

BYU Law Review

Volume 2004 | Issue 2

Article 15

5-1-2004

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Recommended Citation

Layne T. Smith, *Tarnishment and the FTDA: Lessening the Capacity to Identify and Distinguish*, 2004 BYU L. Rev. 825 (2004).
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Tarnishment and the FTDA: Lessening the Capacity To Identify and Distinguish

I. INTRODUCTION

When Congress passed the Federal Trademark Dilution Act (FTDA) in 1995, it declared that the Act was “designed to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or *tarnish or disparage* it.”¹ Subsequently, lower federal courts have willingly applied the FTDA to extend trademark protection against tarnishment caused by junior uses² of famous marks. In March 2003, however, the Supreme Court, in *Moseley v. V Secret Catalogue, Inc.*, questioned whether the tarnishment of famous marks by junior uses “is actually embraced by the statutory text.”³ The Court’s suggestion “creates substantial doubt about whether tarnishment remains actionable under the FTDA.”⁴

Because the Supreme Court’s argument in *Moseley* that the FTDA does not encompass dilution by tarnishment was dicta,⁵ the door is still open for tarnishment claims under the federal Act.⁶ Nevertheless, whereas prior to *Moseley* the weight of precedent supported the inclusion of tarnishment under the FTDA, trademark holders who seek protection against tarnishing junior uses of their trademarks should now expect a heated debate over whether such claims fall within the scope of the FTDA. Thus, in addition to

1. Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295, 307 (1999) (quoting 141 CONG. REC. S19,310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch)).

2. A junior use of a trademark occurs when a party, without permission, uses a trademark identical or similar to another party’s trademark.

3. 537 U.S. 418, 432 (2003).

4. Courtland L. Reichman & M. Melissa Cannady, *The U.S. Supreme Court Dilutes the Federal Dilution Statute*, 23 FRANCHISE L.J. 24, 29 (2003); see also James R. Higgins, Jr. & Scot A. Duvall, *The FTDA After Moseley v. V Secret*, 93 TRADEMARK REP. 813, 825 (2003) (“The Court’s unanimous opinion on the ‘tarnishment’ issue could not give a stronger signal to those who would assert tarnishment-based dilution claims . . .”).

5. See *Moseley*, 537 U.S. at 432.

6. *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 922 (C.D. Ill. 2003) (“[*Moseley*] discussed only blurring, although it did leave open the question of whether tarnishment is within the scope of § 43(c).”).

discussing the application of the “causes dilution” standard set forth in *Moseley*, it is also important to analyze the implications of the Court’s brief comments regarding tarnishment. This Comment argues that the Supreme Court’s limited analysis of the relevance of tarnishment under the FTDA yielded the wrong initial conclusion. The FTDA should be interpreted to encompass dilution by tarnishment. This interpretation has a textual basis and is consistent with congressional intent.

Tarnishment of a famous trademark occurs when a junior user links a mark similar or identical to the famous trademark to products of shoddy quality or of an unwholesome nature, such as association with drugs, pornography, or sexuality. A classic example of dilution by tarnishment occurred in *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, in which the operator of “candyland.com,” a sexually explicit website, was held to have diluted Hasbro’s “Candy Land” trademark, which Hasbro used to identify a children’s board game.⁷ Tarnishing junior uses of a trademark such as this threaten irreparable injury to the hard-earned reputation and goodwill associated with the trademark by causing consumers to associate the mark with items of unwholesome or inferior quality.

At first glance, a textual analysis of the FTDA supports “a narrower reading of the FTDA” to the exclusion of tarnishment, as the Supreme Court suggested.⁸ Many states have dilution statutes, most of which protect against “injury to business reputation” and thus clearly encompass tarnishment. The FTDA, however, contains no such language. Instead, the FTDA only prohibits the use of a mark that lessens “the capacity of a famous mark to identify and distinguish goods or services.”⁹ This omission of any reference to injury to business reputation opens the door for the argument that tarnishment claims do not fall within the scope of the FTDA and should instead be addressed under state dilution statutes or common law doctrines.

The FTDA, however, should be read to encompass tarnishment for two reasons. First, tarnishment satisfies the FTDA’s statutory

7. *Hasbro, Inc. v. Internet Entm’t Group, Ltd.*, No. C96-130WD, 1996 WL 84853 (W.D. Wash. Feb. 9, 1996).

8. *Moseley*, 537 U.S. at 432 (citing Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 812–13 & n.132 (1997)).

9. 15 U.S.C. § 1127 (2000).

language because tarnishing junior uses of a famous mark threaten to lessen the capacity of the famous mark to identify and distinguish the quality and image of the related goods or services.¹⁰ Second, the 1995 Congress undeniably intended the FTDA to encompass tarnishment.¹¹ Therefore, despite the Supreme Court's dictum in *Moseley* regarding the relevance of tarnishment claims under the FTDA and despite the fact that the Trademark Review Commission (who originally drafted the legislation) may not have so intended,¹² the FTDA should be interpreted as encompassing dilution by tarnishment.

This Comment discusses the validity of a tarnishment claim under the FTDA. Part II provides a brief background and description of dilution law and describes the two main types of trademark dilution: blurring and tarnishment. It also explains the need for a federal law that affords relief for tarnishment claims. Part III explores the evolution of dilution law— including the introduction of dilution into the legal arena, the passage of dilution statutes in state legislatures, and the adoption of the FTDA. This Part also explains that, while the original drafters of the language ultimately incorporated into the FTDA may not have intended it to encompass tarnishment, the legislative history surrounding the FTDA clearly demonstrates that the 1995 Congress did intend the Act to encompass tarnishment. Part IV discusses the proper interpretation of tarnishment under the FTDA, describing past judicial treatment of tarnishment and further describing how tarnishment fits within dilution theory. This Part also argues that the text of the FTDA should be interpreted to encompass tarnishment claims and, furthermore, that there is ambiguity in the definition of dilution, which necessitates looking to the legislative history of the Act. The legislative history clearly reveals that the FTDA should be interpreted to include tarnishment claims. Part V concludes that dilution by tarnishment should be actionable under the FTDA.

10. *See infra* Part IV.C.3.

11. *See infra* Part III.D.

12. *See infra* Part III.C.

II. TRADEMARK DILUTION

A trademark is a “word, name, symbol, or device” that is used by a person to “identify and distinguish his or her goods.”¹³ The primary function of a trademark is “to identify the origin or ownership of the goods [or services] to which it is affixed.”¹⁴ Trademarks also serve an invaluable quality-representation function, allowing consumers to identify goods and services of a satisfactory quality and to reject goods and services of an unsatisfactory quality.¹⁵ To illustrate, by placing the Ford mark on the back of its pickup trucks, the Ford Motor Company enables consumers to immediately recognize that Ford is the source of the truck. The Ford mark also indicates that the truck is of a certain quality, the degree of which is determined by the composite of the individual consumer’s past experience—both positive and negative—with goods bearing the Ford mark. The identifying and the quality- or image-representation functions are both essential to a trademark’s value. By protecting these functions, trademark law “protects consumers from being misled by the use of infringing marks and also protects producers from unfair practices by an ‘imitating competitor.’”¹⁶

13. 15 U.S.C. § 1127.

14. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 813–14 (1927) (quoting *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916)); see also Klieger, *supra* note 8, at 797–98 (“Producers employed trademarks to differentiate their products from those of competitors, and consumers came to rely upon marks as indicating the physical source or origin of the goods to which they were attached.” (citations omitted)).

15. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:3 (4th ed. 2003). McCarthy explains that the use of trademarks promotes economic efficiency. He notes: “Microeconomic theory teaches that trademarks perform at least two important market functions: (1) they encourage the production of quality products; and (2) they reduce the customer’s costs of shopping and making purchasing decisions.” *Id.*; see also Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 957 (2001) (“In a world with [trade]marks . . . consumers can easily gauge a product’s quality based on advertising or on the prior performance of items that bore the same mark.”); Schechter, *supra* note 14, at 818 (“The true functions of the trademark are, then, to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public.”).

16. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003) (citation omitted). The Supreme Court suggests that dilution law is “not motivated by an interest in protecting consumers,” but rather is motivated only by an interest in protecting trademark owners. *Id.* at 429. But see Brian A. Jacobs, *Trademark Dilution on the Constitutional Edge*, 104 COLUM. L. REV. 161, 164–65 (2004) (describing how dilution law also serves “consumer interests by protecting the uniqueness of trademarks”).

A. The Inadequacy of Trademark Infringement Law

Trademark holders traditionally have appealed to trademark infringement law to protect their marks from misappropriation. To establish a successful infringement claim, a plaintiff must show “a likelihood of confusion, deception, or mistake on the part of the consuming public” concerning the origin, license, or sponsorship of the related goods or services.¹⁷ Under the modern rule, one of the factors weighed to establish a likelihood of confusion is whether the junior and senior uses of the mark identify related goods.¹⁸ As the relatedness, or the proximity, of the goods increases, consumers are more likely to suspect that there is some connection or sponsorship between the senior and junior uses of the corresponding marks.¹⁹ For example, the production of a Kodak printer by a company other than the Eastman Kodak Company may be actionable, even though Kodak does not manufacture printers, because printers are arguably related to goods that Kodak does market.²⁰ This relatedness increases the likelihood of consumer confusion. On the other hand, it is

17. See 1 MCCARTHY, *supra* note 15, § 2:33; 3 *id.* § 23:1 (“‘Likelihood of confusion’ is the basic test of both common-law trademark infringement and federal statutory trademark infringement.” (citations omitted)).

18. See, e.g., *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979) (“If the goods are totally unrelated, there can be no infringement because confusion is unlikely.”), *abrogated on other grounds by* *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 810 n.19 (9th Cir. 2003). The old view of trademark law limited infringement claims to goods that competed directly with the trademark owner. 4 MCCARTHY, *supra* note 15, § 24:2; see also, e.g., *Borden Ice Cream Co. v. Borden’s Condensed Milk Co.*, 201 F. 510, 513 (7th Cir. 1912) (finding that Borden ice cream did not infringe on Borden milk because it would not “come into competition with” the milk). However, infringement law has been expanded to prevent confusion among related and possibly even nonrelated goods as long as a likelihood of confusion of origin, license, or sponsorship can be established. The relatedness or proximity of the goods is one of several factors that may contribute to a finding of a likelihood of confusion. For example, in *AMF Inc. v. Sleekcraft Boats*, the court weighed the following eight factors:

(1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant’s intent in selecting the mark; and (8) likelihood of expansion of the product lines.

599 F.2d at 348–49.

19. *AMF Inc.*, 599 F.2d at 350.

20. Although Eastman Kodak is most famous for its camera film, the company also markets cameras, both analog and digital, and inkjet printer paper. For information regarding Eastman Kodak’s products, see <http://www.kodak.com> (last visited Mar. 4, 2004). With the prevalence of digital photography, printers are closely related to several of these Kodak products, and thus consumers could reasonably conclude that a Kodak printer is manufactured or sponsored by the Eastman Kodak Company.

improbable that Kodak could establish a successful infringement claim against a hypothetical manufacturer of Kodak pianos because the goods for which consumers know Kodak are in no way related to pianos, and thus there is a minimal likelihood that consumers would believe that the film company manufactured or sponsored the pianos.²¹ Put another way, because film and pianos are in completely different product lines, there is little likelihood of confusion of source or sponsorship and thus no actionable infringement.

Trademark infringement law has been criticized for offering inadequate protection where trademarks on nonrelated goods or services are misappropriated.²² Part of the value of a trademark is its distinctiveness.²³ Kodak derives substantial value from the fact that when people hear the Kodak name they think exclusively of the Eastman Kodak Company and its products. However, if Kodak pianos were produced and sold in a significant number, consumers would no longer associate the Kodak name, in which Eastman Kodak has invested millions of dollars, exclusively with the film manufacturer. Thus, “[e]ven in the absence of confusion, the potency of a mark may be debilitated by another’s use.”²⁴ As the potency or distinctiveness of a trademark is diminished, the mark’s selling power and value also suffer.

B. Trademark Dilution

A new basis of trademark protection, trademark dilution law, has slowly evolved over the last seventy-five years in response to the inability of traditional infringement law to provide adequate protection to trademark owners. This evolution culminated with the

21. See *infra* note 31 and accompanying text discussing the treatment of Kodak pianos under the FTDA.

22. See, e.g., Beverly M. Pattishall, *The Case for Anti-Dilution Trade-Mark Statutes*, 43 TRADEMARK REP. 887, 892 (1953) (arguing that the practical application of the likelihood of confusion test provides inadequate protection); Schechter, *supra* note 14, at 821 (noting that protection of marks on noncompeting goods only extends to instances where a likelihood of confusion can be shown or where the junior mark will cause “some discredit and financial liability or other *similar* concrete injury”). But see Magliocca, *supra* note 15, at 978 (“[I]nfringement protection . . . has expanded so much since the 1920s that dilution has become unnecessary.”).

23. Schechter, *supra* note 14, at 819 (“[T]he more distinctive the mark, the more effective is its selling power.”).

24. H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030 (citing *Mortellito v. Nina of Cal., Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

1995 passage of the FTDA, which amended the Lanham Act to include a cause of action for dilution.²⁵ Trademark dilution law supplements infringement law, providing broader protection to famous trademarks.²⁶

The FTDA defines trademark dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”²⁷ Thus, federal dilution law protects the identifying or distinguishing power of a trademark. Congress also described dilution law as protecting the “distinctive quality”²⁸ and the “advertising value”²⁹ of famous marks.

The FTDA protects trademarks against a broader scope of injury than does infringement law. Trademark dilution exists even where there is no consumer confusion and where the goods or services in question are not in competition or related to each other.³⁰ Thus, marketing Kodak pianos would constitute actionable trademark dilution, despite the fact that the piano maker is not competing with the camera producer and creates no consumer confusion. The presence of the Kodak piano threatens to lessen the capacity of the

25. 15 U.S.C. § 1125 (2000).

26. In contrast to many state dilution laws, the FTDA only protects famous trademarks. See *infra* note 77 and accompanying text for the text of the state laws and 15 U.S.C. § 1125 for the text of the FTDA. Some courts have further conditioned protection under the FTDA upon a showing of distinctiveness. See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 216 (2d Cir. 1999) (“It is quite clear that the statute intends distinctiveness, in addition to fame, as an essential element.”), *overruled on other grounds by* *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003).

27. 15 U.S.C. § 1127 (2000). The Second Circuit has applied the FTDA as follows:

We understand the FTDA to establish five necessary elements to a claim of dilution: (1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark.

Nabisco, 191 F.3d at 215.

28. 15 U.S.C. § 1125(c) (making injunctive relief available to owners of famous marks against junior uses of the mark if such a use “causes dilution of the distinctive quality of the mark”).

29. H.R. REP. NO. 104-374, at 3 (citing *Mortellito*, 335 F. Supp. at 1296) (“[D]ilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.”); see also Schechter, *supra* note 14, at 831 (arguing that “the value of the modern trademark lies in its selling power” and that “this selling power depends for its psychological hold upon the public . . . upon its own uniqueness and singularity”).

30. 15 U.S.C. § 1127.

Kodak mark to identify the Eastman Kodak Company because consumers who hear the name Kodak may not think exclusively of the camera manufacturer. Under the FTDA, this junior use would be actionable.³¹

C. Types of Dilution

Legislatures, courts, and commentators have struggled to provide a definition of dilution that clearly and effectively describes the harm associated with dilution. For example, one dilution critic noted that “[d]ilution is an amorphous concept, and no antidilution statute addresses exactly *what* dilution is.”³² To assist in clarifying this confusion, courts have identified and applied two distinct forms of dilution: dilution by blurring and dilution by tarnishment.³³

1. Dilution by blurring

The traditional form of dilution is a phenomenon known as dilution by blurring.³⁴ Blurring of a famous trademark occurs when a junior party uses a mark that is identical or similar to the famous mark and this use causes consumers to associate the famous mark with multiple sources.³⁵ The distinctiveness or identifying capacity of

31. H.R. REP. NO. 104-374, at 3 (noting that the use of Kodak pianos would be actionable under the FTDA).

32. Klieger, *supra* note 8, at 794; *see also* Magliocca, *supra* note 15, at 953 (“Courts repeatedly throw up their hands in frustration when asked ‘to identify the legal interest sought to be protected from “dilution,” [and] hence the legal harm sought to be prevented.’” (alteration in original) (citation omitted)); Jonathan Moskin, *Victoria’s Big Secret: Whither Dilution Under the Federal Dilution Act?*, 93 TRADEMARK REP. 842, 843 (2003) (noting that “we can define dilution but do not know it when we see it”).

33. Over the last several years, some courts have also recognized a third type of dilution—dilution by cybersquatting—which occurs when a person registers a domain name consisting of the mark or name of another company. *See* 4 MCCARTHY, *supra* note 15, § 24:69.1.

34. 4 *id.* § 24:68 (“Dilution by blurring is the classic, or ‘traditional,’ injurious impact of the dilution theory as envisioned by its original proponents.”).

35. *See* 4 *id.* § 24:68 (explaining that blurring occurs when “[c]ustomers or prospective customers . . . see the plaintiff’s mark used by other persons to identify other sources on a plethora of different goods and services”). The degree of similarity necessary to support a dilution claim is a question of fact—the marks must be similar enough for the junior mark to cause dilution of the senior mark. The similarity of the marks is a factor that was considered in determining whether the junior use of a famous trademark created a likelihood of dilution. *See, e.g.,* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 218 (2d Cir. 1999), *overruled in part by Moseley*, 537 U.S. 418 (2003). This author believes that this factor is still relevant to proving actual dilution as required by *Moseley*.

the senior mark is thus diminished. The Kodak piano hypothetical, noted above, is an illustration of dilution by blurring in that the ability of the Kodak mark to uniquely identify legitimate Eastman Kodak products, such as film, is lessened, or blurred, by the junior use on pianos.

2. *Dilution by tarnishment*

Tarnishment is “more direct and injurious” than blurring.³⁶ Whereas dilution by blurring slowly whittles away at a trademark’s distinctiveness, dilution by tarnishment “directly assails a consumer’s positive evaluation of a mark.”³⁷ Specifically, the tarnishment of a trademark occurs when the mark is “portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner’s product,”³⁸ such as when it is associated with drugs or sexuality.³⁹ Tarnishment can also occur when “the plaintiff’s trademark is linked to products of shoddy quality.”⁴⁰ A tarnishing use of a mark threatens to destroy the commercial value of the mark “because the public will associate the lack of quality or lack of prestige in the defendant’s goods with the plaintiff’s unrelated goods, or because the defendant’s use reduces the trademark’s reputation and standing in the eyes of consumers as a wholesome identifier of the owner’s products or services.”⁴¹

A 1962 Florida case provides a classic illustration of dilution by tarnishment.⁴² Chemical Corp. of America manufactured a floor wax with a pest control chemical and marketed it using the slogan, “Where there’s life . . . there’s bugs,” which was a spin-off of a

36. Bible, *supra* note 1, at 305.

37. *Id.* at 306. Because the tarnishment injury is more palpable, “[d]ilution by tarnishment has proven to be somewhat easier to assess than dilution by blurring.” Kathleen E. McCarthy, *Standards for Proving Dilution in Trademark Cases*, 716 PRACTICING L. INST. 483, 508 (2002).

38. *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994); *see also* *Hormel Foods Corp. v. Jim Henson Prods.*, 73 F.3d 497, 507 (2d Cir. 1996) (“The sine qua non of tarnishment is a finding that plaintiff’s mark will suffer negative associations through [another’s] use.”).

39. *See, e.g.*, *Mattel, Inc. v. Internet Dimensions Inc.*, No. 99 Civ. 10066(HB), 2000 WL 973745, at *8 (S.D.N.Y. July 13, 2000) (finding that a pornographic website, *barbiesplaypen.com*, tarnished the famous Barbie mark).

40. *Deere & Co.*, 41 F.3d at 43.

41. *Id.*

42. *Chem. Corp. of Am. v. Anheuser-Busch, Inc.*, 306 F.2d 433 (5th Cir. 1962).

Budweiser Beer slogan, “Where there’s life . . . there’s Bud.”⁴³ Anheuser-Busch argued that the use of the Budweiser slogan on a pest control product infringed the slogan.⁴⁴ The court held that Anheuser-Busch had “a property interest in the slogan, built up at great expense,” and agreed that using the slogan on an insecticide created a “peculiarly unwholesome association of ideas” that threatened to damage the plaintiff’s mark.⁴⁵ The court thus granted Anheuser-Busch’s motion for a preliminary injunction prohibiting Chemical Corp. of America’s use of the slogan.⁴⁶

D. The Need for a Federal Law Prohibiting Tarnishment

1. Dilution by blurring alone provides insufficient protection for trademarks

Dilution by blurring alone fails to provide adequate protection to trademark owners. There is an element of overlap between tarnishment and blurring, so in some cases tarnishing junior uses will also cause blurring.⁴⁷ A tarnishing use of a senior mark often threatens to lessen the capacity of the senior mark to distinguish the goods and services in exactly the same manner as a blurring use.⁴⁸ For example, individuals who patronize the pornographic website,

43. *Id.* at 434; *see also infra* note 121.

44. *Id.*

45. *Id.* at 437. Instead of relying on dilution theory, which did not have a foothold in the courts in 1962, this court found that a likelihood of confusion existed between the two slogans and granted relief based on trademark infringement law. *Id.* at 438. Nevertheless, the policy behind the principles in this case is identical to dilution policy, and the case is illustrative of a typical tarnishment fact scenario.

46. *Id.* at 439.

47. *See* 4 MCCARTHY, *supra* note 15, § 24:95 (“[T]arnishment necessarily involves some degree of probable loss of the capability of the mark to serve as a distinctive identifier.”); *see also, e.g.*, Coca-Cola Co. v. Alma-Leo U.S.A., Inc., 719 F. Supp. 725, 728–29 (N.D. Ill. 1989) (noting that the sale of bubble gum in the form of a white powder with a texture similar to cocaine in a bottle closely resembling a Coca-Cola bottle both injured the reputation and diluted the source-identifying distinctiveness of the Coca-Cola mark).

48. *Compare* Klieger, *supra* note 8, at 830 n.239 (“Although tarnishment can dilute trademark distinctiveness, the typical injury is less dilution than injury to reputation.”) (quoting United States Trademark Association, *Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 434 (1987) [hereinafter *USTA Report*]), *with* DAVID S. WELKOWITZ, TRADEMARK DILUTION: FEDERAL, STATE, AND INTERNATIONAL LAW 259 (2002) (“Tarnishment does not attack the distinctiveness of the mark.”).

barbiesplaypen.com,⁴⁹ will likely grow to associate the famous Barbie mark with the adult website, thus lessening the ability of the Barbie mark to identify and distinguish the dolls from the website. In addition to being tarnished, the Barbie mark is thus blurred in the minds of the website's patrons; that is, the Barbie trade name no longer serves as a unique source identifier of the toy doll. However, due to injury to the mark's image caused by such tarnishing junior uses, any corresponding injury to the mark's distinctiveness is often overlooked.⁵⁰ Because injury to the mark's distinctiveness is a slow-spreading infection⁵¹—in contrast to injury to the mark's reputation, which is immediate and direct—the tarnishment of the mark most often overshadows the accompanying blurring. For this reason, courts often do not arrive at a blurring analysis in tarnishment cases.⁵²

One could argue that because any tarnishing junior use of a famous trademark involves an element of blurring, a federal cause of action for tarnishment is unnecessary. However, holding that the FTDA does not encompass tarnishment forces trademark owners to wait until a tarnishing junior use gradually whittles away at the distinctiveness of their trademark while the mark's image is ravaged by the tarnishing effect of the junior use. This leaves the trademark's image and quality-representation capacity⁵³ vulnerable to irreparable injury, especially under an actual dilution standard.⁵⁴

49. See *Mattel, Inc. v. Internet Dimensions Inc.*, No. 99 Civ. 10066(HB), 2000 WL 973745 (S.D.N.Y. July 13, 2000).

50. Indeed, in *Mattel, Inc.* the court briefly mentions blurring, but dedicates its entire dilution analysis to tarnishment inflicted by barbiesplaypen.com. *Id.* at *8.

51. H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030 (“Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.”).

52. See, e.g., *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (D.C.N.Y. 1972) (discussing how the slogan “Enjoy Cocaine” threatens to injure the reputation of the Coca-Cola trademark, but not mentioning any blurring effect it may have).

53. See *supra* note 16 and accompanying text.

54. The injurious effect of waiting until a blurring claim can be established is worsened by the application of the “causes dilution” standard after *Moseley*. Dilution by blurring claims will be much more difficult to prove under the new standard, so victims of tarnishment may be forced to wait longer until a remedy is available. See *infra* note 114.

2. State dilution statutes and trademark infringement law do not provide adequate protection against dilution by tarnishment

Absent a remedy under the FTDA against dilution by tarnishment, trademark owners are left primarily with the insufficient protection of state dilution statutes and traditional trademark infringement law to fend off tarnishing junior uses.⁵⁵ It is true that trademark holders have experienced some success in applying such laws to protect against some tarnishing uses of their trademarks.⁵⁶ However, considering the huge investment required to build the recognition and goodwill necessary to create a famous trademark, the protection afforded by these laws is woefully inadequate.⁵⁷

One commentator has asserted that tarnishment “can be protected without using dilution. The [state] antidilution statutes typically contain language protecting against injury to business reputation, and in most tarnishment cases there is at least a definable injury.”⁵⁸ Congress directly addressed this argument and expressed two concerns about the inadequacy of state laws. First, only about thirty states presently have dilution laws that include “injury to business reputation” as a cause of action,⁵⁹ and even within those states the “court decisions have been inconsistent.”⁶⁰ One of Congress’s main motivations for enacting the FTDA was its concern over the forum shopping and excessive litigation that commonly occurred under this regime.⁶¹ Congress’s second worry was that the existing patchwork of state laws would fail to adequately protect

55. The Anticybersquatting Consumer Protection Act may provide some relief for mark owners whose trademarks are tarnished by junior uses on the Internet. 15 U.S.C. § 1129 (2000).

56. See, e.g., *Chem. Corp. of Am. v. Anheuser-Busch, Inc.*, 306 F.2d 433, 439 (5th Cir. 1962) (applying trademark infringement law to grant an injunction in the tarnishment context).

57. See H.R. REP. NO. 104-374, at 3 (1995) *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030 (“A federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection . . .”).

58. David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 567 (1991) (footnote omitted).

59. 4 MCCARTHY, *supra* note 15, § 24:80.

60. H.R. REP. NO. 104-374, at 3.

61. *Id.* at 4 (“Protection for famous marks should not depend on whether the forum where suit is filed has a dilution statute. This simply encourages forum-shopping and increases the amount of litigation.”).

businesses operating in a national market.⁶² An important policy objective of the Lanham Act is to secure uniform and defined rights for trademark owners in interstate commerce.⁶³ Some courts, however, “are reluctant to grant nationwide injunctions for violation of state law where half of the states have no dilution law.”⁶⁴ Thus, the inclusion of tarnishment under the FTDA thus brings much needed “uniformity and consistency to the protection of famous marks.”⁶⁵

Traditional trademark infringement law also fails to adequately protect against the harms caused by most tarnishing uses of famous marks.⁶⁶ Where tarnishing junior uses often occur in different product lines, a likelihood of confusion may be difficult to establish. As one commentator noted, “without some separate tort such as dilution, it would be difficult to fit many tarnishment cases into the rubric of confusion.”⁶⁷

III. THE EVOLUTION OF TRADEMARK DILUTION

An exploration of the history of trademark dilution sheds light on much of the debate over whether tarnishment is actionable under the FTDA.

62. Brian A. Jacobs, *Trademark Dilution on the Constitutional Edge*, 104 COLUM. L. REV. 161, 168 (2004) (“[E]xisting state antidilution laws provided little aid to businesses operating in the national market.”).

63. Milton W. Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 285 (1985) (“The legislative history of the Lanham Act makes clear that uniformity of trademark law governing the marketing of branded merchandise on a national scale was one of the primary objectives of the Lanham Act.” (footnote omitted)).

64. H.R. REP. NO. 104-374, at 3-4; *see also, e.g.*, *Blue Ribbon Feed Co. v. Farmers Union Cent. Exch., Inc.*, 731 F.2d 415, 422 (7th Cir. 1984) (“[C]onsiderations of comity among the states favor limited out-of-state application of exclusive rights acquired under domestic law.”).

65. H.R. REP. NO. 104-374, at 3.

66. *See supra* Part II.A.

67. WELKOWITZ, *supra* note 48, at 96. Some plaintiffs have successfully fended off tarnishing uses by establishing a likelihood of confusion, *see, e.g.*, *Chem. Corp. of Am. v. Anheuser-Busch, Inc.*, 306 F.2d 433, 439 (5th Cir. 1962), but in light of the policy of protecting famous marks, this is a high hurdle to ask trademark owners to jump.

A. The Birth of Dilution Theory

Frank I. Schechter earned the title “father of the dilution theory”⁶⁸ by introducing trademark dilution theory into U.S. law in 1927.⁶⁹ Schechter criticized traditional trademark law for preventing only the misappropriation of trademarks where the junior use created a likelihood of confusion and where the offending use was on products in competition with the senior user’s goods or services.⁷⁰ He argued that this limited protection was grossly inadequate in a rapidly evolving economy, pointing out that the “use of trademarks on entirely non-related goods may of itself concretely injure the owner of the mark,” even in the absence of source confusion.⁷¹ Schechter described the injury that such noncompeting uses potentially caused as “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark.”⁷² This injury is significant to trademark holders because “the value of the modern trademark lies in its selling power” and the selling power of a mark depends upon the mark’s “uniqueness or singularity.”⁷³ Schechter concluded that “the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.”⁷⁴

B. State Dilution Statutes

Schechter’s dilution proposal failed to gain immediate momentum in courts or Congress,⁷⁵ but trademark dilution eventually gained a foothold in the state legislatures. In 1947, Massachusetts passed the first state law protecting against dilution, stating:

68. Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 1028 (2d Cir. 1989).

69. See Schechter, *supra* note 14.

70. *Id.* at 825; see also 15 U.S.C. §§ 1114, 1125(a)(1)(A) (2000); Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 429 (citing Schechter, *supra* note 14, at 831); Klieger, *supra* note 8, at 792 (“[T]rademark law has traditionally protected the senior user of a mark against use of the same mark by another only insofar as is necessary to prevent public deception.” (footnote omitted)).

71. Schechter, *supra* note 14, at 825.

72. *Id.*

73. *Id.* at 831.

74. *Id.*

75. Schechter encouraged the introduction of a bill proposing a federal dilution law into Congress in 1932, but Congress declined to enact the legislation. WELKOWITZ, *supra* note 48, at 11–12.

Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief in cases of trade-mark infringement or unfair competition notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services.⁷⁶

The United States Trademark Association incorporated the text of the Massachusetts law into the Model State Trademark Bill of 1968,⁷⁷ which provided a pattern for other state legislatures to use in crafting dilution laws. Approximately thirty other states enacted dilution legislation, and most of those states modeled their statutes after the Model State Trademark Bill prior to the enactment of the FTDA in 1995.⁷⁸

The division of dilution into the categories of blurring and tarnishment occurred as courts interpreted these state dilution statutes. A few courts have explicitly based these categorizations on the language of the statutes, holding that dilution by tarnishment is actionable under the phrase “injury to business reputation”⁷⁹ and

76. 1947 Mass. Acts 300.

77. The Model State Trademark Bill provides:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

United States Trademark Association Model State Trademark Bill § 12 (1964), *reprinted in* 4 MCCARTHY, *supra* note 15, § 24:80 (footnote omitted). A few states, however, have enacted dilution legislation that follows the same model as the FTDA. The Washington dilution statute, for example, requires a showing that the junior use “causes dilution of the distinctive quality of the mark” and does not contain language explicitly prohibiting “injury to business reputation.” WASH. REV. CODE ANN. § 19.77.160 (West 2003); *see also* WELKOWITZ, *supra* note 48, at 18 n.116.

78. 4 MCCARTHY, *supra* note 15, § 24:80 (“Many state anti-dilution statutes are modeled on the language contained in Section 12 of the 1964 United States (now International) Trademark Association Model State Trademark Bill.”).

79. *Accuride Int’l, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1538 (9th Cir. 1989) (“Injury to business reputation is typically invoked where the plaintiff’s mark or name is tarnished or degraded through association with something unsavory.”); *Scholastic, Inc. v. Stouffer*, 221 F. Supp. 2d 425, 437 (S.D.N.Y. 2002) (classifying “injury to business reputation” as tarnishment under the New York dilution statute); *N.Y. Stock Exch., Inc. v. N.Y., N.Y. Hotel, LLC*, 69 F. Supp. 2d 479, 491 (S.D.N.Y. 1999) (“While cases generally have not specified the particular language in the New York ‘antidilution’ statute that makes tarnishment actionable, a claim of tarnishment is better understood as arising from a ‘[l]ikelihood of injury to business reputation’ rather than from a likelihood of ‘dilution of the distinctive quality of a mark.’” (alteration in original)), *rev’d in part on other grounds*, 293 F.3d 550 (2d Cir. 2002); *Glen Raven Mills, Inc. v. Ramada Int’l, Inc.*, 852 F. Supp. 1544, 1556

that dilution by blurring is actionable under the phrase “dilution of the distinctive quality.”⁸⁰ Nevertheless, the majority of courts have not recognized the statutory distinction between tarnishment and blurring, but instead “simply group tarnishment with other forms of dilution.”⁸¹ Under this view, tarnishment claims are not dependent on the phrase “injury to business reputation.”⁸²

C. *The Intent Behind the 1988 Federal Dilution Bill*

The definition of dilution contained in the FTDA originated in the Trademark Law Revision Act of 1988,⁸³ an amendment to the Lanham Act.⁸⁴ The Trademark Review Commission of the United States Trademark Association drafted the dilution proposal, which provided: “The registrant of a famous mark . . . shall be entitled, subject to the principles of equity, to an injunction against another’s use in commerce of a mark, commencing after the registrant’s mark becomes famous, which causes dilution of the distinctive quality of

(M.D. Fla. 1994) (“Injury to business reputation may also be established by tarnishment.”); *Sakura Japanese Steakhouse Inc. v. Lin Yan, Inc.*, 827 So. 2d 1105, 1107 (Fla. App. 2d Dist. 2002) (noting that “dilution of the distinctive quality” occurs when a junior user “uses a designation which resembles the *highly distinctive* trade name of another in a manner likely to cause a reduction in the distinctiveness of the other’s trade name”); *Wedgwood Homes, Inc. v. Lund*, 659 P.2d 377, 382 (Or. 1983) (noting that tarnishment “may be recognized in [the Oregon statute] as ‘likelihood of injury to business reputation’”).

80. *See, e.g.*, *E. & J. Gallo Winery v. Consorzio Del Gallo Nero*, 782 F. Supp. 457, 469 (N.D. Cal. 1991) (“[T]arnishment’ is required in showing a ‘likelihood of injury to business reputation’ under the first prong of [the California dilution statute.]”); *Sakura Japanese Steakhouse Inc.*, 827 So. 2d at 1107 (explaining that under the Florida dilution statute, “injury to business reputation” may be established by showing “tarnishment of the business reputation”).

81. *WELKOWITZ*, *supra* note 48, at 96; 4 *MCCARTHY*, *supra* note 15, at § 24:95 (“[C]ourts under the state statutes have not explicitly conditioned relief from dilution by tarnishment on the presence of the phrase ‘likelihood of injury to business reputation’ in state statutes.”); *see also, e.g.*, *Hormel Foods Corp. v. Jim Henson Prods.*, 73 F.3d 497, 507–08 (2d Cir. 1996) (not referring directly to the phrase “injury to business reputation” in analyzing tarnishment under New York dilution law). Professor McCarthy advocates grouping tarnishment with other forms of dilution. 4 *MCCARTHY*, *supra* note 15, § 24:80 (“[T]he phrase ‘injury to business reputation’ does not stand alone as an alternative to ‘dilution of the distinctive quality of a mark,’ but the statute must be read as if it said ‘injury to business reputation . . . of the distinctive quality of a mark.’”); 4 *id.* (“No court has explored whether or not ‘injury to business reputation’ of a mark is in any way different from ‘dilution’ of a mark.”).

82. *See infra* Part IV.C.2.

83. Pub. L. No. 100-667, 102 Stat. 3935 (codified in scattered sections of 15 U.S.C.).

84. *WELKOWITZ*, *supra* note 48, at 230–32.

the registrant's mark"⁸⁵ The Commission's proposal defined dilution as "the lessening of the capacity of the registrant's mark to identify and distinguish goods or services, regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistake or deception."⁸⁶

The Review Commission apparently did not intend the definition of dilution to include tarnishment as a cause of action. The Commission instead viewed tarnishment as a separate wrong and proposed a separate amendment to Section 43(a) of the Lanham Act⁸⁷ to include a cause of action for "any act, trade practice, or course of conduct, which . . . is likely to disparage or tarnish the mark of another."⁸⁸ Presumably, because the Commission recommended this separate remedy for tarnishment, it did not include the phrase "injury to business reputation" in its suggested definition of dilution.

The Commission's recommended legislation was included "almost verbatim" in the Trademark Law Revision Act of 1988.⁸⁹ Ultimately, however, Congress enacted neither the tarnishment provision nor the dilution portion of the bill. Rather, the Senate eliminated the tarnishment section, leaving tarnishment claims to be decided under trademark infringement law.⁹⁰ Also, due to concerns over potential conflicts with first amendment rights, the House-Senate Conference Committee deleted the dilution provision from the 1988 Act.⁹¹

The fact that the Trademark Review Commission included separate provisions for tarnishment and dilution in its proposal, coupled with the fact that it excluded the phrase "injury to business

85. *USTA Report*, *supra* note 48, at 458.

86. *Id.* at 459.

87. *Id.* at 455 n.134 ("The Commission believes that trademark tarnishment and disparagement are a separate form of legal wrong, and recommends amending Section 43(a) to deal with them."); *see also* WELKOWITZ, *supra* note 48, at 230-32.

88. *USTA Report*, *supra* note 48, at 435.

89. Klieger, *supra* note 8, at 837 (citing Jerome Gilson, *A Federal Dilution Statute: Is it Time?*, 83 TRADEMARK REP. 108, 114 (1993)).

90. *Hearing Before the Subcomm. on Patents, Copyrights, and Trademarks of the Comm. on the Judiciary on S. 1883*, 100th Cong., 2d Sess. 41 (1998) (explaining that "[i]t is the committee's contention that tarnishment and disparagement . . . should continue to be decided on a case-by-case basis, and that the amendments it made to the legislation regarding [this] issue should not be regarded as either limiting or extending applicable decisional law").

91. H.R. REP. NO. 100-1028, at 6-7 (1988), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1033-34; *see also* WELKOWITZ, *supra* note 48, at 233; Klieger, *supra* note 8, at 837.

reputation” from the definition of dilution, seems to indicate that the Commission—and presumably the 1988 Congress—did not intend its definition of dilution to encompass tarnishment.⁹²

D. The Federal Trademark Dilution Act

Seven years later, in 1995, Congress enacted the FTDA.⁹³ The definition of dilution adopted in the FTDA was almost identical to the definition in the 1988 proposal.⁹⁴ The 1995 Act defined dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”⁹⁵

While the definition of dilution in the 1995 bill did not differ materially from the definition contained in the previous bill, Congress’s understanding of that definition changed dramatically. Even though the Trademark Review Commission may not have crafted the definition of dilution to include tarnishment, Congress viewed the FTDA as “encompass[ing] all forms of dilution recognized by the courts, including dilution by blurring, *by tarnishment and disparagement*, and by diminishment.”⁹⁶ The scope of this definition had mysteriously expanded to encompass dilution by tarnishment.

92. WELKOWITZ, *supra* note 48, at 232 (“[I]t appears that the Senate did *not* intend to include tarnishment in the definition of dilution.”).

93. 15 U.S.C. §§ 1125, 1127 (2000).

94. One of the few differences between the FTDA and the 1988 dilution proposal is that the first amendment concerns that plagued the 1988 dilution proposal were eliminated by placing two limitations on the application of the FTDA to noncommercial uses of trademarks. H.R. REP. NO. 104-374, at 4 (explaining how the constitutional concerns were resolved in the FTDA by allowing for “noncommercial expression” and “fair use of a mark”). Absent the constitutional concerns, the dilution legislation was passed with little opposition. The House and the Senate both passed the FTDA without any major obstacles. The Senate passed the Act without any hearings or any floor debate. Klieger, *supra* note 8, at 839.

95. 15 U.S.C. § 1127. The only difference between the 1988 definition of dilution and the FTDA definition is that the phrase “the registrant’s mark” was replaced with the phrase “a famous mark.” See *supra* note 86 and accompanying text; see also *supra* notes 76–78 and accompanying text (describing the development of state dilution statutes). This change expanded dilution protection to include famous marks that are not federally registered. See H.R. REP. NO. 104-374, at 4.

96. H.R. REP. NO. 104-374, at 8 (emphasis added).

That Congress intended to include tarnishment in the FTDA's definition of dilution is repeatedly evidenced in the FTDA's legislative history. The House Committee on the Judiciary declared that "[t]he purpose of [the FTDA] is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or *tarnish or disparage it*."⁹⁷ On the floor of the House, Representative Carlos J. Moorhead, who introduced the bill, declared: "[T]his bill is designed to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark *or tarnish or disparage it . . .*."⁹⁸ On the Senate floor, Senator Orrin Hatch stated: "[T]his bill is designed to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark *or tarnish or disparage it*, even in the absence of a likelihood of confusion."⁹⁹ These comments in the legislative history clearly demonstrate that when the 1995 Congress voted in favor of the FTDA, it fully intended to include a cause of action for tarnishment.¹⁰⁰

The issue of whether tarnishment fits within the FTDA definition of dilution was raised at least once before Congress. Jonathan E. Moskin testified before the House Committee on the Judiciary that "[the FTDA] does not purport to recognize injury from uses of a famous trademark that are likely to tarnish the reputation of the owner of the famous mark."¹⁰¹ In light of this

97. *Id.* at 2 (emphasis added).

98. 141 CONG. REC. H14,317 (1995) (emphasis added). The scope of the FTDA was not discussed on the floor of the Senate. 141 CONG. REC. S19,312 (1995).

99. 141 CONG. REC. S19,312 (1995). Also, when a Warner Brothers representative testified at a House hearing on the bill, he used the example of a t-shirt with a picture of Bugs Bunny smoking marijuana, a classic example of the tarnishing of the Bugs Bunny mark, as an example of actionable dilution. 4 MCCARTHY, *supra* note 15, § 24:95 n.10 (citation omitted) (describing the proceedings of the hearing).

100. Bible, *supra* note 1, at 307 ("[L]egislators intended the Act to encompass the tarnishment theory of dilution." (footnote omitted)); WELKOWITZ, *supra* note 48, at 233 ("At least in the view of the House committee, the FTDA definition, though essentially unchanged from the . . . 1988 Senate bill[], now encompasses all recognized forms of dilution . . ."). Professor Welkowitz noted that one witness testifying before the House Committee on the Judiciary raised the point that the bill did not encompass tarnishment, but Welkowitz nevertheless concluded that "it is clear that Congress believed that the definition included tarnishment." *Id.* at 260 (comparing Testimony of Mary Ann Alford, Executive Vice President of the International Trademark Association, July 19, 1995, 1995 WL 435750 (F.D.C.H.), with Testimony of Jonathan E. Moskin, Pennie & Edmonds, July 19, 1995, 1995 WL 437437 (F.D.C.H.)).

101. Testimony of Jonathan E. Moskin, Pennie & Edmonds, July 19, 1995, 1995 WL 437437 (F.D.C.H.).

testimony, it is probable that the Committee considered the question and determined that the statutory language sufficiently incorporated tarnishment claims.¹⁰² The congressional record, unfortunately, does not confirm this conclusion, nor does it reveal exactly how to read tarnishment into the FTDA definition of dilution.¹⁰³

The preceding discussion reveals that there is some doubt over how Congress intended the language of the FTDA to encompass dilution by tarnishment. Even though the Trademark Review Commission may not have intended its dilution definition to include tarnishment, it is important to note that the 1995 Congress that passed the FTDA fully believed that the dilution definition encompassed tarnishment. In determining the scope of federal legislation, courts should look to the intent of the Congress that passed the bill and not to the intent of the drafters, where the two conflict. Federal courts that have heard tarnishment claims under the FTDA have done exactly that, appealing to the evidence of congressional intent contained in the 1995 legislative history to support the holding that tarnishment is a valid claim under the FTDA.¹⁰⁴

*E. Moseley v. V Secret Catalogue, Inc. Shakes
Up the Tarnishment Debate*

Until 2003, there was little controversy over the scope of the FTDA as it relates to tarnishment.¹⁰⁵ *Moseley v. V Secret Catalogue, Inc.* provided a spark that will likely ignite the debate over the scope of the FTDA in the courts. Victor and Kathy Moseley owned and operated a small boutique called “Victor’s Little Secret” in a strip mall in Elizabethtown, Kentucky.¹⁰⁶ The store sold a variety of

102. See *infra* Part IV.C.3.

103. Because Congress approved the FTDA with so little debate, see *supra* note 93, it left a relatively scant legislative record. Xuan-Thao N. Nguyen, *A Circus Among the Circuits*, 1 J. INTELL. PROP. 158, 161 (2000) (“The Act was passed with a strong reception from Congress and with sparse legislative history.”).

104. See *infra* Part IV.A.

105. See *infra* Part IV.A.

106. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 424 (2003). The shop was originally named “Victor’s Secret.” *Id.* at 423. Prior to filing suit, counsel for Victoria’s Secret requested that the store discontinue use of the name Victor’s Secret and any variation thereof, arguing that it was likely to cause confusion and to dilute the distinctiveness of the famous Victoria’s Secret mark. *Id.* The Moseleys responded by changing the name of their store to “Victor’s Little Secret.” *Id.* Unsatisfied by this submission, Victoria’s Secret filed suit. *Id.*

products, including lingerie and adult novelties.¹⁰⁷ Victoria's Secret filed an action in federal district court alleging, among other claims, dilution of its trademark by blurring and tarnishment.¹⁰⁸ The Sixth Circuit found that the defendants' shop both blurred and tarnished the Victoria's Secret mark,¹⁰⁹ and the Moseleys sought review in the U.S. Supreme Court.¹¹⁰

1. Actual dilution versus likelihood of confusion

The Supreme Court granted review to resolve a circuit split¹¹¹ over whether a dilution claim required a showing of actual dilution or a likelihood of dilution.¹¹² The Supreme Court's analysis in holding that the FTDA requires an actual dilution standard is valuable to the tarnishment discussion because it parallels the tarnishment issue and provides some insight into the Court's current trademark tarnishment jurisprudence. The Court first noted that the FTDA provides that "the owner of a famous mark' is entitled to injunctive relief against [a junior use of the mark] if that use 'causes dilution of the distinctive quality' of the famous mark"¹¹³ and, therefore, concluded that the "text [of the FTDA] unambiguously requires a showing of actual dilution."¹¹⁴ The Court supported this

107. *Id.*

108. *Id.* at 424. V. Secret Catalogue, Inc. and the other respondents are "affiliated corporations that own the Victoria's Secret trademarks." *Id.* at 418.

109. V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464, 477 (6th Cir. 2001) ("This, then is 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).").

110. V Secret Catalogue, Inc., 259 F.3d 464, *petition for cert. filed*, (U.S. Jan. 2, 2002) (No. 01-1015), *available at* 2002 WL 32101173.

111. *Compare* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 223 (2d Cir. 1999) (holding that the FTDA only requires a showing of likelihood of dilution), *overruled in part by Moseley*, 537 U.S. 418 (2003), *with* Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 453 (4th Cir. 1999) (holding that the FTDA requires a showing of actual dilution), *overruled in part by Moseley*, 537 U.S. 418 (2003).

112. *Moseley*, 537 U.S. at 421-22 ("The question we granted certiorari to decide is whether objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective 'likelihood of dilution' standard) is a requisite for relief under the FTDA.").

113. *Id.* at 432-33 (quoting 15 U.S.C. § 1125(c)(1) (2000) (emphasis added)).

114. *Id.* at 433. Until 2003, there was a circuit split over the proper standard for proving dilution by blurring, specifically whether it requires a showing of actual dilution or whether a showing of a mere likelihood of dilution is sufficient. *See supra* note 112 and accompanying text. In *Moseley*, the Supreme Court held an actual dilution standard proper under the FTDA.

conclusion via an appeal to the “contrast between the state statutes . . . and the federal statute,”¹¹⁵ noting that state statutes, unlike the FTDA, “repeatedly refer to a ‘likelihood’ of harm.”¹¹⁶ Interestingly, in its opinion, the Court failed to address appeals to the legislative history in support of the likelihood of dilution standard.¹¹⁷

537 U.S. at 418. The Supreme Court’s opinion, however, failed to decisively explain exactly what it means to “cause dilution” or how to prove it. *See Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 922 (C.D. Ill. 2003) (noting that “it is unclear what type of showing Caterpillar must make” to prove actual dilution); 4 MCCARTHY, *supra* note 15, § 24:94.2 (discussing dilution law after *Moseley*). Plaintiffs asserting dilution claims now bear a greater burden of proof than they previously enjoyed under a likelihood of dilution standard.

The new dilution standard presumably applies equally to both blurring and tarnishment claims. *Caterpillar Inc.*, 287 F. Supp. 2d at 922 (noting that the *Moseley* holding applied specifically to blurring claims and “[a]ssuming that actual dilution must be shown for tarnishment cases”). Most of the debate over the proper means of proving dilution seems to have occurred in the blurring realm. In the case of tarnishment, courts have not struggled nearly as much to identify and accept evidence of dilution. *See McCarthy*, *supra* note 37, at 508 (“Dilution by tarnishment has proven to be somewhat easier to assess than dilution by blurring.”). This is probably attributable to the fact that the tarnishment injury is conceptually simple when compared to the blurring injury. It is easier to understand the harm resulting from a soiled reputation than that resulting from a lessening of distinctiveness. To illustrate, at oral argument one justice admitted, “I don’t understand conceptually how there ever could be an injury,” due to blurring, but also noted that “I can imagine an injury through tarnishment.” Oral Argument at *6, *Moseley v. V Secret Catalogue, Inc.*, 71 U.S.L.W. 3366, 2002 WL 31643067 [hereinafter Oral Argument]; *see also, e.g., Ringling Bros.-Barnum & Bailey Combined Shows, Inc.*, 170 F.3d at 451 (referring to dilution as a “dauntingly elusive concept” in a case involving blurring), *overruled in part by Moseley*, 537 U.S. 418 (2003).

For further discussion on how to apply the *Moseley* actual dilution standard, see 4 MCCARTHY, *supra* note 15, § 24:94.2 (discussing the actual dilution standard, including how expert testimony may be used to establish a tarnishment claim); Susan Turcotte, *Caught in a Corporate Panty Raid: Moseley v. V Secret Catalogue, Inc.*, 40 HOUS. L. REV. 867, 888–901 (2003) (discussing what “actual harm” is and how to prove it); Thomas R. Lee, *Demystifying Dilution*, 84 B.U. L. REV. (forthcoming Oct. 2004).

115. *Moseley*, 537 U.S. at 432.

116. *Id.*

117. The Sixth Circuit, in *V Secret Catalogue, Inc. v. Moseley*, held that a likelihood of dilution requirement “follows more closely Congress’s intent in enacting the FTDA.” 259 F.3d 464, 475 (6th Cir. 2001), *vacated by* 537 U.S. 418 (2003). The Sixth Circuit explained:

Legislative history surrounding the statute’s enactment demonstrates that the legislators were attempting to ensure that plaintiffs could find a nationwide remedy for dilution claims, as distinct from the Lanham Act’s established protection for trademark infringement. As the Congressional Record indicates, dilution is “an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another’s use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.”

2. *The Supreme Court's tarnishment comment*

The Supreme Court, in dicta, also applied a similar analysis to the tarnishment issue, arguing that it should not be actionable under the FTDA.¹¹⁸ The crux of the Court's position was the absence of the phrase "injury to business reputation" in the FTDA. The Court explained that the Moseleys

have not disputed the relevance of tarnishment, . . . presumably because that concept was prominent in litigation brought under state antidilution statutes and because it was mentioned in the legislative history. Whether it is actually embraced by the statutory text, however, is another matter. Indeed, the contrast between the state statutes, which expressly refer to both "injury to business reputation" and to "dilution of the distinctive 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.¹¹⁹

The Court does not conduct a direct analysis of the text of the FTDA, nor of what that text "actually embrace[s]," to support its position. Instead, the Court only appeals to the contrast between state and federal statutes as an indication that the federal statute does not include dilution by tarnishment. The Court seems to place little weight on the indications in the legislative history that Congress intended to include tarnishment as a cause of action.¹²⁰ In sum, the Court's sole comment concerning tarnishment is far from a thorough analysis of the issue and does little more than introduce the Court's initial view that tarnishment claims may not be supported by the text of the FTDA.

3. *Comments on legislative history at oral argument*

At oral argument in *Moseley*, several justices questioned whether the FTDA encompassed tarnishment.¹²¹ Walter Dellinger, the

Id. (citing H.R. Rep. No. 104-374 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1032). The Supreme Court did not respond to this argument in its opinion. *See infra* note 157.

118. *Moseley*, 537 U.S. at 432.

119. *Id.* The Court also noted that it believed that the text of the Massachusetts dilution law "expressly applied to both 'tarnishment' and 'blurring.'" *Id.* at 430.

120. *See infra* Part III.C.3, discussing the Court's discussion of the legislative history at oral argument, and Part IV.C.1, discussing the plain meaning rule.

121. One justice posed the following question:

Solicitor General, posed two responses to this question. First, he explained that trademarks serve a quality-identifying purpose¹²² and that tarnishment lessens the capacity of the mark to serve that purpose.¹²³ Second, Mr. Dellinger argued that when the FTDA employed the word “dilution,” it was using the word “as a term of art” to encompass both blurring and tarnishment.¹²⁴ One justice disagreed with Mr. Dellinger’s argument, asserting that the “definition of ‘dilution’ does not at all cover disparaging the other product.”¹²⁵ Mr. Dellinger responded that “Congress thought otherwise” and alluded to House Report 104–374.¹²⁶ A justice quickly countered: “What Congress thought was the definition that Congress adopted.”¹²⁷

[I]t would help me a lot if you explained to me what dilution is, and I’ll be specific. It seems to me what you have here is a case of what’s called tarnishment, and what tarnishment—what I think of is this, is it like this, that—that—imagine some small shop wants to start a bug spray business. It’s a funny example, but it comes from an actual case, and they decide to call themselves Bugwiser Bug Spray, and their slogan is, Where there’s life, there’s bugs, all right. . . . Now, Budweiser is not going to enter the bug spray business. Nobody thinks Budweiser, in fact, is the source of the bug spray, but Budweiser has an interest because the people who see this ad are going to think Budweiser, Yuck, and they don’t want people to think that. Now, is dilution encompassed? Does dilution encompass that, and my reason for thinking maybe it doesn’t is, the words of the statute refer to distinctiveness of mark. They don’t refer to tarnishment. But—is it—so I want some explanation of what dilution here refers to.

Oral Argument, *supra* note 114, at *4–5. This question was not immediately answered, so later in oral argument at least two justices posed the same question again:

QUESTION: But how does tarnishment fit the language of the statute? That’s what—

QUESTION: Yes, I’d like to know that, too. I don’t see how tarnishment—you know—

QUESTION: Does that lessen the capacity of the mark to identify[?]

Id. at *32.

122. For more information regarding the quality-identifying role of trademarks, see *supra* note 15 and accompanying text.

123. Oral Argument, *supra* note 114, at *32–33; see also *infra* Part IV.C.3.

124. *Id.* at *34. This argument is consistent with the explanation in the House Report that the dilution definition “is designed to encompass all forms of dilution recognized by the courts, including dilution by blurring, by tarnishment and disparagement, and by diminishment.” H.R. REP. NO. 104-374, at 8 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1035.

125. Oral Argument, *supra* note 114, at *34.

126. *Id.*

127. *Id.*

F. The Reaction to Moseley

The Supreme Court's comment in dicta regarding tarnishment "could not give a stronger signal" to trademark holders that tarnishment claims may no longer be valid under the FTDA.¹²⁸ To date, however, no court since *Moseley* has addressed the issue.¹²⁹ Nevertheless, *Moseley* is still fresh, and very few tarnishment cases have tested the waters. The Supreme Court's preliminary position on the issue undoubtedly opens the door for the validity of tarnishment claims under the FTDA to be hotly litigated in the lower courts.

IV. HOW TARNISHMENT LESSENS THE CAPACITY
TO IDENTIFY AND DISTINGUISH

If the Supreme Court were to apply the same reasoning to the tarnishment issue as it did to the dilution standard issue, tarnishment might be squeezed out of the FTDA. That is, if the Court were to rely on the distinction between the pertinent state and federal statutes and refuse to look to the legislative history,¹³⁰ it might confirm its initial position in *Moseley*. However, there are two key differences in the two debates. First, in the analysis of the dilution standard, the Court was able to rely on the positive presence of the phrase "causes dilution" in the text, whereas to exclude tarnishment would require a showing that the concept of tarnishment is not consistent with the text of the FTDA.¹³¹ Second, the legislative record is foggy on whether Congress intended a likelihood of

128. Higgins & Duval, *supra* note 4, at 825 ("The Court's unanimous opinion on the 'tarnishment' issue could not give a stronger signal to those who would assert tarnishment-based dilution claims."); *see also* Reichman & Cannady, *supra* note 4, at 29 ("[T]he Court's dicta creates substantial doubt about whether tarnishment remains actionable under the FTDA.").

129. At least one circuit court has heard a tarnishment claim since *Moseley* without addressing the validity of tarnishment under the FTDA. The Central District of Illinois heard and denied a motion for a preliminary injunction against Disney's allegedly tarnishing use of the Caterpillar tractor mark in the movie "George of the Jungle 2," holding that Caterpillar failed to show it could prove actual dilution. *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 922 (C.D. Ill. 2003). The court noted that *Moseley* "did leave open the question of whether tarnishment is within the scope of § 43(c)," but the court did not attempt to delve into the issue. *Id.*

130. *See supra* Part III.E.1.

131. *See infra* Part IV.C.3.

dilution or an actual dilution standard,¹³² but it is clear that the 1995 Congress intended the FTDA definition of dilution to encompass tarnishment.¹³³ These facts considered, the unresolved question is whether dilution by tarnishment causes “the lessening of the capacity of a famous mark to identify and distinguish goods or services,”¹³⁴ and thus whether there is sufficient ambiguity in the text of the FTDA to justify an appeal to the legislative history in determining the proper scope of the federal Act.¹³⁵

A. Judicial Treatment of the FTDA in the Federal Courts

In interpreting the FTDA, federal courts have consistently relied on the Act’s legislative history to hold that its dilution definition encompasses tarnishment.¹³⁶ For example, in *Mattel, Inc. v. Internet Dimensions Inc.*,¹³⁷ Mattel sought to enjoin the defendant from operating a pornographic website under the name *barbiesplaypen.com*.¹³⁸ The court issued a preliminary injunction based in part on dilution by tarnishment under the FTDA, declaring that “[t]he legislative history of the Act indicates that its purpose is ‘to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.’”¹³⁹

132. The House Report never explicitly mentions an intent to formulate either a “likelihood of dilution” or an “actual dilution” standard, but the legislative history contains several comments that indicate a positive intent to include tarnishment in the definition of dilution. See H.R. REP. NO. 104-374 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029.

133. See *supra* Part III.C.

134. 15 U.S.C. § 1127 (2000).

135. See *supra* Part III.C–D for a discussion of the legislative history as it relates to tarnishment. At least one Supreme Court justice at oral argument in *Moseley* portrayed a reluctance to look beyond the language of the statute to determine congressional intent. See *supra* text accompanying note 127.

136. WELKOWITZ, *supra* note 48, at 234 (“[M]ost federal courts have assumed that the FTDA definition incorporates the concept of tarnishment.”).

137. No. 99 Civ. 10066(HB), 2000 WL 973745 (S.D.N.Y. July 13, 2000).

138. *Id.* at *9.

139. *Id.* at *7 (citing H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030); see also *Kellogg Co. v. Exxon Mobil Corp.*, 192 F. Supp. 2d 790, 797 (W.D. Tenn. 2001) (citing H.R. REP. NO. 104-374 to support the conclusion that the FTDA does “not distinguish between” tarnishment and dilution, but instead “encompasses both”); *Toys ‘R’ Us, Inc. v. Akkaoui*, No. C 96-3381 CW, 1996 WL 772709 (N.D. Cal. Oct. 29, 1996) (citing H.R. REP. NO. 104-374 to support a finding that a pornographic “Adults ‘R’ Us” website tarnished the “Toys ‘R’ Us” mark under the FTDA).

One court of appeals, however, questioned the validity of a tarnishment claim under the FTDA even before *Moseley*. The Fourth Circuit, in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Department of Travel Development*, heard a dilution by blurring claim and noted that because tarnishment was not an issue in the case, it would not “delve into the difficult question of how conceptually to fit tarnishment within a theory of dilution.”¹⁴⁰

B. Tarnishment Is Consistent with Dilution Theory

The Fourth Circuit was somewhat justified in questioning how tarnishment fits within dilution theory. Indeed, dilution theory, as described by Schechter, focuses on protecting the ability of trademarks to identify a single source,¹⁴¹ and tarnishment may not pose a direct threat to that ability.¹⁴² Nevertheless, there are at least two congruencies between dilution theory and tarnishment. First, tarnishment fits within Schechter’s oft-quoted description of dilution injury as being “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark.”¹⁴³ Part of a mark’s hold upon the public mind includes the reputation and good will associated with the mark.¹⁴⁴ To illustrate, seeing a t-shirt with a picture of Bugs Bunny smoking marijuana is apt to negatively affect an individual’s perception of the Warner Brothers cartoon character.¹⁴⁵ Because the primary Bugs Bunny market is children and families, an innocent and wholesome nature may be an essential element of the image Warner Brothers desires. As Bugs Bunny’s reputation is tarnished, the trademark’s hold upon the minds of members of the intended Warner Brothers market is whittled away, not because the Bugs Bunny mark brings to mind a multiplicity of sources, but because the mark brings to mind a multiplicity of

140. 170 F.3d 449, 452 n.1 (4th Cir. 1999).

141. Schechter’s arguments and examples in *The Rational Basis of Trademark Protection* are directed towards protecting a trademark’s ability to serve as a unique source identifier. Schechter, *supra* note 14.

142. See *supra* Part II.C.2 and Part II.C.3.

143. Schechter, *supra* note 14, at 825. Judging by the context of this statement, Schechter was referring to the whittling away of a mark’s uniqueness. *Id.* (noting also that “[t]he more distinctive or unique the mark, the deeper is its impress upon the public consciousness”).

144. See *supra* note 15 and accompanying text, describing the quality-representation role of trademarks.

145. See *supra* note 99.

quality representations or images. A second congruency is that an essential motivator behind dilution theory is protecting the “selling power” of trademarks.¹⁴⁶ Assuredly, the reputation-damaging injury caused by tarnishment poses a direct and serious threat to a trademark’s selling power. As consumers’ perception of a trademark deteriorates, the likelihood that they will purchase the goods or services it identifies decreases.

Some commentators have argued that tarnishment is not consistent with Schechter’s dilution theory because the injury is not gradual.¹⁴⁷ This argument relies on an unwarranted focus on the term “gradual.” The typically gradual nature of the dilution by blurring injury is not a necessary element of a blurring claim. It makes no sense to reject a dilution by blurring claim solely because a junior, diluting use of a famous mark was so sweeping that it *immediately* caused dilution of the distinctive quality of the famous mark. Immediate blurring is still dilution. Similarly, it would be unreasonable to deny relief for tarnishment merely because the injury is not gradual. Describing dilution as a “gradual” phenomenon is intended to allow mark owners to protect against nonimmediate harms, not to prevent the protection against immediate injury. Moreover, because the term “gradual” is not included in the FTDA’s definition of dilution,¹⁴⁸ this argument has little weight in determining whether tarnishment should be actionable under the Act.

C. Textual Interpretation of the FTDA

In interpreting any statute, a court must first look to the statute’s plain language. The text of the FTDA definition clearly encompasses the theory of dilution by blurring;¹⁴⁹ however, the Supreme Court’s

146. Schechter, *supra* note 14, at 831.

147. Jason R. Edgecombe, *Off the Mark: Bringing the Federal Trademark Dilution Act in Line with Established Trademark Law*, 51 EMORY L.J. 1247, 1279 (2002) (“[I]f the harm in dilution is understood as the gradual diminishing of a mark’s selling power, then tarnishment is not really dilution at all, since it causes an immediate injury to the trademark.” (footnote omitted)); Klieger, *supra* note 8, at 830 (“If the aim of dilution law is to prevent the gradual whittling away of trademark value . . . then tarnishment should not qualify as dilution at all. Tarnishment causes a much more immediate and direct injury to the senior user.”).

148. 15 U.S.C. § 1127 (2000).

149. Dilution by blurring clearly threatens to lessen “the capacity of a famous mark to identify and distinguish goods or services,” 15 U.S.C. § 1127, in that blurring poses a direct threat to a mark’s source-identifying capacity. *See* Bible, *supra* note 1, at 307 (noting that the

Moseley decision has raised substantial doubt concerning the ability to fit dilution by tarnishment into the language of the federal Act. Nevertheless, the FTDA can be reasonably read to include tarnishment.

The Lanham Act, as amended by the FTDA, provides that “[t]he owner of a famous mark shall be entitled . . . 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.”¹⁵⁰ The Act further defines dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”¹⁵¹

1. The plain meaning rule

Before conducting a textual analysis of the FTDA, it is worth noting that if there are two reasonable textual interpretations of the statutory language as it relates to tarnishment, the door is open for courts to look to the legislative history to determine whether the Act encompasses tarnishment.¹⁵² Chief Justice Marshall declared the age-old principle that “[w]here there is no ambiguity . . . , there is no room for construction.”¹⁵³ However, where the language of a statute is ambiguous, a court can and should look to the legislative history to properly interpret the provision in question.¹⁵⁴ The Supreme

FTDA definition “clearly encompasses the blurring type of harm recognized universally by the states”).

150. 15 U.S.C. § 1125 (2000).

151. 15 U.S.C. § 1127.

152. *See supra* Part IV.A for a description of how federal courts have appealed to congressional intent to justify including tarnishment under the FTDA.

153. *United States v. Wiltberger*, 18 U.S. (1 Wheat.) 76, 95–96 (1820). Justice Marshall explained:

The intention of the legislature is to be collected from the words they employ.

Where there is no ambiguity in the words, there is no room for construction. The case must be a strong one indeed, which would justify a Court in departing from the plain meaning of words, especially in a penal act, in search of an intention which the words themselves did not suggest.

Id.

154. *See, e.g.*, *Wis. Pub. Intervenor v. Mortier*, 501 U.S. 597, 610 n.4 (1991) (“As for the propriety of using legislative history at all, common sense suggests that inquiry benefits from reviewing additional information rather than ignoring it.”); *Blum v. Stenson*, 465 U.S.

Court has held that this principle applies in full force to situations, such as the tarnishment issue, where the scope of the legislation is in question:

In these cases, as in so many others that come before us, we are called upon to determine the applicability of a statute where the language of the statute does not make crystal clear its intended scope. In all such cases we are compelled to resort to the legislative history to determine whether, in light of the articulated purposes of the legislation, Congress intended that the statute apply to the particular cases in question.¹⁵⁵

Thus, if the scope of the FTDA is not clear from the text, or if “[w]hat Congress thought” is not clear from “the definition that Congress adopted,”¹⁵⁶ courts are “compelled” to look to the legislative history for guidance.¹⁵⁷

2. *The textual argument against reading tarnishment into the FTDA*

Many commentators have argued that tarnishment should be read out of the FTDA.¹⁵⁸ Prior to the Supreme Court’s comment in

886, 896 (1984) (“Where . . . resolution of a question of federal law turns on a statute and the intention of Congress, we look first to the statutory language and then to the legislative history if the statutory language is unclear.”).

155. *Allen v. State Bd. of Elections*, 393 U.S. 544, 570 (1969).

156. Oral Argument, *supra* note 114, at *34.

157. This Subpart does not purport to be a comprehensive discussion of the plain meaning rule. It is worth noting, however, that as of late the Supreme Court has demonstrated an increased reluctance to rely upon legislative history in statutory interpretation. Rickie Sonpal, *Old Dictionaries and New Textualists*, 71 *FORDHAM L. REV.* 2177, 2192 (2003) (“Over the past decade or two, the United States Supreme Court has returned to a textual or plain meaning method of statutory interpretation. This ‘new textualism,’ perhaps most vocally championed by Justice Scalia but now accepted by an effective majority of the Court, largely limits the Court’s interpretive resources to the text of the statute and the larger body of surrounding law.” (footnotes omitted)); *see also* William N. Eskridge, Jr., *The New Textualism*, 37 *UCLA L. REV.* 621 (1990); William D. Popkin, *An “Internal” Critique of Justice Scalia’s Theory of Statutory Interpretation*, 76 *MINN. L. REV.* 1133 (1992).

158. *See, e.g.*, WELKOWITZ, *supra* note 48, at 260 (“A plain meaning approach to the definition also would suggest that tarnishment is not included in the definition of dilution.”); Edgecombe, *supra* note 1478, at 1279 (“To eliminate some of the confusion surrounding the dilution doctrine, tarnishment should no longer be actionable under the FTDA.”); Klieger, *supra* note 8, at 830 (“Unless senior users of a mark have an absolute right to control the mark and its associations, tarnishment without resulting consumer confusion should not be actionable.”). The Restatement of Unfair Competition also regards tarnishment as a claim separate from dilution. *RESTATEMENT (THIRD) OF UNFAIR COMPETITION* § 25 cmt. c (1995).

Moseley, such arguments constituted little more than rhetoric. But having gained the preliminary backing of the highest court in the United States, the antitarnishment position has been strengthened significantly. The foundation for the argument against including tarnishment in the FTDA is that the tarnishment concept is dependent on the phrase “injury to business reputation.” Because that phrase is not included in the FTDA, in contrast to many state statutes, the FTDA arguably does not encompass tarnishment claims. This is the argument implied by Justice Stevens in *Moseley* when he commented, “[w]hether [tarnishment] is actually embraced by the statutory text . . . is another matter.”¹⁵⁹

The argument against reading tarnishment into the FTDA also hinges on a narrow definition of the terms “identify” and “distinguish.” If the FTDA only encompasses dilution by blurring, then these terms must be interpreted as only applying to the *source* of the goods or services in question and not to their quality or image, because blurring deals primarily with a lessening of the capacity of a trademark to serve as a unique source identifier.

3. Textual arguments for reading tarnishment into the FTDA

The text of the FTDA’s definition of dilution can be reasonably interpreted to include dilution by tarnishment. Central to the textual argument for the inclusion of tarnishment is an interpretation of the terms “identify” and “distinguish” as not only referring to source, but also to quality and image of the goods or services in question. Merriam-Webster defines “identify” as “to establish the identity of”; it further defines “identity” as “sameness of essential or generic character in different examples or instances.”¹⁶⁰ The quality of a good and the image associated with a good are both integral parts of the good’s “character” and thus its identity. The word “distinguish” means “to perceive as being separate or different” or to “recognize a difference in.”¹⁶¹ Neither the term “identify” nor the term “distinguish” lends itself exclusively to establishing or perceiving only origin or source. Rather, they refer equally to quality and image. Thus, a junior use that lessens the capacity of consumers to

159. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432 (2003).

160. WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 1123 (Philip Babcock Gove, Ph.D. ed., 2002).

161. *Id.* at 659.

perceive a difference in the *quality* of goods associated with a trademark fits within the dilution definition just as a use that lessens the public's capacity to perceive a difference in the *source or origin* of the goods.

Tarnishing junior uses of famous trademarks threaten to lessen the capacity of the marks to identify and distinguish the quality of or the image associated with the related goods and services. As Professor Welkowitz explains, a junior tarnishing use can cause consumers to see "the mark as sending conflicting signals about the quality of the goods or services provided by the single source."¹⁶² This impairs the ability of tarnished trademarks to serve as unique quality and image identifiers and thus lessens the capacity of the trademark to distinguish and identify the associated goods or services. Accordingly, tarnishment fits squarely within the FTDA definition of dilution.

To illustrate, imagine that the previously discussed Kodak piano company produces shoddy pianos that cannot hold a tune. Once the buying public discovers that the keys on the Kodak piano stick after minimal use, that the strings are incapable of staying tuned for more than two months, or that the wood paneling is apt to fall off with the slightest stress, the enraged consumers will likely associate the Kodak label with sub par merchandise. The Kodak name, along with the accompanying goodwill, is tarnished as consumers begin to associate it with poor-quality goods. The piano maker's use of the Kodak mark lessens the mark's capacity to identify and distinguish the quality of goods bearing the famous mark. This injury thus falls within the FTDA definition of dilution.

This very reasoning was applied in a recent federal district court decision. In *Four Seasons Hotels & Resorts B.V. v. Consorcio Barr, S.A.*,¹⁶³ the Southern District of Florida heard a case in which Four Seasons Hotels had licensed the defendant to operate a hotel under the Four Seasons name in Caracas, Venezuela.¹⁶⁴ In constructing and managing the hotel, the defendant failed to comply with Four Seasons Hotels' quality control standards established in the licensing agreement.¹⁶⁵ Due to the hotel's "substandard nature, incomplete

162. WELKOWITZ, *supra* note 48, at 259.

163. 267 F. Supp. 2d 1268 (S.D. Fla. 2003).

164. *Id.* at 1272.

165. *Id.* at 1274-76.

construction and inferior furnishings,” guests complained that the hotel “wasn’t a Four Seasons.”¹⁶⁶ Its reputation being thus damaged, Four Seasons Hotels filed suit against the defendant licensees, alleging, among other claims, tarnishment of the Four Seasons trademark.¹⁶⁷ The Federal District Court for the Southern District of Florida held that the defendant’s failure to comply with the quality control standards “diminished the capacity of the mark to distinguish the high quality of Plaintiffs’ services.”¹⁶⁸ Thus, the court looked to the quality-representation function of the Four Seasons trademark and held that a lessening of the capacity of a mark to distinguish the Four Seasons Hotels’ services from services of a lower quality constituted actionable dilution.

4. Dilution under the FTDA should be read to encompass tarnishment

The argument that tarnishment claims are dependent on the phrase “injury to business reputation” is dangerously attractive because of its simplicity. Tarnishment clearly falls within the “injury to business reputation” categorization and thus is obviously a valid claim under the many state statutes that include that phrase.¹⁶⁹ However, the fact that tarnishment involves an “injury to business reputation” and the fact that this phrase is not included in the definition of dilution do not necessarily lead to the conclusion that the FTDA does not encompass tarnishment. To conclude that tarnishment is not actionable under the FTDA requires showing that tarnishment does *not* lessen “the capacity of a famous mark to identify and distinguish related goods or services.”¹⁷⁰ However, as discussed above, dilution by tarnishment does cause the injury

166. *Id.* at 1332.

167. *Id.* at 1327. Even though dilution was developed in part to respond to the need for protection against junior uses of famous trademarks on *nonrelated* products, dilution applies equally to uses on products in direct competition with one another. 15 U.S.C. § 1127 (2000) (“The term ‘dilution’ means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the *presence or absence* of . . . competition between the owner of the famous mark and other parties.” (emphasis added)); *see also* Nabisco, Inc. v. PF Brands, Inc. 191 F.3d 208, 220 (2d Cir. 1999) (arguing that the fact that the products are in direct competition with each other increases the probability of a reduction in distinctiveness because it increases the likelihood that consumers will be exposed to both products), *overruled in part by Moseley*, 537 U.S. 418 (2003).

168. *Four Seasons Hotels*, 267 F. Supp. 2d at 1332.

169. *See supra* note 79.

170. 15 U.S.C. § 1127.

described in the FTDA's definition of dilution.¹⁷¹ Thus, the exclusion of the phrase "injury to business reputation" from the FTDA is not fatal to tarnishment claims.

Moreover, the broader interpretation of the terms "identify" and "distinguish," to the inclusion of quality and image, is consistent with the function of trademarks. "One of the classic functions of a trademark is to signify that all goods or services sold under the mark are of equal quality."¹⁷² The inclusion of the concepts of quality and image within the phrase "the capacity of a famous mark to identify and distinguish goods or services" allows trademark owners to ensure that goods and services sold under their trademark are of a similar quality and are consistent with a desired image.¹⁷³ "[T]he right to control the quality of the goods manufactured and sold under the holder's trademark" is "[o]ne of the most valuable and important protections afforded by the Lanham Act."¹⁷⁴ Viewing the definition of dilution in the context of the purposes that trademarks fulfill thus supports a broad reading of the FTDA, to the inclusion of tarnishment.

At oral argument, when the Court heard the *Moseley* appeal, one justice argued that in order for dilution to protect the quality-representation function of trademarks, the word "quality" would actually need to be added to the dilution definition.¹⁷⁵ Section 1127 would thus presumably read: "the term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish [the quality of] goods or services."¹⁷⁶ By the same reasoning, however, for the dilution definition to encompass blurring, the word "origin" would need to be added to § 1127, thus defining dilution

171. See *supra* Part IV.C.2.

172. 4 MCCARTHY, *supra* note 15, § 24:95 (arguing that the FTDA "can and should be read to include tarnishment"); see also Klieger, *supra* note 8, at 802 (describing the quality-representation function of trademarks).

173. See 4 MCCARTHY, *supra* note 15, § 24:95.

174. *El Greco Leather Prods. Co. v. Shoe World, Inc.*, 806 F.2d 392, 395 (2d Cir. 1986).

175. At oral argument, Mr. Dellinger made the following comment: "If [a trademark] no longer stands in one's mind, or in the mind and the public perception for the same connotation of quality as it did before the association with the unsavory image, its capacity to identify and distinguish that quality has lessened . . ." Oral Argument, *supra* note 114, at *34. One justice interrupted Mr. Dellinger: "But you have to add the word quality to the statute." *Id.* Another justice clarified that "[t]he statute doesn't contain that word." *Id.*

176. 15 U.S.C. § 1127 (2000). The bracketed words represent hypothetical additions to the original.

as “the lessening of the capacity of a famous mark to identify and distinguish [the origin of] goods or services.”¹⁷⁷ Congress, however, included neither the word “quality” nor the word “origin” in its dilution definition. Because the terms “identify” and “distinguish” include the concept of both origin and quality, and because representation of quality is an important function of trademarks, § 1127 should be interpreted to protect the capacity of trademarks to identify and distinguish both the origin and the quality of goods and services.

Professor Welkowitz also argues against the inclusion of tarnishment within the definition of dilution:

Although the blurring concept can be fit into the Lanham Act definition (though it is by no means a perfect fit), the tarnishment concept does not as readily fit the FTDA definition of dilution. A tarnishing use may take advantage of the fame of the trademark, but it normally does not seek to diminish the ability of a famous mark to distinguish goods or services. In fact, a tarnishing use depends on the continuing public association of the famous mark with a unique source of goods or services in order for the second user’s deprecating commentary to be understood.¹⁷⁸

This argument suffers from two weaknesses. First, it assumes that the limited interpretation of the terms “identify” and “distinguish” only apply to source and not to quality or image. Secondly, it mistakenly relies on the intent of the tarnishing user of the mark. While intent of the junior user may be a factor in determining whether dilution exists,¹⁷⁹ the FTDA is ultimately concerned with whether the junior use causes dilution and not with the intent of the junior user. For example, even though the success of *barbiesplaypen.com* may depend on the distinctiveness of the Barbie name, the website still threatens to lessen the capacity of the Barbie mark to serve as a unique source identifier. Thus, even though the operators of the adult website may not intend to blur the Barbie mark, the website threatens to do just that.

177. *Id.* The bracketed words represent hypothetical additions to the original.

178. WELKOWITZ, *supra* note 48, at 234.

179. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 225 (2d Cir. 1999) (weighing predatory intent as a factor in a dilution claim), *overruled in part by Moseley*, 537 U.S. 418 (2003).

5. *The correct conclusion*

Regardless of which of the foregoing textual arguments is most persuasive, the analysis reveals one important conclusion: the text is ambiguous. Specifically, there are two plausible interpretations of the text as it applies to tarnishment claims, each of which yields a differing conclusion. This one fact opens the door for courts to look to the legislative history of the FTDA to determine its scope. In *Moseley*, the Supreme Court did not conduct a full analysis of the tarnishment issue because the validity of a tarnishment claim was not questioned on appeal.¹⁸⁰ If and when the Court revisits the issue because of the ambiguity in the dilution definition with respect to tarnishment,¹⁸¹ the Court should take its analysis one step further than it did in *Moseley* and look to the intent behind the FTDA. The legislative history clearly reveals that Congress fully intended the FTDA to encompass tarnishment,¹⁸² even though it failed to insert the usual “injury to business reputation” phrase into the text. That history should persuade the Court to uphold the validity of dilution by tarnishment under the FTDA.

V. CONCLUSION

At first blush, Congress’s failure to include “injury to business reputation” in the FTDA seems to conflict with Congress’s intent that the Act “encompass all forms of dilution recognized by the courts, including dilution . . . by tarnishment”¹⁸³ Dilution, however, is an “amorphous concept”¹⁸⁴ and the FTDA definition can be reasonably interpreted to include tarnishment claims because tarnishment threatens the capacity of famous trademarks to identify and distinguish the image or quality of the associated goods or

180. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432 (2003).

181. In all actuality, the ambiguity surrounding the dilution definition in the FTDA extends far beyond tarnishment. *See, e.g.*, Magliocca, *supra* note 15, at 953 (2001) (“This battle for supremacy within trademark law is aggravated by the vagueness of the dilution concept. Courts repeatedly throw up their hands in frustration when asked ‘to identify the legal interest sought to be protected from “dilution”’” (quoting *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 456 (4th Cir. 1999))).

182. *See supra* Part III.D.

183. H.R. REP. NO. 104-374, at 8 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1035.

184. Klieger, *supra* note 8, at 794 (“Dilution is an amorphous concept, and no antidilution statute addresses exactly *what* dilution is or *how* it can be proven.”).

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services. Moreover, the presence of ambiguity in the definition of tarnishment—as it relates to tarnishment— opens the door for courts to look to the legislative history of the FTDA to interpret the scope of the Act. This history clearly shows that Congress fully intended the FTDA to encompass dilution by tarnishment. Thus, contrary to the Supreme Court’s preliminary comment in *Moseley*, a textual analysis of the FTDA, supported by the legislative history, supports the inclusion of tarnishment as a valid claim under the federal Act.

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