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DEFENDING AGAINST A DILUTION CLAIM: A PRACTITIONER'S GUIDE

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***206 I. Introduction¹**

The theory of dilution of trademarks was heralded by a seminal article by Frank Schechter.² Schechter proposed to protect trademark owners from the “whittling away” of the distinctive value of their trademark by others. The dilution of trademarks has since become a hot legal topic. Numerous lawyers have spent a substantial portion of their careers arguing for and against the legitimacy of a dilution cause of action.³ This paper does not debate the legitimacy of Schechter’s dilution theory. A number of authors have either supported or opposed dilution’s underlying tenets.⁴ For many lawyers, the dilution debates are largely superfluous. For these lawyers, it does not matter if a dilution statute is good or bad--it simply is. Its existence means something much more practical--how do I defend my client against a dilution claim?

A practitioner’s guide like this paper is helpful for defendants because a trademark infringement action commonly accompanies a claim of trademark dilution.⁵ This proliferation of dilution suits is both the result of an increase in the number of states which have enacted dilution statutes, as well as an increase in plaintiffs’ awareness of the power of these statutes. Currently, half of the states have adopted dilution statutes.⁶ In addition, the variety of judicial interpretations of these ***207** statutes is remarkable and particularly advantageous to plaintiffs, who often can choose from a wide range of interpretations.

This paper is designed to help defendants harness legal arguments against a claim of dilution. Although this paper cannot present a full analysis of the varieties of judicial interpretations of dilution laws, it does serve as a guidepost by offering the best possible arguments that a defendant should make and suggesting, in footnotes, where to look for authority for such arguments.⁷

Part II of this paper briefly explains the nature of a dilution cause of action and contrasts it to trademark infringement actions. Part III examines the devastating results that can stem from a dilution victory for the plaintiff, as well as from the very presence of a dilution claim in an infringement suit. Part IV presents the elements of dilution and the defendant’s favored definitions of the statutory terms “distinctiveness” and “dilution.” Part V presents the defendant’s arguments that dilution statutes implicitly require the existence of competition, predatory intent, actual damage, and a fair use exception. Finally, Part VI covers potential constitutional barriers to dilution statutes, or at least the constitutional barriers to a plaintiff’s interpretation of the statutes.

II. Dilution Statutes

A. The Emergence of Dilution Statutes

Dilution statutes are a relatively new phenomenon in the trademark protection field.⁸ The first dilution law was passed in Massachusetts in 1947.⁹ Since then, approximately twenty-five states have adopted dilution laws of their own.¹⁰ Three ***208** states include dilution as part of their common law.¹¹ In fact, one court has recently noted that a dilution claim is practically boilerplate in trademark actions.¹² The vast majority of states with dilution laws have adopted statutes that are much the same as section 12 of the Model State Trademark Bill.¹³ Despite this similarity in language, courts have been wildly inconsistent in their interpretations of dilution statutes.¹⁴

B. The Dilution Claim¹⁵

Although a single interpretation of dilution laws has yet to emerge and be accepted by most jurisdictions, there is a general understanding of what a dilution claim is and what it is not. This understanding is grounded in a contrast with traditional trademark infringement causes of action.

Traditional trademark law protects a manufacturer’s trademark from competitors using the same mark on different but competing goods, thereby dishonestly profiting from the manufacturer’s reputation for quality goods.¹⁶ Infringement under trademark law is proven by showing a likelihood of consumer ***209** confusion.¹⁷ Confusion is shown by the fact that the use of the infringing trademark is likely to mislead a substantial number of potential consumers as to the manufacturer of particular goods.¹⁸ Additionally, the misleading of consumers occurs primarily when the two manufacturers are competitors.¹⁹ Since trademark infringement requires a finding of mislead consumers, it has its basis in the tort of deceit.

In contrast, dilution laws do not explicitly require a likelihood of confusion.²⁰ Dilution statutes greatly expand the protection available to trademark owners. Dilution statutes allow a trademark owner to enjoin acts that dilute or whittle away a registered or common law trademark's distinctive quality, even if the consumers are not likely to be confused by the similarity of the marks.²¹ This cause of action gives the trademark owner a property right in the trademark, and its violation is similar, but not identical, to the tort of trespass to property.²²

This property right is protected in dilution laws because of the trademark owner's underlying interest in the mark's value. The owner has no legally-protectable interest in the mark's pure ownership quality, but only in conjunction with the identity, selling power, or goodwill that the mark represents.²³ The *210 trademark right is an exclusionary right, not a property right in the word itself. To be more specific, trademark owners do not actually own the underlying mark at issue--they only possess a right to exclude others from using the mark in a manner that would harm consumers.²⁴ A pure ownership right in a mark has not been granted, nor is it likely to be granted, because of the potential monopolization of language to which this could lead.²⁵ Dilution statutes obviously grant broader protection than traditional trademark law since a dilution cause of action allows a trademark owner to exclude those who use the mark in a non-confusing manner. However, dilution statutes only grant a quasi-property right in a mark.²⁶ This quasiproperty nature of trademark ownership means that a trespass or misappropriation without any damages is not protected against.²⁷ Rather, dilution laws only protect against trespasses that result in dilution.

III. The Danger of a Dilution Claim

The most obvious danger that a dilution claim presents for a defendant is that the defendant's trademark will be found to be diluting the plaintiff's trademark. In such a case, the defendant will be enjoined from further use of the trademark within that state. This danger, while being the most obvious, is not the most significant. In actuality, a dilution claim entails more serious dangers than dilution liability. These other dangers involve the possibility of undue influence and the possibility of a nation-wide injunction. Potential liability for dilution itself should not unduly alarm a defendant, as courts are often hesitant to be persuaded by dilution plaintiffs.

Since 1977, the issue of trademark dilution has arisen 159 times in the federal circuit courts of appeal. Of those 159 cases, only forty-three cases considered dilution as more than just a tack-on cause of action. Of the original 159 cases, only ten cases resulted in a preliminary injunction with dilution as a partial ground (the *211 other ground being likelihood of confusion). Furthermore, only four cases actually resulted in a sustained injunction based solely on a dilution statute.²⁸

Although dilution liability itself may not be particularly likely for a single defendant, this does not mean that liability never occurs. As every defendant knows, it only takes one final judgment to destroy a mark.

A. Improper Influence

The proliferation of dilution claims would not be as serious of a concern if dilution laws were applied only when the plaintiff could show actual damage to the value of its mark. However, a problem lies in the improper influence of dilution laws. Professor Welkowitz's analysis of the dilution cases leads him to the opinion that courts are using dilution laws to prevent "a second user from taking a 'free ride' on the well-known mark rather than to prevent the gradual 'whittling away' concept of dilution."²⁹ Therefore, dilution is misapplied as a tort of misappropriation or unjust enrichment, despite the formal language of the cases and laws involved.³⁰

There is no doubt that protecting against unjust enrichment greatly increases the defendant's liability. The fact that courts often use dilution to guard against unjust enrichment has two implications for defendants. First, in structuring its defense against dilution, the defendant must keep the court's potential ulterior motive in mind and work to establish its independent status, rather than be perceived as a free rider. Secondly, the defendant should vigorously attempt to keep the court's attention focused on the true purpose behind the law of dilution.

Dilution statutes are not aimed at the action of the defendant in isolation; instead, dilution laws are aimed at the defendant's actions that have a substantial and substantiated effect on the plaintiff's business reputation and goodwill. This is due to the fact that business reputation and goodwill are the qualities that give a trademark its value. As noted earlier, dilution statutes are not purely trespass laws--rather, they only protect trespass that causes injury in the form of dilution. In contrast, misappropriation focuses on the defendant's use of a trademark. Thus, dilution, properly understood, focuses on the use of a

particular trademark in conjunction with the result (i.e., harm) of that use. The defendant should make every effort to make sure the dilution claim does not influence the court to protect against misappropriation rather than dilution.

***212** Dilution laws have an improper influence in another manner as well. When the dilution claim is supplemental to the main claim of infringement and the issue of confusion is a close one, as it often is, “the dilution claim may make the court more comfortable in concluding that there is actual confusion.”³¹ If the infringement claim is before the court and the dilution claim is not concentrated on by the plaintiff (or even not made by the plaintiff although the court knows that such a claim is available),³² “[t]he court may reason that if confusion is ‘reasonably possible,’ even if not ‘likely,’ dilution probably would exist, and the same remedy would ensue.”³³

Again, the defendant should take affirmative steps to guard against such improper influence. The defendant should consider bringing the differences between infringement and dilution to the court’s direct attention and noting that the remedies are not the same. The defendant should also remind the court that dilution is not an alternative cause of action for a weak case of trademark infringement. A dilution cause of action has different intent and requirements from an infringement cause of action.

The use of disclaimers as a remedy for dilution evidences the improper influence of dilution laws.³⁴ The only reason to have a disclaimer is to prevent confusion on the part of consumers. The use of a disclaimer in a dilution case is ridiculous since the consumer is already aware that the source of the second good is not the first manufacturer.³⁵ This awareness is precisely the basis of a dilution statute--the trademark is somehow diluted despite the absence of confusion.³⁶ Clearly, the court’s use of irrelevant disclaimers to remedy dilution demonstrates ***213** that the court is actually acting either to make a free rider pay a toll or to prevent consumer confusion rather than to prevent dilution.

B. Nation-Wide Injunction

A dilution action is dangerous not only because of the possibility of undue influence, but also because of the possible issuance of a nation-wide injunction against the defendant’s use of the trademark.³⁷ This potentially devastating remedy should be a tocsin to defendants to oppose a dilution claim vigorously.

The remedy in a dilution case normally involves an injunction against the defendant from using the trademark in question. In order for the remedy to be effective with a trademark used nation-wide, the injunction must be nation-wide. Otherwise, if the use of the trademark was prohibited only within the state’s jurisdiction, there would still be a spillover effect from the nation-wide trademark use into the state, thereby causing dilution within that state. This rationale is consistent with the nation-wide injunction issued in the *Mead* case.³⁸ However, such an extra-territorial remedy arguably violates the Constitution.³⁹ Such an injunction disrupts the federal scheme, which allows individual states to devise and implement their own laws when there is no federal reason to prevent such individuality. Obviously, one state cannot devise laws for another state. Needless to say, one state’s regulation of conduct that occurs in another state will produce severe friction and resentment. Considering the fact that half of the states have not outlawed dilution, this is especially true when a court issues a nation-wide injunction against a diluting mark.⁴⁰ A dilution defendant should point out these federalism concerns to the court in order to protect his trademark as much as possible.

***214 IV. Interpretation of Dilution Statutes’ Terms⁴¹**

When dilution statutes are interpreted broadly, they have the potential to change the entire landscape of trademark protection in favor of plaintiffs. For example, the statutes, without restrictive judicial interpretation, prohibit all uses of a mark similar to a distinctive mark that the owner prefers not to be made. In order to avoid such an all-encompassing statute, a defendant should argue for a strict interpretation of the dilution statutes. For example, a defendant could argue that dilution can only occur when a manufacturer intentionally uses an identical mark on a competing product and the use causes the plaintiff’s mark to be tarnished in the public mind. This is one of the strictest possible interpretations of a dilution statute, and therefore, it is the most advantageous interpretation for defendants. However, this interpretation is also the interpretation which a court is least likely to adopt, because then trademark law would not be expanded at all. In the preceding example, traditional trademark law would prohibit the described trademark use. It is clear that the plaintiff will easily be able to argue that the legislature did not enact the dilution statute so that absolutely nothing would be changed. However, the defendant can work to insure that the dilution statute expands liability only to a limited degree.

Many interpretive aspects of a dilution statute have not yet been presented to the courts.⁴² This is especially true in those

states which only recently enacted dilution statutes. Even in the states that enacted dilution statutes many years ago, many interpretations are still unsettled. This is because the majority of state dilution claims are pendent cases, which are attached to federal infringement cases that are decided in federal courts, and those decisions that involve state laws are not binding on the state. For all these reasons, a defendant should vigorously present to the court the arguments most favorable to the defense, in order that the court will adopt its interpretation (or one only slightly modified) before an unfavorable precedent is set.

The dilution and distinctiveness requirements in dilution statutes generally are undefined within the statute⁴³ and there is no consensus within the legal field as to *215 what those terms mean.⁴⁴ Many courts have refused to confront the statutory vagueness and instead perpetuate it by adopting loose interpretations of “dilution” and “distinctiveness.” However, there are strong rationales in favor of strict judicial interpretations of “dilution” and “distinctiveness.”

A. Dilution

Dilution is difficult to define because it is a gradual and cumulative process. Therefore, it is difficult to determine at what point a trademark has been diluted. When the idea of dilution originally came into being, dilution was defined as “whittling away” or “dispersing” the distinctiveness of the trademark.⁴⁵ However, this definition is not any clearer for purposes of the dilution statute application.

There are two distinct elements of dilution: (1) a significant association in the consumer’s mind between the plaintiff’s and the defendant’s marks; and (2) a significant diluting impact on that association. The first element is a necessary prerequisite, but it is often not delineated in dilution discussions. For this reason, the debate on what the dilution statute requires is usually restructured into a discussion of the proper definition of dilution. However, the defendant will find it helpful to clarify these two separate elements to the court.

First, the defendant must convince the court that some kind of association between the two marks in the consuming public’s mind should be present before dilution can occur.⁴⁶ This required level of association is probably a lower threshold than the likelihood of confusion standard seen in trademark infringement cases, in order to give trademark owners broader protection than currently available under the Lanham Act.⁴⁷ Still, it is logical to assume that the strength of this association must *216 be more than trivial.⁴⁸ Second, the defendant must educate the court that dilution can occur only when the trademark use has some diluting impact on the consuming public’s association with one of the marks. There is no agreement as to how intense this impact on the association must be, but the defendant can surely argue that it must be more than *de minimis*.⁴⁹

Next, the defendant must mold the court’s interpretation of what kind of impact on the association will be a diluting impact. It is not clear what kind of impact on the consumer’s association between the two marks must be present, but there are two main groups into which judicial understandings of dilution fall. The judicial decisions interpret dilution to involve either diminishment of the “quality-representation” function of the trademark or diminishment of the “source-representation” function of the mark.⁵⁰ Defendants should argue that only a quality-representation interpretation should be attached to the word “dilution” because source-representation is remarkably broad.⁵¹

Diminishment of the quality-representation function of the trademark involves a lessened consumer opinion of the goods bearing the mark due to non-owner use of the trademark on inferior goods.⁵² This type of dilution is also known as tarnishment. On the other hand, diminishment of the source-representation function of the trademark occurs when the consumer no longer associates the trademark with its source due to the weakening of the mark by non-owner use.⁵³ Diminishment of the source-representation function can occur in one of three ways: 1) generic use of the trademark; 2) unrelated use of the trademark by non-owners; and 3) comparative advertising.⁵⁴

*217 There is a sound judicial reason for protecting the quality-representation function of a trademark, but not the source-representation function. Dilution statutes, as already noted, work to protect an owner’s goodwill. Quality-representation dilution greatly injures a plaintiff’s goodwill,⁵⁵ while source-representation only slightly injures the plaintiff’s goodwill. Furthermore, quality-representation protects only positive association, whereas source-representation protects association generally.⁵⁶

However, it cannot be denied that the source-representation dilution does injure the mark owner’s goodwill. After all, if consumers cannot identify the good’s source at all, they may not buy the product. Therefore, if the court insists on using a form of source-representation as a definition of dilution, the defendant should suggest a slightly different, though still similar,

definition called “blurring.” Blurring occurs when a non-owner’s use of an original mark distorts the consumer’s mental image of the product.⁵⁷ The difference between blurring and source-representation is subtle but can have a substantial effect on the judgment. Blurring focuses on permanent distortion of the consumer’s memory as to the product. Source-representation focuses on the strength of the consumer’s memory. For example, if a consumer does not immediately know what you refer to when you mention Rolls-Royce, but he realizes you are referring to the car only after you let him ponder it for a while, then the mark will have been diluted according to the source-representation theory but not according to the blurring theory. Blurring, *218 unlike source-representation, is difficult to find in the absence of a likelihood of confusion. Thus, if the court insists on using a definition broader than simply tarnishment, or quality-representation, the narrower blurring theory usually will be preferred by the defendant in a dilution case.

B. Distinctive Quality

The other undefined, yet central, term which the defendant should attempt to persuade the court to define narrowly is “distinctiveness.” When the theory of trademark dilution first emerged, it was limited to the dilution of marks that were coined, fanciful, or arbitrary.⁵⁸ However, the courts have generally not followed this original definition.⁵⁹ Consequently, a defendant is not likely to successfully argue in favor of this narrow definition. Alternatively, a defendant should attempt to convince the court that, in order for a mark to be eligible for dilution, the mark must be famous or even very famous.⁶⁰ This is a very difficult standard for a plaintiff to meet. However, not many courts require the mark to have such great strength.⁶¹ Yet, a court might find this standard more persuasive if the defendant points out that every other country in the world and several international agreements on trademarks strictly limit dilution protection to famous, or notorious, marks.⁶²

*219 If the court is not sympathetic to the requirement that a mark be famous, the defendant should try to persuade the court not to use the broadest possible definition of distinctiveness, namely, commercial magnetism. Commercial magnetism is not based on the inherent distinctiveness of the mark, but simply on the selling power that the trademark has achieved through mass public exposure to the mark.⁶³ Thus, under the commercial magnetism definition of distinctiveness, any mark that has a high volume of sales and an extensive advertising exposure would qualify for dilution protection. Essentially, the commercial magnetism theory is an application of a pure secondary meaning approach because no inherently unique distinctiveness is necessary.

A defendant should convince the court to apply a combination of the rejected uniqueness definition of the original dilution theory in conjunction with a limited application of secondary meaning. This should be a persuasive argument because the majority of courts already use this approach.⁶⁴ This approach defines distinctiveness to be a function of both the uniqueness of the mark and the association the average consumer makes between the trademark and the product. For a trademark to have a unique quality, it must have some inherently unusual characteristic, regardless of any acquired secondary meaning. Secondary meaning, the other proposed element, can be measured by public identification of a product with a trademark.

Essentially, this combination approach is a sliding scale balance test. A sliding scale means that the more unique a mark is, the less secondary meaning is required. Alternatively, the greater the strength of the secondary meaning, the less a uniqueness characteristic is required.⁶⁵ This combination approach is different from both the extreme of commercial magnetism, which focuses solely on secondary meaning, and the extreme of the “unique, coined, or fanciful” standard, which focuses solely on uniqueness.

It is possible to incorporate the famousness standard into the sliding scale standard. In the sliding scale approach, a court could find secondary meaning or uniqueness sufficient by itself if that secondary meaning or uniqueness is unusually *220 strong.⁶⁶ If the trademark is particularly common, such as Socks for socks, it will fail the first element of distinctiveness because there is nothing at all unique about “Socks.” However, if the mark is common but has such a tremendously established secondary meaning that it can be characterized as famous, then the mark may qualify for dilution protection.⁶⁷

V. Implicit Requirements of Dilution Statutes

A dilution statute can be limited by strict construction of its terms, as seen above. A dilution statute can also be limited by arguing that logic and reason demand that four other requirements are implicit in the dilution statute.⁶⁸ Without these implicit requirements, the statute will be disloyal to or expand upon the framers’ intent. First, a defendant should argue that the statute requires that the owners of the two marks be competitors. In other words, in order for dilution to be present, there must be a

likelihood of confusion. Second, in order for a dilution injunction to issue, there should be a finding of predatory intent on the part of the alleged diluter. Third, the dilution should not be presumed immediately after determining that the mark is distinctive. Rather, the plaintiff must prove that there has been or is likely to be a whittling away of the distinctive quality in the public's mind. Finally, there should be an exception for fair use of a mark, similar to the exception read into the Lanham Act.

A. Competitors or Likelihood of Confusion

The relationship between plaintiff's and defendant's goods can be used to limit the application of dilution statutes concerns. Although dilution statutes do not explicitly require that the trademarked products compete with each other, a defendant can still argue that dilution implicitly requires it. To say that the goods must be in competition with each other is the equivalent of saying that a likelihood of confusion must be present because consumers will not confuse the source of two goods unless they are similar or in close markets. For a long time, courts were reluctant to apply dilution laws unless a likelihood of confusion was present.⁶⁹ *221 Courts often read a competition requirement into dilution statutes in order to prevent expanding trademark protection. However, in recent years, this hesitation has largely disappeared, and the courts have applied dilution statutes as they are written.⁷⁰ Still, occasionally courts are willing to ignore the statutory wording and insist on the presence of competition.⁷¹

This competition argument stems from the nature of dilution. This nature can be best understood by analogy. There are two meanings of "rich"--it can mean having a great deal of money or it can mean very sweet. The fact that there are two meanings to the word "rich" does not detract from the strength of each individual meaning. In order to diminish the association of one of those meanings, the second meaning must be used in the same context as the first meaning. In a similar fashion, a trademark can not be diluted in strength unless it is used within the same context, i.e., in competition. It is possible that this argument cannot be applied to arbitrary and fanciful marks. If one manufacturer sells numerous products under the Exxon label, the Exxon Corporation may lose some of the value of its mark even though the two marks do not compete and customers are aware of the difference.

Yet, insofar as non-arbitrary marks are involved, the competition requirement is logically valid. However, the competition requirement questions the virtue of having a dilution statute at all, since an infringement claim under the Lanham Act would likely protect against dilution by a competitor. Furthermore, if there are fifty different uses of a mark, rather than simply the two used in the analogy, it is possible that each individual use would indeed be diminished even for non-arbitrary marks.⁷² Finally, the court is unlikely to question the legislature's wisdom by adding a requirement whose absence in the statute is hard to explain except by deliberate legislative choice. One must conclude that a defendant is unlikely to succeed in arguing that the two marks must be in competition.

***222 B. Predatory Intent**

Another limitation that a defendant should propose that the court adopt in its interpretation of the dilution statute is the requirement of predatory intent. Some courts have interpreted dilution statutes so as to require a wrongful intent on the part of the defendant to dilute the plaintiff's trademark.⁷³ Such a requirement would necessitate a showing that the defendant intended to appropriate the plaintiff's trademark. The courts that have required predatory intent do so on the basis that the dilution remedy, an injunction, is an equitable remedy, which generally requires a showing of bad intent. Obviously, the defendant should argue that predatory intent is a mandatory requirement. At the very least, the defendant should argue that predatory intent is an influential factor that the court should consider.

Interestingly, a predatory intent requirement points to the use of dilution statutes as a prevention of misappropriation rather than as a prevention of dilution, or whittling away. This irony necessitates that the defendant should be wary of arguing both in favor of a predatory intent requirement and against the use of dilution statutes as misappropriation prevention. If the defendant does argue on both grounds, and the plaintiff notes his alleged hypocrisy, the defendant should counter that the right and the remedy are distinct. Furthermore, it was the legislature and not the defendant who joined the uncomplimentary nature of a dilution statute based on trespass and the injunction remedy. In any event, if the defendant suspects that the court is using a misappropriation theory, the defendant should use that as a springboard to advocate that the court should require proof of predatory intent.

C. Proof of Dilution

All too often, when the plaintiff claims dilution and the court has interpreted distinctiveness and dilution so that the plaintiff's trademark falls within its definition, the court automatically grants an injunction.⁷⁴ This should not occur. Even if dilution is interpreted loosely, this does not automatically mean that *223 plaintiff's trademark has been diluted in a particular instance.⁷⁵ Although it may seem apparent that under a source-representation theory of dilution, a popular tissue called Rolls Royce disperses the immediate association the average consumer has with the Rolls Royce car, this is not necessarily the case. Furthermore, the dispersion of an immediate association is difficult to prove under any circumstances,⁷⁶ particularly when there are only two (dissimilar) products using the mark.⁷⁷ Proof problems may prevent a plaintiff from getting an injunction, even if it is warranted.⁷⁸ The defendant should insist that the plaintiff prove actual or potential dilution and should not allow the judge to unconsciously assume the role of the average consumer.⁷⁹ The plaintiff should be able to point to a specific trademark that was worth X before the entry of the defendant's mark but worth less than X after the entry of the defendant's mark. The defendant should not allow the plaintiff to have the advantage of any unproved assumptions.⁸⁰

D. The Fair Use Exception

Traditional trademark law permits the use of a word by another individual as long as the use is descriptive, used fairly, and used in good faith only to describe the *224 goods or services, the party, or their geographic origin.⁸¹ In essence, this fair use defense, or exception, prohibits a trademark owner from appropriating a descriptive word and thereby preventing others from accurately describing their own goods.⁸² An example will best explain what is meant by the fair use exception in a dilution context. Rich Hotel and Holly's Rich Catfood both use the word rich but Holly's Rich Catfood is using the word in its descriptive capacity, rather than in its trademark capacity. Technically, any use of "rich" could dilute, according to loose definitions of distinctiveness and dilution. The use of such loose definitions and the absence of a fair use exception would severely handicap the use and development of language. Yet, no state dilution statute has an explicit exception for fair use.⁸³ Although there appears to have been no published dilution cases articulating a fair use defense,⁸⁴ it seems likely that a fair use exception is implicitly present because of First Amendment concerns with the freedom of speech or due to an analogy with the Lanham Act. If the defendant's use of a trademark can be considered primarily descriptive, then a substantial portion of its defense should be based on the fair use exception.

VI. The Constitutional Defenses

There are two possible barriers within the U.S. Constitution to guard against a dilution victory. A defendant may argue on the basis of preemption⁸⁵ or that the First Amendment⁸⁶ protects the "speech" of a trademark.

*225 A. The First Amendment

It is well-settled that a trademark is commercial speech.⁸⁷ Regulation of commercial speech is constitutional only if it satisfies the test set out in *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*.⁸⁸ This test establishes the four requirements that commercial speech regulation must meet: 1) the expressed speech is protected; 2) the government's interest is substantial; 3) the regulation directly advances the governmental interest; and 4) the regulation is no more extensive than necessary to achieve that objective.⁸⁹

Arguably, application of the *Central Hudson* test results in the conclusion that dilution laws are unconstitutional. First, the speech that dilution laws prohibit is constitutionally protected expression because it is not misleading or deceptive.⁹⁰ By contrast, speech in a trademark infringement case is not protected by the First Amendment because the Lanham Act only prohibits misleading or deceptive speech (i.e., speech that is likely to cause confusion in the minds of consumers). Dilution laws satisfy the first prong by interfering with protected speech. Therefore, a court must address the other prongs of the *Central Hudson* test to determine if the prohibition against dilution is constitutional.

The second prong, which requires a substantial governmental interest, is not met because the only governmental interest involved in dilution statutes is an interest in protecting a trademark owner's intangible property from the unauthorized use by another. Although this is a legitimate interest in copyright, the Supreme Court has decided that there is no property right in a trademark.⁹¹ Therefore, in protecting trademarks, the government can only protect against the public harms of unauthorized use. For example, in infringement actions, the government has an interest in preventing public deception. In contrast, only

once has constitutional legitimacy been given to a governmental interest in granting a speech monopoly to a trademark owner. This was when Congress granted the United States Olympic Committee the exclusive use of the mark “Olympic.” The governmental interest in *226 that case was exceptional and can hardly be generalized to trademarks as a whole.⁹² The government can only protect against dilution when there is harm to the public. Arguably, dilution statutes only protect property rights in speech.⁹³ Thus, the second prong is not satisfied since a governmental interest in protecting an in-gross property right in trademark speech is not generally legitimate or substantial.⁹⁴

The third prong, whether dilution statutes directly advance the governmental interest, is satisfied since a dilution law does indeed directly address the unauthorized use of a trademark. However, even given this, and even if one disputes this paper’s analysis of the second prong and believes that the governmental interest behind dilution statutes is indeed substantial, the fourth prong is violated. Dilution statutes are an overly-broad method of protecting trademark owners. Infringement law already provides sufficient protection for trademark owners’ interests. Although there are instances where trademark owners allegedly lose value in their trademark and are not compensated by the Lanham Act, the harm that allegedly flows from dilution is unsubstantiated. If two individuals use the same mark and the public acknowledges two distinct sources for the two uses of those marks (i.e., there is no likelihood of confusion), the mark owners and consuming public suffer no substantial harm.⁹⁵ The argument that a dilution statute is an overly-broad method of protecting trademark owner’s interests rests on the belief that the very injury of dilution is an imaginary one, absent competition between the products. Even if the legislature is convinced of the possibility of dilution injury, the courts should not assume the legislature is correct when analyzing the statute under the First Amendment.

However, it must be noted that the First Amendment defense does not appear to be particularly viable. Although the First Amendment argument is valid and has vigor, only one court has accepted it.⁹⁶ By contrast, several courts have rejected First Amendment arguments.⁹⁷ Pessimism about the First Amendment defense is *227 especially appropriate because it has been argued only where the defendant claims that its use of the trademark is a parody.⁹⁸ However, the First Amendment defense outlined in this paper starts from the premise that dilution statutes violate the First Amendment per se. Therefore, the violation is not limited to parodies. Considering the unpopularity of the First Amendment with the courts in the narrower arena of parodies, it is unlikely that the courts will be more receptive to the argument on a larger scale.

VII. Conclusion

When faced with a dilution claim, a defendant should not be overly-concerned because dilution claims do not succeed as often as they might.⁹⁹ Only if there is a claim of tarnishment or trademark infringement will a dilution claim have any real chance of success.¹⁰⁰ Even with the infringement claim, if the court finds infringement, the court usually ignores the dilution claim as unnecessary or it cursorily finds in the defendant’s favor.¹⁰¹

However, a defendant should be wary. When a dilution claim is joined with an infringement claim, the outcome for the defendant’s infringement case can be very unfavorable. Also, the possibility of a nation-wide injunction must be taken seriously. A defendant should emphasize to the court what a dilution statute is designed to prevent. Although it may seem apparent that a dilution statute was enacted to prevent dilution, a defendant should guard against the court’s use of the statute to prevent misappropriation or to buttress a weak case of infringement. The defendant should also point out to the court the federalism concerns inherent in a nation-wide injunction.

*228 A defendant should ensure that the court understands that, in order for dilution to occur, there must be an association between the two marks in the consumers’ minds. If this is present, then there must be a diluting impact on this association. A defendant should continue his case by putting forth his interpretation of what constitutes a diluting impact. First, a defendant should argue for a strict interpretation of the dilution term itself. A quality-representation function for the dilution requirement is essential to this strict interpretation. However, if the court is not amenable to this approach, the defendant should argue that dilution statutes protect against blurring, as opposed to the broader source-representation type of dilution. Next, a defendant should advocate that, in order to be eligible for dilution, a distinctive mark must be famous. Alternatively, the defendant should urge the court to take a combined approach with the distinctiveness requirement. This combined approach should consist of the trademark elements of uniqueness and secondary meaning. In addition, the defendant should attempt to convince the court that dilution requires that the goods be in competition with each other. Furthermore, due to the equitable nature of the dilution remedy, predatory intent should be a necessary prerequisite to liability. Finally, the defendant should make certain that the plaintiff shows that dilution has actually occurred or is likely to occur. If the defendant’s use of the mark is primarily descriptive of its product, the defendant should also argue that the dilution statute has a fair use

exception.

The defendant also should consider arguing that dilution statutes are unconstitutional.¹⁰² In addition, the First Amendment protects diluting trademarks in the absence of a likelihood of confusion, and there is not a substantial governmental interest to override First Amendment concerns.

The defense lawyer will undoubtedly have some technical legal weapons with which to block the plaintiff's dilution case. With this paper, he also has a helpful framework for developing his substantive blockade.

Footnotes

^{a1} O'Melveny & Myers, Los Angeles, California. The author wishes to extend her gratitude to Mark Lemley, Professor of Law at the University of Texas School of Law, for his invaluable advice and critiques of this paper.

¹ Unexpectedly, right before this article went to press, the federal government created a cause of action for dilution. This new law is known as Public Law 104-98, or the Federal Trademark Dilution Act of 1995. The new legislation can also be found as House Report 1295. *See* Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1996) (to be codified at 15 U.S.C. §§ 1125, 1197). The federal legislation establishes a basis to sue the owner of a non-competing product for diluting the distinctive quality of a famous mark. The legislative history of this new federal law explicitly permits the existence of state causes of action for dilution of non-famous and federally registered marks. Much of this article will be useful to defendants in cases brought under the federal statute, although some original sections, such as the section on preemption (which has now been deleted), are obviously inapplicable. In cases brought under state laws against dilution, this article will be more useful, although the reader will need to modify his understanding in light of the new federal legislation. For the text of this new legislation, see Appendix A.

² Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

³ For example, Jerome Gilson, Beverly W. Pattishall, and George Middleton.

⁴ *See generally Dilution Law: At a Crossroads*, 83 TRADEMARK REP. 107-225 (1993).

⁵ David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 567 (1991).

⁶ Alabama, ALA. CODE § 8-12-17 (Supp. 1993); Arkansas, ARK. CODE ANN. § 4-71-113 (Michie 1993); California, CAL. BUS. & PROF. CODE § 14330 (West 1995); Connecticut, CONN. GEN. STAT. ANN. § 35-11i (West 1995); Delaware, DEL. CODE ANN. tit. 6, § 3313 (Supp. 1994); Florida, FLA. STAT. ANN. § 495.151 (West Supp. 1995); Georgia, GA. CODE ANN. § 10-1-451 (Michie 1994); Idaho, IDA. CODE § 48-512 (Supp. 1995); Illinois, ILL. REV. STAT. ch. 765, para. 1040-42 (Supp. 1995); Iowa, IOWA CODE ANN. § 548.11.2 (West 1995); Louisiana, LA. REV. STAT. ANN. § 51:223.1 (West 1995); Maine, ME. REV. STAT. ANN. tit. 10, § 1530 (West 1994); Massachusetts, MASS. GEN. L. ch. 110B, § 12 (West Supp. 1995); Missouri, MO. REV. STAT. § 417.061.1 (1992); Montana, MONT. CODE ANN. § 30-13-334 (1995); Nebraska, NEB. REV. STAT. § 87-122 (1994); New Hampshire, N.H. REV. STAT. ANN. § 350-A:12 (Supp 1995); New Mexico, N.M. STAT. ANN. § 57-3-10 (Michie 1995); New York, N.Y. GEN. BUS. LAW § 368-d (McKinney 1995); Oregon, OR. REV. STAT. § 647.107 (1993); Pennsylvania, 54 PA. CONS. STAT. ANN. § 1124 (Supp. 1995); Rhode Island, R.I. GEN. LAWS § 6-2-12 (Supp 1992); Tennessee, TENN. CODE ANN. § 47-25-512 (Supp 1994); Texas, TEX. BUS. & COM. CODE ANN. § 16.29 (West 1995); Washington, WASH. REV. CODE ANN. § 19.77.140 (West 1995). For an excellent summary of each state's laws and important cases on dilution, see *Federal Trademark Dilution Act of 1995: Testimony on H.R. 1295 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 104th Cong., 1st Sess. (1995) (statement of Thomas E. Smith, Chair, American Bar Association Section of Intellectual Property Law).

⁷ The reader should be forewarned, however, that, by taking the defendant's position in a dilution suit, many of this paper's proposed arguments embrace an unfavorable opinion of the dilution cause of action.

8 For an insightful history of the dilution cause of action, see *Federal Trademark Dilution Act of 1995: Testimony on H.R. 1295 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 104th Cong., 1st Sess. (1995) (statement of Thomas E. Smith, Chair, American Bar Association Section of Intellectual Property Law).

9 Howard J. Shire, *Dilution Versus Deception--Are State Antidilution Laws an Appropriate Alternative to the Law of Infringement?*, 77 TRADEMARK REP. 273, 278 (1987) (Massachusetts was the first state to pass a dilution statute).

10 A majority of the dilution litigation has taken place under the New York, California, and Illinois statutes. Kim Muller, *An Inquiring Look at the Texas Anti-Dilution Statute*, 53 TEX. B.J. 718, 718 (1990).

11 Michigan, New Jersey, and Ohio. In addition, the federal government has very recently adopted legislation creating a federal cause of action for a particular type of dilution, that involving dilution of famous marks. See Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985, 986 (1996) (to be codified at 15 U.S.C. §§ 1125, 1127).

12 See *Home Box Office v. Showtime/The Movie Channel*, 665 F. Supp. 1079, 1087, 3 U.S.P.Q.2d (BNA) 1806, 1811 (S.D.N.Y.), *aff'd in part, vacated in part*, 832 F.2d 1311, 4 U.S.P.Q.2d (BNA) 1789 (2d Cir. 1987). But see Kenneth L. Port, *The Unnatural Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433 (1994), for the opinion that dilution suits are rare.

13 Section 12 of the Model State Trademark Bill provides:
Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of the goods or services.
Model State Trademark Bill § 12 (1992).

14 For example, New York courts require evidence of confusion even though the New York statute clearly dictates that dilution may be found regardless of confusion. In contrast, the Illinois courts will refuse to find dilution if there is confusion. The New York and Illinois dilution statutes, however, are the same. See generally Shire, *supra* note 9, at 283-96 (reviewing various judicial interpretations of dilution statutes).

15 Jerome Gilson has urged for trademark practitioners to be consistent in the terminology of dilution laws as well in their interpretation. Jerome Gilson, *A Federal Dilution Statute: Is It Time?*, 83 TRADEMARK REP. 108, 109 (1993). Following his recommendation, this paper will refer to dilution laws as such, rather than in the awkward term of "anti-dilution."

16 See *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 973 (2d Cir. 1928) (merchants shall not divert sales from another by misrepresentation through use of similar trademarks on similar goods). See also Milton W. Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 271 (1985) (arguing that the purpose of trademark infringement law is to protect the owner from non-owner deceit).

17 See *Girl Scouts of Am. v. Personality Posters Mfg.*, 304 F. Supp. 1228, 1231, 163 U.S.P.Q. (BNA) 505, 506 (S.D.N.Y. 1969) (finding that the likelihood of consumer confusion over trademark is enough to show misrepresentation and infringement). The requirement for likelihood of consumer confusion is codified in the Lanham Act. 15 U.S.C. § 1114(1)(1994).

18 See *Lever Bros. Co. v. American Bakeries Co.*, 693 F.2d 251, 253, 216 U.S.P.Q. (BNA) 177, 179 (2d Cir. 1982) (noting that the ultimate consideration to determine whether trademark has been infringed is whether a large proportion of consumers are misled or confused by non-owner's use of trademark). The courts have enunciated several factors that contribute to a likelihood of confusion. These factors have been compiled in the RESTATEMENT (FIRST) OF TORTS. RESTATEMENT (FIRST) OF TORTSSSSS § 717 (1938) (withdrawn in RESTATEMENT (SECOND) OF TORTS (1977)).

19 There are rare instances of trademark infringement where the consumer can be misled and a likelihood of confusion will be present even when the two products do not compete. This type of situation is seen when a consumer believes that the owner of one mark is sponsoring or endorsing a different product in a different field. *Olympic Prison v. U.S. Olympic Comm.*, 489 F. Supp. 1112, 207

U.S.P.Q. (BNA) 237 (S.D.N.Y. 1980).

20 *See, e.g.*, FLA. STAT. ANN. § 495.151 (West Supp. 1995) (confusion and competition are not necessary to have a dilution cause of action); TENN. CODE ANN. § 47-25-512 (Supp. 1994) (absence of competition or confusion is not a bar to the enforcement of a dilution cause of action).

21 Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TRADEMARK REP. 289, 308 n.122 (1984) (quoting *Coca-Cola Co. v. Koke Co. of Am.*, 254 U.S. 143, 146 (1920)).

22 *Id.* at 309-10.

23 *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 49, 199 U.S.P.Q. (BNA) 65, 69 (2d Cir. 1978) (explaining that an injury to trade name itself is at the heart of a dilution wrong), *cert. denied*, 439 U.S. 1116, 200 U.S.P.Q. (BNA) 832 (1979); *Tiffany & Co. v. Boston Club, Inc.*, 231 F. Supp. 836, 843-44, 143 U.S.P.Q. (BNA) 2, 7-8 (D. Mass. 1964) (arguing that a mark has value to its owner as a symbol of quality). One commentator has argued that a trademark has no property value at all since it can not be separated from the business that engendered the mark. *See* George E. Middleton, *Some Reflections on Dilution*, 42 TRADEMARK REP. 175, 179 (1952) (explaining that on the demise of the business that created a trademark, the mark ceases to exist, and thus has no property value).

24 “The mere fact that one person has adopted and used a trademark on his goods does not prevent the adoption and use of the same trademark by others on articles of a different description. There is no property in a trademark apart from the business or trade in connection with which it is employed.” *American Steel Foundries v. Robertson Comm’r*, 269 U.S. 372, 380 (1926).

25 *See* *S.C. Johnson & Son v. Johnson*, 116 F.2d 427, 429 (2d Cir. 1940) (noting that a person who obtains property in name by mere advertising creates a danger of monopoly).

26 Trademarks cannot be bought and sold as if they were property as it is ordinarily understood. A trademark can be sold only in conjunction with the business or “goodwill” to which the mark is connected. 2 J. MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18.01.2 (3d ed. 1995), at 18-5 to 18-7.

27 The Supreme Court has not recognized a pure property right in a trademark, nor has it indicated that it will ever do so. However, the Court has said, in dicta, that Congress could determine “that unauthorized uses, even if not confusing, nevertheless may harm the [plaintiff] by lessening the distinctiveness and thus the commercial value of the marks.” *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522, 539, 3 U.S.P.Q.2d (BNA) 1145, 1153 (1987) (citing *Schechter*, *supra* note 2, at 825). It is important to note, however, that in this case there was a special statute governing Olympic symbols. 36 U.S.C. §§ 371-96 (1988) (entitling United States Olympic Committee to bar the use of “Olympic” even without demonstrating a likelihood of confusion).

28 Port, *supra* note 12, at 441.

29 Welkowitz, *supra* note 5, at 545-46.

30 *Id.* at 546. Such a statutory tort may be permissible, but the dilution statutes do not authorize it. *See* *Int’l News Serv. v. Associated Press*, 248 U.S. 215 (1918) (upholding the right of the Associated Press (AP) to prevent a competitor from reprinting AP news while it was still newsworthy).

31 Welkowitz, *supra* note 5, at 549.

32 In *Instrumentalist Co. v. Marine Corps League*, 509 F. Supp. 323, 210 U.S.P.Q. (BNA) 841 (N.D. Ill. 1981), *aff’d* 694 F.2d 145,

216 U.S.P.Q. (BNA) 951 (7th Cir. 1982), the court, after finding no infringement had occurred, held that dilution had occurred despite the fact that dilution had not been pleaded.

33 Welkowitz, *supra* note 5. Damages are available in infringement actions but usually are not available in dilution actions. In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 484, 8 U.S.P.Q.2d (BNA) 1072, 1074 (7th Cir. 1988), the court claimed that the lack of a likelihood of confusion actually established the necessity of granting an injunction in a dilution case.

34 *See, e.g.*, *Midwest Research Inst. v. S & B Promotions, Inc.*, 677 F. Supp. 1007, 1017, 6 U.S.P.Q.2d (BNA) 1269, 1277 (W.D. Mo. 1988); *Wilton Mortuary, Inc. v. Woolsey-Wilton Funeral Home, Ltd.*, 489 N.E.2d 319, 321-22 (Ill. App. 3d 1986).

35 In most cases of dilution, a second manufacturer will use the first manufacturer's well-known mark on a non-competing good only when the consumer is aware that the source of the second good is not the first manufacturer. As will be discussed later, there are four general types of dilution. In each type, the second manufacturer receives no benefit from using another manufacturer's mark unless the consumer is aware of the first manufacturer and/or his good's quality. Therefore, generally speaking, the second manufacturer has no incentive to dilute unless consumer awareness is present. In the usual case, therefore, the dilution problem is not remedied with a disclaimer. It is possible that in cases of innocent dilution, where the second manufacturer is using a similar mark without being aware of the first manufacturer's use of the mark, a disclaimer might be an appropriate remedy. However, innocent dilution is rare.

36 *See* Port, *supra* note 12, at 442.

37 For examples of nation-wide injunctions in dilution cases, see *Stern's Miracle-Gro Prods., Inc. v. Shark Prods., Inc.*, 823 F. Supp. 1077, 1095-96, 27 U.S.P.Q.2d (BNA) 1267, 1280 (S.D.N.Y. 1993) and *Instrumentalist Co. v. Marine Corps League*, 509 F. Supp. 323, 340, 212 U.S.P.Q. (BNA) 555, 558-59 (N.D. Ill. 1981), *aff'd*, 694 F.2d 145, 216 U.S.P.Q. (BNA) 951 (7th Cir. 1982). *But see* *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 32 U.S.P.Q.2d (BNA) 1936 (2nd Cir. 1994). In *Deere*, the court upheld the lower court's refusal to grant a nation-wide injunction on dilution claim. The court upheld the ruling due to the novelty of the issues raised and due to federalism concerns. *Id.* at 46, 32 U.S.P.Q.2d at 1941-42.

38 *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 702 F. Supp. 1031, 1044, 9 U.S.P.Q.2d (BNA) 1442, 1453 (S.D.N.Y. 1988), *rev'd on other grounds*, 875 F.2d 1026, 10 U.S.P.Q.2d (BNA) 1961 (2d Cir. 1989).

39 It is beyond the scope of this paper to discuss the variety of constitutional arguments that can be used by a defendant to oppose a nation-wide injunction. See generally David S. Welkowitz, *Preemption, Extraterritoriality, and the Problem of State Anti-Dilution Laws*, 67 TUL. L. REV. 1 (1992) for an excellent discussion of this issue.

40 *See generally* *Rosemont Enter., Inc. v. Urban Sys., Inc.* 42 A.D.2d 544 (N.Y. App. Div. 1973) (restricting injunction to New York because "[i]n other jurisdictions ..., the law with respect to the right of privacy could have other efficacy with respect to a public figure ... both in common-law interpretation and in statutes"). *See also* *Blue Ribbon Feed Co. v. Farmers Union Cent. Exch., Inc.* 731 F.2d 415, 422, 222 U.S.P.Q. (BNA) 785, 790 (7th Cir. 1984) (recognizing that "considerations of comity among the states favor limited out-of-state application of exclusive rights acquired under domestic law, and a district court does not err when it takes a restrained approach to the extra-territorial application of such rights").

41 Although beyond the scope of this paper, the new federal legislation will have a determinative, or at least persuasive, impact on what the defendant should posit as the proper definition of "dilution" and "distinctiveness." *See supra* note 1.

42 For example, Texas courts will eventually have to determine the following issues concerning Texas' recent dilution statute: which marks are capable of dilution; the types of harm the statute was designed to prevent; the need for an identical or very similar mark by the junior user; the applicability of the statute in situations concerning identical or related goods or services; the requirement for proof of predatory intent on behalf of the junior user; and the type of relief that will be available to a party whose marks are held diluted. Muller, *supra* note 10.

- 43 With the exception of the Washington statute. WASH. REV. CODE ANN. § 19.77.160 (West 1995).
- 44 See *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 625, 217 U.S.P.Q. (BNA) 658, 662 (2d Cir. 1983) (noting the nebulous nature of the “whittling away” concept of dilution). See also *Shire, supra* note 9, at 292-93 (commenting on the lack of judicial and legislative definitions of dilution); *Handler, supra* note 16, at 278 (no one knows what amount of whittling away is necessary for injury).
- 45 See *Schechter, supra* note 2, at 825 (real injury is the whittling away or dispersion of a mark’s image in the public mind).
- 46 The consumer’s cognitive association requirement is closely related to requiring that the mark be distinctive and that there be proof of dilution, as discussed in other sections. Distinctiveness focuses on one-half of the association--the association of the plaintiff’s mark in the consumer’s mind. Proof of dilution focuses on the changes in this association due to defendant’s actions. See *Wedgewood Homes, Inc. v. Lund*, 659 P.2d 377, 379-80, 222 U.S.P.Q. (BNA) 446, 448-49 (Or. 1983) (“In application the existence of the mark’s distinctive quality must be proven by demonstrating what the mark signifies to the consuming public. If the mark has come to signify plaintiff’s product in the minds of a significant portion of consumers and if the mark evokes favorable images of plaintiff or its product it possesses the distinctive quality of advertising value--consumer recognition, association and acceptance--and will be entitled to protection from dilution.” (citations omitted)).
- 47 A lower threshold of association than the likelihood of confusion standard does not mean that dilution is satisfied simply with a weak case of infringement. It is only in the *strength* of association between two marks where a reduced version of the likelihood of confusion concept may be appropriate. The *kind* of impact on the association is very different in dilution than in trademark infringement.
- 48 The strength of the association of the two marks in the public’s mind theoretically can be measured with consumer surveys. This issue is addressed in Part V.C, *infra*.
- 49 The impact, or intensity, of the alleged dilution on this association theoretically also can be measured with consumer surveys.
- 50 See *Cyd B. Wolf, Trademark Dilution: The Need for Reform*, 74 TRADEMARK REP. 311, 318-19 (1984) (defining dilution using the quality and source representation functions of trademark).
- 51 See *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 32 U.S.P.Q.2d (BNA) 1936 (2d Cir. 1994) for an unusually strained understanding of dilution. The court ruled that dilution can occur when neither tarnishment nor blurring is present. *Id.* at 44, 32 U.S.P.Q.2d at 1939. The court reasoned that a manufacturer who alters his competitor’s mark and uses it in comparative advertising in a humorous manner is diluting, but that he would not be diluting if the same scenario occurred without humor, alteration of the mark, or in a noncommercial setting. *Id.* at 44-45, 32 U.S.P.Q.2d at 1940.
- 52 See *Wolf, supra* note 50, at 318 (quality representation injury results from adverse public association of a mark with dissimilar products or services).
- 53 See *id.* at 318-19 (source-representation trademark injury occurs when public association of a trademark to its owner is weakened); *Holiday Inns, Inc. v. Holiday Out in Am.*, 481 F.2d 445, 450, 178 U.S.P.Q. (BNA) 257, 260 (5th Cir. 1973) (holding that dilution occurs where subsequent use of a mark lessens the uniqueness of the mark and, thus, weakens the mark).
- 54 See *American Chicle Co. v. Topps Chewing Gun, Inc.*, 208 F.2d 560, 562, 99 U.S.P.Q. (BNA) 362, 364 (2d Cir. 1953) (finding that a mark may become so strong that the owner loses rights to it because of its general use); *Amstar Corp. v. Dominos Pizza, Inc.*, 615 F.2d 252, 265, 205 U.S.P.Q. (BNA) 969, 980 (5th Cir. 1980) (quoting *Holiday Inns, Inc. v. Holiday Out in Am.*, 481 F.2d 445, 450, 178 U.S.P.Q. (BNA) 257, 260 (5th Cir. 1973)) (dilution protection applies where a strong mark was made weak by unrelated use), *cert. denied*, 449 U.S. 899, 208 U.S.P.Q. (BNA) 464 (1980); *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 32 U.S.P.Q.2d (BNA) 1936 (2d Cir. 1994) (finding dilution when competitor uses humorous alteration of another’s mark for comparative advertising).

- 55 *See* Stork Restaurant v. Sahati, 166 F.2d 348, 364, 76 U.S.P.Q. (BNA) 374, 387 (9th Cir. 1948) (holding that the use of a famous nightclub name on a local pub is likely to injure the famous nightclub's image); Pillsbury Co. v. Milky Way Prods., 215 U.S.P.Q. (BNA) 124, 133 (N.D. Ga. 1981) (finding that defendant's use of plaintiff's trademarked characters "Poppin Fresh" and "Poppie Fresh" in defendant's magazine in a sexually depraved manner is likely to injure plaintiff's reputation). *See also* Wedgewood Homes, Inc. v. Lund, 659 P.2d 377, 379-80, 222 U.S.P.Q. (BNA) 446, 448-49 (1982) (explaining that in the context of dilution, the predictable quality of a mark has been defined as the mark's power to evoke images of the product, that is, its favorable associational value in the minds of consumers).
- 56 If, for example, the Coca-Cola trademark was used as a trademark by a poor-quality car manufacturer, this might cause soft drink consumers to stop buying the Coca-Cola soda because of an assumption that the soft drink would also be of a poor quality. In contrast, if the Coca-Cola trademark was used by a high-quality drill bit manufacturer, this might cause soft drink consumers to be more likely to choose the Coca-Cola soda based on their recognition of the trademark with a high-quality soft drink. A trademark use that actively works to prevent a purchase is more harmful than a trademark use that slows the consumer's decision on making the purchase.
- 57 *See* Mennen Co. v. Gillette Co., 565 F. Supp. 648, 656, 220 U.S.P.Q. (BNA) 354, 360 (S.D.N.Y. 1983) (finding that dilution of mark comes by blurring product identity or tarnishing public's positive perception of mark), *aff'd*, 742 F.2d 1437 (2d Cir. 1984); *see also* Note, *Dilution: Trademark Infringement or Will-O'-The-Wisp?*, 77 HARV. L. REV. 520, 531 (1964) (blurring occurs when secondary use reduces product identification in the public mind).
- 58 *See* Schechter, *supra* note 2, at 828-29 (distinctiveness is based on the uniqueness of the mark and commonly used marks are words that are not distinct for dilution purposes). Schechter believed that unique marks added to the common vocabulary instead of subtracting from it. *Id.* at 829.
- 59 *See* Food Fair Stores, Inc. v. Food Fair, Inc., 83 F. Supp. 445, 450, 79 U.S.P.Q. (BNA) 114, 118 (D. Mass. 1948) (finding that state dilution statute was designed to bring state trademark protection in line with broad federal trademark protection, therefore broad interpretation applied), *aff'd*, 177 F.2d 177, 83 U.S.P.Q. (BNA) 14 (1st Cir. 1949). Courts, however, have been inconsistent in determining how broadly distinctiveness should be defined. *See* Hyatt Corp. v. Hyatt Legal Servs., 736 F.2d 1153, 1158, 222 U.S.P.Q. (BNA) 669, 672 (7th Cir. 1984) (even though the name "Hyatt" is a reasonably common name, "Hyatt" was found to be distinctive because of the reputation of the plaintiff), *cert. denied*, 469 U.S. 1019 (1984); Toys "R" Us, Inc. v. Canarsie Kiddie Shop, Inc., 559 F. Supp. 1189, 1206-07, 217 U.S.P.Q. (BNA) 1137, 1150-51 (E.D.N.Y. 1983) (holding that trademarks that have acquired secondary meaning are distinctive in addition to unique trademarks).
- 60 *See* Mead Data Cent. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 10 U.S.P.Q.2d (BNA) 1961 (2d Cir. 1989). The court required the mark to be famous, although the controlling dilution statute specifically referred to *any* mark. *Id.* at 1031, 10 U.S.P.Q.2d at 1965-66.
- 61 *See* Hester Indus., Inc. v. Tyson Foods, Inc., 16 U.S.P.Q.2d (BNA) 1275, 1278-79 (N.D.N.Y. 1990) (explaining that dilution is not limited to famous marks); Dreyfus Fund, Inc. v. Royal Bank of Canada, 525 F. Supp. 1108, 213 U.S.P.Q. (BNA) 872 (S.D.N.Y. 1981). The fact that the court may not require that a mark be famous in order to be eligible for dilution protection does not necessarily mean that the mark's notoriety is insignificant. Its notoriety may be important in determining if dilution has occurred. The renown of a senior mark is a factor that a court should assess when evaluating the likelihood of dilution. *Hester Indus.*, 16 U.S.P.Q.2d at 1280.
- 62 In the formal treaty language, the term is "well-known." *See, e.g.*, Paris Convention for the Protection of Industrial Property, March 20, 1883, art. 6 (*bis*), 828 U.N.T.S. 305; Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods of the General Agreement on Tariffs and Trade, Part 2, Section 2, Article 16; Trademarks Act of Great Britain, 1994 (use of mark on non-similar goods is prohibited only if mark has significant reputation).
- 63 *See* Mishawaka Rubber & Woolen Mfg. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942) (finding that a trademark that has acquired secondary meaning has commercial magnetism that induces the public to buy goods on which the trademark is placed).

- 64 *See, e.g.,* Toys “R” Us, Inc., v. Canarsie Kiddie Shop, Inc., 559 F. Supp. 1189, 1196, 217 U.S.P.Q. (BNA) 1137, 1142 (E.D.N.Y. 1983) (requiring that the mark distinguish the owner’s goods before secondary meaning attaches-- inverted “R” in Toys “R” Us is sufficiently distinctive to be protected); *see also* Bowmar Instrument Corp. v. Continental Microsys., Inc., 497 F. Supp. 947, 958, 208 U.S.P.Q. (BNA) 496, 505 (S.D.N.Y. 1980) (stating that a distinct mark that has become so well known to the public that it identifies goods sold by that manufacturer establishes secondary meaning).
- 65 In many ways, this standard is similar to the standard used in trademark infringement analysis. However, courts in dilution cases require that the mark be more distinctive than is minimally necessary for trademark protection. DONALD S. CHISUM & MICHAEL A. JACOBS, UNDERSTANDING INTELLECTUAL PROPERTY LAW, § 5[E][3][b](I), at 5-232 (1992).
- 66 *See* Allied Maintenance Corp. v. Allied Mechanical Trades, Inc., 369 N.E.2d 1162, 1166, 198 U.S.P.Q. (BNA) 418, 422 (N.Y. 1977) (explaining that a strongly distinctive mark is needed before it can be protected from dilution, and that “Allied” is not strong).
- 67 *Compare* Sally Gee, Inc. v. Myra Hogan, Inc., 699 F.2d 621, 625, 217 U.S.P.Q. (BNA) 658, 661 (2d Cir. 1983) (explaining that distinctiveness acquired by secondary meaning is fairly difficult to attain since the mark must become famous to have secondary meaning) *with* Wedgewood Homes v. Lund, 659 P.2d 377, 379, 222 U.S.P.Q. (BNA) 446, 448 (Or. 1983) (arguing that for distinctiveness purposes, secondary meaning can be acquired simply by use).
- 68 Although beyond the scope of this paper, the new federal legislation will have a determinative, or at least persuasive, impact on what the defendant should posit as an implicit requirement. *See supra* note 1.
- 69 *See* Epitome Restaurant, Inc. v. Heublein, Inc., 174 U.S.P.Q. (BNA) 287 (S.D.N.Y. 1972) (finding that a likelihood of confusion is necessary to apply New York dilution statute); Haviland & Co. v. Johann Haviland China Corp., 269 F. Supp. 928, 957, 154 U.S.P.Q. (BNA) 287, 308 (S.D.N.Y. 1967) (holding that the failure to show a likelihood of confusion bars plaintiff from injunctive relief under dilution statute).
- 70 *See* Hyatt Corp. v. Hyatt Legal Servs., 736 F.2d 1153, 222 U.S.P.Q. (BNA) 669 (7th Cir.) (noting that competition and confusion are not necessary to apply Illinois’ dilution statute), *cert. denied*, 469 U.S. 1019 (1984); Community Fed. Sav. & Loan Ass’n v. Orondorff, 678 F.2d 1034, 1036-37, 215 U.S.P.Q. (BNA) 26, 28 (11th Cir.) (1982) (finding that the district court misapplied dilution law by requiring a likelihood of confusion); Allied Maintenance Corp. v. Allied Mechanical Trades, Inc., 369 N.E.2d 1162, 1165-66, 198 U.S.P.Q. (BNA) 418, 422 (N.Y. 1977) (explaining that dilution protection is not dependent on a likelihood of confusion).
- 71 *See, e.g.,* Mead Data Cent. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 10 U.S.P.Q.2d (BNA) 1961 (2d Cir. 1989).
- 72 Indeed, this is the rationale of dilution causes of action. Dilution advocates believe that since there is no way to draw a line at a certain number, the best way to protect against dilution is to stop it before it begins, i.e., at the first use of a second meaning. However, this preventive theory of dilution is not adopted within the statutes.
- 73 Sally Gee, Inc. v. Myra Hogan, Inc., 699 F.2d 621, 626, 217 U.S.P.Q. (BNA) 658, 662 (2d Cir. 1983) (holding that relief under dilution statute is an equitable remedy and that intent is a factor to be weighed); PPG Indus., Inc. v. Clinical Data, Inc., 620 F. Supp. 604, 609, 227 U.S.P.Q. (BNA) 1036, 1040 (D. Mass. 1985); Toys “R” Us, Inc. v. Canarsie Kiddie Shop, Inc., 559 F. Supp. 1189, 1208-09, 217 U.S.P.Q. (BNA) 1137, 1152 (E.D.N.Y. 1983) (explaining that predatory intent is a factor to be weighed in determining whether dilution has taken place); *see also* Beneficial Corp. v. Beneficial Capital Corp., 529 F. Supp. 445, 451-52, 213 U.S.P.Q. (BNA) 1091, 1096-97 (S.D.N.Y. 1982) (arguing that although statutes do not require intent, cases show that bad intent is required for dilution relief). *But see* Mennen Co. v. Gillette Co., 565 F. Supp. 648, 656, 220 U.S.P.Q. (BNA) 354, 360 (S.D.N.Y. 1983) (finding that predatory intent is not a requirement for dilution protection), *aff’d*, 742 F.2d 1437 (2d Cir. 1984).
- 74 Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122, 123 (1993) (remarking that “no finding of dilution has been supported by meaningful empirical proof (e.g., survey evidence or direct testimony) that dilution had occurred or was likely to occur”).

75 Welkowitz, *supra* note 5, at 588. According to one author, no mark has ever actually, quantitatively been established to have been diluted. Port, *supra* note 12, at 447.

76 *See generally* Alexander F. Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework to Judge "Likelihood" of Dilution*, 83 TRADEMARK REP. 149 (1993). *See also* Pattishall, *supra* note 21, at 305 (Pattishall, a firm supporter of dilution laws, admits measurement of dilution injury is almost impossible).

77 It is not sufficient under a dilution statute that a second mark may lead to a third or fourth mark which may then cause dilution. The statutes are worded so that a dilution cause of action exists only against a mark that is likely to cause dilution, not against a mark that is likely to cause others to act so as to cause dilution.

78 However, this should not defeat the requirement of proof of dilution because there are numerous instances in the law where there is a right, but difficulties in showing proof make the remedy nearly impossible to achieve.

79 In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 8 U.S.P.Q.2d (BNA) 1072 (7th Cir. 1988), the court did not require any proof whatsoever of the dilution. The court sustained the injunction because the dilution damages were unknowable and, therefore, irreparable. The defendant should point out to the court that there is no other area in the law where the plaintiff is able to have an injunction issued because the plaintiff can not specifically point to actual or potential injury. *See* Port, *supra* note 12, at 443.

80 *See, e.g.*, *Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176, 1186-87, 226 U.S.P.Q. (BNA) 123, 130 (11th Cir.), *cert. denied*, 474 U.S. 845 (1985); *Exxon Corp. v. Exxene Corp.*, 696 F.2d 544, 550, 217 U.S.P.Q. (BNA) 215, 219 (7th Cir. 1982) (noting the failure of survey evidence to convince the jury); *Plasticolor Molded Prods. v. Ford Motor Co.*, 713 F. Supp. 1329, 1349, 11 U.S.P.Q.2d (BNA) 1023, 1040 (C.D. Cal. 1989); *Schwartz v. Slenderella Sys. of Cal., Inc.*, 260 P.2d 256, 260 (Cal. Ct. App. 1953) (finding sales and advertising evidence insufficient), *aff'd*, 271 P.2d 857, 102 U.S.P.Q. (BNA) 177 (Cal. 1954); *see also* *Kern v. WKQX Radio*, 529 N.E.2d 1149, 1152, 9 U.S.P.Q.2d (BNA) 1131, 1133 (Ill. App. Ct. 1988) (rejecting the opinion of a marketing professor that the defendant's use diluted the plaintiff's mark); *cf.* *Instrumentalist Co. v. Marine Corps League*, 509 F. Supp. 323, 333, 210 U.S.P.Q. (BNA) 841, 849 (N.D. Ill. 1981) (accepting the plaintiff's "uncontradicted" testimonial evidence of dilution), *aff'd* 694 F.2d 145, 216 U.S.P.Q. (BNA) 951 (7th Cir. 1982).

81 15 U.S.C. § 1115(b)(4) (1994).

82 The fair use defense applies even when the goods are in competition. Thus, if a business can show that it uses a descriptive term solely to describe its product, it can defeat a trademark infringement action by a competing business, which is using a descriptive trademark with secondary meaning. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791, 217 U.S.P.Q. (BNA) 988, 995 (5th Cir. 1983).

83 The new federal legislation explicitly outlines liability exceptions for "noncommercial uses," comparative advertising, and news reporting/commentary. *See* Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1996) (to be codified at 15 U.S.C. §§ 1125, 1127). The "noncommercial uses" exception may or may not encompass a fair use defense for a descriptive use such as "Holly's Rich Catfood."

84 *But see* *Ringling Bros. Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 8 U.S.P.Q.2d (BNA) 1072 (7th Cir. 1988). In *Ringling Bros.*, the defendant did claim that the fair use defense of the Lanham Act preempted the Illinois dilution statute. The court decided that there was no preemption and that there was no legitimate fair use claim in this dilution case because the defendant did not have a good faith use and because the defendant did not use the term in a descriptive capacity. *Id.* at 484, 8 U.S.P.Q.2d at 1075-76.

85 With the recent passage of the new federal dilution law, the author has deleted a substantial section on preemption, believing that only a separate article can adequately address the preemption issue for state dilution laws in light of the new federal dilution law.

See supra note 1. In the new federal dilution legislation, Congress clearly intended the statute to bar state dilution laws for famous or federally-registered marks and not to preempt state dilution laws for non-famous and federally-unregistered marks. It must be noted, however, that the fact that Congress' intent concerning preemption was clear in the recent legislation does not definitively answer the question of whether state statutes outlawing dilution of famous marks are preempted. For example, one could argue that the new federal legislation is inconsistent with the Lanham Act and is, therefore, constitutionally illegitimate. Also, one could argue that preemption exists for non-famous marks despite Congressional intent to the contrary. The reader should explore preemption law under the Supremacy Clause as well as under the Commerce Clause to determine the strengths and weaknesses of such arguments. The author's preliminary research leads her to believe that a valid preemption argument remains.

86 U.S. CONST. amend. I. Although beyond the scope of this paper, the new federal legislation will have a determinative, or at least persuasive, impact on a defendant's First Amendment argument. *See supra* note 1.

87 Commercial speech is defined as "speech that advertise[s] a product or service for profit or for business purpose." BLACK'S LAW DICTIONARY 245 (5th ed. 1979). *See Friedman v. Rogers*, 440 U.S. 1 (1979) (analyzing a dispute involving a trademark for optician services under the commercial speech doctrine).

88 447 U.S. 557 (1980).

89 *Id.* at 566.

90 It will, however, be misleading or deceptive if the two products are in competition with each other.

91 *American Steel Foundries v. Robertson, Comm'r*, 269 U.S. 372, 380 (1926). The Supreme Court has not answered the question of whether the states can grant a property right in a trademark. However, one could assume that if the federal government is prohibited from creating such a right, then similar reasons would prohibit state governments from creating such a property right. *See supra* part VI.A.

92 These governmental interests were to provide the U.S. Olympic Committee with an incentive to continue to sponsor and produce high quality Olympic games and to promote international goodwill among the world's young athletes. *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522, 537-38, 3 U.S.P.Q.2d (BNA) 1145, 1152 (1987); 36 U.S.C. §§ 371-96 (1988) (entitling the United States Olympic Committee to bar the use of "Olympic" even without a demonstration of a likelihood of confusion).

93 *See Port, supra* note 12, at 463 (citing *Middleton, supra* note 23).

94 In addition, copyright does not protect an in gross property right in speech. A copyright only protects expression of an idea. Although this expression is often a series of words, it is different from trademark in that one can not protect a small number of words.

95 Marla J. Kaplan, *Antidilution Statutes and the First Amendment*, 21 SW. U. L. REV. 1139, 1166 (1992).

96 *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 33, 1 U.S.P.Q.2d (BNA) 1753, 1758 (1st Cir.), *cert. denied* and *appeal dismissed*, 483 U.S. 1013 (1987) (ruling that the First Amendment protects the use of a trademark from dilution liability when the trademark is used in a noncommercial setting, such as in an editorial or artistic context).

97 *Pillsbury Co. v. Milky Way Prods., Inc.*, 215 U.S.P.Q. 124, 135 (N.D. Ga. 1981) (holding defendant liable for dilution for publishing cartoon of "Poppin Fresh" and "Poppie Fresh" doughpersons engaging in sexual intercourse and fellatio); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1190-91, 175 U.S.P.Q. (BNA) 56, 60 (E.D.N.Y. 1972) (enjoining "Enjoy Cocaine" posters because customers might be "turned off" by the so-called spoof).

⁹⁸ See DONALD S. CHISUM & MICHAEL A. JACOBS, UNDERSTANDING INTELLECTUAL PROPERTY LAW, § 5E[3][b], at 5-237 (1992) (“Decisions do not treat parody or humorous purpose as an independent defense to a dilution charge, but First Amendment rights may preclude application of tarnishment claims to noncommercial parody.”).

⁹⁹ In several cases, courts have refused to consider dilution claims once a remedy is found under federal trademark law. See, e.g., *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 161 n.14, 195 U.S.P.Q. (BNA) 689, 694 n.14 (1st Cir. 1977); *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 389, 188 U.S.P.Q. (BNA) 623, 644 (7th Cir. 1976), *cert. denied*, 429 U.S. 830, 191 U.S.P.Q. (BNA) 416 (1976); see also *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260, 2 U.S.P.Q.2d (BNA) 1677, 1682 (2d Cir. 1987); *E. Remy Martin & Co. v. Shaw-Ross Int’l Imports, Inc.*, 756 F.2d 1525, 1534, 225 U.S.P.Q. (BNA) 1131, 1137 (11th Cir. 1985); *Robarb, Inc. v. Pool Builders Supply of the Carolinas, Inc.*, 696 F. Supp. 621, 629 n.3, 7 U.S.P.Q.2d (BNA) 1616, 1622 n.3 (N.D. Ga. 1988) (finding injunction against federal violations sufficient to protect against dilution).

¹⁰⁰ See, e.g., *Quabaug Rubber*, 567 F.2d at 161 n.14, 195 U.S.P.Q. at 694 n.14; *Union Carbide*, 531 F.2d at 389, 188 U.S.P.Q. at 644, *cert. denied*, 429 U.S. 830, 191 U.S.P.Q. 416 (1976); see also *Mobil Oil*, 818 F.2d at 260, 2 U.S.P.Q.2d at 1682; *E. Remy Martin*, 756 F.2d at 1534, 225 U.S.P.Q. at 1137.

¹⁰¹ Welkowitz, *supra* note 5, at 567; Muller, *supra* note 10, at 719.

¹⁰² Preemption issues may prevent enforcement of dilution laws.

***229 Appendix A: Federal Trademark Dilution Act of 1995**

FEDERAL TRADEMARK DILUTION ACT OF 1995 Pub. L. No. 104-98, 109 Stat. 985 (1996). (HR 1295)

An Act To amend the Trademark Act of 1946 to make certain revisions relating to the protection of famous marks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Federal Trademark Dilution Act of 1995”.

SEC. 2. REFERENCE TO THE TRADEMARK ACT OF 1946.

For purposes of this Act, the Act entitled “An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes”, approved July 5, 1946 (15 U.S.C. 1051 and following), shall be referred to as the “Trademark Act of 1946”.

SEC. 3. REMEDIES FOR DILUTION OF FAMOUS MARKS.

(a) REMEDIES.--Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by adding at the end the following new subsection:

“(c)(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such

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

“(A) the degree of inherent or acquired distinctiveness of the mark;

*230 “(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

“(C) the duration and extent of advertising and publicity of the mark;

“(D) the geographical extent of the trading area in which the mark is used;

“(E) the channels of trade for the goods or services with which the mark is used;

“(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought;

“(G) the nature and extent of use of the same or similar marks by third parties; and

“(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

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

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

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

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

“(B) Noncommercial use of a mark.

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

(b) CONFORMING AMENDMENT.--The heading for title VIII of the Trademark Act of 1946 is amended by striking “AND FALSE DESCRIPTIONS” and inserting “,FALSE DESCRIPTIONS, AND DILUTION”.

***231 SEC. 4. DEFINITION.**

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the paragraph defining when a mark shall be deemed to be “abandoned” the following:

“The term ‘dilution’ means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of--

“(1) competition between the owner of the famous mark and other parties, or

“(2) likelihood of confusion, mistake, or deception.”.

SEC. 5. EFFECTIVE DATE.

This Act and the amendments made by this Act shall take effect on the date of the enactment of this Act.

Approved January 16, 1996.

***232 Appendix B: Excerpts of Legislature Comments to the Federal Trademark Dilution Act of 1995**

H.R. Rep. No. 374 104th Cong., 1st Sess. 1995, *reprinted in* 1996 U.S.C.C.A.N. 1029.

The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion. H.R. 1295 does this by amending Section 43 of the Trademark Act of 1946 to add a new subsection (c) to provide protection against another's commercial use of a famous mark which results in dilution of such mark. Presently, 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. The federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks and is also consistent with our international obligations in the trademark area.

...

It is important to note that H.R. 1295 would not pre-empt existing state dilution statutes. State laws could continue to be applied in cases involving locally famous or distinctive marks. Unlike patent and copyright laws, federal trademark law presently coexists with state trademark law, and it is to be expected that a federal dilution statute should similarly coexist with state dilution law. The ownership of valid federal registration would act as a complete bar to a dilution action brought under state law.