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Remedying Past and Future Harm: Reconciling Conflicting Circuit Court Decisions Under the Federal Trademark Dilution Act

I. INTRODUCTION

Pepperidge Farm produces popular cheese-flavored bite-sized crackers in the shape of a goldfish.¹ The same goldfish acts as a trademark for Pepperidge Farm.² Between 1995 and 1998, Pepperidge Farm spent more than one hundred twenty million dollars on promoting its Goldfish trademark nationwide.³ Ringling Bros.-Barnum & Bailey promote their circus around the country through the use of their famous slogan, "The Greatest Show on Earth."⁴ In 1996 alone, the company spent about nineteen million dollars advertising and marketing this trademark to the public.⁵

Trademarks have taken on a more prominent role in today's market economy.⁶ Consumers have come to rely more and more on trademarks as a means of making an informed decision on what products they purchase.⁷ In the modern age of the Internet, customers do not even have to go to the grocery store to purchase their goldfish crackers.⁸ Thus, they have come to

1. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 212 (2d Cir. 1999).

2. *Id.*

3. *Id.* at 213.

4. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development*, 170 F.3d 449, 451 (4th Cir. 1999).

5. *Id.*

6. See generally JOHN M. MURPHY, *BRAND STRATEGY* 18 (1990).

7. See *id.*

8. See *Sporty's Farm L.L.C. v. Sportman's Market, Inc.*, 202 F.3d 489 (2d Cir. 2000). See generally *Reno v. ACLU*, 521 U.S. 844 (1997) (describing the structure and functions of the Internet); "[T]he Internet is on its way becoming a familiar aspect in our daily lives . . ." *Sporty's Farm*, 202 F.3d at 492.

Over the last few years, the commercial side of the Internet has grown rapidly. Web pages are now used by companies to provide information about their products in a much more detailed fashion than can be done through a standard advertisement. Moreover, many consumers and businesses now order goods and services directly from company web pages.

rely on the trademark as a way of informing them about the products they have purchased.⁹ In fact, trademarks have become “silent [salesmen] that reach[] over the shoulder of the retailer and across the latter’s counter, straight to the consumer.”¹⁰

Knowing this, companies such as Pepperidge Farm have invested millions of dollars on creating and promoting their trademarks.¹¹ For these companies, investing anywhere between nineteen and forty million a year to maintain the strength of their trademarks means that their trademarks have become valuable marketing tools, as well as valuable assets.¹² Realizing the incredible marketing power of a widely recognized trademark, smaller companies have attempted to market their products by using trademarks similar to the famous trademark.¹³ Through the use of these trademark imitations, smaller companies have accomplished consumer deception.¹⁴ By using confusingly similar trademarks, they have confused the consumer into

Id. at 493.

9. See *Sporty’s Farm*, 202 F.3d at 493.

For consumers to buy things or gather information on the Internet, they need an easy way to find particular companies or brand names. The most common method of locating an unknown domain name is simply to type in the company name or logo with the suffix .com. . . . As a result, companies strongly prefer that their domain name be comprised of the company or brand trademark and the suffix .com.

Id. (footnote omitted). See also Elizabeth Robison Martin, Note, “*Too Famous to Live Long!*” *The Anticybersquatting Consumer Protection Act Sets Its Sights to Eliminate Cybersquatting Opportunistic Claims on Domain Names*, 31 ST. MARY’S L.J. 797 (2000); Gregory B. Blasbalg, Comment, *Masters of Their Domains: Trademark Holders Now Have New Ways to Control Their Marks in Cyberspace*, 5 ROGER WILLIAMS U. L. REV. 563 (2000) (addressing cybersquatting).

10. Julius R. Lunsford, *Trademark Basics*, 59 TRADEMARK REP. 873, 880 (1969); see also Patricia Kimball Fletcher, Comment, *Joint Registration of Trademarks and the Economic Value of a Trademark System*, 36 U. MIAMI L. REV. 297, 302-03 (1982) (“The technological advances of the industrial revolution, particularly in communication and transportation, caused the consumer and manufacturer to become distant. . . . Trademarks thus became, and still remain, the symbols bridging the gap between manufacturer and consumer.”)

11. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 212-13 (2d Cir. 1999) (stating that between 1995 and 1998, Pepperidge Farm spent more than 120 million dollars advertising and marketing its Goldfish crackers nationwide); see also *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 451 (4th Cir. 1999) (stating that in 1996, Ringling Bros. spent about \$19 million advertising and marketing its slogan to the public).

12. See Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 830 (1927) (stating that companies have made “vast expenditures in advertising” to build their trademark); see also H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029 (“The concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and the aura of the mark itself . . .”).

13. Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 824 (1997). “A producer must be wary of trademark imitators. ‘If an imitator can seize the bridge [stretching from producer to consumer through public deception], he can collect the rich toll.’” *Id.* at 852 (quoting Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1187 (1948)).

14. *Id.* “So too does a [trademark imitator] who, while not directly diverting business away from the [trademark owner], deceives the public into believing that the [trademark owner] sponsored or is otherwise associated with the [imitator’s] use.” *Id.*

buying an inferior product.¹⁵ Traditionally, owners of famous trademarks have been able to stave off potential trademark thieves under the legal theory that their competitors were committing trademark infringement.¹⁶

However, given the incredible monetary investment and the informational value placed on trademarks, is it enough to protect trademark owners from such unfair competition?¹⁷ For instance, Pepperidge Farm can sue under traditional trademark law against competitors who unlawfully imitate their goldfish trademarks to sell crackers or their snacks.¹⁸ But what legal redress do they have against non-competitors who imitate their trademark?¹⁹ For instance, what if a drug company wanted to market its goldfish-shaped children's vitamins by using a goldfish trademark?²⁰ If such imitation was to continue unabated, is it possible that the countless imitations might "dilute" the potency of the original trademark?

The concept that a non-competitor's use of a similar trademark dilutes the strength of the trademark is an irresistible concept for owners of valuable trademarks.²¹ However, how far can Pepperidge Farm take the dilution concept in order to fend off non-competitors?²²

Despite these perplexing questions, during the past fifty years, various states have enacted dilution legislation.²³ In the last fifty years, only about

15. *Id.* The trademark imitator "both misleads the public and holds the [trademark owner's] reputation hostage; to the extent consumers are disappointed by the quality of the merchandise to which the [trademark imitator] is affixed, they will graft that dissatisfaction onto the [trademark owner]." *Id.* at 852-53 (citing *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1430 (7th Cir. 1985) ("The value of a trademark is in a sense a 'hostage' of consumers; if the seller disappoints the consumers, they respond by devaluing the trademark.")).

16. See Schechter, *supra* note 12, at 825 (arguing that protection against dilution should be concerned with "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods").

17. See *infra* notes 77-84 and accompanying text for a discussion on trademarks in the context of unfair competition laws.

18. See Lanham Act, 15 U.S.C. §§ 1051-1127 (1994). This traditional trademark law, provides relief for any use of trademark that is likely "to cause confusion, or to cause mistake, or to deceive" the public on the source of the product. 15 U.S.C. § 1051.

19. See Schechter, *supra* note 12, at 825 (arguing that the law will prevent the misuse only where there is an actual confusion created by such misuse).

20. See H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029 ("Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation."); see also *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 212 (2d Cir. 1999) (recognizing that the plaintiff in this case, Pepperidge Farm owned the rights to the goldfish trademark).

21. See Schechter, *supra* note 12, at 831 (stating that "the preservation of the uniqueness of a trademark . . . constitute[s] the only rational basis for its protection").

22. See *Sally Gee, Inc. v. Myra Hogan, Inc.* 699 F.2d 621, 625 (2d Cir. 1983) (stating that dilution is a somewhat nebulous concept).

23. See Karyn K. Ablin & Anil Koshy, *A Matter of Opinion: Deciphering Dilution Under the Federal Trademark Dilution Act*, 20 MISS. C. L. REV. 61, 68 (1999) (stating that states began

one-half of the states have enacted dilution laws.²⁴ However, legislating this doctrine has provided plenty of controversy in the courts.²⁵ To add fuel to the fire, the courts have received dilution laws with mixed reactions.²⁶ Some courts have rejected dilution laws due to their extreme pro-big-business disposition, other courts have welcomed dilution laws as a legitimate protector of trademark dilution.²⁷

To remedy this mixed bag of jurisprudence, in 1995, Congress stepped in and created a federal cause of action for trademark dilution by enacting the Federal Trademark Dilution Act ("FTDA").²⁸ Congress intended for this remodeled federal law to provide certainty and uniformity in the area of trademark dilution.²⁹ However, in the past few years, the circuit courts have begun to split on a new issue.³⁰ The issue is whether the FTDA provides a remedy for harm that has already occurred, or harm that is likely to occur in the future.³¹ In 1999, the battle lines were drawn between the Fourth and Second Circuits.³² Since then, other circuit courts have joined the battle and have started to form alliances with either side.³³

This controversy is relatively new in the field of trademark dilution, and specific to the FTDA. However, the current disagreement has brought to the forefront a controversy that surrounded the birth of the dilution doctrine.³⁴ This Comment examines the current controversy in light of the old one. Part II of this Comment outlines the development of the dilution doctrine, including early criticism of the dilution doctrine.³⁵ Part III addresses the jurisprudence of dilution legislation in the states and by Congress, and then discusses the controversy surrounding the federal statute.³⁶ Part IV analyzes the split among the circuit courts, focusing on the seminal decisions from the

enacting dilution statutes in 1947).

24. *Id.* (stating that by 1996, twenty-eight states had passed dilution statutes).

25. *Id.* at 69 (asserting that dilution statutes were received with hostility by the courts).

26. Klieger, *supra* note 13, at 811 ("Although courts expressed initial fascination with dilution theory, intrigue quickly turned to hostility . . .").

27. See *infra* notes 94-101 and accompanying text for discussion on judicial reaction to state dilution statutes.

28. Federal Trademark Dilution Act, 15 U.S.C. §§ 1125(c), 1127 (1997).

29. H.R. REP. NO. 104-374, at 3 (1995), reprinted in 1995 U.S.C.C.A.N. 1029 (stating that the purpose of the FTDA was to "bring uniformity and consistency to the protection of famous [trademarks] . . .")

30. Compare *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999) with *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

31. See *supra* note 30; see also *infra* notes 146-50 and accompanying text.

32. See *infra* notes 151-175 and accompanying text for discussion.

33. See *infra* notes 203-208 and accompanying text for discussion.

34. See *infra* notes 70-91 and accompanying text for further discussion of the early controversy surrounding the dilution doctrine. See generally Kathleen B. McCabe, *Dilution-By-Blurring: A Theory Caught in the Shadow of Trademark Infringement*, 68 *FORDHAM L. REV.* 1827, 1833-37 (2000) (outlining the debate among the proponents and critics of the dilution doctrine).

35. See *infra* notes 40-91 and accompanying text.

36. See *infra* notes 92-150 and accompanying text.

Fourth and Second Circuits.³⁷ Part V attempts to reconcile the split by taking a critical look at the positions taken by both sides and suggesting a new method of interpreting the FTDA.³⁸ Finally, Part VI concludes by arguing that the current controversy should be resolved by interpreting the FTDA to remedy both past and future harm.³⁹

II. DEVELOPMENT OF THE DILUTION DOCTRINE

A. Traditional Trademark Law and the Rising Importance of Trademarks

In the early 1900's, the dilution doctrine was a revolutionary concept because it deviated from the traditional notions of trademark law.⁴⁰ In 1927, the intellectual property landscape was significantly altered by Professor Schechter's introduction of the concept of dilution.⁴¹ "As Professor Schechter recognized, the idea of trademark dilution as a harm that must be prevented was contrary to the then-prevailing understanding of both the function of trademarks and the predominant justification for their protection."⁴² Under traditional notions of trademark law, the primary purpose behind protecting trademarks was for the protection of the consumer.⁴³

37. See *infra* notes 151-198 and accompanying text.

38. See *infra* notes 199-304 and accompanying text.

39. See *infra* notes 305-318 and accompanying text.

40. McCabe, *supra* note 34, at 1833-37; see also Ablin & Koshy, *supra* note 23, at 66-67 (explaining the new role for trademarks); Schechter, *supra* note 12, at 824 (arguing that traditional trademark law is "hampered by obsolete conceptions both as to the function of a trademark and as to the need for its protection").

Congress first enacted federal trademark legislation in 1870, creating a federal trademark registration scheme for [trademarks] used in local, interstate, and foreign trade. The United States Supreme Court declared the statute unconstitutional in the *Trade-Mark Cases*, holding that Congress overstepped its Commerce Clause authority. Congress adopted a second federal registration statute in 1881 that, unlike its predecessor, limited registration to trademarks used in commerce with foreign nations and Indian tribes. . . . The Trademark Act of 1905, Congress' third attempt at a federal registration scheme, did reach [trademarks] used in interstate commerce and remained in force until the enactment of the Lanham Act, the modern federal trademark statute, in 1946.

Klieger, *supra* note 13, at 798.

41. Ablin & Koshy, *supra* note 23, at 66.

42. *Id.* at 66-67.

43. *Id.*; see also Lanham Act, 15 U.S.C. § 1114(1)(a) (1997).

From the start, the touchstone of United States trademark law and the broader law of unfair competition has been consumer confusion. The relevant inquiry in any trademark infringement or unfair competition action has always been whether the defendant's [trademark] (or, in the unfair competition context, defendant's "total selling 'image'") is likely to cause public deception. While deception today includes confusion as to source,

According to traditional notions of trademark law, trademarks themselves did not have the marketing value that they have today.⁴⁴ Instead, trademarks were merely symbols used by companies to represent their products and services to consumers.⁴⁵ Thus, their usefulness existed in their ability to represent to the consumer a particular product or service.⁴⁶ Traditional trademark law attempted to preserve this “source-signaling ability” of trademarks.⁴⁷ More specifically, traditional trademark law sought to protect trademarks against imitators who were “likely to confuse” consumers into believing that they were purchasing a different product or service from the one that they were actually receiving.⁴⁸ The justification for the law was that this practice of consumer deception, if continued unabated, would lead to distrust of a trademark to signal to the consumer a specific product or service.⁴⁹

Historically, trademarks have served myriad functions.⁵⁰ Traditionally, they were symbols used by companies to identify their products and services

sponsorship, endorsement, affiliation, or association, the reach of consumer confusion test has not always been as expansive. Through the first quarter of the twentieth century, trademark infringement was actionable only between direct competitors in an industry.

Klieger, *supra* note 13, at 795-96.

44. See Ablin & Koshy, *supra* note 23, at 65 (arguing that under the notions of traditional trademark law “the public usefulness of trademarks lies entirely in the marks’ ability to signal source information to consumers, [thus] it is this ability—and only this ability—that must be protected); see also Klieger, *supra* note 13, at 799. Trademark law “was concerned foremost not with the senior user’s lost profits or the junior user’s unjust enrichment, but instead with the consumers who were ‘duped into dealing with an imposter.’” *Id.*

45. McCabe, *supra* note 34, at 1832 (stating that “[t]he use of a trademark as an identifying mechanism removes the need for consumers to inspect the quality of the good or service at each and every purchase . . .”).

46. *Id.* at 1832 n.29 (citing Schechter, *supra* note 12, at 818 n.21). “The plastic cellophane envelope that encloses most goods sold today performs the important function of protecting goods from tampering or damage, but also prevents the consumer from personally inspecting the good for quality.” *Id.*

47. Klieger, *supra* note 13, at 800 (“Under the physical source theory of the 1905 [Trademark] Act, [t]rademarks were . . . viewed as serving a single function: to represent to a consumer the physical source or origin of the product with which [it] was used.”)

48. Lanham Act, 15 U.S.C. § 1125(a) (1997) (prohibiting unauthorized use of trademarks that are “likely to cause confusion, or to cause mistake, or to deceive as to the . . . origin, sponsorship, or approval of” trademark owner’s product or service).

[T]rademark infringement laws . . . protect[ed] only against consumer source confusion. No stronger trademark protection than the “likelihood of confusion” standard was perceived to be necessary in order to achieve the trademark regime’s purpose of ensuring that consumers draw accurate conclusions regarding the nature of a product based on the trademark it bears.

Ablin & Koshy, *supra* note 23, at 66.

49. See *id.* at 65. “Such misuse would have its own miserable progeny—as misled consumers purchased products from sources they would not ordinarily trust, those consumers would cease to rely upon trademarks as a useful signal of source information. Eventually, a trademark’s usefulness as a signal to consumers would disappear altogether.” *Id.*

50. A trademark is any word, name, symbol, or device, or any combination thereof used by a person, or which a person has a bona fide intention to use in commerce and applies to register on the principal register. U.S. Trademark Act of 1946, 15 U.S.C. § 1127 (1946); see also J. THOMAS

to consumers.⁵¹ However, their functions have changed.⁵² “Commercial transactions, however, underwent a dramatic transformation by the early twentieth century. As face-to-face meetings between producers and consumers became increasingly uncommon, trademarks assumed growing importance as indicators of consistent, albeit anonymous, source and quality.”⁵³ Simply put, trademarks no longer identified a product but “actually [sold] the goods.”⁵⁴ Thus, as customers increasingly relied on trademarks to be “silent salesmen,” companies made substantial investments in creating and promoting their trademarks.⁵⁵ In fact, trademarks became essential vehicles for creating “brand personas,” serving both to identify a product and advertise it at the same time.⁵⁶

B. *The Birth of the Dilution Doctrine*

The concept of the dilution was first expounded by Professor Schechter in his 1927 article, *The Rational Basis of Trademark Protection*.⁵⁷ Professor Schechter argued that the role of trademarks had changed.⁵⁸ The trademark

MCCARTHY, MCCARTHY'S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 444 (2d ed. 1995).

Trademarks serve a number of important functions. First, they help to identify one seller's goods and distinguish them from goods sold by others. Second, they designate the source from which all goods bearing the mark come or are controlled by a single source. The traditional rule is that the buyer need not know or be able to identify (sic) the name of the source. Third, trademarks serve a quality function, indicating that all goods bearing the marks are of an equal level or quality. Fourth, they perform an advertising function by promoting and assisting in sales.

Id.

51. *See supra* notes 42-44 and accompanying text.

52. *See generally* Klieger, *supra* note 13.

53. *Id.* at 796.

The development of mechanisms for scale production and cheap and efficient transportation of goods during the Industrial Revolution spurred a remarkable transformation of commercial transactions during the late nineteenth and early twentieth centuries. Direct transactions between producers and consumers were replaced by anonymous sales of goods through retailers or other middlemen, in which trademarks played an increasingly important role. The assumptions upon which nineteenth century trademark law were built did not match early twentieth century trade realities.

Id. at 799-800.

54. Schechter, *supra* note 12, at 819.

55. *Id.* at 830 (arguing that the vast expenditures made in advertising used to build a trademark “should be protected to the same extent as plant and machinery”); *see also* H.R. Rep. No. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029 (stating that one of the purposes of dilution law is to protect the “substantial investment the owner has made in the mark and the commercial value and aura of the mark itself”).

56. Klieger, *supra* note 13, at 790.

57. *See generally* Schechter, *supra* note 12.

58. *See* Schechter, *supra* note 12, at 831 (arguing that the selling power of a trademark “depends

had moved beyond acting merely as a symbol of a product—it now served as “an agency for the actual creation and perpetuation of good will.”⁵⁹ Thus, Professor Schechter argued that it was time to preserve the true value of the trademark in the modern market economy.⁶⁰

To effectuate this new purpose, Professor Schechter proposed that trademarks be given protection from a new danger called trademark dilution.⁶¹ Professor Schechter stated that due to the “vast expenditures in advertising” used to build trademarks, protection against dilution was needed to protect the investment of the trademark owner.⁶²

This new rationale for protecting trademarks meant that traditional trademark law needed to be expanded.⁶³ Under the dilution doctrine, it did not matter whether the trademark thief was a competitor or a non-competitor.⁶⁴ Instead, he argued that trademark law should protect trademarks against the dilution of the uniqueness of trademarks.⁶⁵ This legal theory was radical for its time because it shifted the focus away from the

for its psychological hold upon the public, not merely upon the merit of the goods upon which it is used, but equally upon its own uniqueness and singularity”).

59. *See id.* at 818.

60. *See* Schechter, *supra* note 12, at 831 (“[P]reservation of the uniqueness of a trademark should constitute the only rational basis for its protection.”). As one commentator noted, in the “modern era of sealed packages and shrink-wrap,” the use of a trademark “removes the need for consumers to inspect the quality of the good or services at each and every purchase.” McCabe, *supra* note 34, at 1832 (stating that “[d]espite statutory advancements during the past century in protecting trademarks, the nature of this protection continues to be embroiled in controversy, particularly in the area of dilution claims.”).

61. *Id.* at 832. Professor Schechter also argued that the purpose of trademark dilution law should be to protect against the “gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.” *Id.* at 825.

62. *Id.* at 830 (arguing that the “vast expenditures in advertising” used to build a trademark “should be protected to the same extent as plant and machinery”).

63. Ablin & Koshy, *supra* note 23, at 67. “[Professor Schechter] argu[ed] that the idea that no harm is done when there is no consumer confusion is ‘an archaic notion’ that ‘ignores the fact that the creation and retention of custom . . . is the primary purpose of the trademark today.’” *Id.* at 67 n.43.

64. *Id.* at 67. “This new role for trademarks meant that protection against only a likelihood of confusion was insufficient.” *Id.*; *see also* Schechter, *supra* note 12, at 825 (noting that protection against dilution should be concerned with “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods”).

Seemingly ignorant of the changing function of trademarks in commercial transactions, early twentieth century trademark law clung to the view that trademarks, and thus consumers, only demanded protection when marks were used on directly competing products. . . . Schechter went a step beyond source theory, however, and examined what it really means to consumers that a product emanates from the same source as goods purchased previously by the consumer that bore the same mark.

Klieger, *supra* note 13, at 802-03.

65. Testifying before a Congressional committee, Frank Schechter stated: “If you take Rolls Royce—for instance, if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more.” *Hearing Before the House Comm. on Patents*, 72d Cong., 1st Sess. 15 (1932) (statement of Frank I. Schechter), *quoted in* David S. Welkowitz, *Reexamining Trademark Dilution*, 44 *VAND. L. REV.* 531, 539 (1991).

protection of the consumer to the protection of the trademark owner.⁶⁶ In effect, this shift changed the landscape of trademark law.⁶⁷ Now, trademark law was no longer based on unfair competition and protecting the public from deception, but rather on the property rights of trademark holders much like those afforded in copyright and patent law.⁶⁸ However, Professor Schechter maintained that such laws were necessary to preserve the true value of trademarks in our modern economy.⁶⁹

C. Criticism of the Dilution Doctrine

This radical theory continues to be entangled in controversy.⁷⁰ Opponents of the dilution doctrine, known as “restrictionists,” argue that granting legal protection against trademark dilution amounts to a legislative grant of a monopoly for big businesses.⁷¹ They argue that big businesses do not need any more protection in the marketplace.⁷² They contend that

66. FRANK I. SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS* 150, 164-66, 171 (Faculty of Law of Colum. Univ. ed., 1925). “The owner of a trade-mark who expends large sums of money in making his mark known to the public as a symbol and guarantee of the excellence of the quality of his product should receive the same protection from the courts for his investment . . .” *Id.* at 171.

67. Klieger, *supra* note 13, at 808.

In the two decades immediately following Schechter’s dilution proposal, courts, and eventually Congress, eliminated the direct competition requirement that had prevented trademark law from matching trade realities. By the second half of the twentieth century, few could question the degree to which the consumer confusion test protected the source and quality identification functions of trademarks . . .

Id.

68. See *infra* notes 77-84 and accompanying text for discussion of trademark law versus copyright and patent law.

69. Ablin & Koshy, *supra* note 23, at 68.

But Schechter believed that such protection was necessary to protect what was, in his opinion, the true value of trademarks in the modern market economy. Moreover, Professor Schechter envisioned a sliding-scale of protection in which “the degree of protection depend[ed] in turn upon the extent to which, through the efforts or ingenuity of its owner, [the mark was] actually unique and different from other marks.” As a result, “arbitrary, coined or fanciful marks or names should be given a much broader degree of protection than symbols, words or phrases in common use.”

Id.

70. Klieger, *supra* note 13, at 802 (“Until recently, Schechter’s dilution proposal, unlike his observations on the quality representation function of trademarks, remained on the periphery of United States trademark law.”).

71. Simone A. Rose, *Will Atlas Shrug? Dilution Protection for “Famous” Trademarks: Anti-Competitive “Monopoly” or Earned “Property” Right?*, 47 FLA. L. REV. 653 (1995) (describing the restrictionist perspective).

72. McCabe, *supra* note 34, at 1834. “Despite the arguments of proponents of trademark protection, the fear of monopoly exists even today, affecting courts’ decisions in determining the relief to be granted in any type of trademark claim.” *Id.*

generally, big businesses own well-known and “dilutable” trademarks.⁷³ They argue that because these companies already have the resources to fend off competing trademarks, they don’t need the added protection afforded under the dilution doctrine.⁷⁴ They contend that this type of unnecessary protection would create large barriers to entry into the marketplace, which would lead to decreased competition.⁷⁵ However, they contend that the ultimate harm was to the consumers, as the consumers will face diminished choices in the market and unnaturally high prices.⁷⁶

Restrictionists base their argument on several different concepts. First, they claim that unlike real property, copyright, and patents, trademarks are not property rights in gross.⁷⁷ Historically, trademark law has been based on a tort theory of unfair competition.⁷⁸ The legal justification originates from

73. Klieger, *supra* note 13, at 861-62.

Truly famous marks like “Coca-Cola” enjoy such extensive protection under the consumer confusion test Broad protection of the [Coca-Cola] mark for purposes of preventing consumer confusion enables The Coca-Cola Company to invest considerable time and money in development of a brand persona, confident that the persona will be incidentally protected by trademark law.

Id.

74. *See id.* at 862. “Dilution protection thus encourages companies to invest more than they otherwise might in the creation of intangible associations that add no real value to the product and that deride economic efficiency.” *Id.*

75. *Id.* at 856. “Consumer reliance on trademarks as source and quality identifies can generate strong consumer allegiances to products that prove difficult, and sometimes near impossible, for future market entrants to break.” *Id.* “Because a dilution cause of action grants more protection than a standard infringement claim, courts traditionally feared that protection from dilution would reduce market competition.” McCabe, *supra* note 34, at 1834.

76. *See Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 170 (3rd Cir. 2000) (quoting JEROME GILSON, 2 TRADEMARK PROTECTION & PRACTICE §5.12[1][e] at 5-272 to 5-273) (1999), *cert. denied*, 532 U.S. 1071 (2001).

Historically, the Lanham Act has attempted to balance the two competing goals of protecting consumers and protecting a trademark owner’s investment. The FTDA, however, is concerned only with the latter: “It does not have those twin public policy goals of the laws of trademark infringement[.] As a result there may be a kind of judicial restraint about the new law. The perception may be that it does not carry any compelling need to protect the public, and that it benefits only a coterie of American business elite, not the general public.

Id.

77. McCabe, *supra* note 34, at 1834. “Trademarks are recognized only as quasi-property, with limited rights and protections very different from those associated with full-blown property rights.” *Id.* “The Supreme Court recently hailed the right to exclude others as ‘[t]he hallmark of a protected property interest.’” *Id.* at 1834 n.50 (quoting *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 199 S. Ct. 2219, 2224 (1999)). “The Court further clarified that the right of exclusion is ‘one of the most essential sticks in the bundle of rights that are commonly characterized as property.’” *Id.* (quoting *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979)).

78. Kenneth L. Port, *The “Unnatural” Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 465 (1994). “Trademark law developed from unfair competition; unfair competition developed from the tort of fraud and deceit.” *Id.*

The Supreme Court has continuously held that the trademark right is “not in gross” and not a copyright or a patent, but that any rights to trademarks are appurtenant to the related business. The purpose is to exclude others from confusing usages, not to grant a monopoly in the mark in gross. A federal dilution statute would distort these common

the notion of fairness in commerce where a competitor is prohibited from passing off his product as that of another.⁷⁹ Moreover, trademarks have enjoyed legal protection contingent upon their usefulness to the public.⁸⁰ The rationale was that illegal imitation of trademarks ultimately deceived the public and caused consumer confusion.⁸¹

However, dilution “shifts the focus away from consumer protection and towards the protection of an owner’s” actual property right in the trademark.⁸² This right is similar to that afforded to copyright, patent, and real property.⁸³ Copyright and patent laws seek to protect the investment made in the intellectual property.⁸⁴

In addition, restrictionists argue that trademarks are just another form of advertisement, and as such they should not be given special protection over other forms of advertisements.⁸⁵ The restrictionists contend that because there are many forms of advertising available to a company, there is no need to protect this one.⁸⁶ Using similar logic, restrictionists also contend that dilution protection results in an unnecessary restraint on the free use of language.⁸⁷

Overall, these arguments all lead to one place. Basically, the gravamen of the complaint is that the dilution doctrine upsets the balance of the free

law tort origins of trademark beyond recognition.

Id. at 466-67.

79. *Id.* at 465. “English courts first used the term unfair competition in 1803, using the words ‘passing off’ or ‘palming off.’ The justification of this tort was that one should not pass off one’s goods as those of another and thereby profit from the deception.” *Id.*

80. McCabe, *supra* note 34, at 1835.

In contrast, a trademark property right is contingent on commercial use and maintenance of the mark and the good or service it indicates. Specifically, property rights in trademark are defined in light of protecting the public, and are largely limited to the right to prevent customer confusion or dilution of a mark.

Id.

81. *Id.*

82. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 955 F. Supp. 605, 613 n.7 (E.D. Va. 1997), *aff’d*, 170 F.3d 449 (4th Cir. 1999).

83. See, e.g., Prestonettes, Inc. v. Coty, 264 U.S. 359, 363 (1924); United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 96 (1918); Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916).

84. McCabe, *supra* note 34, at 1836. “Accordingly, while the intellectual labor invested in copyrights and patents is directly protected under the Constitution, trademark protection is rooted in the Commerce Clause, which is predicated on guaranteeing a predictable and consistent source of goods in commerce to the public.” *Id.*

85. *Id.* at 1833 (citing Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 108 YALE L.J. 1619, 1635 (1999)).

86. *Id.* (noting that the restrictionist point of view is that “marks [are] merely another form of advertising, designed to entice customers to purchase a product or service they neither want nor need, rather than an essential identification tool”).

87. *Id.* at 1832 (“[F]ederal trademark protection results in a restraint on the free use of language . . .”).

market in favor of big businesses.⁸⁸ Restrictionists argue that the dilution doctrine prevents small and unrecognized companies from using any similar words or symbols to market their products.⁸⁹ They essentially claim that the dilution doctrine is monopolistic in nature.⁹⁰ This in turn will lead to a suppression of competition, and will ultimately result in harm to the consumer.⁹¹

III. FEDERAL TRADEMARK DILUTION ACT

A. *Dilution Statutes in the States*

Although the dilution doctrine met resistance along the way, it gained popularity in state legislatures—leading some states to enact dilution laws.⁹² Despite the initial interest by the states in enacting statutory protection against trademark dilution, Congress was not quick to jump on the bandwagon.⁹³ Starting in 1947 and up to 1996—the year Congress passed the Federal Trademark Dilution Act—as many as twenty-eight states had enacted their own dilution legislation.⁹⁴ Most of these statutes provided protection

88. *Id.* “[Restrictionists] warn that federal trademark protection results in a . . . monopoly of trade by big businesses . . .” *Id.*

89. *Id.* “[S]mall and unrecognized mark holders are prevented from using well-recognized terms to describe their own goods or services.” *Id.*

90. 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:114 (4th ed. Dec. 1999).

[N]o anti-dilution law should be so interpreted and applied as to result in granting the owner of a famous mark the right to exclude any and all uses of similar marks in all product or service lines. Such a radical expansion of trademark exclusionary rights would upset the delicate balance between free competition and fair competition.

Id.

91. Klieger, *supra* note 13, at 866 (warning that courts and legislatures should be aware of the expansion of the dilution doctrine, for fear that it will upset the “historic balance between free and fair competition” and undermine “market efficiency and consumer welfare”).

92. Ablin & Koshy, *supra* note 23, at 68.

93. *Id.* “No federal dilution protection immediately resulted from Schechter’s article.” *Id.*

94. See ALA. CODE § 8-12-17 (1993); ARK. CODE ANN. § 4-71-113 (Michie 1996); CAL. BUS. & PROF. CODE § 14330 (West 1997); CONN. GEN. STAT. ANN. § 35-11i(c) (West 1996); DEL. CODE ANN. tit. 6, § 3313 (1993); FLA. STAT. ANN. § 495.151 (West 1997); GA. CODE ANN. § 10-1-451(b) (1994); IDAHO CODE § 48-512 (Michie 1996); 765 ILL. COMP. STAT. Ann. 1035/15 (West 1996); IOWA CODE ANN. § 548.113 (West 1996); LA. REV. STAT. ANN. § 51:223.1 (West 1997); ME. REV. STAT. ANN. tit. 10, § 1530 (West 1996); MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 1996); MINN. STAT. ANN. § 325D.165 (West 1995); MO. ANN. STAT. § 417.061 (West 1997); MONT. CODE ANN. § 30-13-334 (1995); NEB. REV. STAT. § 87-122 (1994); N.H. REV. STAT. ANN. § 350-A:12 (1995); N.J. STAT. ANN. § 56:3-13.20 (West 1996); N.M. STAT. ANN. § 57-3-10 (Michie 1995) (repealed 1997); N.Y. GEN. BUS. LAW § 368-d (McKinney 1996); OR. REV. STAT. § 647.107 (1994); 54 PA. CONS. STAT. § 1124 (1994); R.I. GEN. LAWS 6-2-12 (1992); S.C. CODE ANN. § 39-15-1165 (Law. Co-op. Supp. 1996); TENN. CODE ANN. § 47-25-512 (1995); TEX. BUS. & COM. CODE ANN. § 16.29 (West 1997); WASH. REV. CODE ANN. § 19.77.160 (West 1997). In addition, Ohio recognized dilution as a grounds for injunctive relief as part of its common law. *Ameritech, Inc. v. Am. Info. Tech. Corp.*, 811 F.2d 960, 964 (6th Cir. 1987).

for trademarks if there was a “[l]ikelihood of injury to business reputation or of dilution of the distinctive quality” of a trademark.”⁹⁵ Judicial response to these statutes were mixed, and some courts even received these statutes with much hostility.⁹⁶ At the center of controversy was the issue of the amount of protection that should be afforded to trademarks.⁹⁷ Echoing the restrictionists’ views, some courts claimed that these statutes granted trademark owners a monopoly in the marketplace.⁹⁸ Other courts welcomed the dilution doctrine as being a protector of the true value of trademarks.⁹⁹ The critical phrase, “likelihood of dilution” necessarily provided an expansive reading of the dilution doctrine.¹⁰⁰ Courts criticized this phrase as being over protective of trademarks because this phrase implied that there was some measurable future harm.¹⁰¹ In addition, one commentator has claimed that this language resulted from an unnecessary borrowing of the “likelihood of confusion” standard from a traditional trademark infringement claim, which has no place in a dilution analysis.¹⁰² As a result, the dilution doctrine evolved over the years as a mixed bag of jurisprudence, creating a

95. *E.g.*, CAL. BUS. & PROF. CODE § 14330 (West Supp. 1997). “Each of the state antidilution statutes contains identical or substantially similar language.” Klieger, *supra* note 13, at 794 n.19.

96. *Id.* at 811 (stating that “[a]lthough courts expressed initial fascination with dilution theory, intrigue quickly turned to hostility”).

97. *See id.* at 816 (stating that courts encountered difficulty in defining both the interest to be protected and dilution).

98. *Id.* at 811 n.153 (quoting *Coffee Dan’s, Inc. v. Coffee Don’s Charcoal Broiler*, 305 F. Supp. 1210, 1217 n.13 (N.D. Cal. 1969) (“Until [the California antidilution] statute is interpreted more fully by a California court, we feel constrained not to give it overly broad application lest it swallow up all competition in the claim of protection against trade name infringement.”)).

99. *E.g.*, *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 624-25 (2d Cir. 1983) (stating that the New York dilution law was enacted to protect “the selling power that a distinctive mark or name with favorable associations has engendered for a product in the mind of the consuming public”).

100. Klieger, *supra* note 13, at 816-17 (“Although the statutes spoke of a ‘likelihood of dilution,’ courts were left without standards for determining when the ‘whittling away’ of a trademark’s selling power was likely to occur or even what types of marks were protected.”).

101. *Id.* at 817.

Less speculative than *why* courts disapproved of dilution theory is *how* they stymied its application. Courts accomplished the evisceration of the dilution case of action by reading a series of restrictive requirements into dilution law that did not appear on the face of the antidilution statutes. Most strikingly, many courts found that dilution, despite clear statutory language that it applied “notwithstanding . . . the absence of confusion as to the source of goods or services,” *required* a finding of actual or likely confusion.

Id. (quoting *Cue Publishing Co. v. Colgate-Palmolive Co.*, 256 N.Y.S.2d 239, 240 (N.Y. Sup. Ct.), *aff’d*, 259 N.Y.S.2d 377 (N.Y. App. Div. 1965). *Esquire, Inc. v. Esquire Slipper Mfg. Co.*, 243 F.2d 540 (1st Cir. 1957), also held that way.

102. *See* Klieger, *supra* note 13, at 817. “Some dilution proponents blamed judicial difficulties in interpreting the antidilution statutes on misdrafting.” *Id.*

“patch-work system” of case law that existed in only about half of the states.¹⁰³

B. Congressional Mandate Against Trademark Dilution

In 1995, the Federal Trademark Dilution Act (“FTDA”) was enacted to combat trademark dilution on a national level.¹⁰⁴ The FTDA was created to effectuate the following purposes: (1) to create a nationwide uniform scheme of dilution protection for trademarks;¹⁰⁵ and (2) to create a federal cause of action to protect trademarks from unauthorized users that attempt to dilute the distinctive quality of famous marks.¹⁰⁶

In order to prevail under the FTDA, the plaintiff has to prove the following four elements:

- (1) that plaintiff’s trademark must be famous;¹⁰⁷
- (2) that defendant must use plaintiff’s trademark in commerce;¹⁰⁸
- (3) that defendant began using plaintiff’s trademark after it became famous;¹⁰⁹ and

103. See Ablin & Koshy, *supra* note 23, at 68-70. “[T]he [judicial] decisions [based on state anti-dilution statutes] are suspect as either attempts to evade legislative mandates or as indications of widespread confusion regarding the concept of dilution.” *Id.* at 70.

104. See Federal Trademark Dilution Act (“FTDA”), 15 U.S.C. §§ 1125(c), 1127 (1997).

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

[A] federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection, in that only approximately 25 states have laws that prohibit trademark dilution. Further, court decisions have been inconsistent and some courts are reluctant to grant nationwide injunctions for violation of state law

Id. at 3-4.

106. H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029. Specifically, the FTDA provides that the owner of a famous mark shall be entitled “to an injunction against another person’s commercial use in commerce of a mark.” 15 U.S.C. § 1125(c)(1).

107. 15 U.S.C. § 1125(c)(1). Specifically, the FTDA expressly states that:

In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to-

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

Id.

108. *Id.*

109. *Id.*

(4) that defendant's use of plaintiff's trademark "causes dilution of the distinctive quality" of plaintiff's trademark.¹¹⁰

If the plaintiff is successful in proving the above elements, then under the FTDA, plaintiff will be entitled to an injunction against the defendant.¹¹¹ However, in cases where the plaintiff can prove that the defendant willfully diluted plaintiff's trademark, then the plaintiff will be entitled to receive damages.¹¹² The defendant will have several defenses, as expressly set forth in the FTDA: (1) "fair use" of a famous trademark by another person to identify the good or service of the trademark;¹¹³ (2) noncommercial use of the trademark;¹¹⁴ and (3) "[a]ll forms of news reporting and news commentary."¹¹⁵

There are several key differences between the FTDA and state dilution statutes that are worth noting at this point.¹¹⁶ First, the FTDA specifically requires that a trademark be famous in order to qualify for protection.¹¹⁷ Second, the FTDA omitted the "likelihood of dilution" standard.¹¹⁸ Rather, the FTDA states that defendants are enjoined from trademark imitations that "cause[] dilution," suggesting that the plaintiff must prove actual harm rather than the likelihood of harm.¹¹⁹ Lastly, the FTDA specifically defines dilution

110. *Id.* In addition, the FTDA defines the term, "dilution" as the "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." *Id.* § 1127

111. *Id.* § 1125(c)(1). "The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against [the defendant] . . ." *Id.*

112. *Id.* § 1125(c)(2).

In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 34 [15 U.S.C. § 1116] unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies [which are damages] set forth in sections 35(a) and 36 [15 U.S.C. § 1117(a), 1118], subject to the discretion of the court and the principles of equity.

Id.

113. *Id.* § 1125(c)(4). "The following shall not be actionable under this section." *Id.* "Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark." § 1125(c)(4)(A).

114. *Id.* § 1125(c)(4)(B) ("Noncommercial use of a mark").

115. *Id.* § 1125(a)(4)(C).

116. *Matthew S. Voss, Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development & Nabisco, Inc. v. PF Brands, Inc.*, 15 BERKELEY TECH. L.J. 265, 270 (2000).

117. *Id.*; see also 15 U.S.C. § 1125(c)(1)(A)-(H).

118. *Voss, supra* note 116, at 270; see also 15 U.S.C. § 1125.

119. 15 U.S.C. § 1125.

as the loss of the trademark's ability to "identify and distinguish goods or services."¹²⁰

Courts have interpreted the FTDA and found that there are three types of dilution: (1) dilution by blurring;¹²¹ (2) dilution by tarnishment;¹²² and (3) dilution by cybersquatting.¹²³ However, courts have found difficulty in applying these types of dilution theories to actual cases.¹²⁴ Despite some clarity in the courts as to what types of dilution Congress sought to protect, there has also been confusion as to the temporal requirements of the FTDA.¹²⁵ In the past few years, courts have begun to diverge on the issue of whether the FTDA requires plaintiffs to demonstrate some calculable past harm, or merely the possibility of future harm.¹²⁶

C. Confusion in the Courts

Despite Congressional intent to provide uniformity and consistency to the protection of trademarks, case law interpreting the FTDA has resulted in another "patch-quilt system of protection" for trademark owners.¹²⁷ As in the

120. Voss, *supra* note 116, at 270; *see also* 15 U.S.C. § 1127.

121. Mark R. Becker, Note, *Streamlining the Federal Trademark Dilution Act to Apply to Truly Famous Marks*, 85 IOWA L. REV. 1387, 1397 (2000). "The first type of dilution, dilution by blurring," closely resembles the original concept of dilution envisioned by Professor Schechter. *Id.* Blurring typically occurs when a secondary use of the trademark weakens the uniqueness of the original trademark and its ability to identify the original product. *Id.*; *see also* Mead Data Ctr., Inc. v. Toyota Motor Sales, U.S.A., 875 F.2d 1026, 1031 (2d Cir. 1989).

122. Hormel Foods Corp., v. Jim Henson Prods., Inc., 73 F.3d 497, 507 (2d Cir. 1996). "The *sine qua non* of tarnishment is a finding that plaintiff's mark will suffer negative associations through defendant's use." *Id.* Courts have found tarnishment where the trademark diluter uses the original trademark to sell products or "services of an obscene, drug-related, or pornographic nature." Becker, *supra* note 121, at 1398.

123. Sporty's Farm L.L.C. v. Sportman's Mkt., Inc., 202 F.3d 489, 495 (2d Cir. 2000). "Cybersquatting involves the registration as domain names of well-known trademarks by non-trademark holders who then try to sell the names back to the trademark owners" in bad faith. *Id.* at 493.

124. McCabe, *supra* note 34, at 1867.

Many courts still cannot distinguish between a [dilution] claim and an infringement claim, despite the straightforward Congressional language in the FTDA and the increasing number of suits that include a separate claim for dilution. "Often . . . courts will view dilution and infringement as descriptions of the same phenomenon. . . . Dilution is not, however, a consequence of infringement.

Id.

125. Voss, *supra* note 116, at 270. "While the language of the [FTDA] provides substantial guidance for determining the threshold requirements of fame and distinctiveness, it is silent as to how a court should establish dilution." *Id.*

126. Ablin & Koshy, *supra* note 23, at 90-91. "Coming to terms with dilution under the [FTDA] is understandably difficult. The definition of dilution under the [FTDA], in its comparative minimalism, laid itself open to perverse interpretation." *Id.* at 90.

127. H.R. REP. NO. 104-374, at 4 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029 (stating that "[a] federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection, in that only approximately 25 states have laws that prohibit trademark dilution."); *see also infra* notes 151-210 and accompanying text for a discussion of relevant case law.

past, courts have been cautious in granting dilution protection to trademark owners for fear that they are essentially granting a monopoly.¹²⁸ As one commentator has pointed out, courts “will often employ legal gymnastics to reject a dilution claim, imposing artificial limitations on the dilution remedy.”¹²⁹ “As a result, the dilution doctrine has been distorted by the courts in ways that defy or misconstrue its original purpose and parameters.”¹³⁰

Of the four elements, the first element of “fame,” and the fourth element of “causes dilution” have been critical in the analysis of a dilution claim.¹³¹ Unlike state legislatures, Congress went to great lengths to limit dilution protection for only “famous” trademarks.¹³² Specifically, Congress listed eight non-exhaustive factors to help courts in determining whether a trademark is famous.¹³³ However, due to the lack of clear guidance by Congress, there is much confusion in the courts as to what constitutes a famous trademark.¹³⁴

Some courts and commentators have even asserted that this prong is the critical component of the FTDA because it restricts the expansive scope of the dilution doctrine.¹³⁵ Commentators have argued that Congress’ “scrupulous attention” to the fame requirement ensures that only a tiny fraction of all trademarks will qualify for dilution protection.¹³⁶ The success

128. See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999) (stating that the “[d]ilution causes of action, much more so than infringement and unfair competition laws, tread very close to granting ‘rights in gross’ in a trademark.”); see also *Playboy Enters., Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070, 1080-81 (C.D. Cal. 1999), *aff’d*, 202 F.3d 278 (9th Cir. 1999). “A trademark is not an omnibus property right or a monopoly on the use of the words in the trademark.” *Id.* “A trademark is a limited property right in a particular word, phrase or symbol. Trade-marks are not monopolistic grants like patents and copyrights.” *Id.* (citations omitted).

129. McCabe, *supra* note 34, at 1834.

130. *Id.*

131. This Comment will focus on the “causes dilution” prong rather than the “fame” prong for the reasons stated in the text. For a full discussion of the “fame” prong, see generally Becker, *supra* note 121.

132. See Federal Trademark Dilution Act (FTDA), 15 U.S.C. § 1125(c)(1) (1998).

133. *Id.*; see *infra* note 107 for a list of the eight factor test.

134. See Becker, *supra* note 121, at 1408. As Becker points out, circuit courts have taken inconsistent approaches to analyzing the “fame” element. *Id.*

135. See *id.* at 1395-96; see also *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999) (stating that “[w]e view the famousness prong . . . as reinstating the balance—by carefully limiting the class of trademarks eligible for dilution protection . . .”); see also *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 46 (1st Cir. 1998) (stating that the FTDA extends only to “truly prominent and renowned” trademarks) (citation omitted).

136. Ablin & Koshy, *supra* note 23, at 75 (“Congress’ scrupulous attention to the fame requirement and the rigor with which it intends that the requirement be enforced ensures that only a tiny fraction of all trademarks will qualify for protection from dilution.”); see also Becker, *supra* note 121, at 1395-96 (asserting that the fame element “has become one of the courts’ most effective means of controlling the potential rights-in-gross problem of dilution theory”).

of the famous prong in limiting the power of the FTDA is beyond the scope of this Comment.¹³⁷ Instead, for the reasons stated below, this Comment will focus on the second hurdle of the FTDA—the “causes dilution” prong.¹³⁸

Several commentators have suggested that this is actually the critical component of the FTDA.¹³⁹ This is because depending on how the phrase “causes dilution” is interpreted, the owner of a famous trademark might be forced to prove that they have suffered past dilution.¹⁴⁰ This issue is critical to a proper dilution analysis because it determines just how much protection the owner of famous trademark will receive under the FTDA.¹⁴¹ A broad interpretation of the “causes dilution” test gives will make it easier for plaintiffs to prove their case.¹⁴² However, this “would effectively give trademark owners property rights in gross, and thereby upset the careful balance achieved in the existing system.”¹⁴³ On the other hand, a restrictive reading might leave the plaintiffs with no remedy at all.¹⁴⁴ This would effectively defeat the purpose of the FTDA to protect owners of famous trademarks from dilution.¹⁴⁵

137. For a full discussion of success of the “fame” prong in limiting the power of the FTDA, see generally Becker, *supra* note 121.

138. See *infra* notes 139-50 and accompanying text.

139. 15 U.S.C. § 1125(c)(1) (stating that the owner of a famous trademark is entitled to relief if another person’s use of the famous trademark “causes dilution of the distinctive quality of the mark”); see also 4 MCCARTHY, *supra* note 90, at 24:114 “The pros and cons of the dilution doctrine have been extensively argued by many legal writers.” *Id.* Suffice it to say that the issue of whether the dilution idea is a good one is still controversial and remains to be definitely resolved. *Id.* One’s attitude depends in large upon how much protection one thinks a trademark deserves, given the goal of free competition. *Id.* “Unless these state statutes and the [FTDA] are repealed or read into obscurity by the courts, trademark law’s historic balance between free and fair competition will falter, undermining market efficiency and consumer welfare.” Klieger, *supra* note 13, at 865-66.

140. See Voss, *supra* note 116, at 266 (“However, the language of the [FTDA], while providing guidance for determining whether a mark is sufficiently famous to qualify for protection, is silent on the issue of how to prove dilution.”). Compare Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 464 (4th Cir. 1999) (overruling the lower court on the issue of the “causes dilution” test), with Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999) (explicitly rejecting the Fourth Circuit’s analysis of the “causes dilution” test).

141. Voss, *supra* note 116, at 266. “Because dilution offers such a potentially expansive exclusionary right, determining precisely what a plaintiff must prove to establish dilution is vital to maintaining the proper balance between fair competition and free competition.” *Id.*

142. Ringling Bros., 170 F.3d at 456 (stating that an expansive reading of the FTDA would grant the owner of famous mark a property right in gross, a right which is comparable to copyright and patent law).

143. Voss, *supra* note 116, at 267; see also 4 MCCARTHY, *supra* note 90, at 24:114.

[N]o anti-dilution law should be so interpreted and applied as to result in granting the owner of a famous mark the right to exclude any and all uses of similar marks Such a radical expansion of trademark exclusionary rights would upset the delicate balance between free competition and fair competition.

Id.

144. Voss, *supra* note 116, at 267; see also Nabisco Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999) (rejecting the Fourth Circuit’s “actual consummated” harm interpretation and holding that the “causes dilution” test encompasses a remedy for future harm).

145. *Id.* “To read the statute [narrowly] would subject the [owner of a famous trademark] to uncompensable injury. The statute could not be invoked until the injury had occurred. And because

The battlelines have been drawn, and the battle is between big businesses and small businesses.¹⁴⁶ The big businesses, who usually own famous trademarks favor the future harm standard because they want to enjoin potential diluters before they incur any harm.¹⁴⁷ Conversely, the small businesses want courts to stick to the more stringent past harm standard because it makes it more difficult more owners of famous trademarks to enjoin them.¹⁴⁸ Within the past two years, the circuits courts have split as to which standard to apply.¹⁴⁹ The growing divergence in interpretation of the FTDA began two years ago between the Fourth and Second Circuit.¹⁵⁰

IV. SPLIT IN THE CIRCUIT COURTS

A. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*¹⁵¹

1. Facts

In *Ringling Bros. v. Utah Division of Travel Development*, plaintiff, Ringling Bros.-Barnum & Bailey Combined Shows, Inc. (hereinafter "Ringling Bros.") sued defendant, Utah Division of Travel (hereinafter

the statute provides only for an injunction and no damages (absent willfulness), such injury would never be compensated." *Id.* (citation omitted).

146. Voss, *supra* note 116, at 266.

147. McCabe, *supra* note 34, at 1833. Proponents of the expansion of the FTDA [R]eason that "all that the plaintiff . . . asks is the preservation of a valuable . . . link between him and his consumer, that has been created by his ingenuity and the merit of his wares or services . . ." Moreover, because the trademark holder created value in the mark and introduced it into commerce, she is adding to the free use of language, not detracting from it. Thus, [big businesses] argue that trademarks in fact encourage competition and trade by providing the public with the information it requires to make an educated purchase.

Id. at 1833-34.

148. See Becker, *supra* note 121, at 1395. "Why would it be so problematic to bestow upon a trademark holder a virtually exclusive right to the mark?" *Id.* at 1392. One reason is that "dilution would become a 'rogue law that turns every trademark, no matter how weak, into an anticompetitive weapon.'" *Id.* (quoting Courtney L. Reichman, *State and Federal Trademark Dilution*, 17 FRANCHISE L.J. 111, 111 (1998)).

149. See *infra* notes 151-75 and accompanying text.

150. Compare *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999), with *Nabisco*, 191 F.3d at 208.

151. 170 F.3d 449 (4th Cir. 1999).

“UTD”) alleging that defendant’s use of the slogan “Greatest Snow on Earth” diluted its trademark, “Greatest Show on Earth.”¹⁵²

Since 1872, Ringling Bros. has offered and promoted their circus to the public by using the slogan, “Greatest Show on Earth.”¹⁵³ In 1996, Ringling Bros. spent approximately nineteen million dollars in using its slogan to advertise its trademark through various media such as magazines, radio, television, videos, and billboards.¹⁵⁴ It is estimated that about seventy million people each year are exposed to the “Greatest Show on Earth” trademark.¹⁵⁵ In 1961, Ringling Bros. received federal trademark registration for its trademark.¹⁵⁶

As early as 1962, UTD, an agency of the state of Utah, began using its slogan, “Greatest Snow on Earth,” to promote winter tourism.¹⁵⁷ Since then, UTD has spent about 300,000 to 450,000 dollars per year advertising its slogan, mainly on automobile license plates.¹⁵⁸ Despite the protest by Ringling Bros., UTD received federal registration of its trademark in 1997.¹⁵⁹

2. Fourth Circuit Decision

In analyzing Ringling Bros.’s dilution claim, the court set forth the following elements as Ringling Bros.’s burden of proof: (1) that its trademark was “famous”; (2) that UTD adopted its trademark after Ringling Bros. had become famous; and (3) that UTD’s trademark diluted Ringling Bros.’s trademark by “blurring.”¹⁶⁰ In analyzing the first element, the court made a cursory ruling on the first and second elements.¹⁶¹ The court specifically addressed the issue of whether UTD’s trademark diluted Ringling Bros.’s trademark by “blurring.”¹⁶² The court gave deference to the district court’s opinion that dilution by blurring occurs not merely because consumers mistakenly confuse the two trademark, but because consumers confuse the two trademarks and the goods that the trademarks are associated with.¹⁶³ Moving on, the court stated that this left the critical issue of whether

152. *Id.* at 451.

153. *Id.*

154. *Id.* (“Through joint promotions with retailers, Ringling [Bros.] obtains significant additional exposure for its mark. Also because of its renown, the GREATEST SHOW mark receives substantial free publicity.”).

155. *Id.*

156. *Id.*

157. *Id.*

158. *Id.* (UTD’s primary use of its trademark is its display on motor vehicle license plates, but it has used its trademark in magazine advertisements.).

159. *Id.* at 451-52.

160. *Id.* at 452.

161. *Id.* (stating that “[a]t trial, Ringling Bros. put on essentially undisputed evidence demonstrating that its mark had achieved ‘famous’ status before UTD began use of its mark.”).

162. *Id.*

163. *Id.*

UTD's trademark had diluted Ringling Bros.'s famous trademark.¹⁶⁴

The bulk of the court's analysis involved defining what it meant to "dilute" a trademark.¹⁶⁵ In interpreting the statutory language of the FTDA, the court delved into the history and evolution of the dilution doctrine due to the "sheer difficulty that courts have had in getting a firm handle on the basic concept of 'dilution.'"¹⁶⁶ But eventually, the court broke down the plaintiff's burden of proof into three elements:

- (1) a sufficient similarity between the junior and senior [trade]marks to evoke an 'instinctive mental association' of the two by a relevant universe of consumers which
- (2) is the effective cause of
- (3) an actual [harm to] the senior [trade]mark's selling power. . . .¹⁶⁷

The court conceded that this was a "stringent application" of dilution under the FTDA because it forced Ringling Bros. to prove that it suffered actual economic harm, instead of proving that it was likely to suffer economic harm in the future.¹⁶⁸ The court arrived at this conclusion by analyzing the definition of "dilution" given in the text of the FTDA.¹⁶⁹ The court reasoned that a broad interpretation of the meaning of dilution grants a property-right-in-gross to the owner of the senior trademark, and that the text of the FTDA required proof of actual harm already caused by use of a junior trademark.¹⁷⁰

164. *Id.* The court specifically addressed the issue of whether UTD's trademark diluted Ringling Bros.'s trademark by "blurring" it. *Id.* The court gave deference to the district court's opinion that dilution by blurring occurs not merely because consumers mistakenly confuse the two trademark, but because consumers confuse the two trademarks and the goods that the trademarks are associated with. *Id.* at 453 (quoting Ringling Bros. Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 55 F. Supp. 605, 615-16 (E.D. Va. 1997)).

165. *Id.* at 453-61.

166. *Id.* at 453-56. In embarking on the difficult task of defining dilution, the court admitted that "more than thirty years after courts first began grappling with the interpretive problem . . . 'dilution remains a somewhat nebulous concept.'" *Id.* at 455 (quoting Sally Gee, Inc. v. Myra Hogan, Inc. 699 F.2d 621, 625 (2d Cir. 1983)).

167. *Id.* at 458.

168. *Id.* at 458-59.

169. *Id.* at 458. The court quoted the FTDA, which defined dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." *Id.*

170. *Id.* at 459-60. The court opined that the textual definition of dilution can be interpreted as follows: (1) that the FTDA intended to protect the "distinctiveness" of the word symbol, or (2) that the FTDA allows the court to presume that the owner of the famous trademark has suffered

To bolster its position, the court primarily relied on the plain meaning rule.¹⁷¹ The court stated that the phrase “causes dilution” did not mean “mere threatened” dilution of the famous trademark.¹⁷² In addition, the court reasoned that taken in context of the entire statute, the word “capacity” referred to the lessening of the “former capacity” of the famous trademark to distinguish itself.¹⁷³ Thus, the court reasoned that the FTDA was intended to protect past economic harm rather than future economic harm.¹⁷⁴ Lastly, the court reasoned that the FTDA was not intended to protect possible future dilution because Congress deliberately omitted the phrase “likelihood of dilution” from the text of the FTDA.¹⁷⁵

B. *Nabisco, Inc. v. PF Brands, Inc.*¹⁷⁶

1. Facts

In *Nabisco, Inc. v. PF Brands, Inc.*, plaintiff, Pepperidge Farm, sued defendant, Nabisco alleging that Nabisco’s fish shaped crackers diluted its goldfish-shaped cheese crackers, commonly known as Goldfish.¹⁷⁷

Since 1962, Pepperidge Farm has produced small cheese crackers in the shape of a Goldfish.¹⁷⁸ Between 1995 and 1998, Pepperidge Farm spent more than one hundred twenty million dollars marketing its goldfish crackers.¹⁷⁹ To date, Pepperidge Farm’s Goldfish is the second largest selling cheese cracker in America, and ranks number one when measured in dollar sales.¹⁸⁰ Since 1962, Pepperidge Farm has obtained many trademark

economic harm due to the similarity of the senior and junior trademarks. *Id.* at 459. However, the court rejected both of these interpretations. *Id.*

171. *Id.* at 460. “In short . . . the Act does not literally proscribe mere ‘likelihood of dilution’” *Id.* “If the words convey a definite meaning, which involves no absurdity, nor any contradiction of other parts of the instrument, then that meaning, apparent on the face of the instrument, must be accepted.” *Id.* at 461 n.6 (citing *Lake County v. Rollins*, 130 U.S. 662, 670 (1889)).

172. *Id.* at 461. The court also argued that the text of the FTDA did not state “will” or “may” cause, but instead merely stated “causes” dilution. *Id.*

173. *Id.* at 460. The court stated that the word, “capacity” was temporally neutral, but in context of the FTDA, “it is plain that the ‘capacity’ spoken of is ‘former capacity’” and not future capacity. *Id.*

174. *Id.* at 460-61.

175. *Id.* at 461. “Finally and most telling, there is the fact that in the face of the obvious centrality of ‘likelihood of dilution’ provisions in the interpretation and application of state antidilution statutes for the fifty years of their existence, the federal Act does not so provide.” *Id.*

176. 191 F.3d 208 (2d Cir. 1999).

177. *Id.* at 212. Pepperidge Farm also sued under New York’s antidilution statute. *Id.*

178. *Id.*

179. *Id.* at 213. During this period, net sales of Goldfish crackers more than doubled, to \$200 million per year. *Id.*

180. *Id.*

registrations for the use of its Goldfish trademark.¹⁸¹

In 1998, Nabisco planned to produce small fish-shaped crackers, similar to Pepperidge Farm's Goldfish line.¹⁸² Soon thereafter, upon learning of Nabisco's plans, Pepperidge Farm sent a cease and desist letter to Nabisco, demanding that Nabisco halt the production of its crackers.¹⁸³ In 1999, both parties sought legal action, with Pepperidge Farm seeking a preliminary injunction against Nabisco under federal dilution law.¹⁸⁴

2. Second Circuit Decision

Just five months after the decision by the Fourth Circuit, on August 31, 1999, the Second Circuit explicitly rejected the Fourth Circuit's interpretation of the FTDA.¹⁸⁵ Unlike the Fourth Circuit,¹⁸⁶ the Second Circuit ruled that the plaintiff must prove five elements to succeed on a dilution claim: (1) that the senior trademark must be famous; (2) that the senior trademark must be distinctive; (3) that "the junior use must be a commercial use in commerce"; (4) that the junior use must begin after the senior trademark has become famous; and (5) that the junior trademark must cause dilution of the distinctive quality of the senior trademark.¹⁸⁷ Of these five elements, the court engaged in a cursory analysis of the first, third, and fourth elements, and ruled that Pepperidge Farm met them all.¹⁸⁸ Like the Fourth Circuit, the court undertook an extensive analysis of the fifth element, by interpreting the statutory phrase, "causes dilution of the distinctive quality of the [famous] mark."¹⁸⁹

181. *Id.* at 212.

182. *Id.* at 213.

183. *Id.*

184. *Id.* Nabisco initiated legal proceedings by filing a complaint seeking declaratory judgment that it did not violate Pepperidge Farm's rights in the Goldfish line. *Id.* "Pepperidge Farm counterclaimed that Nabisco's crackers constituted trademark infringement . . . and dilution under" both federal and New York state law. *Id.*

185. *Id.* at 223 ("We reject [defendant's] argument because we disagree with the Fourth Circuit's interpretation of the statute.")

186. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 453 (4th Cir. 1999) (interpreting the FTDA to require a plaintiff to prove three elements).

187. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999).

188. *Id.* The court stated that it is undisputed that Pepperidge Farm's Goldfish is a famous trademark. *Id.* In addition, the court stated that it was clear that Nabisco engaged in commercial use of its trademark, and that it began after Pepperidge Farm's trademark became famous. *Id.*

189. *Id.* at 214. However, unlike the Fourth Circuit, the Second Circuit initially analyzed the meaning of the term, "distinctiveness" because the court ruled that the plaintiff must prove an independent element of "distinctiveness," separate from the element of "fame." *Id.* at 215.

More specifically, the Second Circuit turned to the interpretation of the phrase, “causes dilution.”¹⁹⁰ The court explicitly rejected the Fourth Circuit’s reading of this phrase and stated that the Fourth Circuit’s reading relied on “excessive literalism.”¹⁹¹ Thus, the Second Circuit ruled that plaintiffs need not show actual economic harm in order to receive protection under the FTDA.¹⁹²

The court adopted a non-exhaustive ten-factor test to allow the owner of a famous trademark to prove possible future harm.¹⁹³ The court admitted that a simple reading of the statute lends support for holding that the plaintiff must prove actual consummated economic harm.¹⁹⁴ However, the court warned that this “defeat[s] the intent of the statute.”¹⁹⁵ The court reasoned that Congress provided an injunction as a remedy, and as such Congress intended to prevent the harm before it occurred.¹⁹⁶ The court argued that forcing both parties to wait until the harm had occurred would cause “uncompensable injury” to the plaintiff and uncertainty for the defendant.¹⁹⁷ Thus, the court concluded that injunctive relief should be granted to owners of famous trademarks even before the dilution actually occurred.¹⁹⁸

190. *Id.* at 223-24.

191. *Id.* at 224.

192. *Id.* at 224-25.

193. *Id.* at 217-22. The factors are:

- (A) Distinctiveness;
- (B) Similarity of the marks;
- (C) Proximity of the products and likelihood of bridging the gap;
- (D) Interrelationship among the distinctiveness of the senior mark, similarity of the junior mark, and the proximity of the products;
- (E) Shared consumers and geographic limitations;
- (F) Sophistication of consumers;
- (G) Actual confusion;
- (H) Adjectival or referential quality of junior use;
- (I) Harm to the junior user and delay by the senior user; and
- (J) Effect of senior’s prior laxity in protecting the mark.

Id.

194. *Id.* at 224. “We recognize that the language of the statute gives some support to this reading, in that it uses the formulation, ‘causes dilution,’ rather than referring to ‘likelihood of dilution.’” *Id.* (citing *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999)).

195. *Id.* The court stated that the *Ringling Bros.* decision relied on “excessive literalism” to defeat the intent of the FTDA. *Id.*

196. *Id.*

197. *Id.* The court stated that under the actual harm standard, the owner of the famous trademark had to wait until the harm had occurred. *Id.* However, since the statute only provides injunctive relief, except in cases of willfulness, the owner of the famous trademark might not be able to recover damages. *Id.* In addition, the court stated that limiting remedy to only those who have suffered past harm is also “disastrously disadvantageous for the junior user.” *Id.* This is because the senior user “will be obligated to spend huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined.” *Id.*

198. *Id.* at 225.

V. RECONCILING THE SPLIT IN THE CIRCUIT COURTS

The split between the Second and Fourth Circuits illustrates the importance placed on the proper interpretation of the “causes dilution” test.¹⁹⁹ Moreover, the sharp difference in interpretive methodology demonstrates the fierce battle between those who favor the idea that famous trademarks should be given protection from dilution and those who believe that the FTDA grants excessive power to successful companies that own famous trademarks.²⁰⁰ This “David versus Goliath” battle has been fought in the trenches of the text of the FTDA.²⁰¹ The central issue is whether the FTDA requires the owner of a famous trademarks to prove past economic harm or merely prove likelihood of future harm.²⁰²

The Fourth Circuit concluded that trademark owners must adhere to the stricter standard of establishing past economic harm.²⁰³ This may be an impossibility for situations where a famous trademark has recently started to become diluted.²⁰⁴ Nevertheless, other courts have begun to side with the approach taken by the Fourth Circuit.²⁰⁵ Recently, the Fifth, Seventh and

199. Voss, *supra* note 116, at 267. “The Fourth and Second Circuit opinions represent opposite approaches to solving the dilution dilemma.” *Id.*

200. *Id.*

The Fourth Circuit, in [*Ringling Bros.*] adopted a highly restrictive test requiring a plaintiff to show actual harm through proof of economic loss, thereby making it virtually impossible to establish dilution in all but the most extreme case. The Second Circuit, on the other hand, in [*Nabisco*] adopted an expansive multi-factor test incorporating likelihood of confusion factors, which in practice merely serves as a fallback for plaintiffs unable to meet a traditional likelihood of confusion test.

Id.

201. Ablin & Koshy, *supra* note 23, at 62. “Congress did not break down the dilution analysis into factors as it did for the fame requirement. Instead, it tersely and somewhat cryptically defined dilution as the ‘lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of . . . competition . . . [or] confusion’” *Id.* (quoting Federal Trademark Dilution Act (FTDA), 15 U.S.C. § 1127 (1997)).

202. Voss, *supra* note 116, at 267.

203. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458 (4th Cir. 1999). “[W]e therefore interpret the [FTDA] . . . as requiring for proof of ‘dilution’ . . . an *actual lessening* of the senior mark’s selling power” *Id.* (emphasis added). “This concededly is a stringent interpretation of ‘dilution’ under the federal Act. It confines the federal dilution claim to a more narrow scope than that generally now accorded by courts to state-law dilution claims.” *Id.* at 458-59.

204. *Id.* at 460. “[H]owever, [i]mpossibility or near-impossibility of proving [actual harm] does not support their judicial presumption.” *Id.*

205. The following courts have favored the Fourth Circuit test:

Fifth Circuit: *Westchester Media Co. v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000).

Seventh Circuit: *Syndicate Sales, Inc. v. Hampshire Paper Corp.*, 192 F.3d 633 (7th Cir. 1999).

Ninth Circuit: *Playboy Enters., Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070 (C.D. Cal. 1999), *aff’d*, 202 F.3d 278 (9th Cir. 1999).

However, it is unclear how the other circuits will come down at this time:

Ninth Circuits have adopted the Fourth Circuit's actual harm standard.²⁰⁶ These courts have mainly relied on the plain meaning of the statute, and thus have taken a "textualist approach."²⁰⁷

The Second Circuit explicitly rejected this approach as "excessively literal," and justified its holding by relying on the legislative history of the FTDA.²⁰⁸ The Third Circuit has adopted the Second Circuit's flexible future harm standard.²⁰⁹ These courts have taken a "realist approach" to allowing businesses to recover against potential trademark diluters.²¹⁰

A. Textualist Approach

The "plain meaning rule" states that "[i]f the words convey a definite meaning, which involves no absurdity, nor any contradiction of other parts of the instrument, then that meaning, apparent on the face of the instrument, must be accepted"²¹¹ As the Fourth Circuit contended, the courts must first look to the plain meaning of the FTDA, because a purely textual interpretation of the FTDA carries the greatest interpretative weight.²¹²

First Circuit: *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27 (1st Cir. 1998) (rejecting both the actual harm standard and factor analysis).

Sixth Circuit: *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 577 (6th Cir. 2000) (citing to both *Ringling Bros.* and *Nabisco*, but not recognizing the split), *reh'g denied*, 2000 U.S. App. Lexis 11052 (6th Cir. 2000) (en banc), *cert. denied*, 531 U.S. 944 (2000).

Eleventh Circuit: *Carnival Corp. v. Seascope Casino Cruises, Inc.*, 74 F. Supp. 2d 1261, 1269 n.4 (S.D. Fla. 1999) ("There is a split between the Fourth and Second Circuits regarding whether proof of actual economic harm is necessary to prove dilution . . . [but] the Court need not address it as it finds that the [trademark] is not famous.").

206. *Westchester Media*, 214 F.3d at 670 ("As an issue of first impression in this Circuit, we endorse the Fourth Circuit's holding that the FTDA requires proof of actual harm . . ."); *Syndicate Sales*, 192 F.3d at 633; *Playboy*, 55 F. Supp. 2d at 1075. Plaintiff must show that the defendant has caused actual economic harm to establish dilution. *Id.* (citing *Ringling Bros.*, 170 F.3d at 459).

207. *Ringling Bros.*, 170 F.3d at 460 ("We cannot accept [the future harm standard] as a matter of the [FTDA's] plain meaning."); *Westchester Media*, 214 F.3d at 670 ("[W]e endorse the Fourth Circuit's holding that the FTDA requires proof of actual harm since this standard best accords with the plain meaning of the statute.").

208. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999). "In our view, however, [the Fourth Circuit's actual harm standard] depends on excessive literalism to defeat the intent of the statute." *Id.*

209. *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 168 (3d Cir. 2000), *cert. denied*, 531 U.S. 1071 (2001). "In *Nabisco*, the Court of Appeals for the Second Circuit articulated a more complete set of factors for dilution . . ." *Id.* "Because we consider the dilution analysis in *Nabisco* helpful, we apply it to facts found by the district court." *Id.*

210. *Nabisco*, 191 F.3d at 224. "Notwithstanding the use of the present tense in 'causes dilution,' it seems *plausibly* within Congress' meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs." *Id.* (emphasis added).

211. *Ringling Bros.*, 170 F.3d at 461 n.6 (quoting *Lake County v. Rollins*, 130 U.S. 662, 670 (1889)). "[W]e are not free to depart from that plain meaning . . ." *Id.*

212. *Voss*, *supra* note 116, at 278. However, the Fourth Circuit did not delve into the legislative history of the FTDA. *See id.* "While purely textual arguments undoubtedly carry the greatest interpretive weight, legislative history plays a useful role in the interpretive process. The court in *Ringling [Bros.]* however, makes no attempt to reconcile its interpretation requiring actual harm and proof of economic loss with the Dilution Act's legislative history." *Id.*

Although the Second Circuit accused the Fourth Circuit of engaging in “excessive literalism,” as a commentator has noted, the Fourth Circuit did not engage in an elaborate analysis of the plain meaning of the FTDA.²¹³

Under the plain meaning rule, a court must accept the plain meaning of the FTDA, so long as there is “no absurdity, nor any contradiction of other parts” of the FTDA.²¹⁴ However, as the realists have pointed out, interpreting the statute to require proof of past economic harm rather than possible future harm would lead to an absurd reading of the statute.²¹⁵ If the plaintiff had to prove past economic harm, then essentially the plaintiff could not invoke the FTDA until there has been some measure of economic harm.²¹⁶ This could lead to disastrous results for companies such as Nabisco and Ringling Bros. who spend millions of dollars every year protecting the value of their trademarks.²¹⁷

In addition, under the textualist approach, companies may never be unable to recover their economic loss.²¹⁸ This is because under the FTDA, the primary remedy for the plaintiff’s injury is an injunction.²¹⁹ Textualist argue that the plaintiff may be economically compensated because the FTDA does provide for damages.²²⁰ However, it provides damages only in rare cases where a trademark was diluted through willful action.²²¹ Thus, in

213. See *id.* at 276-77 (applying other interpretive corollaries of the plain meaning rule to the text of the FTDA).

214. *Ringling Bros.*, 170 F.3d at 461 n.6 (quoting *Lake County*, 130 U.S. at 670).

215. *Nabisco*, 191 F.3d at 224. “To read the statute as suggested by the *Ringling [Bros.]* opinion would subject the senior user to uncompensable injury.” *Id.* This reading means that the “statute could not be invoked until the injury had occurred.” *Id.*

216. *Id.*

217. Klieger, *supra* note 13, at 852.

By the early 1990’s, the cost to a company of introducing a new consumer product had grown to as much as \$100 million, with the odds of success no greater than one in ten. Trademarks serve as “a narrow bridge over which all the traffic powered by [product] advertising must pass.”

Id.

218. *Nabisco*, 191 F.3d at 224. “[B]ecause the statute provides only for an injunction and no damages (absent willfulness) . . . such injury would never be compensated.” *Id.*

219. Federal Trademark Dilution Act (FTDA), 15 U.S.C. § 1125(c)(1) (Supp. IV 1998) (“The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction . . .”).

220. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir. 1999). “Unlike the statue antidilution statutes which provide only injunctive relief, reflecting their sole focus on prevention of future harm, the federal Act provides that where willful conduct is shown, both compensatory and restitutionary relief may be awarded—for necessarily consummated economic harm.” *Id.*

221. 15 U.S.C. § 1125(c)(2) (stating that “the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner’s reputation or to cause dilution of the famous mark”); see also *Nabisco*, 191 F.3d at 224 (“The *Ringling [Bros.]* reading is . . . disastrously disadvantageous . . .”).

most cases of dilution, where there is an absence of willfulness, companies such as Nabisco and Ringling Bros. will only be able to enjoin the defendant and ultimately be left with an uncompensated economic injury.²²²

Another shortcoming of the textualist approach is that it requires plaintiffs to take on the uncertain task of providing the court with proof of economic harm.²²³ The court in *Ringling Bros.* admitted that “[p]roof will be difficult, because actual, consummated dilutive harm and its cause are difficult concepts,”²²⁴ but the court suggested three general means of available proof: (1) loss of revenue; (2) survey evidence; and (3) indirect evidence through the use of contextual factors.²²⁵ However, as the realists pointed out, these methods of proof are “inappropriate” because they are inaccurate, expensive, and prone to manipulation.²²⁶ Furthermore, in the absence of significant legal resources, it would be nearly impossible for companies to resort to these methods to show economic harm.²²⁷

There is another absurdity with the textualist approach. The position taken by the textualists in *Ringling Bros.* worked because in *Ringling Bros.*,

222. *Nabisco*, 191 F.3d at 224. “And, because the statute provides only for an injunction and no damages (absent willfulness), such injury would never be compensated.” *Id.* (citation omitted).

223. *Ringling Bros.*, 170 F.3d at 460. However, the court cited specific reasons for the actual harm standard. *Id.*

Nor can it be said (as perhaps it can with respect to proving mere “likelihood of dilution”) that even if it is the fact that actual economic harm caused by replicating junior use has occurred, there is no way to prove those facts independently. Though proof of those elements of the elusive dilution concept may tax the skills of advocacy, that results more from their substantive uncertainty than from lack of available means of proof. . . . [T]here are means of proving them by normal evidentiary processes. Impossibility or near-impossibility of proving them does not support their judicial presumption.

Id.

224. *Id.* at 464.

225. *Id.* at 465.

226. *Nabisco*, 191 F.3d at 223-24. The Second Circuit pointed to some of the practical problems associated with the textualist approach. *See id.*

To require proof of actual loss of revenue seems inappropriate. If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. . . . If a junior user began to market Buick aspirin or Schlitz shellac, we see no reason why the senior users could not rely on persuasive circumstantial evidence of dilution of the distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys. . . . We see no reason why [circumstantial evidence] should not be used to prove dilution.

Id.; *see also* *World Gym Licensing, Ltd. v. Fitness World, Inc.*, 47 F. Supp. 2d 614 (D. Md. 1999) (rejecting plaintiff’s dilution claim on the basis of improper survey evidence). For further discussion on the use of survey evidence to prove dilution, *see generally* Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295 (1999); Xuan-Thao N. Nguyen, *The New Wild West: Measuring and Proving Fame and Dilution Under the Federal Trademark Dilution Act*, 63 ALB. L. REV. 201 (1999).

227. *Nabisco*, 191 F.3d at 224 (arguing that proof of actual loss is expensive and time-consuming).

the defendant had been allegedly diluting plaintiff's trademark for about thirty years.²²⁸ However, this was not the case in *Nabisco* where the plaintiff sought to enjoin the defendant even before the defendant began diluting plaintiff's trademark.²²⁹ In *Nabisco*, the plaintiff claimed that the use of defendant's trademark might cause dilution.²³⁰ This meant that there was not yet any economic harm to plaintiff's trademark.²³¹ However, if the plaintiff in *Nabisco* had to follow the textualist approach, then the plaintiff would have been required to do the impossible—to establish past economic harm where there was none.²³² Thus, the textualist approach leads to an absurd result when it is taken away from the fact pattern of *Ringling Bros.* and tested in cases such as *Nabisco*.²³³

Finally, the textualist approach undermines the essence of the dilution doctrine.²³⁴ The textualist approach implies that the FTDA requires the passage of time before there can be a remedy against dilution.²³⁵ As courts and commentators have pointed out, requiring plaintiffs to stand by while their trademarks are being diluted hurts the businesses which have made

228. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development*, 170 F.3d 449, 451 (4th Cir. 1999). In *Ringling Bros.*, defendant's junior trademark had allegedly been diluting plaintiff's senior trademark for about thirty-four years. *Id.* This period started from when defendant began using its trademark, which was about 1962, to when plaintiff brought its suit, which was 1996. *Id.* at 451-52.

229. *Nabisco*, 191 F.3d at 213. In *Nabisco*, the plaintiff brought its lawsuit before the defendant marketed its similar goldfish trademark. *Id.* "In mid-December 1998, executives at Pepperidge Farm for the first time saw a sample of [defendant's trademark]. On December 21, Pepperidge Farm wrote to Nabisco protesting the goldfish-shaped cracker and requesting that Nabisco cease and desist use of that cracker in its product and marketing." *Id.*

230. *Id.*

231. *Id.* "Nabisco responded by filing a complaint against Pepperidge Farm seeking a declaratory judgment that [its trademark] did not violate any of Pepperidge Farm's rights in the Goldfish." *Id.* (citation omitted).

232. *Id.* at 223. The court in *Nabisco* stated that the Fourth Circuit's approach was an "arbitrary and unwarranted limitation on the methods of proof." *Id.*

233. *See id.* at 224. In addition, the court in *Nabisco* pointed out the practical problems that the junior user might face if the junior user had to adhere to the Fourth Circuit's ruling. *Id.*

If the statute is interpreted to mean that no adjudication can be made until the junior mark has been launched and has caused actual dilution, businesses in Nabisco's position will be unable to seek declaratory relief before going to market. They will be obligated to spend the huge sums involved in a product launch

Id.

234. *Welkowitz*, *supra* note 65, at 584. "The real justification for the use of dilution is more the protection of marks against misappropriation than against 'whittling away.' Courts and commentators, explicitly or implicitly, believe it to be unfair for a second user to gain any advantage in the marketplace by using the first user's mark." *Id.*

235. *Id.* at 588. "Dilution is a theory that requires the passage of time and possible additional users for the process to be complete." *Id.*

significant investments in creating and promoting their trademarks.²³⁶ By allowing diluters to more easily dilute a famous trademark, the trademark owner will have less incentive to invest significantly in a trademark.²³⁷ The incentive then would be to produce the lowest possible quality of trademarks.²³⁸ Ultimately, this would create a marketplace devoid of trademarks that consumers can rely on.²³⁹ The effect of the textualist approach is detrimental to consumers because they will no longer be able to trust the trademark to signal a certain quality of product or service.²⁴⁰

B. Realist Approach

In explicitly rejecting the textualist approach to the dilution problem, the realists have relied on evidence other than the text of the FTDA to determine the temporal requirement.²⁴¹ The realists argue that the textualist approach can lead to absurd results, especially when applied in cases such as

236. Klieger, *supra* note 13, at 855. “Without trademarks or legal protection of trademarks against public deception, consumer search costs would be dramatically higher, the incentive for quality production would disappear, and competitive markets would cease to function.” *Id.*; *see also Nabisco*, 191 F.3d at 224 (arguing that without dilution protection, companies will be obligated to spend huge sums of money without the ability to seek judicial assurance).

237. McCabe, *supra* note 34, at 1834. “[A]dvocates argue that trademarks in fact encourage competition and . . . incentivize companies to develop marks that are unique or arbitrary.” *Id.*

238. Klieger, *supra* note 13, at 855. Klieger explained a world without incentives for businesses to invest in trademarks. *Id.* “[T]rademarks do more than indicate consistent product quality to consumers; as compared to a world without trademarks, they also heighten the level of quality that consumers can expect.” *Id.*

A world without trademarks would be very difficult to imagine. If everything came in a plain brown wrapper, the incentive to try to make a better product than the competition would be thrown into complete reverse. The incentive then would be to produce the lowest possible quality, because the consumer would not be able to tell the difference and thus would not be in a position to retaliate against any particular supplier by refusing to buy his product in the future.

Id. (citing Sidney A. Diamond, *The Public Interest and the Trademark System*, 62 J. PAT. OFF. SOC’Y 528, 544 (1980)).

239. *See id.*

In other words, if a consumer is unable to quickly and easily identify unsatisfactory products, producers have no incentive in the form of lost sales to improve product quality. Consumers might still be able to rely on a consistent level of quality; unfortunately, that level will, for all products, be the lowest level of quality imaginable.

Id.

240. *See id.* Through the use of a hypothetical, Klieger explained the detrimental effect of the textualist approach on consumers. *See id.*

If, for example, a consumer bought a box of ‘Lucky Charms’ believing it was manufactured by General Mills, but it was actually manufactured by the Barely Edible Cereal Company, consumer dissatisfaction with the product would be visited upon General Mills. General Mills would have no incentive to maintain a higher level of quality than Barely Edible were such gross public deception not actionable.

Id.

241. *Nabisco, Inc. v. PF Brands, Inc.* 191 F.3d 208, 224 (2d Cir. 1999). The Second Circuit stated that “it seems plausibly within Congress’s meaning to understand the [FTDA] as intending to provide for an injunction to prevent the harm before it occurs.” *Id.*

Nabisco.²⁴² Thus, they argue that it is necessary to look beyond the statute and into the intent of Congress in aiding their understanding of the FTDA.²⁴³

Relying on the legislative history of the FTDA, the realists argue that Congress did not intend for the plaintiff to provide proof of past economic harm.²⁴⁴ They reason that if Congress intended to provide such an obstacle for the plaintiff, then Congress would have provided for such a provision in the text of the FTDA.²⁴⁵ Thus, they contend that the absence of such a provision implies that Congress did not intend for plaintiff to meet such a high burden.²⁴⁶ In addition, they argue that Congress contemplated that the harm caused by dilution would occur in the future.²⁴⁷ In the House Report, Congress stated “dilution is an infection, which *if allowed to spread*, will inevitably destroy the advertising value of the mark.”²⁴⁸ This language suggests that Congress intended to protect the trademark holder *before* the injury actually occurred.²⁴⁹

242. Voss, *supra* note 116, at 276-77.

[I]nterpreting the [FTDA] to require actual harm created not only an uncompensable injury, it makes it unlikely the holder of a famous mark could enjoin any diluting use until substantial injury had already occurred. By inevitably leading to an substantial uncompensated injury, the [textualists'] actual harm interpretation arguably creates an absurdity.

Id.

243. *Id.* at 278 n.92 (quoting Wisconsin Public Intervenor v. Mortier, 501 U.S. 597, 610 n.4 (1991)).

As for the propriety of using legislative history at all, common sense suggests that inquiry benefits from reviewing additional information rather than ignoring it. . . . Our precedents demonstrate that the Court's practice of utilizing legislative history reaches well into its past. . . . We suspect that the practice will likewise reach well into the future.

Id.

244. *Id.* at 278.

The legislative history is replete with discussion of the fame and distinctiveness barrier, but nowhere in the legislative history of either the 1988 dilution bill, the Dilution Act, or the Report of the Trade Mark Commission is it suggested that a plaintiff must demonstrate . . . the far more difficult showing of actual [past] harm.

Id. at 278-79. “[T]o ensure that the bill does not supplant the current protection of trademarks . . . the committee amended the legislation to place greater emphasis . . . a sufficient level of fame . . . to qualify for federal protection [from dilution] . . .” S. REP. NO. 100-515, at 41-42 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577.

245. Voss, *supra* note 116, at 279 “It seems strange that Congress would omit any mention of an actual harm requirement in [the House Report for the FTDA]—a substantial additional hurdle—if one was intended.” *Id.*

246. *See id.*

247. *Id.* (“The ‘loss’ Congress sought to remedy was a loss in a mark’s distinctiveness, not solely its economic value.”); *see also* H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029.

248. *Id.* (emphasis added).

249. S. REP. NO. 100-515, 41-42 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577 (emphasis added). The Senate Judiciary Report on the 1988 dilution bill envisioned that the FTDA would apply “‘when

However, as a commentator has indicated, the text of the FTDA contradicts the realist approach.²⁵⁰ First, unlike the state dilution statutes, the FTDA expressly requires that a trademark be famous in order to qualify for protection.²⁵¹ Furthermore, Congress went to great lengths to specify what constitutes a famous trademark, listing eight non-exhaustive factors for courts to consider in making this determination.²⁵² However, as the commentator pointed out, Congress did not do the same with the “causes dilution” element.²⁵³ In fact, Congress specifically omitted the “likelihood of dilution” language that is commonly found in state dilution statutes.²⁵⁴ This specific omission by Congress directly undermines the position taken by the realists.²⁵⁵

The realists claim that the textualist approach is simply unrealistic and impractical.²⁵⁶ As the Fourth Circuit admitted, requiring the owner of the senior trademark to prove actual harm is an uncertain and near-impossible task.²⁵⁷ The realists argue that there are practical problems with providing the court with evidence of past economic harm.²⁵⁸ Relying on practical concerns, the realists reason that their flexible ten-factor test is more realistic and practical for plaintiffs to use in establishing dilution.²⁵⁹

However, there are also problems applying the realists’ flexible ten-factor test.²⁶⁰ Commentators have criticized the court’s ten-factor future

the unauthorized use of a famous mark reduces the public’s perception that the mark signifies something unique’ . . . and [when] ‘the distinctive quality of a mark could be materially reduced during a period of rising sales.’” Voss, *supra* note 116, at 279 (quoting S. REP. NO. 100-515, 41-45 (1988), reprinted in 1988 U.S.C.C.A.N. 5577)).

250. Voss, *supra* note 116, at 270.

251. *Id.*; see also Federal Trademark Dilution Act (FTDA), 15 U.S.C. § 1125(c)(1)(A)-(H) (outlining the eight factor test for fame).

252. *See id.*

253. *Id.*; see also Voss, *supra* note 116, at 270 (stating the FTDA “simply proscribes the use which ‘causes dilution’ suggesting that . . . the plaintiff must prove actual rather than likely harm.”).

254. *Id.*; see also 15 U.S.C. § 1125(c)(1)(A)-(H).

255. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir. 1999). “Finally and most telling, there is the fact that in the face of the obvious centrality of ‘likelihood of dilution’ provisions in the interpretation and application of state antidilution statutes for the fifty years of their existence, the federal Act does not so provide.” *Id.*

256. *See supra* notes 212-36 and accompanying text for a discussion of the impracticality of the textualist approach. *See generally Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

257. *Ringling Bros.*, 170 F.3d at 460 (stating that requiring plaintiffs to prove actual economic harm may “tax the skills of advocacy”); see also Klieger, *supra* note 13, at 840 (stating that to require proof of actual harm would erect “an impenetrable barrier to any federal dilution action”).

258. *See generally supra* notes 214-40 and accompanying text for a discussion of the impracticality of the textualist approach.

259. *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 168 (3rd Cir. 2000). “In *Nabisco* . . . the Second Circuit articulated a more complete set of factors for dilution. . . . [W]e consider the dilution analysis in *Nabisco* helpful.” *Id.*; see also *supra* note 193 and accompanying text for a complete list of the ten-factor text.

260. Voss, *supra* note 116, at 280. “If *Ringling* relies too heavily on textualism, *Nabisco* goes too far the other way—completely ignoring the significant differences between state anti-dilution statutes and the [FTDA].” *Id.*

harm test because it mistakenly includes a trademark infringement factor for “consumer confusion.”²⁶¹ In addition, courts have also noted that consumer confusion has no place in a dilution analysis.²⁶² In fact, the original purpose of the dilution doctrine was to do away with a consumer confusion analysis.²⁶³ As Professor Schechter proposed, the focus was on the dilution of the uniqueness of the trademark regardless of whether the dilution caused consumer confusion.²⁶⁴ Commentators contend that the realists’ ten-factor test reduces the potency of the dilution claim and frustrates the original purpose of the dilution doctrine.²⁶⁵ “[B]y inserting confusion factors into

261. *Id.* at 281. Voss explained why the factor for consumer confusion should not be included in a dilution analysis. *Id.*

The state of mind required for confusion and dilution are distinct and dissimilar. The essence of dilution by blurring is a loss of distinctiveness as a unique identifier that occurs when consumers realize the same mark is used for more than one product, and are *not* confused as to source. If consumers are confused, blurring of the mark cannot occur simply because in their minds the mark remains the sole identifier for the senior user’s product. This is in contrast to traditional trademark infringement, which requires precisely the opposite: consumer confusion as to the source of the mark. Thus, it is impossible for unauthorized use of a trademark to cause both confusion and dilution by blurring in the mind of any one person.

Id.

262. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999). “In the infringement and unfair competition scenario, where the less famous a trademark, the less chance that consumers will be confused as to origin, a carefully-crafted balance exists between protecting a trademark and permitting non-infringing uses.” *Id.* (citing *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 349 (9th Cir. 1979)). “In the dilution context, likelihood of confusion is irrelevant.” *Id.* (citations omitted). “If dilution protection were accorded to trademarks based only on a showing of inherent or acquired distinctiveness, we would upset the balance in favor of over-protecting trademarks . . .” *Id.*; see also *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 49 (1998) (“[The] classical likelihood of confusion analysis . . . are not particularly relevant or helpful in resolving the issue of dilution . . .”).

263. See Schechter, *supra* note 12, at 821-23. Professor Schechter believed that trademarks should be afforded protection even when there is no possibility of consumer confusion. See *id.*

264. *Id.* at 831. “[T]he preservation of the uniqueness of a trademark . . . constitute[s] the only rational basis for its protection.” *Id.*

265. Voss, *supra* note 116, at 282. “[T]he court’s multi-factor test represents an improvement over previous tests, but by inserting confusion factors into dilution it ultimately converts dilution into a fallback provision for weak infringement claims, and unnecessarily lengthens what is already an exhaustive multi-factor analysis.” *Id.*; see also McCabe, *supra* note 34, at 1858-65.

One reason for [the use of the confusion factor] may be that the volumes of case law examining consumer confusion make it easier for courts to analyze a dilution violation under those standards. Courts find it difficult to ignore that precedent, even though the standard is inapplicable in a dilution claim.

Id. at 1858.

More dangerously, to reinsert a confusion standard into a dilution claim causes dilution to fall prey once again to doctrinal murkiness Despite Congressional intent, demonstrated by the clear language of the FTDA stating that dilution can be found absent likelihood-of-confusion, the Second Circuit reintroduced a confusion element into the dilution doctrine.

dilution it ultimately converts dilution into a fallback provision for weak infringement claims In so doing, the court reduces the emphasis on the key dilution inquires²⁶⁶

Finally, the main criticism of the realist approach stems from its willingness to grant a monopolistic right to the owner of a famous trademark.²⁶⁷ By allowing owners of famous trademarks protection against future harm, the realist approach will tip the balance in favor of granting owners of famous trademarks a monopolistic right in trademarks.²⁶⁸ Overprotecting famous trademarks will stifle competition by creating a barrier to entry for other trademarks.²⁶⁹ The realist approach allows the owner of a famous trademark to exclude other similar trademarks fairly easily.²⁷⁰ Thus, smaller companies with unrecognized trademarks which may or may not dilute the famous trademark will nevertheless be excluded from the marketplace.²⁷¹

Furthermore, the Fourth Circuit has criticized the realist approach as creating an unnecessary presumption.²⁷² The presumption is that the owners of famous trademarks need protection in the marketplace from predatory diluters.²⁷³ The presumption is predicated on the notion that the entry of the

Id. at 1864.

266. Voss, *supra* note 116, at 282.

Moreover, because plaintiffs are not required to prove confusion under the FTDA's definition of dilution, the dilution standard necessarily has a lower burden of proof than an infringement claim. Unfortunately, because of the on-going mischaracterization of the dilution standard, as exemplified by *Nabisco*, such plaintiffs often are not afforded the protections they deserve.

McCabe, *supra* note 34, at 1865-66.

267. Port, *supra* note 78, at 486-87. "Under dilution theory, the trademark holder not only controls each expression of the mark, but also attempts to control the manner in which consumers or other manufacturers perceive of the mark. In this matter, dilution theory attempts a monopolization of the [trademark]." *Id.*

268. 4 MCCARTHY, *supra* note 90, at § 24:114. "The balance between fair competition and free competition must always be maintained and kept fine tuned for the economy to work at a reasonable rate of efficiency and competitiveness." *Id.*

269. Klieger, *supra* note 13, at 856.

The same characteristics that make trademarks so vital to free competition also imbue trademarks with the opposite power to stifle competition. Consumer reliance on trademarks as source and quality identifiers can generate strong consumer allegiances to products that prove difficult, and sometimes near impossible, for future market entrants to break.

Id.; see also *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999).

270. See generally Klieger, *supra* note 13, at 856-57.

271. *Id.* at 650. "[A] study showed that in nineteen of the twenty-two product categories, the leading brand in 1925 was still the leading brand in 1985. The link between persuasive advertising, consumer allegiance, and trademarks . . . can serve as a barrier to entry more powerful even than a patent or copyright." *Id.*

272. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 460 (4th Cir. 1999) ("In any event, there are enough reasons why replicating junior use of a mark might not cause any actual economic harm to a senior mark that it is not a proper subject for judicial presumption.").

273. *Id.* (stating that "economic harm inevitably will result from any replicating junior use is by

lesser-known and similar trademark into the marketplace will eventually dilute the strength of the trademark to the point where the trademark will no longer be unique.²⁷⁴ However, owners of famous trademarks already have the upperhand in the marketplace.²⁷⁵ Thus, these companies already have the resources to fend off competition and do not need the protection afforded to them by the realist approach.²⁷⁶ Ultimately, this hurts not only the smaller companies but also the consumer.²⁷⁷ Stifling competition in trademarks means that consumers will not benefit from the innovation and progress that accompany free competition.²⁷⁸

C. *Toward a New Interpretation of the FTDA*

In defense of its position, the Fourth Circuit stated: “Finally and most telling, there is the fact that in the face of the obvious centrality of ‘likelihood of dilution’ provisions in the interpretation and application of state antidilution statutes for the fifty years of their existence, the [FTDA] does not so provide.”²⁷⁹ As the Fourth Circuit pointed out, in interpreting the FTDA, it is critical to note that Congress did not include the “likelihood of dilution” standard found in the state dilution statutes.²⁸⁰ However, this omission can be understood in light of the “acquired legal meaning” of dilution, and the function of the dilution doctrine.²⁸¹

First, it is possible to interpret the term “dilution” and give it its “acquired legal meaning.”²⁸² The tension between the textualists and realists

no means that certain”).

274. *Id.*

275. See *Planet Hollywood, Inc. v. Hollywood Casino Corp.*, 80 F. Supp. 2d 815, 826 (N.D. Ill. 1999). “As a nation, we long have extolled the virtues of free and vigorous competition . . . [However,] we hold no less dear the right of individuals and corporations to control and use their own property, including intellectual property such as trademarks.” *Id.*

276. Voss, *supra* note 116, at 266. “[The realist approach] would effectively give trademark owners property rights in gross, and thereby upset the careful balance achieved in the existing system where similar marks can coexist on noncompeting products.” *Id.* at 267

277. Klieger, *supra* note 13, at 861. “[The realist approach] expressly reorients trademark law around the protection of the persuasive function of trademarks [to the consumer] and, in so doing, upsets trademark law’s historic balance between free and fair competition.” *Id.*

278. *Id.* at 862.

279. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir. 1999).

280. Cf. CAL. BUS. & PROF. CODE § 14330 (West Supp. 1997). “Each of the state antidilution statutes contains identical or substantially similar language.” Klieger, *supra* note 13, at 794 n.19.

281. See Voss, *supra* note 116, at 277 n.87 (quoting *NLRB v. Amax Coal Co.*, 453 U.S. 322, 329 (1981) (“Where Congress uses terms that have accumulated settled meaning under either equity or the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms.”)).

282. *Id.* at 277 (“[W]ords which have acquired specific legal meaning should be given that

stem from their extreme approaches to interpreting the FTDA.²⁸³ The textualist approach requires a strict showing of past harm, while the realist approach allows a more flexible showing of future harm.²⁸⁴ However, the reality is that prior to the enactment of the FTDA, state courts have permitted the use of both approaches.²⁸⁵ In cases such as *Ringling Bros.*, where the dilution had been occurring for some time, courts have permitted the use of evidence of past harm.²⁸⁶ Conversely, in cases such as *Nabisco*, where dilution was imminent, courts have permitted a showing of future harm.²⁸⁷ Thus, since the inception of the dilution doctrine, “dilution” has acquired a legal meaning consistent with the two approaches taken by the textualists and realists.²⁸⁸

In addition, the policy goals behind the dilution doctrine support granting dilution protection in cases where dilution is likely to occur in the future.²⁸⁹ As originally theorized by Professor Schechter, the dilution doctrine was aimed directly at protecting the investment that the trademark owner made in the trademark.²⁹⁰ This is a “slow, gradual type of harm” that should be granted protection under dilution law.²⁹¹ Congress used this rationale in the House Report to justify enacting the FTDA.²⁹² The House Report stated that “[t]he concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself, protecting both from those who would appropriate

meaning unless the statute otherwise dictates.”).

283. *Id.* at 288 (stating that “[t]he approaches taken by [the textualists and realists] represent opposite extremes to solving the problem of how to permit plaintiffs to establish dilution”).

284. *See supra* notes 211-78 and accompanying text for a full discussion of the debate between the two approaches.

285. *See generally* Ablin & Koshy, *supra* note 23.

286. *See id.* (stating that some “courts implied conditions to a finding of dilution [to past harm which was] expressly prohibited by the text of the statutes”).

287. Voss, *supra* note 116, at 277. “The vast majority of such states used very similar language to describe anti-dilution protection that guarded against the ‘likelihood of injury to . . . trademark.’” Ablin & Koshy, *supra* note 23, at 68-69 (quoting CAL. BUS. & PROF. CODE § 14330 (West 1999)).

288. *See* Klieger, *supra* note 13, at 817. “Most strikingly, many courts found that dilution, despite clear statutory language that it applied ‘notwithstanding . . . the absence of confusion as to the source of goods or services,’ required a finding of actual or likely confusion.” *Id.* (quoting *Cue Publishing Co. v. Colgate-Palmolive Co.*, 256 N.Y.S.2d 239, 240 (N.Y. Sup. Ct.), *aff’d*, 259 N.Y.S.2d 377 (N.Y. App. Div. 1965)).

289. Schechter, *supra* note 12, at 818. Professor Schechter argued that the dilution doctrine should protect the true functions of trademarks, which were “to identify a product as satisfactory and thereby . . . stimulate further purchases by the consuming public.” *Id.*

290. *See id.* at 830 (stating that the “vast expenditures in advertising” of trademarks must be protected).

291. Voss, *supra* note 116, at 277; *see also* Schechter, *supra* note 12, at 825 (stating that dilution is the “gradual whittling away . . . of the identity. . . of the mark”).

292. H.R. REP. NO. 104-374, at 4 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029. “Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.” *Id.* (quoting *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

the mark for their own gain.”²⁹³ It seems that Congress advocated protection for famous trademarks from those who would, in the future, hurt the significant investment that the owner of the trademark had made.²⁹⁴

This justifies the position that realists have taken.²⁹⁵ Congress sought to protect the value of the trademark from the danger of future dilution.²⁹⁶ However, this does not mean that Congress sought to protect trademarks from future dilution alone.²⁹⁷ In fact, Congress sought to grant relief for trademarks that have already been diluted.²⁹⁸ In light of the original understanding of the dilution doctrine, the goal of dilution law was to protect the investment in trademarks.²⁹⁹ This policy goal was adopted by Congress and expressed in its House Report.³⁰⁰ However, the intent of Congress in enacting the FTDA shows that dilution law sought to protect the investment that the owner of the trademark “has made” in the trademark.³⁰¹ Thus, it follows that Congress sought to protect the trademark owner from both past and future harm.³⁰²

Despite the seemingly opposing views taken by textualists and realists, it seems that both approaches can be reconciled and used together to show the true meaning of dilution.³⁰³ The two approaches can be reconciled and ultimately point to a new interpretation of the FTDA favoring the co-existence of a remedy for both past and future harm.³⁰⁴

293. *Id.*

294. *Id.* (“Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another’s use. This is the essence of dilution.”).

295. Voss, *supra* note 116, at 270; *see also* Klieger, *supra* note 13, at 860-62.

296. H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029; *see also* S. REP. NO. 100-515, at 41-42 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577.

297. *Id.*; *see also* Schechter, *supra* note 12, at 831 (arguing for the protection of the uniqueness of trademarks from past and future dilution).

298. H.R. REP. NO. 104-374, at 3 (stating that the FTDA will “protect famous marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks and, thereby, dilute their distinctive quality”).

299. *Id.* (stating that the FTDA “is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark”).

300. *Id.*

301. *Id.* (stating that the aim of dilution law is to protect the commercial investment that the owner of the trademark has made).

302. Voss, *supra* note 116, at 288 (noting that “[a] fair reading of the Dilution Act provides a remedy for both actual and potential future harm”).

303. *See id.*

304. *Id.*; *see also* Ablin & Koshy, *supra* note 23, at 90. “Coming to terms with dilution under the Dilution Act is understandably difficult. The definition of dilution under the Act, in its comparative minimalism, laid itself open to perverse interpretation. Exercise of this potential misinterpretation was, perhaps, a foregone conclusion.” *Id.*

VI. CONCLUSION

Ironically, the FTDA has caused more confusion than resolution.³⁰⁵ When Congress enacted the FTDA, it sought to provide more predictable results for the trademark owner.³⁰⁶ However, just five years after Congress enacted the FTDA, trademark owners still face uncertainty in the area of trademark dilution.³⁰⁷ As demonstrated by the recent split in the circuit courts, the cases give little guidance to trademark owners.³⁰⁸ Congress enacted the FTDA to combat forum-shopping and decrease the amount of litigation in overcrowded courts.³⁰⁹ However, the recent split in the circuits means that forum-shopping will continue.³¹⁰ Potential diluters threatened by liability will likely seek declaratory judgment against owners of famous trademarks in the Fourth, Fifth, Seventh, and Ninth Circuits.³¹¹ There, potential diluters will likely prevail against owners of famous trademarks unless the owners of famous trademarks can meet the rigorous actual harm standard.³¹² Conversely, owners of famous trademarks will proceed on a dilution claim in the Second and Third Circuits, where they will benefit from the flexible ten-factor test.³¹³ Furthermore, another potential impact of the inconsistent decisions in the circuit courts is that, overall, owners of famous trademarks will file fewer claims under the FTDA.³¹⁴ Instead, these owners will file more claims in state courts using state dilution statutes.³¹⁵ There, owners of famous trademarks will seek to benefit from the less stringent “likelihood of dilution” standard to prove cases of future dilution.³¹⁶

305. H.R. REP. NO. 104-374, at 3 (stating that the purpose of the FTDA was to “bring uniformity and consistency to the protection of famous marks”).

306. *Id.* (stating that “[p]resently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore can provide unpredictable and inadequate results for the trademark owner”).

307. *See* Ablin & Koshy, *supra* note 23, at 61. “Today . . . judicial construction of the [FTDA] is strangling the hope for a single, national standard of dilution. As cases applying the Dilution Act wind their way through the federal judicial system, courts have interpreted the Act in dramatically disparate ways.” *Id.*

308. 4 MCCARTHY, *supra* note 90, at § 24:114 (stating that “[t]he cases give little guidance, and plaintiffs are continually pressing for more and more protection”).

309. H.R. REP. NO. 104-374, at 4.

310. Ethan Horwitz & Kandis M. Kahn, *Recent Developments in Federal Trademark Dilution Law and Their Potential Effect on Litigation Strategy*, METRO. CORP. COUNCIL, Dec. 1999, at 18, available at WL, 12/99 Metro. Corp. Couns. 18, (col. 1).

311. *Id.* “This uncertainty will no doubt produce the adverse effect of forum shopping . . .” *Id.*

312. *Id.*

313. *Id.* (stating that “[t]rademark owners and their counsel must therefore give careful thought to the application of creative, flexible circumstantial evidence factors under Nabisco . . .”).

314. Andrew L. Deutsch, *Ruling Creates a Split in Dilution Jurisprudence: Rather Than Waiting for the Supreme Court, Owners May Ask Congress for Assistance*, THE NAT’L L.J., Oct. 25, 1999, at C22, available at WL, 10/25/99 Nat’l L.J. C22, (col. 1) (stating that the “FTDA has become an unreliable remedy from the standpoint of trademark owners”).

315. *Id.*

316. *See infra* notes 92-103 and accompanying text for a discussion of dilution standards in the states.

Today, trademark owners face uncertainty when faced with a claim under the FTDA.³¹⁷ Thus, ultimately, either the Supreme Court will have to resolve this split or Congress will have to amend the FTDA.³¹⁸ In doing so, either the Court or Congress must be mindful of both the text and the history of the FTDA. This Comment advocates the position that in order to give full deference to the accepted jurisprudence of the dilution doctrine, the Court or Congress must extend full protection to owners of famous trademarks for both past and future harm from trademark dilution.

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317. *See* Deutsch, *supra* note 314.

318. *Id.* (stating that “[r]ather than wait for the Supreme Court to decide between the two standards for dilution injunctions, trademark owners are likely to ask Congress to amend the FTDA”).

319. J.D. Pepperdine University School of Law, 2001.
