

**Texas Intellectual Property Law Journal**  
Fall, 2011

Article

**ENDING DILUTION DOUBLESPEAK: REVIVING THE CONCEPT OF ECONOMIC HARM IN THE DILUTION ACTION**

Alexander Dworkowitz<sup>1</sup>

Copyright (c) 2011 Intellectual Property Law Section of the State Bar of Texas; Alexander Dworkowitz

I.	Introduction	26
II.	The Different Theories of Dilution	31
	A. Dilution as Trespass on the Mark	32
	B. Dilution as Free-riding	33
	C. Dilution as a Thought Injury to the Consumer	34
	D. Dilution as an Economic Injury to the Trademark Owner	36
	E. Dilution as Trespass on the Mark's Mental Associations	39
III.	Courts Have Engaged in a Formulaic Application of the TDRA with Little Discussion about the Nature of the Dilution Harm	41
IV.	The Courts' Confusion Stems from the Lack of Incentives of Dilution Proponents to Clarify the Nature of the Dilution Harm	47
	A. The Original Conception of Dilution Did Not Focus on the Nature of the Dilution Harm	47
V.	The TDRA Embodies a Theory of Economic Harm	53
	A. The Plain Text of the Statute Reflects an Economic Harm Theory	53
	B. Scholarship and Legislative History Support the Central Importance of Economic Harm	57
	C. The Structure of the Statute Supports a Theory of Economic Harm	60
VI.	A Proposal: Allowing Defendants to Introduce Evidence of a Lack of Economic Harm	61
	A. Allowing Defendants to Rebut the Presumption of Economic Harm Meets the Goals of the TDRA	62
	B. Allowing Defendants to Rebut the Presumption of Economic Harm is Workable in the Courtroom	63
VII.	Conclusion	64

## \*26 I. Introduction

In 1912, the magazine *Vogue* celebrated its twentieth anniversary. Long before Anna Wintour, it had become “one of the dominating factors in the creation and promotion of styles,”<sup>71</sup> and designers were eager to earn the magazine’s praises, as “approval or promotion of any pattern or style in its pages carried great influence.”<sup>72</sup>

One company seeking to benefit from the *Vogue* name was the *Vogue Hat Company*, which incorporated in 1912 and began manufacturing hats with the *Vogue* label the following year.<sup>3</sup> The *Vogue Hat Company* borrowed more than the magazine’s name: they also copied part of *Vogue*’s trademark. *Vogue* had used what was known as the “V-Girl” mark.<sup>4</sup> The mark showed the letter “V” with a drawing of a woman in an elaborate dress standing in front of the “V.” The hat company used a similar “V” and also had a woman as part of the drawing; however, the *Vogue Hat Company*’s picture only showed the woman’s head, not her entire body, she was seen wearing (predictably) a hat, and the words “*Vogue Hats*” and “*New York*” also appeared.<sup>5</sup>

By the time these hats had made it into a department store in Toledo, Ohio, *Vogue* had had enough. The magazine sued both the hat manufacturer and the department store in federal court. The district court found for the defendants, saying there was no unfair competition and no trademark infringement.<sup>6</sup> But in a 1924 decision, the court of appeals found otherwise. Focusing on the similarity of the two marks, the court argued that at least some consumers would think the hats were sponsored by the plaintiff.<sup>7</sup> The consequence of this source confusion was material to the plaintiff: “[i]t seems not extreme to say, as plaintiff’s counsel do, that persistence \*27 in marking under this trade-mark articles of apparel which are unfit, undesirable, or out of style would drive away thousands of those who customarily purchase plaintiff’s magazine.”<sup>8</sup> The court issued an injunction against the defendants preventing them from using the “V-Girl” or the “V” on the hat’s label.<sup>9</sup> The court based its decision not on trademark infringement, but on broader principles of unfair competition.<sup>10</sup>

The *Vogue* case caught the attention of Frank Schechter, in-house counsel for BVD, an underwear manufacturer.<sup>11</sup> In a 1927 law review article, Schechter argued that the *Vogue* case was not an isolated one; instead, it was part of a broader pattern.<sup>12</sup> Citing the use of the “Rolls Royce” name on automobile and radio parts, “Ritz-Carlton” on coffee, and “Kodak” for bath tubs, cakes, and bicycles,<sup>13</sup> Schechter argued that the traditional standard for trademark infringement, which at the time only allowed for claims when the two uses were for the same class of goods, was not enough to protect against these misappropriations.<sup>14</sup> Traditional trademark infringement depended on a “likelihood of confusion” standard; if consumers were likely to be confused as to the source of the product, then there was infringement.<sup>15</sup> But in these cases, the real harm was not a confused consumer; rather, the injury “[was] the gradual whittling away or dispersion of the identity and \*28 hold upon the public mind of the mark or name by its use upon non-competing goods.”<sup>16</sup>

Schechter did not give a name to this injury, but he did quote a German case that spoke of a mark being “diluted,”<sup>17</sup> and the word “dilution” came to be the name for the doctrine Schechter advocated. Massachusetts passed the nation’s first anti-dilution law in 1947, and in the following decades most other states followed suit.<sup>18</sup>

In 1995, Congress passed its own anti-dilution law, the Federal Trademark Dilution Act (FTDA).<sup>19</sup> The Act defined dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services.”<sup>20</sup> Dilution claims began pouring into federal courts following the passage of the FTDA, and plaintiffs were often successful.<sup>21</sup> The 2003 Supreme Court decision, *Moseley v. V Secret Catalogue, Inc.*, cut into that success, holding that plaintiffs must show actual dilution, not just likelihood of dilution.<sup>22</sup>

In response to the *Moseley* decision, Congress revised federal law in 2006 with the passage of the Trademark Dilution Revision Act (TDRA).<sup>23</sup> The TDRA made several changes to dilution law. First, it established “likelihood of dilution” as the standard, not actual dilution, thus overruling *Moseley*.<sup>24</sup> Second, it clarified the requirement that the plaintiff’s mark be “famous.”<sup>25</sup> Finally, it stated that two different types of dilution were actionable. The first type is known as “dilution by blurring.”<sup>26</sup> This is the type of dilution that Schechter focused on, and it is what is \*29 traditionally meant by the term dilution.<sup>27</sup> The second is “dilution by tarnishment,” defined as an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”<sup>28</sup> While *Kodak bicycles* is a prototypical example of dilution by blurring, a *Kodak strip club* is an example of dilution by tarnishment, the idea being that a strip club has unsavory connotations that will harm the reputation of Eastman Kodak.<sup>29</sup>

Despite sixty years of anti-dilution laws, disagreement still exists as to what dilution actually means. J. Thomas McCarthy wrote:

No part of trademark law that I have encountered in my forty years of teaching and practicing IP law has created so much doctrinal puzzlement and judicial incomprehension as the concept of “dilution” as a form of intrusion on a trademark. It is a daunting pedagogical challenge to explain even the basic theoretical concept of dilution to students, attorneys, and judges.<sup>30</sup>

Indeed, even the Supreme Court was confused as to what dilution actually meant when it considered the Moseley case.<sup>31</sup> The Court issued the decision without attempting to give a definition to the concept.<sup>32</sup>

This confusion led to disparate answers to a simple question: what harm do anti-dilution laws actually protect against? Critics of anti-dilution laws have concluded that the harm posed by products like Kodak bicycles is either non-existent or so negligible that it does not justify legal protection.<sup>33</sup> Modern defenders of anti-dilution laws have responded to these criticisms in two distinct ways. Some defenders argue that anti-dilution laws protect trademark owners against economic harm, and therefore have turned to empirical studies for evidence trying to demonstrate that harm.<sup>34</sup> Other defenders of anti-dilution laws say the focus on economic harm is misplaced, that the laws protect trademark owners from some other form of harm that has little to do with their financial bottom line.<sup>35</sup> Often these defenders of anti-dilution laws do not address the critics head on, however. Rather than articulating a coherent alternative theory of harm, this group has instead emphasized examples of dilution,<sup>36</sup> the importance of brands to companies,<sup>37</sup> and tests for determining whether or not dilution has occurred.<sup>38</sup> The uncertainty over the nature of dilution is reflected in the text of the TDRA. The TDRA defines dilution as an association between two trademarks that “impairs the distinctiveness” of the plaintiff’s mark.<sup>39</sup> That language does not obviously point to any theory of dilution.

This Comment argues that the confusion over dilution follows from the incentives of the proponents of anti-dilution laws. It contends that the theory of economic harm is the true theory behind dilution; however, this theory is not particularly plaintiff friendly, since proving economic harm in dilution cases is difficult. Thus, the proponents of anti-dilution laws have little incentive to clarify the actual theory behind dilution, as doing so would narrow the amorphous doctrine. Instead, these advocates will prefer that the dilution doctrine remain muddled because they are more likely to win cases if the judge does not have a definite understanding of dilution. The TDRA in fact directly reflects these incentives, as the text of the statute was written by the trademark lobby.<sup>40</sup>

Moreover, this Comment further maintains that even though the dilution statute is unclear, its key language follows traditional dilution theory and points to a theory of economic harm. Judges, then, can consider the likelihood of economic harm and act consistently with the text of the statute. This Comment suggests that judges should accomplish this by allowing defendants to present evidence on the lack of economic harm.

Part I describes five different theories of dilution. Part II examines cases decided after the passage of the TDRA and concludes that many judges have little sense of the theory of harm behind the dilution cause of action. Due to this confusion, some courts have found in favor of plaintiffs in dilution cases without articulating what harm the plaintiffs actually incurred. Part III examines the sources of the courts’ confusion, starting with Schechter’s vague conception of dilution. This Part focuses on the incentives of proponents of anti-dilution laws, noting that they have little reason to clarify the meaning of the doctrine. It also notes how the proponents of anti-dilution laws often use muddled language described as “doublespeak.” Part IV investigates the text and the legislative history of the statute, concluding that despite some lack of clarity in the dilution doctrine, the TDRA is rooted in a theory of protecting trademark owners from financial harm. Finally, Part V argues that courts should allow defendants to introduce evidence showing a lack of economic harm.

## **II. The Different Theories of Dilution**

Multiple theories of dilution contribute to make the dilution doctrine difficult to comprehend. Despite over eighty years of discussion concerning dilution, some disagreement still exists as to which theory best represents dilution. The following is an attempt at producing a comprehensive list of the different theories behind the dilution action. Not all of the theories are equally as popular, but each influences the dilution debate in their own way.

### **\*32 A. Dilution as Trespass on the Mark**

The first theory, and perhaps the easiest to understand, is that dilution is a form of trespass, violating a “trademark right in gross,” or a trademark owner’s exclusive right to the commercial use of the mark.<sup>41</sup> Under this theory, a trademark owner (the senior user) has an absolute right to the trademark, and no one else (no junior user) can use that mark, or a similar mark, to identify their products or services.<sup>42</sup> For an example, take the Kodak bicycles case, which was discussed by Frank Schechter in his 1927 article.<sup>43</sup> Under a trespass theory, Eastman Kodak, the camera company, has a right to prevent all other companies from using the name Kodak, and therefore can get an injunction to prevent the bicycle company from attaching the name to their bicycles.<sup>44</sup> There is no need to show any harm to the camera company, nor is there any need to discuss the motive of the bicycle company.<sup>45</sup> If the bicycle company chose the name “Kodac” instead of “Kodak,” then there would be some debate as to whether the marks were similar enough to cause consumers to associate the two together.<sup>46</sup> If the court found that these two marks were indeed similar, then “Kodac bicycles” would be barred as well.<sup>47</sup>

Language from a 1928 Judge Learned Hand opinion is often cited as supporting this theory of dilution. Hand wrote:

His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner’s reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, \*33 like a face, is the symbol of its possessor and creator, and another can use it only as a mask.<sup>48</sup>

Hand’s logic parallels the Supreme Court of Wisconsin’s reasoning in deciding a more conventional trespass case:

[T]his court [has] recognized that in certain situations of trespass, the actual harm is not in the damage done to the land, which may be minimal, but in the loss of the individual’s right to exclude others from his or her property, and the court implied that this right may be punished by a large damage award despite the lack of measurable harm.<sup>49</sup>

Just as a landowner has a right to exclude others from using her land, so does a trademark owner have a right to exclude others from using her mark. The question of any economic harm to the trademark owner is irrelevant; the loss of the right to exclude is harm enough.

### **B. Dilution as Free-riding**

The second theory is a free-riding theory.<sup>50</sup> This theory centers on the motive of the defendant. Here, defendants cannot use the mark if they intended to capitalize on the plaintiff’s goodwill.<sup>51</sup> For example, if the Kodak bicycle company specifically chose the name “Kodak” because it wanted to attract consumers who liked Kodak cameras, then the bicycle company would be free-riding on the camera company’s reputation. The camera company could get an injunction preventing the bicycle company from using the Kodak name.<sup>52</sup> If, on the other hand, the bicycle company simply chose the name “Kodak” because the last name of their founder was “Kodak,” then there is no free-riding and the defendant can use the mark.

Some have criticized the free-riding theory as a weak rationale for dilution. For example, Judge Richard Posner of the 7th Circuit has argued that the free-riding theory poses as a theory of economic harm, but in fact there is little evidence that a plaintiff can suffer economic harm as a result of free-riding.<sup>53</sup> Posner argued that since the “number of prestigious names is so vast,” it is unlikely a licensing \*34 market could ever develop for the use of a famous brand name by other companies in an unrelated field.<sup>54</sup> Since Eastman Kodak would be extremely unlikely to license the use of the “Kodak” name to Kodak bicycles, the argument goes that Eastman Kodak is not losing any revenue due to the bicycle company’s action.<sup>55</sup>

### **C. Dilution as a Thought Injury to the Consumer**

The third theory can be called a “thought injury to the consumer” and also been described as the “Internal-Search-Costs Model.”<sup>56</sup> Under this theory, the use of the mark by the junior user causes the consumer to stop and think, thereby harming the consumer in causing the consumer to waste her time.<sup>57</sup> For example, imagine a consumer sees an ad that says: “Kodak products: 30 percent off!” If there is only a Kodak camera company, then the consumer knows that the ad refers to cameras. But if there is also a Kodak bicycle company, the consumer may initially view the ad and be unsure of what products are

being advertised. Thus, the consumer will have to take time to think about what product the ad refers to, or she will have to further scan the ad to figure it out. In short, the theory is simply that dilution represents a waste of consumers' time.<sup>58</sup>

Some empirical basis for the theory exists, as studies show that consumers do in fact have to think longer when answering questions about brands after being exposed to ads from a junior user. For example, after seeing an ad for Heineken popcorn, test subjects took longer to answer questions such as whether or not Heineken is a beer, as compared with other groups that were not exposed to the popcorn ad.<sup>59</sup> However, the group who saw the Heineken popcorn ad responded only 125 milliseconds slower (a little more than a tenth of a second) than another group that saw an ad unrelated to Heineken.<sup>60</sup> And respondents who saw an ad for Hyatt Legal Services actually responded more quickly to questions about the Hyatt brand than respondents who saw an ad unrelated to Hyatt.<sup>61</sup>

The internal-search-costs model is appealing because it mirrors the rationale for protection against trademark infringement.<sup>62</sup> Trademark infringement protects consumers from being confused about the source of their products.<sup>63</sup> If a cell-phone company offers a camera phone under the name of Kodak, consumers may be confused as to whether the phone was made or sponsored by the camera company.<sup>64</sup> Consumers would then have to engage in research to answer that question, and these search costs are harmful to society because they represent a waste of time. Those consumers would not have to engage in such a search if it was clear whether or not Kodak was behind the camera phone. Likewise, the internal-search-cost model requires consumers to engage in search costs; however, this search is not outside research but is instead a search through one's own brain to try to understand the meaning of a given word. Judge Posner has advocated for this theory:

A trademark seeks to economize on information costs by providing a compact, memorable, and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark of the product or service. There is an analogy to the point that language purists make when they object that using "disinterested" as a synonym for "uninterested" blurs the original meaning of disinterested (which is "impartial").<sup>65</sup>

The parallels with trademark infringement, however, are not as strong as they might seem. Trademark infringement is not solely concerned with consumers engaging in extra research. Part of the fear is that consumers might actually be fooled and buy products they might not otherwise want.<sup>66</sup> A fan of Kodak cameras may buy the Kodak camera phone thinking the camera company produced the phone \*36 when in fact it was manufactured by a phone company that uses inferior technology. Moreover, even if the studies are correct in concluding that people actually have to think longer after being exposed to a secondary use of a trademark (a conclusion that is in doubt given that most of the studies have not been applied to a real-world setting),<sup>67</sup> the harm of an extra tenth of a second of thinking seems marginal compared to the potentially long research one would have to engage in to determine whether or not two products are actually made by the same company.

#### **D. Dilution as an Economic Injury to the Trademark Owner**

The fourth theory is the theory of economic harm. Under this theory, dilution threatens trademark owners because it could potentially lead to a loss in sales.<sup>68</sup> Here, an association between the senior and junior products is not a harm in and of itself, but is damaging because it can reduce a company's revenues.<sup>69</sup> The theory does not require demonstration of past economic harm but does require some likelihood of future harm.<sup>70</sup> This theory may completely overlap with the consumer thought theory, as forcing consumers to think more may be the cause of the economic harm to the plaintiff.<sup>71</sup> The difference between the theories is that "thought injury" theory focuses on harm to the consumer in the form of wasted time, while the economic harm theory focuses on harm to the trademark owner in the form of lost sales.<sup>72</sup>

The difficulty with this theory of economic harm is that it is extremely counterintuitive. How can Kodak bicycles possibly hurt the sales of Kodak cameras? If a consumer sees a Kodak bicycle and then walks into a camera store, would we really expect her to be less likely to buy a Kodak camera? If anything, we would expect the consumer to be more likely to buy a Kodak camera, since she would be thinking of the word Kodak after seeing the bicycle.

\*37 Yet some argue that cognitive research supports this theory. Psychological scholars believe that memory is stored in "cognitive networks," each consisting of 'nodes' and 'links.'"<sup>73</sup> Brand names are "information chunks," core nodes that link to a multitude of other information.<sup>74</sup> In the case of dilution, two cognitive networks develop for the same mark, "so that the consumer will require additional information before being able to determine just which cognitive network applies."<sup>75</sup> Because

the mind might activate the wrong cognitive network, the consumer will make mistakes about the brand. Thus, a consumer who sees a Kodak bicycle might activate the Kodak bicycle network and not the Kodak camera network, so when that person thinks about buying a camera online, she may search for Canon cameras and not Kodak cameras because she forgot that Kodak is a brand of camera.<sup>76</sup> The economic harm might not be limited to lost revenues but can also take the form of increased costs, as companies may have to spend more money on advertisements to make sure the ability of their brands to attract consumers does not diminish.<sup>77</sup>

Some studies lend support to this theory, as these studies find some evidence that suggests Kodak bicycles might hurt the sales of Kodak cameras. In the past, studies repeatedly found that exposing individuals to allegedly diluting advertisements does result in some of those individuals forgetting information about the trademark owner's brand. One study found that after seeing advertisements for \*38 Heineken popcorn, Hyatt Legal Services, and Dogiva dog biscuits, individuals were less likely to provide accurate responses regarding Heineken beer, Hyatt hotels, and Godiva chocolates, respectively.<sup>78</sup> Another study found that participants exposed to logos for brands such as Parker games, Ace uniforms, Kiwi airlines, and Bass shoes were less likely to remember that there are also Parker pens, Ace hardware stores, Kiwi shoe polish, and Bass beer than individuals not exposed to those diluting logos.<sup>79</sup> A third study found that after exposing individuals to an advertisement for "Big Red strawberry snack bars," participants were less likely to think of Big Red when asked to name a chewing gum and were less likely to think of Big Red as having a cinnamon flavor.<sup>80</sup>

These studies have been criticized for proving that economic harm exists in a laboratory, not in the real world, since context prevents such harm from actually occurring.<sup>81</sup> One part of the Big Red study, however, did attempt to supply such context. Participants were divided into two groups.<sup>82</sup> The diluted group was shown an advertisement for Big Red strawberry snack bars, while the control group was shown an advertisement for Nutri-Grain strawberry snack bars (the study also examined the effects on buying Gap khakis and Trix cereal).<sup>83</sup> After seeing the ads, both groups then engaged in a "simulated shopping experience" on a computer.<sup>84</sup> The participants were shown logos from different brands and were asked to choose a chewing gum with long-lasting cinnamon flavor.<sup>85</sup> The group that saw the Big Red strawberry snack bar advertisement only chose Big Red gum fifteen percent of the time, while the group that saw the Nutri-Grain ad chose Big Red sixty percent of the time.<sup>86</sup> Other participants did not undergo the simulated shopping experience \*39 until five days after seeing the advertisements, and they too were less likely to choose Big Red gum.<sup>87</sup> The study results were the same for Gap and Trix.<sup>88</sup>

While the Big Red study comes closest to finding an economic harm of dilution in the real world, it still has flaws. Most importantly, there may be an important difference between a single exposure and repeated exposure. Seeing one advertisement for Big Red snack bars may be jarring to someone who thinks Big Red is a chewing gum, and that shock may cause the consumer to question his or her understanding of what Big Red actually is. But if the consumer is exposed to many advertisements for Big Red snack bars, that consumer may come to realize that it really is a separate product from Big Red gum and therefore may gradually disassociate the two products. We sometimes experience this phenomenon when we meet new friends. If we meet someone who has the name of an old friend, we may think of that old friend the first time we meet that person. But as we get to know that person, we may no longer associate the new friend and the old friend with one another.<sup>89</sup> This may explain why a single exposure to an ad for Bass shoes may make people forget about Bass beer, but the two brands seem to exist harmoniously in the real world.<sup>90</sup>

In short, there is still an active debate as to whether allowing a junior user to use the same mark as used by a senior user actually causes that senior user any economic harm. Dilution proponents can point to several studies that show that people exposed to junior brands sometimes forget information about the senior brand and therefore are less likely to buy the senior brand. But dilution skeptics have correctly criticized these studies for not going far enough to simulate real world conditions.

## **E. Dilution as Trespass on the Mark's Mental Associations**

The "dilution as trespass on the mark" theory, discussed in Part I.A, views a trademark as property, and anyone who used that property without the permission of the owner engaged in trespass.<sup>91</sup> The "dilution as trespass on the mark's mental \*40 associations" theory also is analogous to trespass, but the property is defined differently. Here, the property is not the mark itself, but the mental associations the mark creates in the mind of consumers.<sup>92</sup> Beverly Pattishall described the fundamental concept behind the theory: "[T]he 'property right,' if any, deserving protection against dilution is the mark's distinctiveness in the minds of those who have encountered it, rather than an 'in gross' property right in the mark itself."<sup>93</sup>

Under this theory, any trespass on the property--meaning any interference with the mental association between the mark and

the product--is actionable.<sup>94</sup> As Thomas R. Lee argued, “[T]he actionable wrong is the loss of control over the link between the famous mark and a single source . . . .”<sup>95</sup> Lee noted that there are two forms of mental association, upstream and downstream.<sup>96</sup> Upstream mental association occurs when the person sees the junior product (here Kodak bicycles) and thinks of the senior product (Kodak cameras).<sup>97</sup> Downstream mental association is the opposite and occurs when a consumer sees the senior product and thinks of the junior product.<sup>98</sup> Lee argued that downstream mental association is the real danger:

When the mental association flows downstream from the famous mark to the junior mark, dilution is a “necessary consequence.” Indeed, the connection that I have termed downstream mental association is precisely the connection that by definition interferes with the capacity of the famous mark to identify or distinguish the famous source from all others. If consumers associate not just the senior source with the senior mark, but also a second source, then dilution by blurring has occurred.<sup>99</sup>

Returning to the Kodak example, under this theory Eastman Kodak owns the mental associations produced in a consumer’s head that occur upon seeing a Kodak camera. When a consumer sees the “Kodak” mark, that consumer thinks of a camera, and Kodak owns this thought process. If Kodak bicycles interferes with this thought process by making that consumer think of bicycles upon seeing the Kodak \*41 mark (a downstream mental association), then Kodak bicycles has trespassed on Eastman Kodak’s property, and dilution has occurred.

According to this theory, dilution occurs even if the senior user’s sales experience no negative effect.<sup>100</sup> Thus, the theory actually comes very close to being a trademark right in gross, and it might be described as a “quasi rights in gross” theory.<sup>101</sup> Kodak does not automatically win in their suit against Kodak bicycles. Yet, to win they only need to demonstrate that consumers exposed to Kodak bicycles sometimes think of those bicycles when they see Kodak cameras. This may not be automatic (do you think of Bass shoes when you see Bass beer?).<sup>102</sup> However, it seems likely that if the survey is done correctly, some consumers will indicate that they think of the junior product when seeing the senior product.

### **III. Courts Have Engaged in a Formulaic Application of the TDRA with Little Discussion about the Nature of the Dilution Harm**

In reviewing courts’ treatment of dilution cases in the two years immediately following the passage of the FTDA, one author stated: “Even a cursory reading of these cases reveals the lack of care with which courts approach the Federal Trademark Dilution Act’s fame requirement.”<sup>103</sup> Today, courts’ “lack of care” is still a common feature of case law in dilution actions, not with respect to the fame requirement, but with respect to the larger question of the nature of the injury under dilution.<sup>104</sup> The use of the vague phrase “impairs the distinctiveness” by the authors of the TDRA benefited trademark owners on several occasions.<sup>105</sup> Courts often fail to inquire about the nature of the harm that the statute is designed to protect \*42 against, and this sometimes results in a plaintiff winning a sought-after injunction or a verdict.<sup>106</sup>

In a 2008 court case, Mattel claimed that a rival toy company, Jada Toys, diluted its trademark in “Hot Wheels.”<sup>107</sup> Jada manufactured its own line of toy cars called “Hot Rigz,” using a flame and similar colors to the iconic “Hot Wheels” mark.<sup>108</sup> The district court found no trademark infringement, nor dilution by blurring, arguing that the marks were too dissimilar to lead to liability on either count.<sup>109</sup> The Ninth Circuit reversed on the trademark infringement claim, saying that the lower court artificially limited its analysis in focusing only on the dissimilarity of the marks and not taking into account other factors.<sup>110</sup> But, the court also reversed on the dilution claim in what amounted to a very casual analysis.<sup>111</sup> The court noted that a reasonable factfinder could find “Hot Rigz” diluted “Hot Wheels” by blurring.<sup>112</sup> After reciting the relevant provisions of the TDRA, the court concluded there was evidence that an association of the two marks existed, as a plaintiff survey showed that twenty-eight percent of respondents thought that Mattel (or the company that produced Hot Wheels) either manufactured Hot Rigz or gave permission to the manufacturer to sell the product.<sup>113</sup>

The Ninth Circuit’s opinion fell short on multiple levels. First, the survey it referenced was intended to demonstrate likelihood of consumer confusion, not dilution, as it showed that consumers mistakenly believed that Mattel had manufactured or sponsored “Hot Rigz.”<sup>114</sup> Second, even if the survey was interpreted to show that consumers thought of Mattel when they saw “Hot Rigz,” this only showed upstream mental association. It does not show that consumers of Hot Wheels think of ‘Hot Rigz’ after ‘Hot Rigz’ was introduced to the market; it did not show the downstream mental association thought to be important to proving a brand injury. But most critically, the court assumed that association, regardless of what direction \*43 it flowed, was enough to show injury to the plaintiff.<sup>115</sup> The court’s analysis suggests it endorsed a “trespass on mental associations” theory of dilution, rejecting the more defendant-friendly theory of economic harm.<sup>116</sup> However, it may

be more accurate to say that the court simply ignored the theory behind dilution altogether. The court was concerned only with the statutory test, not the nature of the harm that the test was designed to protect against.

Since the court found for the plaintiff on the dilution claim while also finding for the plaintiff on the trademark infringement claim in *Mattel*, the court's determination of the dilution claim arguably had no effect on the defendant.<sup>117</sup> The case would have been sent to a jury even if the Ninth Circuit had reached the opposite determination on the dilution claim.<sup>118</sup> As one author has demonstrated, such a result is typical, as in most cases the dilution claim is simply treated as an add-on to the trademark infringement claim so that liability for dilution simply follows from liability under trademark infringement.<sup>119</sup> But in other cases, the dilution analysis is determinative.<sup>120</sup>

In another California case, the TDRA factors prevented the court from examining the "impairs the distinctiveness" language. In *Nike, Inc. v. Nikepal International, Inc.*, Nikepal sought to register its trademark with the United States Patent and Trademark Office.<sup>121</sup> Nikepal distributed glass syringes and other products to laboratories, operating through a website, via email, and via telephone; its owner did not have an actual office.<sup>122</sup> The company had a few hundred customers, but hoped to grow, and had a list of thousands of prospective customers.<sup>123</sup> The owner \*44 of Nikepal claimed he had come up with the name by randomly finding the word "Nike" in the dictionary, but the court did not believe that explanation.<sup>124</sup>

The court began its analysis by reciting plaintiff's evidence of Nike's billions of dollars of annual sales as well as evidence of the company's advertising expenses, which by 1997 had reached a total of nearly \$1.6 billion in the United States since the corporation's founding.<sup>125</sup> The court also stressed the plaintiff's evidence of actual association; when asked "What, if anything, came to your mind when I first said the word Nikepal?", eighty-seven percent of respondents said they thought of Nike.<sup>126</sup> The court then focused on the six factors listed in the TDRA, finding: a) sufficient similarity; b) the Nike mark to be inherently distinctive; c) substantially exclusive use of the mark "Nike" by Nike; d) a high degree of recognition of the mark; e) an intent to create association; and f) evidence of actual association.<sup>127</sup> Finding that all six of the factors favored Nike, the court agreed to issue an injunction preventing the use of the Nikepal mark.<sup>128</sup>

The court never asked whether Nike really stood to lose one dollar in sales due to the existence of Nikepal, thus implicitly determining that the statute was not based on a theory of economic harm. The court was so intent on a straightforward application of the TDRA factors that it ignored evidence that a small company using the name Nike had no impact on the shoe giant. The defendant noted that a company called Nike Hydraulics had been operating since 1958, but the court responded that "[e]ven Nikepal's witness, Roger Smith, admitted that he had not encountered Nike Hydraulics before hearing that name in connection with this action."<sup>129</sup> In other words, Nike Hydraulics was too small to be relevant to the case. Yet, a small business operating out of one man's home was suddenly deserving of an injunction to prevent harm to Nike. The court had fallen into the trap of analyzing a test without a theory.

\*45 A Michigan court similarly engaged in a rote application of the TDRA factors in *Hershey C.o v. Art Van Furniture, Inc.*<sup>130</sup> In the Hershey case, a Michigan furniture store invited the public to vote for their favorite truck decoration, and the winner would be displayed on the side of several delivery trucks.<sup>131</sup> One of the advertisements pictured a brown leather couch emerging from a candy wrapper that mimicked the famous design of a Hershey chocolate bar: the wrapper contained silver foil enveloped in a burgundy outer packaging with lettering similar to the font used by Hershey's.<sup>132</sup> The court found for the defendant on the trademark infringement claim but issued a preliminary injunction barring the defendant's use of the ad anyway, finding a likelihood of success on the merits on the dilution claim.<sup>133</sup> The court listed the six TDRA factors, noting that five of the six factors favored the plaintiff.<sup>134</sup> "The evidence certainly supports an inference that Defendant intended to 'create an association' with Plaintiff's mark (fifth factor), but whether such an association has actually been made is unclear (sixth factor)."<sup>135</sup> Thus, unlike the *Mattel* and *Nike* courts, the *Hershey* court found for the plaintiff even though there was no evidence of actual association. The court later stated that in cases of dilution by blurring "irreparable harm is presumed," but it never stated what that harm was supposed to be.<sup>136</sup>

Similarly, the Second Circuit mechanically applied the TDRA factors in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*<sup>137</sup> There, a husband and wife ran a small New Hampshire company that sold roasted coffee beans over the internet and to local stores; the couple employed only a few part-time employees.<sup>138</sup> They named one of their blends "Mister Charbucks," as they sought to emphasize how \*46 dark the roast was while also alluding to their famous competitor.<sup>139</sup> Starbucks sued under a number of theories, and the district court dismissed their complaint under all of those theories following a bench trial.<sup>140</sup> The Second Circuit, however, reversed and remanded on the dilution claim.<sup>141</sup> The court pointed to flaws in the trial court's conclusion that the "degree of similarity" and "intent to create an association" factors favored the defendant.<sup>142</sup> The court found that the final factor also favored Starbucks, as a survey showed that 30.5% of people who heard the name Charbucks



thought of Starbucks, thus demonstrating an association between the two products.<sup>143</sup> For the Starbucks court, like the courts in *Mattel* and *Nike*, any sort of association was enough.

The Second Circuit was not necessarily wrong in remanding the case, as the circuit court may have been correct in noting that the lower court “placed undue significance on the similarity factor.”<sup>144</sup> Like the other dilution opinions, the flaw in Starbucks was not the court’s conclusion that dilution was possible, given the particular set of facts. Instead, the flaw was the court’s singular focus on the six factors, factors that—according to the plain text of the TDRA—courts need not even consider.<sup>145</sup> Further, the statute makes clear that these factors are not exhaustive; courts are free to consider other factors as they see fit.<sup>146</sup> Yet, the Starbucks court elevated these factors to primary importance, while ignoring the more difficult issue of what the phrase “impairs the distinctiveness” actually meant.<sup>147</sup>

This approach has a larger impact than the relatively few dilution cases might suggest. Even though cases in which a plaintiff wins an injunction solely on dilution grounds are relatively uncommon,<sup>148</sup> court opinions that ignore the nature of the dilution harm can affect the practices of possible defendants. Decisions that do not consider the theory behind the statute essentially reject a theory of economic harm and implicitly endorse a more plaintiff-friendly trespass theory of harm. This implicit acceptance of a pro-plaintiff theory can result in victories for potential plaintiffs before they even file a lawsuit. Trademark owners often use cease-and-desist letters to threaten smaller companies causing many of these disputes to resolve in the plaintiff’s favor without ever getting into court.<sup>149</sup> In effect, the confusion of courts can have tangible benefits to trademark plaintiffs both inside and outside courtrooms.

#### **IV. The Courts’ Confusion Stems from the Lack of Incentives of Dilution Proponents to Clarify the Nature of the Dilution Harm**

##### **A. The Original Conception of Dilution Did Not Focus on the Nature of the Dilution Harm**

The confusion over the nature of the dilution harm can be traced back to Schechter’s original discussion of dilution. Although this author believes that Schechter ultimately endorsed a theory of economic harm,<sup>150</sup> Schechter was certainly vague about the nature of the dilution harm.<sup>151</sup> Schechter’s article on dilution reveals an instinctual aversion to certain junior uses of trademarks, and much of his article attempts to justify that initial instinct.<sup>152</sup> Schechter began his discussion of what would become known as dilution by decrying Kodak bicycles, Vogue hats, and Rolls Royce radio parts.<sup>153</sup> He failed to clearly spell out why these examples were so problematic. He did not explicitly endorse a trespass theory, nor was he explicit in explaining how economic harm might occur. Instead, when describing the “real injury” behind these cases, he turned to a metaphor, saying that injury “[i]s 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.”<sup>154</sup> Since Schechter failed to make it completely clear what theory of harm he endorsed, his article leaves open differing interpretations of the dilution harm.

\*48 Moreover, Schechter’s contemporaries did not actively question his vague description of the nature of the dilution harm. In deciding a 1932 case in favor of plaintiff *Tiffany & Co.* and against a movie production company adopting the *Tiffany* name, a New York court quoted Schechter’s statement about the “gradual whittling away” verbatim without discussing what that statement actually meant.<sup>155</sup> Likewise, commentators did not press Schechter on the theory of harm behind his proposal.<sup>156</sup> Courts and scholars largely embraced Schechter in part because his theory did not propose a new cause of action; rather, it simply offered a separate justification for decisions that were based on a finding of trademark infringement.<sup>157</sup> Given this warm reception, proponents of the dilution theory managed to introduce anti-dilution laws at the state level in Massachusetts without engaging in an extensive debate over the nature of the dilution harm when they actually did propose a new cause of action in 1947.<sup>158</sup> Thus, dilution made its way into state statutes based on an idea that had never been seriously questioned.

Decades later, the dilution debate still largely reflects Schechter’s original conception, focusing on examples of harm rather than describing the nature of that harm. The Congressional consideration of federal dilution legislation is a primary example of the lack of focus on the theory of harm. A House Report on the FTDA did not discuss whether the statute was based on a trespass or economic theory of harm, but instead stated simply “the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation.”<sup>159</sup> In speaking in favor of the TDRA in 2005, Representative Howard Berman noted that proof of likelihood of harm would be required, but only referred to such harm as the “whittling away at the value of the famous mark,” quoting Schechter’s original conception.<sup>160</sup> \*49 Eighty-three years after Schechter published his article, his vague vision and confusing metaphors still were front and center in the dilution discussion.

## **B. Dilution Laws Have Failed to Clarify the Theory of Harm Behind Dilution Because the Lobbyists Behind Those Laws Have a Strong Incentive to Keep the Doctrine Muddled**

Given that academics over the past twenty years have explored the different theories of dilution harm, why was Congress still referring to terms that dated back to the 1920s and 1930s? How had Congress completely overlooked more recent discussions of dilution, instead focusing on the words of an author whose ideas have been seriously questioned?

Congress's ignorance stemmed from the influence of trademark lobbyists who have had little incentive to focus on the nature of dilution harm. The FTDA and the TDRA were written primarily by owners of famous trademarks, the group which benefited the most from anti-dilution legislation.<sup>161</sup> The United States Trademark Association (USTA) (today known as the International Trademark Association, or INTA), a group representing the nation's largest corporations, proposed a federal dilution statute in 1987.<sup>162</sup> USTA's definition of dilution was eventually adopted word-for-word in the FTDA.<sup>163</sup> Thus, the primary beneficiaries of the FTDA were the authors of the statute, as the fifteen regular members of the Commission represented corporations that would eventually benefit from the dilution law, including Kraft, General Mills, Procter & Gamble, CBS, AT&T, The Walt Disney Company, Xerox, and, yes, Eastman Kodak.<sup>164</sup>

The federal laws are just a more recent reflection of the trademark lobby's influence. The first state anti-dilution law, passed in Massachusetts in 1947, was **\*50** promoted by trademark attorneys and trademark owners.<sup>165</sup> The USTA is the author of most states' anti-dilution statutes.<sup>166</sup> Even Schechter himself worked as in-house counsel for a large corporation concerned about its trademarks being misappropriated.<sup>167</sup> This long-running influence has not gone completely unnoticed by the judiciary. One federal judge hearing oral arguments in a dilution case told the plaintiff's attorney "Boy, you must have some lobby to get a law like that passed."<sup>168</sup>

Since owners of famous trademarks help make up the driving force behind both federal and state anti-dilution legislation, the legislation reflects their priorities. In particular, the lack of clarity regarding the nature of the dilution harm is in keeping with the incentives of trademark owners. Committing to any theory of harm, regardless of which theory, could hurt owners of famous marks in court. If the INTA made it clear that the statute reflected one of the two trespass theories, then the legislation could be attacked as giving absolute property rights in trademarks, thereby opening the door to criticism that the legislation had gone too far. Arguing that the statute protects consumers from "having to stop and think" makes the protection seem almost silly, and resorting to an anti free-riding theory also suggests the dilution cause of action is not important to trademark owners. The theory of economic harm does suggest the cause of action is important, but it forces trademark owners to explain exactly how a small company like Nikepal hurts the sales of a major corporation such as Nike, thus imposing a difficult standard to meet in court.

Since the defenders of the anti-dilution cause of action have little incentive to clarify the ambiguity in Schechter's arguments, they have instead turned to vague phrases that continue to obscure the meaning of dilution. Some of this language could qualify as political, as defined by George Orwell.<sup>169</sup> In his 1946 essay "Politics **\*51** and the English Language," Orwell described the problems of five poorly written examples of prose:

Each of these passages has faults of its own, but, quite apart from avoidable ugliness, two qualities are common to all of them. The first is staleness of imagery; the other is lack of precision. The writer either has a meaning and cannot express it, or he inadvertently says something else, or he is almost indifferent as to whether his words mean anything or not. This mixture of vagueness and sheer incompetence is the most marked characteristic of modern English prose, and especially of any kind of political writing. As soon as certain topics are raised, the concrete melts into the abstract and no one seems able to think of turns of speech that are not hackneyed: prose consists less and less of words chosen for the sake of their meaning, and more and more of phrases tacked together like the sections of a prefabricated henhouse.<sup>170</sup>

Orwell went on to note that "dying metaphors" and "meaningless words" are hallmarks of political writing.<sup>171</sup> "By using stale metaphors, similes, and idioms," he explained, "you save much mental effort, at the cost of leaving your meaning vague, not only for your reader but for yourself."<sup>172</sup> Based on Orwell's writings, other authors labeled this type of writing as doublespeak, defined as "language which pretends to communicate but really does not."<sup>173</sup>

The dilution debate frequently turns on the very type of language that Orwell criticized. Vague terms bordering on

meaninglessness are the hallmark of the debate. The phrase “impairs the distinctiveness” may stand for a particular type of mental association between two products, but the phrase is difficult to understand. Other vague phrases include the similarly worded “dilution of the distinctive quality of the mark,”<sup>174</sup> and “dilute the uniqueness”<sup>175</sup> (a mark is either unique or it is not). Even the FTDA’s definition of dilution, “the lessening of the capacity of a famous mark to identify and distinguish goods or services,”<sup>176</sup> while a little more precise than the “impairs the distinctiveness” language of the TDRA, is still highly \*52 vague. A Kodak bicycle may reduce the capacity of the “Kodak” mark to identify a camera, as an advertisement simply using the word “Kodak” might cause the consumer to think of the bicycle and not a camera. However, by this logic, all junior uses in which the mark is identical to the senior mark would be forbidden.<sup>177</sup> So the language seems to hide the possibility of a trademark right in gross.

Advocates of anti-dilution laws also employ misleading metaphors. Schechter himself defined dilution as “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods,”<sup>178</sup> calling to mind a woodworker carving away. One Court compared dilution to a “cancer-like growth” that cannot be allowed to spread.<sup>179</sup> Another court described dilution as similar to “the pollution of a lake” in that one polluter does not harm the quality of the water, but polluters collectively make the lake unusable.<sup>180</sup> Another common metaphor is that of bee stings: “Like being stung by a hundred bees, significant injury is caused by the cumulative effect, not by just one.”<sup>181</sup>

These metaphors are misleading in two ways. First, they all point to a theory of economic harm without actually using the terms of economic harm.<sup>182</sup> If the \*53 bee sting metaphor represented a trespass theory, then there would be no need to talk about one hundred bee stings; one bee sting by itself violates the right to exclude and the possibility of future bee stings is irrelevant. Second, the metaphors imply that dilution threatens to destroy brands of companies. Cancer, if allowed to spread, can kill a person. A high level of pollution renders a lake unusable. But the conclusion resulting from these metaphors does not make sense in a dilution context. Despite a lack of federal protection against dilution up until 1995, no one has ever found an example where diluting uses have been so common that the original mark has become valueless.<sup>183</sup> The metaphors lure a person into thinking that dilution poses a grave threat to companies without providing any evidence that such a major threat actually exists.

In short, owners of famous trademarks responded to the incentives that they were faced with. Rather than endorsing a particular theory of harm that would lead to a narrowing of the dilution doctrine, they have employed vague language and misleading metaphors to suggest dangers of dilution without needing to prove the existence of those dangers. This strategy has sometimes proved effective, as demonstrated by the decisions in the Mattel, Nike, Hershey and Starbucks cases.

## V. The TDRA Embodies a Theory of Economic Harm

### A. The Plain Text of the Statute Reflects an Economic Harm Theory

Which theory does the TDRA actually embody? The statute divides dilution into two different categories: dilution by tarnishment and dilution by blurring.<sup>184</sup> Dilution by tarnishment is a more intuitive cause of action, as the statute describes it as an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”<sup>185</sup> Dilution by blurring is the more common form of dilution and is the type of dilution this Comment focuses on. The statute defines dilution by blurring as an:

[A]ssociation arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the mark or trade name and the famous mark.

\*54 (ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

(vi) Any actual association between the mark or trade name and the famous mark.<sup>186</sup>

While the factors are new, the definition of dilution by blurring is similar to the definition under the 1995 law, which stated: “The term ‘dilution’ means the lessening of the capacity of the famous mark to identify and distinguish the 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.”<sup>187</sup> The new legislation substitutes the term “impairs the distinctiveness” for a reduced capacity to distinguish goods, but the two phrases point to the same core concept.<sup>188</sup>

It is clear that the statute does not create a trademark right in gross,<sup>189</sup> despite how one proponent of the 1995 legislation described the law.<sup>190</sup> Had its authors wanted to give such power to trademark owners, then the definition of dilution by blurring would be much less cumbersome; they would have just stated that the junior user can never use the mark of another company without their permission, period.

**\*55** The statute also does not embody a free-riding theory. While there are some comments in the legislative history expressing concern about free-riding,<sup>191</sup> the text of the statute does not comport with such a theory. Writing a statute that sought to prevent free-riding also would have been straightforward, as the authors of the statute could have simply written that all junior uses intended to capitalize on the fame of the senior user would be forbidden. But the authors of the TDRA did not take that approach. It is worth noting, however, that the free-riding theory may not be completely absent from the statute, as the fifth factor focuses on the intent of the junior user.<sup>192</sup>

Also, there is no mention of any potential harm to consumers in the statute. Protecting consumers against “thought injury” may be a secondary benefit of the legislation, but it is protecting the interests of trademark owners, not consumers, that is at the front and center of the statute.<sup>193</sup>

The key language of the statute, however, does fit the economic harm theory.<sup>194</sup> The critical language is an “association . . . that impairs the distinctiveness of the famous mark.”<sup>195</sup> Clearly, the statute is not referring to just any mental association between the senior product and the junior product, but a particular type of mental association. One could interpret the “distinctiveness” of a mark as representing a mark’s ability to attract consumers, so an association that impairs the distinctiveness of a mark is an association that reduces the selling power of the mark, thereby hurting the trademark owner’s sales.

Admittedly, the text of the statute is also consistent with a “trespass on mental associations” theory. An association that impairs distinctiveness could simply mean a downstream mental association, regardless of whether such an association **\*56** tends to hurt a company’s sales.<sup>196</sup> The Kodak mark was distinct when it referred to cameras, but if consumers think of Kodak bicycles when seeing the camera company’s mark, then the distinctiveness of that mark would be impaired. However, there are reasons to be cautious when applying this theory to the statute. First, adopting a trespass theory goes against a fundamental presupposition of trademark law: that trademarks, unlike copyrights and patents, are not owned by anyone, and thus the right to exclude has little place in trademark law.<sup>197</sup> Second, interpreting the statute as following this theory exacerbates First Amendment concerns. Anti-dilution laws are by definition a restraint on speech.<sup>198</sup> Under the holding of *Central Hudson Gas v. Public Services Commission*, the government can limit commercial speech to the extent that the limitation promotes a substantial state interest; furthermore, the limitation must be in proportion to that interest.<sup>199</sup> While protecting the economic well being of corporations is an important interest, the right to own mental associations is a much weaker rationale.<sup>200</sup> Interpreting the TDRA as embracing a trespass theory instead of a theory of economic harm violates a basic tenet of statutory construction: courts should assume that Congress intends for its statutes to comply with the Constitution.<sup>201</sup>

#### **\*57 B. Scholarship and Legislative History Support the Central Importance of Economic Harm**

Why do owners of famous trademarks care about dilution? Are anti-dilution advocates really worried about a form of trespass that is not related to economic harm? Have trademark owners fought for federal anti-dilution legislation based on a theoretical injury that has nothing to do with their financial bottom line? The answer clearly is no. Trademark owners are not the equivalent of an old man sitting on his porch, getting upset at a passerby crossing through his yard. Their real concern is

not enforcing the right to exclude but the potential loss of dollars that they believe dilution represents. The history of dilution scholarship and the legislative history of the statute support this conclusion.<sup>202</sup>

Many believe that Schechter, the godfather of dilution theory, advocated a trespass theory and viewed a trademark as a right in gross.<sup>203</sup> Schechter, however, was clearly worried about economic harm to trademark owners. He concluded:

(1) [T]hat the value of the modern trademark lies in its selling power; (2) that this selling power depends 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; (3) that such uniqueness or singularity is vitiated or impaired by its use upon either related or non-related goods; and (4) that the degree of its protection depends in turn upon the extent to which, through the efforts or ingenuity of its owner, it is actually unique and different from other marks.<sup>204</sup>

The value of the trademark, Schechter said, was in its “selling power”--in other words, its value is in its ability to encourage people to buy the company’s product.<sup>205</sup> If the brand’s uniqueness is diminished, then this is worrisome because \*58 it threatens the company’s sales. Schechter may have taken it for granted that a reduction in a brand’s uniqueness would hurt the company’s sales. But the fact that Schechter assumed that a loss of uniqueness generally leads to a loss in sales does not mean he thought a loss of uniqueness was a harm even without such a loss in sales. Schechter was not worried about uniqueness because it was important in and of itself; he was worried because he believed the loss of uniqueness would be a financial blow to the company.<sup>206</sup>

Schechter was not merely concerned with lost sales; the original use of the term “diluting” was in conjunction with the concept of economic harm. Schechter focused on a 1924 German case known as the Odol case, in which the defendant used the “Odol” mark for its steel products even though the plaintiff already used “Odol” for mouthwash.<sup>207</sup> The court found for the plaintiff, concluding that the plaintiff had “the utmost interest in seeing that its mark is not diluted [verwassert]: it would lose in selling power if everyone used it as the designation of his goods.”<sup>208</sup> Thus, the word “dilution” and the concept of lost sales were initially intertwined. The court in the Vogue case discussed above, also cited by Schechter, reached its decision based on a theory of economic harm as well.<sup>209</sup>

Even advocates of trespass theories often use language of economic harm when arguing in favor of those theories. Rudolf Callman, one of the early supporters of anti-dilution law who spoke in favor of a trespass theory,<sup>210</sup> also expressed concern over the possibility that competing uses of the mark would “debilitate the advertising power of the original mark.”<sup>211</sup> The reference to advertising power seems clear; Callman was worried that advertisements would be rendered less effective at attracting consumers to the brand, thus decreasing sales. Pattishall also worried about lost sales. He wrote: “The essence of dilution is the watering down of the potency of a mark and the gradual debilitation of its selling power.”<sup>212</sup> Thus \*59 the scholar who has come closest to advocating for a “trespass on mental associations” theory also had potential economic harm in mind.

The legislative history of both the TDRA and its predecessor, the FTDA, similarly show a concern expressed by INTA, the author of the legislation, about possible economic harm to trademark owners. The genesis of a federal anti-dilution cause of action came with a 1987 INTA report. The authors of this report did in fact recognize that dilution was designed to protect their employers from economic harm.<sup>213</sup> They noted that the “commercial magnetism” of a well-known trademark “builds and retains markets and fosters competitive vigor.”<sup>214</sup> In other words, the Commission saw brands as helping attract customers, and they viewed dilution as threatening to reduce the sales to these customers.

Speaking on behalf of INTA at a 1995 hearing on the proposed FTDA, Mary Ann Alford stated that “the focus of the dilution doctrine is on damage to the mark’s inherent value as a symbol.”<sup>215</sup> Alford was making the same argument as Callman--that a mark has value in its ability to attract consumers and that dilution threatens that value. Others made similar comments at hearings on the TDRA. James Baughman of the Campbell Soup Company said dilution cases “represent a financial loss for the trademark owner.”<sup>216</sup> Jacqueline Leimer, the president of INTA, said at a 2004 hearing on the TDRA that “dilution is a process by which the value of a famous mark is diminished over time.”<sup>217</sup> The same language was used by another INTA representative at a 2005 hearing.<sup>218</sup>

Statements from Congressional representatives also support the theory of economic harm. In discussing the FTDA, a House Report quoted a federal court decision that stated: “Confusion leads to an immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value \*60 of the mark.”<sup>219</sup> As argued above,<sup>220</sup> this

metaphor is rooted in a theory of economic harm; if the harm were a form of trespass, then the harm would be immediate. Representative Howard Berman cited a similar metaphor rooted in a concept of economic harm when speaking in favor of the TDRA, saying “[Victims of dilution] analogize the effects of dilution to 100 bee stings, where significant injury is caused by the cumulative effect, not just by one.”<sup>221</sup> Representative Lamar Smith echoed Berman’s thought, saying “Diluting needs to be stopped at the outset because actual damages can only be proven over time, after which the good will of a mark cannot be restored.”<sup>222</sup> Had Smith viewed dilution as a form of trespass, then there would be no need to prove actual damages over time.

In short, the supporters of anti-dilution laws like the TDRA have spent a lot of time thinking about economic harm. The reason for the concern is straightforward. They are not worried about affecting customer’s mental associations because they feel entitled to a right to exclude. They are worried that the interference with mental associations will cause trademark owners financial harm.

### **C. The Structure of the Statute Supports a Theory of Economic Harm**

In addition, the structure of the statute shows that its authors were worried about financial harm to trademark owners. In particular, the decision of the statute’s authors to divide dilution into two types, blurring and tarnishment, puts the economic harm theory at the forefront of the legislation.

Dilution by tarnishment is a cause of action based on economic harm.<sup>223</sup> Judge Posner gave the example of Tiffany’s & Co. having a tarnishment cause of action against a Tiffany’s strip club.<sup>224</sup> He noted that “[B]ecause of the inveterate tendency of the human mind to proceed by association, every time they think of the word ‘Tiffany’ their image of the fancy jewelry store will be tarnished by the association of the word with the strip joint.”<sup>225</sup> The theory is that in thinking of the strip club, some consumers will be disgusted and subconsciously develop negative associations \*61 against the jewelry store. According to the theory, these customers will be less likely to shop there as a result of these negative associations. Thus, there is little debate that tarnishment is about economic harm.<sup>226</sup>

Given that dilution by tarnishment is a cause of action based on economic harm, it would make sense that the other cause of action would also be based on a theory of economic harm. The more natural reading is that blurring and tarnishment represent two different forms of economic harm against the trademark owner. Tarnishment is a harm in which the consumer views a product that disgusts the consumer on some level and causes the consumer to have negative associations about the senior product, thus spending less money on that product. Blurring is a harm in which the consumer views a product that causes that consumer to forget about some of the attributes of the senior product, thus becoming less likely to buy that senior product.

Moreover, if dilution by blurring was simply a “downstream mental association” that had little connection to economic harm, then the dilution by tarnishment cause of action would be completely unnecessary. As Judge Posner pointed out, under tarnishment the consumer views the senior product (an advertisement for Tiffany’s and Co.) and thinks of the tarnishing product (Tiffany’s strip club).<sup>227</sup> Thinking of the junior product after seeing the senior product is the definition of downstream mental association; the only difference is that a tarnishment claim has the added requirement of an unsavory connotation. So dilution by blurring must mean something more than downstream mental association if the TDRA’s tarnishment provision is to be anything other than a redundancy.

## **VI. A Proposal: Allowing Defendants to Introduce Evidence of a Lack of Economic Harm**

Given that the theory of economic harm is at the center of the statute, and given that proponents of the TDRA often try to pretend otherwise, the nature of the economic harm needs to take a more central role in courtroom discussions. In order to achieve this, defendants should be allowed to introduce evidence that their actions will result in no economic harm to the plaintiff.

### **\*62 A. Allowing Defendants to Rebut the Presumption of Economic Harm Meets the Goals of the TDRA**

Allowing the defendant to rebut the presumption of economic harm achieves several important goals. First, it does not create a regime in which it becomes impossible for plaintiffs to win on dilution claims. Economic harm from dilution is very

difficult to prove,<sup>228</sup> and if the burden was placed on plaintiffs, they might never win dilution cases. The primary purpose of the TDRA was to overturn the holding of *Moseley* which said plaintiffs needed to show actual dilution instead of likelihood of dilution.<sup>229</sup> The reason why the holding in *Moseley* was so problematic is that advocates of anti-dilution laws view the dilution injury as a “cancer-like growth” that starts small but turns deadly.<sup>230</sup> In other words, the initial economic harm might be miniscule, but it can lead to much greater harm in the future, so there is a need for an injunction to stop the cancer before it spreads. The whole point of the TDRA is to get rid of the requirement that plaintiffs demonstrate that economic harm already has occurred. Establishing a presumption of economic harm based on a showing of downstream mental association is consistent with the purpose of giving dilution plaintiffs the benefit of the doubt.

Second, defendants have a means of defending themselves. Some courts may be quick to infer that there is a mental association, as the *Hershey* court did.<sup>231</sup> And even if courts began to recognize the distinction between downstream and upstream mental association, they may be just as comfortable as inferring a downstream mental association as they currently are in inferring any mental association. Thus, plaintiffs can recover on a theory of potential economic harm without introducing much evidence at all. Allowing defendants to rebut the presumption gives defendants a fighting chance.

Third, allowing defendants to rebut the presumption of economic harm returns the focus of the dilution injury to economic harm, in accordance with the true but hidden purpose of the TDRA. Doing so would bring some much needed honesty \*63 into the dilution discussion. There would be many tangible benefits of simply referring to the TDRA as a statute based on a theory of economic harm. Courts would no longer have to waste their time trying to figure out what the statute actually means, so the quality of judicial opinions on dilution causes of action would improve. In a related point, any First Amendment challenges to dilution statutes could be more properly framed as pitting speech rights against the right of corporations to protect their sales. In addition, a focus on economic harm would put the academic research on whether or not dilution actually causes any economic harm to the forefront. This would lead to more studies and hopefully better answers to this critical question. And if those studies were unable to document instances of economic harm in the real world, then the purpose of the TDRA and similar statutes would need to be reexamined.

## **B. Allowing Defendants to Rebut the Presumption of Economic Harm is Workable in the Courtroom**

Proving that something does not exist is a more difficult task than proving something does exist. However, there are several pieces of evidence that defendants could present to successfully rebut the presumption. First, they would need to show that the percentage of people exposed to their business is quite small as compared to the percentage of the people who are customers of the plaintiff’s business. For example, Nikepal could argue that only a thousand people have ever even heard of their business, as compared to the millions of customers that Nike has around the world. In other words, Nikepal could argue that their business is so small that any potential harm is *de minimis* and not actionable. Alternatively, Nikepal could argue that Nike is so famous that it is immune to any economic harm by dilution by blurring, since consumers are extremely unlikely to forget any attributes of Nike.<sup>232</sup>

If the defendant could first establish that their actions have not caused the plaintiff any economic harm in the past, then the defendant would need to further show that they are unlikely to cause economic harm in the future. If Nikepal made an argument that any harm from their actions was *de minimis*, then they would need to further show that they did not plan to engage in a major expansion of their business. Similarly, in accordance with the purpose of the TDRA, the defendant would need to show that their actions are not likely to induce other businesses to spring up who would also use a trademark similar to the plaintiffs. In the hearings of the TDRA, Mark Lemley discussed eBay’s fight against 186 website imitators, \*64 often auction related, that use the “bay.com” mark.<sup>233</sup> Certainly, if the defendant were starting a “bay.com” website, the defendant would be hard-pressed to argue that the company’s actions were not part of a pattern of dilutive uses. But on the other side of the spectrum, the defendant in the *Hershey* case could argue that there is no trend of people using allusions to *Hershey* wrappers as part of advertisements, nor is there likely to be such a trend in the future.

## **VII. Conclusion**

This Comment argues that the confusion over dilution stems in part from the incentives of the authors of anti-dilution legislation. At its core, dilution has always been about protecting trademark owners from economic harm. But since the economic harm theory favors defendants, trademark plaintiffs have a strong incentive to avoid clarity in the dilution debate. The vague text of the TDRA reflects this incentive.

This Comment argues that courts should allow defendants to present evidence of their own that suggests they have not caused economic harm. Following such an approach would be consistent with the “impairs the distinctiveness” language of the TDRA. Further, this approach would continue to favor dilution plaintiffs, as the TDRA clearly intends, but it would give defendants more of a fighting chance.

Ultimately, though, the exact approach taken by the courts is not the central issue. Instead, it is critical that courts understand that dilution is a cause of action that aims to prevent economic injury to the plaintiff. If courts are able to move beyond the confusion over dilution and embrace the theory behind the statute, then such an understanding will lead to more just outcomes in dilution cases.

#### Footnotes

<sup>a1</sup> J.D. 2011, University of Pennsylvania Law School. The author would like to thank the staff of the Texas Intellectual Property Law Journal for the opportunity to publish and for their diligent work on the article.

<sup>1</sup> *Vogue Co. v. Thompson-Hudson Co.*, 300 F. 509, 510 (6th Cir. 1924).

<sup>2</sup> *Id.* at 511.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 510.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Vogue*, 300 F. at 511.

<sup>8</sup> *Id.* at 512.

<sup>9</sup> *Id.*

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

<sup>11</sup> Brian A. Jacobs, *Trademark Dilution on the Constitutional Edge*, 104 *Colum. L. Rev.* 161, 166, n.29 (2004) (“Although frequently mis-cited as ‘Professor Schechter,’ Frank Schechter was actually in-house counsel for the famous BVD undergarment brand ....”).

<sup>12</sup> Frank Schechter, *The Rational Basis of Trademark Protection*, 40 *Harv. L. Rev.* 813, 825 (1927). Schechter is frequently cited as being the pivotal figure in the history of anti-dilution laws. Some think his influence is exaggerated. See, e.g., Symposium: Panel III: *Trademark Dilution and Its Effects on the Marks of Big and Small Business*, 19 *Fordham Intell. Prop. Media & Ent. L.J.* 1025, 1034 (2009) (quoting Hugh Hansen’s contention that anti-dilution laws had little to do with what Schechter actually wanted).

<sup>13</sup> See Schechter, *supra* note 12, at 825, 830-31.



- 14 See *id.* at 829-30 (“Should the rule, still broadly enunciated by the Supreme Court, that a trademark may be used on different classes of goods, be literally adhered to, there is not a single one of these fanciful marks which will not, if used on different classes of goods, or to advertise different services, gradually but surely lose its effectiveness and unique distinctiveness ....”).
- 15 See *Dart Drug Corp. v. Schering Corp.*, 320 F.2d 745, 748 n.10 (D.C. Cir. 1963) (“[C]onfusion to the public is the essence of both trademark infringement and unfair competition ....”) (citations omitted).
- 16 *Schechter*, *supra* note 12.
- 17 *Id.* at 831-32.
- 18 See J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:77 (4th ed. 2010) (providing a historical overview of state anti-dilution statutes).
- 19 Pub. L. No. 104-98, 109 Stat. 985 (codified at 15 U.S.C. § 1125(c) (1995)) (amended 2006).
- 20 *Id.*
- 21 See Clarisa Long, *Dilution*, 106 *Colum. L. Rev.* 1029, 1031 (2006) (documenting that in the first year after the passage of the FTDA, plaintiffs won dilution claims in nearly half of the cases in the sample, but that “relief rates have been on a downward trajectory since then”).
- 22 *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003), superseded by statute, Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730.
- 23 15 U.S.C. § 1125(c) (2006). Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (Codified at 14 U.S.C. § 1125(c)).
- 24 15 U.S.C. § 1125(c)(1) (2006).
- 25 *Id.*
- 26 *Id.*
- 27 This Comment uses the term “dilution” to refer to the “dilution by blurring” cause of action; “dilution by tarnishment” is always written out.
- 28 15 U.S.C. § 1125(c)(2)(C).
- 29 Naming a strip club after a famous brand is a commonly cited example of dilution by tarnishment. See, e.g., *Ty Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002) (arguing that a Tiffany’s strip club would have a negative effect on Tiffany & Co.).
- 30 J. Thomas McCarthy, *Proving a Trademark Has Been Diluted: Theories or Facts?*, 41 *Hous. L. Rev.* 713, 726 (2004).

- 31 See Thomas R. Lee, *Demystifying Dilution*, 84 B.U. L. Rev. 859, 883 (2004) (noting that the first substantive comment from a Justice was: “It would help me a lot if you explained to me what dilution is.”) (citing Transcript of Oral Argument, *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (No. 01-1015), 2002 WL 31643067, at \*4).
- 32 Christine Haight Farley, *Why We Are Confused about the Trademark Dilution Law*, 16 Fordham Intell. Prop. Media & Ent. L.J. 1175, 1178 (2006) (“The Court ultimately failed to define dilution and acknowledged this by holding that whatever dilution is, at least you have to prove it.”).
- 33 See, e.g., Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 Trademark Rep. 122, 147 (1993) (arguing that in most cases, “the phenomenon of dilution seems immune from proof by competent evidence”); Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 Tex. L. Rev. 507, 510 (2008) (“Dilution is, ultimately, an underevidenced concept and one that invites socially wasteful litigation.”); David S. Welkowitz, *Reexamining Trademark Dilution*, 44 Vand. L. Rev. 531, 533 (1991) (“These [dilution] statutes protect against something whose existence seems a tenuous proposition at best.”).
- 34 See, e.g., Chris Pullig, Carolyn J. Simmons & Richard G. Netemeyer, *Brand Dilution: When Do New Brands Hurt Existing Brands?* 70 J. Marketing 52, 62 (2006) (“From a practical perspective, dilution is of interest because it can affect sales in the marketplace.”).
- 35 Lee Goldman, *Proving Dilution*, 58 U. Miami L. Rev. 569, 589 (2004) (“[R]equiring a showing of economic harm would be inconsistent with the [FTDA’s] stated purposes.”); Lee, *supra* note 31, at 896 (“[D]ilution is an interference with the senior mark’s distinctiveness and ... such interference may occur despite the presence or absence of affiliated economic consequences.”).
- 36 See, e.g., *Madrid Protocol Implementation Act and Federal Trademark Dilution Act of 1995: Hearing on H.R. 1270 and H.R. 1295 Before the Subcomm. on Courts and Intellectual Property of the H. Comm. on the Judiciary, 104th Cong. 77, 103 (1995) [hereinafter 1995 Hearing]* (testimony of Nils Victor Montan, Vice President and Senior Intellectual Property Counsel, Warner Bros.) (providing an example of a snowboard company that created their own logo by altering the famous shield of Warner Bros.).
- 37 See, e.g., Jerre B. Swann, Sr., *Dilution Redefined for the Year 2002*, 92 Trademark Rep. 585, 592 (2002) (“[S]trong, singular brands today are trustmarks, not as to source, but as to sensation.”).
- 38 See, e.g., Lee, *supra* note 31, at 890 (arguing the proper test for dilution is evidence of a “downstream mental association”).
- 39 15 U.S.C. § 1125(c)(2)(B).
- 40 See *infra* notes 161-164 and accompanying text.
- 41 See Rudolf Callmann, *Unfair Competition Without Competition?*, 95 U. Pa. L. Rev. 443, 454 (1947) (“The injury is to the property and relief cannot be granted to the plaintiff unless an exclusive right, such as property, is recognized.”). The theory has also been described as “dilution of uniqueness.” See Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 16 Fordham Intell. Prop. Media & Ent. L.J. 1143, 1145 (2006) (arguing that Schechter was primarily concerned with preserving the “arresting uniqueness” of a mark).
- 42 See Beebe, *supra* note 41, at 1146 (discussing uniqueness as an absolute).
- 43 Schechter, *supra* note 12, at 825.

44 See *id.* at 823, 830 (stating that protection of a mark allows for the ‘broadest scope possible’).

45 See Moskin, *supra* note 33, at 131-32 (noting that by analogizing dilution to trespass, the plaintiff need not show any harm, but can still win an injunction even if the alleged diluter provides an economic benefit to the plaintiff).

46 See, e.g., Monica Hof Wallace, Using the Past to Predict the Future: Refocusing the Analysis of a Federal Dilution Claim, 73 U. Cin. L. Rev. 945, 979-80 (2005) (discussing the importance of the similarity of marks and the effect on consumers).

47 See *id.* at 981-82 (providing examples of when a mark should receive more protection).

48 *Yale Elec. Corp v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928).

49 *Jacque v. Steenberg Homes, Inc.*, 563 N.W.2d 154, 159 (Wis. 1997).

50 See Goldman, *supra* note 35, at 574 (observing that the free-riding theory is related to John Locke’s labor theory, i.e., that an individual should be able to reap the benefits of what one has created, and no one else has a right to share in those benefits).

51 *Id.*

52 See *id.* (stating that senior users should be able to reap the benefits of their efforts).

53 See *Ty Inc. v. Perryman*, 306 F.3d 509, 512 (7th Cir. 2002) (noting that the validity of this rationale is doubtful).

54 *Id.*

55 See *id.* (basing the argument on Posner’s argument).

56 See Tushnet, *supra* note 33, at 517-20 (describing the arguments in favor of the internal-search-costs model).

57 See Stacey L. Dogan & Mark A. Lemley, What the Right of Publicity Can Learn from Trademark Law, 58 Stan. L. Rev. 1161, 1197 (“[D]ilution properly understood is targeted at reducing consumer search costs.”).

58 This waste of time may also have a financial impact on the trademark owner, but this particular theory focuses on the effect on the consumer, not on the owner of the famous mark.

59 Maureen Morrin & Jacob Jacoby, Trademark Dilution: Empirical Measures for an Elusive Concept, 19 J. Pub. Pol’y & Marketing 265, 269 (2000).

60 *Id.*

61 *Id.*

62 See Tushnet, *supra* note 33, at 518 (“[The internal-search-costs model] offers an attractive definition of dilution, one that creates a

pleasing symmetry between dilution and the standard--now 'external'--search-cost model of infringement.”).

- 63 Joseph J. Ferretti, Product Design Trade Dress Hits the Wall ... *Mart: Wal-mart v. Samara Brothers*, 42 *Idea* 417, 419 (2002).
- 64 Kodak has in fact collaborated with Motorola on a camera phone. See Jennifer Cisney, *Motozine ZN5 Kodak Camera Phone*, *Kodak: Plugged In* (June 23, 2008), <http://pluggedin.Kodak.com/post/?10=2216068> (featuring the MOTOZINE ZN5 camera phone and its use of “Kodak Imaging Technology”).
- 65 Richard Posner, *When Is Parody Fair Use?* 21 *J. Legal Stud.* 67, 75 (1992).
- 66 See McCarthy, *supra* note 18, at § 2:33 (observing that trademark infringement can cause a consumer to mistakenly purchase “a box of JEM brand soap, thinking he or she was buying GEM brand soap ....”).
- 67 See *supra* note 57.
- 68 See Pullig, *supra* note 34, at 62 (“From a practical perspective, dilution is of interest because it can affect sales in the marketplace.”).
- 69 *Id.*
- 70 See Daniel H. Lee, *Past and Future Harm: Reconciling Conflicting Circuit Court Decisions Under the Federal Trademark Dilution Act*, 29 *Pepp. L. Rev.* 689, 704 (2001) (discussing courts’ divergence on this issue).
- 71 See Pullig, *supra* note 34, at 64 (suggesting consideration of a junior brand affects consideration and choice of the senior or famous brand).
- 72 Compare Dogan, *supra* note 57, at 1197 (“[D]ilution properly understood is targeted at reducing consumer search costs.”), with Pullig, *supra* note 34, at 62 (“From a practical perspective, dilution is of interest because it can affect sales in the marketplace.”).
- 73 Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion, and Dilution*, 91 *Trademark Rep.* 1013, 1018 (2001).
- 74 *Id.* at 1024-25.
- 75 *Id.* at 1047.
- 76 This economic harm argument can also be characterized as a more subtle form of consumer confusion. Under traditional consumer confusion doctrine, a consumer is confused if she is unsure about the source of the product. There is consumer confusion of this sort if a consumer sees the Kodak bicycle and is unsure as to whether Eastman Kodak made the bicycle. Under the economic harm argument, the consumer is not confused under this more narrow definition of confusion. Sticking with the previous example of a consumer who shops online for a cameras after seeing a Kodak bicycle, if you were to stop and ask that consumer whether Eastman Kodak makes cameras, then the consumer would say yes. So, consciously, the consumer is aware that Eastman Kodak made the camera. But if the economic harm theory is true, then at least some consumers in that situation would subconsciously be confused: they would forget that Kodak was a brand of cameras. For this and other reasons, some have argued that consumer confusion doctrine actually does cover many dilution cases. See Moskin, *supra* note 33, at 144 n.95 (“Although it would be essentially impossible to prove, and of academic interest only, there also is reason to believe that wherever dilution has been found without a finding of likelihood of confusion, sponsorship confusion, subliminal confusion or post-sale confusion could have been found.”).

77 See Welkowitz, *supra* note 33, at 543-44 (suggesting the possibility that a junior user could force the senior user to spend more on “maintenance costs,” but arguing that this scenario is unlikely).

78 Morrin & Jacoby, *supra* note 59, at 269.

79 Maureen Morrin, Jonathan Lee, & Greg M. Allenby, Determinants of Trademark Dilution, 33 J. Consumer Res. 248, 252 (2006).

80 Pullig, *supra* note 34, at 63.

81 See Tushnet, *supra* note 33, at 529 (noting that cab drivers know to go to the airport and not the local “American Apparel” store when a passenger puts luggage in the trunk and asks to go to “American”).

82 Pullig, *supra* note 34, at 63.

83 *Id.* at 55-58.

84 *Id.*

85 *Id.*

86 *Id.* at 63.

87 *Id.*

88 Pullig, *supra* note 34, at 63.

89 Jonathan Moskin noted this phenomenon regarding a local cheese shop. He testified before Congress that when viewing Miller’s Cheese in New York City, “Never once in that time has it entered my consciousness that Miller’s Cheese had anything to do with Miller’s Beer.” 1995 Hearing, *supra* note 36, at 155 (testimony of Jonathan Moskin, Partner, Pennie & Edmonds).

90 Morrin, Lee, & Allenby, *supra* note 79, at 252.

91 See Callman, *supra* note 41, at 453 (discussing protection based on proeprty rights).

92 Beverly W. Pattishall, The Dilution Rationale for Trademark--Trade Identity Protection, Its Progress and Prospects, 71 Nw. U. L. Rev. 618, 631 (1977).

93 *Id.* at 632.

94 *Id.* at 631, 633; see also Lee, *supra*, note 31 at 898 (arguing that dilution law should allow claims regarding loss of control over mental associations).

95 Lee, *supra* note 31, at 898.

96 *Id.* at 889-90.

97 *Id.* at 889.

98 *Id.* at 890.

99 *Id.*

100 *Id.* at 896.

101 See *Volkswagen AG v. Dorling Kindersley Publ'g, Inc.*, 614 F. Supp. 2d 793, 807 (E.D. Mich. 2009) (describing dilution as bestowing “quasi-property rights” on the trademark owner).

102 See, e.g., *Morrin, Lee, & Allenby*, *supra* note 79, at 252 (finding that individuals exposed to an advertisement for Bass shoes were less likely to remember that the Bass brand also represented beer).

103 Robert N. Glieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. Pitt. L. Rev. 789, 849 (1997).

104 See *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 636 (9th Cir. 2008) (applying TDRA factors without discussing plaintiff’s losses); *Nike, Inc. v. Nikepal Intl’l Inc.*, No. 05-CV-1468, 2007 WL 2782030 (considering only the six TDRA factors regardless of actual losses); *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 109 (2nd Cir. 2009) (holding dilution does not require bad faith or confusion of marks).

105 See 15. U.S.C. § 1125(2)(B) (2006); see also *Jada*, 518 F.3d at 635-36; *Nike*, 2007 WL 2782030.

106 See, e.g., *Nike*, 2007 WL 1782030 at \*8.

107 *Jada*, 518 F.3d at 631.

108 *Id.* at 635.

109 *Id.* at 631-32.

110 *Id.* at 633-34.

111 *Id.* at 636.

112 *Id.* at 637.

113 Jada, 518 F.3d at 636.

114 Id.

115 Id. Certainly, not all courts assume that evidence of any association is enough to show dilution. See, e.g., Volkswagen AG v. Dorling Kindersley Publ'g, Inc., 614 F. Supp. 2d 793, 808 (E.D. Mich. 2009) (noting that although there is evidence of an association between the two products, there is no evidence of “a lessening of [the plaintiff’s] ability to identify and distinguish its cars as a result of the [defendant’s] release of Fun Cars”).

116 Jada, 518 F.3d at 636.

117 Id. at 637.

118 Id.

119 See Beebe, *supra* note 41.

120 Nike, 2007 WL 2782030, at \*8; Starbucks, 588 F.3d at 110, 119.

121 Nike, 2007 WL 2782030, at \*8.

122 Id. at \*1-2.

123 Id. at \*2.

124 Id.

125 Id. at \*3.

126 Id. at \*4.

127 Nike, 2007 WL 2782030, at \*6-8.

128 Id.

129 Id. at \*7.

130 Hershey Co. v. Art Van Furniture, Inc., No. 08-14463, 2008 WL 4724756, at \*14 (E.D. Mich. Oct. 24, 2008).

131 Id. at \*2.

132 Id. at \*1; Martin Schwimmer, Hershey v. Chocolate ‘Couch Bar’, The Trademark Blog (Oct 29, 2008), <http://www.schwimmerlegal.com/category/what-is-this-thing-called-dilution> (displaying an image of the controversial advertisement).

133 Hershey, 2008 WL 4724756, at \*14.

134 Id. at \*15.

135 Id.

136 Id. at \*16.

137 Starbucks, 588 F.3d at 105-06.

138 Id. at 103.

139 Id.

140 Id. at 103-04.

141 Id. at 109-10.

142 Id. at 106-09.

143 Starbucks, 588 F.3d at 109.

144 Id. at 107.

145 15 U.S.C. § 1125(c)(2)(B) (2006) (“the court may consider all relevant factors”).

146 See id.

147 Starbucks, 588 F.3d at 108.

148 See generally Beebe, supra note 41.

149 See, e.g., Symposium, supra note 12, at 1062 (“[T]he real strength of a dilution cause of action is in the cease-and-desist letter, is in threatening a small player to get them to stop.”).

150 See infra text accompanying note 204.



151 See Robert G. Bone, *Schechter's Ideas in Historical Context and Dilution's Rocky Road*, 24 Santa Clara Computer & High Tech. L.J. 469, 471 ("Schechter did not help his cause much either because he never provided a coherent policy justification.").

152 Schechter, *supra* note 12, at 833.

153 *Id.* at 825.

154 *Id.*

155 *Tiffany & Co. v. Tiffany Prod., Inc.*, 264 N.Y.S. 459, 462 (1932).

156 See, e.g., James F. Oates, Jr., *Relief in Equity Against Unfair Trade Practices of Non-Competitors*, 25 Ill. L. Rev. 643, 657-58 (1931) (describing Schechter as writing with "great clarity of thought," and referring to the harm of dilution as "a reduction in distinctiveness"); Milton Handler, *Unfair Competition*, 21 Iowa L. Rev. 175, 183 n.22 (1936) (citing Schechter for the proposition that even without consumer confusion, "there may be injury to prestige and reputation, loss of distinctiveness of the mark, and a consequent dilution of its demand-creating properties"). See also Bone, *supra* note 151, at 492 (providing evidence that many scholars were persuaded by Schechter's arguments).

157 See Bone, *supra* note 151, at 495 (noting that Schechter had a "remarkably positive" reception in part because dilution was not recognized as an independent cause of action).

158 See *id.* at 503 ("[T]he dilution bill was sold to the legislature as a much less controversial measure than it really was.").

159 H.R. Rep. No. 104-374, at 3 (1995).

160 151 Cong. Rec. S2123 (2005) (statement of Rep. Berman).

161 See generally *The United States Trademark Association, The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 Trademark Rep. 375, 459 (1987).

162 *Id.* at 455.

163 Compare *United States Trademark Association*, *supra* note 161, at 459, with Pub. L. No. 104-98, 109 Stat. 985 (codified at 15 U.S.C. § 1125(c) (1995)). A Senate Report also revealed Congress's penchant for copying the USTA's words and ideas. Compare 77 Trademark Rep. at 386 ("[W]here the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats."), with S. Rep. No. 100-55, at 4 (1988) ("When the owner of a trademark has spent considerable time and money bringing a product to the marketplace, trademark law protects the producer from pirates and counterfeiters.").

164 *United States Trademark Association*, *supra* note 161, at 380-81.

165 See Bone, *supra* note 151, at 502 ("The supporters of the Massachusetts dilution bill included members of the Boston Bar as well as industry groups such as the Retail Board of Trade, Better Business Bureau, and Associated Industries of Massachusetts.").

166 Most states have adopted their anti-dilution laws based on the organization's 1964 Model State Trademark Bill. Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. Pitt. L. Rev. 789, 813 (1997).

167 See Jacobs, *supra* note 11, and accompanying text.

168 See Farley, *supra* note 32, at 1177 (citing Transcript of Oral Argument, *Ringling Bros.-Barnum & Bailey v. Utah Div. of Travel Dev.*, 935 F. Supp. 763 (1996)).

169 See George Orwell, *Politics and the English Language*, in *A Collection of Essays* 162, 165 (1954) (giving description of this style of writing).

170 *Id.*

171 *Id.* at 165, 168.

172 *Id.* at 171.

173 William Lutz, *Notes Toward a Definition of Doublespeak*, in *Beyond Nineteen Eighty-Four: Doublespeak in a Post-Orwellian Age* 1, 4 (William Lutz ed., 1989).

174 H.R. Rep. No. 109-23, at 11 (2005).

175 Committee Print to Amend the Federal Trademark Dilution Act: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 108th Cong. 89 (2004) [hereinafter 2004 Hearing] (Statement of James K. Baughman, Assistant General Counsel, The Campbell Soup Company).

176 15 U.S.C. § 1127 (2000).

177 One author believes that this language in the FTDA did in fact convey a right in gross. See Klieger, *supra* note 166, at 835 (arguing the FTDA “recognizes unlimited proprietary ownership of a limited class of marks”).

178 Schechter, *supra* note 12, at 825.

179 *Allied Maint. Corp. v. Allied Mech. Trades, Inc.*, 42 N.Y.2d 538, 544 (1977) (finding for the plaintiff in a dilution case in which the defendant heating and ventilating business used a similar name as the plaintiff cleaning and maintenance business).

180 See Brief for The International Trademark Association as Amicus Curiae Supporting Respondents at 18, *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (No. 01-1015), 2002 WL 1967947 (quoting *McDonald’s Corp. v. Gunville*, 1979 U.S. Dist. LEXIS 11106, at \*8-9 (N.D. Ill. 1979)).

181 *McCarthy*, *supra* note 18, at § 24:120. *McCarthy* is actually critical of the metaphor, but suggested it as a means of understanding the arguments of advocates of anti-dilution laws. Others, however, have used the metaphor to explain dilution. See, e.g., 151 Cong. Rec. 2107, 2123 (2005) (Statement of Rep. Berman) (“[Victims of dilution] analogize the effects of dilution to 100 bee stings, where significant injury is caused by the cumulative effect, not just by one.”). The International Trademark Association also used the metaphor in its amicus brief in support of *Victoria’s Secret* in the *Moseley* case. See Brief for The International Trademark Association as Amicus Curiae Supporting Respondents at 23, *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (No. 01-1015) (stating “[A]ctual harm from a ‘single bee sting’ is not only difficult to prove, it is nonexistent.”).

182 See Moskin, *supra* note 33, at 131 (observing that dilution metaphors are based on the idea of “some taking or diminution” of the value of a trademark).

183 See Goldman, *supra* note 35, at 576 (“Indeed, one is hard-pressed to identify any truly famous mark that is no longer famous because of use of the mark by others.”).

184 Trademark Dilution Revision Act of 2006, 15 U.S.C. § 1125(c) (2006).

185 15 U.S.C. § 1125(c)(2)(C).

186 15 U.S.C. § 1125(c)(2)(B).

187 Federal Trademark Dilution Act of 1995, 15 U.S.C. § 11257 (2000).

188 See Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 *Trademark Rep.* 289, 296 (1984) (stating that “distinctiveness” refers to a mark’s ability to identify goods).

189 See Beebe, *supra* note 41, at 1147 (noting “the language of the TDRA is careful to steer clear of” adopting the concept of a trademark right in gross, otherwise known as dilution of uniqueness); see also *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 459 (1997) (noting that if Congress had intended to create a right-in-gross with the FTDA, adopting that intention is “easily and simply expressed by merely proscribing use of any substantially replicating junior mark.”).

190 Speaking in favor of the Federal Trademark Dilution Act at a July 19, 1995 congressional hearing, Nils Victor Montan of Time Warner said, “[t]he basic point in our view is that the trademark owner, who has spent the time and investment needed to build up the goodwill in these marks, should be the sole determinant of how the marks are used in a commercial sense.” 1995 Hearing, *supra* note 36, at 102 (referencing testimony of Nils Victor Montan, President and Senior Intellectual Property Counsel, Time Warner).

191 See 1995 Hearing, *supra* note 36, at 90 (testimony of James K. Baughman, Assistant General Counsel, Campbell Soup Co.) (“We think that there is something wrong here and that these products in fact are taking advantage of a reputation that has been built up over a century.”).

192 15 U.S.C. § 1125(c)(2)(B)(v) (2006).

193 See, e.g., 151 Cong. Rec. E763-64 (2005) (statement of Rep. Wu) (noting that federal dilution legislation shifted the focus away from consumer protection and toward property protection for business owners); see also Long, *supra* note 21, at 1035 (“[T]he legislative history of the FTDA suggests that Congress originally had more producer-centered considerations in mind.”).

194 The statute does say that a court can issue an injunction to prevent dilution “regardless of the presence or absence ... of actual economic injury.” 15 U.S.C. § 1125(c)(1). This language, however, by no means suggests that the statute is not about economic harm. Instead, the language is simply stating that past economic injury need not be shown; this is completely consistent with the idea that the possibility of future economic injury is the central concern of the statute.

195 15 U.S.C. § 1125(c)(2)(B).

196 See Lee, *supra* note 31, at 890 (discussing mental association and distinction without mentioning loss in sales).

197 See, e.g., *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (“There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed ....”); Long, *supra* note 21, at 1034 (“With this focus on consumers, the classical trademark entitlement is essentially a set of use rights rather than purely exclusionary rights ....”); Moskin, *supra* note 33, at 124 (noting that an attempt to make dilution into a “purely property-based theory” would move trademark law away from its origins in tort principles).

198 See Mary LaFrance, *No Reason to Live: Dilution Laws as Unconstitutional Restrictions on Commercial Speech*, 58 S.C. L. Rev. 709, 713 (2007) (contending that the “very reason for existence” of anti-dilution laws is to restrict commercial speech).

199 *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 564 (1980).

200 Some critics of dilution law think it violates the First Amendment even if it reflects an economic harm theory. See LaFrance, *supra* note 198, at 711 (“[I]f any harm does flow from dilutive activities, it may affect trademark owners in ways that do not affect any broader public interest; indeed, dilutive activities may actually offer some benefits to the public.”). In a recent holding the Supreme Court gives even further support to the argument that the TDRA violates the First Amendment. *Citizens United v. Fed. Election Comm’n*, 130 S. Ct. 876, 900 (2010) (“The Court has thus rejected the argument that political speech of corporations or other associations should be treated differently under the First Amendment simply because such associations are not ‘natural persons.’”).

201 See *Clark v. Martinez*, 543 U.S. 371, 381 (2005) (“[The canon of constitutional avoidance] is a tool for choosing between competing plausible interpretations of a statutory text, resting on the reasonable presumption that Congress did not intend the alternative which raises serious constitutional doubts.”).

202 The one court to most extensively consider the issue also reached this conclusion. See *Ringling Bros-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458 (4th Cir. 1999) (“[A] general agreement has emerged that ‘dilution’ under the state statutes involves as an essential element some form of harm to the protected mark’s selling power--its economic value--resulting otherwise than by consumer confusion from the junior mark’s use.”).

203 See Beebe, *supra* note 41, at 1146-47 (arguing that Schechter’s proposed test for dilution was simple: if a senior mark is unique and if another company makes use of that mark by incorporating it into their own trademark, then the uniqueness of the original mark is destroyed and there has been dilution); Klieger, *supra* note 166, at 806 (“Under Schechter’s dilution proposal, trademark law would protect only unique marks, but would prevent all junior uses of such marks.”). But see Moskin, *supra* note 33, at 132 (“[Schechter], along with most courts and commentators, would seem to agree that some line must be drawn; virtually no one favoring dilution protection seems to insist that all junior uses are per se illegal as causing dilution.”).

204 Schechter, *supra* note 12, at 831.

205 *Id.* at 818-19.

206 *Id.* at 830.

207 *Id.* at 831.

208 *Id.* at 832. “Diluted” is the English translation of the German word *verwässert*.

209 See *Vogue Co. v. Thompson-Hudson Co.*, 300 F. 509, 512 (6th Cir. 1924) (expressing concern that the defendant’s actions would drive away thousands of customers from the plaintiff’s business).

210 See Callmann, *supra* note 41, at 463 (“It has generally been said that trademarks are not rights in gross like patents or statutory copyrights. This, however, is a distinction in practical law and not in principle ....”).

211 Id. at 448.

212 Pattishall, *supra* note 188, at 296.

213 USTA, *supra* note 161, at 455-56.

214 Id. at 455.

215 1995 Hearing, *supra* note 36, at 72 (Statement of Mary Ann Alford, Executive Vice President, International Trademark Association).

216 Id. at 92 (Statement of James K. Baughman, Assistant General Counsel, The Campbell Company).

217 2004 Hearing, *supra* note 175, at 25 (Statement of Jacqueline A. Leimer, President, The International Trademark Association).

218 Trademark Dilution Revision Act of 2005: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. 72, at 28 (2005) [hereinafter 2005 Hearing] (Statement of Anne Gundel Finger, President, The International Trademark Association).

219 H.R. Rep. No. 104-374, at 3 (1995) (quoting *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

220 See *supra* text accompanying notes 154-155.

221 151 Cong. Rec. H2121, at 2123 (2005) (statement of Rep. Berman).

222 Id. (statement of Rep. Smith).

223 Id.

224 *Ty Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002).

225 Id.

226 See Tushnet, *supra* note 33, at 522 (noting that there has been substantially less debate in the literature over the meaning of tarnishment compared to debate over the meaning of blurring).

227 See *supra* text accompanying notes 224-226.

228 See *supra* Part I.D.

- <sup>229</sup> See H.R. Rep. No. 109-23, at 5 (2005) (“The Moseley standard creates an undue burden for trademark holders who contest diluting uses and should be revised.”).
- <sup>230</sup> See Moskin, *supra* note 33, at 137 (“[T]he very essence of the dilution theory is that the plaintiff is not necessarily injured by the particular party that has been summoned to court, but that the one defendant’s conduct, ‘if allowed to spread’ (to other hypothetical defendants), will (‘inevitably’) weaken the plaintiff’s mark.”). As argued previously, this author is suspicious of the merits of this metaphor.
- <sup>231</sup> See *supra* text accompanying notes 130-136.
- <sup>232</sup> See, e.g., Morrin & Jacoby, *supra* note 59, at 274 (“This study also shows that exceptionally familiar brands may be largely immune to some of the harmful effects of trademark dilution.”).
- <sup>233</sup> 2005 Hearing, *supra* note 218, at 44 (Statement of Mark Lemley, William H. Neukom Professor of Law, Stanford University) (providing examples such as “umbrellaBay.com” and “nazibay.com”).