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Proving Dilution

LEE GOLDMAN*

I. INTRODUCTION

Although approximately half the states had dilution statutes,¹ Congress, in 1995, passed the Federal Trademark Dilution Act ("FTDA").²

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1. See H.R. REP. No. 104-374, at 3 (1995), *reprinted in* 1996 U.S.C.A.N. 1029, 1030.

2. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (codified as amended at 15 U.S.C. §§ 1125(c), 1127). The Act provides:

(c)(1) 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, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to -

(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 of the mark in the trading areas and channels of trade used by the marks' 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 the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36, subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

The act was designed to protect famous marks from unauthorized users' attempts to trade on the marks' goodwill and thereby dilute their distinctive quality.³ A federal statute was thought necessary for two reasons. First, famous marks are commonly used on a nationwide basis and state dilution provisions provided only "patch-quilt" protection.⁴ Under state laws, inconsistent decision-making and a reluctance to grant nationwide injunctions encouraged forum shopping and increased litigation.⁵ Second, Congress thought passage of the bill would be consistent with its obligations under foreign agreements and would assist the executive branch in negotiations with other countries to secure greater protection for famous marks owned by United States companies.⁶

Although a dilution cause of action had the support of some,⁷ beginning with Professor Frank Schecter's seminal article,⁸ many more commentators vocally denounced the need for a dilution cause of action.⁹ To the critics, dilution law represented a theory "in search of a

15 U.S.C. § 1125(c) (2002).

The term "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."

15 U.S.C. § 1127 (2002).

3. Unlike traditional trademark infringement, dilution can be shown without proving a likelihood of consumer confusion. 15 U.S.C. § 1127 (2002). According to the legislative history, Congress intended to cover both "dilution by blurring" and "dilution by tarnishment." See H.R. REP. NO. 104-374, at 2 (1995); CONG. REC. S19310-19311 (daily ed. Dec. 29, 1995), *reprinted in* 51 PAT. TRADEMARK & COPYRIGHT J. (BNA) 345 (Jan. 4, 1996) (Statement of Senator Hatch); CONG. REC. H14317 (daily ed. Dec. 13, 1995), *reprinted in* 51 PAT. TRADEMARK & COPYRIGHT J. (BNA) 209 (Dec. 21 1995) (Statement of Rep. Moorhead). "Blurring" occurs when there is a gradual "whittling away" of a mark's ability to serve as a unique and distinctive identifier because of its use on other goods. See Frank Schecter, *Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927). Examples of blurring uses of a mark include DUPONT shoes, BUICK aspirin, and KODAK pianos. See H.R. REP. NO. 104-374, at 3 (1995). "Tarnishment" results when a mark is employed in an unwholesome, unsavory or degrading context that tends to undermine the positive images created by the mark holder. See, e.g., *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972) ("Enjoy Cocaine" posters in a script and color identical to the Coca-Cola trademark); *Polo Ralph Lauren L.P. v. Schuman*, 46 U.S.P.Q.2d (BNA) 1046 (S.D. Tex. 1998) ("Polo" mark used by defendant's "Polo Club" adult entertainment business).

4. H.R. REP. NO. 104-374, at 3 (1995).

5. *Id.* at 4.

6. *Id.*

7. See, e.g., Kristine M. Boylan, *The Corporate Right of Publicity in Federal Dilution Legislation*, 82 J. PAT. & TRADEMARK OFF. SOC'Y 5 (2000); Kathleen McCabe, Note: *Dilution-By-Blurring: A Theory Caught in the Shadow of Trademark Infringement*, 68 FORDHAM L. REV. 1827 (2000); Beverly W. Pattishall, *The Dilution Rationale for Trademark — Trade Identity Protection, Its Progress and Prospects*, 71 NW. U.L. REV. 618 (1976).

8. Schecter, *supra* note 3.

9. See, e.g., Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165 (1948); Milton W. Handler, *Are the State Antidilution Laws*

wrong.”¹⁰ It was heavily criticized as unnecessary,¹¹ improperly creating property rights in gross in a mark,¹² and inconsistent with traditional trademark law.¹³

The conflicting views concerning the merits of a dilution cause of action have been reflected in the judicial treatment of the federal statute. There is general consensus that to prevail on a dilution claim a plaintiff must show that (1) its mark is famous and distinctive; (2) the defendant’s mark was used in commerce; (3) the defendant’s use was after the plaintiff’s mark became famous; and (4) the defendant’s use causes dilution of the plaintiff’s mark.¹⁴ Nonetheless, lower courts have vociferously disagreed about how these elements are satisfied.¹⁵ Perhaps the

Compatible With the National Protection of Trademarks?, 75 TRADEMARK REP. 269 (1985); Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789 (1997); William Marroletti, Note, *Dilution, Confusion, or Delusion? The Need For a Clear International Standard to Determine Trademark Dilution*, 25 BROOK. J. INT’L L. 659 (1999); Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122 (1993); Kenneth L. Port, *The Congressional Expansion of American Trademark Law: A Civil Law System in the Making*, 35 WAKE FOREST L. REV. 827 (2000); David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531 (1991).

10. Klieger, *supra* note 9, at 810, 821; Kenneth L. Port, *The “Unnatural” Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 443, 447 (1994). See also Moskin, *supra* note 9, at 122-25.

11. See, e.g., Jessica Littman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 YALE L.J. 1717, 1722 (1999); Moskin, *supra* note 9, at 124; Welkowitz, *supra* note 9, at 533.

12. See Klieger, *supra* note 9, at 795, 817.

13. See *id.* at 795, 861, 865-66. See also Gerald N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 966 (2001).

14. See 15 U.S.C. § 1125(c)(1) (2002); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 466 (7th Cir. 2000); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999); *Panavision Int’l, L.P. v. Toepfen*, 141 F.3d 1316, 1324 (9th Cir. 1998)

15. Among the issues upon which courts have split are (1) what constitutes fame. Compare *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 877-78 (9th Cir. 1999) (stating in dicta that fame in localized trading area is sufficient), with *TCPIP Holding Co., Inc. v. Haar Communications Inc.*, 244 F.3d 88, 99 (2d Cir. 2001) (improbable that Congress intended to grant protection to marks famous only in a small area or segment of the nation), and *I.P. Lund Trading Aps. v. Kohler Co.*, 163 F.3d 27, 45-47 (1st Cir. 1998) (national renown is an important factor in determining if rigorous standard for fame has been met). (2) Whether distinctiveness requires “inherent distinctiveness.” Compare *TCPIP Holding Co.*, 244 F.3d at 98, and *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215-16 (2d Cir. 1999) (yes), with *Avery Dennison Corp., Inc.*, 189 F.3d at 877 (no). (3) Whether trade dress is covered by the Act. Compare *Planet Hollywood (Region IV), Inc. v. Hollywood Casino Corp.*, 80 F. Supp. 2d 815, 899-901 (N.D. Ill. 1999) (no), with *Nabisco, Inc.*, 191 F.3d at 222-23 (yes). (4) Whether the Act can be applied to marks adopted prior to enactment of the FTDA. Compare *Circuit City Stores, Inc. v. OfficeMax, Inc.*, 949 F. Supp. 409, 419 (E.D. Va. 1996) (improperly retroactive), with *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 669-70 n.11 (5th Cir. 2000) (not retroactive). (5) How a plaintiff proves dilution. Compare *Avery Dennison Corp., Inc.*, 189 F.3d at 879 (confusion not a relevant factor), with *Nabisco, Inc.*, 191 F.3d at 221 (confusion highly probative factor in determining dilution).

biggest dispute concerned what must be shown to prove that the defendant's use diluted the plaintiff's mark. The Fourth Circuit, in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*,¹⁶ held that dilution requires a showing of actual economic harm. The Fifth Circuit followed that decision.¹⁷ In contrast, the Second Circuit, in *Nabisco, Inc. v. PF Brands, Inc.*,¹⁸ specifically rejected the Fourth Circuit's standard,¹⁹ finding that the plaintiff need only demonstrate a likelihood of dilution to prevail on a dilution claim.²⁰ The Third, Sixth, Seventh and Ninth Circuits have agreed with the Second Circuit's approach.²¹ In *Moseley v. V Secret Catalogue, Inc.*,²² the Supreme Court finally addressed this circuit split. Given the value of many trademarks²³ and their function in the marketplace,²⁴ the Court's resolution should have immediate consequences to businesses and consumers nationwide.

Part II of this Article discusses the contrasting positions of proponents of, and dissenters to, dilution theory. Knowledge of this debate is necessary to fully understand the conflicting judicial interpretations of the FTDA and to formulate appropriate doctrine. Part III presents the conflict between the *Ringling Bros.* and *Nabisco* courts and describes the Supreme Court's opinion in *Moseley*. Part IV provides an analysis of the Court's decision and concludes that the *Moseley* opinion, although not thoroughly reasoned, properly resolved the issue before the Court. This part will present the reasoning absent from the opinion and will address the issues that the Court freshly raised. Finally, Part V will suggest a paradigm for proving dilution that best balances the competing views about the merits of a dilution cause of action, furthers Congressional intent, and is consistent with the Supreme Court's opinion in *Moseley*. This section also recommends a list of factors that lower

16. 170 F.3d 449 (4th Cir. 1999).

17. See *Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car, Co.*, 238 F.3d 378, 380 (5th Cir. 2001); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670-71 (5th Cir. 2000).

18. 191 F.3d 208 (2d Cir. 1999).

19. *Id.* at 223.

20. *Id.* at 224.

21. See *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 475-76 (6th Cir. 2001), *rev'd and remanded*, 123 S. Ct. 1115 (2003); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 169-70 (3d Cir. 2000), *cert. denied*, 531 U.S. 1071 (2001); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000); *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 874 (9th Cir. 1999).

22. 123 S. Ct. 1115, 1124 (2003).

23. See Kurt Badenhausen, *Blind Faith*, FIN. WORLD, July 8, 1996, at 50 (estimating the value of such brand names as "Marlboro," "Coca-Cola," and "McDonald's" at \$44.6, 44.3 and 18.9 billion respectively).

24. Trademarks distinguish one seller's goods from another and assure a certain level of quality. See J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:2 (4th ed. 2003).

courts should consider when applying this paradigm and illustrates its application.

II. THE MERITS OF A DILUTION CAUSE OF ACTION

A. *Reasons for a Dilution Action*

Use of a company's mark by others can cause significant private harm. For many companies, the positive image associated with its mark represents the company's greatest asset.²⁵ As Justice Frankfurter recognized:

If it is true that we live by symbols, it is no less true that we purchase goods by them. . . . 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. Whatever the means employed, the aim is the same — to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value.²⁶

The power of images is why companies spend so much money test marketing and advertising brand names.²⁷ Does anyone doubt that a woman's product called Maxi-pads will sell better than an identical product named Gruk-pads? When others use a company's brand on non-competing products, the image that the originator sought to establish often will be undermined. The non-competing product may be of lesser quality or create dissonant images.²⁸ In either case, the value of the company's asset will be reduced.

A negative association does not have to exist to cause harm to the mark holder. Junior uses of a trademark make the mark less distinctive. One can easily pick out a flaming orange leaf in a pile of green leaves. However, if the pile contains many flaming orange leaves, the original leaf is no longer distinctive. Similarly, a trademark becomes less dis-

25. See *supra* note 23.

26. *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 205 (1942).

27. See Simone A. Rose, *Will Atlas Shrug? Dilution Protection for "Famous" Trademarks: Anti-Competitive "Monopoly" or Earned "Property" Right?*, 47 FLA. L. REV. 653, 711-13 (1995).

28. Tarnishment, where a mark is used in an unwholesome context, is the clearest instance of harm from dissonant images. See, e.g., *Polo Ralph Lauren L.P. v. Schuman*, 46 U.S.P.Q.2d (BNA) 1046 (S.D. Tex. 1998) (use of Polo mark on adult entertainment business); *Hasbro, Inc. v. Internet Entm't Group, Ltd.*, 40 U.S.P.Q.2d (BNA) 1479 (W.D. Wash. 1996) ("Candyland" mark for children's board game used to identify sexually explicit internet site). Nonetheless, harm can also result when a mark is used on a high-quality, wholesome product, that creates distinct images that are inconsistent with the target market of the original brand. For example, Proctor and Gamble might see sales of its diapers decline if the "Pampers" mark was used on a leading brand of sandpaper. Cf. Rose, *supra* note 27, at 712-13.

tinative when the marketplace contains the identical mark on many unrelated products. Not only does this harm the selling power of the mark,²⁹ but it also narrows the scope of the mark's protection from infringement.³⁰ A strong mark with a high degree of distinctiveness is "protected against the use of similar marks on a wider range of goods or services than are 'weak' designations that have less distinctiveness."³¹ Third party uses of a mark are "relevant to show that the mark is relatively weak."³²

Whether or not the senior user's mark is damaged, adoption of its mark by a junior user is a form of misappropriation.³³ A junior user does not adopt a truly famous mark by accident. An electronics manufacturer surely chooses Rolls Royce as a name out of the infinite universe of marks to "free-ride" upon the positive images that the senior user created.³⁴ Indeed, part of the value that a brand represents is the ability to enter a new market cheaply and quickly.³⁵ The senior user expends substantial effort and dollars to create positive associations with its brand. Under a Lockean "natural rights" theory, that should entitle the senior user to reap the benefits of its efforts.³⁶ Even if the senior user had no intention to extend into the new market, it should at least be able to license use of the brand to someone so inclined. The inequity is even greater when the reason the company has chosen not to expand under its existing brand is fear that the harm to the core product from brand stretching would outweigh the benefits of entry with name

29. See Moskin, *supra* note 9, at 136 ("Some empirical research has shown that the greater the number of associations a word has . . . the more difficult it is for the individual initially to encode the word in memory or later to recall the word." (citing J. Meyers-Levy, *The Influence of a Brand Name's Association Set Size and Word Frequency on Brand Memory*, 16 J. OF CONSUMER RES. 197 (1989))).

30. See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999); Note, *Dilution: Trademark Infringement or Will-O-The-Wisp?*, 77 HARV. L. REV. 520, 523 (1964).

31. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 cmt. i (1995); see also MCCARTHY, *supra* note 24, § 11:73.

32. MCCARTHY, *supra* note 24, § 11:88. Third party uses also are relevant to determining whether a mark is famous, a threshold requirement for dilution protection. See 15 U.S.C. § 1125(c)(1)(G) (2002).

33. See Moskin, *supra* note 9, at 130; Welkowitz, *supra* note 9, at 584-85.

34. See *Thane Int'l, Inc. v. TREK Bicycle Corp.*, 305 F.3d 894, 904 (9th Cir. 2002) ("the animating concern of the dilution protection is that the user of the diluting mark appropriates or free rides on the investment made by the trademark holder." (citing *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 805 (9th Cir. 2002))); see also Boylan, *supra* note 7, at 27.

35. See Thomas D. Drescher, *The Transformation and Evolution of Trademarks — From Signals to Symbols to Myth*, 82 TRADEMARK REP. 301, 330 n.101 (1992) (citing ECONOMIST, May 5, 1990, at 77-79).

36. Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 966 & n.26 (1993) ("The Labour of one's Body and the Work of his Hands, we may say, are properly his." (citing JOHN LOCKE, TWO TREATISES OF GOVERNMENT 287-88 (Peter Laslett ed., 3d ed. 1968))).

recognition.³⁷

The argument for a dilution cause of action is not limited to assertions of private harm and moral outrage. There also are several dimensions of public harm. First, to the extent that the senior user's image of quality and satisfaction is damaged, the senior user loses some incentive to maintain or improve upon its brand image. As a product's image can be created both artificially and through the product's inherent qualities, the public harm may be twofold. Consumers who take pleasure in having an image-enhanced product lose some value and the senior user is, at least to some extent, discouraged from maintaining the product's inherent quality.³⁸ Second, and typically ignored by courts and commentators, there can be several consumers who are actually confused. The number of such persons may not rise to trademark law's traditional threshold for likelihood of confusion, but confused they remain.³⁹ Given the reduced scope of protection that results from multiple uses of a mark,⁴⁰ the number of such persons may be significant. In addition to traditional confusion, there may exist what one commentator dubbed "subliminal" confusion.⁴¹ Although the consumer, if asked, could distinguish the senior and junior users' marks as identifying different producers, they may subconsciously draw associations between the two users that lead to irrational decision-making with its concomitant private and public harms.⁴² Finally, as Judge Posner argued, trademarks pro-

37. Cf. Drescher, *supra* note 35, at 330-331 nn.101 & 102.

38. See Mark Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1704 (1999).

39. It might be argued that if the law was concerned about minor levels of confusion, the threshold for confusion should be lowered. Cf. Magliocca, *supra* note 13, at 981-82; Marroletti, *supra* note 9, at 660 (all presenting the argument that traditional confusion analysis can protect against worst harms from dilution); Moskin, *supra* note 9, at 143-45; Welkowitz, *supra* note 9, at 544. However, the risk of such an approach would be that the new reduced levels for confusion would be applied in situations different than the typical dilution case. Cf. Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 875 (9th Cir. 1999) ("by carefully limiting the class of trademark eligible for dilution protection, Congress . . . granted the most potent form of trademark protection in a manner designed to minimize undue impact on other uses."). Dilution law requires that the senior mark be truly famous and the junior user's mark be virtually identical, eliminating the case of an innocent infringement. See, e.g., Ty Inc. v. Perryman, 306 F.3d 509 (7th Cir. 2002), *cert. denied*, 123 S. Ct. 1750 (2003); Thane Int'l, Inc. v. TREK Bicycle Corp., 305 F.3d 894 (9th Cir. 2002); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 218 (2d Cir. 1999); Jet Inc. v. Sewage Aeration Sys., 165 F.3d 419, 425 (6th Cir. 1999). In a traditional trademark case, however, a lowered confusion threshold would put the innocent infringer at risk, forcing junior user's to undertake more elaborate and expensive searches.

40. See *supra* note 32.

41. See Rose, *supra* note 27, at 701-02.

42. One commentator has suggested that:

Experience reveals that sometimes even trivial characteristics of a person or an object that evoke recall of negative or positive responses (or "affect") can lead to a negative or positive evaluation of the new object. . . . Thus, if someone were to

vide information to consumers. To the extent junior users adopt the trademarks of others, the resultant “clutter” imposes real costs upon consumers.⁴³ This problem is exacerbated in the information age. To the extent other companies use the same name, finding the senior user’s location on the World Wide Web can prove difficult.⁴⁴

Thus, the argument in favor of a dilution cause of action is simple. Given the possibility of both private and public harm and the infinite number of marks, it is reasonable to preclude a company from adopting a mark virtually identical to a truly famous mark.

B. *The Argument Against a Dilution Action*

Many commentators question whether the proponents of dilution relief have ever demonstrated that “a well-known mark is likely to lose its notoriety because of its use on another’s goods in the absence of confusion.”⁴⁵ For example, numerous “Tiffany” establishments exist, yet none have even come close to eclipsing the fame of Tiffany & Co.⁴⁶ Rather, the Tiffany & Co. mark continues to thrive through the company’s marketing efforts, the quality of the company’s goods and its enduring image.⁴⁷ Indeed, one is hard-pressed to identify any truly famous mark that is no longer famous because of use of the mark by others. In many cases, the junior use, as a form of free advertising, may actually enhance the value of the senior mark.⁴⁸ Moreover, given modern marketing and the expansion of the likelihood of confusion test, a

evaluate a particular brand name that evokes another name in memory, the potential exists for evaluative associations to ensue.

Alexander F. Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework to Judge “Likelihood” of Dilution*, 83 TRADEMARK REP. 149, 160 (1993).

43. Judge Posner has stated:

A trademark seeks to economize on information costs by providing a compact, memorable, and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark of the product or service.

Richard A. Posner, *When is Parody Fair Use?*, 21 J. LEG. STUD. 67, 75 (1992); *See also* Ty, Inc. v. Perryman, 306 F.3d 509 (7th Cir. 2002), *cert. denied*, 123 S. Ct. 1750 (2003); Lemley, *supra* note 38, at 1704 n.90; Rose, *supra* note 27, at 697 n.166.

44. *See* Panavision Int’l, L.P. v. Toeppen, 141 F.3d 1316, 1327 (9th Cir. 1998); Pinehurst, Inc. v. Wick, 256 F. Supp. 2d 424, 431-33 (M.D.N.C. 2003); Magliocca, *supra* note 13, at 1032-33. The new cyber squatting law does not fully address this problem. That statute only covers persons who register domain names with a bad faith intent to profit from the mark. *See* 15 U.S.C. § 1125 (d)(1)(A) (2002). Once again, traditional confusion doctrine could be expanded. *See supra* note 39; *see also* Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 464 (7th Cir. 2000) (discussing “initial interest confusion”). Nonetheless, expansion of traditional confusion doctrine does not have the limitations imposed by dilution law. *See supra* note 39.

45. Welkowitz, *supra* note 9, at 539; *accord* Magliocca, *supra* note 13, at 981-982.

46. *See* Welkowitz, *supra* note 9, at 539.

47. *See id.* at 539.

48. *See* Moskin, *supra* note 9, at 135.

junior use that did injure the senior mark would likely be held infringing under traditional trademark law.⁴⁹ Indeed, under state dilution law, very few cases found dilution without also finding infringement.⁵⁰

Many critics view dilution law as inconsistent with traditional trademark doctrine.⁵¹ Historically, trademarks are protected not as a property right, but to prevent consumer confusion and to maintain incentives for product quality.⁵² Critics argue that neither rationale for protection applies in the case of dilution. A dilution cause of action is relevant only in the absence of consumer confusion and independent incentives exist to maintain a product's quality and image in the face of a non-competing junior use.⁵³ Whether or not a junior use exists, the more the senior user increases its image or quality, the more goods it will sell. Moreover, it is suggested that the junior user itself has the incentive to ensure that the senior user's mark remains strong.⁵⁴ Otherwise, the reference to the senior mark would provide little benefit to the junior user. In short, critics claim that dilution law improperly creates property rights "in gross," rights that even may conflict with the patent and copyright clauses of the Constitution.⁵⁵ Using the pejorative "free rider" to label the junior user does not change that result.⁵⁶

Critics also observe that the dilution cause of action is anomalous.⁵⁷ Dilution statutes protect only those marks that are least in need of protection. Weak marks, struggling to establish their commercial identities, are most vulnerable to being overwhelmed by non-competing junior uses, yet such marks are not eligible for protection.⁵⁸ The truly famous marks that are protected are least likely to be harmed and most likely to be protected under traditional trademark law.⁵⁹

Opponents of dilution do not merely argue that the cause of action

49. See Klieger, *supra* note 9, at 809; Magliocca, *supra* note 13, at 981-82; Moskin, *supra* note 9, at 128,143-44; Welkowitz *supra* note 9, at 544.

50. See Port, *supra* note 10, at 449; *The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 454-55 (1987).

51. See, e.g., Klieger, *supra* note 9, at 865-66; Welkowitz, *supra* note 9, at 532.

52. See, e.g., Klieger, *supra* note 9, at 865-66; Welkowitz, *supra* note 9, at 532; See also McCARTHY, *supra* note 24, §§ 3:8-3:9.

53. See Klieger, *supra* note 9, at 860-66; Magliocca, *supra* note 13, at 979-80.

54. See Klieger, *supra* note 9, at 827.

55. See Magliocca, *supra* note 13, at 981.

56. "Free riding" occurs all the time. For example, persons living near stadium venues may sell parking spaces in their driveway. Obviously, they are free riding on the activity booked by the stadium owner. Similarly, a person seeking to communicate does not have to invent her own language, but can "free ride" on the work of earlier generations.

57. See Klieger, *supra* note 9, at 846; Magliocca, *supra* note 13, at 982; Welkowitz, *supra* note 9, at 533, 539-40.

58. See *supra* note 57.

59. See *id.*

is unnecessary, anomalous, or inconsistent with traditional trademark principles. They also claim that the dilution cause of action creates several affirmative harms that would not otherwise exist.⁶⁰ First, a dilution cause of action can eliminate the use of marks that have significant First Amendment value.⁶¹ For example, in *American Express Co. v. Vibra Approved Laboratories Corp.*,⁶² despite the absence of confusion, the defendant was enjoined from marketing its condoms, packaged to look like the American Express credit card, with the slogan “don’t leave home without it.” Similarly, a court prohibited a manufacturer of a combined floor wax and insecticide product from using a parody of Budweiser’s slogan (“where there’s life, there’s bugs”) to sell its services.⁶³ Dilution law also might prohibit expressive uses for a mark such as a company calling its product “the Rolls Royce of air conditioners.” Second, by protecting trademark rights “in gross,” critics argue that dilution law encourages inefficient persuasive advertising.⁶⁴ The resulting artificial brand preference, together with the possibility of dilution suits, can reduce competition by creating barriers to entry for smaller firms.⁶⁵ Third, dilution law will increase search costs. A company adopting a new mark must eschew existing marks in *all* product and service markets.⁶⁶ Finally, by creating a cause of action where none existed, as well as adding an additional claim to traditional trademark actions, dilution law increases the costs of litigation to both the parties and the judicial system.

C. A Response to the Critics

While the critics of dilution are correct that few, if any, famous marks have lost all distinctiveness because of a non-competing junior

60. See, e.g., Brown *supra* note 9, at 1191-94; Klieger, *supra* note 9, at 853, 856-60; Magliocca, *supra* note 13, at 980-81.

61. Although the First Amendment doesn’t protect misleading commercial speech, a dilution cause of action does not depend upon any showing of misrepresentation or confusion. See *Thompson v. W. States Med. Ctr.*, 535 U.S. 357 (2002); *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n*, 447 U.S. 557 (1980). Of course, non-commercial speech is exempted from the Act’s coverage. See 15 U.S.C. § 1125(c)(4)(B), (C).

62. 10 U.S.P.Q. 2d (BNA) 2006 (S.D.N.Y. 1989).

63. See *Chemical Corp. of Am. v. Anheuser-Busch, Inc.*, 306 F.2d 433 (5th Cir. 1962). Although the lower court found confusion, the appeals court held that an injunction was justified whether or not there was confusion. *Id.*

64. See Brown *supra* note 9, at 1190; Klieger, *supra* note 9, at 853, 856-60; Magliocca, *supra* note 13, at 980-81.

65. See *Thane Int’l, Inc. v. TREK Bicycle Corp.*, 305 F.3d 894 (9th Cir. 2002); Klieger, *supra* note 9, at 853, 856-60; Magliocca, *supra* note 13, at 981; Welkowitz, *supra* note 9, at 584.

66. This may not be a problem if dilution law protects only “truly famous” marks. However, not all cases so limit the scope of dilution. See, e.g., *Gazette Newspapers, Inc. v. New Paper, Inc.*, 934 F. Supp. 688 (D. Md. 1996) (fame in several counties is sufficient for protection).

user,⁶⁷ their argument does not address the problem of reduced distinctiveness. Although still famous, a mark may lose value from use by others on non-competing products.⁶⁸ There is little reason to require the magnitude of harm to reach the level of devastation before relief is granted. It is true that in some cases a junior use may actually enhance the value of the senior mark,⁶⁹ either because it constitutes a form of free advertising or has developed a reputation for quality. However, the number of such cases is probably small and denying relief would mean the senior user would lose control of its reputation and have to rely on the junior user to continue offering a quality product or service. In any event, damages would not be available if the value of the mark is increased and a court could consider evidence of enhanced value when considering equitable relief.

The argument that a dilution cause of action is unnecessary to preserve incentives for image enhancement and product quality⁷⁰ similarly ignores incremental differences. Proponents of dilution do not suggest that all incentives for product quality or image enhancement will be destroyed by a junior use of the mark. Rather, to the extent that a junior use removes value from the senior mark, the incentive for investing in that value is concomitantly diminished.⁷¹ It is no answer that the junior user benefits more to the extent the senior user's mark remains strong.⁷² Although likely true, the junior user may be willing to sacrifice some of the senior mark's reputation if it means significantly increased profits to the junior user. This is most evident in the case of the "quick shot artist" who markets an inferior or unwholesome product. The reputation of the senior mark may be diminished, but it is a cost the junior user is happy

67. See *supra* note 45 and accompanying text.

68. See *supra* notes 28-32, 37-44 and accompanying text.

69. See *supra* note 48 and accompanying text.

70. See *supra* notes 51-54 and accompanying text.

71. To those who question whether encouraging investment in product image (i.e., advertising) is worthwhile, see *supra* note 64 and accompanying text, there are several answers. First, advertising often "communicate[s] useful information to consumers, and thereby reduce[s] consumer search costs." Lemley, *supra* note 38, at 1690; George J. Stigler, *The Economics of Information*, 69 J. POL. ECON. 213, 220-24 (1961). Second, advertising by a famous company is only profitable if the consumer purchases the product and can rely on the quality and features advertised. See Rose, *supra* note 27, at 711 n.205. In this sense, even image (as opposed to informational) advertising has a "signaling" function. In effect, it tells the consumer, "[w]e advertise, and therefore we must sell a good of sufficiently high quality that we can afford this high-cost expenditure." Lemley, *supra* note 38, at 1690. Third, even if one believed image advertising was inefficient, the cost of distinguishing between image and information advertising would be too high to justify the effort, particularly given the frequency that an advertisement has elements of both. Finally, there is the normative question, if the value of a product to a consumer is the result of "artificial" brand preferences, is that value any less real? Generally, in a free market economy, the choice of what to value is left to the consumer. *Id.*

72. See *supra* note 54 and accompanying text.

to bear given its immediate and possibly significant short-run profits. Similarly, legitimate ongoing enterprises may be willing to sacrifice some of the senior mark's value if the result is more people willing to try the junior user's product. In short, the junior user cannot be counted on to properly balance the harms and benefits of the junior use when it retains all of the direct benefits from the mark's use and only indirectly suffers some of the harm.

In some sense it may seem anomalous that dilution protects only famous marks, the ones least likely to need protection.⁷³ However, the requirement of fame can be justified, not based upon a presumption of greater need,⁷⁴ but as necessary to ensure that the costs of protection do not become excessive. If a senior mark is not truly famous, a dilution cause of action will significantly increase a new entrant's search costs and may penalize innocent junior users.⁷⁵ By contrast, a new entrant presumably already knows about a truly famous mark and has only itself to blame for costs resulting from an injunction against the mark's use.

Most of the affirmative harms identified by the critics also do not require rejection of a dilution cause of action. The statute specifically exempts fair use of a famous mark in comparative advertising or promotion, all noncommercial uses of a mark and all forms of news reporting and commentary.⁷⁶ This should alleviate most of the critics' First Amendment and competitive concerns. Furthermore, the typical dilution case involves use by a non-competitor. Therefore, concerns about competition generally are misplaced.⁷⁷ Finally, search costs should not increase if the statute is limited to truly famous marks.

This is not to say the critics' arguments are without any merit. They merely are guilty of overselling their objections. Although real harm may exist from dilution, if the federal statute was not a *fait accompli*, one might legitimately ask whether the extent of harm is worth the intervention costs. Indeed, one is hard-pressed to identify any pre-federal dilution statute case where clear injury has not been remedied.

73. See *supra* notes 57-59 and accompanying text.

74. It is unclear which marks have the greatest need for dilution protection. Marks that are not truly famous are most likely to have its public awareness eroded by a junior use. However, truly famous marks have the greatest value to lose. Even a one percent loss of its mark's value can cost millions of dollars. See *supra* note 23. Moreover, in the absence of dilution protection, famous marks are the likeliest target for imitation by junior users. If a junior user is going to appropriate a mark, it will want to adopt one that has the greatest name recognition and reputation for quality. "Rolls Royce" toasters are likely to sell better than "John's" toasters.

75. Although the typical remedy in a dilution case is an injunction, damages are possible. See 15 U.S.C. § 1125 (c)(2) (2002). Moreover, even an injunction can penalize the junior user by causing it to lose some or all of its prior investment in its mark.

76. See 15 U.S.C. § 1125(c)(4) (2002).

77. In any event, competitive concerns can be considered a relevant contextual factor when deciding whether dilution has been proven. See *infra* notes 236-39 and accompanying text.

Even in those jurisdictions without a state dilution provision, courts often used traditional confusion analysis to replicate the result that a dilution statute would yield.⁷⁸ Nevertheless, Congress did enact a federal dilution statute and it is preferable to apply new law as opposed to misshape existing doctrine. As a result, courts should not provide distorted interpretations of the federal statute that effectively amend or even repeal the Act.⁷⁹ Rather, the Act should be construed in a manner that best balances the competing interests while remaining consistent with the language and intent of the statute.⁸⁰

III. THE RELEVANT CASE LAW ON PROVING DILUTION

The conflicting views about the merits of a dilution cause of action were nowhere more apparent than in the circuit split concerning what must be proved to establish dilution. The Fourth Circuit, in *Ringling Bros.*,⁸¹ indicating distaste for dilution theory,⁸² required a plaintiff to prove actual economic harm to prevail under the statute. By contrast, the Second Circuit, in *Nabisco*,⁸³ expressing less suspicion of a dilution cause of action,⁸⁴ required a plaintiff to demonstrate only that a junior use created a likelihood of dilution. Those cases, as well as the Supreme Court's resolution of the conflict in *Moseley v. V Secret Catalogue, Inc.*,⁸⁵ are summarized below.

A. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development⁸⁶

Ringling Bros. ("Ringling") and its predecessors advertised and presented their circus to the public as the "Greatest Show on Earth" since 1872 and obtained federal registration for its mark in 1961.⁸⁷ The Utah Division of Travel Development, a state agency, began using the

78. See *supra* note 49.

79. Cf. *TCPIP Holding Co., Inc. v. Haar Communications, Inc.*, 244 F.3d 88 (2d Cir. 2001); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).

80. See *infra* Parts IV and V.

81. 170 F.3d 449 (4th Cir. 1999).

82. The opinion refers to dilution as a "dauntingly elusive concept" for which it is "difficult to identify the legal interest sought to be protected." *Id.* at 451, 456. The Court also endorses the view of commentators that adoption of Professor Schecter's original dilution proposal would be tantamount to creating "property rights in gross" in marks. *Id.* at 456.

83. 191 F.3d 208 (2d. Cir. 1999).

84. *Id.* at 217 ("The antidilution statutes rest on a judgment that the 'stimulant effect' of a distinctive and well-known mark is a 'powerful selling tool' that deserves legal protection." (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. c (1995))).

85. 123 S. Ct. 1115 (2003).

86. 170 F.3d 449.

87. *Id.* at 451.

“Greatest Snow on Earth” slogan to promote Utah tourism as early as 1962.⁸⁸ It was used primarily on license plates, but also appeared in winter advertising that had a \$300,000 to \$450,000 annual budget.⁸⁹ The agency registered its mark in Utah in 1975 and received federal registration, over Ringling’s objection, in 1997.⁹⁰ In 1996, Ringling filed suit against Utah under the newly enacted federal dilution statute, alleging dilution of its famous “Greatest Show” mark.⁹¹ The District Court found for Utah, and the primary issue on appeal was whether Ringling proved dilution by “blurring.”⁹²

The Fourth Circuit concluded that (1) Ringling had to prove “actual,” not merely “a likelihood of,” dilution, and (2) proof of actual dilution under the Act required a showing that the economic value of the mark was reduced.⁹³ The court first reviewed the language and experience under state dilution statutes. The court observed that state statutes and courts uniformly proscribed junior uses that created a mere “likelihood of” dilution and, partly as a consequence of this speculative, future-looking standard, failed to adequately define the exact harm that dilution was designed to prevent.⁹⁴ Given this history, the Fourth Circuit reasoned that Congress’s choice of the “causes dilution” language in the FTDA necessarily implied that actual, consummated harm, not a mere likelihood of harm, was proscribed by the Act.⁹⁵ The Act’s definition of dilution as “the lessening of the capacity of a mark to identify and distinguish goods or services,” the court further found, “makes plain” that the Act seeks to protect the economic value of a mark’s selling power, not just the mark’s distinctiveness.⁹⁶ The court specifically rejected Ringling’s argument that actual harm could be implied based upon the substantial similarity of the marks.⁹⁷ The court conceded that its “stringent interpretation” would narrow the Act’s scope⁹⁸ and admitted that producing evidence to satisfy its standard may “tax the skills of advocacy.”⁹⁹ However, it believed that a lesser showing would be tantamount to creating property rights in gross, and simply could not believe

88. *Id.*

89. *Id.*

90. *Id.* at 451-52.

91. *Id.* at 452.

92. *Id.*

93. *Id.* at 458.

94. *Id.*

95. *Id.*

96. *Id.*

97. *Id.* at 459.

98. *Id.* at 458-59.

99. *Id.* at 460.

Congress could have intended that result.¹⁰⁰ The court stated, if that had been Congress' intention, it would have simply proscribed use of any substantially replicating mark, not defined dilution as harm to the mark's economic value in the form of lessening its capacity to identify and distinguish goods and services.¹⁰¹ In the court's view, Congress was correct in requiring more than use of a substantially similar mark because often junior uses do not affect, and sometimes even enhance, the value of the existing mark.¹⁰² Thus, to prove dilution, the court required a showing of actual harm through either (1) proof of an actual economic loss of revenues and evidence disproving that the loss was caused by reasons other than the replicating use, or (2) a "skillfully constructed consumer survey designed not just to demonstrate 'mental association' of the marks in isolation, but [to show] consumer impressions from which actual harm and cause might rationally be inferred."¹⁰³ Relevant contextual factors could be used to "complement other proof."¹⁰⁴

B. Nabisco, Inc. v. PF Brands, Inc.¹⁰⁵

Pepperidge Farm produced and heavily advertised small orange cheddar cheese-flavored crackers in the shape of a goldfish (the "goldfish" cracker) continuously since 1962.¹⁰⁶ It obtained numerous trademark registrations for the goldfish design and name.¹⁰⁷ In 1998, Nabisco, Inc. ("Nabisco") began selling animal-shaped cheese crackers as part of a joint venture with Nickelodeon Television to promote the network's "CatDog" cartoon.¹⁰⁸ The Nabisco product contained crackers in three shapes based on characters from the cartoon.¹⁰⁹ Pepperidge Farms brought suit under the Federal Dilution Act because one quarter

100. *Id.* at 459.

101. *Id.*

102. *Id.* at 460.

103. *Id.* at 465 (citing Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Dilution Trademark Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295, 327-28 (1998)). Under the survey method proposed by Mr. Bible to demonstrate economic harm and causation, a single survey would be insufficient. Rather, multiple surveys over time would be required to demonstrate a reduction in the brand equity of the mark holder caused by the presence of the junior use. Bible, at 332. Ostensibly, the Fourth Circuit also would require a plaintiff to supplement the survey with evidence eliminating other possible causes for the reduction in brand equity. See *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999). Not surprisingly, the Fourth Circuit found Ringling's survey, which was designed to demonstrate a mental association between the junior and senior marks, inadequate. *Id.* at 463.

104. *Ringling Bros.*, 170 F.3d at 465 (emphasis added).

105. 191 F.3d 208 (2d Cir. 1999).

106. *Id.* at 212-13.

107. *Id.* at 212.

108. *Id.* at 213.

109. *Id.*

of Nabisco's crackers was in a fish design closely resembling Pepperidge Farm's goldfish cracker.¹¹⁰

The Second Circuit affirmed the lower court's preliminary injunction, finding that Pepperidge Farm had demonstrated a likelihood of success on its dilution claim.¹¹¹ The court specifically rejected Nabisco's *Ringling Bros.* based argument that dilution required documentation of actual injury, consisting of an actual reduction in the senior mark's selling power.¹¹² The court believed the Fourth Circuit was guilty of "excessive literalism to defeat the intent of the statute."¹¹³ Because the statute permits only injunctive relief (absent willfulness), the court reasoned that waiting for actual injury would subject senior mark holders to uncompensated injury and also preclude junior users from seeking declaratory relief before investing in a product launch.¹¹⁴ Accordingly, the Second Circuit concluded that, despite its literal language, proof of a likelihood of dilution was all that the Act required.¹¹⁵ The court also found the Fourth Circuit's requirement of "evidence of 'actual loss of revenues'" or a "skillfully constructed consumer survey" to be an "arbitrary and unwarranted limitation on the methods of proof."¹¹⁶ The court reasoned that companies with growing revenues would never get relief, and found consumer surveys to be "expensive, time-consuming and not immune to manipulation."¹¹⁷ Instead, the court held that "contextual factors" should be used to prove dilution, just as they are used to prove traditional trademark infringement.¹¹⁸

Thus, the two Circuit Courts split not only about whether actual injury needs to be proved under the FTDA, but also about the acceptable methods of proving injury. The Supreme Court finally addressed this

110. *Id.*

111. *Id.* at 228-29.

112. *Id.* at 223-24. The court also rejected arguments that the statute did not apply to competing products and that Nabisco's use of a fish was not a "trademark use" under the Act. *Id.* at 222-23.

113. *Id.* at 224.

114. *Id.*

115. *Id.* at 224-25.

116. *Id.* at 223 (quoting *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449, 465 (4th Cir. 1999)).

117. *Id.* at 223-24.

118. *Id.* at 224. The ten non-exclusive factors the court considered to find that Nabisco's cracker was likely to dilute the goldfish mark were (1) the mark's distinctiveness, (2) the similarity of the marks, (3) the proximity of the products and the likelihood of bridging the gap, (4) the interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark and the proximity of the products, (5) shared consumers and geographical limitations, (6) the sophistication of consumers, (7) evidence of actual confusion, (8) the adjectival or referential quality of the junior use, (9) the harm to the junior user and delay by the senior user, and (10) the effect of the senior user's prior laxity in protecting the mark. *Id.* at 217-22.

circuit split in *Moseley v. V Secret Catalogue, Inc.*¹¹⁹

C. *Moseley v. V Secret Catalogue, Inc.*

V Secret Catalogue, Inc. (“Victoria’s Secret”) owns the “Victoria’s Secret” registered trademark, operates over 750 Victoria’s Secret lingerie stores and distributes 400 million copies of the Victoria’s Secret catalogue.¹²⁰ In 1998, the Moseleys opened a store named “Victor’s Secret,” selling, among other things, adult videos, adult novelties and lingerie.¹²¹ Upon receiving a letter from Victoria’s Secret requesting the Moseleys to cease and desist from using the Victor’s Secret name or any variation thereof, the Moseleys changed the name of their store to “Victor’s Little Secret.”¹²² Unsatisfied with the change, Victoria’s Secret filed suit for trademark infringement, unfair competition, and dilution.¹²³

On cross motions for summary judgment, the district court found against Victoria’s Secret on all but the dilution count.¹²⁴ On the dilution claim, the district court granted summary judgment to Victoria’s Secret, finding that the marks were sufficiently similar to cause dilution by tarnishment.¹²⁵ The Court of Appeals affirmed the dilution ruling.¹²⁶ The Sixth Circuit, defining the central issue as whether the FTDA required proof of actual economic loss, rejected the *Ringling Bros.* test and followed the Second Circuit’s analysis in *Nabisco*.¹²⁷ The court found it unnecessary to review all of the contextual factors suggested by *Nabisco*, and concluded that this was “a classic instance of dilution by tarnishing (associating the Victoria’s Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment).”¹²⁸

The Supreme Court held that the FTDA requires a showing of actual dilution, rather than a likelihood of dilution.¹²⁹ Nonetheless, it rejected the *Ringling Bros.* interpretation that actual dilution required a showing of loss of sales or profits.¹³⁰ The Court reversed the summary judgment and remanded the case for further proceedings consistent with

119. 123 S. Ct. 1115 (2003).

120. *Id.* at 1119.

121. *Id.* at 1119-20.

122. *Id.* at 1119.

123. *Id.*

124. *Id.* at 1120.

125. *Id.*

126. *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 477 (6th Cir. 2001).

127. *Id.* at 466, 475-76.

128. *Id.* at 477.

129. *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115, 1124 (2003).

130. *Id.* at 1124.

its opinion.¹³¹

The Court began by reviewing the history of the dilution cause of action. It noted that its origin was Professor Schecter's "seminal" article, and emphasized that his original proposal was limited to the blurring of arbitrary or fanciful marks.¹³² The Court then found that the "contrast between the state statutes and the federal statute, however, sheds light on the precise question" before the Court.¹³³ In particular, the Court contrasted Congress's selection of the "causes dilution" language of the FTDA with the "likelihood of" harm language of existing state statutes and other sections of the Lanham Act.¹³⁴ The Court determined that this phrasing "unambiguously" indicated that the FTDA required actual dilution.¹³⁵ The Court noted that the "contrast between the initial reference to an actual 'lessening of the capacity' of the mark and the later reference to a 'likelihood of confusion, mistake or deception' in the second caveat" of the FTDA's definition of dilution¹³⁶ confirmed that actual dilution was intended.¹³⁷

Despite finding that the literal language of the statute required a showing of actual dilution, the Court unequivocally rejected the Fourth

131. *Id.* at 1125.

132. *Id.* at 1122. The law divides marks into categories of "generally, increasing distinctiveness," describing them as "(1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976)). Generic marks, which describes a product class (e.g., a "thermos"), have no distinctiveness and are not entitled to protection. *Two Pesos, Inc.*, 505 U.S. at 768. Descriptive marks describe a characteristic of a product or its quality (e.g., "Blue Ribbon" flour or "Honey Baked Ham") and receive protection only upon a showing of secondary meaning (i.e. that consumers recognize the mark as identifying a source of the goods). *Id.* at 767, 769. Suggestive marks are sufficiently abstract that an exercise of imagination is required to identify a characteristic of the good or its quality (e.g., "Goliath" pencils for wide diameter pencils). See *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir. 1983). An arbitrary mark bears no relation to the product or service with which it is associated (e.g., "Bumble Bee" tuna). See *Abercrombie & Fitch Co.*, 537 F.2d at 11 n.12. A fanciful mark is a coined term that has no meaning other than as an identification of source (e.g., "Xerox" copiers or "Kodak" cameras). *Id.* Suggestive, arbitrary, and fanciful marks are said to be "inherently distinctive" and require no showing of secondary meaning to receive trademark protection. See *Two Pesos*, 505 U.S. at 768.

The Supreme Court noted that Professor Schecter singled out arbitrary and fanciful marks for protection from dilution because such words or phrases "had been 'added to rather than withdrawn from the human vocabulary.'" *Moseley*, 123 S. Ct. at 1122 (citing Frank I. Schecter, *Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 831 (1927)).

133. *Moseley*, 123 S. Ct. at 1124. The Court also opined that the contrast between state statutes' express reference to both injury to business reputation and dilution of the distinctive quality of a trademark and the federal statute's reference to only the latter raised the question whether the FTDA covered dilution by tarnishment, a question the Court did not decide. *Id.* See *infra* Section D for a discussion of this issue.

134. *Moseley*, 123 S. Ct. at 1124.

135. *Id.*

136. 15 U.S.C. § 1127.

137. *Moseley*, 123 S. Ct. at 1124.

Circuit's requirement of proof of an actual loss of sales or profits.¹³⁸ However, the Court did agree that "at least where the marks at issue are not identical," proof that consumers merely mentally associate the junior and senior marks does not establish actionable dilution.¹³⁹ Rather, the Act requires some evidence that the mental association reduces the capacity of the famous mark to identify the goods of the owner.¹⁴⁰ The Court indicated that such evidence might be established through consumer surveys.¹⁴¹ However, acknowledging that such surveys could be expensive and unreliable, the Court said that actual dilution could also be established through circumstantial evidence.¹⁴² For example, simply showing that the junior and senior marks are identical might establish actual dilution.¹⁴³ Finding no evidence that the existence of Victor's Little Secret had any impact on the associations created by the Victoria's Secret mark, the Court reversed the grant of summary judgment and remanded the case for further proceedings.¹⁴⁴

IV. ANALYSIS OF THE *MOSELEY* DECISION

The *Moseley* decision provided much needed guidance on a number of issues. The Court clearly states: (1) proof of actual economic loss is not necessary to prevail under the FTDA; (2) a mere mental association between the junior and senior user is not sufficient to prove dilution; and (3) a consumer survey or circumstantial evidence may be sufficient to establish dilution.¹⁴⁵ As discussed below, this article agrees with the Court's judgment on each of these issues, and provides some additional justifications for the Court's position. The Court's opinion, however, raises new questions about the FTDA's coverage of dilution by tarnishment and the availability of injunctive relief prior to the use of a junior mark. Those questions also will be addressed in this section.

A. *Actual Economic Loss Need Not Be Proved — The Act Protects a Mark's Uniqueness*

The Supreme Court properly rejected the Fourth Circuit's view that

138. *Id.*

139. *Id.*

140. *Id.*

141. *Id.* at 1125.

142. *Id.*

143. *Id.*

144. *Id.* Justice Kennedy wrote separately to emphasize that the Court's opinion did not preclude the availability of injunctive relief. *Id.* at 1126 (Kennedy, J., concurring). He reasoned that the word "capacity" in the definition of dilution imports "both the present and the potential power of the famous mark to identify and distinguish goods" and "[e]quity principles encourage those who are injured to assert their rights promptly." *Id.* at 1125-26 (Kennedy, J., concurring).

145. See *Moseley*, 123 S. Ct. 1115.

actual economic loss is required to prove dilution. Analysis of a statute begins with its plain language.¹⁴⁶ Nothing in the statute compels a finding of actual economic loss. Instead, the FTDA prohibits any use that “causes dilution of the distinctive quality of the mark.”¹⁴⁷ Thus, the harm protected against is a reduction of the mark’s uniqueness or distinctiveness. The definition of dilution as the “lessening of the capacity of a famous mark to identify and distinguish goods or services”¹⁴⁸ directly contradicts the Fourth Circuit’s requirement of actual economic harm.¹⁴⁹ Indeed, given the incoherence that would result if the definition of dilution were substituted for the word “dilution” in the Act’s prohibitory provision, it seems reasonable to interpret “capacity to identify and distinguish goods or services” as synonymous with “distinctive quality of the mark” or uniqueness.

The Fourth Circuit rejected this interpretation, in part, because it believed such an interpretation would create property rights in gross in a word, and assumed Congress could not have intended that result.¹⁵⁰ However, the proper interpretation of the statute does not create patent type rights in a word. Not only is it impossible to assign one’s rights to the word absent sale of all or part of the business,¹⁵¹ but uses in the non-trademark sense or that reinforce the recognition of the famous mark, as well as all non-commercial uses, are allowed without permission or charge.¹⁵² More fundamentally, the legislative history clearly indicates that Congress did not intend to require a showing of actual economic harm, but rather, intended that a loss of distinctiveness alone could establish dilution. The House Report specifies that the FTDA applies when an unauthorized use “reduces the public’s perception that the mark signifies something unique . . .”¹⁵³ It views dilution as an “infection” that should be stopped before it spreads, not allowed to occur until actual harm is proved.¹⁵⁴ The Report states that “the use of Dupont shoes, Buick aspirin and Kodak pianos would be actionable.”¹⁵⁵ It does not say that such uses might be actionable if tangible harm could be

146. See, e.g., *Robinson v. Shell Oil Co.*, 519 U.S. 337, 340 (1997).

147. 15 U.S.C. § 1125(c)(1) (2002). For the entire FTDA dilution section, see *supra* note 2.

148. 15 U.S.C. § 1127 (2002).

149. See *supra* note 103 and accompanying text.

150. See *supra* note 103 and accompanying text.

151. See Schecter, *supra* note 8, at 822; see also 15 U.S.C. §§ 1060, 1127 (definition of trademark).

152. See 15 U.S.C. § 1125(c)(1) (prohibiting commercial uses in commerce), (c)(4) (exemptions).

153. H.R. REP. NO. 104-374, at 3 (1995), reprinted in 1996 U.S.C.C.A.N. 1029.

154. *Id.* at 10, citing *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972).

155. H.R. REP. NO. 104-374, at 3 (1995).

shown. Indeed, requiring a showing of economic harm would be inconsistent with the Act's stated purposes.¹⁵⁶ If economic harm was required under the FTDA, plaintiffs would likely sue under state statutes, which have not been interpreted to require a showing of actual economic harm. The "patch-quilt system of protection" the Act was designed to remedy, would remain.¹⁵⁷ Similarly, interpreting the Act in the limiting way suggested by the Fourth Circuit would not "assist the executive branch in its . . . negotiations with other countries to secure greater protection for famous marks owned by U.S. companies."¹⁵⁸

Requiring proof of actual economic harm under the FTDA would not only be inconsistent with its statutory language and legislative history, but it would be bad policy. Proving that a particular defendant caused the plaintiff's economic loss would be next to impossible. If a mark holder is unable to stop use of its mark before injury, several parties may simultaneously infringe on the mark. How could the mark holder show that any one in particular was responsible for its injury?¹⁵⁹ If the mark was on competing goods, the mark holder would be unable to demonstrate that its loss was the result of dilution, as opposed to competition.¹⁶⁰ Similarly, a mark holder also might have insurmountable difficulties proving actual economic loss if its business experienced growth during the period in question. Finally, as the Second Circuit argued, a requirement of actual economic loss also would result in uncompensated injury from non-willful violations. It would also preclude a junior user from learning if its use would infringe until after it invested appreciable funds in promoting its mark.¹⁶¹ Moreover, to require actual harm against the first junior user would be inconsistent with the theory of dilution. "Like being stung by a hundred bees," the injury from dilution "is caused by the cumulative effect, not by just one use."¹⁶² In short, the only policy favoring proof of actual economic loss rather than a loss of distinctiveness is, as suggested earlier, a dislike for the statute.¹⁶³

156. See *supra* notes 4-6 and accompanying text.

157. H.R. REP. NO. 104-374, at 3 (1995).

158. *Id.* at 4.

159. Multiple infringers might also make it more difficult for the mark holder to even establish that its mark is famous. The statute lists third party uses as a factor in the famousness determination. See 15 U.S.C. § 1125(c)(1)(G) (2002).

160. See *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998).

161. See *supra* note 114 and accompanying text.

162. See *McCARTHY*, *supra* note 24, § 24:94.

163. See *supra* note 82 and accompanying text. See also Brief for Petitioners at 18-20, *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115 (2003) (arguing that an economic loss requirement is necessary because the FTDA "vastly expands" the rights of trademark owners and creates the prospect of property "rights in gross").

Although the Court unequivocally rejected the Fourth Circuit's standard,¹⁶⁴ it did not expressly state that the FTDA, in part, was designed to prevent the loss of a mark's uniqueness or distinctiveness. Nonetheless, that is the only reasonable interpretation of the *Moseley* opinion. The Court cites Professor Schecter's conclusion that the "preservation of uniqueness" is the only rational basis for trademark protection as the "seminal discussion of dilution"¹⁶⁵ and strongly implies that mark identity alone would support a finding of dilution.¹⁶⁶ Identity alone would not be actionable unless protection of a mark's distinctiveness or uniqueness was an important goal of the Act. Moreover, as argued above, the statutory language and legislative history virtually compel such an interpretation.¹⁶⁷

B. *Mental Associations as Evidence of Dilution*

The Court concludes that "at least where the marks . . . are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution."¹⁶⁸ This conclusion is unassailable. For example, many consumers upon hearing or seeing Del Monte catsup may think of its dominant competitor, Heinz ketchup. Yet no one would argue that Del Monte weakens Heinz's capacity to identify and distinguish its goods. Nevertheless, it would be a mistake to conclude that mental associations have no place in a dilution action. The Supreme Court, alluding to the facts in *Ringling Bros.*, stated, "even though Utah drivers may be reminded of the circus when they see a license plate referring to the 'greatest snow on earth,' it by no means follows that they will associate 'the greatest show on earth' with skiing or snow sports, or associate it less strongly or exclusively with the circus."¹⁶⁹ Thus, for the Court, the relevant mental associations are those raised upon hearing the senior user's mark. If the consumer associates the famous mark with the junior user or characteristics of the junior user's product, dilution under the FTDA has occurred. The famous mark's ability "to identify and distinguish goods" has been lessened.¹⁷⁰

164. See *supra* note 138.

165. See *Moseley*, 123 S. Ct. at 1122.

166. See *supra* notes 142-43 and *infra* note 168 and accompanying text.

167. See *supra* notes 146-58 and accompanying text.

168. *Moseley*, 123 S. Ct. at 1124.

169. *Id.* at 1124-25.

170. 15 U.S.C. § 1127 (2002).

C. *Survey or Circumstantial Evidence May Be Used to Prove Dilution*

The Supreme Court's opinion in *Moseley* makes clear that dilution requires that the famous mark actually suffer a lessened capacity to identify or distinguish goods or services¹⁷¹ and that such lessened capacity can be established by direct evidence, such as survey evidence designed to demonstrate the mental associations raised by the senior user's mark,¹⁷² or by circumstantial evidence.¹⁷³ These conclusions are easily supported and have not been controversial outside the Fourth Circuit.¹⁷⁴ The first proposition follows from the definition of dilution.¹⁷⁵ The second is little more than common sense. A well-formulated consumer survey can show that the senior mark calls to mind the junior user or characteristics solely of the junior user.¹⁷⁶ As indicated earlier, such mental association proves dilution.¹⁷⁷ It is equally clear that a consumer survey should not be a prerequisite to relief. As the Court recognized, consumer surveys can be expensive¹⁷⁸ and time consuming, particularly given the number of litigable issues that survey methodology raises.¹⁷⁹ A survey, by inviting a respondent to think carefully about a mark, also may underestimate the amount of blurring that actually occurs in the marketplace, where consumers often are not quite so thoughtful. Circumstantial evidence, on the other hand, is used in virtually all types of litigation, whether it involves torts, murder or traditional trademark infringement.¹⁸⁰ There is no reason a dilution action should be treated any differently.

D. *Does the FTDA Protect Against Tarnishment?*

The *Moseley* opinion raises doubt about whether the FTDA applies to dilution by tarnishment. The Court observed that the petitioners "have not disputed the relevance of tarnishment," but questioned whether the concept was in fact embraced by the statutory text.¹⁸¹ The Court reasoned that "the contrast between state statutes, which expressly refer to both 'injury to business reputation' and to 'dilution of the dis-

171. *Moseley*, 123 S. Ct. at 1125.

172. *Id.* at 1124-25.

173. *Id.* at 1125.

174. See *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).

175. 15 U.S.C. § 1127 (2002).

176. See Bible, *supra* note 103 at 329-30.

177. See *supra* notes 169-70 and accompanying text.

178. *Moseley*, 123 S. Ct. at 1125.

179. See Bible, *supra* note 103 at 316, 318-19.

180. See, e.g., *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961).

181. *Moseley*, 123 S. Ct. at 1124.

tinctive quality of a trade name or trademark,' and the federal statute which refers only to the latter, arguably supports a narrower reading of the FTDA."¹⁸²

The Court's dictum once again demonstrates the wisdom of avoiding issues not addressed by the parties. The Court's suggested reading of the statute is not compelled by the statutory language¹⁸³ and, as the Court acknowledged, is contrary to the clear legislative intent.¹⁸⁴ However, the fundamental problem is that the Court's discussion is based upon a misconception of the nature of tarnishment. The harm from tarnishment, injury to reputation, is different (and greater) than the harm, loss of distinctiveness, which results from blurring. However, the process by which tarnishment occurs is no different than how the Court describes the process of dilution by blurring. That is, for there to be any reputation injury at all, prospective consumers exposed to the senior mark must think of characteristics of the junior user. The prospective consumer may associate the senior mark with characteristics of the junior user either because the marks have blurred or because the consumer believes the senior user has sponsored or authorized the junior use. In the latter case, the senior user could allege traditional trademark infringement.¹⁸⁵ In the former situation, dilution has occurred.¹⁸⁶ Thus, if dilution by blurring is covered by the Act, so too must dilution by tarnishment.

182. *Id.* (citing Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789 (1997)).

183. Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services . . ." 15 U.S.C. § 1127 (2002). Webster's defines "distinguish" as, "to mark as separate or different." MERRIAM-WEBSTER'S COLLEGIATE DICTIONARY 338 (1993). Where the reputation of a mark has been injured, the mark no longer has the same ability to distinguish or give prestige to the mark holder's goods or services. Justice Kennedy, in his concurring opinion, left no doubt that he thought tarnishment was covered by the Act. *Moseley*, 123 S. Ct. at 1126 (Kennedy, J., concurring).

184. *Moseley*, 123 S. Ct. at 1123; see also *supra* note 3.

185. See, e.g., *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972).

186. In effect, tarnishment is merely the class of dilution or infringement cases in which courts find a violation upon a lesser showing of proof typically because the harm is clearer and the equities more one-sided. See, e.g., *Toys "R" Us, Inc. v. Akkaoui*, 40 U.S.P.Q.2d (BNA) 1836 (N.D. Cal. 1996); *Anheuser-Busch, Inc. v. Andy's Sportswear, Inc.*, 40 U.S.P.Q.2d (BNA) 1542 (N.D. Cal. 1996). Of course, if dilution by tarnishment is alleged, non-commercial uses will be exempt. 15 U.S.C. § 1125(c)(4)(B) (2002); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 904-07 (9th Cir. 2002). By contrast, in confusion cases, some non-commercial uses have been proscribed. See, e.g., *Dallas Cowboys Cheerleaders, Inc.*, 604 F.2d at 204-05; *General Foods Corp. v. Mellis*, 203 U.S.P.Q. (BNA) 261 (S.D.N.Y. 1979); see also *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 32 n.3 (1st Cir. 1987) (first amendment protection greater for diluting, as opposed to confusing uses), accord *Mattel*, 296 F.3d 894.

E. *Is Injunctive Relief Available Under the FTDA?*

Justice Kennedy wrote separately to emphasize that the Court's opinion did not foreclose injunctive relief.¹⁸⁷ He argued that the word "capacity" in the definition of dilution imports into the dilution inquiry a future as well as present ability to identify and distinguish goods.¹⁸⁸ Unfortunately, this argument was the one forwarded by proponents of the "likelihood of dilution" standard,¹⁸⁹ the standard expressly rejected by the Court.¹⁹⁰ Nonetheless, given that injunctive relief is designed to "prevent future wrong, although no right has yet been violated,"¹⁹¹ and preliminary relief only requires a "likelihood of success" on the merits,¹⁹² a preliminary injunction might be available upon showing the "probable consequences flowing from use or adoption" of a competing mark.¹⁹³

Even if use of a junior mark is necessary to prove actual dilution and get injunctive relief, there would be little practical consequences for the parties. If the junior user did not invest a significant amount of money in its mark, the senior user would be unlikely to learn about any infringement until after the junior mark has been used anyway. On the other hand, where the junior user does invest substantial resources in the mark, the junior user would likely file an intent to use application for registration to protect its investment.¹⁹⁴ The senior user could then oppose registration under the Trademark Amendments Act of 1999.¹⁹⁵ Moreover, in either case, a declaratory judgment action might be pursued to have the parties' rights declared before use.¹⁹⁶ Thus, whether recourse to the courts requires use or not, the Second Circuit's fear of substantial uncompensated injury without a "likelihood of dilution" standard¹⁹⁷ appears misplaced.

187. *Moseley*, 123 S. Ct. at 1126 (Kennedy, J., concurring).

188. *Id.* at 1125 (Kennedy, J., concurring).

189. *See, e.g.*, McCARTHY, *supra* note 24, § 24:90; Brief of the American Bar Ass'n As Amicus Curiae Supporting Respondents at 5, *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115 (2003).

190. *Moseley*, 123 S. Ct. at 1124.

191. *Id.* at 1126 (Kennedy, J., concurring).

192. *See, e.g.*, *Fed. Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168 (2nd Cir. 2000); *I. P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 33 (1st Cir. 1998).

193. *Moseley*, 123 S. Ct. at 1126 (Kennedy, J., concurring).

194. *See* 15 U.S.C. § 1051(b) (2002).

195. Pub. L. 106-43, 113 Stat. 218 (1999). In opposition proceedings, the Trademark board applies a "likelihood of dilution" standard. *See Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q. 2d (BNA) 1164 (T.T.A.B. 2001).

196. *See* 28 U.S.C. § 2201 (2002).

197. *See supra* note 114 and accompanying text.

V. RELEVANT CIRCUMSTANTIAL EVIDENCE TO PROVE DILUTION

The critical question upon which the Court's opinion is noticeably silent is: what are the relevant contextual factors a court should consider as circumstantial evidence of dilution? The first part of this section proposes a paradigm to help answer that question. Using that paradigm, part two addresses the relevant contextual factors a court should consider when determining whether a plaintiff has proved actual dilution. Finally, the third part of this section will illustrate the application of the proposed factors.

A. *A Proposed Paradigm*

In some cases, real harm may exist from dilution, either because the junior use creates negative or dissonant images, results in traditional or subliminal confusion or increases search costs.¹⁹⁸ Nonetheless, it is also true that in the majority of cases, the harm to the senior user probably is at best marginal.¹⁹⁹ Thus, as suggested earlier, one might legitimately ask whether the extent of harm caused by dilution is worth the intervention costs.²⁰⁰ Nonetheless, one could just as reasonably conclude that the possibility of even marginal private and public harm should create a presumptive violation when a junior user, out of the infinite number of possible marks, adopts a mark virtually identical to a truly famous mark, at least where an injunctive order would be relatively cost-free. This latter approach would be particularly desirable if it encouraged foreign governments to expand protection against traditional trademark infringement of our domestic marks.²⁰¹ It is this Article's view that this approach was precisely the one taken by Congress, is fully consistent with the Supreme Court's opinion in *Moseley*, and provides courts with a principled way to apply the Act.

Under this approach, if a junior user adopts a mark identical to a truly famous mark, harm should be presumed from the loss of the mark's uniqueness. The junior user might overcome the presumption of harm by challenging the assumptions underlying the proposed presumption. For example, the junior user might allege that an injunction would not be cost-free by demonstrating First Amendment or competitive concerns, or good faith investment by the junior user. Alternatively, the junior user might directly attack the presumption of harm by showing

198. See *supra* notes 28-32, 39-44 and accompanying text.

199. See *supra* notes 77-78 and accompanying text.

200. See *supra* notes 77-78 and accompanying text.

201. The desire to expand protection of domestic marks abroad could not alone inform decision making because it knows of no limiting principle. That is, even absurdly broad interpretations of the Act would further that Congressional purpose.

that the senior user's prospective customers have no knowledge of the junior user. If the junior user successfully rebutted the presumption of harm, the burden should shift to the senior user to demonstrate more than marginal harm in the particular case. This might be done with circumstantial evidence establishing that the junior use created negative or dissonant images, confused some consumers, or increased search costs, or by survey or more direct evidence of harm. The stronger the junior user's rebuttal showing, the heavier the burden on the senior user to demonstrate actual harm from dilution.²⁰² However, given the prohibition in the statute, where the interests of the senior and junior user are equally balanced, a violation should be found.

If a junior user adopts a non-identical mark, the presumption of harm should not be triggered unless the senior user convinces the court that a significant number of consumers associate the senior mark with the junior user or its goods. Contextual evidence such as virtual identity of marks could be used to make this demonstration. Obviously, if the senior user could not make that threshold demonstration, no violation should be found. If such a showing is made, the junior user could present rebuttal evidence as above. Again, the senior user would then have the opportunity to respond with evidence of more than marginal harm. However, in the case of non-identical marks, any showing of harm to the senior user must be downgraded to the extent the marks' dissimilarity causes more consumers to view the marks as distinct.

B. *The Relevant Factors to Implement This Paradigm*

This Article suggests that lower courts should consider the twelve factors below when implementing the above described paradigm. The factors suggested are designed to highlight the likely harms and benefits from dilution relief. A multi-factored analysis may complicate litigation and make outcomes unpredictable.²⁰³ However, as the dilution provision incorporates equitable principles,²⁰⁴ a balancing of interests is a

202. A stronger showing of dilution either requires survey evidence showing that a higher percentage of the public has blurred the two marks or evidence indicating that more contextual factors or the strength of the contextual factors more clearly support the plaintiff than would otherwise be sufficient to prove dilution. This is analogous to courts' treatment of "likelihood of confusion" in traditional infringement actions. Where the equities favor the plaintiff, a weaker showing of confusion will be accepted. *See, e.g.,* Coca-Cola Co. v. Gemini Rising, Inc., 346 F. Supp. 1183 (E.D.N.Y. 1972); *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 cmt. a (1995) ("No mechanistic formula or list can set forth in advance the variety of factors that may contribute to the particular marketing context" from which likelihood of confusion must be determined); McCARTHY, *supra* note 24, § 23:1 (discussing the various levels of confusion found to constitute infringement).

203. *See* McCARTHY, *supra* note 24.

204. *See* 15 U.S.C. § 1125(c)(1) (2002).

necessity. Courts have taken a multi-factor approach when deciding if there is a likelihood of confusion under traditional trademark law.²⁰⁵ There is no reason to believe that continuing this approach for dilution will be any more difficult.

1) Similarity of the Marks

There is little question that the degree of similarity of the marks is the most important factor for a court to consider. Unless the marks are virtually identical, there is little reason to trigger the initial presumption of harm suggested by the recommended paradigm. Indeed, where the marks are too dissimilar, consumers would be unlikely to form any association between the junior and senior users' goods. Moreover, prohibiting somewhat dissimilar marks would increase the costs to the junior user when adopting a mark.²⁰⁶ Thus, where marks are not virtually identical, no violation should be found unless the senior user shows that at least some consumers associate the senior user's mark with the junior user or its goods and the harm that results thereby is substantial.²⁰⁷

The *Moseley* opinion endorses this approach. If marks are identical, the Court is willing to imply dilution.²⁰⁸ However, it suggests that where the marks are not identical, proof may be difficult to come by.²⁰⁹ This may be the genius of the Court's opinion. The presumption created from mark identity provides clear notice to junior users that they are at risk if they adopt a famous mark. This should eliminate the need for later litigation and simplify proceedings that do occur. The reduced costs ultimately should be shared with the consumer. On the other hand, suggesting that proof will be difficult in the case of nonidentity of marks may discourage companies from bringing marginal suits.²¹⁰ This also

205. See, e.g., *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1514 (11th Cir. 1984); *Frisch's Rests., Inc. v. Elby's Big Boy*, 670 F.2d 642, 648 (6th Cir. 1982); *HMH Publ'g Co. v. Brincat*, 504 F.2d 713, 717 (9th Cir. 1974); *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961).

206. Dissimilarity also might be relevant to show good faith. In that case, the junior user's investment would be considered a countervailing consideration that would shift the burden of proof to the senior user to show more than marginal harm.

207. For example, where tarnishment results, a court might be more inclined to find a violation even where the marks are not virtually identical. See, e.g., *Toys-R-Us, Inc. v. Akkaoui*, 40 U.S.P.Q.2d (BNA) 1836 (N.D. Cal. 1996); *Anheuser-Busch, Inc. v. Andy's Sportswear, Inc.*, 40 U.S.P.Q.2d (BNA) 1542 (N.D. Cal. 1996).

208. *Moseley*, 123 S. Ct. at 1125.

209. *Id.*

210. See, e.g., *K'Arsan Corp. v. Christian Dior Perfumes, Inc.*, No. 97-1867, 1998 U.S. App. LEXIS 27658 (6th Cir. Oct. 21, 1998) (not recommended for full-text publication) (local cosmetics company claimed "K'Arsan Sun Powder" was infringed by Christian Dior's "Terra Bella Poudre De Soleil Sun Powder"); *Lucasfilm Ltd. v. Media Market Group, Ltd.*, 182 F. Supp. 2d 897 (N.D. Cal. 2002); *Nat'l Distillers Prods. Co., LLC v. Refreshment Brands, Inc.*, 00 Civ. No. 8418 (NRB), 2002 U.S. Dist. LEXIS 13962 (S.D.N.Y. July 29, 2002); *Binney & Smith v. Rose Art Inds.*, 60 U.S.P.Q. 2d (BNA) 2000 (E.D. Pa. 2001).

will reduce costs and benefit consumers.²¹¹ Not surprisingly, similarity of marks was also a factor that pre-*Moseley* courts emphasized.²¹²

2) Likelihood That Differences Will Go Undetected

Even if two marks are not identical, if the differences between them are likely to go unnoticed, the senior mark will no longer be perceived as a unique identifier of the senior user's goods and the presumption of harm should be triggered. Factors, besides the similarity of the marks, that would be relevant to decide whether differences would go unnoticed include the sophistication of the consumer, the expense of the goods, and the length of exposure to the junior user's mark. The less sophisticated the consumer, the cheaper the item, and the quicker the purchase, the more likely similar marks would be viewed as identical.²¹³

3) Strength of the Mark

Lower courts have agreed that the strength of the senior mark is a relevant factor.²¹⁴ Some have reasoned that the stronger the senior mark, the more the mark holder has to lose.²¹⁵ This may be true, but it seems equally true that the weaker the mark the more susceptible it is to dilution.²¹⁶ The stronger rationale for considering the strength of the mark is that the stronger the mark, the less harm will result from giving it protection and the less likely the junior user is an innocent infringer. A junior user may have some equitable claim to a very descriptive mark such as BEST. That claim would undermine the paradigm's assumption of an infinite number of suitable alternative marks. The same could not be said if the junior user adopted a famous coined mark such as XEROX. Nor would adoption of XEROX likely be by unwitting acci-

211. Given the less than overwhelming need for a dilution action a policymaker might be tempted to simplify litigation still further by eliminating proof by contextual factors where marks are not identical. See *supra* notes 77-78 and accompanying text. However, such a rule would be tantamount to requiring actual economic harm in all cases, the position rejected earlier, because junior users too easily could change a single letter to avoid mark identity. See *supra* notes 146-63 and accompanying text.

212. See, e.g., *Thane Int'l, Inc. v. TREK Bicycle Corp.*, 305 F.3d 894, 901 (9th Cir. 2002); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 218 (2d Cir. 1999); *Jet Inc. v. Sewage Aeration Sys.*, 165 F.3d 419, 425 (6th Cir 1999).

213. The same factors should have no relevance when the marks are identical. In particular, the sophistication of the consumer, although relevant to confusion, should not make blurring of identical marks any more or less likely. Cf. *Nabisco*, 191 F.3d at 220 (listing sophistication of consumers as a relevant factor). If the marks are identical, the senior user's mark will no more be a unique identifier of the senior user's goods for a discriminating, sophisticated consumer than it will be for the "village idiot."

214. See, e.g., *Eli Lilly*, 233 F.3d at 469; *Nabisco*, 191 F.3d at 217; *Autozone, Inc. v. Tandy Corp.*, 174 F. Supp. 2d 718, 736 (M.D. Tenn. 2001).

215. See *Nabisco*, 191 F.3d at 217; RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. f (1995).

216. See *supra* note 58 and accompanying text.

dent.²¹⁷ This was the reason Professor Schecter's original dilution proposal was limited to arbitrary and fanciful marks.²¹⁸ As Schecter explained, such marks are "added to rather than withdrawn from the human vocabulary."²¹⁹ The *Moseley* Court's citation to Schecter and this reasoning suggests that it too endorses the strength of mark factor.²²⁰

4) Awareness of the Junior Mark

If no consumer or prospective consumer of the senior user's goods or services is aware of the junior mark, there can be no dilution.²²¹ Similarly, the fewer the number of consumers aware, the less the harm. Thus, if the senior user is a small restaurant in Macon, Georgia with the name "Rise and Shine," it is unlikely that the opening of an unaffiliated Rise and Shine store in Butte, Montana will cause the senior user much harm. Although there might be a few people who travel to both cities, given the amount invested in goodwill by the junior user, presumably in good faith, the presumption of harm would be rebutted and the senior user likely would be unable to make the then required showing of actual harm.

Nonetheless, it would be a mistake to assume that an overlap of consumers of the senior and junior user's products is required for dilution to occur.²²² It is the mental associations of the consumers and prospective consumers of the senior user's product that is relevant. Those associations can be blurred by an awareness of the junior user, whether or not there are cross-purchases. For example, if a greasy spoon with the name Tiffany's opened on Fifth Avenue across the street from the famous jewelry store, the capacity of Tiffany's to identify and distinguish its goods would be lessened whether or not its customers ate at the restaurant.

5) Nature of the Junior Use

Several facts about the nature of the junior use should impact a

217. See also *infra* notes 248-53 and accompanying text.

218. See Schecter, *supra* note 8, at 828-30.

219. *Id.* at 829.

220. See *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115, 1122 (2003).

221. Technically, under the definition of dilution, awareness of the senior and junior user's marks by someone who is not a consumer or prospective consumer can cause dilution. See 15 U.S.C. § 1127 (2002). However, in such a case, there would be no injury to the senior user's business. Presumably, no court would be so literal as to find such "dilution" actionable.

222. The Second Circuit made the mistake of labeling the relevant factor as "the extent of overlap among consumers of the senior user's products and the junior user's products." *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 220 (2d Cir. 1999). Although the Second Circuit seemed to later realize that it was enough if the senior user saw the junior user's product or publicity, not all lower courts citing the "Nabisco factors" have done likewise. See, e.g., *Autozone, Inc. v. Tandy Corp.*, 174 F. Supp. 2d 718, 738 (M.D. Tenn. 2001).

court's willingness to grant relief. First, if a senior mark is used in its descriptive, as opposed to its trademark sense, the junior use does not detract from the mark's uniqueness and should not be proscribed. Thus, even if "American Airlines" is famous, a foreign company should be able to refer to Northwest as an American airline without fear of a lawsuit. This principle has been recognized under traditional trademark law²²³ and should also apply to dilution law.²²⁴ Similarly, a junior use that includes the senior mark to refer to the senior user or its product should not be considered a violation of the Act. For example, a woman who has appeared in Playboy magazine should be entitled to call herself a Playboy Playmate of the Year.²²⁵ Alternatively, a car polish advertisement showing a woman polishing a Porsche, prominently labeled as such, should not be considered to dilute the Porsche mark.²²⁶ Such uses typically strengthen, rather than blur, the senior mark.²²⁷ Finally, a junior use, even if used to identify source, should be treated more leniently if the mark is descriptive of the junior user's product. As the Second Circuit suggested, the use of a fish design on competing cheese crackers might blur Pepperidge Farm's fish mark, but the same design outside a fish market might not.²²⁸ Not only would the use outside the fish market cause fewer persons to form any mental association between the senior and junior user, but the equities of the junior user²²⁹ also would recommend against a finding of dilution as once again the assumption of an unlimited number of suitable alternative marks would be undermined. On the other hand, a use of the senior mark as a web domain name might be considered as strengthening the case of the senior user. In such cases, not only is there likely to be dilution, but use as a domain name could significantly increase consumer's search costs.²³⁰

6) Confusion

Perhaps the most controversial contextual factor has proven to be the presence or absence of consumer confusion. Courts and commentators have rejected consideration of this factor reasoning that "dilution is

223. See 15 U.S.C. § 1115(b)(4) (2002).

224. See *Nabisco*, 191 F.3d at 221; McCARTHY, *supra* note 24, § 24:103.

225. See *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 806 (9th Cir. 2002).

226. *But see* *Liquid Glass Enter., Inc. v. Dr. Ing. h.c.F. Porsche AG*, 8 F. Supp. 2d 398 (D. N.J. 1998) (finding a violation on the facts described in the text).

227. *But see* *World Impressions, Inc. v. McDonald's Corp.*, 235 F. Supp. 2d 831, 847 (N.D. Ill. 2002) (Stylized "Disneyland" mark on map to indicate the location of the amusement park found to violate FTDA).

228. *Nabisco*, 191 F.3d 208

229. *But cf.* *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000) ("Polo" magazine about the sport did not dilute Ralph Lauren's "Polo" mark and although trademark infringement was found, case was remanded for disclaimer relief).

230. See *supra* notes 43-44 and accompanying text.

a separate legal theory positing a different kind of damage to a mark caused by a different form of consumer perception.”²³¹ If a junior use confuses a consumer about the source of goods, that consumer must perceive the senior mark as identifying a unique source and hence the mark cannot be blurred.²³² While this has some truth, it takes too static a view of confusion. Frequently, consumers who are confused at the time of purchase later learn the true source of the goods they bought. At that later time, the junior use may blur the senior mark. More fundamentally, the argument against confusion as a factor in the dilution analysis presupposes a uniform public perception. In the real world, a junior use often will confuse some consumers and blur the senior mark for others. Both are real harms that should be considered when deciding if the senior user has shown sufficient actual harm to override any “counter-vailing considerations” proffered by the junior user to rebut the presumption of harm.²³³ This is true whether or not the number of consumers confused alone rises to the level required for trademark infringement.²³⁴

7) Competing Goods/Competitive Effects

Professor McCarthy and the First and Seventh Circuits have criticized consideration of the similarity of products as irrelevant to the dilution inquiry.²³⁵ It is certainly true that dilution can occur whether or not goods compete; the statute specifies as much.²³⁶ However, recognition that goods compete will put courts on notice to inquire about the competitive effects of a dilution action. Where goods compete, the dilution action may be used to restrict legitimate competition. For example, a generic mouthwash manufacturer may wish to use a similar trade dress as the leading brand to ensure that consumers realize that the two products contain the same basic ingredients. As long as the generic’s pack-

231. J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 24:94.4, at 24-214 (4th ed. 2003); see also *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 n.7 (7th Cir. 2000) (rejecting relevance of confusion); *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 879 (9th Cir. 1999) (same); Matthew S. Voss, *Berkeley Technology Law Journal Annual Review of Law and Technology*, 15 BERKELEY TECH. L.J. 265, 281 (2000); Jonathan Mermin, Note, *Interpreting the Federal Trademark Dilution Act of 1995: The Logic of the Actual Dilution Requirement*, 42 B.C. L. REV. 207, 233-34 (2000).

232. See Voss, *supra* note 231, at 281.

233. Of course, confusion is not required for a violation. See *Nabisco*, 191 F.3d at 221.

234. Case law suggests that a finding of likelihood of confusion requires approximately a fifteen to twenty percent range of confusion. See *Pharmacia Corp. v. Alcon Labs., Inc.*, 201 F. Supp. 2d 335, 380 (D.N.J. 2002) (citing Gerald L. Ford, *Dilution Surveys Update* 1998, 537 PLI/PAT 551, 562 (1998)).

235. See *Eli Lilly*, 233 F.3d at 468; *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998); MCCARTHY, *supra* note 24, § 24:94; accord Lynda J. Oswald, “Tarnishment” and “Blurring” Under the Federal Trademark Dilution Act of 1995, 36 AM. BUS. L.J. 255, 291 (1999).

236. See 15 U.S.C. § 1127 (2002).

age or the store's shelves clearly indicate that the products are distinct, there would be no consumer confusion. Nonetheless, a dilution action might preclude such use.²³⁷ Alternatively, a senior user might challenge the mark of a competitor to increase the new rival's costs.²³⁸ Both possibilities would decrease competition and result in higher prices to consumers. The statute's equitable principles necessitate that a court balance harms and benefits. Where competitive harm may be present, it is appropriate for courts to demand a stronger showing of actual dilution.

8) First Amendment Considerations

There is no question that non-commercial uses of a mark, including all forms of news reporting and commentary, are not covered by the FTDA.²³⁹ Equally true, commercial speech is entitled to limited First Amendment protection.²⁴⁰ Nonetheless, commercial speech does have some protection.²⁴¹ Courts interpreting the FTDA should ensure that the Act does not unnecessarily eliminate the most expressive or entertaining forms of such speech absent a stronger showing of dilution.²⁴² The clearest case for applying the statute narrowly, if at all, is where the junior user's mark parodies the senior user.²⁴³ Not only does parody

237. A generic manufacturer could argue that his use of the senior user's trade dress was exempt under the statute as comparative advertising or promotion. *See* 15 U.S.C. § 1125(c)(4)(A). Whether a court would accept such an argument is uncertain. *Cf. Eli Lilly*, 233 F.3d 456 ("Herbrozac," an herbal mood elevator, found to dilute "Prozac").

238. *See generally* Multistate Legal Studies, Inc. v. Harcourt Brace Jovanovich Legal and Prof'l Publ'ns, Inc., 63 F.3d 1540, 1553 (10th Cir. 1995) (stating that monopolist's practice of scheduling courses to conflict with competitor's courses could raise competitor's costs, and therefore "would qualify as anticompetitive conduct"); *Premier Elec. Constr. Co. v. Nat'l Electrical Contractors Ass'n*, 814 F.2d 358, 368 (7th Cir. 1987) (when defendant "raised its rivals' costs," it "raised the market price to its own advantage."); *Thomas G. Krattenmaker & Steven C. Salop, Anticompetitive Exclusion: Raising Rivals' Costs to Achieve Power Over Price*, 96 *YALE L.J.* 209, 235-262 (1986).

239. *See* 15 U.S.C. §§ 1125(c)(4)(B) & (C) (2002).

240. *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of N.Y.*, 447 U.S. 557 (1980).

241. *See Thompson v. W. States Med. Ctr.*, 535 U.S. 357 (2002). The Court protects commercial speech because it "is a matter of public interest that [economic] decisions, in the aggregate, be intelligent and well-informed. To this end, the free flow of commercial information is indispensable." *Id.* at 366, *citing* *Virginia Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 765 (1976).

242. That is, First Amendment interests should be considered a countervailing factor that can rebut the presumption of harm.

243. *See, e.g., Chemical Corp. of Am. v. Anheuser-Busch*, 306 F.2d 433 (5th Cir. 1962) (Floor wax and pesticide advertised as "where there's life. . . there's bugs"); *American Express Co. v. Vibra Approved Lab. Corp.*, 10 U.S.P.Q.2d (BNA) 2006 (S.D.N.Y. 1989) (condom in card package advertised as "don't leave home without it"). Parody that is not part of commercial advertising is fully protected under the Act. *See* 15 U.S.C. § 1125(c)(4)(B) (2002); *Lucasfilm Ltd. v. Media Market Group, Ltd.*, 182 F. Supp. 2d 897, 900 (N.D. Cal. 2002) ("Starballz" pornographic movie didn't infringe "Star Wars" mark); *Mattel, Inc. v. MCA Records, Inc.*, 28 F. Supp. 2d 1120, 1155 (C.D. Cal. 1998) ("Barbie Girl" song, despite sexual and degrading lyrics, didn't infringe "Barbie" mark).

implicate First Amendment values, but it “tends to increase public identification of a plaintiff’s mark with the plaintiff.”²⁴⁴ Indeed, the success of the parody “depends upon the continued association of the mark with the plaintiff.”²⁴⁵ For similar reasons, the dilution provision generally should not apply to expressive uses of a mark such as the “Cadillac” of refrigerators or the “Tiffany’s” of costume jewelry.

9) Timing and Amount of Investment in the Junior Mark

Where a company has not yet used, or has invested little money in its mark, an injunction requiring it to adopt another mark imposes little burden. The amount of harm to the senior user that can justify inflicting such a restraint correspondingly should be small. Conversely, where the investment has been significant, and made in good faith, a stronger showing of dilution should be required. The clearest case for demanding a higher showing of harm is where the junior user’s investment preceded enactment of the FTDA. Although most courts have held that injunctive relief under the FTDA against continuing uses does not constitute a retroactive application of the statute,²⁴⁶ the equities of the junior user obviously are much greater when, at the time of adoption, its mark was not proscribed by the statute.²⁴⁷

10) Predatory Intent

For similar reasons, a defendant’s predatory intent is a relevant factor when considering whether a plaintiff has made a sufficiently strong showing of dilution to justify relief.²⁴⁸ Where the junior user knowingly adopts an identical mark for no reason other than to free-ride on the mark’s goodwill, a court should disregard any consideration of the private harm to the junior user that would result from an injunction.²⁴⁹ In such cases, the private harm was totally avoidable and the junior user should not benefit from its bad faith conduct. Not only are the equities

244. *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp. 2d 410, 422 (S.D.N.Y. 2002), *citing* *Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1490 (10th Cir. 1987) (internal citation omitted).

245. *Id.*, *citing* *Yankee Publ’g., Inc. v. News Am. Publ’g., Inc.*, 809 F. Supp. 267, 282 (S.D.N.Y. 1992) (citation omitted).

246. *See, e.g.*, *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 669 n.11 (5th Cir. 2000); *Sporty’s Farm L.L.C. v. Sportsman’s Mkt., Inc.*, 202 F.3d 489, 502 (2nd Cir. 2000); *Viacom, Inc. v. Ingram Enters., Inc.*, 141 F.3d 886, 889 (8th Cir. 1998); *but see* *Circuit City Stores, Inc. v. OfficeMax, Inc.* 949 F. Supp. 409, 419 (E.D. Va. 1996).

247. The junior user’s mark, at the time of its adoption, may have violated statutes in half of the states. *See supra* note 1 and accompanying text. However, those statutes were not consistently enforced and, given the absence of dilution statutes in many states, many enforcing courts were reluctant to issue nationwide injunctions. *See* H.R. REP. No. 104-374, at 3-4 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029, 1030.

248. *See* *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 626 (2d Cir. 1983).

249. The junior user could still rebut the presumption of harm from use of a virtually identical mark if they demonstrate public harm such as First Amendment or competitive concerns.

of the junior user small or nonexistent, no matter the size of its investment, but the junior user's intent suggests that an effect is reasonably likely.²⁵⁰ Lowering the threshold for actual dilution in this situation also comports with Congressional intent. The House Report describes the Act as designed to "protect [against attempts] to trade upon the goodwill and established renown" of famous marks.²⁵¹ Moreover, the statutory structure itself reveals Congress's awareness that the equities of the willful infringer are negligible. Only willful violators are subject to damages under the Act.²⁵² Of course, Congress's requirement of willfulness for damages, with no similar requirement for injunctive relief, also indicates that the absence of predatory intent should not preclude relief. Even if the junior user did not seek to trade on the senior user's reputation, it presumably adopted its mark with knowledge of the senior user's famous mark.²⁵³

11) Senior User's Enforcement

If the senior user has delayed enforcement and allowed the junior user to further invest in its mark, equitable considerations demand that the senior user make a stronger showing of dilution to justify relief. Of course, if the delay is sufficiently great, the equitable doctrine of laches should preclude relief entirely. Also relevant is the senior user's laxity in protecting its mark. Where the senior user has allowed third party uses of its mark to go unchallenged, the defendant junior user reasonably could have believed that its use was not objectionable. Again, in such a case, the equities would demand a stronger showing of harm to justify relief.

12) Negative/Positive Connotations Created by the Junior User

When a junior user tarnishes the image of the senior mark, the harm

250. See *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 465 (7th Cir. 2000) ("The fact that one actively pursues an objective greatly increases the chances that the object will be achieved . . .").

251. See H.R. REP. NO. 104-374, at 3 (1995).

252. See 15 U.S.C. § 1125 (c)(2) (2002).

253. Despite a few early questionable cases, courts generally have required that a mark be "truly prominent and renowned." See, e.g., *Thane Int'l, Inc. v. TREK Bicycle Corp.*, 305 F.3d 894, 911 (9th Cir. 2002) citing *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999); *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 46 (1st Cir. 1998); *WAWA, Inc. v. Haaf*, 40 U.S.P.Q. 2d 1629 (BNA) (E.D. Pa. 1996) *aff'd*, 116 F.3d 471 (3rd Cir. 1997) (finding WAWA famous); see also *TCPIP Holding Co., Inc. v. Haar Communications, Inc.*, 244 F.3d 88, 99 (2d Cir. 2001); *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q. 2d (BNA) 1164, 1181-82 (Trademark Tr. & App.Bd. 2001). Even those courts that find niche market fame sufficient to satisfy the Act's famousness condition require that the junior user be in the same niche market. See, e.g., *Thane*, 305 F.3d at 908-09; *Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car, Co.*, 238 F.3d 378, 380 (5th Cir. 2001); *Times Mirror Magazines, Inc. v. Las Vegas Sports News*, 212 F.3d 157, 164 (3d Cir. 2000); *Syndicate Sales, Inc. v. Hampshire Paper Corp.*, 192 F.3d 633, 640 (7th Cir. 1999). Thus, a case involving an innocent, unknowing infringer should rarely, if ever, occur.

to the senior user is more concrete than it is for blurring. Thus, even critics of dilution actions generally have acknowledged that there should be relief for tarnishment.²⁵⁴ Although the Supreme Court in *Moseley* questioned whether tarnishment is covered by the Act,²⁵⁵ negative connotations created by the junior use should be considered when determining whether a plaintiff has proven dilution, even if tarnishment is not recognized as a discrete action. *Moseley* indicated that the relevant question, in a claim involving dilution by blurring, is what mental associations are created by the senior mark.²⁵⁶ If characteristics of the junior user's product are listed as traits represented by the senior mark, dilution has occurred. Obviously, the more negative such traits, the greater the harm to the senior mark, and the stronger the claim of equities for the senior user.²⁵⁷ Conversely, where the junior use evokes positive associations, such as an image for quality, the harm is less and a stronger showing of dilution should be required.²⁵⁸

C. Application of the Contextual Factors Illustrated

This Article does not suggest that the above twelve factors are an exhaustive list of contextual factors relevant to prove dilution. Nor does it suggest that a discussion of each and every factor is mandatory in any given case. Rather, the Article views these factors as guidelines to help courts analyze the harms and benefits from issuing an injunction so that they can apply the earlier suggested paradigm. A few examples will illustrate the envisioned process.

In *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*,²⁵⁹ the defendant used candyland.com as its domain name for a pornographic web site. The plaintiff owner of the "Candyland" mark brought suit alleging dilution. The court properly issued an injunction. The domain name was identical to the plaintiff's famous mark, thereby triggering the presumption of harm. No countervailing consideration was present. The use of the mark involved no competitive or First Amendment interests, and the defendant's investment was not in good faith. Moreover, even if the defendant did offer some countervailing consideration,²⁶⁰ there was

254. See, e.g., Magliocca, *supra* note 13, at 1018; Moskin, *supra* note 9, at 124, 146-47; Note, *Dilution: Trademark Infringement or Will-O'-The-Wisp?*, 77 HARV. L. REV. 520, 522 (1964); Oswald, *supra* note 236, at 279; Welkowitz, *supra* note 9, at 587-88;

255. See *supra* note 181 and accompanying text.

256. See *supra* notes 169-70 and accompanying text.

257. See Note, *supra* note 254, at 522.

258. *Id.*

259. 40 U.S.P.Q.2d (BNA) 1479 (W.D. Wash. 1996).

260. It might be argued that the investment was made before enactment of the FTDA and therefore should be considered made in good faith. This argument lacks some strength because

ample contextual evidence of actual harm. This was a use that created negative connotations and was likely to increase search costs.

In contrast, the court probably reached the wrong result in *Liquid Glass Enterprises, Inc. v. Dr. Ing. h.c.F. Porsche AG*.²⁶¹ The defendant, a manufacturer of a car polish, created an advertisement showing a “provocatively-dressed” woman applying its polish to a Porsche 911 with the Porsche trademark prominently displayed on the car.²⁶² The court found dilution and issued an injunction. Under the suggested paradigm, the mark identity should create a presumption of harm. However, the defendant could easily rebut that presumption. Porsche was being used in its descriptive sense. The junior user could therefore assert First Amendment interests as well as claim that its investment was made in good faith. Moreover, the defendant could also challenge the presumption of harm directly by asserting that its use was a reinforcing use that would benefit the plaintiff. The car was portrayed among other expensive cars in a manner that suggested its desirability. As the mark was not used on another product, it is hard to see how the mark could lose its uniqueness. The plaintiff did not respond with any evidence demonstrating harm from dilution. Thus, an injunction based on dilution was not justified.²⁶³

As a final illustration, consider *Moseley* itself. Recall that the defendants, Victor and Cathy Moseley, originally adopted the name “Victor’s Secret” for their store that sold lingerie, adult videos, sex toys and other “adult novelties.” Only upon receiving a cease and desist letter, did they change the store’s name to “Victor’s Little Secret.”²⁶⁴ “Victor’s Little Secret” should not be a violation of the Victoria’s Secret mark under this Article’s proposed approach. The mark is sufficiently dissimilar that no presumption of harm would arise. The plaintiff offered no survey evidence showing that consumers associated the plaintiff’s mark with the defendants or their goods, and the contextual factors do not suggest that consumers would. The only part of the marks that is identical is the word “secret,” a very common word.²⁶⁵ The defendants

the State of Washington did have a dilution statute, and the investment was not shown to be substantial. See *Hasbro*, 40 U.S.P.Q.2d (BNA) at 1480.

261. 8 F. Supp. 2d 398 (D. N.J. 1998).

262. *Id.* at 399. The advertisement also showed the defendant’s product being applied to several other expensive cars. *Id.* at 400.

263. The court also found trademark infringement. *Id.* at 404. An analysis of that finding is beyond the scope of this article. Normally, the presence of some confusion might justify finding a violation of the FTDA upon a lesser showing of harm from dilution. See *supra* notes 233-34 and accompanying text. However, in this case, there was no showing of harm from dilution.

264. The defendants, after the district court’s order, changed their name to “Cathy’s Little Secret.” See *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 467-68 (6th Cir. 2001), *rev’d and remanded* 123 S. Ct. 1115 (2003). The plaintiff had no objection to that name. *Id.* at 468.

265. Given Victor was the name of one of the defendants, coupled with the addition of the word “little,” this article would not presume predatory intent. Thus, there would be no reason to

own only one store in Kentucky, so the majority of the plaintiff's consumers would not even be familiar with defendants' mark. Those that were familiar would likely notice the differences in the mark, as their exposure to the defendants' mark would be at the defendants' store where there would be ample time to notice the differences. Thus, plaintiff would not be able to establish a prima facie case and therefore it would not be necessary to consider whether there are any countervailing factors favoring the defendant. However, the defendants did not originally adopt "Victor's Little Secret," but first chose Victor's Secret and "[t]he cases are legion which say that where there has been a cessation of the conduct complained of, at any time prior to judgment, it is a matter for the exercise of the discretion of the court, as to whether an injunction should issue."²⁶⁶

"Victor's Secret" should be found to dilute the "Victoria's Secret" mark. Although the two marks are not identical, they are sufficiently close that the presumption of harm probably should be triggered, particularly if a court found predatory intent. This Article would find such intent, although a contrary finding has some support. The defendants did claim to be unaware of the "Victoria's Secret" mark,²⁶⁷ and as indicated above, their mark is just an amalgam of one of the defendants' names and a very common word. Nonetheless, this author, who admittedly has never been to Elizabethtown, Kentucky and did not hear the Moseleys' testimony, finds the claim of lack of knowledge somewhat incredible. Victoria's Secret had two stores within 60 miles of the Moseleys, distributes 400 million copies of its catalogue each year, seems to be at every major mall, and has a ubiquitous national advertising campaign, featuring scantily-clad beautiful women. This would enter most people's awareness. Moreover, the similarity of marks appears to be more than coincidence given that the defendant, like the plaintiff, sells woman's lingerie and that the word "secret" does not immediately or necessarily jump to mind when thinking of that product. With the presumption of harm triggered, it would be necessary for the defendants to present some countervailing considerations. This they probably could not convincingly do. There are no apparent First Amendment interests involved. Although the Moseleys might assert private harm from the loss of goodwill, that harm should not be cognizable given the finding of predatory intent and that their store was opened

lower the showing required to trigger the presumption of harm. *See supra* notes 249-53 and accompanying text.

266. *Ford Motor Co. v. Lapertosa*, 126 F. Supp. 2d 463, 464 n.1 (E.D. Mich. 2001), quoting *Parkway Baking Co., Inc. v. Freihofer Baking Co.*, 255 F.2d 641, 649 (3d Cir. 1958); accord *American Bd. of Psychiatry & Neurology, Inc. v. Johnson-Powell*, 129 F.3d 1, 5 (1st Cir. 1997).

267. *See Moseley*, 259 F.3d at 466-67 (6th Cir. 2001).

after passage of the FTDA. The Moseleys might argue that the lawsuit itself, much less an injunction, is a threat to competition.²⁶⁸ Although the plaintiff and the defendants both sell lingerie, the competitive concern should not carry much weight. Any harm to competition would be limited. The Moseleys only own the Elizabethtown store, lingerie is only a part of their inventory, and it is unclear whether consumers would travel 60 miles to shop for lingerie. Additionally, if the market for lingerie in Elizabethtown was already competitive, as it is in most cities, any harm to the Moseleys would not result in harm to competition or result in higher prices for consumers. Even if a court found some countervailing considerations favoring the defendant, the plaintiff could establish more than just presumptive harm. The plaintiff would have a strong case that in addition to dilution, numerous consumers likely would be confused.²⁶⁹ Also, as the Sixth Circuit found, use of the mark by the Moseleys could tarnish the plaintiff's reputation.²⁷⁰ In addition to lingerie, the Moseleys sold adult videos, sex toys, and lewd coffee mugs²⁷¹ that might be offensive to Victoria Secret's prospective customers.²⁷² Although Victoria's Secret does have risqué advertisements, that is not the same as selling pornographic products and materials. Thus, the court would have the discretion to issue an injunction.

As the above examples are designed to show, this Article's proposed paradigm should make decision making easy in a number of situations. Of course, there still will be a number of cases where the result remains unclear. After all, each case is highly fact specific and may ultimately depend upon a balancing of non-quantifiable factors. Nonetheless, even if the result is not perfectly predictable, the process should be.

VI. CONCLUSION

Whether a mark should be protected against dilution has been the subject of intense debate. Proponents argue that use of a mark by others

268. Victor Moseley might claim he has a legitimate interest in using his name on his business. Courts are sympathetic to such claims in traditional infringement actions. *See Taylor Wine Co. v. Bully Hill Vineyards, Inc.*, 569 F.2d 731, 734 (2d Cir. 1978) (citing cases). However, there does not seem to be any corresponding interest in the use of the word "secret."

269. Indeed, a court would likely find a traditional trademark infringement violation. Not only are the names virtually identical, but the only difference is in the gender of the first names. Given that the defendant's store also carries male lingerie, some consumers probably would consider the gender difference to be intentional and view the store as a subsidiary or licensee of the plaintiff. *See Moseley*, 259 F.3d at 466.

270. *Id.* at 477.

271. *See id.* at 467, 477.

272. Unlike for the harm caused from confusion, any disclaimer relief could not alleviate this injury.

causes both private and public harm and results in unjust enrichment. Opponents suggest that a dilution cause of action is unnecessary, anomalous, inconsistent with traditional trademark principles, and creates more harm than it remedies. This debate was not mooted by passage of the FTDA. Rather, enactment merely shifted the debate from the legislative to the judicial forum. In *Moseley*, the Supreme Court addressed what evidence is necessary to prove dilution, the issue that had most divided lower courts. The Court's rejection of a "likelihood of dilution" standard and requirement of "actual" dilution might initially suggest that the critics of dilution theory prevailed. However, closer examination of the Court's opinion reveals just the opposite. The opinion rejects a requirement of economic harm, permits actual dilution to be presumed from mark identity, and allows proof by survey or contextual factors. Moreover, relief immediately upon use, if not prior to use, should be available under the Court's opinion. Thus, the possibility of uncompensatable harm, the reason lower courts adopted a "likelihood of dilution" standard in the first place,²⁷³ should not exist. Although the court failed to elaborate on how one proves dilution by contextual factors, this Article has suggested an approach that balances competing interests, furthers congressional intent and is consistent with *Moseley*. Hopefully, lower court judges will apply this model and achieve the consistency that was sought by Congress,²⁷⁴ rather than continue to interpret the Act according to their own predilections as to the merits of a dilution cause of action.²⁷⁵

273. See *supra* note 114 and accompanying text.

274. See *supra* notes 4-5.

275. Unfortunately, early interpretations of the *Moseley* case are not encouraging. Courts still may be influenced by their views concerning the merits of the FTDA. Compare *Nike, Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352 (S.D. Ga. 2003) (identity or virtual identity of marks is sufficient to prove actual dilution after *Moseley*) with *Savin Corp. v. Savin Group*, 68 U.S.P.Q. 2d 1893 (S.D.N.Y. 2003) (mark identity alone does not prove dilution).