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STATE OF THE STATE: IS THERE A FUTURE FOR
STATE DILUTION LAWS?

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Abstract

For almost fifty years, until the Federal Trademark Dilution Act arrived in 1996 (FTDA), state dilution laws existed in relative obscurity, below the radar screens of many trademark lawyers. After the passage of the Trademark Dilution Revision Act of 2006 (TDRA), there is little reason for the existence of a parallel, and non-uniform, set of state laws. However, neither express preemption nor repeal appears to be a realistic option in the foreseeable future. As long as they do not interfere with the operation of federal law, and do not upset the balances built into federal law, their continued existence will not significantly affect the path of trademark law. And, while state trademark law might have a limited role as a “gap filler,” that role must be circumscribed to prevent interference with the goals of federal law.

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I. INTRODUCTION

With all of the attention in trademark dilution being paid to the newly amended federal statute, state dilution laws have been ignored. But state laws are where dilution protection began, almost fifty years before the Federal Trademark Dilution Act (FTDA) was enacted.¹ Thirty-eight states now have dilution laws.² After sixty years of experience with state laws, the last eleven coexisting with federal law, it is appropriate to take stock of the future of state dilution law. My conclusion, for the reasons set forth below, is that state law has outlived its usefulness in this area, though there may be a place for state law in a related area of trademark law—protection of "well known" marks.³ Explaining just why this is so requires that we begin with some background.

II. STATE DILUTION LAWS: IN THE BEGINNING . . . .

It is commonly accepted among trademark scholars and practitioners that the instigation for dilution laws was Frank Schechter’s 1927 Harvard Law Review article.⁴ It is less known that Schechter tried, but failed, to have dilution protection included in an early iteration of what became the Lanham Act.⁵ Thus, it was left to

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³. See infra Part X.


⁵. See DAVID S. WELKOWITZ, TRADEMARK DILUTION: FEDERAL, STATE, AND INTERNATIONAL LAW 153-54 (2002) (discussing Schechter’s 1932 testimony before a House Committee). In addition, in 1932, Rep. Perkins introduced a bill that would have included dilution in the protections to be offered by the pending new trademark legislation. Id. at 154-55, app. at 173.
states, the supposed laboratories of experimentation, to implement Schechter's ideas.

It was twenty years after Schechter's article appeared before the first state dilution statute was enacted. This was also just after passage of the Lanham Act, which, as noted above, contained no dilution provision. The states, however, did not show much inclination for experimenting in this area. Seventeen years after passage of the Massachusetts law, when the United States Trademark Association added a dilution provision to the Model State Trademark Bill, only five states had enacted dilution laws, and all were essentially the same.

It is also perhaps disingenuous to say that the states truly implemented Schechter's ideas. The first statutes gave a cause of action for "[l]ikelihood of injury to business reputation or dilution of the distinctive quality of a mark." They were not limited to coined marks, which was a limitation contained in Schechter's article, and Schechter did not posit a claim akin to "injury to business reputation" (although he did posit a claim for injury to business magnetism via its trademark). On the other hand, the Model Bill did encourage additional states to adopt dilution laws. By the mid-1980s, almost half the states had such a statute. The statues were virtually the same, but they were seldom used and often misconstrued. Courts, especially federal courts hearing state claims as supplemental claims, often inserted a requirement of confusion into statutes that expressly disclaimed the need for it. It was not until 1977 that a state court

7. This was in Massachusetts. See supra note 1.
8. Now the International Trademark Association, or INTA.
9. WELKOWITZ, supra note 5, at 14-15. The Model Bill provision was virtually the same as the Massachusetts law. The text of the Model Bill provision is reproduced in 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 22:8 (4th ed. 2007).
10. In addition to Massachusetts, they were Illinois (1953), New York (1955), Georgia (1955), and Connecticut (1963). WELKOWITZ, supra note 5, at 12, 17.
13. See WELKOWITZ, supra note 5, at 64 n.28 (citing cases).
forcefully put its foot down and insisted that the local statute be read as written, that is, without any requirement of confusion.  

However, these state laws did not define what dilution was, and the courts were wary of giving the statutes an overly expansive reading, lest they swallow up traditional trademark infringement law. Cases almost never turned on state dilution law alone; success on a dilution claim almost always followed success on an infringement claim. So the value of state laws, except in theory and, perhaps, cease and desist letters, was limited.

III. STATE LAWS: THE SECOND WAVE

In 1988, Congress gave dilution a further nudge by nearly enacting a federal dilution law as part of a comprehensive revision of the Lanham Act. Though the dilution provision failed, the effort led to a new Model Bill dilution provision in 1992, similar to the failed federal bill. This new provision was enacted by several states. Because the new Model Bill provision (like the proposed federal law) differed significantly from the 1964 version, there was now some differentiation among the state laws. Where once there were only laws giving injunctive relief for “likelihood of dilution,” of (apparently) any distinctive mark, now there were a group of dilution laws protecting only “famous” marks, with a definition, of sorts, of

14. Allied Maint. Corp. v. Allied Mech. Trades, Inc., 369 N.E.2d 1162, 1165-66 (N.Y. 1977). However, the court ultimately rejected the dilution claim because it found the mark insufficiently distinct. Id. at 1166.


16. There were some exceptions, of course, and they stand out because of their rarity. E.g., Instrumentalist Co. v. Marine Corps League, 509 F. Supp. 323 (N.D. Ill. 1981), aff’d, 694 F.2d 145 (7th Cir. 1982); Mead Data Cent., Inc. v. Toyota Motor Sales, U.S., Inc., 702 F. Supp. 1031 (S.D.N.Y. 1988), rev’d, 875 F.2d 1026 (2d Cir. 1989); Cushman v. Mutton Hollow Land Dev., Inc., 782 S.W.2d 150, 162 (Mo. Ct. App. 1990) (although the parties were in related businesses, relief only granted on state dilution grounds). In the 1990s, the Second Circuit upheld a claim solely based on New York’s dilution statute in Deere & Co. v. MTD Products, Inc., 41 F.3d 39, 41 (2d Cir. 1994). See also Esquire, Inc. v. Esquire Slipper Mfg. Co., 243 F.2d 540, 542 (1st Cir. 1957) (seemingly deciding on both unfair competition and dilution grounds, but stating, in connection with the unfair competition claim, “[t]his is obviously a dilution case”).

17. The dilution provision passed the Senate, but failed in the House, where opponents cited its failure to protect free expression. WELKOWITZ, supra note 5, at 156-57. The provision was part of a larger bill that did pass: the Trademark Law Revision Act.

18. MODEL STATE TRADEMARK BILL § 13 (INTA 1992), reprinted in 4 MCCARTHY, supra note 9, § 24:79.

19. WELKOWITZ, supra note 5, at 18-19.
dilution, and allowing damages in certain cases.\textsuperscript{20} However, one would be hard pressed to find a case interpreting these new statutes over the succeeding eight years. The large states, where most of the cases were brought (albeit in federal court), generally kept their original statutes, which were based on the 1964 Model Bill.\textsuperscript{21}

Although the number of state dilution cases prior to 1996 was fairly small, it would be a mistake to assume that state laws contributed nothing of analytical consequence prior, or subsequent to, the passage of a federal dilution statute. In particular, claims decided under New York’s dilution law prior to the FTDA’s passage made a lasting impact on dilution. In the area of eligibility for protection, several Second Circuit decisions stated that an "extremely strong mark" was required.\textsuperscript{22} This requirement alone has eliminated a large number of marks from dilution protection. The narrowing of eligibility to the strongest marks is reflected in the federal statute’s restriction of eligibility to "famous" marks—an even smaller category of marks.\textsuperscript{23}

Even more significant analytically was a 1989 case involving Mead Data Central’s LEXIS mark and the then-new LEXUS division of Toyota.\textsuperscript{24} The district court entered a nationwide injunction against Lexus, based solely on New York’s dilution law.\textsuperscript{25} The Second Circuit soon reversed, and in a concurring opinion, Judge Robert Sweet decided to try and create a multifactor test for dilution similar to the multifactor test for likelihood of confusion.\textsuperscript{26} Not only did this

\begin{itemize}
\item\textsuperscript{20} MODEL STATE TRADEMARK BILL § 13 (INTA 1992), reprinted in 4 McCARTHY, supra note 9, § 24:79.
\item\textsuperscript{21} Those states included California (which changed its statute in 2007), New York, Texas, Massachusetts, Florida (which changed its statute in 2006), Illinois (which changed its statute in 1998), Georgia, Missouri, and Pennsylvania (which changed its statute in 1998). See WELKOWITZ, supra note 5, at 20-21 (chart); WELKOWITZ, supra note 2, at 6.
\item\textsuperscript{22} Sally Gee, Inc. v. Myra Hogan, Inc., 699 F.2d 621, 625 (2d Cir. 1983). See also WELKOWITZ, supra note 5, at 37 n.72; WELKOWITZ, supra note 2, at 5-7. (citing cases).
\item\textsuperscript{23} See 15 U.S.C.A. § 1125(c) (West Supp. 2007).
\item\textsuperscript{24} Mead Data Cent., Inc. v. Toyota Motor Sales, U.S., Inc., 875 F.2d 1026, (2d Cir. 1989).
\item\textsuperscript{26} Mead Data Cent., Inc., 875 F.2d at 1035 (Sweet, J., concurring). The panel majority focused primarily on a lack of similarity between the LEXIS and LEXUS marks, and secondarily on a lack of distinctiveness of the LEXIS mark. Id. at 1029-31. Judge Sweet believed that the plaintiff failed to show a likelihood of dilution. Id. at 1035-37. Judge Sweet used the following factors: " 1) similarity of the marks; 2) similarity of the products covered by the marks; 3) sophistication of consumers; 4) predatory intent; 5) renown of the senior mark; 6) renown of the junior mark." Id. at 1035. The TDRA uses the following factors to determine dilution by blurring:
\end{itemize}
become the standard test for claims under New York law, it also became a popular test under the FTDA.\(^{27}\) However, the court that promulgated that test eventually tired of it, at least for FTDA purposes.\(^{28}\)

*Deere & Co. v. MTD Products, Inc.*,\(^{29}\) a Second Circuit case decided shortly before the FTDA was enacted, demonstrated the elastic potential of dilution claims. A competitor of Deere & Company used an animated version of Deere's "deer" logo running away from the competitor's product in a commercial.\(^{30}\) Remarkably, the court found this to constitute actionable dilution under New York law.\(^{31}\) In another case, decided just after the FTDA was enacted, the same court did indicate that dilution claims cannot be used indiscriminately to enjoin parodies.\(^{32}\) The court refused plaintiff Hormel's request to enjoin the use of a Muppet character called Spa'am in a movie.\(^{33}\) Hormel claimed that this use tarnished its

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15 U.S.C.A. § 1125(c)(2)(B)(i)-(vi) (West Supp. 2007). Notably, the TDRA does not include similarity of the products as a factor, which goes more to confusion than dilution. Moreover, the TDRA's use of exclusivity is important, in that it gives added protection to a smaller subset of famous marks.

27. WELKOWITZ, *supra* note 5, at 247 n.131 (citing cases).
28. See Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 217-21 (2d Cir. 1999) (setting out a separate test). Whether the *Mead Data* test was fundamentally different from the *Nabisco* test is hard to say. Both had unfortunate overtones of confusion.
29. Deere & Co. v. MTD Prods., Inc. 41 F.3d 39 (2d Cir. 1994).
30. *Id.* at 41.
31. *Id.* at 44. Almost equally remarkably, the court expressly disclaimer tarnishment as the basis for the decision; id. ("nor is there tarnishment"), but subsequently backtracked and called *Deere* a tarnishment case. Hormel Foods Corp. v. Jim Henson Prods., Inc., 73 F.3d 497, 507 (2d Cir. 1996). It is unclear how *Deere* would be decided under the TDRA. See 15 U.S.C.A. § 1125(c)(3)(A) (West Supp. 2007) (excluding from liability nominative "fair uses" of a famous mark that are not uses as the defendant's trademark).
32. Hormel Foods Corp., 73 F.3d at 508.
33. *Id.* at 500.
SPAM mark. Both of these cases were later cited by courts interpreting the provisions of the FTDA.

IV. THE RESTATEMENT GETS NO RESPECT

Though not strictly speaking a state law issue, one other non-federal dilution development deserves mention. Less than a year before the FTDA was passed, the Restatement (Third) of Unfair Competition was promulgated. This new Restatement included a provision relating to trademark dilution. The Restatement took a relatively conservative position on dilution. For a blurring claim it required that plaintiff have a “highly distinctive” mark, and required that the offending use be a use as defendant’s trademark. In the area of tarnishment, the Restatement appeared to reject the Deere case in two respects: it required that the offending use be a trademark use or, if the tarnishing use was not a trademark use, it required that the use be independently tortious. But neither the proposed federal statute nor the one enacted in 1995 reflected the Restatement’s views and, except for a Florida decision adopting the Restatement’s “highly distinctive” requirement, the Restatement has had relatively little influence in the development of state or federal dilution law since its promulgation.

34. Id. at 500-02. To be sure, Hormel was far from unique in its result. Earlier state law cases, perhaps most notably L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26, 34 (1st Cir. 1987), also held that parodies were protected from dilution claims by the First Amendment.


37. Id.

38. Section 25(1) requires a trademark use; § 25(2) requires a tarnishing, non-trademark use to be independently tortious. Id.


40. The list of citations to this section published by the American Law Institute shows only 34 citations through November, 2006, only two of which were in state courts. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, CASE CITATIONS TO THE RESTATEMENT OF THE LAW (Supp. 2007). That amounts to about three citations a year at a time when dilution opinions abounded. In one respect, current federal law may reflect the Restatement approach. The TDRA does appear to require a trademark use by the offending party. See Weikowitz, supra note 2, at 66. There is a very limited exception—where a state law dilution claim is asserted against a federal registered mark, the state law claim is preempted. 15 U.S.C.A. § 1125(c)(6)(A)(i) (West Supp. 2007).
V. ENTER THE FEDERAL LAW, AND MORE STATE LAWS

A. Post-FTDA, Pre-Moseley developments

The newly enacted FTDA became effective in January of 1996, as Dilution was now a "hot" claim and court opinions abounded. Somewhat curiously, the FTDA did not preempt state law; the stated reason was to preserve states' ability to protect locally well known marks from dilution. The tradition of allowing state trademark law to coexist with federal law also played a role in this decision. At the same time, INTA made some adjustments to the dilution section of the 1992 Model State Trademark Bill, and more states enacted statutes based on the FTDA. A number of states even replaced their older statutes with new ones based on the new Model Bill provisions. By 2003, almost three quarters of the states had dilution laws, and a majority of those had laws patterned after the 1992 or 1996 Model Bill provision.

The FTDA certainly spawned a large number of dilution claims, but it shifted the focus from state to federal law. Naturally, litigators appended to their FTDA claims supplemental claims under state dilution laws, but these were largely superfluous. In many states the laws were virtually identical to the federal laws, so that a decision on liability on the federal claim virtually guaranteed the same result under state law. The courts, however, did not ponder the possible differences in remedies available, since non-injunctive relief was rarely appropriate. Even in those states whose laws were still based on the 1964 Model Bill, federal courts generally assumed that the


43. INTA tweaked its 1992 Model Bill provision in 1996 to conform to the FTDA, by adding three exclusions from liability. It also altered the category of protected marks from "famous" to "famous in [the] state." WELKOWITZ, supra note 5, at 17.

44. States changing their existing laws included Arkansas, Illinois, Minnesota, New Mexico, Pennsylvania and Tennessee. A few states changed their statutes shortly before the FTDA; Iowa and Connecticut are two examples. See id. at 20-21.

45. Damages under the FTDA were only permitted in cases of "willful intent" to dilute another's mark. States with newer statutes generally have similar limitations. Older laws only allowed injunctive relief.
operative standard under the FTDA was the same as that of the older laws—likelihood of dilution—and thus made even those laws almost superfluous. For example, the Ninth Circuit assumed, and continues to assume, that California's statute requires a "famous" mark, even though no such requirement appears in the statute. The state where state dilution laws retained the greatest theoretical relevance seemed to be New York. This occurred for two reasons. First, the Second Circuit recognized that New York's statute did not require a "famous" mark, though the courts usually (and I stress "usually") required a very strong mark. This left some area for state law to fill in a gap—where a mark was strong, but not famous. Second, in 2001 the Second Circuit held that the FTDA only protected inherently distinctive marks, thus leaving out descriptive marks, even those with tremendous secondary meaning, and other non-inherently distinctive marks, such as color and product design. This too created a gap that could be filled by state law, but the number of such interstitial cases was small, and plaintiffs still had to show a likelihood of dilution.

Other aspects of the FTDA made the irrelevance of state laws even more pronounced. In 1999, Congress amended sections 2(f) and 13 of the Lanham Act to permit the Patent and Trademark Office to consider dilution as a basis for refusing registration, provided it is raised in an opposition proceeding—the PTO does not raise the issue of dilution of an existing mark on its own, even federal dilution.

46. E.g., Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 874 (9th Cir. 1999) (California law uses same standard as FTDA); Conopco, Inc. v. Cosmair, Inc., 49 F. Supp. 2d 242, 258-59 (S.D.N.Y. 1999) (applying same test to claims under federal and New York dilution laws).
47. Jada Toys, Inc. v. Mattel, Inc., 496 F.3d 974, 980 (9th Cir. 2007).
48. WELKOWITZ, supra note 5, at 35-38 (citing and discussing cases).
49. TCPIP Holding Co., Inc. v. Haar Commc’ns Inc., 244 F.3d 88, 96-98 (2d Cir. 2001).
51. N. Y. Stock Exch., Inc. v. N. Y., N. Y. Hotel, LLC, 293 F.3d 550, 557 (2d Cir. 2002) (marks not inherently distinctive not eligible for federal protection, but are eligible for protection under New York law).
52. 15 U.S.C.A. §§ 1052(f), 1063 (West Supp. 2007). Section 1052(f) currently provides, in relevant part: A mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be refused registration only pursuant to a proceeding brought under section 1063 of this title. A registration for a mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be canceled pursuant to a
However, the statute carefully limits the PTO to considering dilution "under section 1125(c)," i.e., Section 43(c). Any possible dilution under state law is not considered. Thus, one can obtain a federal registration of a mark that is likely to cause dilution under state law, as long as it is not likely to cause dilution under federal law. This would most likely occur if a mark is not sufficiently famous to qualify for federal dilution protection. It might also occur if the state standard for dilution was less stringent than the federal. At this point, the very limited preemption provision of the FTDA comes into play. Section 43(c)(6) preempts any use of state dilution law against a federally registered mark. Thus, once the mark is registered, it is immune from attack under state dilution laws by virtue of Section 43(c)(6). This means that any state dilution protection for locally well known marks can be circumvented by obtaining a federal registration.

From the time the federal law became effective in 1996, to the next major dilution event in 2003, state laws were made almost invisible by the FTDA. Even in the Second Circuit, where New York law theoretically had a role to play, there is little evidence of a rush to assert state law claims in lieu of federal ones.

B. Moseley Changes the Landscape

Everything changed on March 4, 2003, when the Supreme Court decided its only FTDA case, Moseley v. V Secret Catalogue, Inc. The case attracted a great deal of attention, due in part to the racy facts and entities involved. Doctrinally, Moseley was a major blow to proponents of dilution protection. The narrow issue it decided was the meaning of the phrase "causes dilution" in the FTDA, an issue on
which the circuits had split. The Court unanimously held that the phrase meant that actual dilution needed to be shown to prevail under the FTDA, not just likelihood of dilution. As the many futile dilution claims over the next three years demonstrated, proof of actual dilution was a nearly insurmountable obstacle, and federal dilution claims dwindled.

The inability to win cases under federal law might have led to a greater focus on state law, but that did not occur. Ironically, INTA's success in the preceding decade, when it convinced states to amend their trademark laws to include dilution provisions like those in the FTDA, now proved disastrous. All of those newer state laws contained the same "causes dilution" language as the FTDA. Naturally, courts interpreted these laws to require actual dilution as well. Adding to the irony, states that kept their older laws, like New


60. Well, sort of unanimously. Although he joined the Court's opinion, Justice Kennedy also wrote a concurring opinion that sounded more like a dissent. Moseley, 537 U.S. at 435 (Kennedy, J., concurring).

61. Id. at 433.

62. The Court did state that "circumstantial evidence" could be used to show actual dilution, but gave only one example—where the marks used by both parties were identical. Id. at 434. Some claims, particularly for counterfeit marks, uses by franchisees beyond the license term, or some domain names, succeeded on this basis. See Lorillard Tobacco Co. v. Yazan's Service Plaza, Inc., No. 05-70804, 2006 U.S. Dist. LEXIS 75941 (E.D. Mich. Oct. 19, 2006) (counterfeit cigarettes); Bliss Clearing Niagara, Inc. v. Midwest Brake Bond Co., 339 F. Supp. 2d 944, 968-69 (W.D. Mich. 2004); 7-Eleven, Inc. v. McEvoy, 300 F. Supp. 2d 352, 356-57 (D. Md. 2004) (terminated franchisee); Nike Inc. v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1372 (S.D. Ga. 2003) (counterfeit goods); Scott Fetzer Co. v. Gehring, 288 F. Supp. 2d 696, 701-02 (E.D. Pa. 2003) (sale of genuine goods in an unauthorized manner). See also Qwest Commc'ns Int'l, Inc. v. Amnette, No. 3:05-CV-1614-G, 2006 U.S. Dist LEXIS 17, at *14 (N.D. Tex. Jan. 3, 2006) (HOMEQWEST and SIGNQWEST found identical to QWEST). But in non-identical marks cases, which is a much larger number, the Seventh Circuit's observation was apt: "The Court did not explain and no one seems to know what that 'circumstantial evidence' might be." Ty Inc. v. Softbelly's, Inc., 353 F.3d 528, 536 (7th Cir. 2003).

63. From 1989-2003, 13 states added dilution provisions, and another 10 changed their existing dilution laws from ones based on earlier Model Bills to ones based on the FTDA. By the end of 2003, 37 states had dilution laws, a majority of which contained the same "causes dilution" language that was at issue in Moseley. WELKOWITZ, supra note 2, at 4-9.

64. In reality, this refers to federal courts. I can find no published opinion from a state court interpreting any of the newer state laws. The implications of this are discussed infra Part VII.

65. See DaimlerChrysler AG v. Bloom, 315 F.3d 932, 935 n.3 (8th Cir. 2003). Most states have statutes directing their courts to consider federal interpretations of the Lanham Act as persuasive authority when interpreting similarly worded state laws. E.g., ARK. CODE ANN. §
York, Texas, California, Florida, and Massachusetts, seemed poised to fill the "gap" in the FTDA, because their laws expressly required only a *likelihood* of dilution. A few cases recognized this difference, though it is unclear that it changed the outcome of many cases. After *Moseley*, those states that had retained their older laws were the most relevant fora for dilution claims. Even so, the number of successful state law claims was very small. That state law was not immediately touted as the answer to *Moseley* indicates how focused the dilution world was on federal claims and that the desire to make federal claims easier to win was of great importance to the trademark community.

VI. THE TDRA AND ITS EFFECT ON STATE LAWS

The most recent development in dilution was the passage of the Trademark Dilution Revision Act of 2006 (TDRA). The most critical aspect of the TDRA from the standpoint of state laws is its express inclusion of likelihood of dilution as the operative standard. Other provisions of the TDRA, however, are relevant to this discussion. First, the TDRA creates and defines two categories of dilution: dilution by blurring and dilution by tarnishment. No state


66. Strangely, the Ninth Circuit has been slow to realize the difference. See *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1031 n.48 (9th Cir. 2004) (California dilution statute, modeled after the 1964 Model Bill, interpreted to be same as FTDA). However, some recent district courts did so. See *Toyota Jidosha Kabushiki Kaisha v. Natural Health Trends Corp.*, 74 U.S.P.Q.2d 1475, 1479 (S.D.N.Y. 2005) (finding no dilution under New York law or the FTDA), vacated and remanded, 477 F.3d 765, 766 (2d Cir. 2007) (vacating for reconsideration of the TDRA, which was enacted while the case was on appeal). Cf *Starbucks Corp. v. Lundberg*, No. Civ. 02-948-HA, 2005 WL 3183588, *7, *10-12 (D. Or. 2005) (finding dilution under Oregon law without any discussion of the FTDA, but also finding infringement by confusion under federal law).


68. Within a month of the *Moseley* decision the International Trademark Association had appointed a committee to propose a redraft of the FTDA.


70. *Id.* § 1125(c)(1).

71. *Id.* § 1125(c)(2)(B), (C).
law contains or defines those categories. Second, the TDRA includes a list of six factors to guide courts in the analysis of likelihood of dilution by blurring;\(^72\) no state laws contain any factors. Third, the TDRA creates a new standard for demonstrating that a mark is famous—it must be "widely recognized by the general consuming public of the United States as a designation of source"\(^73\)—and reduces the number of guiding factors in the analysis of the fame of the mark to four.\(^74\) Again, none of the existing state statutes contains such a definition, and those that contain guiding factors use ones similar or identical to those contained in the original FTDA. The result of the TDRA is not simply that state laws are nearly superfluous. Worse, the TDRA makes the proper interpretation of state laws hopelessly difficult to predict.

Of the TDRA amendments, the change in the operative standard is the most far-reaching. The federal standard is now significantly different from, and much easier to satisfy than, most state law standards. Because a majority of the states now have statutes that impose liability of a second use "causes dilution" of a famous mark, those statutes will continue to require actual dilution.\(^75\) However, the relationship between the TDRA standard and the older state laws is more difficult to determine. The TDRA sets out a six factor test for dilution by blurring.\(^76\) To the extent that any test for blurring exists

\(^{72}\) Id. § 1125(c)(2)(B)(i)-(vi).

\(^{73}\) Id. § 1125(c)(2)(A).

\(^{74}\) Id. § 1125(c)(2)(A)(i)-(iv).

\(^{75}\) See, e.g., AutoZone, Inc. v. Strick, 466 F. Supp. 2d 1034, 1045 n.5 (N.D. Ill. 2006) (Illinois law requires actual dilution). Florida's new statute escapes this problem. Apparently learning from the FTDA experience, Florida's statute imposes liability on the basis of "likelihood of dilution." FLA. STAT. ANN. § 495.151 (West Supp. 2008). However, it is otherwise the same as the 1996 Model Bill, and the original FTDA; it contains eight fame factors, no likelihood of dilution factors, and has the old definition of dilution, which may exclude tarnishment. California's new statute follows the 2007 Model Bill (and the TDRA). CAL. BUS. & PROF. CODE §§ 14202(k)-(m), 14247 (West Supp. 2008).

\(^{76}\) The factors are:

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

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

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

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

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

(vi) Any actual association between the mark or trade name and the famous mark.

under the older state laws, it would be the six factor test set forth by Judge Sweet in *Mead Data*.\textsuperscript{77} Some of the factors overlap: both incorporate predatory intent and the fame (or "renown") of the plaintiff's mark. Other factors are quite dissimilar: the *Mead Data* test includes product similarity, which is more akin to confusion, and the renown of the junior mark, which is not found in the TDRA. The TDRA factors include evidence of mental association; although *Mead Data* does not mention this factor, one assumes it would have been deemed relevant. The TDRA also includes a "uniqueness" factor—the exclusivity of use factor. This factor potentially narrows the range of protected marks, by giving an advantage to unique marks. Given the apparent irrelevance of confusion under the TDRA (or at least its lessened relevance) and the emphasis on uniqueness, it may be slightly easier to win a dilution case under the *Mead Data* test than under the TDRA.

However, *Mead Data* may not be representative of state law. In the first place, *Mead Data* was an opinion of a concurring judge in a federal court lawsuit, where the court issued its own interpretation of New York law. Its test has not been adopted by the New York state courts (there has not been a definitive analysis of blurring by the New York state courts), nor has it been adopted by state courts in other states. Second, the *Mead Data* test has been criticized by courts and commentators.\textsuperscript{78} In light of later experience, the Second Circuit could decide that the TDRA's test is a better approximation of what the New York legislature had in mind for the state statute. Other courts may make the assumption that, as a distillation of experience with blurring, the TDRA factors are superior to other tests. This may make the older state laws roughly congruent to the TDRA.

The alternative would be a fair amount of uncertainty and confusion. Courts would have to separately analyze state and federal

\textsuperscript{77} These were the factors used by Judge Sweet:
1) similarity of the marks
2) similarity of the products covered by the marks
3) sophistication of consumers
4) predatory intent
5) renown of the senior mark
6) renown of the junior mark

*Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (Sweet, J., concurring).

In the absence of any indication of legislative intent to the contrary, the TDRA's factors provide a reasonable basis for analyzing state claims based on likelihood of dilution. If the TDRA factors are adopted as state law, then the main operative difference between the older state laws and federal law will be the need for a famous mark under federal law. We would have returned to the situation that existed prior to the *Moseley* opinion, at least for those states with older laws.\(^{80}\)

In addition to the requirement of actual dilution, the newer state laws—those patterned after the 1992 and 1996 Model Bills—also will suffer from the argument that their definition of dilution does not include tarnishment, a result strongly hinted at in the *Moseley* opinion.\(^{81}\) The TDRA eliminated this argument under federal law by creating and defining a category of dilution called "dilution by tarnishment." Combined with the actual dilution requirement, this means that the newer state laws will be significantly less protective of famous marks than the TDRA. Moreover, their use of different "fame" factors further complicates the use of those statutes, especially where a federal remedy is available.\(^{82}\) Finally, there is the question of defenses and exclusions from liability. The TDRA altered the first of the three exclusions from liability contained in the FTDA. Originally, the FTDA excluded any "fair use... in comparative commercial advertising" of a famous mark, as long as it was used to refer to the famous mark owner's goods, not those of the unauthorized user.\(^{83}\) The TDRA replaced this exclusion with a more general fair use provision that excludes nominative and descriptive uses as long as they are not used as the trademark of the unauthorized user.\(^{84}\) This exclusion probably was intended to be broader than the original exclusion. State

79. Recall that the older statutes made no attempt to define "dilution."

80. Florida also has a likelihood of dilution standard, but its statute requires a mark that is "famous" in Florida and its definition of dilution may not support a tarnishment claim. One other possible difference between older state laws and the TDRA is the type of unauthorized use that could trigger a violation. The TDRA appears to require that the offending use be a trademark use (it refers to another's use of a "mark or trade name"). The older state laws have no such references. Some cases, such as *Deere*, have found dilution under state law even where the offending party is not using plaintiff's mark as the defendant's mark.

81. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432 (2003). The Supreme Court pointed out that the older state laws expressly include "injury to business reputation" among the activities subject to liability. *Id.*

82. Because the factors are not mandatory, courts could use the federal factors. That would lessen the potential confusion, but would make state law even more superfluous.


laws patterned after the 1996 Model Bill provision contain the original three exclusions. The significance of this difference is unclear. These same state laws and the current federal law also exclude any "noncommercial use" from liability. Many of the situations covered by the new TDRA exclusion also will be noncommercial uses. Therefore, it is difficult to say whether state law will lack the protections of the new federal law.

From the perspective of state laws, perhaps the most problematic aspect of the TDRA is that it leaves unresolved a number of interpretive issues on which the circuits had split. Several of these splits appear to have been addressed by the language of the TDRA itself: the new definition of fame does away with "niche fame" (a mark famous only in a particular market). The TDRA makes clear that non-inherently distinctive marks are eligible for dilution protection, as long as they satisfy the criteria for fame. All of this may make litigating (though not necessarily winning) under the TDRA easier than under the FTDA. However, it leaves most state laws, whose language tracks the original FTDA, in an uncertain state. Those laws have not been amended to ameliorate the interpretive problems. To assume that they should be read as if they have been so

85. Nevada is an exception. Its version of the noncommercial use exclusion is not the same as the Model Bill or the original FTDA. NEV. REV. STAT. ANN. § 600.435(5)(a) (LexisNexis 2004).


87. It is also worth noting that older state laws and some newer ones lack any express exclusions. Those statutes could cause some interpretive problems. See Mary LaFrance, Steam Shovels and Lipstick: Trademarks, Greed, and the Public Domain, 6 NEV. L.J. 447, 462-63 (2006).


89. The first sentence of the revised statute includes the following: "The owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction [against dilution]." 15 U.S.C.A. § 1125(c)(1) (West Supp. 2007).
amended would be questionable judicial policy. However, the TDRA obviates the need for ever resolving these issues at the federal level. Thus, it is likely that the splits will remain at the state level as long as the cases are brought in federal court. In other words, federal district courts likely will resolve the issues the way their circuits previously resolved those same issues under the FTDA. The bottom line is that the state statutes patterned after the FTDA contain all of the drafting problems that caused Congress to pass the TDRA. Since state court rulings on new state dilution laws are essentially nonexistent, this problem likely will persist, unless, and until, the state legislatures amend their statutes.

The older state statutes—those worded like the 1964 Model Bill—will not be so restricted, but their usefulness will still be limited. In states where a less than famous mark can avail itself of dilution protection (such as New York) a few marks ineligible for protection under the TDRA may still be available for state protection.

90. At least with regard to the issue decided in Moseley, federal courts interpreting state laws have assumed that actual dilution is required where the statute contains the “causes dilution” language. DaimlerChrysler AG v. Bloom, 315 F.3d 932, 935 n.3 (8th Cir. 2003); AutoZone, Inc. v. Strick, 466 F. Supp. 2d 1034, 1045 n.5 (N.D. Ill. 2006).

91. A recent district court case demonstrates how treacherous the analytical landscape may be. In ComponentOne, L.L.C. v. ComponentArt, Inc., plaintiff asserted claims under both federal and Pennsylvania dilution laws (Pennsylvania’s law is patterned after the original FTDA). ComponentOne, L.L.C. v. ComponentArt, Inc., No. 02:05cv1122, 2007 WL 4302108, at *1 (W.D. Pa. Dec 6, 2007). The court first dismissed the federal claim, holding that the only possible basis on which plaintiff could claim that its mark was famous was “niche” fame, and that niche fame was eliminated by the TDRA. Id. at *2. Turning to the Pennsylvania claim, the court noted that prior cases had held that Pennsylvania law should be interpreted to mirror federal law. Id. at *3. It then held that, in the absence of Third Circuit precedent to the contrary, it would continue to assume that Pennsylvania law mirrored federal law. Id. Therefore, it dismissed the state dilution claim on the same grounds as it had dismissed the federal claim. Id. However, Pennsylvania law clearly was not identical to the TDRA on this point, and the Third Circuit, prior to the TDRA, had held that niche fame was cognizable under the FTDA. See id. at 6, n.1, citing Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.3d 157, 165 (3d Cir. 2000).

92. In the wake of the TDRA, INTA again has amended its Model State Trademark Bill’s dilution provision. See MODEL STATE TRADEMARK BILL (2007), available at http://www.inta.org/index.php?option=com_content&task=view&id=1393&Itemid=154&getcontent=3. By and large, it adopts the language of the TDRA. However, there are two notable exceptions. First, the new provision contains no “blurring” factors like the ones in the TDRA; INTA believed that courts would interpret the state statutes to include the TDRA factors. See INTA, Guide to Understanding the Model State Trademark Bill (2007), http://www.inta.org/index.php?option=com_content&task=view&id=1391&Itemid=154&getcontent=3. Second, the new provision grants protection to marks that are famous in less than a whole state. See MODEL STATE TRADEMARK BILL § 13(b) (INTA 2007); CAL. BUS. & PROF. CODE §§ 14202(k)-(m), 14247 (West Supp. 2008) (adopting the 2007 Model Bill).

93. Florida used to be such a state, but its new statute requires that the mark be famous, at least in Florida. FLA. STAT. ANN. § 495.151 (West Supp. 2008).
Even here, however, there are some limits. The extent to which a state may enjoin out-of-state uses of a mark is, at the very least, subject to disagreement. The other question relating to the older state laws is the extent to which the exclusions contained in federal law should be read into those laws, particularly noncommercial uses and nominative uses. The problem has been ameliorated somewhat by court decisions relying on the First Amendment to limit the reach of state law. However, the scope of the TDRA exclusions may be more protective of unauthorized uses than the First Amendment. The scope of both the TDRA exclusions and the defenses available under state laws remains an unknown.

VII. THE PROPER ROLE FOR STATE LAWS?

State dilution laws have proven to be an awkward addition to trademark jurisprudence. This problem raises a larger issue: what is the proper role for state regulation in trademark law? Trademark law, after all, arose from state common law unfair competition law, and federal law to this day reflects many of the common law traditions of trademark. To view the problem in perspective, consider Justice Brandeis's famous observation that states are laboratories where different experiences could lead to creative solutions to social problems. But, the true import of his observation must be viewed in context. He also indicated that his vision was of states seeking solutions more or less in isolation, so that they could "try novel social and economic experiments without risk to the rest of the country."

Thus, one assumption behind such experimentation was that states could cordon off their experiments from the rest of the country and that they could legislatively respond to particular local conditions. These particularized solutions could provide useful guidance when, and if, national legislation was required.

Brandeis's vision provides us with one possible justification for state regulation. State regulatory laws are easier to justify when they

98. Id.
respond to a unique local condition, and when they do not interfere with the regulatory prerogatives of other states. For example, Nevada would be expected to have a special interest in regulating the gaming industry. Its regulations, developed in response to the extensive industry there, would provide a suitable laboratory for developing appropriate means of regulating the industry in other states. As long as gambling occurs on site at a casino (as opposed to, say, the Internet), Nevada’s regulations will not interfere with those of other states. Health insurance, despite its status as a national issue, may also exemplify this situation. States may have relatively unique problems: rural state problems may differ from urban state problems. Some states may, for various reasons, have much higher rates of uninsured people. Immigration patterns may affect the issue of health insurance. There may be some incidental extraterritoriality effects from state regulation here, especially where workers live out of state, but probably not anything like the problem of controlling trademark uses outside of one’s state. The Supreme Court’s dormant commerce clause jurisprudence also reflects the dichotomy between national and local considerations. Some protectionist state legislation has been allowed to stand when it responded to peculiar local conditions.

As the economies of the different states become tied to the national economy, however, isolated experiments have become more difficult to perform. In trademark law, unique local conditions are less likely to be important enough to warrant unique state solutions. A possible exception is geographic indications of origin. States with large agricultural industries, such as California, may see a greater need for protecting such indications than other states, but those are the exceptions. In the ordinary course of trademark regulation, states will have somewhat similar interests in protecting businesses from misuse of their trademarks. State dilution laws were not, and are not, tailored to peculiar local conditions. Even assuming that some states enacted dilution laws to protect local businesses from harm, there is nothing in

100. See Maine v. Taylor, 477 U.S. 131, 151 (1986) (upholding Maine’s ban on importation of bait fish because it “serves legitimate local purposes that could not adequately be served by available nondiscriminatory alternatives”).
101. This, too, is reflected in the Court’s commerce clause jurisprudence. See, e.g., City of Phila. v. New Jersey., 437 U.S. 617, 629 (1978) (holding that a New Jersey law prohibiting importation of out of state waste to protect local landfills violated the commerce clause).
any state's dilution law that is tailored to any peculiar local conditions. Indeed, for decades INTA has attempted to convince states to make their trademark laws as uniform as possible. Many trademark owners particularly those with strong trademarks, to which dilution laws are most likely to apply, operate in multiple states. Differences in state laws create a significant legal counseling problem and a significant business strategy problem. This was one of the reasons that trademark owners wanted a federal dilution law in the first place, and why the advent of the Lanham Act was so important to trademark owners. Therefore, there is a risk that the patchwork of state laws will inhibit, rather than promote, economic progress in the country. This is the antithesis of Brandeis's "no risk" idea.

Even if state dilution laws could be justified as a way to protect local concerns, it is unlikely that local considerations are effectively integrated into the process of deciding actual cases. The reason is simple: state courts rarely get an opportunity to interpret their own dilution laws. In all but a handful of reported cases, state dilution claims are decided by federal courts as supplemental claims to a federal trademark infringement and/or dilution claim. This is a natural consequence of the dominance of the federal regulatory scheme in trademark law. As a result, rather than being interpreted with an eye toward whatever local conditions may exist, state dilution laws—most of which now track the original FTDA language—are interpreted in a federal action, by the same court that ruled on the federal claim. This also means that in most cases, any development of state law is being left to federal courts to make their best "Erie" guess about the content of state law, with little likelihood that any errors will be corrected in a timely fashion. Compounding the

103. In any event, simple protectionism would be an inappropriate basis for passing legislation. Whether such a law would pass constitutional muster, would depend on several factors. See, e.g., Maine v. Taylor, 477 U.S. 131 (1986); Pike v. Bruce Church, 397 U.S. 137, 142 (1970) (distinguishing between "even handed" state regulation and discriminatory legislation, with the latter receiving a different sort of scrutiny than the former).

104. See generally Andrew L. Goldstein, Bringing the Model State Trademark Bill into the 90s and Beyond, 83 TRADEMARK REP. 226 (1993).

105. A Westlaw search in the ALLSTATES database, using the parameters "trademark /s dilution and date (>1946)," yielded 140 results. Ten of those were cases against insurance companies to recover the cost of defending earlier federal trademark claims (including dilution). Another group of cases indicated the filing of a dilution claim in the case, but without any further discussion or resolution. The number of actual discussions, or even resolutions, of state dilution claims in these cases, covering sixty years, is small.


107. In the area of rights of publicity, there have been some significant incorrect guesses. Perhaps the most long lasting was the Second Circuit's incorrect assumption that New York
problem, many states have enacted statutes directing courts to use federal precedent as persuasive authority when interpreting similarly worded state trademark laws. This combination of nearly exclusive federal review and use of federal precedent means that there is little room for state experimentation in this area. This problem is well illustrated by the Second Circuit cases cited earlier. With one exception, the major developments in New York dilution law have been the result of federal cases, not interpretations made by New York courts.

The few reported cases actually decided by state courts tend to demonstrate that the situations warranting the use of state dilution laws are sparse. A few recent cases are illustrative. In one state court case, the Texas Court of Appeals upheld a dilution claim brought by a real estate developer against a real estate brokerage firm. The developer operated a resort called Horseshoe Bay, and the broker called itself Horseshoe Bay Resort Sales Company. This was a suit between entities in complementary businesses, for which traditional
infringement provides adequate protection.\textsuperscript{112} Dilution added little to the matter. A recent New York state case involved competing beverage sellers.\textsuperscript{113} This was largely a trade secret and unfair competition case.\textsuperscript{114} Dilution was not necessary to protect whatever rights plaintiff had.\textsuperscript{115} Another New York state case involved competing gasoline station owners.\textsuperscript{116} Again, dilution was not crucial to protecting the trademark at issue.\textsuperscript{117}

Taking all of these matters into consideration, one must conclude that the time for states to serve the laboratory function in this area has passed (if it ever existed). There have been 60 years of "experimentation"—and the reality of differential experimentation has been thwarted by the understandable drive for uniformity in a national economy, promoted by the very organization (INTA) whose goal is to protect the value of trademarks. Brandeis wrote in an era when there were few national economic regulatory laws, and states were attempting to fill the gap left by Congress. In trademark law, Congress now has regulated comprehensively, weighing the various common law experiences of the states, their statutory experiences, and now the experience using federal law, and has made decisions about the scope of protection and remedies based on those judgments.

If unique local situations do not justify dilution laws, perhaps there is a second circumstance in which state regulation can serve a useful purpose: when federal regulation is needed, but not forthcoming. Although non-uniform state regulation may cause some problems, those problems may lead to a uniform federal solution. Arguably, this was the role played by state dilution laws prior to the FTDA. The legislative history refers to the "patch quilt" of state laws then in existence.\textsuperscript{118} A federal dilution provision would unify the laws, providing a single national standard that could be enforced anywhere in the country. Whether the disuniformity of state laws,

\textsuperscript{112} The court in this case upheld a finding of likelihood of confusion. \textit{Horseshoe Bay}, 53 S.W.3d at 811.
\textsuperscript{114} \textit{Id.} at \textsuperscript{*1}, \textsuperscript{*10}.
\textsuperscript{115} \textit{Id.} at \textsuperscript{*1}.
\textsuperscript{117} \textit{Gasoline Heaven}, 743 N.Y.S.2d at 828.
A FUTURE FOR STATE DILUTION LAWS?

rather than some other influence (such as perceived international pressure), was a major reason for the FTDA’s passage is an open question. Although state regulation certainly had its problems, the number of successful state dilution claims that did not also include a finding of confusion was so small that it hardly warranted a federal response. Even assuming that state laws played such a role, however, it does not explain the need for state regulation after the passage of a uniform federal law. This is particularly true when the majority of state laws mirror the language of the federal law (as was the case until the TDRA). Once there is a federal law in place, the continued use of state law may upset the legislative balances built into federal law, counseling against continued reliance on state legislation.

VIII. STATE LAWS IN THE SHADOW OF THE TDRA—OF WHAT VALUE?

Given the many limitations of state dilution laws and the availability of federal protection under the TDRA, the continued usefulness of state dilution laws must be questioned. There are now three different kinds of dilution statutes: Federal (famous mark

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119. See Welkowitz, Preemption, supra note 94.
120. Two other intellectual property regimes, trade secrets and rights of publicity, rely heavily on state law rather than federal law, in clear contrast to dilution where federal law now dominates. In the case of trade secrets this may owe something to the widespread adoption of the Uniform Trade Secrets Act. Although not identical in all states, the Act apparently provides sufficient uniformity that trade secret owners have not felt the same need for broad federal protection. Note, however, that there is some federal trade secret protection, primarily via criminal law. See, e.g., 18 U.S.C. §§ 1832 (2000), 1905 (2000 & Supp. V 2006). In addition, the requirement of secrecy means that such protection is viewed as acting in concert with federal patent protection, and not interfering with the balances in patent law. See Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 470-71 (1974) (obtaining a patent requires the inventor to disclose the invention). The persistence and growth of state protection for celebrity rights is probably due to several factors. First, rights of publicity are inherently personal to an actual individual (or family). Although celebrity merchandising certainly is big business, the interest in protecting the rights lies primarily with the individual. Thus, as long as the offender can be brought into the celebrity’s home state (or as long as another state can be persuaded to apply the celebrity’s home state law), the celebrity has little reason to lobby for a uniform federal law. Second, although federal trademark law provides some protection for publicity rights—primarily via § 43(a) of the Lanham Act, but to a lesser extent also via § 2(a) and (c)—federal law does not overwhelm this area of law to the same extent that it does trademark law. Third, it is possible that the concentration of celebrity interests in California makes that state’s law the dominant player in this area, lessening the perceived need for federal protection.

Although many trade secret and rights of publicity claims are brought in federal court (the former primarily as diversity claims, the latter sometimes as diversity claims and sometimes as supplemental claims to claims under federal trademark law), a large number of these claims are also brought in state courts. Thus, unlike the situation in dilution, the enforcement of state laws may more accurately reflect local interests.
required, likelihood of dilution standard), newer state laws (famous mark required, actual dilution standard), and older state laws (distinctive mark required, likelihood of dilution standard). This is a poor state of affairs, especially if a plaintiff alleges federal dilution claims and also claims under multiple state laws.\textsuperscript{121}

The newer state laws have little utility after \textit{Moseley} since the TDRA provides an easier standard to meet. Even if the laws were amended, they would do little more than duplicate federal law. The older state laws have the same operative standard as the TDRA: likelihood of dilution. Although they may protect a few marks not famous enough for federal protection, they probably otherwise duplicate federal protection.\textsuperscript{122} Therefore, the major use for state laws would seem to be remedies. The TDRA envisions injunctions as the primary dilution remedy; it permits damages and other remedies only under limited circumstances—when defendant “willfully intended” to trade on the reputation of the famous mark or harm the reputation of the famous mark.\textsuperscript{123} Even when damages are available, \textit{punitive} damages cannot be recovered for Lanham Act violations; although willfulness may make a court more willing to enhance the damages under Section 35(a), damages must still be “compensation and not a penalty.”\textsuperscript{124} Attorney’s fees are available under the Lanham Act, but only in “exceptional cases.”\textsuperscript{125} State laws are not subject to these limitations for trademark violations. States may offer punitive damage remedies and may be more lenient about awarding attorney’s fees. Such additional remedies are not preempted by the Lanham Act.\textsuperscript{126}

However, attempting to use state law for remedy enhancement usually will prove ephemeral, and it is an inappropriate reason for the existence of state dilution laws. Older state laws, which are now more in line with the operative standard of federal law, \textit{only} provide for injunctive relief, although there may be attorney’s fee provisions in other state statutes.\textsuperscript{127} Newer state laws, which provide for non-

\textsuperscript{121} Compare \textit{Model State Trademark Bill} § 13 (INTA 1996) with \textit{Model State Trademark Bill} §§ 1(k)-(m), 13 (INTA 2007).
\textsuperscript{122} See supra notes 67-68 and accompanying text.
\textsuperscript{124} \textit{Id.} § 35(a), 15 U.S.C.A § 1117(a) (West Supp. 2007).
\textsuperscript{125} \textit{Id.}
\textsuperscript{126} See, e.g., JCW Inv., Inc. v. Novelty, Inc., 482 F.3d 910, 917-19 (7th Cir. 2007).
injunctive relief, are restricted by the actual dilution requirement. In addition, most newer state laws, like the FTDA, only permit damage awards for willful dilution. Thus, damages are unlikely to be awarded under state dilution law in cases where federal law would not allow them. Even if state laws are amended to conform to the federal operative standard (i.e., likelihood of dilution), is it worth having state laws whose primary utility is to enhance the available damages? One would expect trademark owners to answer with a resounding “Yes.” When state laws are primarily vehicles to enhance remedies for the same underlying acts as federal law, however, they alter the balances built into federal law. Congress has decided that damages under the Lanham Act shall be “compensation and not a penalty.” Of what value is that decision if states can easily override it?

Moreover, this is not a situation in which state laws are filling a hole in federal law. Congress’ decision to limit the available remedies in federal trademark cases does not appear to have been casual. One should assume that the limits in the Lanham Act reflect a considered choice among alternatives. There is no inadvertent “hole” in the damage provisions. Therefore, state laws can only interfere with Congress’s choices, which is not an appropriate basis for state legislation.

IX. SHOULD STATE LAWS BE PREEMPTED?

The preceding discussion seems to lead to an obvious solution: federal preemption of state law. That theoretically clean solution, however, may not be the most practical one. Perhaps the most compelling reason to leave state dilution laws in place is the comparative difficulty of eliminating them. It is unrealistic to assume that state legislatures will repeal them, unless INTA or some other equally powerful group makes it a priority. That leaves preemption by a federal statute. In one respect, Congress did recognize the need to

128. Florida and California are exceptions. Their new statutes use a likelihood of dilution standard and allow non-injunctive relief. FLA. STAT. ANN. § 495.151 (West Supp. 2008); CAL. BUS. & PROF. CODE §§ 14202(k)-(m), 14247 (West Supp. 2008).
130. There may be a rare case in which a mark is famous in the state but not nationally, allowing state relief but not federal. These will be very unusual situations. If states adopt the 2007 version of the Model Bill they would protect marks that are famous in a city or region of a state, but which may not be nationally famous.
preempt state dilution law—where the state law is being applied to a federally registered mark.\textsuperscript{131} This was certainly a logical step, but it takes an unusual fact setting for it to apply, particularly in a state whose dilution law requires a "famous" mark. Unless the plaintiff's mark became famous after the other user's mark was federally registered, it is hard to see why there would not have been a successful opposition to federal registration.\textsuperscript{132} Thus, federal preemption under Section 43(c)(6) is not a major factor in dilution.

Any additional preemptive effect must await future federal legislation, but the experience with express preemption in copyright suggests that one should proceed here with caution. Section 301 of the Copyright Act preempts any state laws granting rights "equivalent to" copyright.\textsuperscript{133} Unfortunately, this provision has led to some difficult interpretive issues, not all of which have been satisfactorily resolved.\textsuperscript{134} Courts have found numerous state laws that protect some form of "copying" not preempted by § 301 on the ground that the state law requires something "extra"—something more than just copying.\textsuperscript{135} The model for preemption in the dilution area might be § 43(c)(6) of the Lanham Act, which preempts state dilution laws to the extent that they are being used against a mark that is federally registered.\textsuperscript{136} Unfortunately, there are no cases interpreting the new version, and very few interpreting the prior version, so we have little real guidance. Section 43(c)(6) does not contain the Copyright Act's "equivalent to" language; it simply states that actions brought under state law to prevent certain categories of dilutive activities are barred

\textsuperscript{131} The current version of this provision is found at 15 U.S.C.A. § 1125(c)(6) (West Supp. 2007).

\textsuperscript{132} Obviously, the owner of the famous mark could simply have overlooked the registration application. But if the mark was famous—even if only within the state—one would expect the mark owner to be reasonably diligent in protecting its mark. It is also possible that the two parties operate in such different spheres that confusion was unlikely. However, the Patent and Trademark Office can use dilution under Section 43(c) as a basis for refusal to register, provided it is raised in an opposition proceeding. 15 U.S.C. §§ 1052(f), 1063(a) (2000). (Dilution under state law is not a basis for refusal of federal registration). Section 43(c) does not require a mark to be registered to be protected, although it does require it to be famous as measured by federal standards. And the PTO considers the "fame" of a mark when analyzing likelihood of confusion (and, for that purpose, fame is not measured as stringently as for dilution). A few marks could fall through these cracks and obtain a federal registration, but it should not be a large number.

\textsuperscript{133} 17 U.S.C. § 301(a) (2000).

\textsuperscript{134} See I MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.01[B] (2007) (noting the lack of clarity in this area).

\textsuperscript{135} Id. § 1.01[B][1].

\textsuperscript{136} 15 U.S.C.A. §1125(c)(6).
if the defendant has a federally registered mark. Therefore, the issue of sufficient “plus” factors may not be a problem here. As a model for a future preemption provision, however, the language of § 43(c)(6) is not without its difficulty. Subsection (A) limits itself to state laws protecting against “dilution by blurring or dilution by tarnishment.” Those categories are specifically defined by the TDRA, but almost no current state law uses or defines the terms “blurring” and “tarnishment.” Thus, unless this section was intended to include state laws that protect against things “equivalent to” those categories, it would be of limited current use. Subsection (B) does seem to have learned from the copyright experience; it preempts claims “of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertising.” This appears to be designed to cover the forms of dilution generally recognized by state law, and uses the language in which state protection is couched. The limited context in which this provision operates, however, masks the problems that would arise if it were extended to preempt state laws in all contexts. Since § 43(c)(6) only applies when the defendant has a registered mark, it is unlikely to apply to state protections for intellectual property that are not aimed at trademarks or advertisements. If the provision were to be extended to bar any action brought under state laws regulating potentially dilutive activity, regardless of the existence of a registered mark, some of the Copyright Act’s difficulties may emerge. For example, would a state right of publicity law be considered a claim of harm to the distinctiveness of a mark, if the celebrity’s name or likeness was used as a mark? Would it be considered a claim of harm to the distinctiveness of a “form of advertising” if the celebrity bringing the action had endorsed products? No doubt Congress would not intend such results, but they may be difficult to draft around entirely.

That the FTDA was enacted and then significantly amended without preempting state laws indicates that Congress probably does not wish to take this step. As noted earlier, the legislative history of

138. The Indiana statute does use the term “tarnish,” limiting eligibility under its statute to fanciful marks, “except in cases where the other person’s use tarnishes the reputation of the famous mark.” IND. CODE ANN. § 24-2-1-13.5(a) (West Supp. 2007). California adopted the 2007 Model Bill, which uses those terms. CAL. BUS. & PROF. CODE §§ 14202(k)-(m), 14247 (West Supp. 2008).
139. It is possible that the drafters anticipated the new version of the Model Bill which tracks the language of the TDRA. That could prevent certain interpretive issues from arising later and obviate the need for further revision of the federal statute.
the FTDA demonstrates that Congress deliberately left state dilution laws in place. Unlike patent and copyright, where the Constitution specifically grants Congress authority to make laws,\textsuperscript{141} trademark law was largely a state and common law matter until the mid-twentieth century.\textsuperscript{142} Thus, preempting state law could be a politically tricky issue.

In short, the combination of political reality and drafting difficulties make repeal and/or express preemption an unrealistic goal at this time. Courts may decide that limited preemption should exist to the extent that state laws are used to subvert the structure of federal law, and constitutional provisions like the First Amendment limit the extent to which state laws can be used to subvert free speech. For the time being, leaving state laws alone is probably the more logical approach.

X. State Laws as a Famous Marks Gap-Filler?

Even if they are not preempted, state laws have very little constructive role to play in a conventional dilution claim. At most, they add protection around the edges, but in ways that may upset the balance struck by Congress in the FTDA. Ironically, if the door is closing on state dilution laws, it may be opening in another, somewhat related area of trademark law. The protection of "famous" marks is not confined to dilution statutes. Conventional infringement law and unfair competition law give extra protection to famous marks by finding confusion in many situations where suits by owners of lesser known marks would fail.\textsuperscript{143} The ordinary operation of trademark law in such cases does not require the addition of state law. There is one aspect of the protection of famous marks, however, that may lead to the enlistment of state law, at least temporarily.

Traditional trademark doctrine in the United States holds that trademark protection is founded on use, not simply registration. Due to trademark's roots in unfair competition, the use must occur in an area where the two parties compete. In the case of foreign marks, this means that protection in the United States is extended only to marks

\textsuperscript{141} U.S. CONST. art. I, § 8, cl. 8.

\textsuperscript{142} In the Trade-Mark Cases, the Supreme Court held that the Patent and Copyright Clause does not confer authority on Congress to regulate trademarks. Trade-Mark Cases, 100 U.S. 82, 93-94 (1879). There were federal trademark statutes before the Lanham Act, but their scope was not nearly as comprehensive as the Lanham Act. See 1 McCarthy, supra note 9, § 5:3.

\textsuperscript{143} See 2 id. § 11:78; In re. E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973) (considering the "fame" of the mark as a factor in opposition proceedings).
that are used in the United States, or at least where there is a bona fide intent to use in the near future. Indeed, this principle is generally recognized as a consequence of territoriality—that a country’s laws generally will only protect marks that are used in the territory of that country. Thus, in Person’s Co., Ltd. v. Christman, the court upheld the U.S. registration of a mark by someone who had seen the mark being used on clothing in Japan and who decided to use it in the United States, without the knowledge or consent of the Japanese trademark owner. Despite the apparent bad faith of the applicant, because the mark had not been used in the United States, the court applied the principle of territoriality and ruled that the first person to use the mark in the United States was entitled to the U.S. rights, not the first to use it anywhere in the world.

To this principle of territoriality, there has been a seldom used, but fairly widely recognized exception: if the non-U.S. mark is “famous” in the United States, then courts will prevent a second user from obtaining rights in the United States, notwithstanding the lack of use in this country. This exception appears to have originated in two decisions of New York’s trial level courts, both involving Parisian restaurants. The first suit was by the Paris restaurant Maison Prunier against a New York restaurant named Prunier’s Restaurant and Café. The court noted that the New York restaurant was not only using the Prunier name, but also the same slogan as its Parisian counterpart. Citing Article 6bis of the Paris Convention, the court held that the New York restaurant was engaging in unfair competition under New York law. The second case, which is often cited as the origin of the doctrine, was a suit by the Parisian restaurant Maxim’s

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144. Section 44(e) of the Lanham Act allows marks registered in foreign countries to be registered in this country without actual use, but it does require the registrant to file a written statement attesting to its bona fide intent to use the mark. 15 U.S.C. § 1126(e) (2000 & Supp. 2006). See also 15 U.S.C. § 1051(b)(3) (2000) (exempting applications filed under Section 44 from requirement of filing statement of use).


147. Id. at 1571-72. In the same proceeding, the Japanese company’s U.S. registration was cancelled.

148. Id. at 1568-69, 1571-72.


150. Paris Convention for the Protection of Industrial Property. This Convention, to which the United States has long been an adherent, requires its members to provide certain protections for trademarks and patents.

151. Maison Prunier, 288 N.Y.S. at 532.
against the owner's of a Maxim's restaurant in New York.\textsuperscript{152} Though the Paris Maxim's had no branches in the United States, its mark was well known in New York, and was probably the reason the New York restauranteur chose the name.\textsuperscript{153} Therefore, the court enjoined the New York restaurant's use of the name, based on a likelihood of confusion between the two restaurants.\textsuperscript{154}

Following \textit{Vaudable}, the so-called "famous marks" doctrine has been applied in federal trademark cases by the PTO's Trademark Trial and Appeal Board,\textsuperscript{155} and by the Ninth Circuit.\textsuperscript{156} Moreover, as seen in the earliest of the New York state cases, the concept of special treatment for famous marks has long been a part of international conventions, notably the Paris Convention, to which the United States is an adherent.\textsuperscript{157} Section 44 of the Lanham Act implements these treaty obligations in the federal trademark law.

Recently, however, the Second Circuit has called into question the use of the famous marks doctrine under federal trademark law. In \textit{ITC, Ltd. v. Punchgini, Inc.},\textsuperscript{158} the court rejected arguments that the famous marks doctrine is a part of federal trademark law. Noting that the Paris Convention and TRIPS are not self-executing,\textsuperscript{159} the court looked for implementing legislation that would support a famous marks exception to territoriality. The court held that nothing in Section 44 of the Lanham Act, which implements various treaties to which the U.S. is a signatory (including the Paris Convention and TRIPS), evinced a Congressional intent to abrogate the usual territoriality rule.\textsuperscript{160} However, the court limited its decision concerning territoriality to federal law; it did not rule out protection under state law. Since the only relevant precedent in New York was

\textsuperscript{153} Id. at 335.
\textsuperscript{154} Id. at 336. Although it did not rely on the New York dilution statute, the court also cited a pre-statutory decision that relied on a dilution theory. \textit{Id.} at 335, \textit{citing} Tiffany & Co. v. Tiffany Prods., 264 N.Y.S. 459 (N.Y. Sup. Ct.), \textit{aff'd}, 260 N.Y.S. 821 (N.Y. Sup. Ct. 1932), \textit{aff'd}, 188 N.E. 30 (N.Y. 1933).
\textsuperscript{156} Grupo Gigante SA de CV v. Dallo & Co., Inc., 391 F.3d 1088, 1094 (9th Cir. 2004).
\textsuperscript{157} The Paris Convention only applied to trademarks. The TRIPS Agreement extends the Paris Convention's protection to service marks. \textit{See} ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 156 (2d Cir. 2007) (citing article 6bis of the Paris Convention), \textit{cert. denied}, 128 S. Ct. 288 (2007).
\textsuperscript{158} ITC\textit{ Ltd.}, 482 F.3d at 135.
\textsuperscript{159} Id. at 161-62.
\textsuperscript{160} Id. at 162-64.
the two trial court opinions discussed above, the Second Circuit certified to the New York Court of Appeals the question whether New York recognizes a famous marks doctrine and, if so, what level of notoriety is required for a mark to be considered famous.\textsuperscript{161} The Second Circuit's decision was appealed to the Supreme Court, which denied review, despite the apparent split in authority between the Second and Ninth Circuits on this issue.\textsuperscript{162}

At least in the Second Circuit, there now is an arguable "gap" in federal trademark law. Unlike the circumstances in which state laws are used to enhance federal remedies for the same conduct, state regulation in this area would not upset a considered choice by Congress. Until \textit{Punchgini}, the existence of a famous marks exception had been widely accepted, even if seldom applied. There is no indication that Congress intentionally omitted protection for famous foreign marks from the Lanham Act.\textsuperscript{163} This suggests the existence of a true gap in federal protection.

The question is whether filling that gap with state unfair competition law is any more appropriate than using state dilution laws was before the advent of federal dilution law. In this area, as with dilution, there will be several problems with applying state law. If states have different standards of what constitutes a "famous" mark, then mark owners, both foreign and domestic, will not have a consistent set of rules under which to operate. Where U.S. law interacts with foreign markets, it seems more desirable to have an applicable uniform federal law than a series of state laws. Furthermore, the issue of the territorial reach of a state court injunction would arise, just as it does with state dilution laws.\textsuperscript{164} If the offending use is limited to a single state, as it was in \textit{Maison Prunier} and \textit{Vaudable}, then there will not be a problem with the reach of the state law. However, if the issue extends beyond a single state, the different standards potentially applicable could cause problems. Finally, since the issue of protecting famous marks is embodied in

\textsuperscript{161} \textit{Id.} at 166-69. The court's certification discussed a number of possible measures of "fame," but left it to the New York courts to decide which, if any, would be the proper measure. \textit{Id.} at 169. The response of the New York Court of Appeals is at 880 N.E.2d 852 (N.Y. 2007). See infra footnote 170.


\textsuperscript{163} At least at the time of the TRIPS Agreement there was enough precedent applying the exception that Congress could have relied on its existence.

\textsuperscript{164} Welkowitz, \textit{Preemption}, supra note 94.
treaties, using state law means that the implementation of U.S. treaty obligations\textsuperscript{165} will be subject to the vagaries of state law.

On the other hand, there are some arguments in favor of allowing state law to fill the apparent gap. As discussed earlier, state law is most appropriate where there are local conditions requiring solutions tailored to those circumstances. As shown by the facts of \textit{Grupo Gigante SA de CV v. Dallo & Co., Inc.},\textsuperscript{166} the Ninth Circuit case, there may be circumstances where local conditions are applicable. The GIGANTE mark, used by a Mexican grocery chain, was not well known throughout the United States. California, however, has a large immigrant population from Mexico, where the mark is well known.\textsuperscript{167} Thus, the potential for confusion is particularly acute in Southern California. Unlike dilution claims, which paradigmatically involve non-competing goods, these unfair competition claims involve competing goods.\textsuperscript{168} Finally, at least in the short term, it would make it less likely that the United States would face a proceeding in the World Trade Organization claiming a failure to implement the TRIPS Agreement. United States treaty obligations did not require a comprehensive dilution statute.

XI. CONCLUSION

For almost fifty years, until the FTDA arrived in 1996, state dilution laws existed in relative obscurity, below the radar screens of many trademark lawyers. The FTDA raised the profile of trademark dilution, but after the TDRA it has left little reason for the existence of a parallel, and non-uniform, set of state laws. Nevertheless, neither express preemption nor repeal appears to be a realistic option in the foreseeable future. State laws probably will continue to operate in the background, their true relevance limited to lesser marks.\textsuperscript{169} As long as

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\begin{itemize}
\item \textsuperscript{165} This assumes that the treaties do, in fact, obligate the United States to breach the territoriality rule for famous marks. The provisions are not crystal clear on this point.
\item \textsuperscript{166} Grupo Gigante SA de CV v. Dallo & Co., Inc., 391 F.3d 1088 (9th Cir. 2004).
\item \textsuperscript{167} The Mexican and U.S. uses were both in connection with grocery stores. \textit{Id.} at 1091.
\item \textsuperscript{168} It should be noted that the TRIPS Agreement extends protection to famous marks even where the goods or services in question are not competing. Agreement on Trade-Related Aspects of Intellectual Property Rights, Annex 1C, art. 16, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994). Whether states would be willing to extend their unfair competition laws to such situations (at least absent likelihood of confusion) is difficult to determine. Almost no states have been willing to recognize common law dilution claims, leaving such claims to statutory implementation.
\item \textsuperscript{169} Even as to those marks, as shown in the discussion above, when there is no federal dilution claim available, state dilution laws often simply "pile on" to an ordinary infringement situation.
\end{itemize}
they do not interfere with the operation of federal law, and do not upset the balances built into federal law, their continued existence will not significantly affect the path of trademark law.

More important is what the progress (or lack thereof) of state dilution law over the past sixty years can teach us about the efficacy of state regulation of intellectual property. Absent special local conditions, one would expect intellectual property owners to seek certainty through uniformity. The history of state dilution laws shows that trademark owners have sought such uniformity, though their efforts have now created significant disuniformity. Although states may play a role in the process of deciding the proper regulatory path, by demonstrating potential flaws in different regulatory schemes, eventually the sensible result is a national solution that properly balances the interests of intellectual property owners and others who wish to use that intellectual property and that minimizes the uncertainty faced by both groups.

State dilution laws may have run their course, but the current split in the circuits concerning the Lanham Act’s protection of “famous” marks that are not used in this country provides an opportunity to review the efficacy of state trademark regulation in a discrete corner of trademark law. The Second Circuit’s certification to the New York Court of Appeals of the question of the extent of state law protection in such cases assures a rare decision by the state’s highest court, which may inform the debate about how to handle this problem.\textsuperscript{170} Ultimately, however, leaving international obligations to the vagaries of state law invites difficulties, especially in a system, like the WTO, where the obligations can be enforced by an outside authority. While certain governmental responsibilities are best handled locally, others, such as transnational intellectual property rights, seem to require a national solution.

\textsuperscript{170} As noted in the earlier discussion, the only New York decisions on point had been from the state’s trial court. The New York Court of Appeals held that there is no special “famous marks” exception under New York law. However, it also held that a claim for misappropriation and unfair competition could be brought under New York law if the defendant "deliberately copied" plaintiff’s mark and if the “relevant consumer market [in New York] ... primarily associates the ... mark” with the goods or services of the plaintiff. ITC, Ltd. v. Punchgini, Inc., 880 N.E.2d 852, 860 (N.Y. 2007).