1-1-2001


Terry Ahearn

Follow this and additional works at: http://digitalcommons.law.scu.edu/lawreview

Part of the Law Commons

Recommended Citation
Available at: http://digitalcommons.law.scu.edu/lawreview/vol41/iss3/6

This Comment is brought to you for free and open access by the Journals at Santa Clara Law Digital Commons. It has been accepted for inclusion in Santa Clara Law Review by an authorized administrator of Santa Clara Law Digital Commons. For more information, please contact sculawlibrarian@gmail.com.
DILUTION BY BLURRING UNDER THE FEDERAL TRADEMARK DILUTION ACT OF 1995: WHAT IS IT AND HOW IS IT SHOWN?

Terry Ahearn*

"[I]f you allow Rolls Royce restaurants, and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark anymore."

I. INTRODUCTION

In 1995 Congress passed the Federal Trademark Dilution Act (FTDA). The FTDA was designed to provide uniform national protection to the value of trademarks and replace the "patch quilt system" of state laws that had produced inconsistent and unenforceable results. However, dilution theory has never been unanimously accepted as a viable extension of traditional trademark protection, and as previous failed legislation and state court experience has

---

* Articles Editor, Santa Clara Law Review, Volume 41. J.D. candidate, Santa Clara University School of Law; B.A., Fordham University.


3. See H.R. REP. No. 104-374, at 3 (1995). In pointing out that, at the time, only 25 states had dilution laws on the books, the report stated, "[a] federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection." Id.


5. See H.R. 11,592, 72d Cong. (1932) (bill drafted by Frank I. Schechter and intended to protect federally-registered marks against dilution failed to pass); see also S. 1883, 100th Cong. (1988); H.R. 5372, 100th Cong. (1988).
shown,\textsuperscript{6} the application of dilution theory is intensely debated and begrudgingly applied.\textsuperscript{7} Much of the controversy, if not all, surrounds the primary prong of dilution law, "blurring." Blurring encompasses the traditional or original form of dilution that focuses on the "whittling away" of a trademark's distinctiveness by a subsequent user of the same or similar mark.\textsuperscript{8} Blurring under the FTDA suffers from the same problems that have plagued dilution theory from its origins, and case law under the FTDA has produced similarly incoherent and inconsistent results.\textsuperscript{9}

This comment focuses on the dilution by blurring cause of action under the FTDA by looking at two circuit court cases that represent the disparate interpretations made under the Act.\textsuperscript{10} From there the comment will suggest the approach to which the Act is most susceptible and argue how that proposition can be enforced.

First, the comment gives a general overview of dilution theory and dilution by blurring.\textsuperscript{11} Next, the comment describes the development of dilution from its early origins as a theoretical critique of traditional trademark law,\textsuperscript{12} through its development under state law,\textsuperscript{13} to the culmination of dilution law in the FTDA.\textsuperscript{14} The comment then looks at two circuit court opinions that produced two different approaches to the blurring problem,\textsuperscript{15} then argues which of those two rulings should be adopted\textsuperscript{16} under an amendment to the

\begin{quote}
"Discomfort with the dilution provision stemmed ostensibly from concerns about how trademark dilution would interact with the First Amendment." Klieger, \textit{supra} note 4, at 833.

\textsuperscript{6} See generally Klieger, \textit{supra} note 4, at 795-833.

\textsuperscript{7} See id.

\textsuperscript{8} See J. THOMAS MCCARTHY, 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§ 24:68, 24:94 (4th ed. 1997); see also Frank I. Schechter, \textit{The Rational Basis of Trademark Protection}, 40 HARV. L. REV. 813, 825 (1927) (referring to the legal protection against "the gradual whittling away . . . of the identity and hold upon the public mind of the mark").

\textsuperscript{9} See, e.g., Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir. 1999), \textit{cert. denied}, 528 U.S. 923 (1999); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999); see also discussion \textit{infra} Part II.E.1-2 (analyzing Ringling Bros. and Nabisco).

\textsuperscript{10} See \textit{supra} note 9.

\textsuperscript{11} See discussion \textit{infra} Part II.A.

\textsuperscript{12} See discussion \textit{infra} Part II.B.

\textsuperscript{13} See discussion \textit{infra} Part II.C.

\textsuperscript{14} See discussion \textit{infra} Part II.D.

\textsuperscript{15} See discussion \textit{infra} Part II.E.1-2.

\textsuperscript{16} See discussion \textit{infra} Part IV.A-B.
II. BACKGROUND

In order to understand the difficulty the federal courts have had in interpreting and applying the dilution by blurring cause of action, it is important to understand the long and convoluted history of dilution law from its early theoretical origins to its place as a "well-entrenched" federal cause of action.

A. "Where the Likelihood of Confusion Test Leaves Off, the Dilution Theory Begins"

Dilution theory has two goals: first, "to eliminate any 'risk of an erosion of the public's identification of a very strong mark with the plaintiff alone,"" and second, "to prevent another user from 'diminishing a mark's distinctiveness, uniqueness, effectiveness, and prestigious connotations." The term "dilution" refers to a diminishment in the ability of a distinctive or famous trademark to identify and distinguish goods and services carrying that mark, even where an ordinary consumer could not think that the junior (the subsequent user) and senior (the first or prior user) users of the mark were somehow related or connected.

Unlike the traditional objective of trademark protection,
dilution does not focus on the protection of consumers from confusion, but upon protection of the strong identification value of the trademark. Some examples of marks that would dilute a famous trademark are MICROSOFT rugs, STARBUCKS boats, and GAP dental floss. Furthermore, dilution theory does not apply only to competing goods and services, as is generally the case with traditional trademark law, rather, dilution is widely viewed as applying to both competitive and noncompetitive goods alike. Finally, the key purpose of the dilution cause of action is to protect a mark's strong distinctiveness. Therefore, if a mark has not acquired sufficient distinctiveness under either a state statute or the federal act, then dilution law does not protect it.

Dilution by blurring is the classic form of dilution encompassed by the original definition of dilution as the "diminishment of the distinctive quality" of a mark or the "whittling away" of the value of a mark. Dilution by

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.


24. See Schechter, supra note 8; see also MCCARTHY, supra note 8, § 24:71 (discussing the difference between the likelihood-of-confusion standard and dilution).

25. See also Viacom, Inc. v. Ingram Enters., Inc., 141 F.3d 886, 888 (8th Cir. 1998) (quoting MCCARTHY, supra note 8, § 24:68 (pointing out that the Dilution Act was created to protect trademark owners of non-competing uses such as DUPONT shoes, BUICK aspirin, and KODAK pianos)).


27. See supra notes 20-21 and accompanying text.

28. See 15 U.S.C. § 1125(c)(1) (requiring the mark to be both "distinctive" and "famous") (full text quoted supra note 77); see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25(1)(a) (1995) (requiring the mark to be "highly distinctive").

29. MCCARTHY, supra note 8, § 24:71.

30. Schechter, supra note 8, at 821.

31. The courts generally recognize two forms of dilution: "tarnishment" and "blurring." See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F. Supp. 605, 614 (E.D. Va. 1997) ("Although the Act does not specifically mention either [blurring or tarnishment], both are appropriate elucidations of the dilution concept given that both were contemplated by the Act's drafters and are consistent with the Act's purpose."); Nabisco Inc. v. PF Brands Inc., 50 F. Supp. 2d 188, 201 (S.D.N.Y. 1999) (maintaining that a likelihood-of-dilution can be established by a showing of
DILUTION BY BLURRING

blurring occurs when a sufficiently distinctive mark is used in connection with the goods or services of another. Although buyers are not confused as to the source, sponsorship, affiliation, or connection, consumers will, over time, come to see the senior mark as being associated with several products, none of which belong to the senior user. These subsequent uses thus erode the ability of the mark to "evoke among prospective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner."

B. Frank Schechter and Dilution as the Rational Basis for Trademark Protection

The origins of American dilution law trace back to a 1927 law review article by Professor Frank Schechter in which he wrote, "the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection." What Professor Schechter described in 1927 would later become known as the concept of dilution. He went on to characterize the harm to be prevented under his theory 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. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular

either tarnishment or blurring); H.R. REP. No. 104-374, at 2 (1995) ("The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it."); MCCARTHY, supra note 8, §§ 24:68, 24:69 (discussing the two most common types of dilution, blurring and tarnishment, and pointing out the recent addition of a third type, cybersquatting).

32. See MCCARTHY, supra note 8, §§ 24:68, 24:94.
33. See id. § 24:68.
34. See id. § 24:94.
36. See Klieger, supra note 4, at 796 (citing Schechter, supra note 8, at 831).
37. Id.

product in connection with which it has been used.\(^{39}\)

In light of advances in trade and the rapid growth of the economy, Schechter attempted to move away from the traditional likelihood of consumer confusion rationale as the basis for trademark protection.\(^{40}\) Schechter recognized another aspect of trademarks that, in his view, the consumer confusion test largely ignored.\(^{41}\) Namely, Schechter saw trademarks not only as indicators of source and quality, purposes typically advanced under the trademark laws of that time, but also saw in the marks “an agency for the actual creation and perpetuation” of that source and quality.\(^{42}\)

Schechter believed that a trademark’s selling power relates directly to its uniqueness as a mark, and that a firm that invests thousands of dollars developing a mark should not have to stand idly by while other users strip the mark of its commercial magnetism,\(^{43}\) regardless of the effect on consumer welfare.\(^{44}\) He believed that trademark law ignored the fact that a mark is “not merely [a] symbol of good will but often [is] the most effective agent for the creation of [that] good will.”\(^{45}\) As such, this selling power required absolute protection of the mark’s uniqueness.\(^{46}\)

C. State Dilution Laws: Protection against the “Cancer-Like Growth” of Dissimilar Products Feeding upon Distinctive Trademarks\(^{47}\)

In the two decades following Schechter’s proposal, dilution theory caught on slowly. In fact, between 1933 and 1977 only one case effectively applied the dilution theory.\(^{48}\) In

\(^{39}\) Schechter, supra note 8, at 825.

\(^{40}\) An in-depth analysis of the contrasting features of the confusion cause of action and the dilution cause of action is beyond the scope of this comment. For an excellent comparison of these two concepts see McCARTHY, supra note 8, § 24:70, and Klieger, supra note 4, at 791-95.

\(^{41}\) See Klieger, supra note 4, at 796 (citing Schechter, supra note 8, at 818).

\(^{42}\) Id.

\(^{43}\) See id.; see also Mishakawa Rubber & Wollen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942) (coining the term “commercial magnetism” as a proper characterization of what Schechter meant).

\(^{44}\) See Klieger, supra note 4, at 796.

\(^{45}\) Id. (quoting Schechter, supra note 8, at 830).

\(^{46}\) See id.


\(^{48}\) See Oswald, supra note 18, at 266 (citing Polaroid Corp. v. Polaraid, Inc., 319 F.2d 830 (7th Cir. 1963)).
Polaroid Corp. v. Polaroid, Inc., the Seventh Circuit held that the use of the “POLARAID” mark on heating and refrigeration products diluted the use of the “POLAROID” mark on camera products. In 1932 Schechter himself proposed federal legislation but Congress failed to adopt his proposal or to make dilution a part of the 1946 Lanham Act.

However, cases surfaced where the courts, at least implicitly, applied Schechter’s theory. For example, in Tiffany & Co. v. Tiffany Productions, Inc., the defendant used a logo of a diamond with light radiating from it and the name “Tiffany,” while the plaintiff had been using the same name for its jewelry company for years. The court characterized the injury to the plaintiff 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.” This language was identical to the language used in Schechter’s 1927 article. However, the court ultimately found for the plaintiff under a likelihood of confusion analysis, the traditional trademark infringement test.

Despite the failures of proposed federal legislation and of the judiciary to completely embrace dilution theory, dilution law, nonetheless, began to develop at the state level. In 1947, Massachusetts enacted the first dilution statute. Today, over half the states have either a dilution statute or include dilution as part of their common law. Most of these

49. Polaroid Corp., 319 F.2d 830.
50. See id.
51. H.R. 11,592, 72d Cong. 15 (1932). The bill, intended to protect federally-registered marks against dilution, failed to pass. See id.
52. 264 N.Y.S. 459 (N.Y. Sup. Ct.), aff’d, 188 N.E. 30 (1933).
53. See id. at 460-61.
54. Id. at 462.
55. See Schechter, supra note 8, at 825.
56. See Tiffany & Co., 264 N.Y.S. at 462.
57. See supra note 5.
58. See supra notes 48-50 and accompanying text.
60. See Oswald, supra note 18, at 300 n.59 (citing ALA. CODE § 8-12-17 (1993); ALASKA STAT. § 45.50.180 (MICHIE 1996); ARK. CODE ANN. § 4-71-113 (Michie 1996); CAL. BUS. & PROF. CODE § 14330(a) (West 1987); CONN. GEN. STAT. ANN. § 35-11(C) (West 1997); DEL. CODE ANN. tit. 6, § 3313 (1993); FLA. STAT. ch. 495.151 (1994); GA. CODE ANN. § 10-1-451 (1994); IDAHO CODE § 48-513 (1997); 765 ILL. COMP. STAT. ANN. 1035/15 (West 1993); IOWA CODE ANN. §
Notwithstanding the proliferation of state dilution statutes and early indications of a judicial affinity for dilution theory, courts proved reluctant, if not hostile, to apply the state dilution statutes. As one commentator remarked, between the years 1933 and 1977 only one case effectively applied a state statute. Another commentator pointed out that, among other reasons beyond the scope of this comment, the courts were hostile to state dilution statutes because of the difficulty the courts had in defining dilution and the standards for determining when dilution had occurred.

In 1977, the state “dilution logjam” was broken. In *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, although the court held that the plaintiff’s mark was not distinctive and thus not subject to protection from dilution, the court acknowledged a need for the protection of a mark against the “cancer-like growth of dissimilar products or

---


61. See Oswald, supra note 18, at 300 n.60 (“Most state statutes are modeled after the dilution provision found in the 1964 version of the Model State Trademark Bill, which states in relevant part:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

Model State Trademark Bill § 12 (U.S. Trademark Ass’n 1964).”).

62. See supra notes 52, 58 and accompanying text.

63. See Oswald, supra note 18, at 266.

64. See Klieger, supra note 4, at 798.

65. See Oswald, supra note 18.

services which feeds upon the business reputation of an established trademark . . . beyond that provided by actions for infringement. Following Allied Maintenance, most courts began to apply the state dilution statutes although most of the dilution claims in this period simply added to the traditional trademark infringement, or likelihood of confusion, claim. Indeed, in only sixteen cases from 1977 to 1996 did the courts grant relief solely on dilution grounds. Nonetheless, courts took dilution more seriously with “more decisional ink . . . [being] devoted to dilution [in the years following Allied] than [in] the previous fifty.”

D. The Federal Trademark Dilution Act of 1995: Fixing the “Patchwork Quilt of Dissimilar Laws”

Notwithstanding the affirmative application of dilution theory under state law, the use of state dilution laws without a federal dilution cause of action led to several problems. First, despite the increased use of the state laws, the courts still seemed reluctant to apply them independently of traditional trademark infringement claims. Second, the lack of uniformity in state laws encouraged forum shopping as parties sought out states that had dilution statutes. Third, the “patch quilt system” of state laws inadequately provided extraterritorial protection to trademarks that were used on a national scale in a state that did not have a dilution statute although the markholder had an injunction issued by a state that did.

As a result of these concerns Congress passed the Federal

67. Id. at 1165.
68. See Klieger, supra note 4, at 820 n.173 (pointing out Sally Gee, Inc. v. Myra Hogan, Inc., 699 F.2d 621 (2d Cir. 1983); Safeway Stores, Inc. v. Safeway Discount Drugs, Inc., 675 F.2d 1160 (11th Cir. 1982)).
69. See Klieger, supra note 4, at 820 n.174 (citing cases applying dilution with a traditional infringement claim only).
70. Id. at 820 (quoting Beverly W. Pattishall, Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection, 74 TRADEMARK REP. 289 (1984)).
72. See supra note 66 and accompanying text.
73. See supra note 69 and accompanying text.
75. Id.
76. See Duffey, supra note 71, at 141.
Trademark Dilution Act of 1995 (FTDA) which President Clinton signed into law on January 16, 1996.\(^7\) The FTDA


(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:

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

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

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

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

(A) Fair use of a common mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.
(B) Noncommercial use of a mark.
(C) All forms of news reporting and commentary.

For purposes of the Lanham Act "[t]he term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of:

(1) competition between the owner of the famous mark and other parties, or
amended section 43 and section 45 of the Lanham Act of 1946 to provide protection for famous marks from subsequent uses that blur, tarnish, or disparage the distinctiveness of the mark, without regard to and even in the absence of likelihood of confusion. The FTDA provides protection by creating a federal cause of action for the protection of famous marks from users that "attempt to trade upon the goodwill and established renown" of the mark and, thus, dilute its distinctive quality.

The FTDA also serves an important purpose of trademark legislation that the Lanham Act initially failed to cover, even though the legislature recognized the purpose in 1946 when the Act was first passed. As the legislative history of the 1946 version of the Lanham Act demonstrates, trademark legislation has two purposes. The first is to protect consumers from confusion as to the source and quality of the goods or services upon which the mark is placed. This purpose is easily satisfied where two products are similar or related. The second purpose of trademark legislation is to protect the owner of a trademark who has spent time, energy, and money in the pursuit of the first purpose from those who would trade upon the mark's goodwill. However, where the goods or services are unrelated, the confusion test is hard to meet even though the marks are similar. The FTDA is designed to serve this purpose.

Section 43(c)(1) of the Lanham Act now provides, in relevant part:

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

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


78. See supra notes 23, 77.
80. See id. at 3.
81. See S. REP. NO. 79-1333, at 3 (1946).
82. See id.; see also Duffey, supra note 71, at 138.
83. See S. REP. NO. 79-1333, at 3; see also Duffey, supra note 71, at 138.
84. See supra note 77.
Section 45 of the Lanham Act now provides, in relevant part, "The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception."

In order to establish a prima facie claim of dilution under the FTDA, the plaintiff must plead and prove the following: (1) plaintiff's mark is famous; (2) defendant is making commercial use of the same or similar mark in interstate commerce; (3) defendant's use began after plaintiff's mark became famous; and (4) defendant's use causes dilution of the distinctive quality of the mark. The FTDA defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or; (2) likelihood of confusion, mistake, or deception."

As one commentator wrote, "[t]he passage of the federal Dilution Act has further cemented the doctrine within trademark law. . . . As a practical matter, dilution theory is so well-entrenched within both state and federal law that the only relevant question is how best to apply the theory."

E. Blurring the Blurring Doctrine under the FTDA: The Circuits Speak

Although the FTDA does not specifically mention "blurring," the Act defines "dilution" in terms typically characteristic of blurring. Furthermore, the legislative history of the FTDA indicates that Congress intended the statute to cover all forms of dilution, primarily blurring: "[t]he purpose of [the FTDA] is to protect famous trademarks..."
from subsequent uses that blur the distinctiveness of the mark."94 However, the FTDA and the cases decided under it have done little to demonstrate "how best to apply the [blurring] theory."95 Indeed, the application of the FTDA in the federal courts has produced incoherent definitions of blurring and this "muddling... has flowed through directly to the manner in which dilution can be proved, leading to erroneous tests and questionable outcomes."96 The following cases illustrate this point.

1. Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development97

Ringling brought a federal trademark dilution claim against the state of Utah for its use of the mark, "The Greatest Snow On Earth," for its winter sports tourism industry, which Ringling claimed diluted its mark, "The Greatest Show on Earth."98 The district court ruled in favor of the state of Utah rejecting Ringling's definition of dilution by blurring and its subsequent method of proving that definition.99 The Fourth Circuit affirmed the district court's basic holding and sought to clarify the requirements for dilution by blurring under the FTDA.100

The Fourth Circuit began with a lengthy discussion of the history of dilution theory emphasizing the state courts' interpretations of state dilution statutes,101 interpretations that the court held demonstrated "the sheer difficulty that courts have had in getting a firm handle on the basic concept of 'dilution.'"102 The court then pointed out two "key provisions" of the FTDA that, in its opinion, demonstrate the required showing for dilution.103 First, the Fourth Circuit noted that the language of the FTDA—"another person's

---

94. Id.
95. Oswald, supra note 18, at 280.
96. Id. at 283.
99. See id.
100. See id. at 455.
101. See Ringling Bros., 170 F.3d at 454-58.
102. Id. at 455.
103. See id. at 458.
use... causes dilution"—expressly states that the Act only protects against "actual, consummated dilution" vis-à-vis "likelihood of dilution," which most state statutes protect. Second, the court found that the definition of dilution in the FTDA—"the lessening of the capacity of a famous mark to identify and distinguish goods or services"—"makes plain... that the end harm at which [the FTDA] is aimed is a mark's selling power, not its 'distinctiveness' as such." In light of this admittedly "stringent" interpretation of the FTDA, the court found that proof of federal dilution by blurring requires: (1) a sufficient similarity of marks to evoke in consumers a mental connection of the two marks; (2) The similarity must cause actual harm to the senior mark's economic value, or selling power, as an identifying and advertising agent of the product.

While recognizing the difficulty plaintiffs would have meeting this standard, the Fourth Circuit suggested three possible ways of showing actual economic harm. First, but "most rarely," the senior user could show actual loss of revenue and that the junior user was the cause of that loss. Second, and "most obviously," the senior user could use "skillfully constructed consumer [surveys] designed not just to demonstrate 'mental association' of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred." Lastly, the court suggested that a set of "contextual factors" might be relevant to support a showing of actual harm. However, the court specifically rejected the so-called "Mead factors" as a proper test for actual dilution.

The Second Circuit in Mead Data Central, Inc. v. Toyota...
Motor Sales U.S.A., Inc.*\textsuperscript{116} suggested a standard for determining when dilution by blurring exists.\textsuperscript{117} In a concurring opinion, Judge Sweet developed a six-factor “blurring” test for determining likelihood of dilution: similarity of the marks, similarity of the products, sophistication of the consumers, predatory intent, renown of the senior mark, and renown of the junior mark.\textsuperscript{118} Although still used in some state court cases, judges and commentators have largely discredited the test for being too similar to the tests used for determining likelihood of confusion in traditional trademark infringement cases.\textsuperscript{119}

The Ringling Bros. court recognized the prevalence and “obvious utility” of Judge Sweet's test in state dilution cases where the standard for protection was “likelihood of dilution,” but agreed with most courts and commentators\textsuperscript{120} that the Mead factors were inappropriate under the federal act.\textsuperscript{121} Instead, the Fourth Circuit suggested that certain Mead factors such as the junior mark’s exposure, the similarity of the marks, and the strength of the senior mark as evidence that might “complement other proof.”\textsuperscript{122}

2. Nabisco, Inc. v. PF Brands, Inc.\textsuperscript{123}

The appeal in this case arose out of a counter-claim of trademark dilution by blurring brought by the manufacturer of “Goldfish” cheese crackers, Pepperidge Farms, against the manufacturer of “CatDog” cheese crackers, Nabisco, Inc. The case involved the latter's use of a similarly fish-shaped cheese cracker.\textsuperscript{124} The district court ruled in favor of Pepperidge Farms granting a preliminary injunction against Nabisco for

\textsuperscript{116} 875 F.2d at 1026.
\textsuperscript{117} See id.
\textsuperscript{118} See id. at 1032-39.
\textsuperscript{119} See Ringling Bros., 170 F.3d at 463-64 (rejecting the Mead factors); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 227 n.8 (2d Cir. 1999) (voicing trepidation about applying the Mead factors but equally declining to overturn its present case); see also MCCARTHY, supra note 8, § 24:94.1 (finding four of the five factors irrelevant); Oswald, supra note 18, at 285 (finding only “similarity of the marks” relevant).
\textsuperscript{120} See supra note 119.
\textsuperscript{121} See Ringling Bros., 170 F.3d at 464.
\textsuperscript{122} Id. at 465.
\textsuperscript{123} 191 F.3d 208 (2d Cir. 1999).
dilution by blurring under the FTDA. The Second Circuit affirmed the lower court’s basic holding with modifications to the applicable standard of review in a federal dilution by blurring cause of action.

The court began its analysis by reviewing the text of the FTDA and the definition of dilution by blurring under the Act. From this analysis, the court determined that five elements are necessary to establish a claim of dilution under the FTDA. They are: (1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be in interstate commerce; (4) the use must begin after the senior user’s mark has become famous; and (5) the junior use must cause dilution of the distinctive quality of the mark.

The fifth element — the junior’s use must cause dilution of the distinctive quality of the mark — was the “key operative element” of the FTDA, according to the district court. The court then found that the effect of a distinctive and famous mark is its selling power and that the purpose of the FTDA rests upon this proposition. However, the selling power of a mark, the district court noted, derives its strength from the “mark’s uniqueness and singularity,” and that an unauthorized use of the mark reduces “the public's perception that the mark signifies something unique, singular, or particular.” When this loss of distinctiveness happens, the court concluded, the “selling power that a distinctive mark . . . has engendered for a product in the mind of the consuming public” is diminished. In short, the court defined “dilution” as a loss of distinctiveness and the protection of that distinctiveness from harm by another's use.

To determine whether a junior’s use of the same or similar mark has caused dilution of the senior mark, the

125. See id.
126. See Nabisco, 191 F.3d 208.
127. See supra note 77 (text of the FTDA).
128. See Nabisco, 191 F.3d at 214-15; see also supra note 77 (defining dilution under the FTDA).
129. See Nabisco, 191 F.3d at 215.
130. See id. at 217.
131. See id.
132. Id. (quoting Schechter, supra note 8, at 831).
133. Id.
134. Id. (quoting H.R. REP. No.104-374, at 3 (1995)).
135. See Nabisco, 191 F.3d at 217.
district court adopted a "cautious and gradual approach."

That is, just as it had done for cases involving traditional trademark infringement claims, the court suggested that based on the facts of each case, courts should, or could, develop another list of "nonexclusive" factors that could assist them in determining whether a mark has suffered a loss of distinctiveness.

The Nabisco court analyzed the dilution claim under the following factors: (1) distinctiveness of the senior mark; (2) similarity of the marks; (3) proximity of the products and likelihood of bridging the gap; (4) interrelationship of the previous three factors; (5) whether or not the senior and junior user share consumers and geographic limitations; (6) sophistication of consumers; (7) actual confusion; (8) adjectival or referential quality of the junior use; (9) harm to the junior user and delay by the senior user; and (10) effect of the senior's prior laxity in protecting the mark. From all these factors, the court concluded that there was a likelihood that Nabisco's use would dilute Pepperidge Farm's senior mark.

The district court proceeded to hold that the lower court's application of the so-called Mead factors was not appropriate in this case and that courts should not automatically apply these factors. Pointing out that Judge Sweet's Mead factors lacked important elements for determining dilution, such as actual confusion, likelihood of confusion, shared consumers, and geographic isolation—elements the Nabisco court included in its list—the court concluded that the best approach to this new cause of action would be for courts to "feel their way from case to case, setting forth in each those factors that seem to bear on the

136. Id.
137. See Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492 (2d Cir. 1961). This Second Circuit case produced the so-called Polaroid factors for determining whether or not a junior mark is likely to confuse. See id. The factors are: strength of the plaintiff's mark, similarity between the two marks, similarity of the products, likelihood that plaintiff will enter into defendant's market, actual confusion, defendant's lack of good faith, quality of the defendant's product, and sophistication of the buyers. See id. at 495.
138. See Nabisco, 191 F.3d at 217.
139. See id. at 217-22.
140. See id.
141. See supra note 117 and accompanying text.
142. See Nabisco, 191 F.3d at 226, 227 n.8.
resolution of that case, and, only eventually to arrive at a consensus of relevant factors on the basis of this accumulated experience."  

Finally, the Nabisco court addressed the Fourth Circuit's holding in Ringling Bros. and rejected its interpretation of the FTDA which required proof of actual dilution. First, the court called the requirement that the senior user show actual loss of revenue "inappropriate." Under this definition of dilution "the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior [mark]." This difficulty existed, the court argued, because a successfully exploited senior mark might never actually lose revenue. Further, even if the plaintiff could actually prove its loss, that loss could be the result of some other circumstance besides the junior's use. Second, the court found that "skillfully constructed consumer survey[s]" are "expensive, time-consuming, and not immune to manipulation." Instead, the court suggested that "contextual factors" be used to prove dilution because they have "long been used to establish infringement," and they allow for logical inferences of injury to be drawn sufficiently to satisfy a dilution claim. Finally, the court noted that although support exists in the FTDA for the Fourth Circuit's reading, the Act, by its own language, requires a showing of actual dilution. The court held that the Fourth Circuit's interpretation depends upon "excessive literalism" and that it seems plausible that when Congress provided for an injunction, it intended to prevent the harm before it occurs.

143. Id. at 227.
144. See discussion supra Part II.E.1.
145. See Nabisco, 191 F.3d at 223-24 (disagreeing with the holding in Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 463 (4th Cir. 1999)).
146. See id. at 223.
147. Id.
148. See id. at 224.
149. Id.
150. See id.
151. See 15 U.S.C. § 1125(c)(1) (Supp. II 1996). "The owner of a famous mark shall be entitled ... to an injunction ... if such use causes dilution of the distinctive quality of the mark." Id.
152. See Nabisco, 191 F.3d at 224.
III. IDENTIFICATION OF THE ISSUE

The preceding background illustrates that the dilution by blurring cases under the FTDA have produced inconsistent definitions of both what dilution by blurring is, and subsequently, how those definitions should be proven. Consequently, this muddled approach to the FTDA highlights the need for a consensus on how best to apply the dilution by blurring cause of action that is consistent with the spirit and purpose of dilution theory and with Congress's intent in enacting trademark dilution by blurring as federal law.

As far back as 1927 Professor Frank Schechter identified the need for legislation to deal with the problem that became known as dilution by blurring of a senior user's trademark. From about the same time, however, legislatures and courts have been reticent to apply the concept of dilution as it has arisen through proposed federal legislation and under state law. Congress intended the FTDA to address this problem on a national level, creating a uniform approach to the dilution cause of action. The FTDA has failed to fulfill this mandate, and as the case law illustrates, the dilution by blurring cause of action remains as "muddled" as when Congress first passed the Act.

Schechter's initial concerns still exist, as do the harms that the Lanham Act of 1946 sought to avoid. Furthermore, inconsistent and unreliable outcomes cause extreme harm to a senior user who has made a large investment into a trademark. Such confusion can also be devastating to a junior user who makes a substantial investment into a trademark that they subsequently may not use. Further, inconsistent and unreliable outcomes can lead to forum shopping, which was a major concern in moving away from

153. See discussion supra Part II.E.1-2.
154. See discussion supra Part II.B.
155. See supra note 5 (discussing two failed pieces of federal dilution legislation).
156. See Klieger, supra note 4, at 798 (pointing out the judicial hesitation, if not agitation, to apply the state dilution laws).
158. See discussion supra Part II.D.
159. See Oswald, supra note 18, at 280.
160. See supra note 83 and accompanying text.
161. See Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999).
"patchwork quilt" state laws to the FTDA. Ultimately, Congress needs to reconcile these concerns with the inconsistent and harmful results coming out of the circuit courts.

This comment suggests a uniform approach by addressing two fundamental questions at the source of the inconsistent rulings in the federal circuits. First, what is dilution by blurring: a loss of the selling power of the trademark or the loss of the distinctiveness of the trademark? Second, does the FTDA require the senior user to show actual harm or likelihood of harm? The following section addresses these concerns.

IV. ANALYSIS: DEFINING DILUTION BY BLURRING

The FTDA amended the 1946 Lanham Act. The amendment provided important trademark protection that the Lanham Act had failed to provide although the Act's legislative history reveals Congress's intent to provide such protection. Little doubt exists, however, that the language of the FTDA is largely to blame for the difficulties the circuit courts are having in applying the dilution by blurring cause of action. In light of the first twenty years of disagreement over the validity of dilution theory and the subsequent fifty years of inconsistent state law, it is no surprise that Congress did not get it right. However, this is not to say that there is not sufficient case law, legislative history, and academic commentary that suggests a definition for dilution by blurring and how best to apply it in a uniform way.

As noted above, the second purpose of the 1946 Lanham

163. See discussion supra Part II.E.1-2.
165. See Nabisco, 191 F.3d at 217.
166. See Ringling Bros., 170 F.3d at 458.
167. See Nabisco, 191 F.3d at 223-24.
168. See supra note 77 (text of the FTDA).
169. See supra notes 81-82 and accompanying text.
170. See Nabisco, 191 F.3d at 224.
171. See supra Part II.A-D.
172. See Nabisco, 191 F.3d 208.
174. See Oswald, supra note 18.
Act was to protect the owner of a trademark who has spent
time, energy, and money on establishing the mark from those
who would trade upon the goodwill or value of that mark.\footnote{175}{See S. REP. NO. 79-1333, at 3 (1946); see also supra Part II.D.}
Subsequently, Congress passed the FTDA to provide
protection to senior users from junior users that “cause
Somewhat circularly, the FTDA defined “dilution” as “the
lessening of the capacity of a famous mark to identify and
distinguish goods or services.”\footnote{177}{15 U.S.C. § 1127 (Supp. II 1996) (full text quoted at note 78).}
That is, the FTDA provided protection from the lessening of the capacity (dilution) to
identify and distinguish (distinctiveness). Similarly,
“blurring” refers to the loss of the “unique and distinctive”
significance of a trademark, and it is correctly understood to
be synonymous with the original concept of dilution.\footnote{178}{See McCARTHY, supra note 8, § 24:68.}

From these confusingly similar definitions inconsistent outcomes arise as courts try to interpret what the FTDA
means and what the parties have to show to garner its protection.\footnote{179}{See supra Part II.E.1-2.}

A. Loss of Selling Power or Loss of Distinctiveness

The Fourth Circuit incorrectly interpreted the FTDA in
\textit{Ringling Bros.} when it defined dilution by blurring as the loss
of a mark’s selling power.\footnote{180}{See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div.
of Travel Dev., 170 F.3d 449, 458 (4th Cir. 1999), cert. denied, 528 U.S. 923 (1999).}
On the other hand, the Second Circuit in \textit{Nabisco} correctly defined dilution by blurring as
the loss of a mark’s distinctiveness. The Second Circuit’s
definition is the proper interpretation of the FTDA in light of
the history of dilution theory.\footnote{181}{See Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 217 (2d Cir. 1999).}

In \textit{Ringling Bros.}, the Fourth Circuit found that the
definition of dilution under the FTDA — “the lessening of the
capacity of a famous mark to identify and distinguish goods
or services”\footnote{182}{15 U.S.C. § 1127 (Supp. II 1996).} — “makes plain . . . that the end harm at which
[the FTDA] is aimed is a mark’s selling power, not its
‘distinctiveness’ as such.\textsuperscript{183} In \textit{Nabisco}, the Second Circuit acknowledged that the effect of a distinctive and famous mark is its selling power and that the purpose of the FTDA rests upon this proposition.\textsuperscript{184} However, the court argued that the selling power of a mark derives its power from the "mark’s uniqueness and singularity"\textsuperscript{185} and that an unauthorized use of the mark reduces "the public’s perception that the mark signifies something unique, singular, or particular."\textsuperscript{186} Therefore, while the Second Circuit recognized that protection of the selling power of a mark is the ultimate purpose of dilution law, the only way to protect that power is to first protect the trademark’s distinctiveness.\textsuperscript{187}

The \textit{Ringling Bros.} court correctly held that "the end harm at which [the FTDA] is aimed is a mark’s selling power."\textsuperscript{188} However, rather than focusing on the loss of that power as the standard of proof of dilution by blurring, the \textit{Nabisco} court correctly stated (and Schechter himself believed) that protection of the selling power "required absolute protection of the mark’s uniqueness."\textsuperscript{189}

Indeed, the legislative history of the FTDA supports this contention.\textsuperscript{190} Nowhere does the legislative history of the FTDA mention a mark’s "selling power." In defining the purpose of the legislation, Congress characterized the harm to be prevented as the protection of "famous trademarks from subsequent users that blur the distinctiveness of the mark."\textsuperscript{191} The legislative history refers to a mark’s selling power when it addresses a junior user’s attempt to "trade upon the goodwill and established renown"\textsuperscript{192} of a mark but does so only to illustrate an important point that has permeated dilution theory since its introduction. Namely, Schechter realized that the "stimulant effect" of a distinctive mark was its potential as a "powerful selling tool."\textsuperscript{193} Once a mark has lost

\begin{footnotes}{
\item[183.] \textit{Ringling Bros.}, 170 F.3d at 458.
\item[184.] \textit{See} \textit{Nabisco}, 191 F.3d at 217.
\item[185.] \textit{Id.} (quoting Schechter, \textit{supra} note 8, at 831).
\item[186.] \textit{Id.} (quoting H.R. REP. NO. 104-374, at 3 (1995)).
\item[187.] \textit{See id.}
\item[188.] \textit{Ringling Bros.}, 170 F.3d at 458.
\item[189.] \textit{Nabisco}, 191 F.3d at 217; \textit{see also} Schechter, \textit{supra} note 8, at 831.
\item[191.] \textit{Id.} at 2.
\item[192.] \textit{Id.} at 3.
\end{footnotes}
its distinctiveness it has already begun to lose its selling power. So, if one waits for a loss of selling power (either actual or likely) the mark cannot recover from its injury because it will have lost its public perception as signifying something "unique, singular, or particular." Therefore, to protect the selling power of the mark, the mark's distinctiveness must first be protected.

B. Actual Harm or Likelihood of Harm

As one commentator wrote, except for the Fourth Circuit in Ringling Bros., "no other court has articulated [the] requirement of proof that the second comer's trademark need cause actual harm to the famous mark." Although courts could read the FTDA to require actual harm to the senior user's mark, case law and commentary unanimously agree that actual harm is not required and that a likelihood of harm is the appropriate standard. Although the Fourth Circuit recognized that an "actual harm" standard would be difficult to prove, the court nonetheless argued that the language of the FTDA—"another person's use ... causes dilution"—expressly states that the Act only protects against "actual, consummated dilution" and, therefore, requires a showing of actual harm. The Second Circuit in Nabisco rejected this interpretation of the FTDA. In that case, the court found the requirement that the senior user show actual loss of revenue to be "inappropriate." As the court explained, under this definition of dilution "the senior user might never be able to show diminished revenues,

---

194. See Schechter, supra note 8, at 831.
197. See 15 U.S.C. § 1125(c)(1) (Supp. II 1996) (providing relief "if such use ... causes dilution").
198. See Nabisco, 191 F.3d at 224; McCARTHY, supra note 8, § 24:90 n.17 (finding that the likelihood of harm standard "is the correct reading of the statute and more in accord with traditional anti-dilution law").
200. See Nabisco, 191 F.3d at 223.
201. See id.
no matter how obvious it was that the junior use diluted the distinctiveness of the senior mark." This was true, the court found, because a successfully exploited senior mark might never actually lose revenue, or conversely, if actual loss could be shown, that loss could be the result of some other circumstance besides the junior's use. The court argued that although there is support in the FTDA for the Fourth Circuit's reading that the Act requires actual dilution, this interpretation depends upon "excessive literalism" and, more significantly, it seems plausible to the court that what Congress meant by providing for an injunction was to prevent the harm before it occurs.

The Fourth Circuit's disparate position is not without foundation in the FTDA, which provides protection from use that "causes dilution." However, the Fourth Circuit itself recognized the difficulty in requiring such proof. Indeed, the Second Circuit acknowledged the plausibility of the Fourth Circuit's interpretation. The Second Circuit also thought that this interpretation depended upon "excessive literalism" and failed to recognize that by providing for an injunctive remedy, Congress understood the statute to prevent the harm before it occurs.

In his influential treatise, Professor J. Thomas McCarthy acknowledged that courts could read the FTDA two possible ways but argued that the likelihood of harm standard stood "more in accord with traditional anti-dilution law." McCarthy went on to argue that "[the FTDA] does not require proof of an actual lessening of the strength of the famous mark: only that there is a lessening of the capacity or ability of the mark to be strong as a commercial symbol and identifier." For McCarthy this includes even "small and

202. Id.
203. See id. at 224.
204. See id. (pointing out "that the language of the [FTDA] gives some support to this reading, in that it uses the formulation, 'causes dilution'").
205. See id.
208. See Nabisco, 191 F.3d at 224.
209. See id.
210. MCCARTHY, supra note 8, § 24:90 n.17.
211. Id. § 24:94.
insignificant” use, because “if one small user can blur the sharp focus of the famous mark to uniquely signify one source, then another and another small user can and will do so.”

Even the chief critic of dilution theory admitted that despite the language of the FTDA, Congress could not have intended to require proof of actual harm. As that critic correctly pointed out, an actual harm standard would erect “an impenetrable barrier to any federal dilution action” because “the very premise of dilution is that no single junior user sufficiently undermines the distinctiveness and selling power of a mark to be objectively identified or measured.”

As the case law, legislative history, and academic commentary under the FTDA demonstrates, strong support exists for a uniform approach to the federal dilution by blurring cause of action that recognizes the likelihood of loss of distinctiveness as its standard of proof.

V. PROPOSAL

Two years ago Congress passed the Trademark Amendments Act of 1999. This new amendment to the Lanham Act provides trademark holders with the right to oppose, or to move for cancellation of, a mark before the Trademark Trial and Appeals Board (TTAB). The legislative history to these new amendments recognizes that since enactment of the FTDA, the “federal courts have grappled with how to apply the statute.” However, Congress failed to clarify the ambiguities that led to the split in the circuit courts. Instead, Congress argued that resolution of these problems would be dealt with in a more “timely, economical, and expeditious” manner before the TTAB. Yet, Congress failed to realize that in those cases that do appear before the TTAB, the TTAB will face the same interpretative issues based on the same case law, legislative

212. Id.
213. See Klieger, supra note 4, at 837.
214. Id.
215. Id.
218. Id. at 5.
219. Id.
history, and academic commentary that the federal circuits have faced. And, as we have seen, that plethora of commentary and analysis is subject to multiple interpretations. Indeed, some interpretations are more apparent than others, but no guarantee exists that the decisions before the TTAB, while more uniform, will provide the most justice for the parties involved.

As the 1999 and the 1995 amendments demonstrate, Congress is willing to address the problems that confront the courts in trying to provide the best possible trademark protection. In this same spirit and consistent with the Second Circuit's ruling in Nabisco, Congress needs to once again amend the Lanham Act to clarify the issues discussed above. First, Congress should amend section 43(c)(1) of the Act to read "... if such use begins after the mark has become famous and causes [or is likely to cause] dilution of the distinctive quality of the mark." Second, Congress should amend section 45 to redefine "dilution," in terms consistent with Schecter's original proposal, as "the lessening of the mark's [distinctive capacity to act as a powerful selling tool]."

VI. CONCLUSION

Congress recognized that the protection of a trademark's value was an essential purpose of trademark law when it first enacted federal trademark legislation more than fifty years ago. After years of debate on whether a trademark was entitled to such protection, the idea that a trademark should be free from dilution was firmly accepted. However, what that protection would include and how dilution would be proven ignited yet another battle.

The FTDA provides an opportunity for a uniform approach applicable to all marks in a consistent and coherent manner. Although the FTDA has failed to live up to its potential and has, itself, produced inconsistent standards and

220. See supra Part II.
221. See supra Part IV.
225. See supra Part II.B-D.
226. See supra Part II.E.
dissimilar results, it is still in the early stages of its development and is not yet a failed piece of legislation. Indeed, much of the divergent interpretation can be reconciled by an amendment to the FTDA expressly adopting a uniform standard that clearly follows from the history of dilution theory and that has been successfully applied in the federal courts.