>

Based on a weighing of these contextual factors—the court emphasized the reasonable distinctiveness of the GOLDFISH mark,<sup>201</sup> the close proximity of the products in the market, the similarity between the two goldfish crackers,<sup>202</sup> the low level of consumer sophistication, and the punctuality of the litigation—the court sustained the district court's decision to grant a preliminary injunction.<sup>203</sup> In declining to read an actual dilution requirement into the FTDA, as the Fourth Circuit had done, the Second Circuit joined other courts that have read the FTDA to require just a likelihood of dilution established with circumstantial evidence.<sup>204</sup>

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<sup>197</sup> *Id.*

<sup>198</sup> *Id.*

<sup>199</sup> *Nabisco*, 191 F.3d at 217.

<sup>200</sup> *Id.* at 217–22.

<sup>201</sup> *Id.* at 222. "[B]ecause the . . . goldfish shape has no logical relationship to a bite-sized cheese cracker . . . we believe that Pepperidge Farm's senior mark is reasonably distinctive." *Id.* at 218.

<sup>202</sup> *Id.* "Both fish are presented arbitrarily in the form of a cracker. Notwithstanding slight differences in shape, size and marking, [the] crackers are essentially the same color, shape, size, and taste." *Id.* at 218.

<sup>203</sup> *Id.* at 222.

<sup>204</sup> See, e.g., *Consol. Cigar Corp. v. Monte Cristi de Tabacos*, 58 F. Supp. 2d 188, 200 (S.D.N.Y. 1999); *Lexington Mgmt. Corp. v. Lexington Capital Partners*, 10 F. Supp. 2d 271, 289–90 (S.D.N.Y. 1998).

## VI. THE LOGIC OF AN ACTUAL DILUTION REQUIREMENT

Judicial uncertainty about the FTDA should be resolved, as it has been in the Fourth Circuit, in favor of a narrow interpretation of the statute. The natural reading of the statutory text—which speaks of a junior trademark that *causes dilution* of the distinctive quality of an established one—is that it requires proof of actual dilution.<sup>205</sup> If Congress intended to require a mere likelihood of dilution, it had the state dilution statutes before it as a model for writing such a law; the failure of the drafters to include the same language in the FTDA suggests that it was not the likelihood of dilution, but actual dilution itself, that Congress intended to proscribe.<sup>206</sup>

In other regards, the text of the FTDA is nearly identical to the Model State Trademark Bill, the language of which was imported into many state dilution statutes.<sup>207</sup> Each creates a cause of action for “dilution of the distinctive quality of [the] mark.”<sup>208</sup> The Model Bill applies “notwithstanding the absence of competition between the parties or the absence of confusion;” the FTDA applies “regardless of the . . . absence of . . . competition between the . . . parties, or . . . likelihood of confusion.”<sup>209</sup> These similarities are evidence that Congress used state dilution legislation as a model for the FTDA.<sup>210</sup> In the Model Bill, however, the phrase “likelihood of” precedes and modifies the word “dilution.”<sup>211</sup> Unless courts are to assume that Congress made an error in drafting, the natural inference is that it intended *not* to create a vague, open-ended “likelihood of dilution” cause of action and omitted the phrase “likelihood of” for that reason.<sup>212</sup>

Moreover, when Congress defined the term “dilution” in the FTDA, it used the phrase “likelihood of” to indicate what a dilution cause of action does *not* require.<sup>213</sup> Dilution is defined as the lessening of a famous mark’s capacity to distinguish goods and services, “regardless of the presence or absence of . . . [a] *likelihood of* confusion, mis-

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<sup>205</sup> See 15 U.S.C. § 1125(c) (1994 & Supp. 1996).

<sup>206</sup> See *supra* notes 52–55 and accompanying text. *But see* McCarthy, *supra* note 9, 24:94 (FTDA does not require evidence of actual dilution).

<sup>207</sup> See 15 U.S.C. § 1125(c); MODEL STATE TRADEMARK BILL 12 (U. S. Trademark Association, 1964), reprinted in MCCARTHY, *supra* note 9, 24:80.

<sup>208</sup> See *id.*

<sup>209</sup> See *id.*

<sup>210</sup> See *id.*

<sup>211</sup> See MODEL STATE TRADEMARK BILL 12.

<sup>212</sup> See 15 U.S.C. § 1125(c).

<sup>213</sup> See 15 U.S.C. § 1127 (1994 & Supp. 1996).

take, or deception.”<sup>214</sup> The appearance of a “likelihood of” formulation in the text of the FTDA itself further undermines the argument that Congress intended to establish a “likelihood of dilution” standard by implication.<sup>215</sup> In drafting the FTDA, when Congress intended to say “likelihood of X,” it said just that; “causes dilution” should therefore not be read to mean “likelihood of dilution.”<sup>216</sup>

If the Second Circuit’s “likelihood of dilution” reading were to prevail, dilution would inevitably replace infringement as the basic trademark cause of action.<sup>217</sup> This is because dilution, which does not require evidence of consumer confusion, would be much easier to prove.<sup>218</sup> The infringement cause of action would be unnecessary, as it is difficult to imagine a junior mark likely to confuse consumers about source and affiliation that would not also be held likely to dilute the distinctive quality of the senior mark.<sup>219</sup>

If the protection of established trademarks were an unmitigated benefit to the public, such an expansion in federal trademark protection might not be a cause for concern.<sup>220</sup> But trademark protection beyond what is required to prevent consumer confusion does not advance the public interest, and in fact has potential harmful effects.<sup>221</sup> Established trademarks encourage consumers to purchase familiar products and to reject new products bearing new marks.<sup>222</sup> Established trademarks therefore constitute barriers to the entry of new products into the market, and the greater the protection established trademarks receive, the higher these barriers are set.<sup>223</sup> Because consumer preferences for products bearing established trademarks are often a function of advertising aimed at emotion rather than reason, trademarks have the effect of keeping new products out of the market on non-rational grounds.<sup>224</sup>

Some market-barrier effect is inevitable if trademarks are to receive legal protection. But the infringement standard focuses on preventing consumer confusion and strikes a balance between the need

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<sup>214</sup> See *id.* (emphasis added).

<sup>215</sup> See *id.*

<sup>216</sup> See 15 U.S.C. § 1125(c)(1).

<sup>217</sup> See RESTATEMENT, *supra* note 64, § 25, cmt. b.

<sup>218</sup> See *id.*

<sup>219</sup> See *id.*

<sup>220</sup> See Klieger, *supra* note 1, at 853–56.

<sup>221</sup> See *id.* at 856–60.

<sup>222</sup> See *id.*

<sup>223</sup> See *id.*

<sup>224</sup> See *id.* at 858–59.

to protect consumers against confusing or deceptive trademarks, and the public interest in market competition based on the objective qualities of products, as opposed to their non-rational psychological associations and brand personalities.<sup>225</sup> A trademark regime without a consumer confusion standard—what the expansive reading of the FTDA would create—threatens to upset the balance the consumer confusion standard creates, thus giving established trademark holders the power to enjoin the symbols of new enterprises for no discernible public purpose.<sup>226</sup> If Congress intended such a momentous change in American trademark law as the replacement of infringement as the basic cause of action for trademark plaintiffs, one would expect it to have been clear about what it was doing. But neither the text nor the legislative history of the FTDA offer any indication that Congress intended to displace the consumer confusion standard at the heart of American trademark law.<sup>227</sup>

The *Nabisco* court questioned the *Ringling* court's assertion that a likelihood of dilution standard would have the effect of creating a property right in gross, or a right to enjoin any substantially replicating mark.<sup>228</sup> It argued that "there are many instances in which a junior use of a famous mark might not reduce the capacity of that mark to identify and distinguish products" under the FTDA.<sup>229</sup> But the test the *Nabisco* court used—a 10-factor test so convoluted that one of the factors is the "interrelationship among" three other factors—does not seem well designed to distinguish which junior uses have a diluting effect and which do not.<sup>230</sup> Such an unwieldy 10-factor test could be used in practice to justify whatever outcome the court prefers; it is

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<sup>225</sup> See Klieger, *supra* note 1, at 853–56.

<sup>226</sup> See *id.* at 863.

<sup>227</sup> See 15 U.S.C. § 1125(c); H.R. REP. NO. 104-374 (1995).

<sup>228</sup> See *Nabisco*, 191 F.3d at 225 n.6.

<sup>229</sup> *Id.* at 225 n.6.

<sup>230</sup> See *id.* at 217–22. Oswald has criticized the trend toward "factorization" of trademark law, noting that "the proliferation of {multi-factor} tests may encourage a court to rotely run down a checklist, rather than considering carefully the claim of blurring in light of the particular facts before it." See Oswald, *supra* note 73, at 297. Oswald's own recommendation is a "substantial similarity" test, under which, if two marks are "substantially similar, a rebuttable presumption of blurring" kicks in. *Id.* at 298. The premise here is that "[w]here the junior and senior marks are substantially similar, the likelihood of blurring is so overwhelming that it seems unfair to put the senior user to the task of proving dilution affirmatively exists." *Id.* The burden would therefore shift to the junior user to rebut the presumption of dilution. See *id.* But how does one rebut the presumption of something as vague and amorphous as dilution? Why should the burden of dealing with its vagueness be on defendants instead of plaintiffs?

doubtful that it could draw consistent and reliable distinctions between diluting and non-diluting uses.<sup>231</sup>

It is true that a likelihood of dilution standard would not *necessarily* result in a regime of property rights in gross. But absent the actual dilution requirement the *Ringling* court sees in the plain language of the statute, courts would be free to enjoin substantially replicating marks based on their own intuitive sense of what *might* cause dilution.<sup>232</sup> Perhaps not all substantially replicating marks would be prohibited, but the rights of established trademark holders would be eligible for a significant and unpredictable expansion.<sup>233</sup> As one commentator has put it, "[w]hen a right is vague and impossible to articulate, courts will always be inconsistent in their application of that right."<sup>234</sup> Such would be the fate of the federal right against dilution under the Second Circuit's interpretation.<sup>235</sup>

The *Nabisco* court's acceptance of the likelihood of consumer confusion as evidence of trademark dilution underscores the pervasive uncertainty about what exactly dilution statutes proscribe. The Second Circuit wrote that "[a] junior use that confuses consumers as to which mark is which surely dilutes the distinctiveness of the senior mark."<sup>236</sup> The court noted that consumer confusion is "unnecessary" to the success of a dilution claim, but suggested that it would nevertheless be evidence of dilution.<sup>237</sup> McCarthy's treatise, however, indicates that dilution requires that the consumer recognize—free of confusion—that one trademark is being used to identify two products: "[t]he assumption [of the dilution cause of action] is that the relevant public sees the junior user's use, and intuitively knows, because of the context . . . , that there is no connection between the owners of the respective marks."<sup>238</sup> A junior use of an established mark "can cause confusion in some people's minds and in other people's minds cause

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<sup>231</sup> See *Nabisco*, 191 F.3d at 222. In a comment on the likelihood of confusion standard of trademark infringement law that applies with even greater force to the likelihood of dilution standard, Denicola notes that "trademark litigation frequently assumed a peculiarly unreal aura, with judges vicariously wandering supermarket aisles, and litigants purporting to probe the subconscious of hypothetical consumers." Denicola, *supra* note 8, at 161.

<sup>232</sup> See *Nabisco*, 191 F.3d at 225 n.6; *Ringling Bros. Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458–59 (4th Cir. 1999).

<sup>233</sup> See *Ringling Bros.*, 170 F.3d at 458–59.

<sup>234</sup> Port, *supra* note 15, at 454.

<sup>235</sup> See *Nabisco*, 191 F.3d at 222.

<sup>236</sup> *Id.* at 219.

<sup>237</sup> See *id.*

<sup>238</sup> MCCARTHY, *supra* note 9, 24:70.

dilution by blurring. But in no people's minds can both perceptions occur at the same time. Either a person thinks that the similarly branded goods or services come from a common source (or are connected or affiliated), or not."<sup>239</sup> Consumer confusion, in other words, is *not* evidence of dilution.<sup>240</sup>

The FTDA, moreover, defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, *regardless of the presence or absence of . . . likelihood of confusion, mistake, or deception.*"<sup>241</sup> If Congress had intended consumer confusion to be a factor that pointed toward a finding of dilution, it would have made no sense to include in the definition of dilution an express declaration of its irrelevance.<sup>242</sup> The *Nabisco* court's use of likelihood of confusion evidence in its dilution analysis points to the uncertainty and confusion that would result if courts were to follow the Second Circuit's expansive reading.<sup>243</sup> Because the harm the FTDA proscribes is a vague and nebulous phenomenon, courts should avoid an expansive reading of the statute that would open the door to such seemingly erroneous interpretations.

The *Nabisco* court expressed concern that to require evidence of actual dilution would leave the owners of established trademarks defenseless against serious harms.<sup>244</sup> Yet on the specific facts of the *Nabisco* case, there would seem to be ample evidence to support a trademark *infringement* claim.<sup>245</sup> Although the District Court had denied Pepperidge Farm's infringement claim, for reasons the Court of Appeals questioned,<sup>246</sup> the Court of Appeals made repeated references to consumer confusion in its discussion of dilution.<sup>247</sup> It noted that many consumers of the Nabisco cracker would come upon the snack independent of its packaging (for instance, served in a dish at a social occasion), and might well confuse it with the Pepperidge Farm cracker.<sup>248</sup> The Court of Appeals criticized the District Court for counting the absence of evidence of actual consumer confusion

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<sup>239</sup> *Id.*

<sup>240</sup> See *id.*; see also RESTATEMENT, *supra* note 64, § 25, cmt f.

<sup>241</sup> 15 U.S.C. § 1127 (1994 & Supp. 1996).

<sup>242</sup> See *id.*

<sup>243</sup> See *Nabisco*, 191 F.3d at 218-221.

<sup>244</sup> See *id.* at 224.

<sup>245</sup> See *id.* at 218-21.

<sup>246</sup> See *id.* at 228.

<sup>247</sup> See *id.* at 218-21.

<sup>248</sup> See *Nabisco*, 191 F.3d at 218 ("Infringement cases have consistently held post-sale confusion as well as point-of-sale confusion to be actionable under the Lanham Act.")

against Pepperidge Farm,<sup>249</sup> and made clear its own view that consumers would likely be confused.<sup>250</sup> It is therefore hard to understand the court's concern that an actual dilution requirement "would subject the senior user to uncompensable injury," for as the Court of Appeals describes the facts and the law, an injunction could have been issued on an infringement theory.<sup>251</sup>

It is true that the Fourth Circuit's interpretation of the statute greatly limits its application, but it does not render the statute moot.<sup>252</sup> The *Ringling* court acknowledged that it would be a rare case in which a junior mark could be proved to have been the cause of an actual loss of revenues for an established mark.<sup>253</sup> But the court suggested a more promising avenue of proof: a plaintiff could demonstrate an actual change in relevant consumer perceptions of its trademark that would have the effect of reducing its selling power.<sup>254</sup>

Although the concept of trademark dilution is extraordinarily vague, if it has tangible meaning it must have something to do with a reduction in an established trademark's brand equity or its typicality.<sup>255</sup> "Brand equity" is the set of impressions consumers associate with a brand: "[f]or example, the brand 'Black & Decker' immediately triggers the image of rugged, loud, built-to-last power tools. . . . On the other hand, the brand 'Gerber' conjures images of baby food and

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<sup>249</sup> See *id.* at 228.

<sup>250</sup> See *id.* at 218–21.

<sup>251</sup> See *id.* at 224. Even if consumer confusion could not be demonstrated, and an injunction on an infringement theory was therefore unavailable, the Second Circuit is unconvincing in its argument that, because the statutory remedy is injunctive relief, it would be unfair to the owners of famous trademarks to deny relief until after harm has been sustained. See *id.* It would seem equally, if not more, unfair to issue an injunction against a defendant absent evidence that the defendant's conduct had in fact caused the injury plaintiff alleged.

<sup>252</sup> See *Ringling Bros.*, 170 F.3d at 464; see also Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295, 314–35 (1999) (arguing that well-constructed surveys can generate evidence of actual dilution); but see Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TRADEMARK REP. 289, 304–05 (1984) ("[t]he damage of dilution is peculiarly incorporeal, unlikely ever to prove subject to exact ascertainment, and even reasonable approximation probably will be difficult"); Port, *supra* note 15, at 447 ("No mark has ever actually, quantitatively been established to have been diluted").

<sup>253</sup> See *Ringling*, 170 F.3d at 465. The Second Circuit emphasizes this point as a ground for rejecting the Fourth Circuit's reading of the FTDA. See *Nabisco*, 191 F.3d at 223–24.

<sup>254</sup> See *Ringling*, 170 F.3d at 465.

<sup>255</sup> See Bible, *supra* note 252, at 328–30; Alexander F. Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework to Judge "Likelihood" of Dilution*, 83 TRADEMARK REP. 149, 151–53 (1993).

the wholesome, quiet, nurturing environment that surrounds newborns."<sup>256</sup> "Typicality" is a brand's capacity to evoke a specific category of product: BLACK & DECKER should call to mind power tools, and GERBER should call to mind baby food.<sup>257</sup>

A reduction in brand equity could be used as evidence of dilution: "[i]f a junior party began to market Black & Decker baby foods . . . , the Black & Decker mark's equity would begin to blur from tough to tender and from durable to delicate."<sup>258</sup> So could a reduction in typicality, if, for example, the LEXIS mark caused consumers to "think of both the computerized research service (LEXIS) and the luxury automobile (LEXUS)."<sup>259</sup> Surveys could be used to identify and measure changes in these aspects of consumer perception.<sup>260</sup>

Three potential comparisons could be made.<sup>261</sup> First, there could be a comparison between consumer perceptions before and after the introduction of the defendant's mark.<sup>262</sup> Second, if the defendant operates in a limited geographical area, the comparison could be between users inside and outside of the defendant's market.<sup>263</sup> Third, a comparison could be made between consumers who are acquainted with the defendant's mark and those who are not.<sup>264</sup> Evidence of a reduction in the senior mark's typicality or its brand equity would constitute tangible evidence that its capacity to identify and distinguish goods or services had been diluted.<sup>265</sup> Notwithstanding the nebulous quality of the concept, if dilution has meaning—as courts

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<sup>256</sup> Bible, *supra* note 252, at 328.

<sup>257</sup> Simonson, *supra* note 255, at 152-53 (citation omitted).

<sup>258</sup> Bible, *supra* note 252, at 328.

<sup>259</sup> *Id.* at 330.

<sup>260</sup> See *id.* at 314-35. In *WAWA, Inc. v. Haaf*, 1996 U.S. Dist. LEXIS 11494, at 5 (E.D. Pa. 1996), the court held for the plaintiff based in part on survey evidence indicating that a substantial percentage of consumers associated the junior mark HABA 24 HR MARKET with the senior mark WAWA, which the plaintiff had used for its chain of convenience stores. See 1996 U.S. Dist. LEXIS 11494, at 7-8.

<sup>261</sup> See Bible, *supra* note 252, at 332.

<sup>262</sup> See *id.* For this purpose, famous trademark holders should conduct periodic surveys, so that "[i]n the event of litigation, they have a control survey which predates the entrance into the market of the junior party's use of the mark." *Id.* Owners of "famous" trademarks who are concerned about potential dilution should have no trouble bearing this cost. See *id.*

<sup>263</sup> See Bible, *supra* note 252, at 332.

<sup>264</sup> See *id.* As the senior mark must be famous, and the junior mark is presumably new to the market, there should be enough consumers who have heard of the senior mark but not the junior mark to constitute a control group. See *id.*

<sup>265</sup> See *id.*

must assume it does—this is what it must be.<sup>266</sup> There is no reason, in sum, why actual dilution could not be measured and proved in court.

### CONCLUSION

Although it is possible to construct an empirical measure of trademark dilution that is consistent with the statutory text, in the end the vagueness of the concept is inescapable. Is dilution a theory that overlaps with infringement theory but expands its boundaries, as the Second Circuit has held?<sup>267</sup> Or is dilution a theoretically distinct phenomenon that cannot coexist with confusion in the mind of the consumer, as the leading academic authorities assert?<sup>268</sup> Or is it just not possible to say what dilution is?<sup>269</sup> If there are no definite answers to these questions, and the statutory text points to a narrow reading that minimizes the uncertainty and disruption the FTDA has the potential to create, the narrow reading should prevail, absent a clear indication—which we do not have—that Congress intended otherwise.

To return to the introductory example, if a new trademark on the market is confusingly similar to MCDONALD'S, and is likely to mislead consumers about the source and affiliation of the goods and services it identifies, the goal of consumer protection justifies enjoining its use.<sup>270</sup> If there is proof that the new mark has caused an actual reduction in the selling power of the MCDONALD'S mark, the FTDA requires that it be enjoined. But absent evidence of a tangible injury that goes beyond a mere diminution of uniqueness, neither the text of the FTDA, the interest of the legal system in clear and predictable rules, nor the scope and limits of the public interest in trademark law support the granting of an injunction.

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<sup>266</sup> See *id.* Although his discussion of the use of survey evidence is sound, there is a paradoxical wrinkle to Bible's own argument. See *id.* at 313. Bible tells us while an actual dilution standard is appropriate in cases where a junior user has established itself in the market, a likelihood of dilution standard should be used if a junior user's product has not yet been on the market for a substantial period of time. See *id.* If actual dilution is harder to show than a likelihood of dilution, this means it would be easier for plaintiffs to block speculative future harms than tangible present harms. See *id.* This seems illogical; an across-the-board actual dilution requirement, consistent with the text of the statute, makes more sense. See *id.*

<sup>267</sup> See *Nabisco*, 191 F.3d at 218–21.

<sup>268</sup> See MCCARTHY, *supra* note 9, 24:70; RESTATEMENT, *supra* note 64, § 25, cmt f.

<sup>269</sup> See Port, *supra* note 15, at 454.

<sup>270</sup> See *supra* notes 1–7 and accompanying text.