

## THE MYTH AND REALITY OF DILUTION

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### INTRODUCTION

The cause of action for dilution, which punishes those who purportedly dilute the selling power of famous trademarks by blurring or tarnishing them, is a relatively new and controversial one.<sup>1</sup> Trademark litigation has traditionally turned on claims of infringement, which require proof of a likelihood of confusion between the plaintiff's mark and that of the defendant.<sup>2</sup> The interests of consumers and trademark holders are at least theoretically aligned in such actions: when the court prohibits infringement, consumers are better off because they are no longer duped into buying products they do not want, and trademark owners benefit because they no longer lose sales and have their reputations damaged by inferior products masquerading as the real thing. Dilution, by contrast, manifests no such convergence. A plaintiff may state a claim for dilution even though no one is likely to be confused; plaintiff and defendant do not compete; and plaintiff has incurred no actual economic injury.<sup>3</sup>

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<sup>1</sup> Although state anti-dilution laws started appearing in the 1940's, *see infra* note 72, the first federal dilution statute was passed in 1995. Federal Trademark Dilution Act (FTDA), 15 U.S.C. § 1125(c) (1995). The act was substantially revised and renamed in 2006. *See* Trademark Dilution Revision Act (TDRA), 15 U.S.C. § 1125(c) (2006).

<sup>2</sup> *See* 15 U.S.C. §§ 1114(1)(a) & 1125(a)(1)(A) (2006) (requiring proof of likelihood of confusion for an infringement claim).

<sup>3</sup> *See* 15 U.S.C. § 1125(c)(1) (permitting liability "regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury").

Statutory dilution claims are traditionally justified on the theory that even non-confusing uses of a famous trademark (or similar mark) can nonetheless minutely dilute the source-identifying power of the targeted trademark.<sup>4</sup> The alleged harm from dilution is cumulative: unchecked, the dilutive activity subjects the trademark to death by a thousand cuts.<sup>5</sup> Both the original federal dilution statute of 1995 and its substantial enlargement in 2006 assume that the source-identifying capacity of a trademark is akin to a glass of water: spill a drop here, spill a drop there and eventually your glass is empty. This Article advances three claims. First, dilution statutes incorrectly assume that the source-identifying function of a trademark is akin to a rivalrous good (a good that is dissipated by use). If marks are nonrivalrous and therefore function more like words than disposable goods, the economic justification for the dilution cause of action ceases to exist.

Second, even if diluting but noninfringing uses of famous trademarks do impair the source identifying capacity of some marks, the social and transaction costs imposed by dilution law still outweigh the harm that it is designed to avert. Dilution claims inflict anticompetitive burdens and, as a result, may entrench dominant (often oligopolist) firms at the expense of market entrants. Dilution laws have serious non-economic costs as well, as they infringe upon protected speech without sufficient justification. For these reasons and others, dilution law causes more harm than it prevents.

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<sup>4</sup> This presumed damage may arise from either “dilution by blurring,” which exists when similarity between two marks impairs the distinctiveness of the more famous one, 15 U.S.C. § 1125(c)(2)(B), or “dilution by tarnishment,” which typically exists when the defendant uses a famous trademark in an unwholesome context. 15 U.S.C. § 1125(c)(2)(C).

<sup>5</sup> Numerous cases have embraced the idea that the harm caused by dilution is a gradual, cumulative one. *See, e.g.*, *Acad. of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1457 (9th Cir. 1991) (describing dilution as the “gradual ‘whittling away’” of a mark’s value); *Ameritech, Inc. v. Am. Info. Technologies Corp.*, 811 F.2d 960, 965 (6th Cir. 1987) (describing dilution as a “gradual diminution in the mark’s distinctiveness,” which “corrodes the senior user’s interest in the trademark”); *Allied Maint. Corp. v. Allied Mech. Trades, Inc.*, 369 N.E.2d 1162, 1164 (N.Y. 1977) (describing purpose of New York’s anti-dilution statute as prevention of “the ‘whittling away’ of an established trade-mark’s selling power and value”); *Augusta Nat., Inc. v. Northwestern Mut. Life Ins. Co.*, 193 U.S.P.Q. 210, 222 (S.D. Ga. 1976) (reasoning that if defendant were allowed to use the term “Ladies’ Masters” to describe a women’s golf tournament, “there is reasonable certainty that the value of plaintiff’s mark will be eroded; a little now, more later, until the ‘magic’ of the [original] Masters will be mortally dissipated if not completely dispelled”).

Finally, the true foundation for dilution law lies in the misplaced fiction of corporate personality, not in alleged economic harms. We do not require trademark holders to prove actual economic injury in the context of a dilution claim because, in truth, there probably is none. Instead, we have granted the holders of famous trademarks the equivalent of a moral right to these marks: an extension of the rights granted to a creator of an expressive work in the copyright context. Trademark holders are vested in their brands, many of which are deliberately anthropomorphized, and the dilution statute reifies and protects these rights as a matter of federal law.

When dilution is recognized for what it really is, it becomes even harder to justify its existence. Although the Pillsbury Doughboy and Barbie may well be trademarks that are imbued with personality traits in the minds of consumers (as well as in the minds of their respective corporate parents), they do not have the type of creative “soul” that normatively warrants this type of protection. Properly viewed, the federal dilution statute is a legislative precursor to the type of corporate personification underlying the Supreme Court’s analogous treatment of corporate speech under the First Amendment in *Citizens United*<sup>6</sup> and is equally misplaced. Trademark holders do not have an abstract moral right to ownership of particular words. Absent anticompetitive effects, those words properly remain in the public domain. By granting near-monopoly protection to famous marks, notwithstanding the absence of actual economic injury, the federal dilution statute turns competition on its head and serves to entrench and further concentrate economic power in the hands of dominant corporate firms at the expense of consumers and competitors alike. Dilution law should be repealed or, at the very least, reformed.

## I. THE INTENT AND REALITY OF DILUTION

In the 1920s, Frank Schechter, a trademark practitioner and academic, proposed a cause of action to protect the uniqueness of a mark as a way to remedy what he perceived to be arbitrary and harmful limitations on the reach of trademark infringement law. Although the claim for dilution he proposed was not initially a powerful one, it has since become so. The Trademark Dilution Revision Act (TDRA) has expanded the scope and practical impact of the dilution cause of action. However, the economic justification for the dilution cause of action, which requires no proof of actual harm or damages, remains as elusive as ever.

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<sup>6</sup> *Citizens United v. FEC*, 130 S. Ct. 876 (2010); see *infra* text accompanying notes 337-338.

## A. The Origins of the Dilution Doctrine

The concept of trademark dilution arose at a time when the “needs of modern business” demanded the expansion of trademark law.<sup>7</sup> The cause of action for trademark dilution was one proposal to accomplish that goal. The desire to expand trademark law was achieved by the 1946 Lanham Act and subsequent amendments to it, but the emphasis then and, until recently, now was on trademark infringement, not dilution. The historical genesis of dilution claims has substantial significance for its contemporary breadth.

### 1. *The Rational Basis for Trademark Protection*

The cause of action for trademark dilution traces its roots to Frank Schechter’s 1927 article in the Harvard Law Review, *The Rational Basis of Trademark Protection*.<sup>8</sup> In this article, Schechter observed that many courts had grown impatient with “old theories of trademark protection,” which he believed were insufficient to “serve the needs of modern business.”<sup>9</sup> Although Schechter agreed that trademark law needed to expand to keep pace with the evolution of consumer culture in the United States, he rejected a subjective approach that relied on “good conscience” and “judicial sensibilities” to achieve that result.<sup>10</sup> Instead, he argued for a new paradigm in trademark law, planting a seed that went on to become the cause of action for trademark dilution. Schechter argued that a trademark, especially a strong one, was injured by “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark” when the mark was used on non-competing goods.<sup>11</sup> Schechter concluded that “the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.”<sup>12</sup>

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<sup>7</sup> Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 813 (1927). In the introduction to his article, Schechter opined that judicial impatience with “old theories of trademark protection” were “indicative of a desire to keep abreast of and to serve the needs of modern business.” *Id.*

<sup>8</sup> *Id.* For a thorough and compelling analysis of Schechter’s article, see Robert G. Bone, *Schechter’s Ideas in Historical Context and Dilution’s Rocky Road*, 24 SANTA CLARA COMP. & HIGH TECH. L.J. 469 (2008).

<sup>9</sup> Schechter, *supra* note 7, at 813; *see also id.* at 824 (observing that “the proper expansion of trademark law has been hampered by obsolete conceptions both as to the function of a trademark and as to the need for its protection”).

<sup>10</sup> *Id.* at 813.

<sup>11</sup> *Id.* at 825. Schechter further argued that, the stronger the mark, the greater the need for protection against this type of harm: “The more distinctive or unique the mark, the deeper its impress upon the public consciousness, and the greater

The bulk of Schechter's article derides what he perceived to be the cumbersome limitations of trademark law as it existed in 1927. His chief complaint was that trademark law failed to prohibit copying a trademark so long as the copier did not place the mark upon goods that were directly competing with those manufactured by the original trademark holder.<sup>13</sup> At the time, many courts held that if two users of the trademark (or substantially similar marks) were not directly competing with each other, there could be no unfair competition and hence no trademark infringement.<sup>14</sup> Although this rule was fading in 1927, as evidenced by a growing trend toward narrowing its interpretation, Schechter was nonetheless impatient with the pace of change and

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its need for protection against vitiation or dissociation from the particular product in connection with which it has been used." *Id.*

<sup>12</sup> *Id.* at 831.

<sup>13</sup> *Id.* at 821–24. Schechter's second major critique focused on the territoriality principle of trademark law. Under the common law, a trademark holder had priority in its mark only in the geographic location in which the mark was being used. To Schechter's great dissatisfaction, many courts interpreted this territoriality principle quite narrowly, in one case holding that "a nationally known chain of theatres, with a branch in Boston, did not extent its market, or rather its audience, to [other cities in Massachusetts]." *Id.* at 824 (citing *Loew's Boston Theatres Co. v. Lowe*, 143 N.E. 496 (Mass. 1924)); *see also id.* (discussing similar cases). The Supreme Court recognized the territoriality principle in trademark law in *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101 (1918), and *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 415 (1916). Schechter argued that these decisions were based on "an antiquated neighborhood theory of trade" and that, even in 1927, consumers tended to shop "far from home" and therefore relied on trademarks "as symbols of quality and guarantees of satisfaction." Schechter, *supra* note 7, at 824.

<sup>14</sup> Schechter, *supra* note 7, at 824 n.52 (citing cases). In a case that classically illustrates this principle, the Seventh Circuit refused to enjoin the use of the mark "Borden" on ice cream, even though a different company had developed the trademark and had used it for years to sell condensed milk, because the original trademark holder had never used the mark to sell ice cream. *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510, 514 (7th Cir. 1912). The court reasoned that, even if the public was deceived by this use of the "Borden" name, such use was not actionable unless it actually diverted sales from the original mark holder (which it could not, given that the company did not manufacture ice cream). *Id.* at 513–15; *see also, e.g.*, *Corning Glass Works v. Corning Cut Glass Co.*, 90 N.E. 449, 450 (N.Y. 1910) (refusing to enjoin defendant's use of the name "Corning Cut Glass Co." in part because plaintiff manufactured glass products, but did not cut glass and therefore did not compete with defendant).

rejected even nominal adherence to what he considered to be outdated, ineffectual rules.<sup>15</sup>

## 2. *The Historical Backdrop of Schechter's Idea*

Although Schechter's dilution proposition has been lately characterized as a radical, property-based theory inconsistent with the mainstream of trademark law,<sup>16</sup> it may not have been considered radical at the time it was written. Indeed, it was arguably the opposite: a throwback to the mid-to-late nineteenth century view of trademarks. During this era, *only* "technical trademarks" (primarily fanciful or

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<sup>15</sup> Schechter, *supra* note 7, at 813, 823–24 (comparing cases). The 1905 version of the federal trademark statute prohibited registration of marks that were so similar to currently registered marks "of the same descriptive properties" as to "be likely to cause confusion or mistake in the mind of the public or to deceive purchasers." Trade-Mark Act of 1905, 15 U.S.C. § 85 (1905) (repealed 1946). Many courts expressed frustration with the ambiguousness of this statutory language. *See, e.g.*, *Philco Corp. v. Phillips Mfg. Co.*, 133 F.2d 663, 672 (7th Cir. 1943) (observing that "[i]t would be difficult to choose words more ambiguous than this phrase"); *B.F. Goodrich Co. v. Hockmeyer*, 40 F.2d 99, 101 (C.C.P.A. 1930) (noting that the phrase "has given the courts considerable concern," leading to inconsistency and arbitrary decision-making). Some courts interpreted the phrase "descriptive properties" expansively; others did not. *See, e.g.*, *Rosenberg Bros. Co. v. Elliott*, 7 F.2d 962, 966 (3d Cir. 1925) (holding that men's suits and overcoats share the same descriptive properties as men's hats and caps, because they are worn together); *Philadelphia Inquirer Co. v. Coe*, 133 F.2d 385, 389 (D.C. Cir. 1942) (holding that magazine supplement section of Sunday newspaper shares the same descriptive properties as a stapled, tabloid weekly news magazine, reasoning that if "coffee can be classed with horse-radish, fish with tea, [and] mouth washes with cold creams," then these publications clearly belong to the same class); *compare* *France Milling Co. v. Washburn-Crosby Co.*, 7 F.2d 304, 304, 306 (2d Cir. 1925) (concluding both parties were entitled to use the mark "Gold Medal," where one applied the mark to wheat, pancake and buckwheat flour, while the other applied the mark to pure or straight wheat flour) *with* *Arrow Distilleries v. Globe Brewing Co.*, 117 F.2d 347, 351 (4th Cir. 1941) (holding no infringement when defendant used the mark "Arrow" on cordials and liqueurs and plaintiff applied the mark to beer, because the manufacture of beer and ale and the manufacture of cordials and liqueurs are "separate industries").

<sup>16</sup> *See, e.g.*, Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 797 (1997) (characterizing dilution as a "radical alternative to the consumer protection model of trademark rights"); Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 85 TRADEMARK REP. 525, 552-59 (1995) (justifying trademark dilution as a claim based on tort, not trespass).

arbitrary marks) were protected against trademark infringement.<sup>17</sup> Schechter similarly argued that “arbitrary, coined or fanciful marks or names,” such as Aunt Jemima’s and Kodak, should be given a significantly broader degree of protection than “words or phrases in common use,” such as Gold Medal and Universal.<sup>18</sup> Although Schechter’s reasons for supporting a dilution cause of action diverged sharply from the justifications for the old common law regime, the end result was arguably not that different.

During this era, a great deal of legal argument focused on whether a given name for a good or service qualified as a “technical trademark.” Most early trademark cases were decided by courts of equity, because courts of law were not empowered to award equitable relief, the typical form of remedy in a trademark infringement case. Equity courts based their jurisdiction on the plaintiff’s property interest in the trademark.<sup>19</sup> If the plaintiff did not have a technical trademark, there was no property to protect and hence no jurisdiction. Similarly, early trademark statutes allowed registration of only those names that qualified as technical trademarks.<sup>20</sup> Trade names or “non-technical trademarks,” such as marks based on personal names, geographic terms,

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<sup>17</sup> See *Lawrence Mfg. Co. v. Tennessee Mfg. Co.*, 138 U.S. 537, 547 (1891) (holding that “a generic name, or a name merely descriptive of an article of trade, of its qualities, ingredients, or characteristics” cannot be employed as a trade-mark); *Canal Co. v. Clark*, 80 U.S. 311, 323 (1871) (holding that “a generic name, or a name merely descriptive of an article of trade, of its qualities, ingredients, or characteristics, [cannot] be employed as a trade-mark and the exclusive use of it be entitled to legal protection”); see generally Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 *CARDOZO L. REV.* 1789, 1811–16 (2007) (discussing the distinctions between common law trademarks and trade names).

<sup>18</sup> Schechter, *supra* note 7, at 828–30.

<sup>19</sup> RUDOLF CALLMAN, 2 *THE LAW OF UNFAIR COMPETITION AND TRADEMARKS* § 66.3 (1945) (citing *Millington v. Fox*, 3 Myl. C. 338 (1838) and other cases); WALTER J. DERENBERG, *TRADE-MARK PROTECTION AND UNFAIR TRADING* 48 (1936).

<sup>20</sup> Only technical trademarks could be registered under the federal Trade-Mark Act of 1905, which specified that personal names, geographic terms and terms that were “descriptive of the goods with which they are used, or of the character or quality of such goods” could not be registered. Trade-Mark Act of 1905, 15 U.S.C. § 85 (1905) (repealed 1946). The 1905 Act was intended to codify, not alter, the common law of trademarks. Trade-Mark Act of 1905, 15 U.S.C. § 103 (1905) (repealed 1946) (clarifying that the Act did not “prevent, lessen, impeach, or avoid any remedy at law or in equity which any party aggrieved by any wrongful use of any trade-mark might have had if . . . this Act had not been passed”).

or descriptive words or phrases, could not be registered or infringed.<sup>21</sup> At least in theory, the degree to which a word or phrase was entitled to legal protection depended on whether it was classified as a technical trademark.<sup>22</sup> If the mark or name fit into this category, its owner held what many courts characterized as an exclusive property right in that trademark, creating a virtual monopoly on the part of the trademark holder.<sup>23</sup>

The United States Supreme Court characterized technical trademarks as the exclusive property of their owners during this period. In *The Trade-Mark Cases*, decided in 1879, the Court set forth this proposition in no uncertain terms:

The right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, *to the exclusion of use by all other persons*, has been long recognized by the common law. . . and by the statutes of some of the States. *It*

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<sup>21</sup> Trade-Mark Act of 1905, 15 U.S.C. § 85 (1905) (repealed 1946); *see also*, e.g., *Candee, Swan & Co. v. Deere & Co.*, 54 Ill. 439, 466 (1870) (holding that plaintiff could not have a property interest in the name “Moline Plow” or the words “Moline, Ill.,” despite evidence of secondary meaning, as others had a right to manufacture plows in Moline, Illinois, and similarly designate their origin).

<sup>22</sup> *See Church & Dwight Co. v. Russ*, 99 F. 276, 278–79 (C.C. Ind. 1900) (discussing differences between technical trademarks and trade names); Daniel M. McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADEMARK REP. 305, 316–17 (1979) (describing differences between technical trademarks and trade names in the context of late-nineteenth century legal formalism); Milton Handler & Charles Pickett, *Trade-Marks and Trade Names – An Analysis and Synthesis: I*, 30 COLUM. L. REV. 168, 168-70 (1930) (explaining the technical differences between trademarks and trade names) [hereinafter *Trade-Marks and Trade Names: Part I*]; Charles Grove Haines, *Efforts to Define Unfair Competition*, 29 YALE L. J. 1, 8 (1919) (observing that “[u]nfair competition is distinguishable from the infringement of trade-marks”); JAMES LOVE HOPKINS, THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION § 4 (4th ed. 1924) (opining that trademark rights are “broader and by far . . . more valuable” than rights to a trade name); RUDOLF CALLMAN, 2 THE LAW OF UNFAIR COMPETITION AND TRADEMARKS § 66.1 (1945) (quoting Handler & Pickett).

<sup>23</sup> *See, e.g.,* Kenneth J. Vandevelde, *The New Property of the Nineteenth Century: The Development of the Modern Concept of Property*, 29 BUFF. L. REV. 325, 343–44 (1980) (describing early treatment of trademarks as “absolute property”); McClure, *supra* note 22, at 317–19 (characterizing early treatment of technical trademarks as conferring monopolistic property rights); Grafton Dulany Cushing, *On Certain Cases Analogous to Trade-Marks*, 4 HARV. L. REV. 321, 322 (1890) (noting that “[a] trademark has become an absolute right”).



*is a property right. . . . This exclusive right was not created by . . . Congress, and does not now depend upon it for its enforcement.*<sup>24</sup>

In fact, trademarks' status as property led to the demise of the first federal trademark statute. The Supreme Court held that the law was unconstitutional because trademarks, as a form of property, were regulated by state law, and Congress had no power to define or regulate that property.<sup>25</sup>

As a result of the judiciary's characterization of trademarks as exclusive property, certain limitations inherent in modern trademark law did not apply to technical trademarks at the turn of the century. For example, the owner of a technical trademark did not have to show "likelihood of [consumer] confusion" to prove that a trademark had been infringed.<sup>26</sup> Nor was the technical trademark owner required to demonstrate bad intent on the part of the defendant, proof of which was initially required in cases involving non-technical trademarks.<sup>27</sup>

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<sup>24</sup> The Trade-Mark Cases, 100 U.S. 82, 92 (1879) (emphasis added). The Court concluded that "[t]hese propositions are so well understood as to require neither the citation of authorities nor an elaborate argument to prove them." *Id.* See also *G. W. Cole Co. v. Am. Cement & Oil Co.*, 130 F. 703, 705 (7th Cir. 1904) (characterizing trademarks as "the exclusive property of [their] proprietor[s]"); *Derringer v. Plate*, 29 Cal. 292, 295 (1865) (observing that "[t]he trademark is property, and the owner's right of property in it is as complete as that which he possesses in the goods to which he attaches it, and the law protects him in the enjoyment of the one as fully as of the other. . . .").

<sup>25</sup> See *Trade-Mark Cases*, 100 U.S. at 93 (holding that "[a]s the property in trademarks and the right to their exclusive use rest on the laws of the States, and, like the great body of the rights of person and of property, depend on them for security and protection, the power of Congress to legislate on the subject . . . if such power exist at all, must be found in the Constitution of the United States. . . ."); see also *id.* at 96–97 (holding that the federal trademark statute, as written, was not authorized under the Commerce Clause of the United States Constitution).

<sup>26</sup> See Milton Handler, *Unfair Competition*, 21 IOWA L. REV. 175, 183–84 (1936) (observing that "[s]imulation of a tradename will be restrained only if there is a likelihood of confusion of the public," while "[c]ommercial usage of the identical trademark in the same business field is taboo, regardless of the element of confusion").

<sup>27</sup> See *Elgin Nat'l Watch Co. v. Illinois Watch Case Co.*, 179 U.S. 665, 674 (1901) (noting when "a plaintiff has the absolute right to the use of a particular word or words as a trademark, then, *if an infringement is shown, the wrongful or fraudulent intent is presumed*, and . . . the further violation of the right of property will. . . be restrained") (emphasis added); *Lawrence Mfg. Co. v. Tennessee Mfg. Co.*, 138 U.S. 537, 548 (1891) (noting that "fraudulent intent would be inferred" if plaintiff could prove infringement of a technical

Similarly, the dilution cause of action, both in Schechter's inception and its modern-day application, does not require the plaintiff to prove either of these elements.

By the time Schechter wrote his *Rational Basis* article, the all-or-nothing approach to trademark law was largely extinct. Courts in the United States quickly abandoned the formalist doctrine that attempted to demarcate a bright line between technical trademarks, designated as the exclusive property of their owners, and trade names, to which substantially fewer rights would attach. This model was found to be simultaneously under-and over-inclusive: trade names were given too little protection, whereas trademarks received too much.

The old model, which granted almost unlimited protection to technical trademarks and precious little to descriptive terms or other types of trade names, was under-inclusive because it did not always reach deliberately deceitful conduct. Courts of equity were reluctant to allow outright deception to go undeterred and unpunished, regardless of whether the aggrieved business owner had chosen a technical trademark as the name for his business. Accordingly, courts began to extend protection to non-technical trademarks, or trade names, when (1) those names had acquired secondary meaning (*i.e.*, the consuming public associated the trade name with a particular business);<sup>28</sup> and (2) the

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trademark); *Barton v. Rex-Oil Co.*, 2 F.2d 402, 404 (3d Cir. 1924) ("A technical trade-mark being treated as property, infringement thereof carries with it the presumption of fraud; but where no exclusive right to the use of a trade-mark exists, fraud – unfair competition – in the use of the mark by another must be proved. . . ."); *see also* HOPKINS, *supra* note 22, at § 118 (noting that, in technical trademark cases, defendant's good faith was relevant to the issue of punitive damages only, not liability); McClure, *supra* note 22, at 317–18 (noting that in contrast to trade name cases, trademark infringement does not require proof of fraudulent intent); Milton Handler & Charles Pickett, *Trade-Marks and Trade Names – An Analysis and Synthesis: II*, 30 COLUM. L. REV. 759, 769–70 (1930) [hereinafter *Trade-Marks and Trade Names: Part II*]; Handler, *supra* note 26, at 184 ("A trademark will be protected even against innocent infringement; a tradename, only against fraudulent simulation.").

<sup>28</sup> *See generally* RESTATEMENT (FIRST) OF TORTS: DEFINITION OF TRADE NAME § 716 (b) cmt. b (1938) (stating that a trade name has acquired "secondary meaning" when "a substantial number of present or prospective purchasers understand the designation, when used in connection with goods, services, or a business, not in its primary lexicographical sense, but as referring to a particular place or association"); HARRY D. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS § 50 (3d ed. 1929) ("In the absence of secondary meaning, the law of unfair competition does not protect a name which is based on or is truly descriptive of the construction common to, or characteristics of an article."); *see also* *Standard Oil Co. of Maine v. Standard Oil Co. of N.Y.*, 45 F.2d 309, 310

plaintiff could prove fraud by the defendant.<sup>29</sup> To establish fraud, most courts required the plaintiff to show that the defendant had deliberately attempted to pass off his goods as those of the plaintiff.<sup>30</sup> However, most

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(1st Cir. 1930) (holding that appellee was entitled to protection against “unfair or fraudulent use” of the names “Standard Oil” and “Standard Oil Company” in competition, because the names had acquired secondary meaning,); *Computing Scale Co. v. Standard Computing Scale Co.*, 118 F. 965, 967 (6th Cir. 1902) (holding that when a word “is incapable of becoming a valid trade-mark. . . yet has by use come to stand for a particular maker or vendor, its use by another in this secondary sense will be restrained as unfair and fraudulent competition. . . .”); *Am. Waltham Watch Co. v. U.S. Watch Co.*, 53 N.E. 141, 142 (Mass. 1899) (holding that, although “Waltham” was not a valid trademark, it had acquired secondary meaning and hence was entitled to protection from unfair competition).

<sup>29</sup> For example, in a case decided at the turn of the century, the California Supreme Court affirmed an injunction in favor of plaintiff, whose business operated under the name “Mechanics’ Store,” because the name had acquired secondary meaning and defendant had chosen a similar name for the purpose of poaching plaintiff’s customers. *Weinstock, Lubin & Co. v. Marks*, 42 P. 142, 145, 146 (Cal. 1895). Plaintiff’s name, “Mechanics’ Store,” was admittedly descriptive and ineligible for protection as a technical trademark. *Id.* at 144. The court found that defendant had acted with fraudulent intent when he chose the name “Mechanical Store,” by seeking to deceive “the public, and especially plaintiff’s customers, and thereby secur[e] the advantages and benefits of the good will of plaintiff’s business.” *Id.* The court reasoned that “it is a fraud on a person who has established a business for his goods, and carries it on under a given name. . . , for some other person to assume the same name or mark, or the same with a slight alteration, in such a way as to induce persons to deal with him in the belief that they are dealing with a person who has given a reputation to that name or mark.” *Id.* See also *Cushing*, *supra* note 23, at 332 (arguing that in “cases analogous to trade-marks,” for example, cases involving common law trade names, “fraud is the gist of the action”); *HOPKINS*, *supra* note 22, at § 22 (“While fraud is presumed from the wrongful use of a trademark it must be proven, directly or by inference, in all cases of unfair competition which do not involve a technical trademark.”); *Vandevelde*, *supra* note 23, at 345 (observing that trade names were not considered property and therefore would be protected only to prevent fraud).

<sup>30</sup> See, e.g., *Hilson Co. v. Foster*, 80 F. 896, 897 (C.C.N.Y. 1897) (holding that “[n]o man has a right to use names, symbols, signs or marks which are intended, or calculated, to represent that his business is that of another,” and “[f]raud should be clearly proved”); *Drive It Yourself Co. v. North*, 130 A. 57, 59 (Md. App. 1925) (use of “merely generic or descriptive” words may be enjoined only if there is “actual fraud or intent to deceive”); *DERENBERG*, *supra* note 19, at 53 (noting that, “until about [1916], [the courts] always sought to discover and to stress in unfair competition cases – as opposed to trade-mark infringement cases – the elements of an intentional fraud as the basis of their jurisdiction”);

courts eventually dropped the fraud requirement, so long as the plaintiff could prove actual or likely confusion on the part of the consumer.<sup>31</sup>

Similarly, the old model was over-inclusive because it granted overly broad, exclusive rights to technical trademark holders. The extent of these rights almost immediately raised fears that trademark law created anti-competitive monopolies.<sup>32</sup> As one federal court observed in 1923: “Patents, copyrights, and trade-marks excite two deeply seated feelings. One is the feeling of anyone who has originated anything of his right to claim an exclusive property in it and to the trade growing out of it. The other is a hatred of monopoly.”<sup>33</sup> This desire to avoid granting monopolies to trademark owners led courts to adopt the now-familiar maxim that trademark rights are not held “in gross.”<sup>34</sup> Less than forty

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McClure, *supra* note 22, at 317 (noting that in an unfair competition claim plaintiff “was required to prove . . . fraudulent intent by the defendant”).

<sup>31</sup> See, e.g., *Boice v. Stevenson*, 187 P.2d 648, 653 (Ariz. 1947) (holding that “[t]he universal test [of unfair competition] is whether the public is likely to be deceived”) (citation omitted); *New York World’s Fair v. World’s Fair News*, 256 A.D. 373, 374 (N.Y. App. 1939) (holding that “[t]he determining factor is not that people have actually been deceived but that there is a likelihood of that happening”) (citation omitted); *Sartor v. Schaden*, 101 N.W. 511, 513 (Iowa 1904) (holding that, even if a word is not “capable of becoming an arbitrary trade-mark,” if it has acquired secondary meaning its use will be restrained if “confusion [of the public] has been or is likely to be produced”); see also *Handler & Pickett, Trade-Marks and Trade Names: Part I*, *supra* note 22, at 169 (holding that a competitor’s use of trade names will be restrained only when such use “render[s] it likely that the public will confuse the products bearing the marks”); *Zechariah Chafee, Unfair Competition*, 53 HARV. L. REV. 1289, 1296–97 (1940) (noting that “[f]raud has been squeezed out of” cases involving trade names and trademarks); RUDOLF CALLMAN, 2 THE LAW OF UNFAIR COMPETITION AND TRADEMARKS § 66.1 (1945) (observing that the distinction between technical trademarks and trade names is “gradually disappearing”); see generally E.H. Schloper, Annotation, *Doctrine of Secondary Meaning in the Law of Trademark and of Unfair Competition*, 150 A.L.R. 1067, 1133 (1944) (noting split of authorities as to whether “it is necessary for the plaintiff to show actual fraud on the part of the defendant” in cases where plaintiff’s rights in a trade name are predicated on secondary meaning).

<sup>32</sup> See McClure, *supra* note 22, at 306–08 (discussing tension between trademark protection and its potential for anticompetitive effects).

<sup>33</sup> *Loughran v. Quaker City Chocolate & Confectionery Co.*, 286 F. 694, 697 (E.D. Pa. 1923). Professor Zechariah Chafee, a noted First Amendment scholar, similarly observed, “It may seem shabby for a defendant to appropriate valuable ideas from the plaintiff . . . but in the words of the song: ‘The best things in life are free.’” Chafee, *supra* note 31, at 1317–18.

<sup>34</sup> See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (holding that a trade-mark right is not “a right in gross or at large, like a statutory copyright or a patent for an invention”).

years after characterizing trademarks as an “exclusive” form of property, the Supreme Court gave a considerably more qualified definition of trademarks as property interest:

Common-law trademarks, and the right to their exclusive use, are, of course, to be classed among property rights, but only in the sense that a man’s right to the continued enjoyment of his trade reputation and the good will that flows from it, free from unwarranted interference by others, is a property right, for the protection of which a trademark is an instrumentality. [T]he right grows out of use, not mere adoption.<sup>35</sup>

This push and pull resulted in the gradual conflation of the two categories of marks, as courts both expanded the protection given to trade names and limited the scope of rights accorded to technical trademarks.<sup>36</sup> The judiciary essentially pulled both doctrines to a middle ground that was equally inhabited by both types of marks, and courts began to treat the two classes of common law marks essentially the same.<sup>37</sup> In 1916, the Supreme Court embraced the merger of doctrine with regard to technical trademarks and trade names under the general rubric of unfair competition law:

Courts afford redress or relief upon the ground that a party has a valuable interest in the good-will of his trade or business. . . . The essence of the wrong consists of the sale of the goods of one manufacturer for those of another. *This essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied by trademark infringement.* In fact, the common

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<sup>35</sup> *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916); *see also Loughran*, 286 F. at 697 (observing that “[m]ere dealers in commodities are prone to think themselves entitled to a . . . monopoly [like that extended to patents and copyrights] unlimited in time. This is a mistake. The only right they have is their right to sell their goods as such and to protection against the goods of another being palmed off upon their customers as theirs.”).

<sup>36</sup> *See, e.g., Hanover*, 240 U.S. at 413; *Church & Dwight Co. v. Russ*, 99 F. 276, 278 (C.C. Ind. 1900) (observing that “[t]he tendency of the courts at the present time seems to be to restrict the scope of the law applicable to technical trademarks, and to extend its scope in cases of unfair competition”) (citations omitted); Haines, *supra* note 22, at 21 (same).

<sup>37</sup> *See* RESTATEMENT OF TORTS, *supra* note 28, at § 717 cmt. a (stating that “there are no important differences between the protection given to the interest in trade-marks and that given to the interest in trade names”); Chafee, *supra* note 31, at 1298 (observing that, in 1940, the only important difference between trade names and technical trademarks related to federal registration, which was only allowed for technical trademarks under the 1905 Act).

law of trademarks is but a part of the broader law of unfair competition.<sup>38</sup>

Schechter was thus bucking the trend when he argued for a different form of trademark protection for inherently distinctive marks. Schechter's dilution cause of action (although he never referred to it by that name) was reserved for fanciful or arbitrary marks; he did not intend that it would apply to words or terms that were not inherently distinctive. His argument for distinguishing the two classes of marks was directly contrary to the definite trend in favor of conflating them.

### 3. *Schechter: Legal Formalist, Realist, or Both?*

To be properly understood, Schechter's ideas must be analyzed in the context of his era. When Schechter published his famous thesis that became the genesis of the dilution doctrine, trademark law and the law in general were in a state of transition. The once-ubiquitous doctrine of legal formalism was fading, and legal realism, or positivism, was dawning over the American legal landscape. Moreover, the nation as a whole was also in a state of transition. American business was booming in 1927 as the nation basked in economic prosperity in the aftermath of World War I. Although the Great Depression loomed on the not-too-distant horizon, few could have conceived, let alone anticipated, a worldwide economic collapse in 1927.

The supposedly bright-line distinction between technical trademarks and trade names was typical of legal formalism, which permeated American jurisprudence during the late nineteenth century. The legal formalists believed that "the law was objective, unchanging, extrinsic to the social climate, and, above all, different from and superior to politics."<sup>39</sup> In the formalist period, typically defined as lasting from

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<sup>38</sup> *Hanover*, 240 U.S. at 412-13 (emphasis added). Although trademark law is commonly referred to as a subset of the law of unfair competition, at least during the modern era, an argument can be made that the concept of unfair competition derived from trademark law rather than the other way around. Derenberg observed that "the law of unfair competition first developed at the beginning of the 20th century and was considered an outgrowth of trademark law." DERENBERG, *supra* note 19, at 39-40.

<sup>39</sup> WILLIAM M. WIECEK, *LIBERTY UNDER LAW: THE SUPREME COURT IN AMERICAN LIFE* 187 (1988); see also Morton J. Horwitz, *The Rise of Legal Formalism*, 19 AM. J. LEG. HIST. 251, 252 (1975) (characterizing legal formalism as "an intellectual system which gave common law rules the appearance of being self-contained, apolitical, and inexorable").

1873 to 1937,<sup>40</sup> “results in individual cases were accomplished not by an assessment of competing principles and policies, but rather an ‘automatic’ application of rules deduced logically from greater principles that supposedly dictated a single, correct result in every case.”<sup>41</sup> In sum, legal formalists favored supposedly objective, bright-line rules over balancing tests.<sup>42</sup> To determine whether a plaintiff could recover in a trademark infringement suit, the formalist jurist would only need to determine whether the name in question qualified as a technical trademark. If it did, plaintiff had an exclusive property right therein and could preclude defendant from using the mark, much the same as he could prevent the defendant from trespassing on his real property.

Schechter’s dilution proposal may be viewed as a plea to return to the certainty of bright-line rules preferred by the legal formalists.<sup>43</sup> In *The Rational Basis of Trademark Protection*, Schechter decried the unpredictability of then-current trademark law. Dilution is, in fact, not that different than the formalist conception of trademark law at the turn of the century. The extent of rights attendant to the trademark under the modern dilution doctrine turns on whether the mark is characterized as famous,<sup>44</sup> analogous to the designation of a mark as a technical trademark. Once a mark is deemed famous, in practice few limitations are placed on the trademark holder’s ability to prevent others from using the mark. Schechter’s dilution theory, as articulated in 1927, can be

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<sup>40</sup> Wiecek fixes the start date for the “judicial hegemony of the formalist era” as 1873, marked by two dissenting opinions in *The Slaughterhouse Cases*, 83 U.S. 36 (1872) (opinions of Justices Field and Bradley). WIECEK, *supra* note 39, at 115–16. The formalist era unofficially ended with a string of Supreme Court cases in 1937 that upheld the Constitutionality of President Franklin D. Roosevelt’s New Deal legislation. *Id.* at 137–39.

<sup>41</sup> McClure, *supra* note 22, at 320.

<sup>42</sup> Although the formalist era supposedly ended in 1937, the philosophy has been reinvigorated to a certain extent by some modern-day conservatives. The Chief Justice of the United States Supreme Court, John Roberts, embraced formalism in colloquial terms when he famously told the United States Senate, “[I]t’s my job to call balls and strikes and not to pitch or bat.” *Roberts: ‘My job is to call balls and strikes and not to pitch or bat,’* CNN POLITICS, (Sept. 12, 2005), [http://articles.cnn.com/2005-09-12/politics/roberts.statement\\_1\\_judicial-role-judges-judicial-oath?\\_s=PM:POLITICS](http://articles.cnn.com/2005-09-12/politics/roberts.statement_1_judicial-role-judges-judicial-oath?_s=PM:POLITICS); see generally Frederick Shauer, *Formalism*, 97 YALE L. J. 509 (1988).

<sup>43</sup> See Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 686 (2004) (arguing that Schechter “believed that antidilution protection would bring greater predictability to the law” by “returning it to formalism”).

<sup>44</sup> 15 U.S.C. § 1125(c)(2)(A) (2006) (restricting dilution protection to the owners of “famous” trademarks).

characterized as a proposal to re-property certain categories of marks.<sup>45</sup> The modern dilution doctrine serves that same function.

However, as Professor Robert Bone has argued, portraying Schechter as a legal formalist, yearning for the days of bright-line rules and easy answers, oversimplifies Schechter's dilution proposal.<sup>46</sup> Schechter's push for a new paradigm in trademark law was openly driven by a pragmatic desire to serve the needs of modern business, a distinctly realist approach that was the polar opposite of the stated goals (though perhaps not the results achieved by) the formalists. Schechter "believed that dilution was the real reason to protect marks because it was the reason that fit the way marks actually functioned in the marketplace, and he urged judges to acknowledge this fact openly because doing so would produce better decisions."<sup>47</sup> Therefore, Schechter is perhaps best characterized as a transitional figure between the formalist and realist eras. His dilution proposal embodied aspects of both legal philosophies.

#### 4. Dilution's Temporary Demise

The desire to merge legal doctrine with regard to trademarks and trade names – as described above, a marked departure from the legal regime proposed by Schechter – was also born of the realist movement. The legal realists observed that technical trademarks and trade names functioned much the same in practice. Therefore, it made little sense to protect one more or less than the other. Edward S. Rogers, a leading trademark scholar who is credited as the author of the Lanham Act,<sup>48</sup> observed the following:

The notion that there is 'property' in trademarks as a separate thing was once quite generally entertained and for a while it served well enough, but it was very soon perceived that a trader's customers might be diverted by the imitation of things which were not

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<sup>45</sup> See, e.g., McClure, *supra* note 22, at 323–24 (characterizing Schechter's proposal as "[t]he furthest extension of the concept of 'protection of property' to expand protection of trademarks").

<sup>46</sup> Bone, *supra* note 8, at 483–85. Although Beebe ultimately characterizes Schechter's dilution proposal as a formalist one, he too observes that Schechter "had the critical instincts of a realist." Beebe, *supra* note 43, at 686.

<sup>47</sup> Bone, *supra* note 8, at 471.

<sup>48</sup> Edward S. Rogers, *The Lanham Act and the Social Function of Trademarks*, 14 LAW & CONTEMP. PROB. 173, 178–80 (1949) (describing Lanham Act history and Rogers' own role therein); see generally Walter J. Derenberg, *The Contribution of Edward S. Rogers to the Trademark Act of 1946 in Historical Perspective*, 62 TRADEMARK REP. 189 (1972).



trademarks and in which property rights could not be maintained, such as . . . the misuse of personal names, descriptive words and the like.<sup>49</sup>

Three years after Schechter published his *Rational Basis* article, another “epoch making article”<sup>50</sup> on the subject of trademark law appeared, this time in the *Columbia Law Review*, entitled *Trade-Marks and Trade Names – An Analysis and Synthesis*.<sup>51</sup> The authors of the article, Milton Handler and Charles Pickett, argued that there was no “rational basis”<sup>52</sup> for the legal distinctions then existing between technical trademarks and trade names.<sup>53</sup> Handler and Pickett were consummate realists who argued that the tenets of trademark law should derive from a realistic depiction of the way marks functioned in practice, not the formal label that was attached to a particular mark:

Whether or not there is property in trademarks or trade names seems to us a fruitless and unhelpful inquiry. Both types of mark frequently are the most valuable assets of a business. [ ] It is enough that plaintiff has a material interest which is worthy of protection. It does not matter much what label is tagged to it. . . . The approach to the law of trade-marks would probably be more realistic if courts entirely abandoned the property notion.<sup>54</sup>

However, Handler and Pickett, unlike Schechter, did not argue that trademark law needed a new paradigm. Although Handler and Pickett cited Schechter numerous times, they never discussed his specific

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<sup>49</sup> Edward S. Rogers, *New Concepts of Unfair Competition under the Lanham Act*, 38 TRADEMARK REP. 259, 260 (1948); see also Haines, *supra* note 22, at 21 (noting that cases affording relief to plaintiffs whose business names did not qualify as technical trademarks were based upon “principles of common honesty and sportsmanship”).

<sup>50</sup> Chafee, *supra* note 31, at 1297; see also DERENBERG, *supra* note 19, at 42 (citing Handler & Pickett).

<sup>51</sup> The article was published in two parts, Handler & Pickett, *Trade-Marks and Trade Names: Part I*, *supra* note 22, and Handler & Pickett, *Trade-Marks and Trade Names: Part II*, *supra* note 27.

<sup>52</sup> Handler & Pickett, *Trade-Marks and Trade Names: Part I*, *supra* note 22, at 169.

<sup>53</sup> Handler & Pickett, *Trade-Marks and Trade Names: Part II*, *supra* note 27, at 776.

<sup>54</sup> *Id.* at 776 n.81. Handler and Pickett wrote that “[t]he and lawyer and business man, unlike the grammarian, is not primarily interested in etymology for its own sake.” Handler & Pickett, *Trade-Marks and Trade Names: Part I*, *supra* note 22, at 180.

proposal that became the dilution cause of action.<sup>55</sup> Handler and Pickett's idea that *all* types of marks should be entitled to protection under the likelihood of confusion standard, unlike Schechter's dilution proposal, came to fruition when Congress enacted the 1946 Lanham Act.

## B. Trademark Law in the Modern Era

The 1946 Lanham Act codified and unified the law of trademarks in the United States, which had become strictly a creature of state law after the Supreme Court's 1938 decision in *Erie*.<sup>56</sup> Although Schechter most likely would have been pleased by many of the developments codified in the federal statute,<sup>57</sup> Congress did not embrace his claim for dilution. Instead, the Act reflected the predominant trend, as convincingly advocated by Handler and Pickett, of treating all types of marks essentially the same. Moreover, the Act preserved the likelihood of confusion standard for trademark infringement of *all* types of marks (until it was amended in 1995 to include a dilution cause of action).

The Lanham Act represented a triumph of legal realism, as it swept away many of the rules that, in the minds of many practitioners

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<sup>55</sup> See, e.g., Handler & Pickett, *Trade-Marks and Trade Names: Part I*, *supra* note 22, at 176 n.24 (citing Schechter's critique of the rule limiting trademark protection in cases where marks were placed on dissimilar goods).

<sup>56</sup> Although the Supreme Court held the federal trademark *statute* unconstitutional in *The Trademark Cases*, 100 U.S. 82, 97 (1879), this decision did not eliminate the federal *common law* of trademarks. Until the Supreme Court famously overruled *Swift v. Tyson*, 41 U.S. 1 (1842), the federal courts were free to decide substantive issues of state law, unrestrained by the decisions of state courts, so long as those laws were not codified in a state statute. See *Erie R.R. Co. v. Tompkins*, 304 U.S. 64 (1938). Therefore, if a state had not adopted a trademark statute, a federal court hearing a trademark case in that state (under diversity jurisdiction) was free to interpret the applicable common law doctrines as it saw fit, even if its interpretation differed from that of the state courts. The *Erie* Doctrine – which dictated that federal courts sitting in diversity were required to follow state law precedents, whether based on common law or statutes – invalidated the federal common law of trademarks. See Rogers, *supra* note 48, at 263 (decrying the “chaos” created by *Erie*'s invalidation of the “great body of Federal [common] Law dealing with trade-marks and unfair competition”); accord Chafee, *supra* note 31, at 1299, 1300 (predicting that the valuable and “great body of federal unfair competition law” would likely be “torn into pieces” as a result of *Erie*, rendering the United States “a legal checkerboard” in this area of the law).

<sup>57</sup> Schechter died in 1937, ten years after publishing his famous article in the *Harvard Law Review* and approximately ten years before the Lanham Act was enacted. Therefore, his opinion of the evolution of trademark law, even in the relatively short term, will never be known.

and academics, had artificially limited the scope of trademark law and its ability to prevent unfair competition. Edward S. Rogers explained the impact of the Act as follows:

Under the modern law . . . , unfair competition includes any act, not necessarily fraudulent, which artificially interferes with the normal course of trade to the disadvantage of another. There need be no competition if the artificial interference is present. It is true, of course, that most of the cases have arisen between competitors in business, but the fact of competition or its absence ought not to be controlling. *It is the nature or the result of the act, not the occupation of the actor which should determine its character.*<sup>58</sup>

The Act codified the merger of doctrine as to technical trademarks and trade names. Since 1946, the Lanham Act has extended trademark registration rights and other types of protection to descriptive marks, geographic marks, and other types of marks that were not considered “trademarks” under the common law, so long as they have acquired secondary meaning, or distinctiveness.<sup>59</sup> Although the 1946 Lanham Act addressed many of Schechter’s concerns about trademark law,<sup>60</sup> it did not create a separate cause of action for fanciful and

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<sup>58</sup> Rogers, *supra* note 48, at 262 (emphasis added).

<sup>59</sup> *Compare* Trade-Mark Act of 1905, 15 U.S.C. § 85 (1905) (repealed 1946) (stating “[t]hat no mark by which the goods of the owner of the mark may be distinguished from other goods of the same class shall be refused registration as a trade-mark on account of the nature of such mark unless such mark” was “descriptive of the goods with which they are used, or of the character or quality of such goods”) *with* Lanham Act, 15 U.S.C. § 1052(f) (stating that, with certain exceptions, “nothing in this [statute] shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce” even if the mark is merely descriptive). However, the modern Lanham Act does not allow registration of generic words or phrases, regardless of whether they have acquired distinctiveness. 15 U.S.C. § 1064; *see also* Desai & Rierson, *supra* note 17, at 1809–10 (discussing the prohibition of registering generic names under the Lanham Act).

<sup>60</sup> For example, Schechter rejected the common law rule that trademark rights were limited to the mark holder’s geographic area of use, i.e., those geographic areas in which the mark had acquired “goodwill.” Schechter, *supra* note 7, at 824. The Lanham Act gave the holder of a registered mark nationwide priority in that mark, even if a junior user was the first to acquire goodwill in a given geographic area. Lanham Act, ch. 540, § 2(d), 60 Stat. 427, 428 (1946) (amended 1988). However, the Lanham Act does not automatically grant the senior user the right to enjoin others’ use of its mark. To state a claim for infringement, the senior user must always prove likelihood of confusion between the two marks. *See, e.g.,* Dawn Donut Co. v. Hart’s Food Stores, Inc., 267 F.2d 358, 361, 364 (2d Cir. 1959) (finding no likelihood of confusion and

arbitrary marks. Instead, the 1946 Lanham Act created a single cause of action, trademark infringement, for all classes of valid trademarks, judged under the likelihood of confusion standard. Even today, the inherent strength of the mark, *i.e.*, whether the mark is descriptive, suggestive, arbitrary, or fanciful,<sup>61</sup> remains relevant to a claim of trademark infringement, but only as a factor in the likelihood of confusion analysis.<sup>62</sup>

The Lanham Act also addressed Schechter's dissatisfaction with the judiciary's reluctance to find trademark infringement when the senior and junior users' goods or services were not identical. The 1905 Trademark Act prevented registration of a mark that was likely to cause confusion with a mark that was already registered, but only if the marks were placed on goods of the "same descriptive properties" as those of the senior user.<sup>63</sup> The Lanham Act of 1946 eliminated this requirement. Under the revised version of the Act, a junior user could not register or use a mark "in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services."<sup>64</sup> As a result, the courts have relegated the similarity (or lack thereof) between the types of goods or

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therefore no trademark infringement due to separate trading areas, where trading areas were only sixty miles apart).

<sup>61</sup> See Desai & Rierson, *supra* note 17, at 1805–10 (explaining the spectrum of marks).

<sup>62</sup> See *Borinquen Biscuit Corp. v. M.V. Trading Corp.*, 443 F.3d 112, 121 (1st Cir. 2006); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961); *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983); *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984); *Exxon Corp. v. Texas Motor Exch. of Houston, Inc.*, 628 F.2d 500, 504 (5th Cir. 1980); *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1186–87 (6th Cir. 1988); *Barbecue Marx, Inc. v. 551 Ogden, Inc.*, 235 F.3d 1041, 1045 (7th Cir. 2000); *Anheuser-Busch, Inc. v. Balducci Publ'n*, 28 F.3d 769, 774 (8th Cir. 1994); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 349 (9th Cir. 1979); *Sally Beauty Co., Inc. v. Beautyco, Inc.*, 304 F.3d 964, 975–76 (10th Cir. 2002); *Tana v. Dantanna's*, 611 F.3d 767, 776 (11th Cir. 2010); see also Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1633–40 (2006) (discussing strength of the mark as a factor in likelihood of confusion analysis).

<sup>63</sup> Trade-Mark Act of 1905, 15 U.S.C. § 85 (1905) (repealed 1946).

<sup>64</sup> Trademark Act of 1946, ch. 540, §43(a)(1)(A), 60 Stat. 444, 15 U.S.C. § 1125(a)(1)(A) (1946); see also *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 151 (9th Cir. 1963) (noting this distinction between the 1905 and 1946 versions of the statute); *id.* at 160–61 (finding likelihood of confusion between use of trademark "Black and White" for beer and Scotch whiskey).

services offered by the plaintiff and defendant to a single factor in the multi-factor litmus test for likelihood of confusion.<sup>65</sup>

The scope of the likelihood of confusion standard was broadened again in 1962, when Congress eliminated even more qualifying language from the statute by deleting the reference to “purchasers.”<sup>66</sup> Although some courts have interpreted this deletion more narrowly,<sup>67</sup> many have held that its effect has been to prohibit uses of a mark that result in a likelihood of confusion by third parties, not the purchaser of the relevant good or service (post-sale confusion)<sup>68</sup> and confusion by the purchaser prior to (but not at) the point of sale (initial interest confusion).<sup>69</sup> At the

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<sup>65</sup> See, e.g., *Boston Duck Tours, LP v. Super Duck Tours*, 531 F.3d 1, 35 (1st Cir. 2008); *Polaroid*, 287 F.2d at 495; *Sabinsa Corp. v. Creative Compounds, LLC*, 609 F.3d 175, 189 (3d Cir. 2010); *Pizzeria Uno*, 747 F.2d at 1535; *Amstar Corp. v. Domino’s Pizza, Inc.*, 615 F.2d 252, 261 (5th Cir. 1980); *Wynn Oil*, 839 F.2d at 1187; *Ty, Inc. v. Jones Group, Inc.* 237 F.3d 891, 899–900 (7th Cir. 2001); *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980); *Sleekcraft*, 599 F.2d at 350; *Universal Money Ctrs., Inc. v. American Tel. & Tel. Co.*, 22 F.3d 1527, 1532–33 (10th Cir. 1994); *Caliber Auto. Liquidators, Inc. v. Premier Chrysler, Jeep, Dodge, LLC*, 605 F.3d 931, 939–40 (11th Cir. 2010); see also *Beebe*, *supra* note 62, at 1631–33 (discussing the competitive proximity factor in likelihood of confusion analysis).

<sup>66</sup> See S. Rep. No. 87-2107, at 4 (1962) reprinted in 1962 U.S.C.C.A.N. 2844, 2847. Under the current version of the statute, which has existed since 1962, the Lanham Act prohibits all uses of a trademark that are “likely to cause confusion, or to cause mistake, or to deceive.” 25 U.S.C. § 1125(a)(1)(A) (2006).

<sup>67</sup> The legislative history of the 1962 amendments suggests that the word “purchasers” was deleted because “the provision actually relates to potential purchasers as well as to actual purchasers.” S. Rep. No. 87-2107, at 4 (1962). As a result, some courts have held that, even under the current version of the Act, the focus remains on potential confusion on the part of actual or potential purchasers, not third parties. See, e.g., *Elec. Design & Sales, Inc. v. Elec. Data Sys. Corp.*, 954 F.2d 713, 716 (Fed. Cir. 1992) (construing the likelihood of confusion inquiry to generally turn on whether actual or potential purchasers are confused); *Astra Pharmaceutical Prods. v. Beckman Instruments*, 718 F.2d 1201, 1206 (1st Cir.1983) (considering the classes of “prospective purchasers” in assessing the likelihood of confusion).

<sup>68</sup> See, e.g., *Ferrari S.P.A. Esercizio v. Roberts*, 944 F.2d 1235, 1245 (6th Cir. 1991) (“the Act’s protection is not limited to confusion at the point of sale”); *A & H Sportswear, Inc. v. Victoria’s Secret Stores, Inc.*, 237 F.3d 198, 216 (3d Cir. 2000); *Lois Sportswear, USA v. Levi Strauss & Co.*, 799 F.2d 867, 872, 874 (2d Cir.1986).

<sup>69</sup> See, e.g., *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1147-48 (9th Cir. 2011); *Playboy Enters., Inc. v. Netscape Commc’n Corp.*, 354 F.3d 1020, 1024-26 (9th Cir. 2004); *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, 423 F.3d 539, 549 (6th Cir. 2005) (defining initial interest confusion as “when a manufacturer improperly uses a trademark to

same time, Congress eliminated language from the Act referring to confusion “as to the source of origin” of the plaintiff’s goods or services.<sup>70</sup> As a result, the Act has been interpreted to prohibit confusion as to sponsorship or endorsement of a good or service, rather than its source.<sup>71</sup> Suffice it to say, Schechter would scarcely recognize the likelihood of confusion standard as it exists today.

Schechter’s desire to expand trademark law was therefore emphatically achieved by the 1946 Lanham Act, but not exactly in the manner he had envisioned. The cause of action he had proposed, however, did not die. Dilution materialized in state statutes as early as 1947, and many states still recognize a dilution cause of action.<sup>72</sup> Congress federalized dilution when it enacted the Federal Trademark Dilution Act (FTDA) in 1995.<sup>73</sup> Federal dilution law was substantially revised in 2006, when Congress passed the Trademark Dilution Revision Act (TDRA).<sup>74</sup> The dilution cause of action has thus existed for over sixty years, not as a substitute for trademark infringement (as Schechter proposed), but coexistent with it. Remarkably, it has persisted—and

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create initial customer interest in a product”); *Perfumebay.com Inc. v. eBay, Inc.*, 506 F.3d 1165, 1176 (9th Cir. 2007); *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1018-20 (9th Cir. 2004).

<sup>70</sup> S. Rep. No. 87-2107, at 4 (1962).

<sup>71</sup> *See, e.g., Int’l Order of Job’s Daughters v. Lindeburg and Co.*, 633 F.2d 912, 920 (9th Cir. 1980) (concluding that the name and emblem at issue were not trademarks partly due to lack of evidence showing customers being misled about sponsorship or endorsement); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204 (2d Cir.1979) (holding that the consumers’ confusion about the mark owner’s sponsorship or approval of use as sufficient for the confusion requirement).

<sup>72</sup> Massachusetts enacted the first dilution statute in 1947. Act of May 2, 1947, ch. 307, § 7a, 1947 Mass. Acts 300 (codified as amended at MASS. GEN. LAWS ANN. ch. 110H § 13 (West Supp. 2007)). New York, Illinois, and Georgia soon followed suit. *See, e.g., N.Y. GEN. BUS. LAW § 368-d* (1961 N.Y. Laws 1806, 1813) (recodified at N.Y. GEN. BUS. LAW § 360-1 (McKinney 1996 & Supp. 2008)); 140 ILL. COMP. STAT. ANN. ¶ 22 (West 1986) (superseded by 765 ILL. COMP. STAT. ANN. §§ 1036/5, 1036/65 (West 2001)); GA. CODE ANN. § 10-1-451 (2000). *See also Bone, supra* note 8, at 497–504 (discussing evolution of state dilution law).

<sup>73</sup> Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, § 4, 109 Stat. 985, 986 (codified at 15 U.S.C. § 1127 (2000), superseded in part by Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, § 2, 120 Stat. 1730 (codified at 15 U.S.C. § 1125(c) (2006)). Some commentators have argued that, even though dilution is now a federal claim, it remains a marginal cause of action that has little practical impact. *See infra* notes 339-342 and accompanying text.

<sup>74</sup> 15 U.S.C. § 1125(c).

thrived—despite the lack of a convincing or even coherent explanation for its existence.

### C. The Failure of the Traditional Justification for Trademark Dilution Law

The claim for dilution, as embodied in the TDRA, the FTDA, and numerous state statutes, derives from the notion that an “association” between the junior and senior users’ marks, even in the absence of a likelihood of confusion, will diminish the distinctiveness of the senior mark, thereby reducing its value.<sup>75</sup> Although some have argued that the dilution cause of action is justified by the same law and economics theories that traditionally support trademark infringement claims, those arguments have been subjected to vigorous critique. The attempt to rationalize dilution on the same terms as trademark infringement is akin to fitting a square peg into a round hole, and just as futile.

#### *1. Dilution by Blurring*

The TDRA defines dilution by blurring as an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”<sup>76</sup> The mark’s distinctiveness is impaired, at least in theory, because the consumer’s ability to recall the famous trademark is compromised due to the consumer’s exposure to the mark in unrelated contexts. The effect of each dilutive use is cumulative and eventually can even result in the demise of the mark.<sup>77</sup> Whether this phenomenon actually occurs in practice is the subject of substantial debate.

To understand how dilution is supposed to work, it is helpful to start with the law and economics explanation for a different cause of action: trademark infringement.<sup>78</sup> This theory rests on the notion that trademarks are economically efficient because they act as a form of commercial shorthand.<sup>79</sup> By quickly and effectively communicating

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<sup>75</sup> See *infra* note 133.

<sup>76</sup> 15 U.S.C. § 1125(c)(2)(B).

<sup>77</sup> See *infra* note 129 and accompanying text.

<sup>78</sup> See generally Desai & Rierison, *supra* note 17, at 1797–99 (discussing the traditional law and economics explanation of trademark law).

<sup>79</sup> See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1987) (noting that “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.’”).

information about goods or services to consumers, they reduce consumer search costs in the marketplace.<sup>80</sup> The efficiency of a trademark depends on its ability to act as a source identifier: when the consumer sees the mark, she has to know that the good or service to which it is attached derives from a particular source, with certain known and attendant attributes.<sup>81</sup> For example, few people in the United States (and in many other nations around the globe) are forced to wonder what they will get when they order a hamburger at McDonald's.<sup>®</sup> For better or worse, when they see the Golden Arches, consumers know what to expect. Trademark infringement—using another's trademark (or a similar mark) in a manner that is likely to confuse consumers—is prohibited, at least in part, because it makes trademarks less reliable and, hence, less efficient.<sup>82</sup>

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<sup>80</sup> See *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 163–64 (1995) (stating that “trademark law . . . reduces the customer’s costs of shopping and making purchasing decisions, for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past”) (citations omitted); see also *Misawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942) (observing that a trademark conveys to customers the “desirability of the commodity upon which it appears”); Ralph Folsom & Larry Teply, *Trademarked Generic Words*, 89 YALE L.J. 1323, 1336 (1980) (noting that trademarks help to reduce search costs and enhance distributional efficiency); Stephen L. Carter, Comment, *The Trouble with Trademark*, 99 YALE L.J. 759, 762 (1990) (arguing that “[t]he principal benefit of trademark protection is that it lowers consumer search costs”).

<sup>81</sup> See 15 U.S.C. § 1127 (defining a trademark as a “word, name, symbol, or device” that is used to “identify and distinguish [the mark holder’s] goods . . . from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown”); accord 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3.1 (4th ed. 2005) (“[T]o become a ‘trademark’ is to identify the source of one seller’s goods and distinguish that source from other sources[.]”); but see FRANK I. SCHECHTER, THE HISTORICAL FOUNDATIONS OF LAW RELATING TO TRADE-MARKS 150 (1925) (arguing that the consumer does not regard a trademark as an indication of origin “but rather as a guaranty that the goods purchased under the trade-mark will have the same meritorious qualities as those previously noted by him in his purchases of other goods bearing the same mark”).

<sup>82</sup> Landes and Posner have observed that “[t]he benefits of trademarks in lowering search costs presuppose legal protection because the cost of duplicating someone else’s trademark is small and the incentive to incur this cost in the absence of legal impediments will be greater the stronger the trademark.” WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 168 (2003).



Prohibiting trademark infringement furthers other policy goals as well. In the classic case of passing off, the infringer injures the consumer by tricking her into buying something that she did not want: the consumer wanted to purchase product A, but instead she was lured into buying product B.<sup>83</sup> Trademark infringement also harms the trademark holder by putting the “goodwill” associated with the mark, loosely defined as the mark’s reputation with consumers, in the hands of someone outside the mark holder’s control.<sup>84</sup>

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<sup>83</sup> See *Amoskeag Mfg. Co. v. Spear*, 2 Sand. 599, 605–06 (N.Y. Sup. Ct. 1849) (observing that, when a trademark is infringed, “[t]he purchaser has imposed upon him an article that he never meant to buy”). Arguably, the consumer is not really injured if product B is equal to, or better than, product A in terms of quality, but this kind of consumer injury is not required to prove trademark infringement. See, e.g., *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986) (noting that defendant’s manufacture of similar-quality goods (as opposed to goods of lesser quality) may actually increase the likelihood of confusion and therefore be more likely to infringe). Moreover, the trademark holder (here, the maker of product A) can decrease the quality of his own goods or services at will, without notice to the consumer, at any time. See generally Irene Calboli, *The Sunset of “Quality Control” in Modern Trademark Licensing*, 57 AM. U. L. REV. 341, 348 (2007) [hereinafter Calboli, *The Sunset of Quality Control*]; Elizabeth C. Bannon, *The Growing Risk of Self-Dilution*, 82 TRADEMARK REP. 570 (1992). For these reasons, several commentators have argued that the benefit to consumers provided by traditional trademark law has been overstated. See, e.g., Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 730–32 (2004) (pointing out that, because a trademark imposes no “actual obligation” upon its holder, the mark’s benefits to consumers are overstated, unless the consumers continually monitor the quality of the products bearing the trademark); see also Irene Calboli, *Trademark Assignment “with Goodwill”: A Concept Whose Time Has Gone*, 57 FLA. L. REV. 771, 833–36 (2005) [hereinafter Calboli, *Trademark Assignment with Goodwill*] (arguing that trademarks should be transferable “with or without goodwill,” in part because trademark owners have always had the ability to change the quality or nature of their products at will); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367 (1999) (further critiquing the traditional economic justification for trademark law).

<sup>84</sup> The “goodwill” associated with a trademark has been described by financier Warren Buffet (in the context of discussing the Sees Candies brand) as a “pervasive favorable reputation with consumers based on countless pleasant experiences that they have had with both product and personnel.” Warren E. Buffet, *The Essays of Warren Buffet: Lessons for Corporate America*, 19 CARDOZO L. REV. 1, 173 (1997) (selected, arranged, and introduced by Lawrence E. Cunningham); see also *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) (reasoning that “a party has a valuable interest in the good will of his trade or business, and in the trademarks adopted to maintain and extend it”); *Hilson Co. v. Foster*, 80 F. 896, 897 (C.C.N.Y. 1897) (“Where the goods of

For example, if a consumer sees the Golden Arches and thinks she is in McDonald's but, in reality, the restaurant is a "McDowell's" and serves food that does not taste as good as McDonald's, then both the consumer and McDonald's will potentially suffer.<sup>85</sup> The consumer is harmed because she thought she paid for a McDonald's hamburger, but in fact she bought something different and, in this example, something worse. McDonald's is similarly harmed because the goodwill associated with its trademark has suffered a blow, at least as to this consumer. The customer's experience with the imposter McDowell's has lowered her expectations as to quality associated with the McDonald's brand, and therefore she may buy her fast food somewhere else in the future. Moreover, the next time she sees the Golden Arches, she is not quite as sure about what she is going to get when she places an order.

The law and economics theory for trademark infringement does not easily transfer to a cause of action for dilution, because dilution, by definition, does not require the plaintiff to prove that consumers are likely to be confused.<sup>86</sup> If the consumer is not confused (or even likely to be confused) by the defendant's use of a mark, then she has not been tricked into buying something that she does not want. Moreover, the

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a manufacturer have become popular not only because of their intrinsic worth, but also by reason of the ingenious, attractive and persistent manner in which they have been advertised, the good will thus created is entitled to protection."); SCHECHTER, *supra* note 81, at 144 (stating that, when a trademark is infringed, "the owner is robbed of the fruits of the reputation that he had successfully labored to earn"); Calboli, *Trademark Assignment with Goodwill*, *supra* note 83, at 785-95 (explaining the history and evolution of the concept of goodwill in trademark law); see generally Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U.L. REV. 547 (2006).

<sup>85</sup> In the 1988 film *Coming to America*, comedian Eddie Murphy gets a job at a fast food restaurant called "McDowell's." *Coming to America* (Paramount Pictures 1988). The ongoing legal conflict between McDonald's and McDowell's is a humorous subplot in the movie. This conflict is summarized when the in-movie owner of McDowell's, Cleo McDowell, states: "Look . . . me and the McDonald's people got this little misunderstanding. See, they're McDonald's; I'm McDowell's. They got the Golden Arches; mine is the Golden Arcs. They got the Big Mac; I got the Big Mick. We both got two all-beef patties, special sauce, lettuce, cheese, pickles and onions, but their buns have sesame seeds. My buns have no seeds." *Id.*

<sup>86</sup> See 15 U.S.C. § 1125(c)(1) (specifying that dilution is actionable "regardless of the presence of absence of actual or likely confusion"); see also Starbucks Corp. v. Wolfe's Borough Coffee, Inc. 588 F.3d 97, 109 (2d Cir. 2009) (noting that "the absence of actual or even of a likelihood of confusion does not undermine evidence of trademark dilution"); Franklin Mint Co. v. Manatt, Phelps & Phillips, LLP, 109 Cal. Rptr. 3d 143, 170 (Cal. App. 2010) ("In the dilution context, likelihood of confusion is irrelevant.").

mark holder's goodwill has not suffered, because the consumer knows that the goods or services are coming from two distinct sources, and neither is owned or endorsed by the other.<sup>87</sup>

Therefore, a claim for dilution by blurring does not further the policy goals of either preventing consumer fraud or preserving the mark owner's goodwill. Rather, the traditional justification for dilution by blurring focuses on the source identifying function of the mark and its ability to bolster economic efficiency in the marketplace.<sup>88</sup> Commentators have argued that trademarks function less efficiently in the marketplace if the consumer makes multiple associations with a given mark, rather than just one. At least in theory, what Schechter characterized as the "uniqueness" of the famous mark is imperiled by these noninfringing uses. Professors Stacey Dogan and Mark Lemley give the following example:

Blurring takes a formerly unique mark (say, Exxon), which consumers can associate with the mark owner *without any necessary context*, and applies it to unrelated products – say, Exxon pianos or Exxon carpets. Even if the consumer understands that these different Exxons are unrelated, the proliferation of Exxon-marked products may make it more difficult for consumers to figure out which company is responsible for any particular product.<sup>89</sup>

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<sup>87</sup> As discussed *infra*, dilution by tarnishment proceeds on the theory that association with unsavory goods or services can damage a trademark holder's reputation or goodwill, even when consumers are not likely to be confused and therefore understand that the senior user is not the source of, and does not endorse, the offensive goods or services. See *infra* notes 116-127 and accompanying text.

<sup>88</sup> Judge Posner explained the consumer search cost rationale for dilution by blurring in *Ty Inc. v. Perryman*: "Suppose an upscale restaurant calls itself 'Tiffany.' There is little danger that the consuming public will think it's dealing with a branch of the Tiffany jewelry store if it patronizes this restaurant. But when consumers next see the name 'Tiffany' they may think about both the restaurant and the jewelry store, and if so the efficacy of the name as an identifier of the store will be diminished. Consumers will have to think harder—incur as it were a higher imagination cost—to recognize the name as the name of the store." *Ty Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002).

<sup>89</sup> Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161, 1198 (2006) (emphasis added); see also Jerre B. Swann, Sr., *Dilution Redefined for the Year 2000*, 37 HOUS. L. REV. 729, 759 (2000) (defining dilution as "the difference between a brand with a meaning substantially in the abstract, and a brand with a substantial meaning only in context or after cueing").

Dogan and Lemley conclude that blurring “can make it somewhat more difficult for consumers to associate a famous mark with its owner.”<sup>90</sup>

The cause of action for dilution by blurring thus rests upon two critical assumptions: 1) using the same (or similar) marks on different goods or services, in contexts that will not support a cause of action for trademark infringement (because consumers are not likely to be confused), decreases consumers’ ability to “associate [the famous mark] with the mark owner without any necessary context”<sup>91</sup>; and 2) preserving consumers’ ability to identify the famous trademark with the holder of the mark, absent context, has value and should be protected. Both of these statements are properly subject to substantial empirical challenge.

The first conclusion—that imbuing a famous trademark with multiple meanings devalues or weakens the original definition of the mark—requires the belief that trademarks do not behave like other words. Language is not immutable.<sup>92</sup> Countless words in the English language have multiple meanings and, outside the trademark context, few would suggest that additional or even derivative meanings necessarily sap strength from the word’s original definition.<sup>93</sup> Deven Desai and I have made a similar argument in the context of the

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<sup>90</sup> Dogan & Lemley, *supra* note 89, at 1198; *see also* Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 516 (2008) (describing dilution theory, in cognitive terms, as a “tragedy of the mental commons, in which a consumer’s mind is overpopulated with meaning and her understanding of a brand descends into incoherence”); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 790 (2004) (noting that the Federal Trademark Dilution Act focuses on uses that “increase consumer search costs” by blurring); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L. J. 1687, 1704 n.90 (1999) (arguing that “[t]he information consumers can obtain and process is in part a function of how clear the association between mark and product remains in their minds; ‘clutter’ therefore imposes real costs on consumers”); *see generally* Shahar J. Dilbary, *Famous Trademarks and the Rational Basis for Protecting “Irrational Beliefs,”* 14 GEO. MASON L. REV. 605 (2007).

<sup>91</sup> Dogan & Lemley, *supra* note 89, at 1198.

<sup>92</sup> *See* Shawn M. Clankie, *Brand Name Use in Creative Writing: Genericide or Language Right?*, in PERSPECTIVES ON PLAGIARISM AND INTELLECTUAL PROPERTY IN A POSTMODERN WORLD 253, 262 (Lide Buranen & Alice M. Roy eds., 1999) (“Language change and innovation are natural and, in general, unmanageable.”).

<sup>93</sup> In the trademark context, multiple definitions of the same word are assumed to have dilutive effect. *See, e.g.,* Swann, *supra* note 89, at 759 (noting that “[d]ilution equals the diffusion of a singular definition in the dictionary of commercial terms”).

genericism doctrine, reasoning that “unorthodox” uses of a trademark in noncommercial contexts should not necessarily indicate that a mark has fallen victim to genericide. In that piece, we gave the following example:

[T]he word ‘snow’ is defined as (1) ‘precipitation in the form of . . . white ice crystals’; (2) ‘a dessert made of stiffly beaten whites of eggs, sugar, and fruit pulp’; (3) cocaine or heroin; or (4) ‘to deceive, persuade, or charm glibly.’<sup>94</sup> Even though definitions 2-4 are fairly clearly derived from the first definition of the word ‘snow,’ their existence does not undermine . . . the validity of the word ‘snow’ as it refers to fluffy, white, frozen precipitation. We determine the meaning of the word by the context in which it is used.<sup>95</sup>

If the word “snow” were a famous trademark used to sell frozen precipitation, dilution by blurring could prevent the use of the word “snow” in other contexts, *e.g.*, to refer to a dessert, on the grounds that doing so would impede the word’s ability to identify the fluffy white stuff that is a form of precipitation rather than food. Using the word to refer to cocaine or heroin would additionally support a cause of action for dilution by tarnishment. Dilution laws presume that, unlike other words, trademarks are not resilient to multiple uses.

Trademark law has traditionally tolerated multiple uses of the same word in unrelated contexts, so long as these uses are not likely to cause consumer confusion. For example, United Airlines and United Van Lines have peacefully co-existed for years, as have marks like Champion spark plugs and Champion sportswear, Ace retail hardware stores and Ace bandages, Tropicana orange juice and the Tropicana Las Vegas hotel, and numerous others.<sup>96</sup> Consumers use context to attach the appropriate meaning to the word being used, in commercial as well as noncommercial settings. For example, if a person were instructed to

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<sup>94</sup> WEBSTER’S NINTH NEW COLLEGIATE DICTIONARY 1117 (1983).

<sup>95</sup> Desai & Rierson, *supra* note 17, at 1839.

<sup>96</sup> J. THOMAS MCCARTHY, 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:11 (4th ed. 2005) (listing “well-known examples” of marks that can “peacefully co-exist without confusion”). A recent empirical study has shown that, in part due to the expansion of trademark infringement doctrine and anti-dilution law, brand sharing has declined significantly over the past fifty years. Robert Brauneis & Paul Heald, *Trademark Infringement, Trademark Dilution, and the Decline in Sharing of Famous Brands: An Introduction and Empirical Study*, 59 BUFF. J. INT’L L. 141 (2011); Robert Brauneis & Paul Heald, *The Myth of Buick Aspirin: An Empirical Study of Trademark Dilution by Product and Trade Names*, 32 CARDOZO L. REV. 255 (2011).

“make a reservation at the Tropicana,” that person would be highly unlikely to think about orange juice.

Some empirical research has attempted to prove that the use of a famous trademark on an unrelated product does, in fact, impede the mark’s effectiveness as a source identifier for the original user of the mark.<sup>97</sup> Maureen Morrin and Jacob Jacoby conducted a study in which consumers were exposed to allegedly dilutive ads that used famous trademarks in unfamiliar contexts, *e.g.*, Heineken popcorn and Hyatt legal services.<sup>98</sup> The consumers were then asked to identify the senior user’s mark, *e.g.*, Heineken beer and Hyatt hotels.<sup>99</sup> The results of the study were inconsistent between these two brands. The study showed that exposure to dilutive ads, as compared to exposure to unrelated ads, increased the amount of time required to identify the proper mark by 125 milliseconds (increasing the response time from 645 milliseconds to 770 milliseconds), as to the Heineken brand.<sup>100</sup> However, exposure to dilutive ads had no measurable negative impact on response rates with regard to the Hyatt brand. In fact, response rates of study participants who were exposed to dilutive ads were 130 milliseconds faster than those of participants exposed to unrelated ones (decreasing the response time from 810 milliseconds to 680 milliseconds).<sup>101</sup>

Although these studies are frequently cited as empirical evidence of a dilutive effect, their findings are less than convincing. The impact identified by these studies, even taken at face value, is objectively minimal, literally measured in milliseconds.<sup>102</sup> As Professor Daniel Klerman has argued, an increase in response time of 125 milliseconds (approximately one-tenth of a second), as in the Heineken example, is not economically significant.<sup>103</sup> Moreover, the study results also

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<sup>97</sup> Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for an Elusive Concept*, 19 J. PUB. POL’Y & MARKETING 265 (2000).

<sup>98</sup> *Id.* at 268.

<sup>99</sup> *Id.* at 268–69.

<sup>100</sup> *Id.* at 269.

<sup>101</sup> *Id.*

<sup>102</sup> *Id.* at 269–70.

<sup>103</sup> Daniel Klerman, *Trademark Dilution, Search Costs, and Naked Licensing*, 74 FORDHAM L. REV. 1759, 1765 (2006). Klerman calculates that, at the rate of \$250 an hour, the increase in search costs shown in the Heineken example would amount to less than a cent. *Id.* Some dilution proponents argue that even milliseconds of delay in associating a mark with its proper product are substantial enough to affect consumer purchasing decisions and therefore such delays cause real economic harm to trademark holders. *See* Tushnet, *supra* note 90, at 522 n.68 (citing a study demonstrating that “dilution-generated delayed

demonstrate that the dilutive effect, even measured in milliseconds, does not impact all marks equally and should not be presumed. In the Hyatt example, for instance, exposure to dilutive ads appeared to reinforce rather than undermine the brand's distinctiveness. These findings tend to suggest, and Morrin and Jacoby have concluded, that the strongest, or most "famous" trademarks are more resilient and therefore less likely to suffer a dilutive effect,<sup>104</sup> which is somewhat ironic given that those marks are the only ones entitled to protection from dilution.<sup>105</sup>

Another limitation of the study derives from the examples of dilution by blurring that it utilized. The facts supporting a dilution claim are typically not as clear-cut as those shown to survey respondents in the Morrin and Jacoby study. The 2006 amendments to the federal dilution statute (the TDRA) have been interpreted by the circuit courts to de-emphasize mark similarity.<sup>106</sup> Marks like "Heineken popcorn" and "Hyatt legal services," which employ direct copies of famous marks on unrelated goods or services, are simply not the typical dilution case.<sup>107</sup>

Another question not addressed by this study is whether the effect measured in the laboratory persists in real-life commercial settings. As discussed above, when determining the meaning and the effectiveness of language, the power of context is difficult to overstate.<sup>108</sup> The law and

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response" is correlated with decreased probability that subjects would later choose the diluted brand).

<sup>104</sup> Morrin & Jacoby, *supra* note 97, at 270-71. Morrin and Jacoby found that "very strong brands are immune to dilution because their memory connections are so strong that it is difficult for consumers to alter or create new ones with the same brand name." *Id.* at 274; *see also* Klerman, *supra* note 103, at 1765 (citing Morrin's study as indicating some strong brands may be more "resistant to harm").

<sup>105</sup> *See* Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 16 *FORDHAM INTELL. PROP. MEDIA & ENT. L. J.* 1143, 1162-63 (2006).

<sup>106</sup> *See infra* notes 142-186 and accompanying text.

<sup>107</sup> The Morrin and Jacoby study examined one mark (Dogiva Dog Biscuits) that was not identical to the famous mark that it theoretically diluted (Godiva Chocolates). The Dogiva ad was included in the study to provide an example of tarnishment. Morrin & Jacoby, *supra* note 97, at 268. The study suggested that exposure to Dogiva Dog Biscuits delayed the study participant's ability to identify Godiva Chocolates by 73 milliseconds, if the participant had not been previously exposed to ads for Godiva chocolate. Curiously, when survey participants were exposed to Godiva and Dogiva ads, the delay in their response times increased to 129 milliseconds. *Id.* at 269.

<sup>108</sup> Tushnet, *supra* note 90, at 529-32 (discussing the impact of context in terms of the source-identifying power of trademarks and words in general). As Tushnet succinctly concludes, "When context is king, dilution loses much of its theoretical appeal." *Id.* at 529.

economics explanation of trademark law is based on the notion that trademarks function as source identifiers *in the commercial marketplace*. A mark's ability to act as a source identifier for the consumer *outside* that context, or in no context at all (a situation which is more likely to exist, if at all, in a controlled study rather than any ordinary consumer experience), is of questionable value.<sup>109</sup> The aim of trademark law is not (and should not be) to preserve a mark's ability to identify a particular source in the abstract, outside the realm of commerce and indeed devoid of any context at all.

Context is crucial because trademarks are words—even though they are words that simultaneously function as valuable corporate assets—and therefore do not behave in the same manner as more tangible forms of “property.” Dilution by blurring stems from the premise that a trademark is essentially a rivalrous good: one that is depleted by use. Any child will tell you (in so many words) that candy, for example, is a rivalrous good. If one child takes a bite of a chocolate bar, then there is less chocolate to go around for everyone else. If everyone helps themselves to the chocolate, even by small bites, eventually the chocolate is gone. Dilution assumes that the source identifying capacity of a trademark similarly functions as a rivalrous good. In theory, the famous mark has a finite amount of source identifying capacity, which is depleted by non-infringing (yet commercial) uses on unrelated goods and services.

Trademarks, by contrast, may well be nonrivalrous goods.<sup>110</sup> Nonrivalrous goods, like information or scientific research, can be

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<sup>109</sup> As linguist Roger Shuy has written, “[w]ords in isolation seldom occur in our lives, except in spelling bees and grocery lists. Since humans commonly use context to disambiguate and figure out what is meant, it is reasonable to expect them to keep on doing this with trademarks.” Roger Shuy, *Linguistic Thoughts on Trademark Dilution*, 5-6 (2003) (unpublished manuscript, on file with the author). See also Klerman, *supra* note 103, at 1765–66 (observing that “[c]onsumers just do not confront trademarks in the abstract very often, and, when they do, context usually makes the product category obvious”).

<sup>110</sup> As Professor Boyle explains, “Unlike the earthly commons, the commons of the mind is generally ‘non-rival.’ Many uses of land are mutually exclusive. If I am using the field for grazing, it may interfere with your plans to use it for growing crops. By contrast, a gene sequence, an MP3 file, or an image may be used by multiple parties; my use does not interfere with yours. To simplify a complicated analysis, this means that the threat of overuse of fields and fisheries is generally not a problem with the informational or innovational commons.” James Boyle, *The Second Enclosure Movement and the Construction of the Public Domain*, 66 LAW & CONTEMP. PROBS. 33, 41 (2003); see also Sonia Katyal, *Trademark Intersectionality*, 57 UCLA L. REV. 1601, 1663, 1695



“consumed” by multiple people at the same time, without depletion and at low cost per additional consumer. Outside the context of trademark law, words or language would almost certainly be characterized as nonrivalrous. Words are not depleted and do not lose their expressive meaning due to overuse. In fact, the opposite is true: if the population stops using a word, its meaning may be permanently lost. Entire languages have died or become extinct due to lack of use.<sup>111</sup> Moreover, some evidence suggests that repetition of a word actually reinforces (rather than detracts from) its meaning.<sup>112</sup> Nor does the existence of homonyms (as in the case of the word “snow” discussed above) necessarily indicate that the word’s primary or original definition is weak. The question is whether famous trademarks, which are both language and valued assets, behave more like words or tangible property in terms of their rivalrous or nonrivalrous characteristics.

Because trademarks are words, there is a strong argument that trademarks largely function like other words and therefore can be used in multiple contexts simultaneously, without depletion. Trademarks are less likely to behave like real estate or some other form of tangible property that is necessarily dissipated through use. Moreover, even assuming that the source-identifying function of a trademark is “whittled away” by allegedly diluting uses, the resulting chips are infinitesimally small, which is why trademark holders are not required to prove damages to prevail on a dilution claim.<sup>113</sup> If proof of actual damages were required, the cause of action would almost certainly be practically meaningless.<sup>114</sup> Trademark holders may be unable to prove damages in these types of cases because they simply do not have any.<sup>115</sup>

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(2010); Brett M. Frischmann, *An Economic Theory of Infrastructure and Commons Management*, 89 MINN. L. REV. 917, 946 (2005).

<sup>111</sup> See generally K. DAVID HARRISON, *WHEN LANGUAGES DIE: THE EXTINCTION OF THE WORLD’S LANGUAGES AND THE EROSION OF HUMAN KNOWLEDGE* (2007).

<sup>112</sup> See Tushnet, *supra* note 90, at 536 (describing one study as suggesting that “dilution does not harm many famous trademarks because adding associations to low-frequency words does not interfere with retrieval or recognition – and may even help”); see also *id.* at 540 (“By adding branches to a trademark’s mental tree, multiple associations make it bigger, which improves availability in a well-forested mind.”)

<sup>113</sup> 15 U.S.C. § 1125(c)(1) (2006) (cause of action for dilution does not depend on “the presence or absence of . . . actual economic injury”); see also Miss. Code Ann. § 75-25-1 (2011) (same).

<sup>114</sup> Although the Supreme Court initially interpreted the FTDA to require proof of “actual dilution,” it specified that, under this standard, plaintiffs were not required to prove “the consequences of dilution, such as an actual loss of sales

## 2. Dilution by Tarnishment

The TDRA also prohibits use of a trademark that is “likely to cause dilution by tarnishment [of a famous mark].”<sup>116</sup> Dilution by tarnishment is further defined as a use that “harms the reputation of the famous mark.”<sup>117</sup> The language of the statute itself provides no further guidance as to what constitutes an actionable claim for dilution by tarnishment. Dilution by blurring and dilution by tarnishment are similar in that, as to both causes of action, the plaintiff need not prove likelihood of consumer confusion, actual economic injury, or actual dilution.<sup>118</sup> Moreover, both causes of action stem from the consuming public’s “association” of the junior user’s mark with that of the senior user. However, in a claim for dilution by tarnishment, the association between the two marks is actionable not because it harms the mark’s distinctiveness, but because, in theory, it harms the mark owner’s goodwill. As stated by the Second Circuit, “[t]he sine qua non of tarnishment is a finding that plaintiff’s mark will suffer negative associations through defendant’s use.”<sup>119</sup>

Dilution via tarnishment arguably increases consumer search costs in the same manner as a claim for dilution by blurring: by

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or profits.” *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003). The revised statute, the TDRA, changed the standard of proof to one of likelihood of dilution and specifies that plaintiffs are not required to prove any “actual economic injury.” 15 U.S.C. § 1125 (c)(1) (2006). The Subcommittee on Courts, the Internet, and Intellectual Property, in 2004 and 2005, heard testimony from a representative of the International Trademark Association, who argued that the “actual dilution” standard established in *Moseley* was too burdensome for trademark holders: “By the time measurable, provable damage to the mark has occurred much time has passed, the damage has been done, and the remedy, which is injunctive relief, is far less effective.” H.R. Rep. No. 109-23, at 5 (2006), *reprinted in* 2006 U.S.C.C.A.N. 1091, 1093–94.

<sup>115</sup> Professor Farley has also proffered this explanation: “Let me suggest that trademark owners desire a likelihood of dilution standard rather than an actual dilution standard because they cannot prove actual dilution. There is a good reason that trademark owners cannot prove actual dilution. My thesis is that there is no such harm; it does not exist . . . . The main problem with dilution law is that it provides a remedy without a supportable theorization of the harm.” Christine Haight Farley, *Why We are Confused about the Trademark Dilution Law*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1175, 1184 (2006).

<sup>116</sup> 15 U.S.C. § 1125 (c)(1).

<sup>117</sup> 15 U.S.C. § 1125 (c)(2)(C).

<sup>118</sup> 15 U.S.C. § 1125 (c)(1).

<sup>119</sup> *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996).

diminishing the mark's capacity as a source identifier.<sup>120</sup> However, tarnishment is more commonly associated with an alternative policy justification for trademark law, the preservation of the mark owner's goodwill.<sup>121</sup> Unlike the injury suffered by a mark holder in a case of trademark infringement, the alleged injury to goodwill targeted by a cause of action for dilution by tarnishment is indirect, due to the lack of consumer confusion. The tarnishment claim arises from the fear that the famous trademark holder will suffer guilt by (admittedly indirect) association. In other words, the theory is that even though the consumer is unlikely to think that the trademark holder is the source of the junior user's unsavory or inferior product or service, she will nonetheless no longer have uniformly positive associations with the original trademark as a result of her exposure to the tarnishing use.<sup>122</sup> In a case of tarnishment, the consumer's distaste for the unsavory or inferior product has "rubbed off" on the famous trademark, thereby damaging it.<sup>123</sup>

The concept of dilution by tarnishment has more intuitive appeal than the claim of dilution by blurring and therefore has proved to be less controversial (although not without its critics).<sup>124</sup> Even if we assume that the tarnishment phenomenon of guilt by association does in fact occur, however, we still must wrestle with the difficult question of how it

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<sup>120</sup> See *Ty Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002) (characterizing tarnishment as "a second form of dilution," reasoning that "[a]nalytically it is a subset of blurring, since it reduces the distinctness of the trademark as a signifier of the trademarked product or service"); see generally Layne T. Smith, Comment, *Tarnishment and the FTDA: Lessening the Capacity to Identify and Distinguish*, 2004 BYU L. REV. 825, 850-60 (2004).

<sup>121</sup> See *supra* notes 84-87 and accompanying text.

<sup>122</sup> Judge Posner explains the tarnishment phenomenon with the following example: Suppose a "striptease joint" adopts the name "Tiffany." "[C]onsumers will not think the striptease joint [is] under common ownership with the jewelry store. But because of the inveterate tendency of the human mind to proceed by association, every time they think of the word 'Tiffany' their image of the fancy jewelry store will be tarnished by the association of the word with the strip joint." *Ty Inc.*, 306 F.3d at 511.

<sup>123</sup> See Tushnet, *supra* note 90, at 522-23 (noting that "emotion drives cognition, meaning that negative associations may do real, even measurable harm" to a trademark holder, describing such associations as "poisoned fruit"); see also Stacey L. Dogan & Marc Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 494 (2005) (describing dilution by tarnishment as a form of "subconscious pollution").

<sup>124</sup> See generally Jessica Taran, *Dilution by Tarnishment: A Case for Vulgar Humor*, 7 INTELL. PROP. L. BULL. 1 (2002); Regina Schaffer-Goldman, Note, *Cease-and-Desist: Tarnishment's Blunt Sword in its Battle against the Unseemly, the Unwholesome, and the Unsavory*, 20 FORDHAM INTELL. PROP. MEDIA & ENT. L. J. 1241 (2010).

should be proven. Like dilution by blurring, the theory behind the cause of action for dilution by tarnishment is that tarnishing uses of a trademark cause the trademark holder an economic harm, albeit such a minor one that it may not be measurable in an individual case. Proving that consumers' exposure to an allegedly tarnishing use of a famous trademark has negatively impacted their opinion of the mark, or the opposite (lack of tarnishing effect), can be difficult if not impossible, at least not without spending large sums of money for experts and survey consultants.

In most cases, of course, the plaintiff bears the burden of proving its case. However, in tarnishment cases involving uses of a mark related to sex or the illegal use of drugs, courts rarely require trademark holders to prove harm to sustain a claim of dilution by tarnishment. In fact, courts have adopted a virtual *per se* rule regarding uses of trademarks in contexts involving pornography, finding almost uniformly that such uses tarnish the image of the mark holder.<sup>125</sup> On the other hand, when the allegedly tarnishing use is a non-vulgar parody or generally does not relate in any way to sex or the illegal use of drugs, the dilution plaintiff is less likely to prevail.<sup>126</sup>

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<sup>125</sup> See, e.g., *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinemas, Ltd.*, 604 F.2d 200, 204 (2d Cir. 1979) (enjoining use of Dallas Cowboy cheerleader uniforms in a pornographic film); *Kraft Foods Holdings, Inc. v. Helm*, 205 F. Supp. 2d 942, 948–50 (N.D. Ill. 2002) (holding that pornographic website's use of the mark "VelVeeda" was likely to tarnish the Velveeta trademark); *Victoria's Cyber Secret Ltd. P'ship v. V Secret Catalogue, Inc.*, 161 F. Supp. 2d 1339, 1355 (S.D. Fla. 2001) (holding that defendants' use of domain names "victoriassexsecret.com" and "victoriassexsecret.com" to sell "entertainment of a lascivious nature suitable only for adults" was likely to tarnish the Victoria's Secret trademark). When a defendant uses sexual imagery, particularly pornography, to mock the trademark holder or the mark itself in a manner that might otherwise be considered a parody, courts are typically not amused. See, e.g., *Pillsbury Co. v. Milky Way Prods., Inc.*, 215 U.S.P.Q. 125, 126, 134 (N.D. Ga. 1981) (enjoining use of Pillsbury Doughboy character in magazine which featured the Doughboy in various sexual positions); *but see Burnett v. Twentieth Century Fox Film Corp.*, 491 F. Supp. 2d 962, 972 (C.D. Cal. 2007) (dismissing claim of dilution by tarnishment by actress Carol Burnett based on lewd portrayal of her "Charwoman" character in an episode of the cartoon Family Guy, on grounds that use of Burnett's character was noncommercial parody).

<sup>126</sup> See, e.g., *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 506, 508 (2d Cir. 1996) (finding defendant's use of wild boar puppet named "Spa'am" in the movie *Muppet Treasure Island* did not dilute or tarnish the SPAM trademark (for lunch meat)). See also *infra* notes 223–228 and accompanying text (discussing *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007)).

Proof of dilution by tarnishment, like dilution by blurring, is perhaps elusive because, at least in the typical case, no dilution has occurred. In other words, the trademark holder probably cannot prove that he has been harmed because, in fact, he has not been harmed. Even if he has suffered some economic harm, it may well be minute. However, as noted above, the burden of proof in these cases seems to be shifting from the plaintiff to the defendant. Although the TDRA purports to prevent unauthorized uses of a famous mark that are likely to “cause dilution” of it, it has eliminated the plaintiff’s duty to prove economic harm altogether.<sup>127</sup>

#### D. The Expansion of Dilution Protection

At least initially, state legislatures and the United States Congress adopted the dilution cause of action to combat the problem of “hypothetical anomalies” such as “Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, [and] Bulova gowns.”<sup>128</sup> Schechter, in theorizing the need for a dilution cause of action, cited similar examples: “[i]f ‘Kodak’ may be used for bath tubs and cakes, ‘Mazda’ for cameras and shoes, or ‘Ritz-Carlton’ for coffee, these marks must inevitably be lost in the commonplace words of the language, despite the originality and ingenuity in their contrivance, and the vast expenditures in advertising them . . . .”<sup>129</sup> In other words, the cause of action was considered necessary to combat the perceived harm caused by the use of well-known trademarks to sell unrelated goods by someone other than the owner of the well-known trademark. Trademark holders arguably needed the dilution cause of action to prevent such uses, because they fell outside the scope of trademark infringement law. Even today, courts consider the proximity of goods when determining whether consumers are likely to be confused by defendant’s use of the plaintiff’s trademark.<sup>130</sup> Like the trademark infringement standard, the modern

<sup>127</sup> 15 U.S.C. § 1125(c)(1) (2006).

<sup>128</sup> *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989) (quoting the legislative history of New York’s state dilution statute). The United States Congress similarly cited “DUPONT shoes, BUICK aspirin, and KODAK pianos” as hypothetical misuses of a trademark that a federal dilution cause of action would combat. H.R. Rep. 104-374, at 3 (1996), *reprinted in* 1996 U.S.C.C.A.N. 1029, 1030 (legislative history of Federal Trademark Dilution Act).

<sup>129</sup> Schechter, *supra* note 7, at 830. Schechter’s statement here blurs the concepts of dilution and genericide, portraying the ultimate “death” of the trademark as the inevitable result of unchecked dilution. *See* Desai & Rierson, *supra* note 17, at 1842–44 (discussing the link between the dilution and genericide doctrines).

<sup>130</sup> *See supra* notes 63–65 and accompanying text.

dilution doctrine has evolved far beyond its historical roots and the stated reasons for its existence.

The current version of the federal trademark dilution statute, the TDRA, prohibits the use of any “famous” mark that is “likely to cause dilution by blurring.”<sup>131</sup> A “famous” mark is defined by statute as one which is “widely recognized by the general consuming public of the United States” as a designation of source.<sup>132</sup> The Act defines dilution by blurring as an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”<sup>133</sup> The TDRA does not require proof of “actual dilution,” in contrast to the 1995 version of the Act (as interpreted by the Supreme Court).<sup>134</sup> The Act lists six non-exclusive factors that courts may consider in determining whether dilution by blurring is likely to occur.<sup>135</sup>

The TDRA also includes a cause of action for “dilution by tarnishment,” which is defined as an “association arising from the similarity between a mark or trade name and a famous mark that harms

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<sup>131</sup> 15 U.S.C. § 1125(c)(1).

<sup>132</sup> *Id.* at § 1125(c)(2)(A). The statute identifies four non-exclusive factors for courts to consider in determining whether a mark is “famous.” *Id.* at § 1125(c)(2)(A)(i)-(iv). The TDRA narrowed the scope of famousness, as compared to the FTDA, by attempting to eliminate marks that had achieved only niche fame or regional fame from the scope of dilution protection. *See, e.g.*, Xuan-Thao Nguyen, *Fame Law: Requiring Proof of National Fame in Trademark Law*, 33 CARDOZO L. REV. 89, 94 (2011) (noting that the fame requirement “functions as a gatekeeper to prevent widespread treating of trademarks purely as property in trademark jurisprudence”).

<sup>133</sup> 15 U.S.C. § 1125(c)(2)(B). State dilution statutes have largely adopted the same definition of “dilution by blurring.” *See, e.g.*, CAL. BUS. & PROF. CODE § 14202(l) (West 2008) (defining “dilution by blurring” as an “association arising from the similarity between a mark or a trade name and a famous mark that impairs the distinctiveness of the famous mark.”); MISS. CODE ANN. § 75-25-1(l) (West 2011) (same); ALA. CODE 1975 § 8-12-6(3) (2012) (same).

<sup>134</sup> *See infra* notes 156–160 and accompanying text.

<sup>135</sup> The Act provides that courts may consider “all relevant factors” in “determining whether a mark or trade name is likely to cause dilution by blurring,” including (but presumably not limited to) (1) “[t]he degree of similarity between the mark or trade name and the famous mark”; (2) “[t]he degree of inherent or acquired distinctiveness of the famous mark”; (3) “[t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark”; (4) “[t]he degree of recognition of the famous mark”; (5) “[w]hether the user of the mark or trade name intended to create an association with the famous mark”; and (6) “[a]ny actual association between the mark or trade name and the famous mark.” 15 U.S.C. § 1125(c)(2)(B)(i)–(vi).

the reputation of the famous mark.”<sup>136</sup> The 1995 version of the statute, the FTDA, did not explicitly prohibit dilution by tarnishment, although it was generally interpreted as having that effect.<sup>137</sup> Unlike a cause of action for dilution by blurring, the TDRA suggests no specific factors for a court to consider when determining whether dilution by tarnishment has occurred.

The TDRA also identifies certain types of trademark use that are not actionable: 1) fair use, 2) news reporting, and 3) noncommercial use.<sup>138</sup> Unlike the FTDA, the TDRA specifically includes parodies or criticism of a famous trademark within its definition of “fair use.”<sup>139</sup> However, the TDRA excludes from fair use protection any use of a mark that serves as a “designation of source” for the defendant’s “own goods or services.”<sup>140</sup>

Although commentators initially heralded the TDRA as a “sensible and progressive reform of American federal antidilution protection,”<sup>141</sup> it has expanded the dilution cause of action in some ways that were perhaps unanticipated by its drafters. Under the TDRA’s likelihood of dilution standard, particularly as the courts have interpreted it, proof of association between plaintiff’s and defendant’s respective marks has become tantamount to proof of dilution. Even when the competing marks are not substantially similar, proof of association may be enough to avoid summary judgment on a dilution claim. The TDRA also allows claims for dilution of trade dress and lawsuits between

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<sup>136</sup> 15 U.S.C. § 1125(c)(2)(C).

<sup>137</sup> *Compare* *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432 (2003) (noting the absence of any direct reference to tarnishment in the FTDA and questioning whether the statute actually embraced this cause of action, despite references to tarnishment in the legislative history), *with* *Kraft Foods Holdings, Inc. v. Helm*, 205 F. Supp. 2d 942, 948–50 (N.D. Ill. 2002) (holding that pornographic website’s use of the mark “VelVeeda” was likely to tarnish the Velveeta trademark, in violation of the FTDA); *Victoria’s Cyber Secret Ltd. P’ship v. V Secret Catalogue, Inc.*, 161 F. Supp. 2d 1339, 1355 (S.D. Fla. 2001) (holding that defendants’ use of domain names “victoriasssexsecret.com” and “victoriasssexsecret.com” to sell “entertainment of a lascivious nature suitable only for adults” was likely to tarnish the Victoria’s Secret trademark, in violation of the FTDA).

<sup>138</sup> 15 U.S.C. § 1125(c)(3).

<sup>139</sup> *Id.* at § 1125(c)(3)(A)(ii).

<sup>140</sup> *Id.* at § 1125(c)(3)(A).

<sup>141</sup> Beebe, *supra* note 105, at 1144; *see also* Jennifer Files Beerline, Note, *Anti-Dilution Law, New and Improved: The Trademark Dilution Revision Act of 2006*, 23 BERKELEY TECH. L. J. 511, 513 (concluding that, “while imperfect, the TDRA is a vast improvement over the FTDA”).

competitors, which again draws dilution away from the narrowly prescribed paradigm that it was initially intended to address.

*1. The Decline in Relevance of Mark Similarity and the Increase in Significance of Mark Association*

The hypothetical case envisioned by the legislatures that enacted dilution statutes was one in which a defendant copied, essentially verbatim, a well-known trademark and used it to sell his own (unrelated) goods or services, thereby diluting the distinctiveness of the well-known trademark.<sup>142</sup> Although imagined cases of “Buick aspirin” and “Dupont shoes” may be the inspiration for dilution law,<sup>143</sup> they bear little resemblance to most of the published cases in which a defendant’s use of plaintiff’s trademark has been found to dilute but not infringe, particularly under the TDRA. In the majority of cases, the mark used by the defendant is not identical to the plaintiff’s famous trademark. Rather, defendant’s use of the mark is better characterized as a play on words deriving from plaintiff’s famous trademark. In far too many cases, evidence of “mental association” between plaintiff’s and defendant’s marks has become tantamount to proof of dilution itself.

When Congress amended the Act and passed the TDRA, it modified the statutory language in a manner that effectively decreased the importance of mark similarity and increased the relevance of mark association in dilution cases. It did so largely in response to the Supreme Court’s decision in *Moseley*, which interpreted the former version of the federal dilution statute, the FTDA. In this case, the Supreme Court held that, when the competing marks were not identical, the plaintiff had to prove *more than* mere association between them to demonstrate that defendant had “impaired the distinctiveness” of and thereby diluted plaintiff’s famous trademark.<sup>144</sup> The “actual dilution” standard articulated in *Moseley* was roundly criticized by the holders of famous trademarks.<sup>145</sup>

In *Moseley*, the plaintiff, owner of the admittedly famous Victoria’s Secret trademark, sued Victor and Cathy Moseley, proprietors

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<sup>142</sup> See *supra* note 128 and accompanying text.

<sup>143</sup> See *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989) (quoting the legislative history of New York’s state dilution statute).

<sup>144</sup> *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003).

<sup>145</sup> *Trademark Dilution Revision Act of 2006: Hearing Before the Subcomm. on Courts, the Internet and Intellectual Property of the Comm. on the Judiciary*, 109th Cong. 6 (2005) (statement of Anne Gundelfinger on behalf of the International Trademark Association (INTA)).



of a business named “Victor’s Little Secret,” for trademark infringement and dilution.<sup>146</sup> The trial court granted summary judgment on plaintiff’s trademark infringement and unfair competition claims, finding that the Moseleys’ use of the mark “Victor’s Little Secret” created no likelihood of consumer confusion.<sup>147</sup> However, the trial court granted summary judgment in favor of Victoria’s Secret on the dilution claim, and the Sixth Circuit affirmed.<sup>148</sup> The Supreme Court reversed and remanded, holding that evidence of “association” between the two marks was insufficient to prove dilution.

Plaintiff introduced only one piece of evidence that its famous trademark had been diluted and tarnished by the Moseleys’ use of the name “Victor’s Little Secret.” An army colonel, who happened upon an advertisement for the grand opening of the Moseleys’ store, “was offended by what he perceived to be an attempt to use a reputable company’s trademark to promote the sale of ‘unwholesome, tawdry merchandise,’” and therefore sent a copy of the ad to Victoria’s Secret.<sup>149</sup> The Supreme Court observed that the colonel’s “mental association” between Victor’s Little Secret and Victoria’s Secret did not impair the distinctiveness of or tarnish the Victoria’s Secret trademark:

There is a complete absence of evidence of any lessening of the capacity of the VICTORIA’S SECRET mark to identify and distinguish goods or services sold in Victoria’s Secret stores or advertised in its catalogs. The officer was offended by the ad, but it did not change his conception of Victoria’s Secret. His offense was directed entirely at petitioners, not at respondents.<sup>150</sup>

The Court in *Moseley* specifically rejected the notion that mere association between non-identical marks was sufficient to prove dilution. In reaching this conclusion, it commented upon an earlier Fourth Circuit opinion holding that a slogan adopted by the state of Utah, “The Greatest Snow on Earth,” did not dilute the famous slogan of the Ringling

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<sup>146</sup> *Moseley*, 537 U.S. at 422. The name of the store was originally “Victor’s Secret,” but the Moseleys changed the name after receiving a letter from plaintiff’s lawyer indicating that plaintiff believed that the name both infringed and diluted its federally registered trademark. *Id.* at 423.

<sup>147</sup> *Id.* at 425. Plaintiff did not appeal the court’s ruling on the trademark infringement and unfair competition claims. *Id.* at 428.

<sup>148</sup> *Id.* at 425.

<sup>149</sup> *Id.* at 423. The advertisement in question promoted the sale of “‘Intimate Lingerie for *every woman*’; ‘Romantic Lighting’; ‘Lycra Dresses’; ‘Pagers’; and ‘Adult Novelties/Gifts.’” *Id.*

<sup>150</sup> *Id.* at 434.

Brothers Barnum & Bailey Circus, “The Greatest Show on Earth.”<sup>151</sup> The Supreme Court endorsed the Fourth Circuit’s conclusion that Ringling Brothers had not proved dilution merely because it had shown that Utah’s slogan, which admittedly was not identical to “The Greatest Show on Earth,” nonetheless invoked an association with it:

[M]ental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA. For even though Utah drivers may be reminded of the circus when they see a license plate referring to the ‘greatest show on earth,’ it by no means follows that they will associate ‘the greatest show on earth’ with skiing or snow sports, or associate it less strongly or exclusively with the circus. ‘Blurring’ is not a necessary consequence of mental association. (Nor, for that matter, is ‘tarnishing.’)<sup>152</sup>

The FTDA, as interpreted by the Supreme Court, therefore made it difficult for a plaintiff to prove dilution of a famous trademark in cases where the marks in question were not identical, even if plaintiff could show that consumers “associated” the defendant’s mark with that of the plaintiff.<sup>153</sup> In the wake of *Moseley*, many courts held that “[a] plaintiff cannot prevail on a state or federal dilution claim unless the marks at issue are ‘very’ or ‘substantially similar.’”<sup>154</sup> Although *Moseley* may have temporarily sounded the death knell for dilution cases involving non-identical marks, the impact of the decision was decidedly short lived. Congress amended the federal trademark dilution statute, largely

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<sup>151</sup> 170 F.3d 449, 463 (4th Cir. 1999).

<sup>152</sup> *Moseley*, 537 U.S. at 433–34.

<sup>153</sup> *Id.* at 434 (noting that the customer “did not change his conception of Victoria’s Secret,” despite being “offended by the ad”). In dicta, the Court suggested that, if the junior and senior marks were “identical,” the plaintiff would have “circumstantial evidence” of actual dilution. *Id.*

<sup>154</sup> *Playtex Prods., Inc. v. Georgia-Pacific Corp.* 390 F.3d 158, 167 (2d Cir. 2004); *see also* *Thane Int’l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 905 (9th Cir. 2002) (referring to the “recently-established requirement that for a dilution claim to succeed, the mark used by the alleged diluter must be identical, or nearly identical, to the protected mark”); *Fed. Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168, 176 (2d Cir. 2000) (same); *Luigino’s, Inc. v. Stouffer Corp.*, 170 F.3d 827, 832 (8th Cir. 1999) (“To support an action for dilution by blurring, the marks must at least be similar enough that a significant segment of the target group of customers sees the two marks as essentially the same.”) (internal citations omitted).

in response to the *Moseley* decision, and redefined the standard of proof in these cases.<sup>155</sup>

Under the TDRA, a plaintiff need only prove a likelihood of dilution to prevail on a claim seeking injunctive relief.<sup>156</sup> The Act directs courts to consider “all relevant factors” in assessing likelihood of dilution.<sup>157</sup> However, it identifies only six “relevant” factors, and in practice the vast majority of courts confine their analysis to these six factors. Three of the six factors relate to the overall strength of the plaintiff’s mark, and, in that sense, overlie the factors considered relevant to determine whether the mark is famous.<sup>158</sup> The remaining three factors relate to (1) the degree of similarity between the marks, (2) defendant’s intent to create an association with the famous mark (or lack thereof), and (3) any evidence of “actual association” between the marks.<sup>159</sup> The impact of these statutory amendments, at least in comparison to the Supreme Court’s interpretation of the FTDA, has been to de-emphasize the importance of mark similarity<sup>160</sup> and to increase the significance of evidence of “association” between the two marks.

Professor Thomas McCarthy has characterized the six TDRA factors as “both incomplete and misleading” because none of them “directs attention to the crucial issue: is there a likelihood that this defendant’s mark is likely to be a use that ‘impairs the distinctiveness of

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<sup>155</sup> See, e.g., *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 104 (2d Cir. 2009) (noting that the TDRA was passed “in response to” the Supreme Court’s decision in *Moseley*).

<sup>156</sup> 15 U.S.C. § 1125(c)(1) (2006).

<sup>157</sup> *Id.* at § 1125(c)(2)(B).

<sup>158</sup> These factors include “[t]he degree of inherent or acquired distinctiveness of the famous mark”; “[t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark”; and “[t]he degree of recognition of the famous mark.” 15 U.S.C. § 1125(c)(2)(B)(ii)–(iv). These factors are essentially identical to three of the “famousness” factors listed in the former version of the statute, the FTDA. See 15 U.S.C. § 1125(c)(1)(A), (F)–(G) (superseded).

<sup>159</sup> 15 U.S.C. § 1125(c)(2)(B)(v)–(vi).

<sup>160</sup> Some early post-TDRA cases suggested, and some commentators have argued, that the “identical mark presumption” should persist in the face of the TDRA’s revised statutory language. See, e.g., Jeremy M. Roe, Note, *The Current State of Antidilution Law: The Trademark Dilution Revision Act and the Identical Mark Presumption*, 57 DEPAUL L. REV. 571, 590 (2008) (arguing that “courts should strictly enforce the use of the identical mark presumption”). However, post-TDRA case law appears to be trending in the opposite direction. See, e.g., *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158, 1166–71 (9th Cir. 2011) (discussing and distinguishing earlier post-TDRA cases).

the famous mark?”<sup>161</sup> He concludes that, “[l]ike a signpost pointing in the wrong direction, the list of factors directs attention away from the key issue of whether there is a likelihood of damage to the famous mark.”<sup>162</sup> In the wake of the TDRA, few courts require dilution plaintiffs to prove much beyond the mere fact that consumers “associate” defendant’s mark with that of the plaintiff, even when the marks in question are far from identical.

The Second Circuit’s decision in *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*<sup>163</sup> illustrates many of the changes arising from the TDRA. In this case, the owner of another undeniably famous trademark, Starbucks, sued a small business, Black Bear Microroastery (“Black Bear”), for federal trademark infringement, dilution, and related state law claims.<sup>164</sup> Black Bear was sued because it sold a dark roasted coffee under the name “Charbucks Blend” and “Mr. Charbucks” (the “Charbucks marks”).<sup>165</sup> The trial court, after a bench trial, ruled in favor of Black Bear, finding no likelihood of confusion and no likelihood of dilution under federal or state law.<sup>166</sup> The Second Circuit affirmed the judgment as to the trademark infringement claim, but reversed and remanded on the claim asserted under the TDRA.<sup>167</sup>

In the *Starbucks* case, the district court determined that the two trademarks in question, Starbucks and Charbucks, were only “minimally similar” due to the differences in the context in which they were presented to the consumer (*e.g.*, packaging and logos).<sup>168</sup> The court of appeals agreed.<sup>169</sup> The Second Circuit nonetheless reversed the trial court’s decision in part because the trial court had given too much weight to the similarity factor. The circuit court reasoned that if Congress had wanted to require “substantial similarity” between the competing marks to establish a dilution claim, it would have put those words in the TDRA,

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<sup>161</sup> J. THOMAS MCCARTHY, 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:119 (2011).

<sup>162</sup> *Id.*

<sup>163</sup> *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009).

<sup>164</sup> *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 559 F. Supp. 2d 472, 474 (S.D.N.Y. 2008).

<sup>165</sup> *Starbucks Corp.*, 588 F.3d at 103.

<sup>166</sup> *Id.* at 104.

<sup>167</sup> *Id.* at 109, 119. The original lawsuit against Black Bear was filed under the 1995 version of the Act, the FTDA. However, the revised Act (TDRA) went into effect after the bench trial in the case, and the case was reviewed under the TDRA by the Second Circuit on appeal. *Id.* at 104.

<sup>168</sup> *Id.* at 106–07 (describing differences between the two trademarks).

<sup>169</sup> *Id.*

and it did not do so.<sup>170</sup> In other words, because Congress did nothing to indicate that the “degree of mark similarity” was more important than the other listed factors, the trial court could not give it special weight. The Ninth Circuit has reached the same conclusion.<sup>171</sup>

The Second Circuit in *Starbucks* also critiqued the district court for giving too little weight to the evidence presented regarding “association” between the plaintiff’s and defendant’s marks. Although the court found that Black Bear did have an “intent to associate” its coffee with Starbucks, it did not weigh that factor in favor of a likelihood of dilution finding because it determined that Black Bear did not act “in bad faith.”<sup>172</sup> The Second Circuit noted that the TDRA does not require or even mention evidence of “bad faith” in the context of this factor, and it was therefore error to consider it.<sup>173</sup> Similarly, it held that the district court erred in failing to take into account evidence of “actual association” between the two marks. That evidence was a survey finding that 30.5% of 600 consumers surveyed thought of “Starbucks” when they heard the name “Charbucks.”<sup>174</sup> That evidence of actual association, under the TDRA, was significant. In some district court cases, courts have issued injunctive relief when the only proof of dilution, other than some similarity between the marks, has been defendant’s intent to associate with the famous mark of the plaintiff.<sup>175</sup>

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<sup>170</sup> See *id.* at 108 (finding it significant that “the federal dilution statute does not use the words ‘very’ or ‘substantial’ in connection with the similarity factor”).

<sup>171</sup> See *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158, 1172 (9th Cir. 2011) (concluding that “the plain language of 15 U.S.C. § 1125(c) does not require that a plaintiff establish that the junior mark is identical, nearly identical or substantially similar to the senior mark in order to obtain injunctive relief”). In this case, the district court dismissed the dilution claim because the advisory jury found that the two designs were not “identical or nearly identical.” *Id.* at 1160. The Ninth Circuit reversed and remanded, holding that the court had misstated the degree of similarity necessary to support a dilution claim under the TDRA. *Id.* at 1159.

<sup>172</sup> 588 F.3d at 109.

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

<sup>174</sup> *Id.* Only about 3% of consumers who participated in the telephone survey thought Starbucks was the “possible source” of Charbucks. *Id.*

<sup>175</sup> See, e.g., *Hershey Co. v. Art Van Furniture Inc.*, 2008 WL 4724756 (E.D. Mich. 2008). In this case, the court issued a preliminary injunction to prevent defendant from advertising furniture with a picture of a brown couch emerging from a wrapper reminiscent of a Hershey candy bar (on the side of a furniture delivery van). *Id.* at \*1. Although the court found no likelihood of confusion and therefore no likelihood of success on the merits of plaintiff’s trademark infringement claim, it found defendant’s mark was likely to dilute Hershey’s

In the tarnishment context, the potential impact of the TDRA in elevating the importance of “association” between the defendant’s mark and the plaintiff’s famous one is even starker, even though the TDRA lists no specific factors for courts to consider in the context of a dilution by tarnishment claim. In one of the few appellate cases that has considered the tarnishment provisions of the TDRA, the Sixth Circuit concluded that proof of association equates proof of tarnishment, citing the legislative history of the TDRA as well as Congress’s specific concern that the “actual dilution” standard articulated by the Supreme Court in *Moseley* “creates an undue burden for trademark holders who contest diluting uses and should be revised.”<sup>176</sup>

The Sixth Circuit case interpreting the TDRA’s tarnishment provisions features none other than Victor and Carol Moseley.<sup>177</sup> Although the Supreme Court held that summary judgment on plaintiff’s dilution claim was inappropriate under the FTDA,<sup>178</sup> on remand the FTDA did not apply. When the same facts were analyzed under the TDRA, the Sixth Circuit (and the district court) reached the opposite conclusion.<sup>179</sup>

In analyzing the Moseleys’ case for the second time, the circuit court noted that “[t]here appears to be a clearly emerging consensus . . . that the creation of an ‘association’ between a famous mark and lewd or bawdy sexual activity disparages and defiles the famous mark and reduces the commercial value of its selling power.”<sup>180</sup> The court

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famous trademark and trade dress, and therefore issued the injunction. *Id.* at \*12, \*14.

<sup>176</sup> *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382, 387 (6th Cir. 2010) (citing U.S.C.A.N., 109th Cong. 2d Sess. 2006, Vol. 4, pp. 1091, 1092, 1097) [hereinafter *Moseley II*]. Of course, it is possible that the Sixth Circuit’s decision in *Moseley II* will not be followed by other federal circuits, and that its expansive interpretation of dilution by tarnishment will ultimately die on the vine. At least one commentator has predicted that the tarnishment cause of action under the TDRA is actually “a much narrower cause of action than existed in pre-TDRA tarnishment case law.” Sarah L. Burstein, *Dilution by Tarnishment: The New Cause of Action*, 98 TRADEMARK REP. 1189, 1189 (2008). However, given that the Sixth Circuit decision is the most comprehensive judicial interpretation of the TDRA tarnishment provision to date, particularly in the context of an allegedly tarnishing use with sexual connotations, its opinion should not be ignored and, at the very least, will constitute persuasive authority in other circuits.

<sup>177</sup> *Moseley II*, 605 F.3d at 382.

<sup>178</sup> See *supra* notes 144–150 and accompanying text.

<sup>179</sup> *Moseley II*, 605 F.3d at 387.

<sup>180</sup> *Id.* at 387–88 (6th Cir. 2010) (citing cases).

concluded that, when plaintiff can show a “clear semantic association” between a new mark that is used to sell “sex-related products” and the famous one, this association creates “a kind of rebuttable presumption, or at least a very strong inference” that the new mark is likely to tarnish the famous one.<sup>181</sup> If the presumption is established, the owner of the new mark has “the burden of coming forward with evidence that there is no likelihood or probability of tarnishment.”<sup>182</sup> In effect, the court conflated the blurring factors of mark similarity and mark association, creating a rule that if the marks are similar enough to create a “semantic association” between them, the likelihood of dilution is presumed, even when, as in this case, the court finds that the tarnishing effect on plaintiff’s famous trademark is “somewhat speculative.”<sup>183</sup> The opinion effectively shifts the burden of proof in a dilution by tarnishment case from the plaintiff to the defendant so long as the plaintiff can show an “association” between the two marks.<sup>184</sup> Perhaps predictably, when the burden of proof was shifted in this case, the Moseleys could not produce evidence *disproving* that their use of the mark “Victor’s Little Secret” had tarnished the image of the famous Victoria’s Secret trademark.<sup>185</sup>

In sum, one effect of the TDRA has been to *decrease* the relevance of mark similarity in trademark dilution cases and to *increase* the significance of proof of mark association. Although dilution laws may have been conceived as necessary to prevent a defendant from using a mark identical to plaintiff’s famous one (evading liability for trademark infringement by placing the mark on unrelated goods), this type of case does not appear to be common. Moreover, if such misuse of a mark does occur, it is rarely the case that dilution constitutes plaintiff’s only viable claim. Rather, at least in recent cases decided under the TDRA, dilution seems to have relevance as a cause of action primarily when defendant’s

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<sup>181</sup> *Id.* at 388. The “rebuttable presumption” language appears in the majority opinion, but it was rejected in the concurrence in favor of creating a “strong inference” of tarnishment. *Id.* at 390.

<sup>182</sup> *Id.* at 388. The court suggested that such proof could include “expert testimony or surveys or polls or customer testimony.” *Id.*

<sup>183</sup> *Id.* at 389.

<sup>184</sup> One judge in the three-judge panel that decided *Moseley II* dissented and argued that the court had misinterpreted both the plain language and the legislative history of the TDRA in reaching this conclusion. *Id.* at 391–95 (Moore, J., dissenting).

<sup>185</sup> *Id.* at 388–89. The type of evidence cited by the court as helpful in disproving tarnishment – expert testimony and consumer surveys – is notoriously costly. *See, e.g.,* *Lon Tai Shing Co., Ltd. v. Koch & Lowy*, 19 U.S.P.Q.2d 1081, 1095 (S.D.N.Y. June 20, 1991) (estimating the cost of conducting consumer survey in the instant trademark case at approximately \$100,000).

mark is *not* particularly similar to the plaintiff's, such that the *dissimilarity* between them precludes, at least in part, a finding of trademark infringement.<sup>186</sup> In this type of case, proof of mental association between the two marks goes a long way towards proving a likelihood of dilution, and it may be dispositive in cases involving claims of tarnishment.

## 2. Dilution by Competitors

In addition to mark identity, the other hallmark of the traditional dilution claim—at least as articulated by those who enacted the dilution statutes—has been the use of a famous mark to sell unrelated goods or services. As discussed above, Schechter's original "rational basis" theory was largely born of frustration with the limitations of trademark infringement law of his era, particularly because it did not always offer relief when the defendant placed its mark on goods that were not of the "same descriptive properties" as those of the plaintiff.<sup>187</sup> It is therefore not surprising that he cited Kodak bath tubs and Mazda shoes as examples of the harm that dilution was intended to prevent.<sup>188</sup> Dilution claims are, however, often litigated under the TDRA in cases where plaintiff and defendant are not selling goods or services in radically different markets and, in fact, may be competitors.<sup>189</sup>

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<sup>186</sup> See Beebe, *supra* note 62, at 1623 (concluding, based on empirical data, that "the similarity of the marks factor is by far the most important factor in the multifactor test" for determining likelihood of confusion and trademark infringement).

<sup>187</sup> See *supra* notes 13–15 and accompanying text.

<sup>188</sup> Schechter, *supra* note 7, at 830.

<sup>189</sup> The application of the dilution doctrine in cases involving competitors is not without controversy. In his iconic trademark treatise, Professor McCarthy states, "[i]t is difficult to understand why an anti-dilution law is invoked when the parties operate in competitive or closely related product or service lines. The legal theory of anti-dilution was conceived to protect strong marks against a diluting use by a junior user in a product or service line far removed from that in which the famous mark appears. Thus, using the anti-dilution law when the parties are competitors in the same market sounds a dissonant and false note. Why the need to invoke the 'super weapon' of anti-dilution law to resolve what appears to be a garden variety infringement case." J. THOMAS MCCARTHY, 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:72, at 24–136 (Supp. 12/2003). The Second Circuit rejected this reasoning (without citing McCarthy), based on the plain language of the FTDA: "In the absence of contrary legislative command, the fact that other remedies [such as trademark infringement] may be available to prevent a perceived ill does not seem to be sufficient reason to construe a statute as not reaching circumstances that fall squarely within its words. The fact that injured senior users may thus be given a



In these cases, the defendant typically chooses a trademark for his business that creates an association with the plaintiff's famous mark for the purpose of communicating information about his own business to the consuming public. In some of these cases, the defendant is a relatively small business owner who is attempting to tell consumers that, at some level, his business and that of the famous trademark holder are similar. The desire to create an association with the famous mark is not the same as a desire to "pass off" one's goods as those of the mark holder. In other words, the defendant does not intend to trick the public into buying his goods instead of the plaintiff's. If such facts were proven, the case would undoubtedly be one of trademark infringement, without the need to resort to a trademark dilution claim.<sup>190</sup> However, as discussed above, evidence of an "intent to associate" alone currently constitutes powerful evidence of a likelihood of dilution. It is perhaps not surprising, then, that those with the most incentive to create this kind of association (competitors) may find themselves defending a trademark dilution lawsuit.

The trademark case filed by coffee behemoth Starbucks against Black Bear squarely illustrates this phenomenon. Starbucks and Black Bear both sell coffee, although not in comparable amounts. Black Bear is described as a "family-run business that 'manufactures and sells . . . roasted coffee beans and related goods via mail order, internet order, and at a limited number of New England supermarkets.'"<sup>191</sup> Black Bear operates one retail outlet and occasionally hires part-time workers.<sup>192</sup> The Starbucks trademark, on the other hand, is associated with "8,700 retail locations in the United States, Canada, and 34 foreign countries and territories."<sup>193</sup> Moreover, Starbucks coffee is sold in "hundreds of

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choice of remedies is not sufficient reason to read into the antidilution statute limitations that Congress did not write." *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 223 (2d Cir. 1999). Moreover, the court hypothesized that "failure to construe the antidilution statutes as reaching competing products may lead to a gap in coverage; the products might be found too far apart to support a finding of likelihood of confusion—and therefore an infringement action—yet too close together to permit a finding of dilution." *Id.*

<sup>190</sup> See Beebe, *supra* note 62, at 1628 (concluding, based on empirical data, "a finding of bad faith intent creates, if not in doctrine, then at least in practice, a nearly un-rebuttable presumption of a likelihood of confusion").

<sup>191</sup> *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 103 (2d Cir. 2009).

<sup>192</sup> *Id.*

<sup>193</sup> *Id.* at 102.

restaurants, supermarkets, airlines, sport and entertainment venues, motion picture theaters, hotels, and cruise ship lines.”<sup>194</sup>

The district court understandably found that Black Bear’s choice of the names “Mr. Charbucks” and “Charbucks Blend” for its coffee product was intended to invoke an association with the famous Starbucks mark.<sup>195</sup> In its appellate brief, Starbucks claimed that Black Bear adopted “Charbucks” as a mark “because there ‘could not have been a more perfect way for [Black Bear] to grab the attention of consumers.’”<sup>196</sup> In addition to invoking a general association with the famous coffee retailer, the name was apparently chosen to convey information about this particular blend of coffee. The owner of Black Bear testified that “[t]he inspiration for the term Charbucks comes directly from Starbucks’ tendency to roast its products more darkly than that of other major roasters.”<sup>197</sup> The slogans accompanying the name emphasized that the blend was dark roasted, promising that the coffee was “[r]oasted to the Extreme . . . For those who like the extreme.”<sup>198</sup> The name and the slogan can be interpreted as suggesting that the Black Bear coffee blend, like some Starbucks coffee, is dark roasted, but better than Starbucks.<sup>199</sup> This is a form of comparative advertising, one in which a small competitor attempts to enter a market to challenge a dominant competitor.

The *Moseley* case similarly involved parties operating in related if not identical markets. The Moseleys, who had one store in

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<sup>194</sup> *Id.*

<sup>195</sup> *Id.* at 109.

<sup>196</sup> Proof Brief for Plaintiff-Counter-Defendants-Appellants, *Starbucks Corp.*, 588 F.3d 97 (2006) (No. 06-0435-cv), 2006 WL 4846966 at \*17. Black Bear did not admit that its choice of the Charbucks name was intended to invoke an association with Starbucks. In its appellate brief, Black Bear argued that it “chose the descriptor ‘Charbucks Blend’ as a humorous way to alert customers that the very dark roast was different from Black Bear’s typical products.” Brief for Defendant-Appellee, *Starbucks Corp.*, 588 F.3d 97 (2006) (No. 06-0435-cv), 2006 WL 4846967 at \*3.

<sup>197</sup> *Starbucks Corp.*, 588 F.3d at 113.

<sup>198</sup> *Id.* at 103. Another slogan stated, “You wanted it dark . . . You’ve got it dark!” *Id.*

<sup>199</sup> The Second Circuit rejected Starbucks’ claim that Black Bear’s use of the name Charbucks resulted in tarnishment of the Starbucks trademark by evoking an image of “bitter, over-roasted coffee.” *Id.* at 110. At least one pre-TDRA case did find dilution by tarnishment in a case between competitors, where the plaintiff’s famous logo was used in defendant’s comparative advertisement in a manner that mocked the plaintiff. *See Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44–45 (2d Cir. 1994) (interpreting New York anti-dilution law).

Elizabethtown, Kentucky and no employees, sold adult videos and “adult novelties,” including women’s lingerie, which accounted for approximately five percent of total sales.<sup>200</sup> The plaintiff, which operated over 750 Victoria’s Secret stores and reported annual sales in excess of \$1.5 billion at the time of the litigation, described its product as “moderately priced, high quality, attractively designed lingerie sold in a store setting designed to look like a wom[a]n’s bedroom.”<sup>201</sup> Testimony in the case indicated that Victoria’s Secret attempts to create and maintain a “sexy and playful” image.<sup>202</sup>

Although Victoria’s Secret and the Moseleys may not have shared the same business model, this case is hardly one of Kodak pianos or Dupont shoes. As the record in the case plainly illustrated, the Victoria’s Secret trademark has deliberately cultivated sexual connotations,<sup>203</sup> which is most likely why the Moseleys initially chose the names “Victor’s Secret” and “Victor’s Little Secret” for their business. Although there was little evidence of any likelihood of confusion between the two businesses, which is why summary judgment was granted on the trademark infringement claim, both companies tried to cultivate a sex-related image. By using a name evoking an association with the famous Victoria’s Secret trademark, the Moseleys attempted to convey precisely such an image to their potential customers.

It should not be surprising that dilution cases arise in contexts wherein the plaintiff’s goods or services bear some resemblance to those of the defendant. A defendant who copies a mark like “Kodak” onto an unrelated item such as a piano receives a limited amount of benefit from doing so, given that the specific attributes of a Kodak camera have little significance in terms of assessing the attractiveness of a large musical instrument. Moreover, to the extent the Kodak piano appealed to the consumer because she was misled into believing that the owner of the Kodak trademark somehow endorsed the product, the defendant would be liable for trademark infringement, and a claim for dilution would be unnecessary.

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<sup>200</sup> *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 424 (2003).

<sup>201</sup> *Id.* at 422–23.

<sup>202</sup> *Moseley II*, 605 F.3d 382, 394 (6th Cir. 2010) (Moore, J., dissenting).

<sup>203</sup> The dissent in *Moseley II* took note of Victoria’s Secret advertisements for “‘sexy little things’ lingerie.” *Moseley II*, 605 F.3d at 394. These ads urge customers to “[b]e bad for goodness sake” by wearing Victoria’s Secret merchandise, specifically “‘peek-a-boo’s, bras and sexy Santa accessories.’” *Id.* The ads also encourage participation “in the store’s ‘panty fantasy,’ which they describe as ‘Very racy. Very lacy.’” *Id.*

However, a play on words that associates with a famous brand in a related market—like Victor’s Little Secret or Mr. Charbucks— may signal certain information to the consumer about the product, particularly given the almost universal recognition of famous brands. These types of names, when presented in contexts clarifying that the famous trademark holder is not the source of the relevant good or service, also have the benefit of avoiding the creation of a likelihood of confusion, *i.e.*, trademark infringement. If this type of word play is actionable, dilution is the most likely claim.

### 3. Dilution of Trade Dress

Dilution claims have also arisen outside the classic formulation of identical marks on unrelated goods in cases involving trade dress. Although the FTDA did not specifically refer to trade dress dilution, some courts did apply the Act in trade dress cases.<sup>204</sup> The TDRA explicitly applies to cases involving trade dress.<sup>205</sup> Although the number of trade dress dilution cases is relatively small, they deserve mention because, given the nature of the claim, they tend to arise in the context of disputes between competitors. Defendant’s trade dress is unlikely to allegedly dilute that of plaintiff if the parties are in unrelated industries.

An early case involving a claim of trade dress dilution was brought by the maker of a product that is certainly “famous” to the parents of young children: the Goldfish cracker, a product of Pepperidge Farms.<sup>206</sup> The goldfish shape of the cracker, which Pepperidge Farms claimed as its trade dress,<sup>207</sup> was allegedly diluted by a new brand of cracker manufactured by Nabisco that included, among other shapes, a

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<sup>204</sup> See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999); *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27 (1st Cir. 1998) (considering FTDA trademark dilution claim regarding trade dress of KOHLER faucet); *but see* *Syndicate Sales, Inc. v. Hampshire Paper Corp.*, 192 F.3d 633, 639 (7th Cir. 1999) (expressing doubt as to whether trade dress falls within the scope of the FTDA).

<sup>205</sup> 15 U.S.C. § 1125(c)(4) (2006).

<sup>206</sup> *Nabisco, Inc.*, 191 F.3d at 208. This case held that, under the 1995 version of the federal trademark dilution law (the FTDA), only proof of a “likelihood of dilution,” rather than “actual dilution” was required. *Id.* at 214. The Supreme Court overruled this holding in *Moseley*, requiring proof of “actual dilution,” but, as discussed above, that holding was in turn abrogated by the 2006 amendments to the Act (the TDRA). The TDRA explicitly requires proof only of a “likelihood of dilution” rather than “actual dilution.” See *supra* notes 156-160 and accompanying text.

<sup>207</sup> *Nabisco, Inc.*, 191 F.3d at 212–13.

cracker in the shape of a fish.<sup>208</sup> In the ensuing lawsuit, Pepperidge Farms alleged that Nabisco's cracker mix both infringed and diluted its trade dress in the Goldfish cracker. Its infringement claim failed at the trial court level, but its dilution claim prevailed and was upheld on appeal.

The Second Circuit concluded that the Nabisco crackers were "likely to dilute" the distinctiveness of the Pepperidge Farms goldfish. The court explicitly considered and rejected the argument that dilution was not an appropriate cause of action in a case between two competitors, as snack food giants Pepperidge Farms and Nabisco undoubtedly are. First, it noted that the express language of the FTDA contained no such limitation; to the contrary, the statute provided that dilution could occur "*regardless of the presence or absence of . . . competition between the owner of the famous mark and other parties.*"<sup>209</sup> The TDRA contains essentially identical language.<sup>210</sup> Moreover, the court reasoned that "the closer the products are to one another, the greater the likelihood of both confusion and dilution. The senior user has a right to the antidilution law's remedy in either case."<sup>211</sup>

#### *4. The Limitations of Fair Use*

When it was enacted, the TDRA's definition of "fair use" was widely perceived to be more generous than that encompassed in the FTDA. Unlike the FTDA, the TDRA does contain an express affirmative defense for parodies.<sup>212</sup> However, the Act exempts from parody protection any mark used "as a designation of source for the [defendant's] own goods or services."<sup>213</sup> As a result of that exemption and the constrictive interpretation of fair use by many courts, the fair use

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<sup>208</sup> Nabisco did not randomly choose to manufacture a cracker in the shape of a fish. The Nabisco product was designed as a joint promotion with Nickelodeon Television Network, to promote the Nickelodeon CatDog cartoon. *Id.* The cartoon featured a two-headed creature (half cat, half dog) that liked to eat fish (for the cat) and bones (for the dog). *Id.* The CatDog cracker mix was to contain crackers in the shape of the CatDog cartoon character and its favorite foods, fish and bones. *Id.* at 213.

<sup>209</sup> *Id.* at 222 (citing 15 U.S.C. § 1127(c)).

<sup>210</sup> *See* 15 U.S.C. § 1125(c)(1).

<sup>211</sup> *Nabisco, Inc.*, 191 F.3d at 222; *see also supra* note 189.

<sup>212</sup> *See* 15 U.S.C. § 1125(c)(3)(A)(ii) (providing that "[a]ny fair use" is not actionable dilution, including use in connection with "identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner").

<sup>213</sup> 15 U.S.C. § 1125(c)(3)(A).

defense under the TDRA remains inadequate to insulate from liability many uses of a famous trademark that should not be actionable.

In the context of trademark law, courts have defined “parody” as “a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark’s owner.”<sup>214</sup> Simply stated, parodies use trademarks (often famous ones) to make fun of the companies who “own” those marks and may profit from them to an enormous degree. Historically, trademark holders have not appreciated this type of humor and often consider it to constitute dilution, particularly dilution by tarnishment.<sup>215</sup> At least to some degree, however, the First Amendment protects “successful” parodies.<sup>216</sup>

The predecessor to the TDRA, the FTDA, did not contain an explicit statutory exemption from liability for fair use in the form of parody.<sup>217</sup> Rather, if parody was exempted from statutory liability at all, it was because it fell within the scope of the general “noncommercial use” exemption.<sup>218</sup> This omission was heavily criticized for its potential

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<sup>214</sup> *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 260 (4th Cir. 2007); *see also* *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 366 (4th Cir. 2001) (same).

<sup>215</sup> *See, e.g.,* *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902–03 (9th Cir. 2002) (alleging that the song “Barbie Girl” by the band Aqua tarnished the Barbie trademark because the song was “inappropriate for young girls”); *Haute Diggity Dog*, 507 F.3d 252, 264 (alleging that “Chewy Vuiton” dog toys were likely to tarnish the Louis Vuitton mark because the toys “pose a choking hazard for some dogs”); *Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39, 44–45 (2d Cir. 1994) (alleging that MTD’s portrayal of the John Deere logo as a fleeing, frightened deer amounted to dilution by tarnishment); *Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1486 (10th Cir. 1987) (alleging that the use of the name “Lardashe” on the seat of jeans “for larger women” amounted to tarnishment of the Jordache trademark).

<sup>216</sup> *See* *Mattel*, 296 F.3d at 902–07 (discussing tension between liability for dilution under the FTDA and the First Amendment in the context of parody).

<sup>217</sup> The FTDA definition of fair use was limited to “use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.” 15 U.S.C. §1125(c)(4)(A). The FTDA also contained a general exemption for “noncommercial uses” of a mark, which is identical to the language in the current version of the statute. *Id.* at (c)(2)(C).

<sup>218</sup> Both the FTDA and the TDRA contain a general exemption from dilution liability for “[a]ny noncommercial use of a mark.” *See* 15 U.S.C. § 1125(c)(3)(C).

negative impact on the right of free speech.<sup>219</sup> In response to that criticism, the TDRA exempts from liability any “fair use” of a mark designed to identify and parody, criticize, or comment upon “the famous mark owner or the goods or services of the famous mark owner.”<sup>220</sup> However, this statutory exemption does not apply when the defendant has used the plaintiff’s mark “as a designation of source” for her “own goods or services.”<sup>221</sup>

To be considered “successful” and hence not actionable as trademark infringement or dilution, a parody must copy the original trademark only so much as is necessary to communicate to the public that it is making fun of the trademark (and/or its owner) and is not a message originating from the trademark holder itself. “Thus, ‘[a] parody relies upon a difference from the original mark, presumably a humorous difference, in order to produce its desired effect.’”<sup>222</sup> In a case that contains perhaps the most thorough judicial analysis of the TDRA’s parody provisions to date, the Fourth Circuit held that Haute Diggity Dog’s use of the mark “Chewy Vuitton” for its own brand of dog toys was a successful parody of the famous trademark held by Louis Vuitton, maker of luxury purses.<sup>223</sup> The court concluded that Haute Diggity Dog’s parody of Louis Vuitton succeeded because it “undoubtedly and deliberately conjures up the famous [Louis Vuitton] marks and trade dress, but at the same time, it communicates that it is not the [Louis Vuitton] product.”<sup>224</sup> Even though the parody was “successful,” however, the statutory language designed to protect parodies did not apply.

The court in *Louis Vuitton* held that a finding of a successful parody does not guarantee immunity from liability under the TDRA’s fair use exemption from liability, which by its plain language does not apply when defendant’s mark is being used as a designation of source for

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<sup>219</sup> See, e.g., Sarah Mayhew Schlosser, Note, *The High Price of (Criticizing) Coffee: The Chilling Effect of the Federal Trademark Dilution Act on Corporate Parody*, 43 ARIZ. L. REV. 931, 962 (2001) (criticizing the fact that trademark laws “emphasize economic and commercial factors over free speech”).

<sup>220</sup> 15 U.S.C. § 1125(c)(3)(A)(ii).

<sup>221</sup> *Id.* at (c)(3)(A).

<sup>222</sup> *Haute Diggity Dog*, 507 F.3d at 260 (quoting *Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, 828 F.2d, 1482, 1486 (10th Cir.1987)).

<sup>223</sup> *Id.* In a case interpreting state anti-dilution law, the court held that the use of the mark “Lardashe” for jeans was a successful parody of the “Jordache” jeans trademark. *Hogg Wyld*, 828 F.2d at 1482.

<sup>224</sup> *Haute Diggity Dog*, 507 F.3d at 260.

its goods, as in this case.<sup>225</sup> Moreover, it did not discuss the First Amendment in its analysis of the defendant's parodic use of the Louis Vuitton trademark. Rather, the court considered the parodic nature of Haute Diggity Dog's use of the Louis Vuitton mark in balancing the statutory factors for dilution by blurring.<sup>226</sup> In affirming the trial court's grant of summary judgment in favor of Haute Diggity Dog on the dilution by blurring claim, the court of appeal speculated that the Chewy Vuitton parody might actually increase, rather than decrease, the distinctiveness of the Louis Vuitton mark: "[B]y making the famous mark an object of the parody, a successful parody might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes yet more famous."<sup>227</sup> The court also paid scant attention to Louis Vuitton's dilution by tarnishment claim, for which it had little to no evidentiary support.<sup>228</sup>

The scope of the TDRA's parody exemption, at least as interpreted by the Fourth Circuit, appears to be quite narrow and still raises First Amendment concerns.<sup>229</sup> Because the statute's fair use defense categorically excludes all parodies that function as trademarks,<sup>230</sup> courts must engage in a fact-specific weighing of factors in these types of cases to determine whether the use will "impair the distinctiveness" of the famous trademark or harm its reputation.<sup>231</sup> Although the court in

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<sup>225</sup> *Id.* at 266.

<sup>226</sup> *Id.* at 267.

<sup>227</sup> *Id.* at 267 (citing cases).

<sup>228</sup> *Id.* at 268–69. Although Haute Diggity Dog's goods, specifically the Chewy Vuitton dog toy, were clearly of inferior quality when compared to luxury Louis Vuitton handbags, the evidence cited in the summary judgment motions (and consequently on appeal) regarding dilution by tarnishment focused on the peculiarly narrow claim that Louis Vuitton's reputation could be harmed because a dog could choke on the Chewy Vuitton toy. *Id.* Based on this limited evidence and argument, the court affirmed summary judgment on this claim. *Id.* at 269.

<sup>229</sup> *See, e.g.,* Jesse A. Hofrichter, Note, *Tool of the Trademark: Brand Criticism and Free Speech Problems with the Trademark Dilution Revision Act of 2006*, 28 CARDOZO L. REV. 1923, 1940 (2007) ("While the vast majority of dilution cases do not implicate First Amendment issues, there have been a number of cases under federal and state anti-dilution statutes that have broached the topic[.]"); *see also infra* notes 346–360 and accompanying text.

<sup>230</sup> 15 U.S.C. § 1125(c)(3)(A).

<sup>231</sup> Other circuits may of course choose to reject the test adopted by the Fourth Circuit in the *Haute Diggity Dog* case, either on statutory or Constitutional (First Amendment) grounds. *See, e.g.,* Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d 97, 113 (2d Cir. 2009) (declining to decide whether to adopt the Fourth Circuit's analysis of the statutory exemption from liability for parodies, when defendant's parody is also used as a trademark).



*Louis Vuitton* ultimately concluded that the Chewy Vuitton parody would have neither effect, that result was not a foregone conclusion.<sup>232</sup>

Moreover, subtle yet potentially humorous references to a famous trademark are not likely to be considered successful parodies. For example, in *Charbucks*, the Second Circuit found that Black Bear's reference to the Starbucks trademark was at best a "subtle satire" and therefore too indirect to be considered a parody.<sup>233</sup> Under the specific language of the Act, the business owner who wishes to choose a trademark that parodies but does not dilute is therefore faced with a difficult task. A parody, by its very nature, evidences an "intent to associate" with a famous trademark.<sup>234</sup> That intent to associate, however, is one of the factors that tends to show a likelihood of dilution by blurring.<sup>235</sup> If the parody is ultimately deemed unsuccessful—either because it is not considered humorous by the judge or jury, fails to sufficiently distinguish itself from the famous trademark, or any other reason—efforts to associate with the mark owner will almost certainly not be viewed in a favorable light. The would-be parodist must thus choose a name that invokes the original in a humorous way, directly enough so that the humor is apparent, but not so directly as to leave himself open to a claim of trademark infringement or dilution. If the reference is too *indirect* the parody defense will likewise fail, as it did in the *Starbucks* case.

The statute's fair use exemption for comparative advertising<sup>236</sup> likewise does not appreciate subtlety. Comparative advertising has long been considered a fair use defense to a claim alleging misuse of a trademark, both in the infringement and dilution contexts.<sup>237</sup> However, if the comparative advertising is not stated in an obvious way, the purveyor of the advertisement will not be insulated from liability. The *Starbucks* case illustrates this principle as well. Black Bear's parody defense, as

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<sup>232</sup> In contrast to the court's decision in *Haute Diggity Dog*, see *Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39, 44–45 (2d Cir. 1994) (finding trademark dilution where defendant used plaintiff's famous logo in a comparative advertisement that mocked plaintiff).

<sup>233</sup> *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 113 (2d Cir. 2009).

<sup>234</sup> See *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 260 (4th Cir. 2007) ("A parody must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original and is instead a parody.") (citations omitted).

<sup>235</sup> 15 U.S.C. § 1125(c)(2)(B)(v).

<sup>236</sup> See *id.* at (c)(3)(A)(i) (exempting from liability any "advertising or promotion that permits consumers to compare goods or services").

<sup>237</sup> See, e.g., *Smith v. Chanel, Inc.*, 402 F.2d 526, 565–66 (9th Cir. 1968).

noted above, was rejected in part because the reference that it made to the Starbucks trademark was too subtle and indirect. Somewhat ironically, the parody claim was also rejected because the court interpreted Black Bear's message, as communicated via the Charbucks marks, as one of comparative advertising (casting Starbucks in a positive rather than a negative light) rather than humor. The court described the Charbucks logo as a "beacon to identify Charbucks as a coffee that competes at the same level and quality as Starbucks in producing dark-roasted coffees."<sup>238</sup> If Black Bear had made this statement directly—"this coffee competes at the same level and quality as Starbucks in producing dark-roasted coffees"—rather than using the Charbucks marks as a "beacon" to convey the same message, presumably its use would have been protected from a dilution claim as a matter of law.

In sum, the TDRA has led trademark dilution law far away from its *Rational Basis* roots. Because Congress has eliminated the requirement of proving "actual dilution," it is now difficult to determine what exactly the plaintiff is required to prove to sustain a claim of dilution. Proof of association (and intent to create the same) between the two marks clearly goes a long way. Fair use is often an ineffective safety valve. Proof of harm caused by dilution may be difficult to come by because, in fact, dilution causes no economic harm. These results are profoundly problematic.

## II. THE MORAL PREDICATE OF DILUTION

As discussed above, the economic justification for the dilution cause of action is weak at best. However, despite the less than convincing evidence of the harm it is supposed to address, the cause of action has expanded rather than contracted in recent years. Given that the holders of famous trademarks are typically corporate entities with a duty to maximize shareholder value, it therefore may seem facially surprising that they would champion the dilution cause of action and often spend vast sums of money litigating these claims. The economic harm caused by dilution, assuming it exists, is almost certainly dwarfed by the cost of enforcement. If economic harm were the only, or even a primary, rationale motivating these claims, we would expect the holders of famous trademarks to be considerably less enthused about dilution laws.

A better explanation for the existence of dilution law, as well as its practical utilization, is that it confers a moral right upon the corporations that create, nurture, and profit from famous trademarks.

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<sup>238</sup> *Starbucks Corp.*, 588 F.3d at 113.

Like the authors of creative works, these corporate entities would like to control all uses of their marks, particularly those that are offensive to them, and not just those that cause them economic harm. For example, when testifying before Congress on the subject of the Federal Trademark Dilution Act, counsel for Warner Brothers Studios said, “[T]he trademark owner, who has spent the time and investment needed to create and maintain the property, should be the sole determinant of how that property is to be used in a commercial manner.”<sup>239</sup> Dilution, at least as currently construed, comes close to granting this wish.

#### A. Moral Rights in the United States

A moral right is one that does not (unlike most intellectual property law in the United States) depend upon an economic or utilitarian framework to justify its existence. Moral rights are based on the personal rights of the creator, with the idea being that the creator of an artistic work should retain some amount of control over it, even if he does not “own” the work. Moral rights primarily encompass (1) the right of attribution (the right to be named as the author of the work) and (2) the right of integrity (the right to prevent others from mutilating the work or to present it in a manner not approved by the author).<sup>240</sup> The right of attribution broadly “gives the author the right to control the association of his name with the work,” including the right “*not* to associate his name with the work,” and the right to be anonymous.<sup>241</sup> The right of integrity, sometimes referred to as the “right of respect,” enables the author to prevent any modification or distortion of his work that misrepresents his “vision or concept.”<sup>242</sup> In sum, these rights “function

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<sup>239</sup> *Federal Trademark Dilution Act of 1995: Hearing Before the Subcomm. on Courts and Intellectual Property of the H. Comm. on the Judiciary*, 104th Cong. 111 (1995) (statement of Nils Victor Montan, Vice President and Senior Intellectual Property Counsel, Warner Brothers).

<sup>240</sup> See ROBERTA ROSENTHAL K WALL, *THE SOUL OF CREATIVITY: FORGING A MORAL RIGHTS LAW FOR THE UNITED STATES* 6-7 (2010) (noting that “both the right of attribution and the right of integrity function to safeguard the author’s meaning and message, and thus are designed to increase an author’s ability to safeguard the integrity of her texts”); see also Edward J. Damich, *The Visual Artists Rights Act of 1990: Toward a Federal System of Moral Rights Protection for Visual Art*, 39 CATH. U. L. REV. 945, 958–64 (1990).

<sup>241</sup> Damich, *supra* note 240, at 949 (emphasis added); see also K WALL, *supra* note 240, at 5 (“The right of attribution safeguards the author’s right to be recognized as the creator of the work.”); *id.* at 87–110 (discussing the right to be anonymous or to use a pseudonym).

<sup>242</sup> Damich, *supra* note 240, at 949.

to safeguard the author's meaning and message, and thus are designed to increase an author's ability to safeguard the integrity of her texts.<sup>243</sup>

Perhaps as a result of the lack of economic or utilitarian justification for moral rights, moral rights have gained limited traction in the United States. Although other U.S. laws may be interpreted as indirectly supporting the moral rights of the author, the statute that most explicitly protects the rights of attribution and integrity is the Visual Artists Rights Act, or VARA, which was appended to the Copyright Act in 1990.<sup>244</sup> VARA was enacted in an effort to comply with the Berne Convention, which the United States had signed two years earlier.<sup>245</sup> The Berne Convention requires its signatories to provide authors with the moral rights of attribution and integrity:

Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.<sup>246</sup>

VARA is largely regarded as insufficient to satisfy the United States' obligations under the Berne Convention.<sup>247</sup> Although VARA

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<sup>243</sup> KWALL, *supra* note 240, at 6.

<sup>244</sup> *See id.* at 25–35; Visual Artists Rights Act of 1990, Pub. L. No. 101-650 (tit. VI), 104 Stat. 5128 (codified in various sections of 17 U.S.C.).

<sup>245</sup> *See* KWALL, *supra* note 240, at 27–28 (discussing legislative history of VARA).

<sup>246</sup> Berne Convention for the Protection of Literary and Artistic Works art. 6bis(1), Sept. 9, 1886, 828 U.N.T.S. 221. Article 6bis further provides that “[t]he means of redress for safeguarding the rights granted by this Article shall be governed by the legislation of the country where protection is claimed.” *Id.* at 6bis(3). The House Report on VARA observes that the United States joined the Berne Convention “[a]fter almost 100 years of debate,” primarily due to “debate over the requirements of Article 6bis. The principal question was whether that article required the United States to enact new laws protecting moral rights.” H.R. Rep. 101-514, 1990 U.S.C.C.A.N. 6915, 6917 (1990).

<sup>247</sup> *See, e.g.,* KWALL, *supra* note 240, at 37 (“[T]here is a stark reality that we may not be in compliance with our obligations under the Berne Convention.”); Damich, *supra* note 240, at 996 (characterizing VARA as “a step in the right direction,” although it “does not meet the requirements of the Berne Convention”); Coree Thompson, Note, *Orphan Works, U.S. Copyright Law, and International Treaties: Reconciling Differences to Create a Brighter Future for Orphans Everywhere*, 23 ARIZ. J. INT'L & COMP. LAW 787, 805 (2006) (“VARA failed to . . . bring the United States into full compliance with the Berne Convention . . .”).

does provide for basic rights of attribution and integrity,<sup>248</sup> it does not apply to all types of authorial works. As its name implies, VARA's protections extend solely to authors of works of "visual art."<sup>249</sup> A work of visual art is defined as a "painting, drawing, print, or sculpture" and some photographs.<sup>250</sup> VARA's exclusion of entire categories of works, such as sound recordings and books, is probably the most obvious way in which it conflicts with the Berne Convention.<sup>251</sup> VARA also allows an author to waive (but not transfer) her rights.<sup>252</sup> VARA's waiver provisions are arguably inconsistent with Berne's definition of a moral right, which is said to exist "[i]ndependently of the author's economic rights, and even after the transfer of the said rights."<sup>253</sup> Traditionally, moral rights have been considered inalienable and nonwaivable, owing to their intrinsically personal nature.<sup>254</sup> As a result of these and other limitations, one commentator has characterized VARA as the "Mini Me" of moral rights laws.<sup>255</sup>

The federal trademark statute (the Lanham Act) makes no specific reference to moral rights or the right of attribution or integrity. However, Section 43(a) of the Act, which prohibits "false designations of origin,"<sup>256</sup> has been cited as a source of moral rights protection.<sup>257</sup> At

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<sup>248</sup> The House Report accompanying VARA states that the Act "provides . . . artists with the rights of 'attribution' and 'integrity.' The former ensures that artists are correctly identified with the works of art they create, and that they are not identified with works created by others. The latter allows artists to protect their works against modifications and destructions that are prejudicial to their honor or reputations." H.R. Rep. 101-514, 1990 U.S.C.C.A.N. 6915, 1990 WL 258818 (1990).

<sup>249</sup> 17 U.S.C. § 106A (2006).

<sup>250</sup> 17 U.S.C. § 101. Photos are covered only if produced "for exhibition purposes only," and then only if signed by the author. *Id.* Copies of the original, as to any type of work, are protected only if signed and consecutively numbered by the author; 200 is the maximum number of allowed copies. *Id.* The Act specifically excludes from the definition of a visual work of art, among other things, "applied art, motion picture or other audiovisual work, book, magazine, [and] newspaper." *Id.*

<sup>251</sup> See Damich, *supra* note 240, at 951–58 (discussing this aspect of VARA); KWALL, *supra* note 240, at 28 (describing this exclusion as problematic).

<sup>252</sup> 17 U.S.C. § 106A(e).

<sup>253</sup> Berne Convention for the Protection of Literary and Artistic Works art. 6*bis*(1), Sept. 9, 1886, 828 U.N.T.S. 221.

<sup>254</sup> See Damich, *supra* note 240, at 966–67 (arguing that moral rights should not be waivable, due to their personal nature and the inequality of bargaining power likely to exist between artist and patron).

<sup>255</sup> See Dana L. Burton, *Artists' Moral Rights: Controversy and the Visual Artists Rights Act of 1990*, 13 VAND. J. ENT. & TECH. L. 463, 505 (2011).

<sup>256</sup> 15 U.S.C. § 1125(a)(1).

least in some cases, Section 43(a) has been successfully invoked to prevent a “mutilated” version of the author’s work from being presented under the author’s name.<sup>258</sup> In one such case, the Second Circuit reasoned that “[t]o deform [the author’s] work is to present him to the public as the creator of a work not his own, and thus makes him subject to criticism for work he has not done.”<sup>259</sup>

However, the Supreme Court in *Dastar Corp. v. Twentieth Century Fox Film Corp.*<sup>260</sup> interpreted Section 43(a) narrowly, thereby thwarting its extension into the moral rights arena. The key question in this case was whether the defendant could edit and repackage footage from plaintiff’s television series (the copyright for which had expired) and sell it under defendant’s name, with no mention of plaintiff. In essence, plaintiff argued that Section 43(a) of the Lanham Act protected the moral right of attribution via a cause of action for “reverse passing off.” The Supreme Court rejected the argument that the author of the original work (the television series) constituted the “origin” of the goods in that case, rather than the producer of the videotapes containing edited footage from the original work.<sup>261</sup> The Court reasoned that extending the Lanham Act in this manner would “conflict with the law of copyright, which addresses [the right of attribution] specifically,” in VARA.<sup>262</sup> Absent Congressional intent explicitly to the contrary, the Court concluded that “[t]he right to copy, and to copy without attribution, once a copyright has expired . . . passes to the public.”<sup>263</sup> *Dastar*’s

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<sup>257</sup> See KWALL, *supra* note 240, at 30–31 (describing Section 43(a) as a source of moral rights protection under US law).

<sup>258</sup> See, e.g., *Gilliam v. American Broadcasting Co., Inc.*, 538 F.2d 14, 24–25 (2d Cir. 1976) (holding that re-broadcast of substantially edited or “mutilated” Monty Python scripts, attributed to Monty Python, constituted a false designation of origin and therefore violated Section 43(a)).

<sup>259</sup> *Id.* at 24 (internal citation omitted).

<sup>260</sup> *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003).

<sup>261</sup> *Id.* at 33–34.

<sup>262</sup> *Id.*

<sup>263</sup> *Id.* at 33. Similarly, in *Shakespeare Co. v. Silstar Corp. of America, Inc.*, 9 F.3d 1091, 1103 (4th Cir. 1993), the court observed that to preserve competition, “Congress . . . has therefore confined and limited the rewards of originality to those situations and circumstances comprehended by our patent, copyright, and trade-mark laws. When these statutory frameworks are inapplicable, originality per se remains unprotected and often unrewarded. For these reasons and with these limitations the bare imitation of another’s product, without more, is permissible. And this is true regardless of the fact that the courts have little sympathy for a willful imitator.” *Id.*

interpretation of Section 43(a) thus severely restricted its applicability in these types of cases.<sup>264</sup>

Given the intensely personal nature of moral rights, it is hard to imagine why a corporation would want them. Moreover, as the Supreme Court's decision in *Dastar* illustrates, the Lanham Act itself does not guarantee moral rights, at least in literal terms. To understand the analogy between moral rights law and dilution, one first must consider the sometimes intensely personal relationship between corporate America and its brands.

## B. Corporate America's Love Affair with the Brand

Corporate megabrands—the type of trademarks that are easily considered “famous” under the TDRA—are much more than source-identifiers for a particular product. These brands also derive a massive amount of value from their embodiment of expressive meanings, well beyond their concurrent roles as source identifiers and symbols of corporate goodwill.<sup>265</sup> The corporations that develop and promote these trademarks deliberately cultivate expressive meanings associated with a given mark. In doing so, the creators of the mark endeavor to generate a specific type of “emotional connection” with the consumer.<sup>266</sup> When the trademark is used in an unapproved manner that is inconsistent with the corporation's vision of its mark, the corporation's message becomes distorted. Corporations accordingly try to control the manner in which their marks are used to the full extent permitted by the dominant legal regime.

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<sup>264</sup> See generally Justin Hughes, *American Moral Rights and Fixing the Dastar “Gap,”* 2007 UTAH L. REV. 659 (2007) (critiquing the Supreme Court's decision in *Dastar* and the lower courts' subsequent interpretation and application of it).

<sup>265</sup> See *infra* notes 346-355 and accompanying text.

<sup>266</sup> Ruth Shalit, *The inner Doughboy: How an army of admen battle to define and protect the true nature of the Jolly Green Giant, the Pillsbury Doughboy and other advertising spokescharacters*, SALON.COM (March 23, 2000, 12:00 PM), <http://www.salon.com/media/col/shal/2000/03/23/doughboy> (quoting David Altschul, president of the advertising division at Will Vinton Studios, as stating, “[w]e are focused on the emotional connection with the consumer”); see also Peter Walshe, *Brand Personality: Unlocking key traits for success and value*, in BRANDZ TOP 100 MOST VALUABLE GLOBAL BRANDS 45 (2012), [http://www.millwardbrown.com/brandz/2012/Documents/2012\\_BrandZ\\_Top100\\_Report.pdf](http://www.millwardbrown.com/brandz/2012/Documents/2012_BrandZ_Top100_Report.pdf) (concluding that “understanding a brand personality enables the brand owner to deliver a consistent brand experience that connects with consumers and leaves a deeper and more sustainable impression”).

The famous trademarks that perhaps best illustrate this phenomenon are the anthropomorphized corporate children that have fictional personalities and “friends” on Facebook. For example, Mattel’s iconic doll/trademark, Barbie, has over 2.5 million friends on the social media website Facebook and identifies herself as a Public Figure who is “[i]n a relationship” (presumably with Ken).<sup>267</sup> In one recent post, Barbie reported the following status: “Relaxing today with my tried and true solution . . . retail therapy!”<sup>268</sup> Sometimes her posts are more inspirational: “I’ve had over 130 careers and I don’t plan on stopping! If you can dream it, you can be it!”<sup>269</sup> Barbie even comments on recent events.<sup>270</sup> She seems to think she is a real person.<sup>271</sup> Mattel deliberately uses Barbie’s online image to create a specific persona associated with the famous Barbie trademark.

Even corporate icon/trademarks less human-looking than Barbie, like the Pillsbury Doughboy and the Planters Peanut, similarly articulate scripted personalities that endeavor to create an emotional connection with the consumer. Pillsbury maintains a detailed set of official guidelines dictating the Doughboy’s personality and what he can and cannot do.<sup>272</sup> The Doughboy is described as “warm and sweet and enthusiastic and helpful.”<sup>273</sup> Mr. Peanut is apparently more emotionally complex.<sup>274</sup> According to a Planters corporate officer, Mr. Peanut is “very classy and upscale” – “someone you might meet at a celebrity

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<sup>267</sup> *Barbie*, FACEBOOK, <https://www.facebook.com/#!/barbie> (last visited Aug. 15, 2012).

<sup>268</sup> *Id.* In the same vein, Barbie reports, “Woke up from a terrible nightmare that all of my shoes went missing! I was so happy to open my closet and see them safe and sound. Phew!” *Id.* (August 10, 2011).

<sup>269</sup> *See Barbie*, FACEBOOK, <https://www.facebook.com/#!/barbie> (last visited August 24, 2011).

<sup>270</sup> On August 23, Barbie commented on a rare East-coast earthquake: “O.M.D. Seems like my dolls on the East Coast and in Colorado experienced an LA-style quake! Hope everyone is safe and sound.” *Id.*

<sup>271</sup> Studios have also established on-line identities for movie characters (e.g., Ricky Bobby, played by Will Ferrell in the film *Talladega Nights*). *See* Elizabeth Holmes, *On MySpace, Millions of Users Make ‘Friends’ with Ads*, WALL ST. J. Aug. 7, 2006 at B.1; *see also Ricky-Bobby*, FACEBOOK, <https://www.facebook.com/#!/pages/Ricky-Bobby/146097352118333> (last visited Aug. 15, 2012) (Facebook site for Ricky Bobby, self-identified “Athlete”).

<sup>272</sup> Shalit, *supra* note 266.

<sup>273</sup> *Id.*

<sup>274</sup> Mr. Peanut also identifies himself as a Public Figure on Facebook. *See Mr. Peanut*, FACEBOOK, <https://www.facebook.com/mrpeanut> (last visited Aug. 15, 2012).



party, or at a new club, or lounge or bar. And – to your surprise – he talks to you! He engages you in conversation! So yes, he’s got his top hat and monocle. But paradoxically, he’s also quite approachable and down-to-earth.”<sup>275</sup>

Even brands that do not employ spokescharacters like the Planters peanut endeavor to cultivate “personality characteristics” to connect with the consumer.<sup>276</sup> For example, one marketing expert characterizes the Mercedes brand as “relatively ‘assertive’ and ‘in control,’ while BMW is more ‘sexy’ and desirable.”<sup>277</sup> The Apple brand is considered “‘creative’” and “‘adventurous,’” while Red Bull (an energy drink) is “‘adventurous’ and ‘brave,’ if a bit ‘arrogant.’”<sup>278</sup> These brand personalities enable the trademark holder to more effectively reach the target market for the products her brands are designed to sell.

One common feature of many brand guidelines is a keen concern for maintaining the “icon’s moral hygiene.”<sup>279</sup> Pillsbury’s desire to keep the Doughboy morally flawless, for example, prevented him from appearing in a commercial sponsored by the California Milk Processor Board. As part of the Board’s “Got Milk?” campaign, the planned ad featured an “all-American family” sitting down to enjoy a plate of freshly baked Pillsbury cookies. In the ad, the dad discovers, to his dismay, that someone has drunk the last of the milk. The culprit turns out to be a chagrined Doughboy, who promptly dashes off camera. Pillsbury would not, however, consent to the Doughboy being portrayed in this manner. Pillsbury’s director of brand development explained why the company rejected the ad: “For some other character, taking the milk might be fine. . . . But not the Doughboy. He doesn’t trick people. He doesn’t take advantage. It’s not in his character to do that.”<sup>280</sup>

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<sup>275</sup> Shalit, *supra* note 266. Other trademark icons are similarly invested with personalities. An advertising executive described the M&M characters as follows: “The red M&M – he’s the calculating one. A little bit small-minded, a little ambitious and full of himself. Yellow is good hearted, but a bit slow on the uptake. Blue is closer to Woody Allen in terms of attitude. A little more wry, a little more understated. Occasionally a bit sarcastic.” *Id.*

<sup>276</sup> Walshe, *supra* note 266, at 45.

<sup>277</sup> *Id.*

<sup>278</sup> *Id.* at 47.

<sup>279</sup> Ruth Shalit, *The Mr. Peanut Chronicles: Burned by past disasters, icon managers have learned the hard way that the suave mascot must never wear a wetsuit and that Ronald McDonald cannot hang out in bars*, SALON.COM (March 24, 2000), <http://www.salon.com/media/col/shal/2000/03/24/doughboy2>.

<sup>280</sup> Shalit, *supra* note 266.

Given Pillsbury's refusal to have the Doughboy portrayed as "mischievous" enough to drink the last of the milk,<sup>281</sup> it is perhaps not surprising that the company filed a lawsuit when the Doughboy appeared in *Screw* magazine engaging in sexual intercourse and fellatio.<sup>282</sup> In that case, Pillsbury prevailed on its state law dilution claim,<sup>283</sup> but the court declined to grant relief for "tarnishment of trade characters," which it characterized as a "theretofore unheard of cause of action."<sup>284</sup> In pleading this cause of action, Pillsbury claimed that the defendant had "altered the image" of the Doughboy, to whom it referred as its "corporate spokesman," in a way that made him "distasteful or even repulsive" to many Pillsbury customers.<sup>285</sup> Pillsbury's "tarnishment of trade character" cause of action clearly evinces a perceived entitlement to a type of moral right in its trademark Doughboy. Although the purported "trade character" cause of action was unsuccessful, Pillsbury got the same injunctive relief under a claim of dilution.

In a similar vein, toymaker Mattel sued artist Thomas Forsythe when he produced a series of photos that depicted "one or more nude Barbie dolls juxtaposed with vintage kitchen appliances" in "various absurd and often sexualized positions" ("Food Chain Barbie").<sup>286</sup> The artist explained that the photos were intended to critique and lambaste the "objectification of women" and "conventional beauty myth" embodied by Barbie.<sup>287</sup> Forsythe earned less than \$3,700 in gross revenue from the Food Chain Barbie series of photographs, over half of which derived from sales to Mattel investigators.<sup>288</sup> The Ninth Circuit

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<sup>281</sup> *Id.* According to the Milk Processor Board, one reason cited by Pillsbury for refusing the milk-and-cookies ad was the lack of the word "mischievous" in the Doughboy guidelines. "'Playful' is there. 'Mischievous' is not." *Id.*

<sup>282</sup> *Pillsbury Co. v. Milky Way Prods., Inc.*, 215 U.S.P.Q. 125, 126 (N.D. Ga. 1981).

<sup>283</sup> *Pillsbury Co.*, 214 U.S.P.Q. at 135. The court reasoned that "[t]he basis for [the dilution] cause of action is the belief that the owner of these marks should not have to stand by and watch the diminution in their value as a result of unauthorized uses by others. All the plaintiff need show to prevail is that the contested use is likely to injure its commercial reputation or dilute the distinctive quality of its marks." *Id.*

<sup>284</sup> *Id.*

<sup>285</sup> *Id.*

<sup>286</sup> *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 796 (9th Cir. 2003). ("For example, 'Malted Barbie' features a nude Barbie placed on a vintage Hamilton Beach malt machine. 'Fondue a la Barbie' depicts Barbie heads in a fondue pot. 'Barbie Enchiladas' depicts four Barbie dolls wrapped in tortillas and covered with salsa in a casserole dish in a lit oven.") *Id.*

<sup>287</sup> *Id.*

<sup>288</sup> *Id.* at 797 & n.3.

affirmed summary judgment for Forsythe on Mattel's trademark and trade dress dilution claims, holding that the works constituted a noncommercial fair use and were protected by the First Amendment.<sup>289</sup>

Although Mattel and Pillsbury clearly have a tremendous economic stake in their brands, the amount of money and effort they invested in these lawsuits is disproportionate to the economic threat posed by these defendants. Particularly in the *Mattel* case, the artistic depictions of Barbie that offended the company received vastly greater circulation and publicity as a result of the lawsuit than ever would have been the case if the artist had been ignored. Moreover, the company spent more money litigating the claim than the economic harm caused by the artist, if any, could possibly justify.<sup>290</sup> Both lawsuits used claims for trademark dilution as a tool to preserve the perceived integrity of their famous trademarks, much like an artist who raises a claim of moral rights to prevent the mutilation or distortion of his work. In the United States, however, the corporate trademark holder is more likely to succeed on such a claim, under a theory of dilution, than would be the artist.

### C. The Path to Moral Rights in Trademark

Given this country's hesitance to guarantee or enforce the moral rights of authors, even in the face of an international treaty compelling it to do so, it is difficult to imagine why the U.S. would be willing to extend such rights to corporations.<sup>291</sup> If dilution is in fact a type of moral right, or at least analogous to one, then the immediate question becomes why it exists.

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<sup>289</sup> *Id.* at 812.

<sup>290</sup> In addition to granting summary judgment in favor of the artist/defendant in this case, the district court also awarded defendant \$1.8 million in attorney fees and costs. *Id.* at 816. The court noted that "[p]laintiff had access to sophisticated counsel who could have determined that such a suit was objectively unreasonable and frivolous. Instead, it appears Plaintiff forced Defendant into costly litigation to discourage him from using Barbie's image in his artwork." *Mattel, Inc. v. Walking Mountain Prods.*, 2004 WL 1454100 (C.D. Cal. 2004).

<sup>291</sup> See Mark A. Lemley & Mark P. McKenna, *Owning Markets*, 109 MICH. L. REV. 137, 172 n.167 (2010) (noting that "the moral rights argument would be particularly unpersuasive in the trademark context, since moral rights are thought to derive from the intimate connection an author has with her work. The 'authors' of trademarks, which generally are corporate entities, have no human dignity at stake when others use their marks.")

### 1. Dilution as a “Moral” Right

The cause of action for trademark dilution bears more than a passing resemblance to the author’s moral right of integrity, the right to prevent others from mutilating or distorting the author’s work.<sup>292</sup> In a manner not unlike the author who has created a sculpture or work of literature, the companies who create and nurture famous trademarks have a genuine desire to maintain and enhance the image they have created for their brands. The author likewise has an intrinsically personal interest in ensuring that his vision for the work he created is not distorted by others, even those who may obtain a subsequent ownership interest in his work.

Dilution, at least in its modern conception, protects a corporation’s right to preserve the “integrity” of a famous trademark by granting a broad power to restrict others’ use of the mark, even when the trademark holder cannot show that it has been economically harmed by that use. As discussed above, if the trademark holder can prove that a consumer is likely to “associate” the famous trademark with that of the defendant, then that association is, in many cases, tantamount to proof of a likelihood of dilution.<sup>293</sup> Whether the cause of action for dilution is based on a theory of blurring or tarnishment, the effect is the same: the owner of the famous trademark obtains a considerable degree of control over the manner in which the mark can be used by others, even referentially, particularly in commercial settings.

### 2. Legislating Moral Rights in the Copyright and Trademark Arenas

One reason why trademark dilution has encountered less legislative resistance than moral rights in the copyright context is because dilution does not expressly bear the “moral rights” label. Dilution as a cause of action is instead justified under the same basic economic model that grounds claims for trademark infringement, *i.e.*, reduction of consumer search costs and preservation of goodwill.<sup>294</sup> Although some commentators have referred to dilution as a “moral right” in a trademark,<sup>295</sup> Congress and the courts have not. If the corporations

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<sup>292</sup> See *supra* notes 240-243 and accompanying text.

<sup>293</sup> See *supra* notes 142-186 and accompanying text.

<sup>294</sup> See *supra* notes 88-89 and accompanying text.

<sup>295</sup> See, *e.g.*, Kenneth L. Port, *The Expansion Trajectory: Trademark Jurisprudence in the Modern Age*, 92 J. PAT. & TRADEMARK OFF. SOC’Y 474, 486 (2010) (“The trademark right in the United States has slowly come to be far more similar to the nature and extent of moral right protection, rather than the mere right to exclude.”); see also Robert C. Bird, *Moral Rights: Diagnosis and Rehabilitation*, 46 AM. BUS. L. J. 407, 438-39 (2009) (comparing trademark dilution protection and moral rights); Kenneth L. Port, *Judging Dilution in the*

who hold famous trademarks had directly asked Congress to pass legislation preserving their “moral rights” in those marks, they probably would have been considerably less successful.

The relative ease with which trademark dilution legislation was passed in the U.S. Congress, as compared to VARA, can also be explained, at least in part, through pure and simple politics.<sup>296</sup> The corporations that hold famous trademarks are some of the wealthiest and most influential companies in the United States. For example, in 2012, the three most valuable brands, Apple, IBM, and Google,<sup>297</sup> were all listed among the top 100 of the Fortune 500 companies.<sup>298</sup> These corporations are all members of the International Trademark Association (INTA), a group that describes itself as “a leading advocate for the interests of brand owners”<sup>299</sup> and “a powerful network of powerful brands.”<sup>300</sup> Representatives of INTA and other advocacy groups that promote the interests of trademark holders, such as the American Intellectual Property Law Association (AIPLA), provided extensive testimony to Congress on the TDRA.<sup>301</sup> By contrast, only a limited

*United States and Japan*, 17 *TRANSNATIONAL LAW & CONTEMP. PROB.* 667, 681 (2008) [hereinafter *Judging Dilution*] (“The only justification that makes sense [for U.S. dilution laws] is to say that the holders of famous marks obtain a personality right in and to that mark much like the notion of a moral right.”); Roe, *supra* note 160, at 604 (characterizing dilution by tarnishment as “analogous to copyright law’s moral rights doctrine”).

<sup>296</sup> Professor Denicola has also observed that an imbalance of political power may at least be partially responsible for the expansion of trademark rights in recent years. See Robert C. Denicola, *Freedom to Copy*, 108 *YALE L.J.* 1661, 1683–84 (1999) (noting that, compared to copyright users, “[t]he users of others’ trademarks. . . are less likely to be either influential or sympathetic”).

<sup>297</sup> *BrandZ Top 100 Most Valuable Global Brands 2012*, MILLWARDBROWN, [HTTP://WWW.MILLWARDBROWN.COM/BRANDZ/2012/DOCUMENTS/2012\\_BRANDZ\\_TOP100\\_CHART.PDF](http://www.millwardbrown.com/brandz/2012/documents/2012_brandz_top100_chart.pdf) (last visited Aug. 31, 2012).

<sup>298</sup> On the Fortune 500 list for 2012, Apple ranked 17th; IBM was 19th; and Google was 73rd. *Fortune 500*, CNN MONEY, [http://money.cnn.com/magazines/fortune/fortune500/2012/full\\_list/](http://money.cnn.com/magazines/fortune/fortune500/2012/full_list/) (last visited Aug. 31, 2012).

<sup>299</sup> *Policy and Advocacy*, INTERNATIONAL TRADEMARK ASS’N, <http://www.inta.org/Advocacy/Pages/main.aspx> (last visited Aug. 15, 2012).

<sup>300</sup> *Overview*, INT’L TRADEMARK ASS’N, <http://www.inta.org/About/Pages/Overview.aspx> (last visited Aug. 15, 2012). INTA’s members include “5,900 trademark owners, professionals and academics from more than 190 countries.”

*Id.*

<sup>301</sup> See, e.g., Federal Trademark Dilution Act Hearing of the Subcommittee on Courts, The Internet, and Intellectual Property of the Committee on the Judiciary, 107th Cong., 2d Sess., Serial No. 53 (Feb. 14, 2003) (statement of Kathryn Barrett Park, Executive Vice President, International Trademark Association, arguing in favor of a likelihood of dilution standard of proof); *id.*

amount of opposing testimony was offered by free speech advocates such as the American Civil Liberties Union (ACLU). In passing the earlier version of the federal dilution law, the FTDA, Congress heard hardly any testimony, and all of it was in favor of the bill.<sup>302</sup> Comparatively speaking, federal dilution legislation cut through Congress like a hot knife through butter.

By contrast, proponents of moral rights legislation in the copyright context faced a much stiffer opposition, in particular, the powerful entertainment and film industries.<sup>303</sup> Although, like the FTDA, VARA passed through Congress with little debate, that lack of debate did not evidence a lack of opposition. VARA passed on the last day of the Congressional session, and it was included in a bill that authorized eighty-five new federal judgeships.<sup>304</sup> Without that piece of legislative horse-trading (and the compromises that have weakened VARA's impact),<sup>305</sup> it is unclear whether and in what form VARA would have been passed.

### 3. *The Rhetoric of Moral Rights*

Substantive as well as political reasons help to explain the ease with which dilution has been accepted and implemented as a moral right, while those same types of rights have encountered so much hostility in the copyright context. First, dilution neatly fits into the rhetoric of the natural law of property rights and hostility to free riding on the efforts and property of others. These themes are pervasive in American jurisprudence, including intellectual property law. Moral rights in the copyright context, however, cut against that grain. Dilution is viewed as

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(statement of Michael K. Kirk, Executive Director of the American Intellectual Property Law Association).

<sup>302</sup> The Supreme Court summarized the legislative history of the FTDA as follows: "On July 19, 1995, the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee held a 1-day hearing on H.R. 1295. No opposition to the bill was voiced at the hearing and, with one minor amendment that extended protection to unregistered as well as registered marks, the subcommittee endorsed the bill and it passed the House unanimously. . . . In the Senate an identical bill, S. 1513, 104th Cong., 1st Sess., was introduced on December 29, 1995, and passed on the same day by voice vote without any hearings." *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 431 (2003).

<sup>303</sup> See KWALL, *supra* note 240, at 28; see also David Goldberg & Robert J. Bernstein, *Legislation by the 101st Congress*, N.Y.L.J., Jan. 18, 1991, at 3 (noting "intense and extensive opposition to extending specific moral rights protection to audiovisual and other works").

<sup>304</sup> See KWALL, *supra* note 240, at 28 (describing VARA legislative history).

<sup>305</sup> See *supra* notes 247-255 and accompanying text.

protecting property holders' rights against interlopers (*i.e.*, "pirates and cheats"<sup>306</sup>). On the other hand, the moral rights of authors have been characterized as undermining property rights. Second, extensive moral rights protections in copyright law have been criticized for having a negative impact on the First Amendment rights of others, due to the restrictions moral rights may place on works that have otherwise entered the public sphere.<sup>307</sup> Although trademark dilution laws have also been criticized for their negative impact on that same public sphere and the First Amendment, that criticism has been more muted because these laws, by their nature and by statutory definition, typically impact commercial speech. At least until relatively recently, commercial speech has been entitled to limited First Amendment protection.

The rhetoric of property rights is prevalent in trademark law.<sup>308</sup> The Lockean notion that one should not reap where one has not sown has intuitive appeal, and has been cited as the true policy concern driving the development and expansion of trademark dilution law in the United States.<sup>309</sup> Although trademark law, at least in the modern era, has consistently warned that trademark rights are limited and do not exist "in gross," it is equally certain that the holders of famous trademarks view them as extremely valuable forms of property over which they should exercise considerable, if not complete, control. As explained by a spokesperson for Ralph Lauren, "We consider the Polo brands to be the

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<sup>306</sup> The legislative history of the Lanham Act specifies that "where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats." S.Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946).

<sup>307</sup> See Ilhyung Lee, *Toward an American Moral Right in Copyright*, 58 WASH. & LEE L. REV. 795, 814 (2001) (observing that, when an author objects to the alteration or use of his work in a context that may be characterized as "fair use," "implementation of the traditional *droit moral* may result in prohibiting actions based on the First Amendment's right of free expression") (emphasis added).

<sup>308</sup> The Lockean notion that one is entitled to the fruits of one's labor – and the converse, that one is not entitled to profit from the results of someone's else's labor – was dominant in the nineteenth century and prevalent in early trademark law. Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1847, 1876 (2007).

<sup>309</sup> See, e.g., David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L. J. 117, 119 (2004) ("A strong case can be made that free-riding on a famous mark is unfair and economically undesirable. The judicial inclination to punish free-riding deserves respect and refinement, not dismissive condemnation."); see also S. Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946) ("Where the owner of a trade-mark 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.") (legislative history of 1946 Lanham Act).

essence of our company. They are our identity, our face, our worth – in other words, our property. For Polo Ralph Lauren, and many other American companies, the most valuable piece of property that they own is their good name, or, as we say in the industry, their brand . . . .”<sup>310</sup> Dilution law enables trademark holders to prevent others from free-riding on their “property,” an idea that resonates in U.S. law, even though U.S. dilution law has never codified this policy goal, and it has been subject to vigorous critique.<sup>311</sup> In other nations’ legal systems, such as the European Union and Japan, the desire to discourage and punish free-riders explicitly justifies and underlies trademark dilution statutes.<sup>312</sup>

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<sup>310</sup> Oral Statement of Sherry L. Jetter, Vice President, Intellectual Property, Polo Ralph Lauren Corporation, before the Hearing of the Subcommittee on Courts, The Internet, and Intellectual Property of the Committee on the Judiciary, 107th Cong., 2d Sess., Serial No. 53 (Feb. 14, 2003).

<sup>311</sup> The anti-free riding impulse in U.S. unfair competition law historically has been tempered by the law’s concurrent resistance to monopoly and devotion to the value of competition, which is inevitably restrained when the ability to copy is impeded. In the words of an iconic First Amendment scholar, “Most of us get along by developing the ideas of others. That is how the world progresses. . . . ‘A dwarf standing on the shoulders of a giant can see farther than the giant himself.’ Columbus discovered America, but here we are.” Zechariah Chafee, *Unfair Competition*, 53 HARV. L. REV. 1289, 1318 (1940). Many commentators have deplored the dangers of “over-propertizing” trademark law. See, e.g., Lemley & McKenna, *supra* note 291, at 187 (concluding that “a trademark law that is distorted into a right to own markets—one that seeks out and tries to forbid all free riding on a mark—ends up interfering with rather than enabling competition”); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L. J. 367, 455 (1999) (concluding that “property-based trademark is likely to have a more substantial anticompetitive impact than deception-based trademark”); Stacey L. Dogan, *What is Dilution, Anyway?*, 105 MICH. L. REV. FIRST IMPRESSIONS 103, 106 (2006) (arguing in favor of retaining a dilution standard focused on preventing harm to the plaintiff, rather than punishing free riding by the defendant).

<sup>312</sup> In the European Union, “marks with a reputation” are protected from uses that take “unfair advantage of” or are “detrimental to the distinctive character or the repute of the trade mark.” First Council Directive to Approximate the Laws of the Member States Relating to Trade Marks 89/104/EEC, art. 5, 1989 O. J. (L 40) 5 (EC). See Thomas J. McCarthy, *Dilution of a Trademark: European and United States Law Compared*, 94 TRADEMARK RPTR. 1163, 1165 (2004) (arguing that the phrase in the European Union’s Trademark Directive, “without due cause takes unfair advantage,” invokes the notion of free riding); Marcus H. Luepke, *Taking Unfair Advantage or Dilution of a Famous Mark—A 20/20 Perspective on the Blurred Differences Between U.S. and E.U. Dilution Law*, 98 TRADEMARK RPTR. 789, 813 (2008) (noting the “unfair advantage” cases recognized by the European Union include “instances where there is clear exploitation and free-riding”); see also Port, *Judging Dilution*, *supra* note 295,



In the copyright context, however, moral rights are controversial largely because they have been characterized as restricting the property rights of copyright owners, who often are *not* the original author(s) of the work.<sup>313</sup> Under U.S. law, copyrights are alienable and transferrable.<sup>314</sup> The notion that an author should be able to control the manner in which her work is used, even after she has sold her copyright in the work to someone else, contradicts the fundamental definition of what it means to “own” something in the United States.<sup>315</sup> Some have argued that investment of moral rights in existing works might effect an unconstitutional taking of property (from the holder of the copyright).<sup>316</sup> Therefore, moral rights law, in the copyright context, clashes with the rhetoric of property. Moreover, when legislation implementing the Berne Convention was debated in Congress, that clash generated considerable political opposition from powerful groups who purchase and hold large numbers of copyrights (*e.g.*, movie studios), who did not wish to have laws enacted that would constrain their ability to exploit their copyrights.

Moral rights in copyright law have also encountered resistance due to their perceived negative impact on the public domain. Unlike trademarks, which can continue to exist so long as they are being used,

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at 681–82 (“The concern in Japan centers around . . . whether a defendant simply is riding on the goodwill of another.”).

<sup>313</sup> Media mogul Ted Turner, who undertook to colorize certain films that had originally been shot on black-and-white film, encountered resistance from the original directors of those films. In response to the controversy, he stated, “The last time I checked, I own those films.” William H. Honan, *Artists, Newly Militant, Fight for their Rights*, N.Y. TIMES, Mar. 3, 1988, at C29.

<sup>314</sup> See 17 U.S.C. § 101 (2006) (defining a “transfer of copyright ownership” as “an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license”); see also 17 U.S.C. § 204(a) (transfer of copyright must be in writing).

<sup>315</sup> See Lee, *supra* note 307, at 814 (“The notion that an artist may, in the name of the *personal* interests in the work, prevent the purchaser and holder of title in the work from doing with it what she wishes may run contrary to the American socio-legal culture and border on the heretical.”); see also Roberta Kwall, *Copyright and the Moral Right: Is an American Marriage Possible?*, 38 VAND. L. REV. 1, 2 (1985) (referring to the “tradition of safeguarding only the *pecuniary* rights of a copyright owner” in the United States).

<sup>316</sup> See, *e.g.*, Lawrence Adam Beyer, *Intentionalism, Art, and the Suppression of Innovation: Film Colorization and the Philosophy of Moral Rights*, 82 NW. UNIV. L. REV. 1011, 1071 (1988).

copyrights eventually expire.<sup>317</sup> When they do, works of authorship pass into the public domain, for the public to use as they see fit, regardless of the desires of the author.<sup>318</sup> Moreover, even during the life of the copyright, the statutory fair use doctrine and the First Amendment permit uses of copyrights that are arguably inconsistent with the concept of moral rights.<sup>319</sup> For these reasons, not only copyright owners but also free speech advocates have opposed the adoption and vigorous enforcement of moral rights laws in the context of U.S. copyright law.<sup>320</sup>

Free speech advocates have opposed the enactment and enforcement of dilution law as well, but their arguments have had less impact, in part for the political reasons discussed above. Moreover, as a substantive matter, free speech arguments in the trademark context have had limited success because most trademark disputes arise in the commercial speech arena. When trademark holders have filed lawsuits to constrain noncommercial speech, specifically artistic speech that is more frequently the subject of copyright disputes, their arguments have met with limited success.<sup>321</sup> Although dilution law undoubtedly imposes costs in terms of its impact on the right to free expression protected by the First Amendment, as discussed *infra*, those costs have often been downplayed (perhaps unjustifiably) because the speech constrained is commercial.<sup>322</sup>

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<sup>317</sup> See 17 U.S.C. § 302(a) (listing duration of copyright for various types of work); *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003) (upholding constitutionality of Copyright Term Extension Act, which extended the duration of most copyrights to the life of the author plus seventy years).

<sup>318</sup> VARA does not conflict with this aspect of copyright law, as it provides that its rights do not extend beyond the life of the author. 17 U.S.C. § 106A(d)(1).

<sup>319</sup> See *supra* note 307.

<sup>320</sup> *But see* NEIL WEINSTOCK NETANEL, *COPYRIGHT'S PARADOX* 216 (2008) (arguing that limited moral rights protections in the United States would enhance rather than detract from First Amendment values).

<sup>321</sup> See, e.g., *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002) (holding that the use of the Barbie trademark in a song lampooning Barbie qualified as a non-commercial use under FTDA and therefore did not dilute the Barbie mark); *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir. 2003) (holding that the use of the Barbie trademark in photographic works of parody did not dilute or infringe).

<sup>322</sup> See *infra* notes 361–369 and accompanying text (analyzing constitutionality of dilution as a restriction on commercial speech).

#### 4. An Alternative Explanation: The Right of Publicity

Trademark holders' rights under dilution law have also been analogized to the right of publicity.<sup>323</sup> The right of publicity (which exists under state law only<sup>324</sup>) gives an individual the ability to control others' use of his image or identity for commercial purposes.<sup>325</sup> The right of publicity has itself been characterized as a type of moral right, as it originated (at least in part) to protect the integrity of the individual.<sup>326</sup> Particularly in the case of anthropomorphized famous trademarks, like Barbie and the Pillsbury Doughboy, it is not difficult to see the parallels between an individual's right of publicity and a famous trademark holder's right to protection against dilution. If Vanna White has the right to enjoin Samsung's use of a wheel-spinning robot that evokes her image,<sup>327</sup> why shouldn't Barbie have the right to control others' commercial use of her image as well? Moreover, the right of publicity, like dilution laws<sup>328</sup> and unlike the *droit moral* in the copyright

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<sup>323</sup> See, e.g., Mary LaFrance & Gail H. Cline, *Identical Cousins?: On the Road with Dilution and the Right of Publicity*, 24 SANTA CLARA COMP. & HIGH TECH. L. J. 641, 642–645 (2008) (discussing the parallels between dilution law and the right of publicity); Dogan & Lemley, *supra* note 89, at 1197–1200 (same).

<sup>324</sup> Compared to state law claims for dilution, state laws regarding the right of publicity are much less uniform. Moreover, there is no federal cause of action for infringement of the right of publicity. Therefore, although generalizations can be made about this tort, based on the rules adopted in the majority of states that recognize the cause of action, its application varies widely, depending on the jurisdiction.

<sup>325</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 47 (1995) (defining such “purposes of trade” relevant for the right of publicity claim); *Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562, 575 (1977) (holding that news broadcast of plaintiff's performance as a “human cannonball” violated plaintiff's right of publicity); *White v. Samsung Elecs. Am., Inc.*, 971 F.2d 1395, 1399 (9th Cir. 1992) (holding that use of a female-shaped robot in defendant's advertisement violated plaintiff's right of publicity); *Haelan Labs v. Topps Chewing Gum*, 202 F.2d 866, 868 (2d Cir. 1953) (recognizing a baseball player's right of publicity in his image); *Martin Luther King, Jr., Ctr for Social Change, Inc. v. Am. Heritage Prod., Inc.*, 296 S.E.2d 697, 702–03 (Ga. 1982) (holding that the manufacture and sale of plastic busts of Dr. Martin Luther King violated right of publicity held by Dr. King's heirs).

<sup>326</sup> See Dogan & Lemley, *supra* note 89, at 1180–84 (discussing moral rights theory underlying the right of publicity).

<sup>327</sup> See *White*, 971 F.2d at 1399 (holding that the defendant's advertisement, when viewed as a whole, violated Vanna White's right of publicity); see also Stacey L. Dogan, *An Exclusive Right To Evoke*, 44 B.C. L. REV. 291, 292 n.7 (2003) (discussing the *White* case).

<sup>328</sup> See *supra* notes 306–312 and accompanying text.

context,<sup>329</sup> arguably finds justification in the anti-free-riding impulse that permeates property law in the United States.<sup>330</sup>

However, there are some key differences between the right of publicity and the dilution cause of action as well. At least in its modern conception and in the typical case, the right of publicity relates less to the individual's desire and ability to control her image and more to her ability to profit from it.<sup>331</sup> Therefore, damages (in addition to injunctive relief) are routinely awarded as a form of relief in right of publicity cases.<sup>332</sup> However, damages are the exception and not the rule in the context of dilution law. Under state dilution laws, an injunction was originally the *only* form of available relief. Even under the TDRA, damages are available only in cases of "willful" dilution, and injunctive relief remains the primary form of remedy.<sup>333</sup> Moreover, at least in most

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<sup>329</sup> See *supra* notes 313-316 and accompanying text.

<sup>330</sup> See, e.g., Sheldon Halpern, *The Right of Publicity: The Maturation of an Independent Right Protecting the Associative Value of Personality*, 46 HASTINGS L.J. 853, 873 (1995) ("There is, at bottom, recognition of the fact that there is something wrong, a manifest 'unfairness,' when one person seeks to trade on the personality of another. The right of publicity is the means to address and ameliorate that wrong."); *but see* Dogan & Lemley, *supra* note 89, at 1181-83 (critiquing "labor and unjust enrichment rationales" for the right of publicity).

<sup>331</sup> See Dogan & Lemley, *supra* note 89, at 1181-82 ("Even assuming that human dignity includes the right to prevent people from making true statements about you to sell a commercial product, it fits uneasily with a right of publicity that is only rarely about preventing such uses and almost always about maximizing the celebrity's profit from them.")

<sup>332</sup> Statutory damages are commonly available under right of publicity statutes. See, e.g., CAL. CIV. CODE § 3344(a) (West 2012) (providing for relief in the form of statutory damages of \$750 or actual damages, whichever is greater); WASH. REV. CODE § 63.60.060(2) (2011) (providing for relief in the form of statutory damages of \$1500 or actual damages, whichever is greater); OHIO REV. CODE ANN. § 2741.07(A)(1)(a)&(b) (West 2011) (providing for relief in the form of statutory damages of \$2,500-\$10,000 or actual damages, at plaintiff's election). At least at common law, the right of publicity may also require proof of harm as an element of the cause of action. See, e.g., *Slivinsky v. Watkins-Johnson Co.*, 270 Cal. Rptr. 585, 590 (Cal. App. 1990) ("Resulting injury is the *sine qua non* of a cause of action for misappropriation of name."); *Cohen v. Facebook, Inc.*, 798 F. Supp. 2d 1090, 1097 (N.D. Cal. 2011) (same).

<sup>333</sup> See 15 U.S.C. § 1125(c)(1) (providing for injunctive relief when plaintiff proves likelihood of dilution); 15 U.S.C. § 1125(c)(5)(B)(i)&(ii) (providing for damages and potentially attorney fees when defendant's conduct is "willful"); see also CAL. BUS. & PROF. CODE §§ 14247(a) & (b) (West 2008) (providing for injunctive relief; damages available only when defendant's conduct is willful).

states, the right of publicity is freely alienable and transferable.<sup>334</sup> Trademarks generally are not. Under trademark law, at least in theory, the holder of a famous trademark cannot sell or even license it without also transferring the accompanying goodwill.<sup>335</sup> Transfers of interest without goodwill can lead to the invalidation of the trademark.

These doctrinal divergences derive from the variance in the theory and policy at the core of these respective doctrines. Although the right of publicity has origins in the right of privacy and other distinctly “moral” predicates, the doctrine in its current form is more about commodification than control. The basic theory behind most right-of-publicity cases is that the defendant has unjustly profited by using the plaintiff’s image or likeness, without her consent. The right of publicity tort forces the defendant to pay plaintiff for the use of her image.

The desire to be compensated for economic harm (even under a theory of unjust enrichment) has never driven trademark holders’ enthusiasm for the dilution claim. Although dilution laws are justified on

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<sup>334</sup> See, e.g., OHIO REV. CODE ANN. § 2741.04 (West 2011) (“The right of publicity in an individual’s persona is freely transferable and descendible. . . .”); WASH. REV. CODE. § 63.60.030(1) (2011) (right of publicity “shall be freely transferable, assignable, and licensable, in whole or in part”); TENN. CODE ANN. § 47-25-1103(b) (2012) (right of publicity is “freely assignable and licensable”); NEV. REV. STAT. § 597.800(1) (2011) (right of publicity is “freely transferable”); IND. CODE § 32-36-1-16 (2012) (right of publicity is “freely transferrable and descendible, in whole or in part”).

<sup>335</sup> Both naked licenses and assignments in gross (transfers of interest in a trademark without the accompanying goodwill) are considered forms of trademark abandonment. See 15 U.S.C. § 1060(a)(1) (allowing trademarks to be assigned “with goodwill”); *In re XMH Corp.*, 647 F.3d 690, 697 (7th Cir. 2011) (“A trademark owner . . . might delegate so much responsibility to the service provider as to lose the right or power to assure the quality of the trademarked brand, and then he would lose the trademark. . . .”); *Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc.*, 277 F.3d 253, 259 (2d Cir. 2002) (noting that the licensor of a trademark must “maintain some control over the quality of the licensed property . . . or risk abandonment of its mark”); *Tumblebus, Inc. v. Cranmer*, 399 F.3d 754, 764–65 (6th Cir. 2005) (noting that one method for abandoning the trademark is through “naked licensing”); *Marshak v. Green*, 746 F.2d 927, 929–30 (2d Cir.1984) (observing that courts have not allowed trade names or marks to be validly assigned in gross); but see Calboli, *The Sunset of Quality Control*, *supra* note 83, at 384 (arguing that recent practices involving assignments or licenses-back “profoundly deviate[] from the traditional view of trademark law”); Calboli, *Trademark Assignment with Goodwill*, *supra* note 83, at 774 (noting that “trademark practices have traditionally provided instruments to minimize, if not legally overcome, the effects” of the rule against assignment in gross).

the theory that dilution causes economic harm, that harm is acknowledged to be so inchoate and minute, at least in individual cases, as to be incapable of measure. Therefore, the cause of action exists “regardless of the presence or absence of . . . actual economic injury.”<sup>336</sup> Famous trademark holders do not want alleged diluters to pay for the use of famous marks; they want such unauthorized uses to cease. As explained above, the most likely explanation for the trademark dilution claim – one which is consistent with the elements of the cause of action and the typical forms of relief that it provides – derives from the trademark holder’s desire to *control* the manner in which others use (or evoke) the famous mark.

##### 5. Dilution and the Personification of Corporate America

Despite their differences, the right of publicity and the copyright concept of moral rights do share one key trait: they are distinctly personal rights. Extending this type of right to the holders of famous trademarks, the vast majority (if not all) of which are corporations, continues the trend seen in other areas of the law, such as the First Amendment, in which distinctions between the legal rights of natural persons and the corporate personality have faded. In *Citizens United*, the United States Supreme Court held that political speech, in the form of monetary campaign contributions made by corporate entities, was entitled to full First Amendment protection.<sup>337</sup> This opinion has been subject to vigorous critique, not just for its public policy implications in terms of campaign finance regulation, but also for its conclusion that corporations should enjoy the same First Amendment rights as individuals. Writing in dissent, Justice Stevens opined that “[t]he conceit that corporations must be treated identically to natural persons in the political sphere is not only inaccurate but also inadequate to justify the Court’s disposition of this case.”<sup>338</sup>

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<sup>336</sup> 15 U.S.C. § 1125(c)(1) (2006).

<sup>337</sup> *Citizens United v. FEC*, 130 S. Ct. 876, 900 (2010) (holding that “political speech does not lose First Amendment protection ‘simply because its source is a corporation’”) (citation omitted). The Court observed that “[c]orporations and other associations, like individuals, contribute to the ‘discussion, debate, and the dissemination of information and ideas’ that the First Amendment seeks to foster.” *Id.* (internal quotations omitted); *see also id.* at 904 (“Political speech ‘is indispensable to decisionmaking in a democracy, and this is no less true because the speech comes from a corporation rather than an individual.’”) (internal quotations omitted).

<sup>338</sup> *Id.* at 930 (Stevens, J., dissenting); *see generally* Randall P. Bezanson, *No Middle Ground? Reflections on the Citizens United Decision*, 96 IOWA L. REV. 649 (2011) (critiquing the *Citizens United* decision).

The policy implications of extending moral rights to the corporate holders of famous trademarks—like the expansion of speech rights for corporate actors in *Citizens United*—are significant. If the point of dilution law is to allow the holders of famous trademarks to preserve the integrity of their marks and to prevent others from mutilating them, then logically they should not be required to prove actual harm, actual dilution of the mark’s distinctiveness or goodwill, or actual damages. The harm caused by the violation of a moral right is inchoate and essentially incapable of economic proof. When the proper label is placed on the cause of action, however, a further, more fundamental question should be answered: Should we enforce a cause of action that enables corporations to protect their “moral rights” in a trademark? If so, should that cause of action look like the current version of the federal dilution law? The answer to those questions, as explained below, is “no.”

### III. DILUTION REFORM

Vindicating the moral rights of corporations may seem like a questionable legislative endeavor. However, if the dilution cause of action imposed no costs—in other words, if dilution laws were harmless, as some have perceived them to be—then the exact nature of the interest they are intended to protect would be largely academic. Dilution laws do, however, impose substantial costs that must be considered in assessing whether the cause of action should continue to exist, at least in its current form. Those costs, particularly the negative impact on speech and competition created by the enforcement of these laws, outweigh their benefits. Although the outright repeal of the TDRA is unlikely, the statute should be amended or at least narrowly construed to minimize the externalities that it imposes.

#### A. Why Dilution Laws Matter

The practical effect of a dilution cause of action is difficult to precisely identify. Few complaints solely assert a cause of action for trademark dilution. Moreover, famous trademarks are entitled to such a broad degree of protection in trademark infringement actions that the dilution claim is typically superfluous.<sup>339</sup> Perhaps as a result, empirical data from the ten-year period preceding enactment of the TDRA (1996-

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<sup>339</sup> Beebe, *supra* note 105, at 1161; *see also* Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 846–47 (1997) (noting that trademark dilution law “simply relieves the senior users of such marks from having to make a confusion showing”).

2006) indicated declining rates of enforcement of dilution claims in federal courts.<sup>340</sup> Based on this data, Professor Clarissa Long concluded that “[i]n the federal courts, . . . dilution cases are not exactly a juggernaut.”<sup>341</sup> An empirical study of cases decided in the year following the enactment of the TDRA yielded similar results, leading Professor Barton Beebe to opine that the dilution claim remained superfluous and that anti-dilution law had “no appreciable effect on the outcomes of federal trademark cases or the remedies issuing from those outcomes.”<sup>342</sup>

The characterization of dilution claims as superfluous hardly constitutes a ringing endorsement.<sup>343</sup> As Professor Beebe and others have argued, famous trademark holders may not “need” dilution protection in the vast majority of cases, given the scope of modern trademark infringement law. If dilution claims imposed no costs, their superfluous nature would at least potentially render them harmless if not helpful.

However, dilution claims tend to matter the most when their potential for negative impact on speech and competition hits its peak: cases in which the plaintiff cannot prove trademark infringement, even under today’s broad standards. Conversely, in such cases the likelihood that the trademark holder has suffered any significant economic injury reaches its nadir. The manner in which courts have interpreted the TDRA (in addition to the language of the Act itself) has exacerbated this problem. Moreover, the mere threat of a dilution suit in federal court, with the possibility of being forced to pay plaintiff’s attorney fees in addition to your own, is often more than enough to chill protected speech and potentially suppress competition. As a result, the cost of superfluous or even frivolous dilution claims may be substantial.

## B. The Externalities of Modern Dilution Law

Dilution laws come close to granting trademark rights “in gross.” Traditionally, trademark law has not reached this far, primarily because (1) unlike copyrights and patents, trademarks are not constitutionally sanctioned monopolies; and (2) also unlike copyrights and patents,

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<sup>340</sup> Clarissa Long, *Dilution*, 106 COLUMBIA L. REV. 1029, 1031 (2006) (observing that the relief rate for dilution claims has been on a “downward trajectory” since the first year of the FTDA’s existence).

<sup>341</sup> *Id.*

<sup>342</sup> Barton Beebe, *The Continuing Debacle of U.S. Antidilution Law: Evidence from the First Year of Trademark Dilution Revision Act Case Law*, 24 SANTA CLARA COMP. & HIGH TECH. L.J. 449, 450 (2007-2008).

<sup>343</sup> The phrase “damning with faint praise” comes to mind.



trademarks do not have an expiration date; they endure so long as they continue to be used to identify the mark holder's goods or services.<sup>344</sup> The expansive rights granted by trademark dilution laws have been justified or at least excused on the grounds that, in practical application, they impose little in terms of costs.<sup>345</sup> In other words, protecting trademark holders against dilution has been characterized as creating few significant externalities. This view of trademark dilution law, however, underestimates its capacity to harm.

*1. The Clash between Dilution Law and the Value of Speech*

The famous trademarks that are most likely to qualify for dilution protection, *e.g.*, Google and Coca-Cola, are ironically the marks that objectively need dilution protection the *least*. Empirically speaking, their fame insulates them from dilution, as the brand is so well established in the consumer's mind that it is difficult to budge.<sup>346</sup> Moreover, their sheer ubiquity makes it easy to argue, whatever the context, that another's use of the same or a similar mark will lead to a likelihood of consumer confusion.

These marks are also the ones that carry with them the *most* potential for expressive use.<sup>347</sup> The famous brands that are entitled to protection under the TDRA are not just "mega-valuable corporate assets"; they also are part of contemporary culture and, as such, embody a host of linguistic meanings.<sup>348</sup> As discussed above, the corporations

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<sup>344</sup> See Desai & Rierison, *supra* note 17, at 1800–01 (discussing distinctions between trademarks and copyrights and patents, and the policies underlying the prohibition of trademark rights "in gross").

<sup>345</sup> See *supra* notes 339–342 and accompanying text; *but see* Carter, *supra* note 80, at 784–86 (arguing that trademark law insufficiently accounts for the externalities that it creates).

<sup>346</sup> See *supra* notes 104–105 and accompanying text.

<sup>347</sup> See Desai & Rierison, *supra* note 17, at 1801–05 (discussing trademarks' capacity for expressive use); *see also* Beebe, *supra* note 42, at 624 (arguing that trademarks are "a semiotic doctrine elaborating the principles of . . . language. If there is a 'language of commodities,' then trademark doctrine is its grammar, and this grammar must be understood not simply in economic, but also in linguistic terms."); Rochelle C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 401 (1990) (discussing trademarks' ability to exhibit both "their signaling and expressive functions").

<sup>348</sup> Desai & Rierison, *supra* note 17, at 1804; *but see* Landes & Posner, *supra* note 82, at 168–69 (examining economics of language and noting, "[t]he importance of trademarks to language is only modest, however, because the contribution they make to the language is mainly a byproduct of the contribution that the products they designate make to the world of things.").

that seek dilution protection for famous marks definitely comprehend these trademarks' significance beyond their commercial function and attempt to cultivate (and control) that aspect of their meaning.<sup>349</sup>

The staggering value of these brands<sup>350</sup> derives in large part from their expressive function. "Brands can become symbols by which people define and express themselves, such that people spend money far beyond the cost of the utility of the good to reinforce that identity or have that means of expression."<sup>351</sup> For example, a Louis Vuitton purse signals that the consumer who owns it is in the company of celebrities and others who can afford to pay \$1000 for a purse (and are willing to do so).<sup>352</sup> Although the purse is hopefully well constructed, it is highly unlikely that the majority of the purchase price derives from the value of the labor and materials required to make it. Reduction in consumer search costs and goodwill does not account for billions of dollars in brand value.

Famous trademarks may also take on expressive meanings that are not deliberately created by their corporate handlers, and which may be neutral or even negative in terms of their impact on brand value. For example, the word "Barbie" not only signals a doll manufactured by Mattel, complete with the image Mattel would like her to represent, but also functions expressively when used to refer to a beautiful yet "empty-headed" woman.<sup>353</sup> The pop band Aqua undoubtedly intended to tap into the unofficial expressive meaning of Barbie when it produced the hit song *Barbie Girl*, as the lyrics demonstrate.<sup>354</sup> As is often the case,

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<sup>349</sup> See *supra* text accompanying notes 265–290.

<sup>350</sup> According to the BrandZ report published by Millward Brown, the top three brands in 2012 were Apple, IBM, and Google, each of which was valued at over \$100 billion. See *BrandZ Top 100 Most Valuable Global Brands 2012*, MILLWARD BROWN [http://www.millwardbrown.com/brandz/2012/Documents/2012\\_BrandZ\\_Top100\\_Chart.pdf](http://www.millwardbrown.com/brandz/2012/Documents/2012_BrandZ_Top100_Chart.pdf) (last visited August 24, 2012).

<sup>351</sup> Desai & Rierson, *supra* note 17, at 1796; see also Beebe, *supra* note 43, at 624 (noting that "firms produce trademarks as status goods"); see generally MICHAEL J. SILVERSTEIN & NEIL FISKE, *TRADING UP: WHY CONSUMERS WANT NEW LUXURY GOODS—AND HOW COMPANIES CREATE THEM* (2005).

<sup>352</sup> See Dilbary, *supra* note 90, at 647-63 (explaining the economic rationale behind the willingness to pay more for branded products).

<sup>353</sup> Dreyfuss, *supra* note 347, at 400. To illustrate the expressive meaning of "Barbie," Dreyfuss quotes Joan Kennedy, who once said the following about her experiences on the campaign trail with her husband, Senator Ted Kennedy: "When I campaign alone I'm approachable. Women talk to me. . . . but when I'm with Ted I'm a Barbie doll." *Id.* at 397 (citation omitted).

<sup>354</sup> See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 901 (9th Cir. 2002) (noting that the singer, who identifies herself as "Barbie," describes herself as "a blond bimbo girl, in a fantasy world," who commands, "Dress me up, make it tight, I'm your dolly.") *Id.* at 901.

Mattel was not amused and filed suit for trademark infringement and dilution. Although the court ultimately held that the use of the Barbie mark in a song was not actionable because it was a constitutionally protected parody, the language of the FTDA (the governing statute at the time) by no means clearly embraced the “Barbie Girl” song as a fair use.<sup>355</sup> Moreover, the litigation was enormously contentious and hence expensive, prompting Judge Kozinski to end his opinion by advising the parties “to chill.”<sup>356</sup>

The federal dilution statute, both in its current version (the TDRA) and its previous incarnation (the FTDA), provides scant room for these types of expressive uses, particularly in commercial contexts. Although the TDRA more clearly exempts parodies from dilution liability than did the FTDA, the statutory exemption does not apply when the parody is embodied within a trademark.<sup>357</sup> As a result, at least one circuit court has held that parodies that are also trademarks are protected only if they do not dilute.<sup>358</sup> Although the court in that case found no dilution, it is far from certain that every court will reach the same conclusion, given the fact-specific nature of the inquiry. For example, in the *Barbie Girl* case, the court concluded that the *Barbie Girl* song was in fact “dilutive” and insulated from liability only because it constituted a “noncommercial use” of Mattel’s trademark.<sup>359</sup> The narrow scope of the fair use defense therefore raises serious First Amendment concerns.<sup>360</sup>

Even outside noncommercial or obviously expressive uses of trademarks, *i.e.*, in the realm of purely commercial speech, the dilution cause of action still impacts First Amendment rights. Some

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<sup>355</sup> See *id.* at 904–07 (interpreting statutory language re “noncommercial use” and discussing First Amendment limitations); see generally Patrick D. Curran, Comment, *Diluting the Commercial Speech Doctrine: ‘Noncommercial Use’ and the Federal Trademark Dilution Act*, 71 UNIV. CHI. L. REV. 1077 (2004).

<sup>356</sup> *Mattel*, 296 F.3d at 908. Somewhat ironically, Mattel later licensed the Barbie Girl song and used it (with modified lyrics) to promote sales of the Barbie doll. Stuart Elliott, *Years Later, Mattel Embraces ‘Barbie Girl,’* THE NEW YORK TIMES (Aug. 26, 2009, 4:30 PM), available at <http://mediadecoder.blogs.nytimes.com/2009/08/26/years-later-mattel-embraces-barbie-girl/?pagemode=print>.

<sup>357</sup> 15 U.S.C. § 1125(c)(3)(A) (2006); see also *supra* notes 217–221 and accompanying text.

<sup>358</sup> See *supra* notes 223–232 and accompanying text.

<sup>359</sup> *Mattel*, 296 F.3d at 903, 904–07.

<sup>360</sup> See Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 S.M.U. L. REV. 381, 438–47 (2008); see also Jesse A. Hofrichter, Note, *Tool of the Trademark: Brand Criticism and Free Speech Problems with the Trademark Dilution Act of 2006*, 28 CARDOZO L. REV. 1923 (2007).

commentators have convincingly argued that the dilution cause of action fails the Supreme Court's *Central Hudson* test for commercial speech and therefore violates the First Amendment.<sup>361</sup> Commercial speech is protected under the First Amendment if it concerns lawful activity and it is not misleading.<sup>362</sup> Speech that constitutes trademark infringement is not protected because the likelihood of consumer confusion that it creates renders it misleading.<sup>363</sup> Because a dilution claim does not require proof of likelihood of confusion, the speech it targets is not misleading and, therefore, should be entitled to constitutional protection.

Moreover, speech that allegedly dilutes may be affirmatively valuable to both consumers and competitors. In *Central Hudson*, the government claimed that the speech at issue (advertisements by a monopolistic electric company) was not entitled to constitutional protection because, even though the speech was non-misleading, it was not "of any worth," as it did not convey useful information to consumers.<sup>364</sup> The Court rejected that argument, reasoning that "[e]ven in monopoly markets, the suppression of advertising reduces the information available for consumer decisions and thereby defeats the purpose of the First Amendment."<sup>365</sup> Similarly, speech that allegedly dilutes a famous trademark can provide useful information to consumers about the defendant's goods and services and thereby allow the defendant to more effectively compete.

When a proprietor chooses a name for her business (*i.e.*, a trademark) that taps into the expressive meaning of a famous mark, without creating a likelihood of consumer confusion, both the proprietor and the consumer stand to benefit. By associating herself and her

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<sup>361</sup> See Mary LaFrance, *No Reason to Live: Dilution Laws as Unconstitutional Restrictions on Commercial Speech*, 58 S.C.L. REV. 709 (2007); see also Ramsey, *supra* note 360, at 438–39 (arguing that dilution laws constitute content-based restrictions on speech); Paul Alan Levy, *The Trademark Dilution Revision Act--A Consumer Perspective*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1189, 1193 (2006) ("[D]ilution law's limits on truthful commercial speech raise serious questions of public policy as well as constitutionality.").

<sup>362</sup> *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of New York*, 447 U.S. 557, 564 (1980).

<sup>363</sup> See *Castrol v. Pennzoil*, 987 F.2d 939, 949 (3d Cir. 1993) ("[I]t is well settled that false commercial speech is not protected by the First Amendment and may be banned entirely."); *FTC v. Brown & Williamson Tobacco Corp.*, 778 F.2d 35, 43 (D.C. Cir. 1985) (holding that "the subcategory of commercial speech consisting of false and deceptive advertising 'remains subject to restraint.' In fact, '[m]isleading advertising may be prohibited entirely.'") (citations omitted).

<sup>364</sup> *Central Hudson*, 447 U.S. at 566–67.

<sup>365</sup> *Id.* at 567.

business with the famous trademark, the proprietor increases the efficiency of her new mark by conveying useful information about the good or service to which it is attached.<sup>366</sup> The consumer benefits because the mark more effectively reduces search costs. For example, a person who sees an ad for “Victor’s Little Secret” has some idea of what is for sale, without knowing anything about the store other than its name. Yet an intent to associate with a famous mark weighs in favor of a finding that the proprietor of such a business has diluted the famous mark.<sup>367</sup> The TDRA thus undoubtedly (and intentionally) discourages such associative uses, thereby suppressing speech.

If commercial speech is protected, then the regulation restricting it must directly advance a “substantial government interest.”<sup>368</sup> The Supreme Court has clarified that “[t]his burden is not satisfied by mere speculation or conjecture; rather, a governmental body seeking to sustain a restriction on commercial speech must demonstrate that the harms it recites are real and that its restriction will in fact alleviate them to a material degree.”<sup>369</sup>

Dilution laws do not appear to directly advance a substantial government interest. By their express terms, the TDRA and state dilution laws do not require a finding that the plaintiff has been economically harmed. They are not designed to protect consumers in any meaningful way. Although the TDRA prohibits uses of famous trademarks that “cause” dilution of those marks, the plaintiff need not prove that any such dilution or actual harm has occurred to prevail under this statute. The alternative, more realistic, explanation for dilution laws is that they exist to facilitate the preservation and control of corporate persona and image, as embodied in famous trademarks. While corporations may have a substantial interest in achieving this end, the government does not. For these reasons, the dilution cause of action raises significant First Amendment concerns.

The corporations that “own” famous trademarks cultivate and profit enormously from the expressive meanings that these marks convey. Much like an artist who has crafted a great sculpture, these trademark holders wish to control all uses of their creations, especially

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<sup>366</sup> See Dogan, *supra* note 327, at 321 (concluding that “courts should be mindful of the positive reasons for allowing parties to evoke others’ products or services in pro-competitive ways”).

<sup>367</sup> 15 U.S.C. § 1125(c)(2)(v) (2006).

<sup>368</sup> *Central Hudson*, 447 U.S. at 564.

<sup>369</sup> *Greater New Orleans Broadcasting Ass’n v. United States*, 527 U.S. 173, 188 (1999).

those they find offensive. However, in the absence of any real economic injury to the trademark holder (and certainly not any measurable one), the control granted via the dilution cause of action should take into account the costs that go along with it. Prohibiting others from tapping into these expressive meanings, even in commercial settings, is a substantial externality of the dilution cause of action and arguably one of Constitutional proportion.

## *2. The Impact of Trademark Dilution Law on Competition*

The expressive function of famous trademarks is enormously valuable, both for the holders of such marks and the public at large. Preventing proprietors from tapping into those expressive meanings in developing their own trademarks, when such uses do not cause a likelihood of confusion with the original mark holder, deprives the proprietor of an efficient trademark and negatively impacts his ability to compete. Current dilution doctrine, particularly under the TDRA and recent interpretations of that statute, poses more direct threats to competition as well. Although suits between direct competitors were not originally envisioned under the dilution cause of action, such lawsuits are in fact often the cases in which dilution claims matter the most. When a trademark infringement claim fails because the facts will not support it, dilution is a useful stand-in. In such cases, it may be difficult if not impossible to distinguish the kind of association between two marks that constitutes actionable dilution from the “injury” that a trademark holder suffers as a result of regular competition. The extent to which dilution laws suppress competition should be recognized as a cost and considered in examining the scope of the doctrine.

Lawsuits between competitors, based on the use of their respective trademarks, have traditionally been resolved under the rubric of the trademark infringement cause of action, specifically the likelihood of confusion standard. The interests of consumers and the plaintiff are largely aligned in such cases: both are harmed by trademark infringement.<sup>370</sup> At least in theory, the dilution claim should have no impact in these lawsuits. In such suits, one would expect that a dilution claim would be superfluous.<sup>371</sup> However, the plain language of the TDRA (and its predecessor, the FTDA) does not bar its application in lawsuits between competitors and, in fact, says the opposite.<sup>372</sup> Dilution

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<sup>370</sup> See *supra* notes 78-85 and accompanying text.

<sup>371</sup> See *supra* notes 321-342 and accompanying text.

<sup>372</sup> 15 U.S.C. § 1025(c)(1) (providing injunctive relief against any use of a famous trademark that causes dilution, “regardless of the presence or absence of . . . competition”).

claims are becoming increasingly relevant in such lawsuits, to the detriment of competition.

As discussed previously, some courts have interpreted the TDRA's six-factor test for dilution as eliminating the "substantial similarity" test from trademark dilution analysis.<sup>373</sup> As a result, in some cases a trademark dilution claim has survived summary judgment or other adjudication when a trademark infringement claim has not, often because the marks in question were not similar enough to support an infringement claim. In essence, the dilution claim picks up where infringement leaves off, resulting in potential liability, or at least the inability to win the case on a summary judgment motion, in a case where the plaintiff would otherwise be expected to lose. Such cases may do more to create "unfair competition" than eliminate it.

A recent case involving Levi Strauss and Abercrombie & Fitch illustrates how suits between direct competitors, particularly in the context of trade dress dilution, poses problems.<sup>374</sup> Both Strauss and Abercrombie sell blue jeans that are adorned with pocket stitching.<sup>375</sup> The pocket stitching by Strauss, the plaintiff, is considered famous, and in fact would be easily recognized by most American consumers. Strauss alleged that Abercrombie's pocket stitching infringed and diluted Strauss's famous design. Analyzing the infringement claim in this lawsuit would have required an answer to the following question: Would a person encountering Abercrombie's pocket stitching on the backside of a pair of jeans likely be confused into thinking that the jeans were in fact made by Strauss? The answer to that question was apparently "no."

The dilution claim, by contrast, poses a much more difficult question: After encountering Abercrombie's pocket stitching on the backside of a pair of jeans (which the consumer would not be likely to mistake for Levi's), would the consumer think of Strauss just as quickly the next time she saw Strauss pocket stitching, or would her response time be slower because her mind had been "polluted" by subconscious images of the Abercrombie design? As an empirical matter, that question is exceedingly difficult to answer,<sup>376</sup> but, more importantly, it is unclear how this kind of "mental pollution" differs from the desired

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<sup>373</sup> See *supra* text accompanying notes 168-171.

<sup>374</sup> *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011).

<sup>375</sup> Attachment A, appended to the end of this article, reproduces a photo of the parties' respective designs that was attached to the court's opinion in this case.

<sup>376</sup> See *supra* notes 97-105 and accompanying text (discussing empirical evidence of dilution and the limitations of that evidence).

effect generated by legitimate competition.<sup>377</sup> Of course Abercrombie wants to pollute the customer's mind with images of its own jeans in addition to the ones sold by Levis; that is the point of competition. If Abercrombie is prohibited from provoking these kinds of associations, its ability to compete will be compromised. Although Strauss might like to prevent all other jeans makers from adorning the backsides of jeans, lest such adornments intrude upon the "uniqueness" of the Strauss trademark, it is unclear why this is a desirable result from anyone's perspective other than Strauss.

The trade dress utilized by a competitor may often bear some resemblance to the plaintiff's because the two parties are, in fact, competitors, *i.e.*, they produce goods or services in the same market. Particularly given that the "substantial similarity" test no longer acts as a robust gate-keeper in the dilution analysis,<sup>378</sup> the danger presented by trade dress cases like *Levi Strauss* is that courts and juries will have difficulty distinguishing between the type of "association" that tends to prove actionable dilution under the TDRA and the association between products that is deliberately and legitimately generated in the course of competition.<sup>379</sup>

The existence of a trade dress dilution claim also implicates the doctrine of aesthetic functionality, an affirmative defense that exists to ensure that trade dress protection does not negatively impact free competition.<sup>380</sup> When trademark protection is extended beyond the

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<sup>377</sup> See *Am. Home Prods. Corp. v. Barr Labs., Inc.*, 834 F.2d 368, 371 (3d Cir. 1987) ("A response that one 'associates' a given product with the name of a competitive product may simply reflect the recognition that the two products are competitive and serve the same purpose.").

<sup>378</sup> See *supra* text accompanying notes 168-171 (describing evolution of substantial similarity standard under the TDRA).

<sup>379</sup> Professor Stacey Dogan has made this point as well: "[T]he public frequently benefits when a new market entrant uses product trade dress to evoke the strong trade dress of an entrenched market participant. So long as there is no confusion, however, the evocation serves an important public policy goal of market competition. With dilution protection for trade dress, some of this desirable activity might subside." Dogan, *supra* note 327, at 317; see also Robert G. Bone, *A Skeptical View of the Trademark Dilution Revision Act*, 11 INTELL. PROP. L. BULL. 187, 196-98 (2007) (criticizing TDRA for extending dilution protection to trade dress); Paul Heald, *Sunbeam Products, Inc. v. The West Bend Co.: Exposing the Malign Application of the Federal Dilution Statute to Protect Product Configuration*, 5 J. INTELL. PROP. L. 415, 423-24 (1998) (arguing that the FTDA should not be construed to apply to trade dress).

<sup>380</sup> For example, when Wallace Silversmiths claimed trade dress infringement of its Grand Baroque silverware pattern, it was not allowed to enjoin a competitor from producing similar-looking (although not identical) silverware, because the



“precise expression of a decorative style,” there is a danger that competitors will lose access to “basic elements” of the style that are important to competition in the relevant market and hence should remain part of the public domain.<sup>381</sup> Granting too wide a swath of trade dress protection risks depriving competitors of a sufficient range of alternative designs, thereby hindering their ability to compete.<sup>382</sup> In such cases, it is not unusual for the market entrant to be aware of or “inspired by” the more famous trade dress,<sup>383</sup> but that type of awareness or intent should not suggest actionable infringement or dilution.

The same issue may arise in cases involving word marks, particularly when a small business owner desires to compete with the owner of a famous trademark. The small business owner may want, both understandably and legitimately, to draw upon the expressive meaning of the famous trademark to communicate a message about his own business. The proprietor may also wish to convey to consumers, through his own trademark, that he not only is competing with the famous trademark holder, but that his product is better than the famous one. If such claims were made directly—*e.g.*, my coffee is better than Starbucks—they would almost certainly be considered comparative advertising and hence a fair use of the Starbucks trademark.<sup>384</sup> However, when the proprietor attempts to convey the same message in a more subtle or humorous way—*e.g.*, by selling a blend called “Mr.

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design was deemed aesthetically functional. The court reasoned that Wallace could not “exclude competitors from using those baroque design elements necessary to compete in the market for baroque silverware. It is a first principle of trademark law that an owner may not use the mark as a means of excluding competitors from a substantial market.” *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, 916 F.2d 76, 81 (2d Cir. 1990).

<sup>381</sup> *Id.*

<sup>382</sup> *Id.* at 81; *see also* *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 33 (2001) (noting that “[i]t is proper to inquire into a ‘significant non-reputation-related disadvantage’ in cases of esthetic functionality”); *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 170 (1995) (“The ‘ultimate test of aesthetic functionality’ . . . ‘is whether the recognition of trademark rights would significantly hinder competition.’”); *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 2012 WL 3832285 at \*9 (2d Cir. 2012) (noting that “Lanham Act protection does not extend to configurations of ornamental features which would *significantly* limit the range of competitive designs available”) (citation omitted).

<sup>383</sup> *See Wallace*, 916 F.2d at 77 (noting that defendant admitted its designers were “inspired by and aware of” plaintiff’s design).

<sup>384</sup> *See supra* text accompanying notes 236-238 (discussing comparative advertising fair use defense to claims of trademark infringement and dilution).

Charbucks”—he may be subject to a claim of trademark dilution.<sup>385</sup> Both instances of comparative advertising threaten the uniqueness of the Starbucks mark in the same way. When the more subtle or humorous use of the mark does not cause a likelihood of confusion, it is unclear why it should be actionable.

In sum, dilution claims may negatively impact competition when they are raised in cases between competitors. The cost of allowing such claims is particularly evident when the trademark infringement claim that accompanies the dilution one is weak and perhaps does not survive, and only the dilution claim keeps the case in court. These costs should also be considered in construing the TDRA and contemplating its future.

### 3. *The Cost of Trademark Bullying*

The final dilution externality involves the phenomenon of trademark “bullying.”<sup>386</sup> The true impact of dilution law cannot be measured by tallying the number of cases in which it appears as a stand-alone cause of action or by any alternative measure that focuses on complaints filed (or published decisions).<sup>387</sup> A more accurate account must consider the number of times the dilution claim is threatened and attempt to gauge the impact of those threats, a certain percentage of which are objectively meritless, on consumer behavior. Like the harm caused by dilution itself, this injury is difficult if not impossible to accurately measure. However, the phenomenon of trademark overreaching in the form of threatened lawsuits of questionable merit is real, and it is exacerbated by the existence of the federal dilution cause of action. This, too, is a cost to be considered in assessing the externalities of dilution.

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<sup>385</sup> The record in the *Starbucks* case demonstrated that defendant’s intent in choosing the Charbucks mark was at least in part a desire to convey a message of comparative advertising. The Second Circuit characterized the Charbucks logo as a “beacon to identify Charbucks as a coffee that competes at the same level and quality as Starbucks in producing dark-roasted coffees.” *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 113 (2d Cir. 2009).

<sup>386</sup> See generally Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WISC. L. REV. 625 (2011); Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 WASH. & LEE L. REV. 585 (2008); Kevin Greene, *Abusive Trademark Litigation and the Incredible Shrinking Confusion Doctrine – Trademark Abuse in the Context of Entertainment Media and Cyberspace*, 27 HARV. J. L. & PUB. POL’Y 609 (2004); see also Desai & Rierson, *supra* note 17, at 1834–42 (discussing problems caused by over-policing of trademarks).

<sup>387</sup> See Long, *supra* note 340, at 1031 (acknowledging that “[i]t could well be the case that dilution law is a powerful bargaining chip in cease-and-desist letters and in negotiations outside the legislative arena”).

As Deven Desai and I have elsewhere observed, “Typically, the threat of litigation alone (even when ever so lightly implied) by a corporate giant is sufficient to dissuade a person from making fair use of a trademark.”<sup>388</sup> Frequently, when small businesses like Victor’s Little Secret and Black Bear Coffee receive a cease-and-desist letter from the likes of Victoria’s Secret and Starbucks, threatening to sue them in federal court, they will do whatever is necessary to prevent such lawsuit from being filed. Cease-and-desist letters typically demand that the recipient change the name of her business and/or her website. Given the level of financial resources, time, and energy required to defend a federal lawsuit, even a “winnable” one, most people would rationally choose to change the name of their business. Moreover, given the inherent ambiguity of dilution law, discerning the winnable cases from the unwinnable ones poses a challenge for even the most competent of lawyers.

The website Chillingeffects.org, a joint project of the Electronic Frontier Foundation and various law school clinics, acts as a depository for a wide range of demand letters in all areas of intellectual property law.<sup>389</sup> A recent example taken from this website illustrates the type of over-reaching that often appears in such letters. The letter was sent by the National Pork Board, an agency representing purveyors of “The Other White Meat,” a slogan that is a federally registered trademark. The recipient was The Lactivist Breastfeeding Blog, which was selling t-shirts and other merchandise bearing the slogan “The Other White Milk.” The National Pork Board threatened suit for both trademark infringement and dilution, claiming that “even were this use of the slogan ‘The Other White Milk’ found to be not confusing, which we think is unlikely, this slogan nevertheless damages National Pork Board’s rights in the famous mark THE OTHER WHITE MEAT, because the slogan significantly dilutes the distinctiveness of the mark.”<sup>390</sup> The letter ends by demanding that the Breastfeeding Blog (1) destroy all of the t-shirts and promotional

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<sup>388</sup> Desai & Rierson, *supra* note 17, at 1839–40.

<sup>389</sup> CHILLING EFFECTS, <http://chillingeffects.org/>.

<sup>390</sup> *Pork Board has a Cow Over Slogan Parody*, CHILLING EFFECTS, <http://chillingeffects.org/trademark/notice.cgi?NoticeID=6418> (letter from National Pork Board attorneys Faegre & Benson to The Lactivist Breastfeeding Blog, dated January 30, 2007). The letter also contains a somewhat humorous claim of dilution by tarnishment: “[Y]our use of this slogan also tarnishes the good reputation of National Pork Board’s mark in light of your apparent attempt to promote the use of breastmilk beyond merely for infant consumption, such as with the following slogans on your website in close proximity to the slogan ‘The Other White Milk’: ‘Dairy Diva,’ ‘Nursing, Nature’s Own Breast Enhancement,’ ‘Eat at Mom’s, fast-fresh-from the breast,’ and ‘My Milk is the Breast.’” *Id.*

materials bearing the offending slogan; (2) cease use of the slogan on any website; and (3) agree to never again use the slogan “The Other White Milk.”<sup>391</sup>

Even a person who knows little about trademark law can probably figure out that consumers who buy “The Other White Milk” t-shirts are not likely to be confused: the average consumer will not mistakenly believe that the shirts are sold or endorsed by the National Pork Board. Even though the law is far from crystal clear, the standard is at least intuitive. However, understanding what dilution is, let alone whether a t-shirt like the one referenced in this letter is “likely to dilute,” is entirely another matter. The inchoate nature of dilution makes it difficult for anyone, particularly a layman, to separate the cases that have merit from those that do not.

The provisions in the TDRA that allow for recovery of damages and attorney’s fees in cases involving “willful dilution” make it even more likely that a threat of suit will chill uses of a trademark that do not, in fact, dilute it. The TDRA permits recovery of profits and attorney’s fees, in the case of dilution by blurring, whenever “the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark.”<sup>392</sup> It is unclear how a willful intent to “trade on the recognition of the famous mark” differs from an intent to “associate” with the famous mark, one of the factors courts consider in assessing a dilution claim. Whenever a person makes a referential use of a trademark, at least in a commercial context, that person is arguably attempting to “trade on the recognition of the famous mark.” Even the purveyors of t-shirts bearing the slogan “The Other White Milk” were in some sense attempting to sell more t-shirts by trading off the recognition of the allegedly famous<sup>393</sup> slogan, “The Other White Meat.” If the pro-

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<sup>391</sup> *Id.*

<sup>392</sup> 15 U.S.C. § 1125(c)(5)(B)(i) (2006).

<sup>393</sup> The ambiguousness of the term “famous” itself makes it difficult to predict when a plaintiff may be entitled to sue under the TDRA, and hence even the holders of marks that are unlikely to qualify as famous may credibly threaten suit under the Act. Although the TDRA was supposed to codify a fame standard solely for marks that qualify as “household names,” *see, e.g.,* Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002, 1011 (9th Cir. 2004), some of the trademarks that have been deemed “famous” under this Act objectively do not seem to meet this standard. *See, e.g.,* New York City Triathlon, LLC v. NYC Triathlon Club, Inc., 2010 WL 808885, \*10 (S.D.N.Y. 2010); Dallas Cowboys Football Club, Ltd. v. America’s Team Props., Inc., 616 F. Supp. 2d 622, 643 (N.D. Tex. 2009); Univ. of Kansas v. Sinks, 644 F. Supp. 2d 1287, 1307 (D. Kan. 2008); Harris Research, Inc. v. Lydon, 505 F. Supp. 2d 1161, 1166 (D. Utah 2007).

pork slogan were not recognizable to the average consumer, the pro-lactation slogan would not be funny. In fact, the cease-and-desist letter from the National Pork Board included a promise to “recover from you a judgment for all of your profits in connection with any infringing sale as well as all of [the National Pork Board’s] reasonable attorney’s fees and costs” in the event its demands were not met.<sup>394</sup> The average person, business proprietor, or non-profit organization simply cannot risk the possibility of being stuck with that kind of bill.<sup>395</sup>

In assessing the externalities of dilution, therefore, we must assume that some fair uses of famous trademarks will be suppressed. Due to the inherently amorphous nature of the dilution claim, a potential defendant has a low ability to assess her real exposure and, given the potential penalties and costs, a high incentive to avoid the risk of litigation.

### C. Proposals for Reforming Dilution Law in the United States

For these reasons and others, federal trademark dilution law is, at the very least, in need of reform. Dilution does not cause measurable economic harm to the holders of famous trademarks (hence the statute’s explicit exemption from proving any such harm). Moreover, enforcing dilution law, at least in its current state, imposes costs by negatively impacting speech and competition. Dilution laws essentially extend a form of moral right protection to the holders of famous trademarks, the vast majority of which are corporations. At the very least these laws need to be narrowly construed and statutorily reformed, and potentially abolished outright.

#### *1. Doing Away With Trademark Dilution Statutes*

Perhaps the most obvious, yet least politically feasible, solution to the problems addressed in this Article would be to repeal the trademark dilution statutes, particularly the TDRA. The moral rights theory may help to explain why famous mark holders *want* dilution protection, but it does not tell us why they should *get* it. In the copyright context, moral rights exist to preserve uniquely personal interests in artistic creation. In the words of Professor Kwall, moral rights protect the “honor, dignity, and artistic spirit of the author in a fundamentally

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<sup>394</sup> *Pork Board has a cow over slogan parody*, *CHILLING EFFECTS*, <http://chillingeffects.org/trademark/notice.cgi?NoticeID=6418>.

<sup>395</sup> *See, e.g.*, *Super Duper, Inc. v. Mattel, Inc.*, 2010 WL 2340250, \*5–6 (4th Cir. 2010) (affirming district court’s award of \$2,643,844.15 in attorney fees in case of “willful dilution”).

personal way.”<sup>396</sup> Works of art may embody “the author’s intrinsic dimension of creativity,” which emanates from “inner drives that exist in the human soul.”<sup>397</sup> Although corporations may embrace their brands with fervor and take pride in their creation, neither corporations nor their trademarks possess the type of “human soul” that cries out for protection via a moral right.

If dilution law is forced to justify its own existence on traditional trademark (*i.e.*, economic) grounds, it almost certainly is a loser. The benefits gained by dilution enforcement, which are slim at best, are outweighed by the attendant costs, including those that are occasioned by the inevitable overreaching that it enables. If the holder of a famous trademark is injured by another’s use of its mark, trademark infringement law, particularly in the breadth of its modern application, should be more than adequate to prevent real economic injury. Even in trademark infringement cases, the famous trademark holder can obtain injunctive relief without proving anything beyond a likelihood of confusion; harm is presumed.<sup>398</sup> Moreover, to the extent another has intentionally harmed the mark’s reputation by making false statements about the famous trademark or the mark holder, tort law should provide a remedy.<sup>399</sup> From the plaintiff’s perspective, dilution is an attractive cause of action, at least in part, because the evidentiary hurdle a plaintiff must clear to state a claim is low. Whether mark holders should be entitled to such broad

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<sup>396</sup> KWALL, *supra* note 240, at xiii.

<sup>397</sup> *Id.*

<sup>398</sup> Whether an automatic presumption of irreparable harm should persist in trademark infringement cases, in light of the Supreme Court’s decision in *eBay v. MercExchange, LLC*, 547 U.S. 388 (2006), doing away with such presumptions in the patent infringement context is an interesting question which is beyond the scope of this article. See Sandra L. Rieron, *IP Remedies After eBay: Assessing the Impact on Trademark Law*, 2 AKRON INTELL. PROP. J. 163 (2008) (questioning the justification for a presumption of irreparable harm after *Ebay*).

<sup>399</sup> Although various names have been given to this type of tort (for example, “disparagement of property, slander of goods, commercial disparagement, and trade libel”) it is “now generally referred to as injurious falsehood.” *Bacchus Indus., Inc. v. Arvin Indus., Inc.*, 939 F.2d 887, 892 (10th Cir. 1991) (internal quotations omitted). A person is liable for the tort of injurious falsehood (and plaintiff’s resulting damages) if she (1) “publishes a false statement harmful to the interests of another”; (2) “intends for publication of the statement to result in harm to interests of the other having a pecuniary value, or either recognizes or should recognize that it is likely to do so”; and (3) “knows that the statement is false or acts in reckless disregard of its truth or falsity.” RESTATEMENT (SECOND) OF TORTS § 623A; see also W. KEETON, D. DOBBS, R. KEETON & D. OWEN, PROSSER AND KEETON ON THE LAW OF TORTS 963–64 (5th ed. 1984).

protection, particularly given the impact of these claims on the First Amendment rights of others, is dubious.

The TDRA, then, is the legal equivalent of a sledgehammer levied against a gnat. When there are plenty of fly swatters lying about, perhaps it is time to put away the sledgehammer. Whether a proposal to do away with dilution statutes is feasible, from a political standpoint, however, is another matter. As discussed above, the corporate holders of famous trademarks feel deeply entitled to dilution protection, and they have lobbied hard (and successfully) to get it. For this reason, the dilution cause of action is unlikely to go away any time soon.

## *2. Amending the TDRA*

Given that the TDRA is likely to be part of the legal landscape of trademarks for some time to come, it may be more productive to focus on minimizing its negative externalities. Although dilution law may continue to be superfluous and hence unnecessary, its attendant costs could be reduced by modifying the statute.

When Congress amended the federal dilution statute in 2006, it weighted the scales too heavily in favor of plaintiffs claiming trademark dilution. The TDRA is essentially flawed because it eliminated the plaintiff's burden of proving "actual dilution" without clearly establishing what plaintiffs do have to prove to prevail in these cases. By elevating the importance of evidence indicating "association" between the parties' marks and de-emphasizing the significance of mark similarity, the courts have extended dilution protection in cases that essentially state weak trademark infringement claims. Once the plaintiff has proven that his trademark is truly "famous" and that consumers may "associate" defendant's mark with his own, he has gone a long way toward proving a likelihood of dilution. That burden is too light.

The Act should be amended to codify the "identical or substantially similar" standard previously adopted by many courts in assessing claims under the FTDA.<sup>400</sup> This rule had the advantage of eliminating claims that were based on non-infringing but arguably referential uses of famous marks.<sup>401</sup> Perhaps more importantly, a requirement that the defendant's mark be "identical or substantially similar" to the plaintiff's mark would provide at least the potential for

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<sup>400</sup> See *supra* text accompanying notes 168-171 (describing evolution of substantial similarity standard under the TDRA).

<sup>401</sup> See Dogan, *supra* note 327, at 319 (arguing that "[e]xtending dilution rights to all marks bearing any associational relationship to famous ones exceeds the narrow objectives of the [FTDA], at a significant societal cost").

obtaining summary judgment in appropriate cases. This result is less likely to occur when the court must engage in the intensely factual process of weighing the statutory factors, of which mark similarity is just one.

Harmful dilution litigation under the TDRA could also be curtailed by restricting the availability of dilution claims in cases between competitors. This end could be achieved by deleting the language in the statute indicating that it applies “regardless of the presence or absence of . . . competition”<sup>402</sup> and replacing it with a statutory factor targeting the level of competition between the parties. A high level of competition between the parties would tend to suggest that a likelihood of dilution did not exist. Addressing the competition issue by adding a factor rather than an outright prohibition of dilution claims between competitors would avoid the “coverage gap” problem posited by the Second Circuit in *Nabisco*; *i.e.*, that a plaintiff would have no remedy under either infringement or dilution due to an insufficient level of competition for one claim but too much for the other.<sup>403</sup> Whether this objection has any merit, particularly given the marginal relevance of competition under modern infringement law, is questionable. However, the factorial approach (as opposed to a ban) would allow the courts to weigh the degree of competition appropriately, according to the facts in a given case.

To further reduce the negative impact of dilution law on competition, the Act should be amended to eliminate dilution of trade dress as a cause of action.<sup>404</sup> As discussed above, trade dress dilution claims are likely to arise in cases involving competitors, such as the recent Ninth Circuit case involving two competitors in the blue jeans market, Levi Strauss and Abercrombie & Fitch. Non-competitors, because they do not offer the same types of products or services, are unlikely to use even vaguely similar trade dress. Allowing claims for trade dress dilution under the TDRA, particularly as it is currently construed, enables dominant market players like Levi Strauss to discourage competition by threatening and filing dilution suits when trademark or copyright infringement claims would fail. If the plaintiff is economically harmed in these types of cases, the alleged harm or loss of market share is more likely to flow from the effects of desirable

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<sup>402</sup> 15 U.S.C. § 1125(c)(1) (2006).

<sup>403</sup> *See supra* note 189 and accompanying text.

<sup>404</sup> Technically, this change to the Act would require deleting § 1125(c)(4), discussing the burden of proof in trade dress dilution cases, and adding trade dress claims to the list of exclusions in § 1125(c)(3).



competition, not the claimed dilution of the source-identifying capacity of the famous trade dress.

The Act should also be amended to eliminate the availability of damages and attorney's fees in cases of "willful" dilution. If the prospect of damages and attorney's fees is deemed necessary to prevent parties from acting in bad faith, then the statute should be amended to explicitly require a finding of bad faith in such cases. By contrast, the current statute is ambiguous, as almost any dilution claim may carry with it a credible threat of damages and attorney's fees in addition to injunctive relief. The attorney's fee provision significantly increases the likelihood that the threat of dilution will be used to suppress fair uses of famous trademarks.

Finally, the TDRA's fair use exemption needs to be strengthened. Specifically, the requirement that the fair use exemption be limited to uses "other than as a designation of source for the person's own goods or services" should be eliminated. A trademark, like the Chewy Vuiton dog toy, may simultaneously function as both a source identifier and a parody. A trademark may also communicate a subtle comparative advertising message, like Mr. Charbucks coffee. These uses should be protected as a matter of law. To the extent these marks are perceived as harmful to the more famous trademarks to which they refer, that injury, if any, is outweighed by the harms to both speech and competition that result from the suppression of their use.

### *3. Re-interpreting the TDRA*

In the absence of Congressional action to modify or repeal the TDRA, the judiciary should interpret the Act differently. At a bare minimum, the TDRA should be read narrowly to minimize the negative impacts of over-enforcement on speech and competition.

The conflict between the TDRA and the First Amendment presents a strong justification for construing the Act narrowly (and its exemptions broadly).<sup>405</sup> Some courts have recognized that "where the unauthorized use of a trademark is part of an expressive work, such as a parody, the Lanham Act *must* be construed narrowly."<sup>406</sup> Although

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<sup>405</sup> See *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of New York*, 447 U.S. 557, 565 (1980) ("[T]he First Amendment mandates that speech restrictions be 'narrowly drawn.'" (citations omitted)).

<sup>406</sup> *Tommy Hilfiger Licensing, Inc. v. Nature Labs*, 221 F. Supp. 2d 410, 414 (S.D.N.Y. 2002) (emphasis added); see also *Harley Davidson, Inc. v. Grottanelli*, 164 F.3d 806, 813 (2d Cir. 1999) (noting that parodies "often lie within the substantial constitutional protection accorded noncommercial speech

parodies and other forms of noncommercial speech reside closer to the heart of the First Amendment, non-misleading commercial speech is also entitled to First Amendment protection.<sup>407</sup> Trademark injunctions necessarily suppress speech because they force the defendant to refrain from using certain language.<sup>408</sup> Moreover, a broad construction of the dilution cause of action can negatively impact competition. Therefore, courts should narrowly construe the TDRA.

This duty to narrowly construe dilution laws should inform the courts' interpretation of the factors-based approach to assessing likelihood of dilution. First, even if the TDRA is not amended to codify the "identical or substantially similar standard," courts should still heavily emphasize this factor when considering a likelihood of dilution claim. The Act specifies that courts may consider "all relevant factors," including the six that are listed.<sup>409</sup> In any given case, one or more of the listed factors may be more relevant than others, and some will routinely carry more weight.<sup>410</sup> The mere fact that the statute suggests six non-exclusive factors, without more, does not compel the court to give each factor equal weight.

Second, even if the TDRA is not amended to include a factor referencing the level of competition between the parties, courts should

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and may thus be the subject of liability only in the most narrow circumstances" (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25, cmt. i (1995)). Professor Lisa Ramsey has also argued that courts have a duty to "attempt to resolve any conflict between trademark law and the First Amendment by interpreting trademark claims narrowly and trademark defenses broadly in ways that protect expression." Ramsey, *supra* note 360, at 448; *see also id.* at 447–50 (discussing "contextual, speech-protective interpretations of trademark law").

<sup>407</sup> *See* Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of New York, 447 U.S. 557, 561 (1980) ("The First Amendment, as applied to the States through the Fourteenth Amendment, protects commercial speech from unwarranted governmental regulation."); *New York State Rest. Ass'n v. New York City Bd. of Health*, 556 F.3d 114, 131 (2d Cir. 2009) ("[C]ommercial speech is entitled to the protection of the First Amendment."); *El Dia, Inc. v. Puerto Rico Dept. of Consumer Affairs*, 413 F.3d 110, 115-17 (1st Cir. 2005) (analyzing government regulation of commercial speech under *Central Hudson* test). *See also supra* notes 346-369 and accompanying text.

<sup>408</sup> *See* L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26, 30 n.2 (1st Cir. 1987) (noting that "[w]hen judicial enforcement of private personal rights touching forms of communication restricts freedom of speech, state action is implicated," in the context of analyzing trademark dilution claim); *see also* *New York Times v. Sullivan*, 376 U.S. 254, 265 (1964).

<sup>409</sup> 15 U.S.C. § 1125(c)(2)(b) (2006).

<sup>410</sup> *See generally* Beebe, *supra* note 62 (discussing multi-factor balancing test for likelihood of confusion).

consider such evidence regardless. As noted above, the statute instructs courts to consider “all” relevant factors in assessing likelihood of dilution; the six listed factors are not meant to be all-inclusive. The level of competition between the parties is relevant to determine whether the defendant’s use of plaintiff’s mark is likely to dilute it. This solution would admittedly face a potential hurdle, given that the statute specifies that a mark holder is entitled to an injunction against another who uses her mark in a way that is likely to dilute it, “regardless of the presence or absence of . . . competition.”<sup>411</sup> However, that language could be read as precluding competition (or lack thereof) from acting as an absolute affirmative defense to a dilution claim. The statute should not preclude courts from considering the level of competition when determining whether a likelihood of dilution has occurred in the first place.

Third, the courts should not create presumptions or shift the burden of proof to the defendant merely because one of the factors listed in the statute weighs in favor of the plaintiff. For example, the Sixth Circuit’s recent opinion in *Moseley II* reads into the TDRA a presumption or strong inference of dilution when plaintiff has shown a “semantic association” between its famous mark and a mark used by defendant to sell “sex-related” products.<sup>412</sup> In doing so, the court shifted the burden of proof to the defendant to *disprove* tarnishment when such association can be shown.<sup>413</sup> This presumption or inference appears nowhere in the statute, and, particularly given the First Amendment issues discussed above, the courts should not place it there. The burden of proof should remain with the plaintiff.

Finally, courts should construe the damages and attorney’s fee provisions of the statute narrowly as well. Even though the words “bad faith” do not appear in the statute, they should be read into it, as some circuits have done in the context of trademark infringement claims.<sup>414</sup> Attorney’s fee awards are “subject to the discretion of the court and the principles of equity,”<sup>415</sup> which gives the courts broad leeway in

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<sup>411</sup> 15 U.S.C. § 1125(c)(1).

<sup>412</sup> *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382, 388 (6th Cir. 2010).

<sup>413</sup> *Id.*; see *supra* notes 180–185 and accompanying text.

<sup>414</sup> See, e.g., *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 194-95 (2d Cir. 1996) (holding that any party must provide “evidence of fraud or bad faith” to recover attorney’s fees under the Lanham Act); but see *Scotch Whisky Ass’n v. Majestic Drilling Co., Inc.*, 958 F.2d 594, 599-600 (4th Cir. 1992) (holding that prevailing plaintiff must prove bad faith to recover attorney’s fees in trademark infringement action, but prevailing defendant need not prove bad faith to demonstrate entitlement to fees).

<sup>415</sup> 15 U.S.C. § 1125(c)(5) (2006).

determining whether the case presents “exceptional circumstances”<sup>416</sup> justifying such an award. Attorney’s fee awards in particular should be reserved for cases in which one of the parties has truly acted in an abusive manner.<sup>417</sup>

### CONCLUSION

This Article proposes a new way of looking at the cause of action for dilution. The dilution cause of action imbues corporations with a broad “moral” right to control and exclude others from the expressive sphere surrounding their famous trademarks. In enforcing this right, we impose costs on those who are excluded and controlled, both in terms of their right to speak freely and compete fairly. When the dilution doctrine is viewed for what it really is, or at least what it has become, it becomes apparent that the law causes more harm than good. It should either be abolished or substantially reformed.

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<sup>416</sup> 15 U.S.C. § 1117(a).

<sup>417</sup> What would constitute “bad faith” in the context of a trademark dilution suit is itself somewhat unclear. In the trademark infringement context, courts have defined bad faith as conduct that is “malicious, wanton, oppressive, or opprobrious.” *Stephen W. Boney, Inc. v. Boney Servs., Inc.*, 127 F.3d 821, 825 (9th Cir. 1997). The key distinction between the current standard, which allows for enhanced penalties in cases of willful attempts to “trade on the recognition of the famous mark,” 15 U.S.C. § 1125(c)(5)(B)(i), and “bad faith,” would be the nature of the targeted intent. As discussed above, many if not most dilution defendants attempt to profit by making referential use of a famous mark, often by tapping into its expressive meaning. Bad faith should require proof of much more. Presumably, bad faith would entail a deliberate effort to undermine the famous mark’s ability to identify the mark holder’s goods or services. How a defendant could accomplish such a goal, without creating a likelihood of consumer confusion, is unclear. The possibility of bad faith is perhaps more evident in the context of a claim for dilution by tarnishment. The current statute targets the willful intent to “harm the reputation of the famous mark.” 15 U.S.C. § 1125(c)(5)(B)(ii). Requiring a showing of bad faith would target defendants who deliberately attempt to injure the mark holder by implying association with offensive matter that has no connection to them or their goods and services, without the intent to criticize the famous trademark or the mark holder. By contrast, a defendant could attempt to harm the mark holder’s reputation because the defendant could in fact believe that the reputation was unearned or undeservedly positive.

ATTACHMENT A  
(TO FOOTNOTE 375)

These photographs were copied from the appendix to the Ninth Circuit's decision in *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011).

The Abercrombie Pocket Stitching Design



The Levi Strauss Pocket Stitching Design

APPENDIX

