

April 2002

Slow Death of a Salesman: The Watering Down of Dilution Viability by Demanding Proof of Actual Economic Loss

Jeffrey Enright

Follow this and additional works at: <https://scholarship.kentlaw.iit.edu/cklawreview>



Part of the [Law Commons](#)

Recommended Citation

Jeffrey Enright, *Slow Death of a Salesman: The Watering Down of Dilution Viability by Demanding Proof of Actual Economic Loss*, 77 Chi.-Kent L. Rev. 937 (2002).

Available at: <https://scholarship.kentlaw.iit.edu/cklawreview/vol77/iss2/12>

This Notes is brought to you for free and open access by Scholarly Commons @ IIT Chicago-Kent College of Law. It has been accepted for inclusion in Chicago-Kent Law Review by an authorized editor of Scholarly Commons @ IIT Chicago-Kent College of Law. For more information, please contact jwenger@kentlaw.iit.edu, ebarney@kentlaw.iit.edu.

SLOW DEATH OF A SALESMAN: THE WATERING DOWN
OF DILUTION VIABILITY BY DEMANDING PROOF OF
ACTUAL ECONOMIC LOSS

JEFFREY ENRIGHT*

That which does not kill us makes us stronger.

—*Fredriche Nietzsche*

While may very well be true in life and on the battlefield that that which does not kill us makes us stronger, it is not true for trademarks. With the rise in popularity and importance of trademarks, the law has come full circle in protecting them. Whereas the law was primarily concerned with protecting against diversion of trade during trademark law's infancy, it moved toward a consumer protection approach throughout the twentieth century, focusing on consumer confusion.¹ The passage of the Federal Trademark Dilution Act of 1995 ("FTDA")² marked a renaissance in the law of trademarks. Holders of very famous marks can enjoin another's use of a similar mark absent any consumer confusion under the FTDA.

Aside from the general skirmishes over the worth of dilution among commentators,³ a larger battle is currently being contested in the courts. The Fourth and Fifth Circuits have developed an exceedingly restrictive standard for proving an FTDA violation, requiring that a plaintiff show actual consummated economic harm to its mark.⁴ The Second, Sixth, and Seventh Circuits, on the other hand, do not

* J.D., Chicago-Kent College of Law, Illinois Institute of Technology, 2001.

1. See Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 796 (1997).

2. 15 U.S.C. § 1125(c) (1998). The Federal Trademark Dilution Act of 1995, first enacted January 16, 1996, amended section 43 of the Lanham Act to provide federal protection for trademark dilution.

3. Compare Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TRADEMARK REP. 289, 290 (1984), with Milton W. Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 281 (1985).

4. See *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Transp.*, 170 F.3d 449, 460-61 (4th Cir. 1999), cert. denied, 528 U.S. 923 (1999); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 660 (5th Cir. 2000).

require proof of economic harm.⁵ The very fate of federal dilution protection hangs in the balance, depending on which stance emerges victorious in the end. Requiring proof of actual economic harm under the FTDA demands an impossible degree of evidence, subjects trademark owners to an uncompensable injury, contradicts the plain meaning of the statute, and defeats the policy goals of the statute. Truly famous marks must be given liberal protection against loss of distinctiveness under the FTDA, and this can be done by focusing on the similarity of the marks and the degree of renown of the senior mark. Otherwise, federal dilution law, like the famous marks that it seeks to protect, will suffer death by a thousand cuts, as the FTDA slowly fades away into insignificance.

I. BIRTH OF THE SALESMAN

Unlike patents and copyrights, which are considered property in gross,⁶ trademark law does not afford mark owners the same protections.⁷ Trademark rights have historically been based on use.⁸ When the use of a mark ends or fails to have the required impact on the public, the mark's owner loses his rights. Historically, two primary goals of trademark protection have often come in conflict with one another. First, trademark law, by restricting unauthorized use by a third party, attempts to protect the mark owner's investment in reputation.⁹ The other primary, and sometimes conflicting, goal of trademark law is to protect the consumer from confusion in the marketplace rather than focusing on protecting the owner.¹⁰ Trade-

5. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224–25 (2nd Cir. 1999); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000); *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001).

6. Patent in gross means that the patents and copyrights are owned outright by an entity like conventional personal property regardless of whether that entity puts the patent or copyright to use.

7. *See Playboy Enters. Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070, 1080–81 (C.D. Cal. 1999) (holding that “a trademark is not an omnibus property right or a monopoly on the use of the words in the trademark”); *see also New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992) (“A trademark is a limited property right in a particular word, phrase or symbol.”); S. REP. NO. 1333, 79th Cong., 2d Sess. (1946) (“Trademarks are not monopolistic grants like patents and copyrights.”).

8. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 414 (1916) (holding that trademarks are “not the subject of property except in connection with an existing business”).

9. *See Klieger, supra* note 1, at 796.

10. *See* 15 U.S.C. § 1125(a)(1)(A) (1998).

mark legislation and judicial interpretation illustrate this clash of ideals.¹¹

Trademark law developed as a strain of unfair business competition law.¹² The focus of protection was on loss of sales and the law sought to protect businesses from the predatory activity of competitors. Although the aim of this early focus was to prevent diversions of sales by predatory practices, the focus of the inquiry changed to the question of protecting consumers rather than preventing diversion of sales. Therefore, the essential issue in any trademark infringement inquiry became whether the defendant's mark would confuse consumers into thinking that they were purchasing products from the plaintiff.¹³

This rationale reflected early twentieth-century business practices. Trademarks were primarily product identifiers for the particular source of the good.¹⁴ Consumers had personal relationships with shopkeepers and relied on them to provide valuable information regarding the choice and quality of a particular product.¹⁵ Shopkeepers assumed this role because consumer goods were made in relatively small quantities in the locale sold, and there was little chance for consistency of quality among similar items.¹⁶

However, as the US economy grew during the twentieth century, so did the function of trademarks. The role of trademarks grew to include not only source identification, but also communication of consistent quality from a particular source.¹⁷ Trademarks became an economically efficient way to market goods. Economic efficiency

11. See S. REP. NO. 1333, 79th Cong., 2d Sess. 3 (1946) (stating that trademark laws are intended to "protect the public so that it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and which it wants to get" and to see that "where the owner of a trademark has spent energy, time and money in presenting to the public the product, he is protected in his investment from its appropriation by pirates and cheats"); *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942) ("A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol.").

12. See Robert J. Shaughnessy, *Trademark Parody: A Fair Use and First Amendment Analysis*, 77 TRADEMARK REP. 177, 180 (1987) ("[P]rotection of trademarks developed as part of the common law of unfair competition.").

13. See Klieger, *supra* note 1, at 796.

14. See *Coca-Cola Co. v. Koke Co. of Am.*, 54 U.S. 143, 146 (1920) (stating that trademarks represent a "single thing coming from a single source").

15. See Klieger, *supra* note 1, at 799.

16. See *id.*

17. See *id.* at 796.

theory contends that a trademark has value in and of itself stemming from its ability to convey information to the consumer.¹⁸ Trademarks can be valued by the savings in search costs made possible by allowing the trademark to convey or embody the information or reputation of the brand.¹⁹ As the role of the shopkeeper diminished, trademarks began to serve as a shorthand method for providing consumers with information they needed to choose a product. Hence, the utility of a trademark to a consumer is lost if a consumer is confused as to the source and other information-giving attributes of a trademark because it is similar to a mark of a similar good.²⁰ If the law does not prevent consumer confusion of a mark, not only is the utility of the trademark destroyed, but businesses also lose the incentive to develop valuable trademarks.²¹ Hence, the diversion of sales focus of traditional trademark law developed into a means of protecting the information-conferring capacity of a mark by seeking to prevent consumer confusion.²²

During the last century, marketing of goods has undergone another dramatic transformation.²³ As businesses attempted to expand into new markets and product lines, they poured more resources into trademark development and advertising to distinguish their products from those of their competitors.²⁴ With the advent of radio and television, consumers no longer had to go to the store to view a

18. See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1987) (“[A] trademark conveys information that allows the consumer to say to himself, ‘I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier.’”).

19. *Id.*

20. See J. MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, at 2-7 (4th ed. 1999) (“[T]rademarks reduce the customer’s cost of acquiring information about products and services. Information, and the time required to acquire it, are not costless.”).

21. See ANSELM KAMPERMAN SANDERS, UNFAIR COMPETITION AND ETHICS, INTELLECTUAL PROPERTY AND ETHICS 227 (Lionel Bently & Spyros M. Maniatis eds., 1998) (“Market failure can be described as a situation in which creators are not rewarded for their economic efforts because their achievements are not protected. This makes it economically more attractive to copy than to create, resulting in creators producing fewer works than the public would be willing to pay for.”).

22. See Shaughnessy, *supra* note 12, at 180-81 (“Courts eventually dispensed with the requirement that the owner show actual consumer confusion, and the test of trademark infringement came to focus instead upon the likelihood of such confusion.”).

23. *Id.* at 184 (“With the aid of modern advertising techniques, the trademark owner is able to transform its mark into a symbolic expression of information about the character, price, quality, and general desirability of its products, as well as its own reputation.”).

24. See Landes & Posner, *supra* note 18, at 274 (“Besides the possibility of creating monopoly rents, trademarks may transform rents into costs, as one firm’s expenditure on promoting its mark cancels out that of another firm.”).

trademark; the trademark came to them.²⁵ Trademarks not only conveyed origin and quality, but they sold the goods themselves.²⁶ When consumers see the abstract symbol or word of the mark; they make a mental association between the mark and the product, which draws them to purchase it. Big businesses' use of trademarks in the media has given rise to the American brand culture.²⁷ Now, "the manufacturer's logo [is] an integral part of the product itself."²⁸ Consumers buy NIKE shoes as much to show off the swoosh symbol, thus, proclaiming to all their allegiance to the sneaker giant, as they do for other more traditional qualities, such as comfort and style.²⁹

As businesses spent their valuable resources in developing their marks to build their reputations and forge a stronger mental association with the consumer, other businesses sought to free ride on a powerful mark's reputation and publicity, regardless of whether they were in direct competition.³⁰ Trademark piracy developed, and the courts were ill equipped to deal with its ramifications because the law required, at a minimum, a likelihood of confusion.³¹ This parasitic behavior diminished the desirable social and economic functions of trademarks. Famous and distinctive trademarks indicate "a particular standard of quality, distinguish competing goods, symbolize good will, operate as advertising tools, enhance fair competition, motivate consumers to purchase, insure that consumers get the products they want, and facilitate the establishment of a standard of acceptable business conduct."³² When a single trademark represents more than one origin, its economic viability to its owner is damaged, and its information-conferring capacity to the consumer is harmed.

25. Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. Rev. 960, 973 (1993) (writing that trademarks are "injected into the stream of communication with the pressure of a firehose by means of mass media campaigns").

26. *Id.* at 961 ("There's a growing tendency to use trademarks not just to identify products, but also to enhance or adorn them, even to create new commodities altogether.").

27. See generally Ellen P. Winner, *Right of Identity: Right of Publicity and Protection for a Trademark's "Persona"*, 71 TRADEMARK REP. 193 (1981).

28. See Kozinski, *supra* note 25, at 961.

29. See *id.* at 962 ("Where trademarks once served only to tell the consumer who made the product, they now often enhance it or become a functional part of it.").

30. See Frank I. Schecter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927).

31. See *id.*

32. *The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 387 (1987) [hereinafter *Commission Report*].

In 1927, Professor Frank Schecter defined these problems as “dilution” of the senior mark.³³ In his article, Schecter argued that trademark piracy did not always cause consumer confusion, but caused irreparable harm to the senior user nonetheless.³⁴ Schecter identified this harm as “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.”³⁵ He indicated that dilution causes the senior mark to lose its economic worth because it is no longer distinctive.³⁶ Schecter argued that “[t]he more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.”³⁷ As such, he concluded that arbitrary, coined, and fanciful marks should be given higher protection than other distinctive marks.³⁸

Schecter’s article was met with resistance, and the courts attempted to deal with the problems Schecter discussed by eliminating the requirement of competition between the opposing marks.³⁹ However, the test continued to focus on whether the consumer would be confused as to the origins of the dissimilar goods. Schecter himself proposed a dilution statute to Congress, but his proposal was unsuccessful.⁴⁰ Although the passage of the Lanham Act in 1946 enhanced federal protection and uniformity for trademark doctrine, it did not include any protections against dilution, instead basing liability on a likelihood of consumer confusion theory.⁴¹

However, dilution remedies were successfully developed at the state level, and in 1947 Massachusetts adopted the first state antidilution statute.⁴² In 1964, the United States Trademark Association (“USTA”) published the Model State Trademark Bill, which followed Massachusetts’s language and became the exemplar for

33. Schecter, *supra* note 30, at 832.

34. *Id.* at 825.

35. *Id.*

36. *Id.*

37. *Id.*

38. *Id.* at 828.

39. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. b (1995).

40. See H.R. 11592, 72d Cong. § 2(d)(3) (1932).

41. The Lanham Act protects against any “use in commerce [of a mark] . . . likely to cause confusion, or to cause mistake, or to deceive.” 15 U.S.C. § 1114(1)(a) (1994).

42. See Act of May 2, 1947, ch. 307 § 7(a), 1947 Mass. Acts 300 (codified as amended at MASS. GEN. LAWS. ANN. ch. 110B § 12 (West 1996)).

future state statutes.⁴³ Until 1977, state courts were reluctant to find that a noncompeting user of a similar mark diluted an established mark; however, they were willing to recognize that such protection did exist.⁴⁴ Courts were reluctant to eliminate consumer confusion analysis and to grant relief solely based on dilution because they were wary of granting trademark owners property rights in gross.⁴⁵

Beginning in 1977, the dilution doctrine gained strength as illustrated in the New York Court of Appeals decision, *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*⁴⁶ In this case, Allied Maintenance Corporation, a cleaning and maintenance business, sued Allied Mechanical Trades, Inc., a heating and ventilating business, under the New York Anti-dilution statute.⁴⁷ The court held that "Allied" was not an inherently strong mark, nor had it acquired "secondary meaning"⁴⁸ which would make it susceptible to dilution.⁴⁹ However, the court encouraged courts to apply dilution doctrine and held that

[n]otwithstanding the absence of judicial enthusiasm for the anti-dilution statutes, we believe that section 368-d does extend the protection afforded trade-marks and trade names beyond that provided by actions for infringement and unfair competition. The evil which the Legislature sought to remedy was not public confusion caused by similar products or services sold by competitors, but a cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trademark or name. . . .⁵⁰

This was a veritable shot across the bow to other courts and scholars that dilution protection was here to stay as a viable means of protection for distinctive trademarks.

43. Reprinted in MCCARTHY, *supra* note 20, at 22-15.

44. See Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 441 (1994) (indicating that of the 159 state law dilution claims heard by federal circuit courts between 1977 and 1995, only 4 resulted in final injunctions based exclusively on dilution).

45. See generally *id.*

46. 369 N.E.2d 1162 (N.Y. 1977).

47. *Id.* at 1163.

48. While arbitrary, fanciful and suggestive marks are given full protection, "secondary meaning" is required before a descriptive mark can obtain protection. See, e.g., *Int'l Kennel Club of Chi., Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1085 (7th Cir. 1988) (holding that secondary meaning exists "only if most consumers have come to think of the word not as descriptive at all but as the name of the product" and that factors to consider when looking for secondary meaning "include the amount and manner of advertising, volume of sales, the length and manner of use, direct consumer testimony, and consumer surveys").

49. *Allied*, 369 N.E.2d at 1166.

50. *Id.* at 1165.

Since 1977, courts have given growing support for applying dilution doctrine, and the number of courts granting injunctive relief, solely based on dilution doctrine, has greatly increased.⁵¹ In 1987, the Supreme Court applied dilution rationale in *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*.⁵² In this case, the Court held that the USOC had exclusive commercial rights to use the word "Olympic" regardless of whether use by a third party would cause confusion.⁵³

Throughout the evolution of dilution theory, two distinct forms of dilution have developed. One form, dilution by blurring, results when there is a "dispersion of consumer's association of a particular trademark with a particular product or service."⁵⁴ For example, McDonalds' current slogan, "We love to see you smile," could be diluted by a financial services corporation with the same slogan. In this example, it is highly unlikely that consumers would be confused as to the origin of the products, but given McDonald's fame and association with the slogan, it is likely that a consumer would recognize that the same slogan represented two separate entities. The second form, dilution by tarnishment, involves an element of negative connection between the senior mark and some perceived evil. Here, use of the junior mark "tarnishes" the senior mark in some negative way.⁵⁵ Associating the senior mark with illicit drugs or pornography are the most typical instances of dilution by tarnishment.⁵⁶ One example is a case where the defendant made t-shirts with the slogan "ENJOY COCAINE" that imitated the color and script of Coca-Cola.⁵⁷ Such unsavory associations are injurious to a famous mark's good will and reputation and can cause a loss of consumer loyalty and trade.⁵⁸

By 1987, twenty-three states had adopted the Model State Trademark Bill for Dilution and the time seemed ripe for a federal

51. See *Hyatt Corp. v. Hyatt Legal Servs.*, 736 F.2d 1153, 1159 (7th Cir. 1984); *Inst. Co. v. Marine Corps League*, 509 F. Supp. 323, 340 (N.D. Ill. 1981).

52. See 483 U.S. 522, 539 (1987) ("[U]nauthorized uses, even if not confusing, nevertheless may harm the [senior user] by lessening the distinctiveness . . . of the mark.").

53. *Id.*

54. Klieger, *supra* note 1, at 823 (citing *Nat'l City Bank of Cleveland v. Nat'l City Window Cleaning Co.*, 190 N.E.2d 437, 439 (Ohio 1963)).

55. *Id.* at 828.

56. *Id.*

57. *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1186 (E.D.N.Y. 1972).

58. See Klieger, *supra* note 1, at 828.

statute.⁵⁹ In that same year, the USTA submitted a report to Congress suggesting several proposed changes to the Lanham Act, including provisions for both conventional dilution by blurring, as well as dilution by tarnishment.⁶⁰ The USTA proposed that a narrow category of “famous” trademarks should be given nationwide federal protection from dilution.⁶¹ The USTA further indicated that famous trademarks were powerful marketing tools that generated consumer loyalty and goodwill.⁶² As such, the USTA argued that “[f]amous marks are most likely to be harmed by reduced distinctiveness. They are enormously valuable but fragile assets, susceptible to irreversible injury from promiscuous use.”⁶³ Despite the USTA’s reasoned argument, the dilution provision of the bill was omitted during a House-Senate compromise, possibly because of First Amendment concerns.⁶⁴

In 1989, Judge Sweet of the Second Circuit formulated a highly criticized, yet heavily utilized test to analyze a state dilution claim in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*⁶⁵ In his concurring opinion, Judge Sweet articulated six factors for determining whether a likelihood of dilution exists: (1) similarity between the marks; (2) similarity of the products; (3) sophistication of the consumers; (4) presence of predatory intent; (5) renown of the senior mark; and (6) renown of the junior mark.⁶⁶ Finally, in 1995, Congress passed the FTDA, which added dilution protection to the Lanham Act.⁶⁷ At first glance, the statute vastly widened a trademark owner’s rights, providing that

[t]he owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of

59. *Commission Report*, *supra* note 32, at 454.

60. *See generally* U.S.T.A., *The Trademark Law Revision Act of 1988*, New York, 1989.

61. *Commission Report*, *supra* note 32, at 456 (“We propose adding a narrowly drawn dilution section to the Lanham Act, protecting only registered marks which become famous throughout a substantial part of the United States.”).

62. *Id.* at 455.

63. *Id.*

64. *Id.* at 372.

65. *See Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2d Cir. 1989) (Sweet, J., concurring).

66. *Id.*

67. 15 U.S.C. § 1125 (1998).

the mark, and to obtain such other relief as is provided in this subsection.⁶⁸

The Lanham Act 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 competition between the owner of the famous mark and other parties or the likelihood of confusion, mistake, or deception.”⁶⁹

Addressing the remedies afforded to a plaintiff of a diluted mark, the statute requires that

[i]n an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 1116 of this title unless the person against whom the injunction is sought willfully intended to trade on the owner’s reputation or to cause dilution of the famous mark.⁷⁰

Judicial interpretation of the FTDA has been inconsistent. The Fourth Circuit was the first federal appeals court to declare its understanding of the FTDA’s standard of proof.⁷¹ In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, the plaintiff claimed that the defendant’s slogan “The Greatest Snow on Earth” diluted its famous slogan, “The Greatest Show on Earth.”⁷² The plaintiff argued that a senior mark is diluted when a junior mark is identical or “sufficiently similar to the famous mark” and that individuals would make a mental association between the two.⁷³ The plaintiff then argued that although not identical, the two slogans were similar enough that the court could find the requisite mental association as a matter of law absent any further evidence.⁷⁴ Relying on this argument, the plaintiff offered no proof of actual consummated economic harm.⁷⁵ The Fourth Circuit chose a stringent requirement in its interpretation of the statute, holding that the plaintiff must offer proof that the junior use caused “actual harm to the senior marks’ economic value.”⁷⁶

68. 15 U.S.C. § 1125(c)(1) (1998).

69. 15 U.S.C. § 1127 (1998).

70. 15 U.S.C. § 1125(c)(2) (1998).

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

72. *Id.* at 451.

73. *Id.* at 452.

74. *Id.*

75. *Id.* at 462.

76. *Id.* at 453.

By setting such a high standard, the Fourth Circuit made raising a dilution claim in federal court a thorny endeavor. The court admitted that the FTDA's guidance "surely does not leap fully and immediately from the statutory text."⁷⁷ The court also admitted that "[t]he real interpretive problem has been with how harm to the senior mark's selling power . . . could be proved."⁷⁸ The court also conceded that its requirement of a showing of actual lessening of the senior mark's selling power is a "stringent interpretation of 'dilution' under the federal Act" but concluded that its decision was still justified.⁷⁹

The court explained that conclusive judicial presumptions of actual harm cannot be made because "the probabilities are not high enough nor means of proof sufficiently lacking to allow such a presumption."⁸⁰ The court noted that it is not "improbable that some junior uses will have no effect . . . upon a senior mark's economic value."⁸¹ The court also noted that there are independent ways of proving harm,⁸² but that the "plain meaning" of the FTDA required a finding of actual harm since the language of the statute required that a violating mark "causes dilution" as opposed to causing a likelihood of dilution.⁸³ The court also held that the "lessening of the capacity of a famous mark to identify and distinguish goods or services" language of the FTDA mandated that "the end harm at which [the FTDA] is aimed is a mark's selling power, not its 'distinctiveness' as such."⁸⁴

After *Ringling Bros.*, the Second Circuit cast its line into the federal dilution quandary in *Nabisco, Inc. v. PF Brands, Inc. and Pepperidge Farm, Inc.*⁸⁵ In this case, Nabisco appealed from a preliminary injunction barring it from selling "orange, bite-sized, cheddar cheese flavored, goldfish-shaped cracker[s]."⁸⁶ The district court held that Nabisco's crackers diluted Pepperidge Farm's goldfish crackers, which had been used in commerce continuously since 1962.⁸⁷ On appeal, Nabisco claimed that the court should apply the same standard of proof as the Fourth Circuit. Nabisco argued, in part, that

77. *Id.*

78. *Id.* at 457.

79. *Id.* at 458–59.

80. *Id.* at 459–60.

81. *Id.* at 460.

82. *Id.* ("[I]f they *do* exist, there are means of proving them.")

83. *Id.* at 461.

84. *Id.* at 458.

85. 191 F.3d 208 (2nd Cir. 1999).

86. *Id.* at 212.

87. *Id.*

“dilution cannot be found without documentation of actual injury, consisting of an actual reduction in the senior mark’s selling power.”⁸⁸ The court disagreed and applied a nonexhaustive list of factors to determine if the junior use “caused dilution” by creating a likelihood of harm to the senior user.⁸⁹

The court held that “[a] very distinctive mark is thus more likely to suffer dilution of distinctiveness than is a less distinctive mark.”⁹⁰ The court also held that the “marks must be of sufficient similarity so that . . . the junior mark will conjure an association with the senior.”⁹¹ Although not required by the FTDA, the court included “actual confusion” as a considerable factor because “[w]hen consumers confuse the junior mark with the senior, blurring has occurred.”⁹²

The court opined that the Fourth Circuit’s requirement of actual harm was “inappropriate” because it would often be impossible for a senior user to show actual loss of revenue.⁹³ The Second Circuit argued that there was “no reason why the senior users could not rely on persuasive circumstantial evidence of dilution of the distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys.”⁹⁴ Furthermore, the court held that the Fourth Circuit’s reading “depends on excessive literalism to defeat the intent of the statute.”⁹⁵

The Fifth Circuit then leaped into the fray in *Westchester Media v. PRL USA Holdings, Inc.*⁹⁶ In this case, PRL claimed that Westchester’s use of the title “Polo” for its equestrian magazine diluted PRL’s established Ralph Lauren “Polo” trademark on various goods.⁹⁷ Again, the argument focused on whether proof of dilution required “a showing of actual or merely threatened economic harm.”⁹⁸ The Fifth Circuit followed the Fourth Circuit’s lead and chose to require a showing of actual consummated economic harm before a plaintiff could obtain equitable relief.⁹⁹

88. *Id.* at 214.

89. *See id.* at 217.

90. *Id.*

91. *Id.* at 218.

92. *Id.* at 221.

93. *Id.* at 223.

94. *Id.* at 224.

95. *Id.*

96. 214 F.3d 658 (5th Cir. 2000).

97. *Id.* at 663.

98. *Id.* at 670.

99. *Id.*

In finding in favor of the defendant, the Fifth Circuit relied heavily on the rationale of the Fourth Circuit.¹⁰⁰ The court arrived at this finding by noting that the action prohibited under the Act is “another person’s . . . [actual] use . . . not merely threatened use of the mark.”¹⁰¹ The court also stated that the Act provides compensatory relief and restitution when willful conduct is shown.¹⁰² Lastly, the court acknowledged that the plain meaning of the statute mandated an actual harm standard.¹⁰³

The Seventh Circuit was the next federal appeals court to remedy this malady in the statute. In *Eli Lilly & Co. v. Natural Answers, Inc.*,¹⁰⁴ the pharmaceutical giant Eli Lilly & Co. claimed that the defendant’s mark, “HERBROZAC,” diluted its famous mark “PROZACthorn.”¹⁰⁵ The Seventh Circuit affirmed the district court’s grant of preliminary injunction, which barred the defendant’s mark from further use based on dilution and infringement.¹⁰⁶ In so doing, the Seventh Circuit reasoned that a plaintiff was not required to show proof of actual consummated economic harm before obtaining relief under the FTDA.¹⁰⁷ The court based this decision on the notion that an actual harm standard “holds plaintiffs to an impossible level of proof.”¹⁰⁸ Given the difficulty of proving a connection between dilution and revenue loss, the court held that “[i]t is hard to believe that Congress would create a right of action but at the same time render proof of the plaintiff’s case all but impossible.”¹⁰⁹

The Sixth Circuit was the latest federal appeals court to address this issue and consequently provided support for dilution in *V Secret Catalogue, Inc. v. Moseley*.¹¹⁰ The court only briefly discussed the issue addressed in this Note, but sided with the Second and Seventh Circuits in refusing to require proof of actual economic harm before relief could be granted.¹¹¹ The court focused on a single sentence of

100. *Id.* at 670–71.

101. *Id.* at 671.

102. *Id.*

103. *Id.*

104. 233 F.3d 456 (7th Cir. 2000).

105. *Id.* at 459.

106. *Id.* at 469.

107. *Id.* at 468 (holding that proof of “likelihood of dilution” will meet the requirements of the “causes dilution” prong).

108. *Id.*

109. *Id.*

110. 259 F.3d 464 (6th Cir. 2001).

111. *Id.* at 475 (“Despite the Fourth Circuit’s somewhat persuasive arguments, we conclude that the Nabisco test both tracks the language of the statute and follows more closely Congress’s

the legislative history of the FTDA, which stated that “[c]onfusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.”¹¹² The court held that there were two reasons that the sentence precluded the requirement of actual economic harm. First, it “evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim is a property right in the ‘potency’ of a mark,”¹¹³ and second, it “evinces an intent to allow a remedy before dilution has actually caused economic harm to the senior mark.”¹¹⁴

II. ANALYSIS

The Fourth and Fifth Circuits’ requirement of a showing of actual economic harm does a disservice to Congress’ intent in passing the FTDA because it holds plaintiffs to an impossible level of proof, subjects senior mark holders to uncompensable injury, contravenes the plain meaning of the statute, and eviscerates a law meant to protect against the loss of distinctiveness, not revenue.

A. *Impossibility of Proof*

Under the Fourth and Fifth Circuits’ rationale, a senior mark holder must show proof of actual consummated economic harm despite the possible presence of unrelated mitigating factors. Such mitigating factors can include increases in advertising, beneficial changes in consumer motives, and market fluctuations. In instances where a mark is becoming famous across the country, uniqueness of the mark could be diluted even as sales are increasing.¹¹⁵ Even if a senior mark holder could show loss of revenue, it would be exceedingly difficult to produce evidence that the loss resulted from dilution and not some other factor.¹¹⁶

intent in enacting the FTDA.”).

112. H.R. REP. NO. 104-374 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029, 1032.

113. *V Secret*, 259 F.3d at 475.

114. *Id.* at 476.

115. *See* *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000) (“[I]t is possible that the distinctiveness of its [famous] mark could be diluted even as its sales are increasing, albeit not increasing as much as they would in the absence of the offending mark.”).

116. *See* *Nabisco, Inc. v. PF Brands, Inc. and Pepperidge Farm, Inc.*, 191 F.3d 208, 224 (2nd Cir. 1999) (“Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark.”).

The Fourth Circuit claims that if proof of actual consummated economic harm is not required, trademark owners will obtain property rights in gross in their marks based upon a conclusive judicial presumption that unauthorized third party use of a similar mark has caused harm.¹¹⁷ This perception runs counter to existing trademark law. A leading treatise on trademark law states that for infringement actions, “it is not necessary for [p]laintiff to prove actual damage or injury to obtain injunctive relief” and that “[o]ne does not have to await consummation of the threatened injury to obtain preventative relief.”¹¹⁸ Such evidentiary decisions have not created property rights in gross thus far for trademarks, and extending this rationale for dilution claims will not have this effect either. Indeed, courts readily assume the presence of confusion in infringement actions and thus grant equitable relief prior to a showing of actual harm.¹¹⁹

The requirement of a showing of “irreparable injury” prevents any of the abuses feared by the Fourth and Fifth Circuit. McCarthy states that

[t]he ‘irreparable injury’ requirement is merely a specific application of the general doctrine that equitable relief cannot be granted unless Plaintiff shows that the remedy at law is inadequate. . . . Irreparable harm exists only where there is a threatened imminent loss that will be very difficult to quantify.”¹²⁰

As previously indicated, proof of lost revenue because of dilution is very difficult to prove. Therefore, where the senior mark holder makes a strong showing of likelihood of economic harm, “irreparable injury” should be accepted as a matter of course.

The legislative history of the FTDA lends support to this claim, stating that “[t]he use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation.”¹²¹

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

118. See MCCARTHY, *supra* note 20, at 30-21.

119. See *Hulburt Oil & Grease Co. v. Hulburt Oil & Grease Co.*, 371 F.2d 251, 256 (7th Cir. 1966) (“The appropriation of the plaintiff’s name by the incorporation of the defendant under the circumstances [is] likely to cause confusion. . . .”); *Fund of Funds, Ltd. v. Fund of Funds, Inc.*, 274 F. Supp. 517, 526 (S.D.N.Y. 1967) (“It is not necessary to show actual cases of deception or confusion, since the test is the likelihood that an appreciable number of ordinarily prudent purchasers will be confused.”); *Magic Pan, Inc. v. Magic Pan, Inc.*, 192 U.S.P.Q. 321, 321 (S.D. Ind. 1976) (“[C]onfusion would naturally and probably result from the defendants’ use of the name.”).

120. MCCARTHY, *supra* note 20, at 30-46.

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

Nowhere in the congressional reports does it state that these famous marks would be protected only after a showing of actual consummated economic harm. The House Report, therefore, demonstrates that dilution can be presumed in the preceding examples absent any showing of proof of actual economic harm by the senior user. The Fourth Circuit refused to address the fact that this House Report conflicts with its requirement of proof of actual economic loss, other than to say that "it speaks directly only to the effect of an identical replication which is not involved in this case."¹²² This sidestepping by the Fourth Circuit illustrates the flaws of its, and the Fifth Circuit's, logic and is an attempt to create a different standard of proof for identical marks. Nowhere does the FTDA require that a junior mark be identical to the senior mark, and common sense dictates that the statute would have included this prerequisite if Congress intended to limit protection to only identical use. A more sound reason for the House Report's use of identical marks was to provide clear examples of dilution of universally acknowledged famous marks without having to delve into the degree of similarity between the marks and examinations of other factors. Therefore, the legislative intent should lead to judicial acknowledgment of equitable relief absent proof of actual consummated economic harm.

B. *Uncompensable Injury*

Requiring proof of actual consummated economic harm before injunctive relief can be obtained under the FTDA will subject the senior user to an uncompensable injury in almost all instances.¹²³ A senior user will be helpless until the junior user melts the distinctiveness of the senior mark to such a substantial degree that the senior user can show actual consummated economic harm. Since the senior mark holder is limited to injunctive relief absent a showing of willfulness, a plaintiff will be barred from bringing suit "prior to suffering an injury for which the Act will not compensate them in many circumstances."¹²⁴ Furthermore, when a plaintiff has finally

122. *Ringling Bros.*, 170 F.3d at 459 n.5.

123. See *Nabisco, Inc. v. PF Brands, Inc. and Pepperidge Farm, Inc.*, 191 F.3d 208, 224 (2nd Cir. 1999) ("To read the statute as suggested by the Ringling opinion would subject the senior user to uncompensable injury."); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000) (holding that if a plaintiff could not bring a claim "prior to economic injury, upstart companies would be unable to seek a declaratory judgment that their mark is sufficiently different").

124. *Eli Lilly*, 233 F.3d at 467 (citing *Nabisco*, 191 F.3d at 224).

suffered enough damage to bring suit, the damage caused by the defendant's mark could provide the defendant with the argument that the plaintiff's mark was not sufficiently distinctive.¹²⁵ In essence, the fruits of the defendant's diluting conduct would provide a defense for that very conduct.¹²⁶

Essentially, requiring proof of actual harm causes irreparable harm to the senior mark holder. One of the basic principles of tort remedy is to put the wounded party in the position it was in prior to the harm suffered.¹²⁷ This is impossible under the Fourth and Fifth Circuit's rationale. The Fourth Circuit implies that a senior mark holder will not suffer uncompensable harm because the FTDA offers damages only if the plaintiff proves that the defendant's use is willful and causes economic harm by lessening the *future* capacity of the mark to sell goods.¹²⁸ Absent a whistleblower or a smoking-gun office memo outlining the intricacies of a plan to dilute another's mark, proof of willful dilution, and thus the possibility of obtaining damages under the Act, will never happen.

Aside from the logical flaws of this proof requirement and definition of "capacity," the Fourth Circuit also fails to identify the irreparable harm a famous mark suffers when used by more than one party. When third parties use the same, or a sufficiently similar mark as the senior user's famous mark, that mark loses distinctiveness by indicating to consumers more than one origin. This destroys the senior user's investment in the distinctiveness of the mark and nullifies the motive to put forth further effort to create strong marks. While trademark law has never been as concerned with influencing creativity as have other areas of intellectual property law, the law does require distinctiveness in order to maximize the information conferred to the public. The Third Circuit identified this factor when holding that "a lack of control over the use of one's own mark amounts to irreparable harm."¹²⁹

125. *See id.*

126. *See Commission Report, supra* note 32, at 461 ("Third party uses of the same or similar marks are relevant in determining the fame and distinctiveness of the mark, since the mark must be in substantially exclusive use. If a mark is in widespread use, it may not be famous for the goods or services of one business.").

127. PROSSER AND KEETON ON THE LAW OF TORTS § 1 (5th ed. 1984).

128. *See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir. 1999) (stating that the statute provides for compensatory relief and restitution where willful conduct is shown.).

129. *Times Mirror Magazines v. Las Vegas Sports News*, 212 F.3d 157, 169 (3d Cir. 2000).

The degree of proof that the Fourth and Fifth Circuits require is unjust. Since the FTDA does not provide damages (absent the almost impossible showing of willfulness), the irreparable injury that the senior user has already suffered can never be remedied. Arguably, injunctive relief at this post-mortem stage is futile because the diluting mark might already have pillaged the selling power of the senior mark. The Fourth and Fifth Circuits' reasoning is analogous to granting a victim a restraining order against her assailant only after he has murdered her. Therefore, based solely on the fact that injunctive relief is usually the only type of relief that will be obtainable under the FTDA, and the fact that such relief contradicts the Fourth and Fifth Circuits' actual economic harm standard, the plain meaning of the statute mandates that a senior user need not offer proof of actual consummated economic harm.

C. Plain Meaning

The Fourth and Fifth Circuits hold that the plain meaning rule mandates a showing of actual consummated economic harm;¹³⁰ however, faithful adherence to the plain meaning rule precludes such a requirement. In a case the Fourth Circuit itself cites, the Supreme Court urges, "if the words convey a definite meaning, which involves no absurdity, nor any contradiction of any other parts of the instrument, then that meaning, apparent on the face of the instrument, must be accepted. . . ."¹³¹ The Supreme Court also requires that a court not read a word or sentence in isolation from the rest of the statute.¹³² The Fourth and Fifth Circuits' holdings that a plaintiff is required to show actual consummated economic harm based on the statutory terminology, "causes dilution," and "the lessening of the

130. *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 671 (5th Cir. 2000) ("[I]n the absence of any authority stating that Congress intended a 'likelihood of dilution' standard for the FTDA, we may not depart from the plain meaning of the statute."); *Ringling Bros.*, 170 F.3d at 461 (agreeing that the proof of actual economic harm is indicated by the plain meaning of the statute).

131. *Lake County v. Rollins*, 130 U.S. 662, 670 (1889).

132. See *United States Nat'l Bank of Or. v. Indep. Ins. Agents of Am., Inc.*, 508 U.S. 439, 455 (1993) (noting that "[s]tatutory construction is a 'holistic endeavor,' and, at a minimum, must account for a statute's full text. . . ."); see also *Richards v. United States*, 369 U.S. 1, 11 (1962) (noting that "[a] section of a statute should not be read in isolation from the context of the whole Act, and that in fulfilling our responsibility in interpreting legislation, 'we must not be guided by a single sentence or member of a sentence, but [should] look to provisions of the whole law, and to its object and policy[']").

capacity,” violates the plain meaning rule because of the relief that the FTDA grants.

Absent a showing of willful dilution, the owner of a senior mark “shall be entitled only to injunctive relief.”¹³³ Since the whole theory behind the FTDA is to prevent the gradual watering down of a mark’s distinctiveness, it would be pointless for the Act’s sole remedy, injunctive relief, to be granted after a senior user has shown proof of economic harm. Such a rationale ignores basic principles of injunctive relief. The Supreme Court’s explanation of the purpose of injunctive relief has never wavered: courts grant injunctive relief to prevent future harmful conduct.¹³⁴ Injunctions are not focused on past wrongs and need not be based on actual economic harm already suffered.¹³⁵ Therefore, the “plain meaning” of the injunctive relief offered under the FTDA indicates that it is focused on preventing future harm.

Furthermore, the Fourth and Fifth Circuits’ interpretation of the statutory language “causes dilution” as “actual, consummated dilution”¹³⁶ requiring proof of economic harm is not necessarily correct. Black’s Law Dictionary defines “cause” as “[t]o be the cause or occasion of; to effect as an agent; to bring about; to bring in existence; to make to induce; to compel.”¹³⁷ A “cause” is, therefore, an agent that brings about or is associated with a result.¹³⁸ Read in conjunction with the congressional intent and the early point at which dilution of a mark begins, it is illogical not to find an alternative interpretation of “causes dilution.” Congress stated that the intent of the Lanham Act was “to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations.”¹³⁹ This language indicates that Congress’ intent

133. 15 U.S.C. § 1125(c)(2) (1998).

134. See *Rondeau v. Mosinee Paper Corp.*, 422 U.S. 49, 61 (1975) (“Injunctive relief is historically designed to deter. . . .”); see also *Dombrowski v. Pfister*, 380 U.S. 479, 485 (1965) (concluding that injunctive relief looks to the future rather than the past); *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) (noting that the purpose of injunction is to prevent future violations and does not require a showing of past wrongs); *United States v. Or. State Med. Soc’y*, 343 U.S. 326, 333 (1952) (supporting the idea that actions for injunction are forward looking).

135. *Id.*

136. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458 (4th Cir. 1999); *Westchester*, 214 F.3d at 671.

137. See BLACK’S LAW DICTIONARY 221 (6th ed. 1990).

138. *Id.*

139. 15 U.S.C. § 1127 (1998).

was to create a forward-looking remedy. In the preceding analogy concerning the murdered woman, the avoidance of harmful contact obtained by the restraining order is defeated by the grave harm already experienced. Likewise, the Act's intent to protect the mark holder and prevent harm is defeated if uncompensable economic harm has already accrued. Hence, in order to follow the intent of the statute, "causes dilution" must be read as the current immeasurable whittling away of the distinctiveness of a mark that will cause incalculable economic harm in the future. The forward-looking statutory language, the early point at which dilution of a mark begins, and the injunctive relief offered under the FTDA, all indicate that the Fourth and Fifth Circuits are incorrect in holding that the plain meaning of "causes dilution" requires a senior mark holder to show consummated economic harm before relief is available.

The Fourth and Fifth Circuits also claim that the plain meaning of the word "capacity" in the FTDA's definition of "dilution" does not imply future capacity as one would naturally think, but rather "former capacity."¹⁴⁰ This runs counter to the word's most common definition, which has a completely future-looking focus.¹⁴¹ The Fourth Circuit claims that contextual indicators such as the aforementioned "causes dilution" language and the fact that the statute grants damages "where willful conduct is shown" requires a backward-looking interpretation of "capacity."¹⁴² In addition to the previously discussed analysis for "causes dilution" as a contextual indicator, common sense dictates that "capacity" as used in the FTDA should not be viewed as "former ability."

The Supreme Court provides significant guidance for statutory interpretation in holding that where Congress "use[s] general language and thereby requires the judiciary to apply this general language to a specific problem . . . [courts] must resort to whatever aids to interpretation the legislation in its entirety and its history provide."¹⁴³

The legislative history of the FTDA is devoid of any deliberations as to how Congress defined "capacity." However, "capacity" is a term of common English usage and *The American Heritage Dictionary* defines "capacity" as "[t]he ability to receive, hold, or ab-

140. See *Ringling Bros.*, 170 F.3d at 461; *Westchester*, 214 F.3d at 671.

141. *Ringling Bros.*, 170 F.3d at 461; *Westchester*, 214 F.3d at 671.

142. *Ringling Bros.*, 170 F.3d at 461.

143. *Offcut Hous. Co. v. Sarpy County*, 351 U.S. 253, 260 (1956).

sorb.”¹⁴⁴ Nothing in this definition alludes to a prior ability as the Fourth Circuit suggests. Based on its common use in the English language, “capacity” is forward looking and implies a preventive intent of the statute. Therefore, because the Act’s congressional intent is focused on preventing damage, because “causes dilution” is a contextual indicator of support for the Second and Seventh Circuits’ readings of the statute, and because everyday usage of the term “capacity” is forward-looking, the plain meaning rule demands that a showing of likelihood of economic harm will be actionable.

The Fourth Circuit also refers to the FTDA’s monetary damages provision as further support for its definition of “capacity.”¹⁴⁵ However, this logic is flawed because it renders useless the relief granted by the Act. The Supreme Court warns against such results, holding that it is “hesitant to adopt an interpretation of a congressional enactment which renders superfluous another portion of that same law.”¹⁴⁶ In its claim that a senior user will be entitled to monetary damages in many instances, the Fourth Circuit presupposes that a junior user will have the requisite predatory intent and therefore purposefully choose a mark identical or strikingly similar to that of the senior user.

In essence, the Fourth Circuit is taking a giant step backward in trademark theory by alluding to this “misappropriation” basis for monetary relief. Stated briefly, “misappropriation” involves unfair competition beyond the conventional framework of “passing off” by creating a common-law property right against “misappropriation” of commercial worth.¹⁴⁷ Academia has not viewed misappropriation kindly, and the theory has not been used as the basis for relief since the *International News Service* case.¹⁴⁸ By presupposing parasitic motive and activity as one of its bases of support for requiring proof of actual economic harm, the Fourth Circuit alludes to common-law property rights in gross for trademarks, which is exactly what the Fourth Circuit claims to be avoiding with its holding.¹⁴⁹

144. THE AMERICAN HERITAGE DICTIONARY 283 (3d ed. 1992).

145. *Ringling Bros.*, 170 F.3d at 461 (“Unlike the state antidilution statutes which provide only injunctive relief, reflecting their sole focus on prevention of future harm, the federal Act provides . . . both compensatory and restitutionary relief. . .”).

146. *Kawaauhau v. Geiger*, 523 U.S. 57, 62 (1998).

147. See *Int’l News Serv. v. Associated Press*, 248 U.S. 215, 217 (1918).

148. See generally Douglas G. Baird, *Common Law Intellectual Property and the Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411 (1983).

149. *Ringling Bros.*, 170 F.3d at 459 (“It will not bear a property-right-in-gross interpretation.”).

The Fourth Circuit's rationale not only ignores the language of the statute but also the operations of the marketplace. Often, dilution could arise when a junior user is not in competition with the senior user, and, therefore, has no purposeful intent to engage in trademark piracy yet still uses a mark that dilutes the senior mark because of lack of awareness. Because monetary damages could not be granted in such cases under the FTDA, the senior user would suffer uncompensable harm and would be able to enjoy the diluter only from further damaging actions. Therefore, based on a "[m]ore natural reading of the intent of the statute's text, which would give effect to all of its provisions,"¹⁵⁰ the plain meaning of "capacity" must be forward-looking.¹⁵¹ Hence, for all of the aforementioned reasons, the plain meaning rule mandates that a plaintiff does not need to show proof of actual consummated economic harm.

D. *Loss of Distinctiveness and Not Revenue*

The FTDA contains no express indication that the harm sought to be prevented is the senior mark's economic value. Schecter defined the legal harm that dilution law seeks to prevent as the loss of a mark's "uniqueness."¹⁵² The Fourth Circuit viewed the legal harm sought to be protected as the economic value of a mark's selling power.¹⁵³ However, the FTDA states that relief is warranted if the junior mark "causes dilution of the *distinctive quality*" of the senior mark.¹⁵⁴ "Distinctive quality" of a mark is more analogous to uniqueness than it is to economic value. Therefore, it seems incorrect for the Fourth and Fifth Circuits to require proof of actual consummated economic harm when economic harm may not be the legal harm for which prevention is sought in the first place.

Furthermore, Schecter defined dilution of a unique mark as "the gradual whittling away or dispersion of the identity."¹⁵⁵ Dilution, therefore, begins the instant that an individual makes the cognitive

150. *United Food and Commercial Workers Union Local 751 v. Brown Group, Inc.* 517 U.S. 544, 551 (1996).

151. *See also* *Denn v. Reid*, 35 U.S. 524, 527 (1836) ("Where the language of an act is not clear and is of doubtful construction; a court may well look at every part of the statute: at its title, and the mischief intended to be remedied in carrying it into effect.").

152. Schecter, *supra* note 30, at 830.

153. *Ringling Bros.*, 170 F.3d at 456 (stating that the antidilution statutes were targeted at protecting the economic value of the marks).

154. 15 U.S.C. § 1125(c)(1) (1998).

155. Schecter, *supra* note 30, at 825.

decision that a single mark is representative of two unrelated sources. This canon of trademark law is not to be confused with the cognitively distinct doctrine of consumer confusion. In the confusion analysis, the consumer is confused as to origin. In the dilution analysis, instead of the consumer being puzzled as to the origin of the marks, the consumer identifies a single mark with separate origins. Hence, if a judge, viewing the marks from the average consumer's perspective, subjectively determines that a junior mark is so similar to a famous mark that he identifies the marks as essentially one in the same, dilution in fact has already occurred. The junior mark has already whittled away the uniqueness of the senior mark in the judge's mind. Contrary to an argument of "bootstrapping," this analysis shows that, given the forward-looking language of Congress' intent, the early point at which dilution of a mark begins, and the injunctive relief offered under the FTDA, it is unpersuasive for a court to hold that the FTDA requires a senior mark holder to show consummated economic harm before relief is available.

III. RECOMMENDED FACTORS FOR COURTS TO CONSIDER

If a plaintiff is not required to show proof of actual consummated economic harm, what standard should a court use to determine if a junior user causes dilution of a senior mark? Given the "mischief" Congress sought to prevent, and the dearth of legislative deliberations in favor of an actual economic harm requirement, the court should not create a practically insurmountable barrier for the plaintiff. Therefore, following the rationale of the Seventh Circuit, the test for dilution should be the degree of similarity between the marks and the renown of the senior mark.¹⁵⁶

Requiring significant similarity between marks will protect against barriers to free competition.¹⁵⁷ Obviously, the degree of similarity between the marks factors into whether the marks will be viewed as essentially one in the same. As previously stated, dilution by blurring only occurs when a consumer identifies a single symbol as identifying two separate sources. Therefore, in order to ensure that the FTDA does not overtake traditional consumer confusion analysis, the marks should have a sufficient similarity so that a judicially

156. See *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000) ("[W]e will consider . . . the similarity . . . and the renown. . .").

157. See *Times Mirror Magazines v. Las Vegas Sports News*, 212 F.3d 157, 170 (3d Cir. 2000) (Barry, J., dissenting on other grounds).

determined minimum percentage of the population will make the mental association between the mark and the origins. Courts should be free to determine what factors can be used to determine if the requisite similarity exists. This can include visual, audible, and thematic similarities.

The renown of the senior mark is important because Congress intended only to protect a small number of truly famous marks.¹⁵⁸ Congress was clear in forming a strict requirement of extensive fame of a mark by including a list of eight factors to determine fame in the FTDA.¹⁵⁹ By requiring a substantial degree of fame, this obligation ensures that the FTDA “does not swallow infringement law by allowing mark owners to end-run a likelihood of confusion analysis . . .”¹⁶⁰ By requiring a high level of fame before a mark can obtain dilution protection, the law will encourage trademark owners to develop their marks extensively through advertising and product development, and by ensuring consistent quality of their products. Courts can evaluate the fame factor on a case-by-case basis and develop the critical levels of fame and similarity through common law.

Lastly, because plaintiffs will usually be seeking equitable relief, traditional prerequisites of injunctive relief should apply. In order to obtain an injunction, a party must show a lack of remedy at law, presence of immediate irreparable harm, and a likelihood of success on the merits.¹⁶¹ Given the harsh reality that actual economic harm

158. S. REP. NO. 100-515 (“[The Act] creates a highly selective federal cause of action to protect federally registered marks that are truly famous from dilution of the distinctive quality of the mark. The provision is specifically intended to address a narrow category of famous registered marks[.] . . . the Act is to be applied selectively and is intended to provide protection only to those marks which are both truly distinctive and famous, and therefore, most likely to be adversely affected by dilution. To protect these special marks, and to ensure that the bill does not supplant the current protection of trademarks based on the likelihood of confusion, the committee amended the legislation to place greater emphasis on the factors the courts must weigh in determining whether a mark possesses a sufficient level of fame and distinctive quality to qualify for federal protection from dilution.”).

159. See 15 U.S.C. 1125(c)(1)(A)–(H) (1999). The factors include: 1) the degree of inherent or acquired distinctiveness; 2) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; 3) the duration and extent of advertising; 4) the geographical area in which the mark is used; 5) the channels of trade in which the mark is used; 6) the degree of recognition of the mark within the channels of trade used by the mark owner and the defendant; 7) the extent of use of the mark by third parties; and 8) whether the mark is registered.

160. *Times Mirror Magazines*, 212 F.3d at 171.

161. See *Aiena v. Olsen*, 37 F. Supp. 2d 303, 305 (S.D.N.Y. 1999) (stating that the moving party is required to demonstrate that it is threatened with irreparable injury, and either is likely to prevail on the merits or has the balance of hardships tips in favor of injunction).

caused by dilution cannot be determined; damages relief cannot be awarded with any numerical certainty. Furthermore, in almost every instance, damages cannot be awarded at all, and the only available relief is equitable. A plaintiff also suffers immediate irreparable harm the moment the public begins to associate a mark with the defendant as well as the plaintiff. Therefore, the cornerstone of trademark law—confusion—will be protected by traditional principles of equity. A plaintiff is required to show that a remedy at law will not suffice and that the plaintiff will suffer irreparable harm to its truly famous mark because there is a substantial amount of similarity between the marks that will cause a significant portion of the public to make the requisite mental association between the marks.

CONCLUSION

Since the passage of the FTDA in 1995, the federal courts have struggled with the degree of proof necessary under the FTDA. The fear of creating property rights in gross for trademarks has caused the Fourth and Fifth Circuits to require the impossible proof of actual consummated economic harm. However, this interpretation violates the plain meaning of the statute, creates an uncompensable injury and requires incalculable evidence. A fair reading of the FTDA, which permits relief based on a showing of a likelihood of harm, will provide protection against the loss of distinctiveness for the small number of truly famous marks that qualify. By requiring a high degree of fame and similarity, the FTDA will not create market impediments or unnecessarily expand existing trademark law.

