Schechter's Ideas in Historical Context and Dilution's Rocky Road

Robert G. Bone

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

Part of the Law Commons

Recommended Citation

This Symposium is brought to you for free and open access by the Journals at Santa Clara Digital Commons. It has been accepted for inclusion in Santa Clara High Technology Law Journal by an authorized administrator of Santa Clara Law Digital Commons. For more information, please contact sculawlibrarian@gmail.com.
Abstract

Dilution as a theory of trademark liability is something of a mystery. The theory persists despite an extremely poor fit with traditional trademark doctrine and standard trademark policies. This Article explores the mystery of dilution by tracing it back to its origins in Frank Schechter's famous 1927 Harvard Law Review article, The Rational Basis of Trademark Protection. Schechter's argument for dilution must be understood against the broader economic, jurisprudential, and doctrinal background of his time. Schechter was a legal realist and his arguments for dilution were quintessentially realist in character. He believed that protecting marks from dilution was the true rationale for trademark protection because it best fit the way marks actually functioned in the marketplace. He urged courts to adopt the dilution theory because he believed that frank recognition of the true basis for trademark protection would lead to better decisions. Yet dilution never made serious headway until the late 1940s. The reason is not because Schechter's contemporaries rejected the idea in principle, but rather because they saw a strategic advantage to using broad confusion theories to expand trademark protection. When states began to adopt anti-dilution statutes in the late 1940s, two developments played an important role. First, dilution found a strong and aggressive advocate in the person of Rudolf Callmann, and second, political factors favored action on the state level. This history of dilution's origins and early reception provides useful background for understanding current debates and also helps explain why dilution is so much more controversial today than it was in Schechter's time.

† Professor of Law, Boston University School of Law. I would like to thank Oren Bracha, Stacey Dogan, and Mark Lemley for helpful comments, as well as all the participants in the Trademark Dilution Conference held at Santa Clara University Law School on October 5, 2007. I am also grateful for the splendid research assistance of Peter Zalzal.
I. INTRODUCTION

With congressional passage of the Trademark Dilution Revision Act (TDRA)\(^1\) in October, 2006, scholarly attention has again focused on trademark dilution. Dilution is one of the great mysteries of trademark law. Judges have trouble understanding it and scholars have difficulty justifying it. Many of its applications are highly problematic—expansive in scope, anti-competitive in potential effect, and threatening to values of free expression. Yet dilution maintains a firm grip on trademark law. Just when it seems that the theory might wither away, it gains new life and cycles through another period of ascendancy and then decline. The TDRA completes the latest cycle, reinvigorating Section 43(c)\(^2\) just when restrictive judicial interpretations threatened its viability.\(^3\)

This Article traces the history of dilution law back to its origins in Frank Schechter's famous 1927 Harvard Law Review article, *The Rational Basis of Trademark Protection*,\(^4\) and challenges the generally accepted account of that history. According to the standard account, Schechter proposed dilution-based liability as a way to fill a widening gap between common law trademark doctrines and rapidly changing commercial practices.\(^5\) Because dilution was so sharply at odds with traditional confusion-based common law principles,

---


2. Section 43(c) of the Trademark Act of 1946 (forbidding trademark dilution) is codified as amended at 15 U.S.C.A. § 1125(c).

3. For example, the TDRA amends Section 43(c)(1) to codify likelihood of dilution as the standard for injunctive relief, thereby overruling *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), which held that proof of actual dilution was required. Also, the TDRA makes clear that dilution liability under Section 43(c) includes tarnishment as well as blurring and applies to descriptive marks with acquired distinctiveness as well as inherently distinctive marks. The tarnishment provision counters a suggestion in *Moseley* that the statute only covers blurring, see *Moseley*, 537 U.S. at 432, and the inclusion of descriptive marks overrules the Second Circuit's holding in *TCP/IP Holding Co. v. Haar Commc'ns., Inc.*, 244 F.3d 88, 98 (2d Cir. 2001).


however, and because it essentially protected marks on a broad misappropriation theory, it was not well received in the years immediately following publication of Schechter's 1927 article, and it never caught hold.\footnote{See Klieger, \textit{supra} note 5, at 807-10; Nelson, \textit{supra} note 5, at 757-58.} Schechter did not help his cause much either because he never provided a coherent policy justification.\footnote{See Magliocca, \textit{supra} note 5, at 978.} Eventually, the gap between doctrine and commercial practice was filled by broader types of actionable confusion, and with this development there was no need for dilution.

There is certainly some truth to this account, but it also misconceives important elements of the history. This Article corrects some of these misconceptions and situates Schechter and his dilution idea in a richer historical context. In particular, it explores in greater depth the reasons for Schechter's proposal and the reception it received. It also outlines briefly an explanation for the re-emergence of dilution in state statutes starting in the late 1940s.

The remainder of this Article is divided into four parts. Part II briefly describes the dilution theory and focuses on the main reasons why it is so problematic. This sets the stage for the history recounted in Parts III and IV.

Part III focuses on Schechter's original 1927 article and its reception. As Part III explains, mass marketing through advertising and trademarks was well underway by the time Schechter wrote, and many firms had been diversifying since the turn of the century. Moreover, the common law was already adapting to changing commercial practices by expanding the scope of confusion theories. Schechter might have been frustrated with the slow pace of this change, as some versions of the standard account argue,\footnote{See \textit{id.} at 975-76; Klieger, \textit{supra} note 5, at 801-02.} but this was not the main reason he proposed dilution in 1927. Schechter proposed dilution in the spirit of legal realism. He believed that dilution was the real reason to protect marks because it was the reason that fit the way marks actually functioned in the marketplace, and he urged judges to acknowledge this fact openly because doing so would produce better decisions.

This revised account of Schechter explains a feature of trademark history that is difficult to reconcile with the standard account. For more than a decade after publication of \textit{Rational Basis}, no one attacked Schechter's argument or seriously engaged the merits of his dilution theory in a critical way. This does not readily fit the
standard account's focus on the radical nature of Schechter's ideas, and it at least raises some questions about how strong the opposition to those ideas really was. To be sure, dilution did not catch on as an independent theory of liability, but the challenge is to explain why. Part III offers an explanation.

Part IV moves the clock forward twenty years to the late 1940s and the adoption of anti-dilution statutes in the states. According to the standard account, dilution fell on deaf ears after Schechter proposed it. Moreover, it never made any headway in the original Lanham Act. Given this dismal record, one might have expected dilution to fade away. Yet, only one year after passage of the Lanham Act, Massachusetts adopted an anti-dilution statute. The puzzle is to explain why dilution sprang back to life just when it seemed buried for good. Part IV outlines one possible explanation. Part V then concludes.

II. A BRIEF PRIMER ON DILUTION LAW

At its core, trademark law protects against confusing uses of a mark and liability attaches only when the defendant's use is likely to cause consumer confusion. Confusion can take different forms. Consumers might be confused into believing that the plaintiff is actually selling the defendant's product (source confusion) or that the plaintiff authorizes, endorses, or sponsors the defendant's product in some way (sponsorship confusion). Also, consumers might be confused at the time of purchase (point-of-purchase confusion), before purchase (initial interest confusion), or after purchase (post-sale confusion). Whatever form it takes, the confusion requirement is supposed to anchor trademark law to policies that protect the quality of information transmitted to consumers.

9. See Klieger, supra note 5, at 810.
11. See Klieger, supra note 5, at 810-11.
15. See id. §§ 23:6 (initial interest confusion), 23:7 (post-sale confusion).
Dilution is different. It imposes liability without any requirement of confusion.\(^\text{17}\) There are two general types: tarnishment and blurring.\(^\text{18}\) Tarnishment covers cases where the defendant uses a similar mark in a way that severely clashes with the meanings that consumers associate with the plaintiff’s mark.\(^\text{19}\) Suppose the defendant names its striptease club “The Tiffany Club.”\(^\text{20}\) This use of TIFFANY is not likely to confuse anyone into thinking that the jewelry company is involved with the strip club, but it is likely to tarnish TIFFANY’s meaning as a symbol of elegance and prestige.

Dilution by blurring works differently. It is based on the idea that multiple uses of the same mark on different products will “dilute the distinctive quality of the mark” and make it more difficult for consumers to recall the original product quickly.\(^\text{21}\) To illustrate, suppose a firm names its soap “Tiffany Soap;” a car company names its new car “The Tiffany;” a restaurant opens under the name “Tiffany;” and so on. These uses of the TIFFANY mark may not confuse anyone about a possible connection with the jewelry company, but they could clutter the signal sent by the mark and make it more difficult for consumers to link it to Tiffany jewelry. Or so the blurring theory supposes.

It is difficult to justify dilution on policy grounds, and especially difficult to justify liability for blurring.\(^\text{22}\) Some scholars argue that blurring increases consumer search costs, but the limited empirical data suggests that any increase is likely to be very small and probably not worth the cost of a legal remedy.\(^\text{23}\) Other scholars point to the role of blurring in protecting prestige goods, but it is not clear that blurring is needed for that purpose—even if protecting prestige goods is something trademark law should do.\(^\text{24}\) A third approach shifts from promoting consumer welfare to protecting sellers, and justifies

---

21. See Klerman, supra note 19, at 1762.
24. Bone, Skeptical View, supra note 22, at 191 n.15.
blurring as a way to prevent free riding on a seller's goodwill. But this anti-free-riding rationale is highly problematic: it fits trademark doctrine and history awkwardly at best and is difficult to justify in a coherent way.

This account of dilution presents a puzzling question. If dilution diverges so much from conventional trademark doctrine, and if it is so difficult to justify on policy grounds, why did it ever become a part of trademark law? The rest of this Article provides an answer to this question.

III. 1927-1937: FRANK SCHECHTER AND HIS DILUTION IDEA

A. The Rational Basis Article

Frank Schechter is properly credited as the first person in the United States to present the dilution theory in a systematic form. Schechter was a New York lawyer practicing trademark law when, in the early 1920s, he took a leave from practice to study for the new Doctor of Jurisprudence degree at Columbia. Schechter submitted his thesis, The Historical Foundations of the Law Relating to Trade-Marks, in 1925 and received his degree that same year—the first such degree granted by Columbia Law School.

Schechter's 1925 thesis, published by Columbia University, was well received. Most of the book is devoted to tracing the history of

27. I searched for references to dilution, loss of distinctiveness, and the like before Schechter, but found nothing in the United States. As is well known, Schechter relied in part on an earlier German decision, the Odol case, which he read to implement a dilution theory. Schechter, Rational Basis, supra note 4, at 831-33. It is worth mentioning, however, that an article published the same year as Schechter's (1927) proposed almost as expansive an approach but on the basis of a different theory, one that supposed that identical marks by themselves can evoke an association and thus mislead even when the marks are used on unrelated goods. See George W. Goble, Where and What a Trade-Mark Protects, 22 ILL. L. REV. 379, 388 (1927) ("It seems reasonable to suppose that ordinarily identity of trade name or mark in itself would sufficiently relate them to cause mental association as to the manufacture or origin of the goods, dissimilar and unrelated though the goods may otherwise be.").
29. FRANK I. SCHECHTER, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS (1925) [hereinafter SCHECHTER, HISTORICAL FOUNDATIONS].
30. See, e.g., Am. Agric. Chem. Co. v. Moore, 17 F.2d 196, 199 (M.D. Ala. 1927) (referring to Historical Foundations as Schechter's "recent and admirable treatise"); Trademarks: Hearings Held Before the Committee on Patents of the House of Representatives, 72d Cong. 1 (1932) [hereinafter 1932 Hearings] (referring to Schechter as "one of the most
trademark law back to the personal, proprietary, and regulatory marks of the Middle Ages, and forward to the emergence of marks as guarantors of quality and symbols of goodwill in the sixteenth and later centuries. In the final chapter, however, Schechter offered some critical comments. In a somewhat scattered and mostly suggestive discussion, Schechter criticized aspects of trademark doctrine, especially the direct competition requirement, and joined many of his contemporaries in pushing for broader protection in noncompeting product markets.

Two years later, Schechter was ready to present his theoretical views in a more comprehensive and systematic form and he did so in Rational Basis. Schechter argued that protecting the distinctiveness of a mark was "the only rational basis" for trademark protection. For Schechter, this conclusion followed from the "true functions of the trademark," which were "to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public." The rise of mass national marketing and the extensive reliance on advertising had transformed the trademark from a symbol of goodwill to "an agency for the actual creation and perpetuation of good will." As he succinctly put it, "the mark actually sells the goods."

This was his crucial move—from the idea of protecting existing goodwill to the idea of protecting the mark itself as a device to sell products and generate new goodwill. The rest followed easily. "[T]he more distinctive the mark, the more effective is its selling power," he argued, so marks should be protected from uses on other products that erode their uniqueness and distinctiveness. As a result, trademark law should prevent 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." Although he never used the words

32. Id. at 163-71.
33. Schechter, Rational Basis, supra note 4.
34. Id. at 831.
35. Id. at 818.
36. Id.
37. Id. at 819.
38. Id. See also Frank I. Schechter, Trade Morals and Regulation: The American Scene, 6 Fordham L. Rev. 190, 204 n.42 (1937) [hereinafter Schechter, Trade Morals] (summarizing the German Odol decision, and equating dilution to impairment of a mark's "selling-power or drawing-power").
39. Schechter, Rational Basis, supra note 4, at 825.
"dilution" or "blurring," this famous passage from Schechter, with its "gradual whittling away" phrase, became standard language for describing what we today call the blurring theory of dilution.\(^{40}\)

Some who subscribe to the conventional account see a major shift in Schechter's thinking from Historical Foundations, where he is supposed to have endorsed confusion-based liability, to Rational Basis, where his impatience with the slow pace of doctrinal change apparently caused him to reject confusion and embrace the much more radical theory of dilution.\(^{41}\) This reading of Schechter is incorrect. While the final chapter of Historical Foundations contains only fragments of Schechter's thinking, those fragments are consistent with his later analysis in Rational Basis and anticipate the dilution idea.

In particular, Schechter in Historical Foundations downplayed the importance of public deception as a ground of trademark liability and focused instead on the seller's interests, especially the interests of a seller who had invested heavily in advertising its mark.\(^{42}\) Remarking on a line of cases protecting marks against use on noncompeting goods, Schechter observed that the "ratio decidendi . . . would appear to be simply a reluctance on the part of the Court to permit defendants 'to get the benefit of complainant's reputation or of its advertisement or to forestall the extension of its trade,'" and he heralded this development as a "salutary, if somewhat belated, recognition of the actual nature and function of the trade-mark under modern conditions of production and distribution."\(^{43}\) He concluded that a firm that invests heavily in advertising and builds a strong mark "should receive the same protection from the courts for his investment in advertising his trade-mark that he would undoubtedly be entitled to receive for investment in plant or materials."\(^{44}\)

This is an important point. It suggests that Schechter's endorsement of dilution was not a result of frustration or impatience or simply a strategic ploy to speed up judicial recognition of trademark liability in noncompeting markets. Schechter actually believed that dilution was the proper way to conceive trademark

\(^{40}\) Schechter focused exclusively on blurring. Tarnishment was not included in dilution law until many decades later.

\(^{41}\) See Magliocca, supra note 5, at 975-76; Klieger, supra note 5, at 801-02.

\(^{42}\) SCHECHTER, HISTORICAL FOUNDATIONS, supra note 29, at 164-66.

\(^{43}\) Id. at 170.

\(^{44}\) Id. at 171.
law.\textsuperscript{45} He defended dilution not simply as another type of harm that a mark might suffer or just another doctrine to supplement existing confusion-based liability rules. Rather, dilution for Schechter was a general theory of trademark liability superior to the confusion theory. As he put it, “the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.”\textsuperscript{46} The following section explores this point in more detail.

\subsection*{B. Schechter's Rational Basis Project}

To understand more clearly what Schechter had in mind when he wrote \textit{Rational Basis}, it is important to situate his analysis in the broader economic, doctrinal, and jurisprudential climate of the 1920s and 1930s. The following discussion briefly summarizes this historical context before turning to Schechter’s views.

\subsubsection*{1. Historical Context}

\textbf{a. Economic}

The end of the nineteenth and beginning of the twentieth century witnessed three major economic changes of particular importance to trademark law: the nationalization of markets, the diversification of product lines, and the emergence of psychological advertising.\textsuperscript{47}

Nationalization of markets was made possible by the rapid expansion of railroads and improvements in communication technology during the second half of the nineteenth century, and

\textsuperscript{45} Professor Nelson recognizes this point in her \textit{Wages of Ubiquity} article. See Nelson, supra note 5, at 746.

\textsuperscript{46} Schechter, \textit{Rational Basis}, supra note 4, at 831 (emphasis added). Since Schechter limited his new theory to fanciful, arbitrary, and coined marks, one might wonder how descriptive marks, personal name marks, geographic marks, product packaging, and the like were supposed to be handled. Though he did not discuss this issue, it is reasonable to suppose that Schechter assumed these marks and symbols would continue to be protected by unfair competition principles based on consumer deception and confusion. In other words, Schechter’s dilution proposal was intended for “technical trademarks” rather than “tradenames,” as those terms were understood at the time. Technical trademarks included fanciful, arbitrary, and sometimes also suggestive marks. They could be registered federally under the 1905 Trademark Act, and they were protected by the tort of trademark infringement at common law. Tradenames were descriptive marks, personal name marks, and geographic marks, and they were protected by the tort of unfair competition, which required proof of secondary meaning and evidence of likely deception or confusion. See infra note 76 and accompanying text (distinguishing technical trademarks from tradenames).

\textsuperscript{47} The following account is based primarily on Part III.C. of my \textit{Hunting Goodwill} article. Bone, \textit{Hunting Goodwill}, supra note 16, at 576-82. See also Wilf, supra note 28, at 153-71 (describing some of the same developments).
national marketing elevated the importance of trademarks and advertising.\textsuperscript{48} As long as goods were sold only locally, trademarks were not terribly important because consumers were likely to know the local seller personally.\textsuperscript{49} When markets became national, however, a distant manufacturer or importer needed some way to identify its products to the ultimate consumer and convince those consumers to buy its brand.\textsuperscript{50} National advertising featuring distinctive and memorable trademarks solved this problem. While a consumer was not likely to remember who manufactured the product, she was likely to remember a heavily advertised mark. As Schechter put it in \textit{Rational Basis}, “through his trademark the manufacturer or importer may ‘reach over the shoulder of the retailer’ and across the latter’s counter straight to the consumer.”\textsuperscript{51}

The second major development, the diversification of product lines, was well underway by the early decades of the twentieth century.\textsuperscript{52} When a company sold only one type of product, the trademark symbolized the goodwill of the company’s particular brand. When the company diversified, however, the same mark could be used on different products in order to capitalize on the mark’s general reputation for quality. Consumers seeing that mark would assume that the new product line had the same high quality as the old one. In general, a mark has value because of its firm goodwill (goodwill associated with the firm itself and thus with all the products sold by the firm) as well as its brand goodwill (goodwill associated with the particular product brand). Thus, a mark that has developed brand goodwill can be used on other products to exploit its firm goodwill—that is, as long as the mark can be protected in different product markets.

The third development took place in the field of advertising.\textsuperscript{53} During the nineteenth century, the typical ad was informational, relying mostly on prose and simple illustrations.\textsuperscript{54} In the opening decades of the twentieth century, the focus shifted to psychological ads that relied on arresting trademarks, clever slogans, and vivid


\textsuperscript{49} Moreover, goods imported from elsewhere, such as coffee, flour, and sugar, were often sold in bulk without distinguishing trademarks. \textit{Id.} at 575.

\textsuperscript{50} \textit{Id.} at 577.

\textsuperscript{51} Schechter, \textit{Rational Basis}, supra note 4, at 818.


\textsuperscript{53} See Bone, \textit{Hunting Goodwill}, supra note 16, at 579-82.

\textsuperscript{54} \textit{Id.} at 579.
graphics and that targeted basic human needs and emotions.\textsuperscript{55} The idea was to imprint the product and the mark on the mind of the consumer so the trademark automatically evoked the positive emotions and images created by the advertising.

Enthusiasm for psychological advertising reached a peak in the 1920s.\textsuperscript{56} It is difficult for the modern advertising skeptic to appreciate the popularity of psychological advertising in the early twentieth century. In general, the advertising profession was held in high esteem and psychological advertising was celebrated for its ability to align consumer preferences with the needs of a vigorously expanding economy.\textsuperscript{57} To feed strong post-war economic growth, consumers had to be induced to change their preferences and tastes from those associated with the self-sufficiency of a rural life style to those more in line with patterns of materialistic consumption necessary to support a vigorous economy and a wide variety of consumer goods.\textsuperscript{58} Psychological advertising was thought to be a particularly effective tool to accomplish this objective because psychological ads appealed directly to human emotion.\textsuperscript{59}

The use of psychological advertising elevated the importance of trademarks. The trademark was essential to this marketing strategy, for it conveyed the emotional messages to consumers at the point of purchase. Sellers chose distinctive and memorable marks and used psychological ads to invest those marks with strong affective content in the hope of turning the mark into a commercial magnet to attract consumers.\textsuperscript{60}

\begin{thebibliography}{99}
\item 55. Id. at 579-82.
\item 56. Id.
\item 57. Id. at 580-81.
\item 58. Id. at 580. See also Wilf, supra note 28, at 160-76 (describing the perceived value of advertising in changing consumption patterns and supporting a New Deal paradigm of a “consumer republic”).
\item 59. This is a simplification, of course. There were certainly critics of materialistic consumption and psychological advertising during Schechter’s time, see Schechter, Trade Morals, supra note 38, at 202 n.41 (recognizing these criticisms and arguing for other forms of regulation to handle the problems), but there was also remarkably strong approval, especially during the period of economic boom in the 1920s before the Great Depression.
\item 60. See Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942) (referring to the “commercial magnetism” created through advertising); Schechter, Trade Morals, supra note 38, at 204 n.42 (referring to a mark’s “drawing-power.”).
\end{thebibliography}
b. Doctrinal

For most of the nineteenth century, marks were protected only against uses on competing goods. As firms began to diversify into multiple product lines, it became increasingly important to be able to protect existing marks for future use in new product markets. To do this, a firm had to be able to stop others from using its mark in the new market before it entered, and this necessitated extending trademark protection to noncompeting goods. Protecting marks in noncompeting markets was important for consumers too. Confusion between different products was a serious risk by the 1920s because consumers had become accustomed to companies diversifying across product lines.

As a result, one of the most pressing issues in the opening decades of the twentieth century was how far to expand trademark protection into noncompeting product markets. The usual approach was to apply confusion-based theories liberally. As early as 1917, for example, a company selling pancake flour was able to enjoin another company from selling pancake syrup under the same mark.

61. See, e.g., McCarthy, supra note 14, § 24:2; Walter J. Derenberg, Trade-Mark Protection and Unfair Trading 397, 409 (1936) [hereinafter Derenberg, Trade-Mark Protection].

62. See Lukens, supra note 52, at 204-05.

63. See id.

64. This issue arose in two distinct but related contexts. The first context involved application of the 1905 Trademark Act. The 1905 Act conferred benefits on registered trademarks and prohibited registration of a mark that was already in use by another for goods "of the same descriptive properties." Act of Feb. 20, 1905, ch. 592, § 5, 33 Stat. 724, 725. Courts realized rather quickly that the "same descriptive properties" language was too limiting in view of the fact that firms were diversifying into quite different product lines. Moreover, the phrase focused on the physical and functional relatedness of the products rather than on the real reason for denying registration, the risk of consumer confusion. See Lukens, supra note 52, at 203-04. As a result, the statutory language came in for heavy criticism, and courts interpreted it ever more generously until it was finally eliminated by the Lanham Act in 1946. See Derenberg, Trade-Mark Protection, supra note 61, at 432-42. The second context involved the application of the common law of unfair competition. Many courts required competition between the plaintiff and the defendant before imposing liability for unfair competition, often noting, in a rather refined linguistic turn, that "unfair competition" necessarily presupposed the existence of competition. However, courts gradually jettisoned the competition requirement because of the need to reach uses of tradenames on noncompeting products. See Vogue Co. v. Thompson-Hudson Co., 300 F. 509, 512 (6th Cir. 1924) ("[T]here is no fetish in the word 'competition.' The invocation of equity rests more vitally upon the unfairness."); Derenberg, Trade-Mark Protection, supra note 61, §§ 35-38, at 408-49 (summarizing the developments).

65. See Aunt Jemima Mills Co. v. Rigney & Co., 247 F. 407 (2d Cir. 1917); Julius R. Lunsford, Jr., Trademark Infringement and Confusion of Source: Need for Supreme Court
court justified the result on the ground that syrup and flour were closely enough related so that consumers might be confused into believing that the plaintiff actually sold the defendant's syrup. Over time, the scope of protection expanded much further.

These doctrinal changes were well underway by the time Schechter wrote his *Rational Basis* article. National marketing was firmly entrenched; firms were heavily diversified; psychological advertising was all the rage, and trademark law was extending protection for marks through ever-broader applications of confusion theories.

c. Jurisprudential

The third piece of the picture has to do with changes in legal thought in the early twentieth century. By the 1920s, late nineteenth century formalism had been under attack by Progressive reformers for more than a decade. Columbia Law School was one of the hotbeds of reform and home for several well-known legal realists. Schechter, of course, studied at Columbia, and it is safe to assume he maintained ties with the law school while practicing in New York.

The literature on Progressive legal reform and legal realism is vast, and this article is not the place to review it in detail. I shall

---

*Action*, 35 VA. L. REV. 214, 216 (1949) (identifying the *Aunt Jemima* case as the first American decision recognizing confusion for noncompeting goods).


67. See Derenberg, Trademark Protection, *supra* note 61, at 408-31; Lukens, *supra* note 52, at 200-01. Indeed, these expansions were made even easier by the availability of injunctive relief on a showing of mere likelihood of source or sponsorship confusion without any need to prove actual confusion at all.

68. See Lukens, *supra* note 52, at 200 (noting in 1927 that "[i]t is now established beyond controversy that the products need not be the same, in order that relief may be granted."); Goble, *supra* note 27, at 387 (noting in 1927 "that a diversion of patronage is essential to the tort of unfair competition has long since ceased to be a requirement of the law.").


70. For some specific connections between Schechter and legal realists, see infra note 83.

refer to the collection of ideas and beliefs that influenced Schechter as "legal realism" because that is the term most commonly used today. However, it is important to bear in mind that these ideas were shared generally in the early twentieth century by Progressive lawyers, judges, and academics of all kinds, including many who might not have called themselves "legal realists."\(^7\)

Two general features of realist thought – and of Progressive legal thought more generally – are particularly salient to a discussion of Schechter. First, the realists focused on the way law actually worked in practice, and second, they approached the law pragmatically and instrumentally with an eye to making legal rules that served social interests well.\(^7\) The following discussion describes these features in somewhat more detail.

The legal realists rejected the formalistic and conceptualistic jurisprudence of the late nineteenth century.\(^7\) Roughly speaking, conceptualism purported to derive lower level principles, rules, and results in cases from abstract concepts and principles that were assumed to be given.\(^7\) For example, nineteenth century jurists derived exclusive rights in trademarks from the abstract concept of property coupled with general principles of possession and ownership.\(^7\) The realists criticized this mode of argument for assuming that "property"

---

72. One must be careful about using the label "legal realism." It was coined by Karl Llewellyn in a famous 1930 article announcing the legal realist movement, and it gained prominence largely as a result of Llewellyn's heated exchange with Roscoe Pound. See Horwitz, supra note 69, at 169-72. Llewellyn affixed the legal realist label to a loosely knit group of lawyers and academics who were in fact independent thinkers sharing common beliefs on a very general level but using different approaches and holding somewhat divergent views. See, e.g., id.; Wiseman, supra note 71, at 470 n.15.

73. See Horwitz, supra note 69, at 187-89, 208-12; White, supra note 69, at 1020.

74. See Horwitz, supra note 69, at 18-19, 188.


76. See Bone, Hunting Goodwill, supra note 16, at 561-67. They reasoned that a fanciful or arbitrary mark (called a "technical trademark" at the time) could be exclusively possessed because it was not part of the general language and therefore not held in common. A firm exercised possession by being the first to use the mark in trade, and the mark then became that firm's "property." From this, it followed, by the nature of "property," that the owner should have exclusive legal rights against anyone who used the mark on competing goods. Descriptive marks, by contrast, started out as words in the common language and therefore were common property belonging to everyone from the beginning. However, a firm could make a descriptive mark into its individual property by giving the word a different meaning; in other words, by developing secondary meaning.
had a definite meaning and a determinate content.\textsuperscript{77} In their view, it made no sense to determine whether a mark was "property" and then deduce exclusive legal rights from the "property" concept. Instead, one should first determine what legal rights to give by consulting the functions and policies trademark law should serve, and only then label the result "property" as a handy way to refer to it.\textsuperscript{78}

When making policy judgments, many (though not all) realists looked to existing practice for normative as well as empirical guidance.\textsuperscript{79} This feature of legal realism reflected a broader pragmatic movement in the early twentieth century, which in turn was strongly influenced by American philosophical pragmatism.\textsuperscript{80} Very roughly, philosophical pragmatists believed that what worked well was good and what was good worked well.\textsuperscript{81} Those realists who were strongly influenced by pragmatism aimed for legal rules and institutions that facilitated the best features of existing practice in an optimal way, and they did this because they believed that the way things actually worked contained normative clues to the way things ought to work—in other words, that the "is" and the "ought" were not neatly separated.\textsuperscript{82} In short, where the conceptualists were preoccupied with abstract concepts and logical deduction, the realists focused on concrete practice and instrumental reasoning.

2. Understanding Schechter's Project

With this brief historical background in place, it is possible to construct a plausible account of what Schechter was trying to do in \textit{Rational Basis}. In brief, Schechter was a legal realist—a moderate legal realist, to be sure, but a realist nonetheless.\textsuperscript{83} \textit{Rational Basis} has

\textsuperscript{77} See id. at 585-89.

\textsuperscript{78} See, e.g., Goble, \textit{supra} note 27, at 380.

\textsuperscript{79} See, e.g., Horwitz, \textit{supra} note 69, at 208-12 (describing a tension between critical and constructive strands of realist thought and noting the tendency of many realists, especially in the 1930s, to collapse "is" and "ought" and look to positivist social science for normative guidance); Wiseman, \textit{supra} note 71, at 492-503, 505-09 (describing Karl Llewellyn's realist vision of commercial law as embodying the "better rules" of merchant practice and involving a Grand Style of judging). Schechter seems to have been a particularly strong proponent of fitting law to social practice.

\textsuperscript{80} See generally Morton White, \textit{Social Thought in America: The Revolt Against Formalism} (1976).

\textsuperscript{81} Pragmatism is vulnerable to the criticism that it does not have a clear definition of what it means for something "to work well."

\textsuperscript{82} This focus on the way things actually worked fueled a strong interest in empirical social science. See generally Schlegel, \textit{supra} note 71.

\textsuperscript{83} There are many connections between Schechter and noted legal realists. For one thing, Schechter was recruited to study for the doctor of jurisprudence degree by Harlan Fiske
all the elements of a typical realist project. It attacks inherited legal doctrines and older forms of reasoning as excessively formalistic; it criticizes nineteenth century rules for not keeping pace with technological, commercial, and social change; it focuses on actual practice as the basis for designing new legal rules; and it advocates fitting rules to the way things actually work.

I am not suggesting that Schechter was a sophisticated legal theorist. He was certainly an intelligent and thoughtful man and knew a great deal about legal theory, but he was also a practicing lawyer and, I imagine, had limited time for abstract jurisprudential reflection. My point is that Schechter's thinking about trademark law was shaped by the realist ideas and beliefs that permeated the legal thought of his time.

My claim that Schechter was a legal realist runs counter to the standard account. One version of that account holds that Schechter advocated broad property rights in a mark and even treated the mark itself as property. This interpretation of Schechter is understandable given Schechter's focus on the mark as a thing of value in itself. But it is also mistaken. Schechter clearly and firmly rejected the property formalism that informed late nineteenth century trademark jurisprudence, and he repeatedly stressed the importance of a

Stone, then dean of Columbia Law School, see Wilf, supra note 28, at 167; and Stone himself was a Progressive reformer and early realist. See HORWITZ, supra note 69, at 182 n.94. Furthermore, in the preface to Historical Foundations, Schechter credits several Columbia Law School professors, including Herman Oliphant and especially Hessel Yntema, both of whom were legal realists with a strong social science bent. See SCHECHTER, HISTORICAL FOUNDATIONS, supra note 29, at xiv (giving credit to Oliphant and Yntema); see generally HORWITZ, supra note 69, at 181 n.85 (discussing Oliphant and Yntema as realists). In addition, Schechter was inspired by the work of Paul Vinogradoff, who, while not strictly a realist, still rejected juridical abstractions and formalisms and insisted on studying the way law actually worked in social practice. See Frank I. Schechter, Paul Vinogradoff - "The Pontiff of Comparative Jurisprudence," 24 ILL. L. REV. 528, 538-40 (1929) [hereinafter Schechter, Vinogradoff]. Finally, Schechter overlapped at Columbia with Karl Llewellyn, one of the most famous legal realists. Llewellyn visited at Columbia Law School near the end of Schechter's time there and joined the faculty permanently the year Schechter graduated. See TWINING, supra note 71, at 102 (noting that Llewellyn visited Columbia Law School in 1924 and joined the faculty in 1925). However, I have no evidence that Schechter worked with Llewellyn or even took a course from him.

84. I am not the only person to note the connection between Schechter and legal realism through Columbia Law School. See Wilf, supra note 28, at 168-69. To the best of my knowledge, however, I am the first to read Rational Basis as a quintessentially realist article.

85. See, e.g., Franklyn, supra note 25, at 123 (noting that one strand of Schechter's thinking "tended toward a property rationale"); Nelson, supra note 5, at 756 (suggesting that Schechter's dilution doctrine embraced a "'propertized' vision of trademarks"); Klieger, supra note 5, at 796-97 ("Schechter sought to... recognize in senior users of distinctive marks an in gross property right no more limited than that in the physical assets of a business.").
functional approach. Trademark law, in his view, should be designed to protect the “true functions” of trademarks in the marketplace, and “a condition precedent to any intelligible discussion of [trademark] problems is the proper appraisal of the functional concept of a trade-mark today.”

Schechter also had little patience for formalistic reasoning. For example, he criticized those who relied on the “cardinal principle” that no property exists in a mark except in connection with the trade or business in which it is used to defend the rule that trademark law should protect marks only against uses on the same type of goods. According to Schechter, the flaw in the argument was that it assumed a universal “cardinal principle” applicable to all of trademark law. For Schechter, the principle in question was not universal; rather it was designed for a specific problem, assignments in gross, and the policies relevant to that problem were different than the policies involved in deciding whether to protect marks on noncompeting goods. This is a quintessential form of realist critique—probe beneath the formalisms to the underlying policies and argue from the policies rather than the formalisms.

Nor did Schechter rely principally on Lockean natural right or anti-free-riding theories. Lockean and anti-free-riding arguments in trademark law are usually invoked to justify protecting seller goodwill. By their nature, they focus on goodwill already created by a trademark owner’s investments in advertising. Schechter’s dilution theory, however, protected marks not just as embodiments of existing goodwill, but also, and more significantly, as devices to generate

86. For example, he agreed with Justice Oliver Wendell Holmes, one of the early pragmatic instrumentalists, that “[t]o say that a trade-mark is property and therefore should be protected clarifies the situation no more than to say that a trade-mark is protected and is therefore property.” SCHECHTER, HISTORICAL FOUNDATIONS, supra note 29, at 160. And he sounded the same critical theme in his later writing. See, e.g., Frank I. Schechter, Fog and Fiction in Trade-Mark Protection, 36 COLUM. L. REV. 60, 64-65, n.13 (1936) (hereinafter Schechter, Fog and Fiction) (“Nothing is to be gained, in determining the nature of a trade-mark and the basis of its protection by describing the trade-mark as ‘property.’”). The charge that formalism invites circular reasoning was a typical realist critique, and Schechter’s application of the critique to trademark law calls to mind the same criticism made in 1935 by Felix Cohen, one of the most distinguished legal realists of the early twentieth century. See Felix Cohen, Transcendental Nonsense and the Functional Approach, 35 COLUM. L. REV. 809, 815-17 (1935).

87. Schechter, Rational Basis, supra note 4, at 818.
88. Schechter, Fog and Fiction, supra note 86, at 64.
89. Schechter, Rational Basis, supra note 4, at 822-23.
90. Id.
91. See Bone, Hunting Goodwill, supra note 16, at 592-615.
future goodwill not yet created. It is not easy to use Lockean and anti-free-riding arguments to justify a right to future goodwill.

Moreover, Schechter did not see dilution as simply a way to prevent appropriation of goodwill value or free riding on a seller's investments. The wrong that concerned Schechter involved actual harm, not mere appropriation. Dilution was a "concrete injury" to the owner resulting from impairment of the mark's selling power. As Schechter put it when describing the true function of marks:

To describe a trademark merely as a symbol of good will, without recognizing in it an agency for the actual creation and perpetuation of good will, ignores the most potent aspect of the nature of a trademark and that phase most in need of protection. To say that a trademark "is merely the visible manifestation of the more important business goodwill, which is the 'property' to be protected against invasion" or that "the good will is the substance, the trademark merely the shadow," does not accurately state the function of a trademark today and obscures the problem of its adequate protection... today the trademark is not merely the symbol of good will but often the most effective agent for the creation of good will...

Still, there are some passing remarks in Rational Basis that suggest a concern about preventing free riding and protecting a seller's investment. But these references are very few in number and they all take the form of suggestive snippets rather than developed arguments. The thrust of Schechter's justification for dilution was

92. See supra notes 36-38 and accompanying text.

93. Schechter, Rational Basis, supra note 4, at 825. It is worth mentioning that many legal realists were critical of the idea that the law should give exclusive rights in a thing just because it had value and the owner made it valuable. See, e.g., Int'l News Serv. v. Associated Press, 248 U.S. 215, 246-47 (Holmes, J., dissenting), 248-64 (Brandeis, J., dissenting) (1918); Cohen, supra note 86, at 815 (noting that the law does not protect something like a sales device because it has value; rather the thing has value because the law protects it, which means that the law must be justified by public policy not by inferences directly from the existence of commercial value).

94. Schechter, Rational Basis, supra note 4, at 818-19. See also id. at 831 ("[The mark's] 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.").

95. Reading Schechter generously, I count three such references. On page 825, he refers to "trademark pirates" and in the same vein, on page 832, he refers to "the commercial buccaneer." The metaphor of piracy is often associated with free riding. Id. at 825, 832. On page 830, he notes that without dilution protection highly distinctive marks might lose their distinctiveness "despite the originality and ingenuity in their contrivance and the vast expenditures in advertising them which the courts concede should be protected to the same extent as plant and machinery." Id. at 830. The reference to advertising expenditures calls to mind a Lockean justification.
not based on abstract moral theories, but rather on how marks were actually used by companies in the economy of the 1920s and what sort of legal protection was needed to support that use. Schechter assumed that correct legal principles "necessarily emerge[d]" from "the necessities of modern trademark protection." 96

From today's perspective, Schechter's argument for dilution seems rather weak. It does not explain why existing practice should be accepted as a normative baseline. Nor does it take explicit account of all the costs of dilution protection or explain carefully how dilution fits the policies of trademark law. 97 But recall that Schechter wrote Rational Basis at a time when mass national marketing and psychological advertising were celebrated as positive developments, necessary to build and maintain the infrastructure supporting robust economic growth. It is quite possible that Schechter simply took for granted that his audience would accept these features as normatively desirable and worth nurturing.

In addition, criticizing Schechter for failing to offer a justification ignores his pragmatism. Schechter did offer a justification, one that defended his proposal as supporting pervasive and entrenched economic practices. He argued that marks should be protected against dilution because this form of protection would work well given the way companies actually used trademarks in the national economy. 98

Schechter's legal realism manifests itself in another way that also sheds light on what he was trying to do in Rational Basis.

96. Id. at 830. It is important to note in this connection that Schechter did not ignore morality. Indeed, he was keenly interested in the development of what he called "trade morals." See, e.g., Schechter, Trade Morals, supra note 38. He believed that conventional moral norms evolved even in competitive markets, and like many realists, he relied on these embedded moral principles to confirm that established and generally accepted economic practices were working well and thus should be part of what the law was made to fit. My point is only that Schechter did not reason from abstract moral theories, such as the Lockean theory of labor-desert or a general anti-free-riding theory.

97. Schechter did address one type of social cost at the end of Rational Basis: the possibility that dilution protection would create trademark monopolies. He argued that protecting distinctive marks "cannot affect legitimate competition" because other companies have many alternative marks to choose from. Schechter, Rational Basis, supra note 4, at 833. This contention, of course, ignores the possibility that protecting a mark's brand loyalty might raise barriers to entry and impede product market competition.

98. He first identified the "true functions" of trademarks in the modern economy, see id. at 818, and then argued that trademark law should protect those functions as they actually operate in the national market, id. at 818, 825 (reasoning that "the mark actually sells the goods" in the national economy and therefore "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 product in connection with which it has been used.").
Schechter's description of changing commercial practices and judicial responses has an air of inevitability about it. Schechter seems to assume that judges would eventually have to change the law to protect against dilution because the law cannot remain out of sync with social and economic necessity for very long. This conception of legal evolution – that the law evolves not to express some ideal form fixed in general principles, but to fit changing social conditions and needs – was a basic tenet of legal realism.

Schechter believed that trademark law was in the midst of just such a period of major change, and that judges were already responding intuitively by manipulating traditional doctrines to protect the distinctiveness of marks. For example, at the beginning of *Rational Basis*, Schechter observed that "forward strides in trademark protection are being attained by appeals to 'good conscience' and 'judicial sensibilities.'" In other words, the law was already changing as judges responded intuitively to new conditions. However, he also cautioned that relying on "judicial sensibilities" without "critical analysis of the real tort involved" was not the best approach, for it gave judges too much latitude to apply "historical preconceptions" that did not fit modern conditions. He noted in particular that judges were extending trademark protection to non-competing goods "by indirection" and "circuitously approaching" a dilution theory. However, he criticized this approach as "a process of making exceptions rather than a frank recognition of the true basis of trademark protection."

Schechter set out to eliminate the "obsolete conceptions" that were "hamper[ing]" the "proper expansion of trademark law," bring the real reasons for the judicial decisions to the surface, and

---

100. See also Schechter, *Fog and Fiction*, *supra* note 86, at 82 (referring to trademark law as "a living and developing jurisprudence").
102. Id.
103. Id. at 826, 832. His chief example had to do with a doctrinal development that gave broader protection to coined and arbitrary marks than to more common, "semi-descriptive" marks.
104. Id. at 821. See also id. at 825 (noting that courts extending protection to non-competing goods "were obliged to resort to an exceedingly laborious spelling out of other injury to the plaintiff in order to support their decrees."). His point was that the expansion in confusion theories reflected a deeper change in what the law of trademark was protecting. In the way of the common law, incrementally and case by case, judges were gradually moving in the direction of a dilution theory, all the while pushed along by changing market conditions and commercial practices.
105. Id. at 824.
encourage judges to base their decisions on those real reasons. His purpose was not to speed doctrinal change, although that might have been a side benefit. Instead, his purpose was to construct an account of the goals of trademark law that fit actual practice in the hope that “frank recognition of the true basis of trademark protection” would produce better decisions.  

This is a quintessential legal realist project. Schechter’s analysis follows a typical realist format: start by explaining how judges are straining formalistic doctrines to implement underlying policies in a modern setting; then expose the policies beneath the formalisms; and conclude by calling for the elimination of formalisms and for decisions based directly on the policies.

C. Schechter’s Reception

Many judges, trademark scholars, and lawyers took note of Schechter’s Rational Basis article during the decade following its publication. What is surprising, given the article’s supposedly radical thesis, is just how mild a reception it received. No one criticized the merits of Schechter’s proposal and no vigorous debate ensued.

106. Id. at 821.
My research identified eight articles,\textsuperscript{107} four judicial opinions,\textsuperscript{108} and one major treatise\textsuperscript{109} citing \textit{Rational Basis} between 1927 and 1937.\textsuperscript{110} One of the eight articles endorsed the dilution theory, but

\textsuperscript{107} See Bertram F. Willcox, \textit{Protection of a Trade Name in New York State}, 3 ST. JOHN'S L. REV. 1, 3 (1929) (citing Schechter's "masterly article" to support the new advertising function of trademarks); Milton Handler & Charles Pickett, \textit{Trade-Marks and Trade Names -- An Analysis and Synthesis}, 30 COLUM. L. REV. 168 (pt. I), 759 (pt. II), at 176, 783 (1930) (relying on the idea that use of distinctive marks can cause injury in the form of "dilution of [the mark's] advertising appeal, rather than passing off" to argue that "in some cases confusion of source should not be demanded"); James F. Oates, Jr., \textit{Relief in Equity Against Unfair Trade Practices of Non-Competitors}, 25 ILL. L. REV. 643, 657-58 (1931) (referring to Schechter’s article as a ‘most interesting comment’ and endorsing dilution as a harm but not necessarily as an independent theory); Grover C. Grismore, \textit{Assignment of Trade Marks and Trade Names}, 30 MICH. L. REV. 489, 491 n.8 (1932) (noting Schechter’s argument for "a broader measure of protection" as an interesting footnote aside but relying on the proposition that the mark has value as a repository of goodwill); Charles Picketts, \textit{Nicknames and Unfair Competition}, 35 COLUM. L. REV. 33, 40 (1935) (noting Schechter’s idea that marks serve as selling devices not just embodiments of goodwill, but concluding that “whatever legal interest an owner of a brand has in its popular nickname ... is founded on the traditional theory of passing-off”); Milton Handler, \textit{Unfair Competition}, 21 IOWA L. REV. 175, 183 n.22 (1936) (relying on Schechter in observing that marks are sometimes protected even without “diversion of trade or confusion of goods” because of “injury to prestige and reputation, loss of distinctiveness of the mark, and a consequent dilution of demand-creating properties”); John Wolff, \textit{Non-Competing Goods in Trademark Law}, 37 COLUM. L. REV. 582, 601-02 (1937) (approving Schechter’s dilution theory but recommending reliance on confusion-based theories because dilution was not likely to be accepted); Ralph E. Lum & Joseph J. Biunno, \textit{Unfair Competition: A Re-Consideration of Basic Concepts}, 2 U. NEWARK L. REV. 1, 4 n.9 (1937) (quoting Schechter’s article to the effect that "use of similar marks on non-competing goods is perhaps the normal rather than the exceptional case of infringement.").


\textsuperscript{109} See DERENBERG, \textit{TRADE-MARK PROTECTION}, supra note 61, at 414. Derenberg’s treatise was one of two very important trademark treatises published prior to 1945, the other of which was written by Harry Nims. See Zechariah Chafee, Jr., \textit{Book Review}, 61 HARV. L. REV. 562, 562-63 (1948) (reviewing RUDOLF CALLMANN, \textit{THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS (1945)}) (singling out Nims’s and Derenberg’s treatises for special attention and comparing them to Callmann’s 1948 treatise, noting that these are the “three excellent large textbooks” available). The third edition of Nims’s treatise was published in 1936 and did not even mention Schechter though it did note, with approval, the expansion of trademark liability to noncompeting markets by means of broad confusion theories. \textit{See HARRY D. NIMS, \textit{THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS §§ 221, 374 (3d ed. 1936)}.}

\textsuperscript{110} I cannot guarantee that I have found all the sources, but I believe I have found most of them. In particular, I retrieved the opinions by searching the state and federal case law databases in WESTLAW and LEXIS for citations to Schechter between 1927 and 1937. Locating all the articles and treatises was more difficult. My research assistants searched through the Index to Legal Periodicals and HeinOnline for articles and used the Boston University and Harvard Law School libraries to retrieve treatises.
ultimately advised against using it to expand trademark protection, mainly for practical reasons.111 Four other articles, three by Columbia Law School professors Milton Handler and Charles Pickett, cited to dilution favorably but without endorsing it as a stand-alone basis for liability.112 Two of the four judicial opinions, including the famous Tiffany & Co. case,113 refer to dilution, but use it mainly as another type of injury alongside confusion rather than as a distinct theory of liability.114 The single treatise mentioning Schechter is by Walter Derenberg, and it relies on Rational Basis for the specific point that strong and unique marks get more protection in noncompeting product markets than weaker marks – and does so without taking a position on Schechter's general dilution proposal.115

111. Wolff, supra note 107, at 601-02 (noting “[t]he very incongruousness of Schechter’s theory with the tradition and the fundamental principles of the common law forms the chief obstacle to its general acceptance in this country.”).

112. Pickett's sole-authored 1935 article on nicknames, although recognizing that dilution protection is a serious business interest, questions whether it is also a "legal interest" and analyzes the legal issues under a passing off theory. See Pickett, supra note 107, at 40. Pickett and Handler's jointly authored 1930 article and Handler's sole-authored 1936 article focus on protecting marks in noncompeting markets when there is no source confusion or diversion of trade and invoke Schechter for seller injury associated with impairment of a mark's advertising value and demand creation capacity. But they still rely on broad confusion theories and do not endorse dilution as an independent basis of liability. See Handler & Pickett, supra note 107, at 783; Handler, supra note 107, at 183 n.22. Finally, a 1931 article by James Oates, Jr. advocates expanding the protection of tradenames in noncompeting markets, cites Schechter for recognizing dilution as a harm, but ultimately rests on source or sponsorship confusion. See Oates, supra note 107, at 657-58, 670.

113. In a particularly bold move, Schechter cited the Tiffany & Co. case as having adopted his dilution theory as the law of New York. Schechter, Fog and Fiction, supra note 86, at 65 n.14. This was more than a bit of an exaggeration. Tiffany & Co. was not a decision of the New York Court of Appeals, and it found a likelihood of confusion as well as dilution.

114. See Tiffany & Co., supra note 108; Philadelphia Storage Battery, supra note 108. In the late 1940s, when dilution began to come into its own, both of these cases, and especially Tiffany & Co., were cited as early precedent for the theory - and are still cited that way today - even though they also find confusion and treat dilution only as a type of injury and not an independent cause of action. As for the other two opinions, Maison Prunier, supra note 108, relies on Schechter just for the general proposition that courts of equity appeal to "judicial conscience" to expand remedies for unfair competition, id. at 533, and Dorothy Gray Salons, supra note 108, merely quotes Maison Prunier, id. at 207.

115. See DERENBERG, TRADE-MARK PROTECTION, supra note 61, at 414. In this treatise, Derenberg strongly advocates the expansion of liability to noncompeting markets and at times stresses the wrongfulness of the defendant's free riding on plaintiff's goodwill, but he ends up approving the confusion approach without considering the dilution alternative or citing Schechter for his dilution idea. See id. at 442 (approving the language of the Vestal Bill). It is also worth noting that the First Restatement of Torts, published in 1934, included several sections on trademark infringement and unfair competition, none of which mentioned Schechter. See RESTATEMENT (FIRST) OF TORTS §§ 715, 717, 730 (1938) (noting that "with the expansion of markets, the growth of a complicated system of distribution and the development of large scale advertising, trade-marks began to perform the additional function of an advertising and
This record is an embarrassment for the standard account. That account explains dilution's failure to take hold after the publication of Schechter's article by supposing that courts and commentators objected to its radical departure from confusion-based principles.\textsuperscript{116} If this were true, however, one might have expected that the objections would have been voiced publicly. Schechter was a very important figure in trademark circles.\textsuperscript{117} If a prominent figure proposed a radical re-conceptualization of a legal field today, his views would almost certainly provoke heated debate. To be sure, there was not as much legal scholarship in the 1920s and 1930s as there is today, but there were still many trademark-related articles and numerous debates in the literature. Why was there no debate about Schechter's dilution proposal?

One possible answer is that no one really took Schechter's ideas seriously, but I find this highly implausible. For one thing, Schechter's article was not ignored; indeed, as noted just above, several judges and legal scholars cited \textit{Rational Basis} with approval and relied on at least some of its arguments. Also, Schechter's mode of reasoning, his rejection of property formalism, and his empirical observations and assumptions about the value of marks were shared quite generally in the 1920s.\textsuperscript{118} Finally, \textit{Rational Basis} would have been hard to ignore since it dealt with one of the most important issues of early twentieth century trademark law: how far to extend trademark protection to non-competing goods.

Three factors likely contributed to the mild nature of the response. First, and foremost, many of the major writers on trademark law in the 1920s and 1930s were practicing lawyers and probably not deeply concerned about debating the theoretical foundations of selling device," but nevertheless limiting protection within the limits prescribed by the likelihood of consumer confusion).

\textsuperscript{116} See Klieger, \textit{supra} note 5, at 807-10; Nelson, \textit{supra} note 5, at 757-58.

\textsuperscript{117} His doctoral thesis was enthusiastically received when it came out in book form. He published at least four other articles in major journals during the late 1920s and 1930s, before he died in 1937. See Schechter, \textit{Trade Morals, supra note 38; Schechter, Fog and Fiction, supra note 86; Frank I. Schechter, A Study in Comparative Trade Morals and Control, 19 VA. L. REV. 794 (1932); Schechter, \textit{Vinogradoff, supra} note 83. He also wrote an essay for a book published in 1935, which included numerous contributions from notable scholars. Frank I. Schechter, \textit{The Law and Morals of Primitive Trade, in LEGAL ESSAYS IN TRIBUTE TO ORRIN KIP MCMURRAY 565 (M. Radin & A.M. Kidd, eds. 1935). And he was invited to testify before Congress as a trademark expert in 1932, when the House considered major reforms to the 1905 Trademark Act. 1932 \textit{Hearings, supra} note 30, at 1-34.

\textsuperscript{118} See \textit{supra} notes 56-60, 69-81 and accompanying text.
trademark law.\textsuperscript{119} They were probably more concerned about the practical issue of how to get trademark protection extended to noncompeting goods.\textsuperscript{120} Moreover, they already had a theory that worked well enough to achieve that goal. That theory focused on the goodwill that a mark symbolized and protected that goodwill as the seller's property.\textsuperscript{121} This goodwill-as-property theory was flexible enough to support broad trademark protection provided "goodwill" was defined to include goodwill that attached to the firm as well as to the particular brand.\textsuperscript{122}

In addition, the goodwill-as-property theory had an advantage over Schechter's dilution theory. The goodwill-as-property theory was capable of reconciling seller protection with the dominant and persistent consumer protection strand of trademark law. The way a defendant injured or appropriated a plaintiff's firm goodwill was by confusing consumers about sponsorship. Therefore, protecting a mark against sponsorship confusion prevented harm to the seller at the same time as preventing harm to the consumer.\textsuperscript{123}

Second, many of Schechter's contemporaries likely thought that Schechter's dilution theory, even if sensible, was a strategically impractical way to expand trademark protection because it departed too radically from traditional common law principles.\textsuperscript{124} At the same time, they would not have wanted to criticize Schechter, either because they agreed with him in theory or because they thought dilution might come in handy whenever a judge demanded a showing

\textsuperscript{119} Edward Rogers, perhaps the most famous and prolific trademark writer in the early twentieth century, was a practicing lawyer in New York City and Chicago. Frank Schechter, of course, practiced in New York, as did Rudolf Callmann. Walter Derenberg received his law degree from New York University Law School in 1938. Presumably he practiced law before being appointed by NYU as an assistant professor in 1947. Milton Handler and Charles Pickett, Columbia Law School faculty, are notable exceptions, as is Zecharia Chafee, who was on the Harvard Law School faculty.

\textsuperscript{120} See supra notes 61-68 and accompanying text.

\textsuperscript{121} See Bone, Hunting Goodwill, supra note 16, at 567-75.

\textsuperscript{122} See id.

\textsuperscript{123} See, e.g., FRANK S. MOORE, LEGAL PROTECTION OF GOODWILL 40, 173-74 (1936) (explaining that protecting goodwill and preventing fraud were interrelated purposes, since goodwill was impaired whenever the public was deceived and the seller's goodwill was protected whenever public deception was prevented). The goodwill-as-property theory remained consistent with confusion-based liability only so long as the theory was limited to brand and firm goodwill. However, its logic pushed toward protecting broader forms of goodwill against mere appropriation without risk of consumer confusion, and this drove a wedge between the logic of the theory and the structure of trademark doctrine. This problem was just one of several analytic and normative difficulties that contributed to the theory's eventual demise. See Bone, Hunting Goodwill, supra note 16, at 583-602.

\textsuperscript{124} See, e.g., Wolff, supra note 107, at 602-06.
of seller injury to bolster a shaky confusion finding. Moreover, those who opposed dilution-based liability had no need to voice their opposition strongly as long as advocates of expanded liability relied on confusion theories and did not push dilution too aggressively. In short, practically-minded lawyers and judges were much more interested in getting the doctrine changed than getting the theory right.

Third, Schechter himself did not push aggressively for a dilution cause of action after he published *Rational Basis*. He seemed willing to accept the direction of doctrinal expansion with confusion theories even as he reminded his readers that dilution made more sense. I believe that one reason for this behavior is that Schechter was much more a scholar than an advocate. For example, he was keenly interested in comparative law, and when he died, he was working on a large project exploring competition norms and trade morals.

Moreover, Schechter died in 1937, ten years after publication of *Rational Basis*. This left Edward Rogers as the dean of trademark jurists, and it was Rogers who drafted the bill that eventually became the Lanham Act. Although I have never seen any indication that

---

125. One challenge for justifying extended trademark protection involved identifying concrete harms that broader protection might prevent. When the plaintiff and defendant sold different products, the plaintiff lost no sales or customers as a result of defendant's use. Moreover, if the defendant's goods were high quality, there was no reputation injury, and if the plaintiff had no plans to enter the defendant's market, there was no basis for arguing market foreclosure. In these cases, it was not obvious that expanding confusion-based liability was needed to prevent harms to the seller. For some, it was enough that the defendant intended to free ride on the seller's goodwill, but others were troubled by the fact that free riding alone did not diminish the seller's goodwill or cause any other seller injury. Dilution helped supply the missing injury element. Advocates of expansive liability could rely on Schechter's *Rational Basis* article to argue that the seller suffered harm to the distinctiveness and thus the selling power of its mark. See, e.g., Tiffany & Co. v. Tiffany Prods., Inc., 264 N.Y.S. 459, 462-63 (N.Y. Sup. Ct. 1932).

126. See Schechter, *Fog and Fiction*, supra note 86, at 84 (noting that the Yale Electric and Waterman decisions articulate a broad concept of confusion that, while not exactly matching the functional concept of a trademark, is probably a sound basis on which to revise the Trademark Act); *id.* at 84-85 (quoting his proposed amendment to the Vestal Bill, which is based on a confusion principle). But see Walter J. Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes*, 44 CAL. L. REV. 439, 449 (1956) (reporting that Schechter in 1932 drafted a revision of the trademark act, known as the Perkins Bill, which included a provision protecting coined, invented, fanciful, or arbitrary marks on grounds broader than confusion, but that the Perkins Bill was quickly abandoned).


128. See Edward S. Rogers, *The Lanham Act and the Social Function of Trademarks*, 14 LAW & CONTEMP. PROBS. 173, 180 (1949) (recounting how he drafted what was introduced by Congressman Lanham in 1938 as the original bill based on ABA committee meetings). On Rogers's stature in the trademark community, see Zechariah Chafee, Jr., *Unfair Competition*, 53 HARV. L. REV. 1289, 1289 (1940) (referring to Rogers as "one of the leading American writers
Rogers had a problem with the dilution idea in the abstract, he was a strong proponent of the goodwill-as-property theory and content with using confusion to expand the law.

D. Summary

To sum up, the foregoing discussion corrects the standard account of dilution's history in five important respects. First, national marketing, product diversification, and psychological advertising were well underway by the time Schechter wrote *Rational Basis*, and trademark law was already making adjustments. One could be optimistic in the 1920s that the gap between doctrine and economic reality would be closed in due course. Second, Schechter's thinking in *Rational Basis* does not represent a radical break from his earlier work; instead, it reflects the maturation of ideas expressed earlier in only a fragmentary form. Third, Schechter was not a formalist, a natural property rights theorist, or a knee-jerk proponent of anti-free-riding principles. He was a legal realist and believed that legal rules should be designed to function well in practice given the purposes those rules were meant to serve. Fourth, Schechter did provide a justification for dilution in *Rational Basis*, despite suggestions to the contrary, but it was not a justification that would satisfy trademark scholars today. Schechter offered the kind of pragmatic argument that was typical of early twentieth century legal realists. Fifth, Schechter's ideas received a remarkably positive, if relatively mild, reception in the decade after publication of *Rational Basis*. Dilution was never recognized as an independent cause of action, to be sure, but the reason lies in a mix of factors, including strategic considerations, doctrinal developments, and Schechter's own reluctance to push his ideas aggressively.

The dilution idea in trademark law might have died out completely but for the adoption of state anti-dilution statutes, starting with Massachusetts in 1947. Part IV briefly explores this important development.

---

130. See, e.g., 1932 Hearings, supra note 30, at 39, 41-42.
IV. 1947-1977: STATE ANTI-DILUTION STATUTES

The issue whether to extend trademark protection to noncompeting goods was resolved in the affirmative relatively quickly, but the question of how far to extend protection continued to vex the judiciary throughout the 1940s. Judge Learned Hand's changing views are a good example. Hand wrote the Yale Electric opinion in 1928 and included language that seemed to approve extremely broad expansions without any risk of confusion.¹³¹ Only six years later, he retreated from these broad pronouncements in his Waterman opinion.¹³² And during the 1940s, he took a narrow approach, often insisting on proof of concrete injury to reputation or actual entry plans before enjoining use of marks on noncompeting goods.¹³³ The evolution of Hand's views, as well as those of others on the Second Circuit and in the trademark community more generally, tracked growing concerns about the potential monopoly costs of broad trademark protection and the pernicious influence of anti-free-rider arguments.¹³⁴

In the midst of this debate in the 1940s, the dilution idea made several appearances in opinions but never as an independent basis of

¹³¹. Yale Elec. Corp. v. Robertson, 26 F.2d 972 (2d Cir. 1928). Schechter thought that Judge Hand's rationale in Yale Electric would form a sound basis for rules regarding trademark registration, even though it was not as broad as a dilution theory. Schechter, Fog and Fiction, supra note 86, at 84.

¹³². L. E. Waterman Co. v. Gordon, 72 F.2d 272, 273-74 (2d Cir. 1934).

¹³³. See, e.g., Dwinell-Wright Co. v. White House Milk Co., 132 F.2d. 822, 825 (2d Cir. 1943) (Hand, J.) (noting that “the right to preempt” the use of the mark in defendant’s market on the ground of likely entry “is a very slender thread indeed” and that “protection to reputation is more substantial” but still must be evaluated on the facts of each case); S.C. Johnson & Son, Inc. v. Johnson, 116 F.2d 427, 429 (2d Cir. 1940) (Hand, J.) (explaining that where “the injured party has not lost any sales, the courts have based his right upon two other interests: first, his reputation with his customers; second, his possible wish to expand his business into the disputed market.”).

¹³⁴. Concerns about creating monopolies by using trademark law to protect a seller's ability to exploit brand loyalty intensified in the 1930s and 1940s, and anti-free-rider arguments came under attack as well. See, e.g., Triangle Publ’ns., Inc. v. Rohrich, 167 F.2d 969, 974, 980 n.13 (2d Cir. 1948) (Frank, J., dissenting) (cautioning that broad trademark protection “enables one to acquire a vested interest in a demand ‘spuriously’ stimulated through ‘the art of advertising’ by ‘the power of reiterated suggestion’ which creates stubborn habits.”); S.C. Johnson, 116 F.2d at 429 (“There is always the danger that we may be merely granting a monopoly, based upon the notion that by advertising one can obtain some ‘property’ in a name.”); Nat’l Fruit Prod. Co. v. Dwinell-Wright Co., 47 F.Supp. 499, 506-07 (D.Mass. 1942) (Wyzanski, J.) (noting that because of concerns about monopoly abuse and skepticism about free riding as a basis for liability, “[i]t is quite possible that today we stand on the threshold of a change of viewpoint” to one more hostile to trademark protection); Bone, Hunting Goodwill, supra note 16, at 589-90 (describing these views and collecting sources).
trademark liability. Then, in 1946, the Lanham Act was adopted with confusion-based liability principles and no dilution provision. One might have expected that with its weak track record and its ultimate demise in the Lanham Act, dilution would have been buried once and for all. Yet, just at this point, it sprang back to life in the form of state anti-dilution statutes. The challenge is to explain why.

A. State Anti-Dilution Statutes

Massachusetts led the way in adopting an anti-dilution statute in 1947, one year after passage of the Lanham Act. Illinois followed six years later and New York and Georgia two years after that. The next wave of adoptions, which did not start until the 1960s, was given a boost in 1965 by the United States Trademark Association’s decision to add an anti-dilution provision to its Model State Trademark Bill.

The Massachusetts and New York statutes were virtually identical, while the language of the Illinois statute was a bit different. The original version of the Massachusetts statute read as follows:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade-name or trade-mark shall be ground for injunctive relief in cases of trade-mark infringement or unfair competition notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

State legislative histories for the Massachusetts and New York statutes – the two states I have researched – are very sparse, making it difficult to determine why they were adopted when they were. Nevertheless it is possible to construct a plausible explanation that fits the historical record.


136. Congressman Fritz Lanham originally introduced the bill in 1938, and the legislation spent eight years gestating in Congress. The delay was no doubt partly due to the intervention of World War II, but it also reflected controversy over the advisability of federal substantive trademark regulation and broad trademark protection.


138. Id.

B. A Plausible Explanation

My explanation focuses on two factors: (1) emergence of a strong advocate for dilution in the mid-1940s in the person of Rudolf Callmann, who articulated the dilution theory clearly and was willing to push it aggressively, and (2) the structure of politics on the state level following adoption of the Lanham Act.

Before discussing these two factors, however, it is important to bear in mind that state trademark statutes were not unusual at the time. The states had been the primary locus of trademark regulation prior to the Lanham Act. State common law permeated the field, and there were statutes that furnished additional protection to marks registered with the state.140 The Lanham Act did not preempt any of these state laws; rather, it operated against the background of state common law principles. Thus, a state legislator would have had no reason to be particularly concerned about adopting a state trademark statute even after Congress adopted the Lanham Act.

1. Rudolf Callmann

Rudolf Callmann was a major figure in trademark law during the 1950s and 1960s. He published an important treatise in 1945,141 a second edition of the treatise in 1950, and a third edition in 1967. Callmann’s treatise was considered one of the major works on trademark law and unfair competition.142

Callmann was born in 1892 in Germany and practiced law there before emigrating to the United States in 1936.143 His emigration was sponsored by Harvard Law School Professor Zecharia Chafee, himself a noted trademark and unfair competition law scholar.144 Callmann studied at Harvard Law School from 1936 until 1939 and practiced law in New York City.145

---

140. See Rogers, supra note 128, at 178.
141. 1 RUDOLF CALLMANN, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS (1945) [hereinafter CALLMANN (1st ed.)].
142. In a review published in 1948, Zechariah Chafee praised Callmann’s treatise as one of the three leading treatises on trademark and unfair competition law and pronounced it more theoretically ambitious than the other two (by Derenberg and Nims). See Chafee, supra note 109, at 562-63. Callmann’s theoretical ambition is on clear display in his treatment of dilution.
143. See Rudolph Callmann, 83, Dies; Laywer Aided Jewish Refugees, N.Y. TIMES, Mar. 15, 1976, at 33 (Callmann’s obituary).
144. Id.
145. Id. Walter Derenberg, another dilution supporter, was also born in Germany (in 1903) and practiced law there before emigrating to the United States in 1934. See Peter B. Flint, Prof. Walter J. Derenberg Dies: Lawyer Was Copyright Expert, N.Y. TIMES, Sept. 10, 1975, at 48.
As a practicing German lawyer for fourteen years before emigrating, Callmann must have known German law very well and been familiar with the German Odol case on which Schechter relied. Perhaps for this reason, Callmann’s 1945 treatise assigned a prominent place to dilution as a distinct theory of liability. Callmann reserved a separate section for dilution; he unequivocally endorsed dilution as a distinct cause of action; he gave it the name “dilution” (recall that Schechter never named it); and he distinguished it from confusion in a much clearer and crisper way than Schechter or anyone else had managed to do previously. Moreover, he justified dilution by stressing the owner’s property right in its mark and relied heavily on Lockean and anti-free-riding principles.

When the treatise entered its second edition in 1950, Callmann again featured dilution and pushed it aggressively. As a matter of fact, he went so far as to characterize dilution as a special type of “confusion” in a transparent attempt to fit dilution into the Lanham Act’s confusion-based infringement provisions.

146. See Schechter, Rational Basis, supra note 4, at 832 (citing and discussing Odol).

147. 2 CALLMANN (1st ed.), supra note 141, § 84.2.

148. Id. § 84.2 (noting that “[t]he injury [from dilution] differs materially from that arising out of confusion . . . [c]onfusion leads to immediate injury, while dilution is the infection, which, if allowed to spread, will inevitably destroy the advertising value of the mark” and also noting that “it should be recognized therefore that dilution gives rise to a cause of action and should not be relegated to the status of a test of infringement.”). See also id. § 84.2(a), at 1336-43 (showing how some of the cases fit only a dilution theory even if they pretend to find confusion). Moreover, Callmann had the good sense to present the dilution cause of action as a supplement to confusion-based liability in contrast to Schechter, who presented it as a substitute. Id. § 84.2, (attributing Schechter’s poor reception to his attempt to make dilution the only basis for liability and the fact that dilution was “diametrically opposed to the tradition and fundamental principles of the common law”).

149. For property rights in marks, see also Rudolf Callmann, Unfair Competition Without Competition: The Importance of the Property Concept in the Law of Trade-Marks, 95 U. PA. L. REV. 443, 453 (1947) [hereinafter Callmann, Property Concept] (“The protection that can be granted to a trade-mark on the basis of a property right is most extensive.”).

150. 3 RUDOLF CALLMANN, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS (2d ed. 1950), § 65.3 (elaborating on the advertising function of marks), § 74.2 (proposing dilution liability as a safeguard against creeping genericity), § 80.3 (suggesting that dilution protects against “noncompetitive confusion”), § 84.2 (focusing on dilution directly and proposing a dilution cause of action), § 84.2(a) (applying the dilution cause of action, noting that it protects a value of marks that is due mostly to “irrational” consumer purchasing habits).

151. Callmann argued that use of the same mark on an entirely different product can cause confusion about “whether the mark is still a good trade-mark or a free, generic term.” Id. § 80.3. In fact, he floated this idea two years earlier in an address he delivered to the American Bar Association. Rudolf Callmann, One Year Under the Lanham Act: A Practitioner’s Viewpoint, 38 TRADEMARK REP. 857, 859 (1948) [hereinafter Callmann, One Year].
Until Callmann took up its cause, dilution had no champion willing to promote the theory aggressively. As we saw above, Schechter himself never pushed strongly for dilution during the ten years between *Rational Basis* and his death in 1937, and other supporters in the 1930s and 1940s, such as Walter Derenberg, reserved judgment on it as a distinct cause of action. Callmann was the first to promote dilution vigorously and distinguish it sharply from source and sponsorship confusion (which he called "confusion of goods" and "confusion of business," respectively). Indeed, one commentator, himself a supporter of the dilution cause of action, described Callmann in 1953 as "perhaps, the most vociferous advocate of the dilution theory writing today."

Callmann's influence was felt strongly during the late 1940s and 1950s. Not only did he promote dilution in his treatise, but he also pushed for it, and more generally for the protection of property rights in marks, in his other published writing and through his speaking engagements. Other proponents of dilution, such as Walter Derenberg, followed Callmann's lead. Opponents of dilution countered with critical articles of their own emphasizing the

---

152. See supra notes 107-115, 126-127 and accompanying text.

153. Indeed, some of the most problematic features of modern dilution law can be traced back to Callmann. For example, it was Callmann, not Schechter, who linked dilution clearly to property rights in a mark, and it was Callmann, not Schechter, who advocated dilution protection for descriptive marks with strong secondary meaning. Indeed, Callmann was such a fan of dilution that he even suggested that dilution should be used to protect newly minted and inherently distinctive marks before they acquire popularity. See *Callmann* (1st ed.), supra note 141, § 84.2(a), at 1343 (noting that "dilution may even be more detrimental to a new born advertising effort, for its vitality as a selling power may be sapped by the first imitation appearing on the market").

154. Beverly M. Pattishall, *The Case for Anti-Dilution Trade-Mark Statutes*, 43 Trademark Rep. 887, 889 (1953); see also Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 Yale L. J. 1165, 1192 (1948) (referring to Callmann as "[dilution] theory's most vigorous living champion"); Derenberg, supra note 126, at 450 (referring to Callmann as the only "distinguished American writer" since Schechter to speak out "clearly in favor of recognizing 'dilution' as a separate tort").

155. See Callmann, *Property Concept*, supra note 149; Callmann, *One Year*, supra note 151; Rudolf Callmann, *Trade-Mark Infringement and Unfair Competition*, 14 Law & Contemp. Probs. 185 (1949). It might also be significant that Edward Rogers, perhaps the most distinguished member of the trademark bar and a powerful advocate for confusion-based liability, died in 1949. See E.S. Rogers, *Expert on Patent Law*, 74, New York Times, May 23, 1949, at 23. With a powerful opponent out of the way, it is likely that Callmann had an easier time pushing his ideas.

156. See, e.g., Derenberg, supra note 126, at 451 (supporting dilution for highly distinctive marks used on noncompeting goods); Pattishall, supra note 154, at 890, 892 (describing the dilution tort favorably and defending it on the ground that it corrects for practical deficiencies in the likelihood of confusion test).
monopoly risks and the dangers of psychological advertising. What followed was the first vigorous dilution debate in the literature, a debate that lasted from the late 1940s well into the 1950s.

With a strong champion, dilution was much more likely to receive serious attention from policymakers. Also, many of dilution’s supporters were influential lawyers in states that adopted anti-dilution statutes early on – for example, Callmann and Derenberg in New York and Beverly Pattishall in Illinois – and they probably helped push the legislation through in their own states.

2. Local Politics

Strong allies would not have been enough, however, without local politics favorably aligned for legislative action. This political piece of the story is hard to reconstruct because of the paucity of legislative history and the difficulty determining local political alignments from the historical record. The following, though speculative to some extent, is a plausible account based on the evidence.

The political explanation is a relatively straightforward public choice story: the supporters of dilution were well organized, powerful, and influential, and the opponents were not. After the Lanham Act was passed without a dilution provision, the pro-dilution forces, armed with Callmann’s treatise, turned to the states to enact dilution protection. The failure of dilution on the federal level counseled against a federal strategy. Working on the state level also

157. See, e.g., George E. Middleton, Some Reflections on Dilution, 42 TRADEMARK REP. 175, 187 (1952); Brown, supra note 154, at 1191-94.

158. Walter Derenberg was a public supporter of dilution by 1956, at the latest. See, e.g., Derenberg, supra note 126, at 451. The New York statute was adopted in 1955 and it is very likely that Derenberg was a supporter at that time too.

159. See Pattishall, supra note 154.

160. The historical record reveals no similarly distinguished figure for Massachusetts. The Massachusetts bill was drafted by Joseph Healey, a recently minted lawyer and member of the Boston Bar. See Food Fair Stores v. Food Fair, Inc., 83 F. Supp. 445, 450 (D. Mass. 1948). Healey graduated from Harvard Law School in 1945 and got involved with the dilution bill only two years later. Although I have no direct support for the connection, it might not be coincidental that Callmann attended Harvard Law School from 1936 to 1939, only six years before Healey did, and that the first edition of Callmann’s treatise was published in 1945, the year Healey graduated. Recall that Zecharia Chafee sponsored Callmann’s immigration to the United States. See supra note 144 and accompanying text. Chafee was on the Harvard Law School faculty during Healey’s time there. It is not too big a leap to think that Healey took a course from Chafee while at Harvard and that he was exposed to Callmann’s ideas in that course. I have not been able to find any published writings of Chafee that state his views about dilution, but a Chafee-Callmann-Healey connection through Harvard Law School is at least possible.
avoided confrontation with federal authorities, such as representatives of the Department of Justice who worried about trademark monopolies and opposed the Lanham Act.\(^{161}\) And a state-by-state strategy would have had the advantage of fragmenting the opposition, at least if lawyers in one state were unlikely to get involved in the politics of another state.

To illustrate, consider Massachusetts. 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.\(^{162}\) The opponents are more difficult to identify. No names are mentioned in the slim legislative history and thin historical record.\(^{163}\) Walter Derenberg reports only one legislative hearing, which suggests that the opposition was probably weak.\(^{164}\)

In fact, it is hard to imagine who could possibly have opposed the bill successfully. The costs of dilution protection would have fallen mostly on consumers and on small firms interested in securing a head start in a new market by using a more established company's distinctive mark. As for consumers, it is unlikely that they would have been capable of lobbying as an organized group in the 1940s and 1950s (the consumer movement did not begin until the 1970s). As for small firms, they would not have had the resources to exercise much influence in the legislature or to counter the lobbying power of larger companies. There were some academic opponents of dilution, such as Ralph Brown at Yale, but I doubt very much that they would have been inclined to insert themselves into the nitty-gritty of state politics.\(^{165}\)

\(^{161}\) See Rogers, supra note 128, at 183-84 (noting the Department of Justice opposition on the ground that broad trademark protection risked creating monopolies).

\(^{162}\) See Derenberg, supra note 126, at 452 (describing a memorandum prepared by members of the Boston Bar and representatives of the listed industry groups, and submitted in support of the dilution bill).

\(^{163}\) See Food Fair Stores, 83 F.Supp. at 450 (Wyzanski, J.) ("[T]here is no written record preserved of the hearings conducted by any Massachusetts legislative committee considering the bills that led up to the 1947 act").

\(^{164}\) Derenberg, supra note 126, at 452 n.68 (noting that the hearing took place before a joint committee of the Massachusetts House and Senate). In fact, the bill moved through the legislature remarkably quickly. The original bill was reported out of the Mercantile Affairs Committee on March 17, 1947, see H. 1865, 1947 Leg., Reg. Sess. (Ma. 1947); the Senate substituted the broader bill in the form actually adopted on April 8, 1947, see S. 528, 1947 Leg., Reg. Sess. (Ma. 1947); and the modified bill was approved on May 2, 1947.

\(^{165}\) See generally Nelson, supra note 5, at 733 n.5 (noting that today practitioners tend to favor dilution and academics tend to oppose it).
Furthermore, the dilution bill was sold to the legislature as a much less controversial measure than it really was. For example, a memorandum submitted to the Massachusetts House by a group of lawyers and industry representatives argued that Massachusetts law "was hampered in this respect by old precedents" and that a dilution statute was needed to update it. The memorandum cited outlier cases, such as Tiffany & Co., for the modern view without mentioning how radical those cases actually were. Busy state legislators with only a limited grasp of the complexities of trademark law, facing bar and industry pressure to adopt the bill, and hearing little, if any, opposition would have been unlikely to spend much time worrying about the merits, especially if the statute was marketed simply as a way to modernize antiquated aspects of Massachusetts law.

The New York experience was similar. The Committee on Trademarks of the Federal Bar Association of New York, New Jersey, and Connecticut, proposed the dilution statute. The Committee argued that New York would simply be following the lead of Massachusetts and Illinois and that "Massachusetts and Illinois business people are very happy with their recent legislation." The Committee also downplayed the radical nature of the bill in other ways, arguing that it merely codified existing New York law on the subject. Tiffany & Co. and Philadelphia Storage Battery Co. v. Mindlin were cited as "explicitly adopt[ing] the 'dilution' theory" and no mention was made of how unusual those decisions actually were. And the Committee's memorandum quoted Rudolf

---

166. Derenberg, supra note 126, at 452. See also Food Fair Stores, 83 F.Supp. at 450 (noting that the Massachusetts legislature might have thought that it was merely bringing "Massachusetts local law into line with federal cases"). Indeed, the original bill, as first introduced into the House, was limited to "any coined or peculiar word," just as Schechter had intended. H. 656, 1947 Leg., Reg. Sess. (Ma. 1947); see also Derenberg, supra note 126, at 452. Even in this form, the bill was a departure from core trademark precedent but much less so than if it had also included descriptive marks. However, when the bill reached the Senate, its language was modified to include descriptive marks as well. S. 528, 1947 Leg., Reg. Sess. (Ma. 1947); see also Derenberg, supra note 126, at 453. There is no indication why this change was made, but one can speculate that powerful industry groups pushed for the broader coverage.

167. Derenberg, supra note 126, at 452.


169. Id. at 49.

170. Id. at 50 ("[T]he proposed bill, then essentially is a codification of common law, but a necessary one.").
Callmann's treatise to reassure legislators that "a leading scholar in the field" thought that "[t]he theory of dilution is sound." 171

The New York proponents of dilution also employed a federalism argument. They insisted that the New York statute was necessary to clarify state law in the face of mistaken interpretations by federal courts. 172 The target of this complaint was Judge Hand's restrictive approach to protecting marks in noncompeting product markets, an approach that dilution proponents claimed was out of line with New York precedents. 173 This claim was hardly clear-cut; the cited New York precedents were, in fact, the few outlier cases and no mention was made of others that took a more restrictive view.

Although it is difficult to know for sure, federalism concerns might have influenced the actions of state legislators beyond New York. By creating a federal cause of action for infringement, the Lanham Act threatened to move trademark cases from state to federal court, with state claims getting jurisdiction as pendent to Lanham Act claims. In the face of this possibility, it might have seemed especially important to clarify state law so that federal judges would not misinterpret it. 174

171. Id.

172. In particular, they complained that the Second Circuit was "misinterpreting our State law" when deciding unfair competition claims under its Erie mandate, and they concluded that "the proposed bill should prevent further [misinterpretations] by clarifying, through explicit legislation, just what our State law is for others who follow it." Id.

173. See supra notes 132-134 and accompanying text. During the 1940s and 1950s, the judges on the Second Circuit Court of Appeals split sharply on the question of how far to extend trademark protection to noncompeting product markets. Judge Hand and Judge Frank took a restrictive view while Judge Clark took a more expansive position. It was Judge Hand's and Judge Frank's restrictive view that the proponents of dilution legislation criticized. Their main example of a misreading of state law was Hyde Park Clothes, Inc. v. Hyde Park Fashions, 204 F.2d 223 (2d Cir. 1953), an opinion written by Judge Swan and joined by Judge Frank with a sharp dissent by Judge Clark. The Court in Hyde Park reviewed the plaintiff's unfair competition claim and concluded that there was no unfair competition under state or federal law because the products (men's clothes and women's clothes) did not compete, there was no risk of confusion, no reputation harm, no plans to enter the defendant's market, and no intentional palming off, and the defendant had already established good will in the mark in its own market. Id. at 224-26. The Court cited New York state cases that, it claimed, supported its conclusion.

174. Moreover, substantive trademark law was traditionally understood as falling within the exclusive domain of state regulation. The Trademark Act of 1905, for example, was not supposed to create any substantive rights; it was only supposed to provide additional procedural protections. In the 1930s and 1940s, when the early push was made for federal substantive trademark legislation, debates raged over whether Congress had the constitutional power to adopt a substantive statute (like the Lanham Act) and whether it ought to do so as policy matter in view of the strong tradition of state regulation in the field. Compare Schechter, Fog and Fiction, supra note 86, at 67-79 (arguing for broad commerce clause power to enact substantive trademark legislation) with 1932 Hearings, supra note 30, at 37, 42 (Rogers expressing doubts about congressional power to enact substantive trademark legislation). See generally Sylvester J.
V. Conclusion

The rest of dilution's history is familiar to those who have studied the subject. Most judges in the 1950s and 1960s refused to apply the state statutes broadly, insisting instead that trademark owners offer some proof of likely confusion in dilution cases. The New York Court of Appeals, in 1977, called for broad enforcement of New York's anti-dilution statute according to its literal terms, but the court's decision, while heralded as a turning point in dilution law, in fact had only a limited impact. In 1995, Congress adopted the Federal Trademark Dilution Act, which gave dilution an initial boost, but courts soon interpreted the statute restrictively and dilution faded into the background yet again. The Trademark Dilution Revision Act, adopted in 2006, marks the latest stage in this history, but it is too early to predict its fate.

Throughout its history, dilution has been an awkward theory, and since the late 1940s, a very controversial one as well. Today, dilution is probably more controversial than at any other time in its history and certainly more so than when it was first proposed by Frank Schechter in 1927. This Article provides useful background for understanding why. The answer lies, just as it did for Schechter when defending dilution, in jurisprudential, economic, and doctrinal changes - in this case, changes that have taken place over the eighty years since Rational Basis was published.

In the 1920s and 1930s, for example, Frank Schechter's pragmatic style of argument had considerable force, but it no longer satisfies those trademark scholars today who demand that dilution be justified by a more careful accounting of its social costs and benefits. In the 1920s and 1930s, national marketing, product diversification, and psychological advertising were the most salient economic practices and the main issue was how far to expand trademark protection into noncompeting product markets. Today brand extension and broad licensing are the most salient practices, and a
major issue is how far to use trademark law to protect a company’s brand identity in distant licensing markets, including those that sell the mark as a product in itself. In the 1920s and 1930s, trademark and unfair competition law protected conventional word marks and some forms of product packaging. Today it protects much more, including elements of product design under conditions that threaten product market competition. And last but not least, the invention of the internet has opened up new technologies such as novel search devices and aggregation sites that promise benefits for consumers but also use seller marks without permission.

All these changes have put considerable pressure on dilution. When sellers turn to dilution to control their brand identities, to prevent expressive uses of their marks as social symbols, to monopolize licensing markets, to frustrate promising technologies, or to protect attractive and useful product design features, the social costs can be high, and high social costs trigger serious concerns and heated controversy.

It only makes matters worse that there is no convincing normative account of why trademark law should protect against dilution. As the history recounted in this Article shows, the original arguments for protecting against dilution were based on beliefs and modes of justification that are no longer compelling today. Schechter’s pragmatic approach, so congenial to early twentieth century legal realists, does not persuade modern trademark scholars, and Callmann’s defense, relying heavily on property rights and Lockean rationales, fits current understandings of trademark law very poorly. If dilution is to remain viable, it is past time for its advocates to provide a rigorous policy justification, one that rests on more than intuitive appeals to the wrongfulness of free riding. Trademark law will be the better for it.

---

178. See Nelson, supra note 5, at 776-83 (describing the changes in brand promotion and licensing practices).

179. See, e.g., Nabisco, Inc. v. PF Brands, 191 F.3d 208 (2d Cir. 1999).