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# Oh Deere, What's to Become of Dilution? (A Commentary on the New Federal Trademark Dilution Act)

David S. Welkowitz\*

## I. INTRODUCTION

A new era of trademark law is upon us. On January 16, 1996, the Federal Trademark Dilution Act of 1995<sup>1</sup> went into effect, adding a broad new theory of protection for trademark owners. Until the passage of this statute, the key to protection under the federal trademark statute (commonly known as the Lanham Act) was a showing that another's use of a trademark would lead to a "likelihood of confusion" among potential consumers as to the goods, their source or their sponsorship.<sup>2</sup> Now, at least for a select group of trademarks—"famous" marks—the protective net of federal law grows larger. For these marks, showing likely confusion, while still sufficient, will not be necessary before liability is imposed. Instead, "famous" trademarks will be protected if another's use of the same or

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<sup>1</sup> Pub. L. 104-98 § 3(a), 109 Stat. 985, *codified at* 15 U.S.C. §§ 1125(c) and 1127 (1996). The law added a new section—§ 43(c)—to the Trademark Act of 1946 (otherwise known as the Lanham Act), and amended the definitions section, § 45.

<sup>2</sup> J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 23.01 (3d. ed. 1996) (calling likelihood of confusion the "keystone" of trademark infringement) [hereinafter MCCARTHY]; *see* *Versa Prods. Co. v. Bifold Co.*, 50 F.3d 189, 200 (3d Cir. 1995) (calling confusion "the heart of trademark law"). Some courts have included observers of the products, who may or may not be potential consumers, among those whose confusion may lead to infringement. *See* Melissa R. Gleiberman, *Note, From Fast Cars to Fast Food: Overbroad Protection of Product Trade Dress Under Section 43(a) of the Lanham Act*, 45 *Stan. L. Rev.* 2037, 2050-55 (1993) (discussing this so-called "post sale confusion"). In this article I will use the term "consumers" generally to refer to actual and potential consumers as well as these "observer" consumers.

a similar mark may “dilute” the selling power of the trademark regardless of whether any confusion exists.<sup>3</sup>

Although this change brings a new form of protection to federal law, trademark dilution is not a concept of recent origin. Protection against dilution has been part of the law of many states for a number of years,<sup>4</sup> and a large body of case law has developed in this area which may influence the interpretation of the federal statute by federal courts. In addition, numerous commentators have already expressed opinions about the desirability and efficacy of state dilution laws and the manner in which they have been applied.<sup>5</sup> Some recent developments in this area, particularly in New York, may prove important as courts begin interpreting the new federal law.

The purpose of this essay is twofold: (i) to examine recent developments in the law of dilution under state law and (ii) to examine the new federal law through the lens of the state developments. The thesis of this essay is that federal courts should examine state precedents with caution and should avoid facile incorporation of unwise and overbroad interpretations of state law into the federal scheme. We begin with an overview of the new federal law, followed by a look at recent state developments, and we end with a closer analysis of the new federal law.

## II. THE FEDERAL DILUTION ACT—AN OVERVIEW

Trademark dilution did not originate with the Federal Trademark Dilution Act. The idea of trademark dilution has been around since

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<sup>3</sup> Dilution is defined as “the lessening of the capacity of a famous mark to identify and distinguish goods or services . . . .” 15 U.S.C. § 1127 (1996).

<sup>4</sup> The earliest such law was passed by Massachusetts in 1947. Act of May 2, 1947, ch. 307, § 7a, 1947 Mass. Acts 300 (codified at MASS. GEN. LAWS ANN., ch. 110B, § 12). At last count, at least 27 states had passed laws protecting trademarks against dilution. See RESTATEMENT (THIRD) UNFAIR COMPETITION § 25 Statutory Note (1995) (listing 25 states) [hereinafter RESTATEMENT]; MCCARTHY, *supra* note 2, § 24.14[2] n.7 (listing 26 states); Julie Arthur Garcia, *Trademark Dilution: Eliminating Confusion*, 85 Trademark Rep. 489, 493 & n.26 (1995) (listing 27 states); N.J. STAT. ANN. § 56:3-13.20 (West 1996).

<sup>5</sup> A fairly large list of commentators can be found in MCCARTHY, *supra* note 2, § 24.19 at 24-146 n.1.

at least 1927.<sup>6</sup> Its premise is that the use of a well-known mark by another (usually on non-competing goods or services) will gradually lessen the public's identification of that well-known mark with a unique source. Thus, over time the well-known mark will lose its value as a marketing vehicle.<sup>7</sup> This process is most commonly described as a "whittling away" of the power of the mark.<sup>8</sup> Moreover, this process is assumed to occur even if consumers are *not confused* about the source of the goods by the second user of the mark. This is the primary distinction from traditional trademark law. The second use simply subconsciously waters down the uniqueness of the first mark.<sup>9</sup> States began to pass laws protecting marks against such (non-confusing) dilution in 1947,<sup>10</sup> and more than half of the states now offer such protection.<sup>11</sup> Until the passage of the Trademark Dilution Act, federal law did not provide protection against dilution.<sup>12</sup>

Typically, state dilution statutes are very simply worded. Most provide that "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark . . . shall be a ground for injunctive relief notwithstanding the absence of competition as to the

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<sup>6</sup> See generally Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927); see also RESTATEMENT, *supra* note 4, § 25 cmt. b (1995).

<sup>7</sup> See, e.g., MCCARTHY, *supra* note 2, § 24.13[1][b]; RESTATEMENT, *supra* note 4, § 25 cmt. f.

<sup>8</sup> See, e.g., *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1992); RESTATEMENT, *supra* note 4, § 25 cmt. b.

<sup>9</sup> Traditional trademark law requires the plaintiff to show a likelihood of confusion between its mark, goods, services, etc. and those of the defendant. MCCARTHY, *supra* note 2, § 23.01; 15 U.S.C. §§ 1114(1), 1125(a)(1)(A). By way of full disclosure, I have previously criticized both the concept and implementation of dilution laws. David S. Welkowitz, *Preemption, Extraterritoriality, and the Problem of State Antidilution Laws*, 67 Tul. L. Rev. 1 (1992) [hereinafter Welkowitz, *Preemption*]; David S. Welkowitz, *Reexamining Trademark Dilution*, 44 Vand. L. Rev. 531 (1991) [hereinafter Welkowitz, *Reexamining Dilution*].

<sup>10</sup> See MASS. GEN. LAWS ANN., ch. 110B, § 12).

<sup>11</sup> See states listed in note 4 *supra*. A small number of states appear to permit a dilution claim under their common law as well. See, e.g., *Ameritech, Inc. v. American Info. Technologies Corp.*, 811 F.2d 960, 965 (6th Cir. 1987) (Ohio law); but see *Aero-Motive Co. v. U.S. Aeromotive, Inc.*, 922 F. Supp. 29, 47 (W.D. Mich. 1996) (no common law dilution action exists under Michigan law).

<sup>12</sup> An attempt was made in 1988 to enact a federal dilution law, but it failed. See, e.g., Welkowitz, *Reexamining Dilution*, *supra* note 9, at 527, 581-83.

source of the goods or services.”<sup>13</sup> These statutes provide no definition of “dilution” or “distinctive quality,” nor do they single out any group of marks for favored treatment. As a result, courts have struggled to impart meaning to the concept of dilution.

The new Federal Trademark Dilution Act, which adds a new section 43(c) to the federal trademark statute (the Lanham Act), differs in some important respects from most of the state dilution laws. It is also significantly more detailed than the typical state law.<sup>14</sup> To begin with, unlike most state laws the federal law attempts to provide a definition of dilution. The federal law defines dilution as, “the lessening of the capacity of a famous mark to identify and distinguish goods or services . . . .”<sup>15</sup> However, it is far from simple to determine what sorts of uses will “lessen the capacity” of a mark to identify goods. It also is difficult to determine how one proves that dilution has occurred or is likely to occur.<sup>16</sup>

Second, the law protects only “[t]he owner of a *famous* mark,”<sup>17</sup> and only against a “commercial use” by another “if [the commercial] use begins after the mark becomes famous.”<sup>18</sup> Apparently, it will not do for a mark simply to be “distinctive” to merit protection under the federal law. Its source-identifying nature must be widely known. One factor in determining fame is the geographical scope of the mark’s use, and it appears that the drafters of the law intended to include only marks known in a large geographic area, leaving “locally famous” marks to the vagaries of state laws.<sup>19</sup> In all, section 43(c)

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<sup>13</sup> Model State Trademark Act § 12, reprinted in MCCARTHY, *supra* note 2, § 24.24[2] at 24-122. The Model Act was revised in 1992 to incorporate new provisions that track much of the later enacted Federal Trademark Dilution Act. The new Model Act is reprinted in MCCARTHY, *supra* note 2, § 24.14[3].

<sup>14</sup> See e.g., CAL. BUS. & PROF. CODE § 14330 (West 1996). The dilution law of the state of Washington, RCWA § 19.77.160 (West 1996), which is very similar to the Trademark Dilution Act, is atypical of state dilution statutes.

<sup>15</sup> 15 U.S.C. § 1127 (1996).

<sup>16</sup> Kenneth L. Port, *The “Unnatural” Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 85 Trademark Rep. 525, 538-39 (1995) [hereinafter Port, *Unnatural Expansion*].

<sup>17</sup> Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1) (emphasis added).

<sup>18</sup> *Id.*

<sup>19</sup> H.R. REP. NO. 104-374 at 4, reprinted in 1995 U.S.C.C.A.N. 1029, 1031 [hereinafter HOUSE REPORT].

lists eight factors that the courts may use to determine “whether a mark is distinctive and famous.”<sup>20</sup> However, these factors are neither exclusive nor narrowly defined. This is not an altogether aberrational situation in trademark law. The traditional tests used by courts to determine whether there exists a “likelihood of confusion” between two marks also are multifactor tests with broad and ambiguous meanings.<sup>21</sup> However, it makes advance counseling a more difficult task.

The federal law permits a greater variety of remedies than do most state laws. The typical remedy allowed under state law is an injunction. The federal law anticipates that injunctive relief will be the primary remedy for dilution. However, if the plaintiff proves the defendant intended “to trade on the [mark] owner’s reputation or to cause dilution,” then damages may be awarded under other sections of the Lanham Act.<sup>22</sup>

The final, and perhaps most critical difference between section 43(c) and state law is that the federal law expressly allows certain defenses to be raised in a dilution action. These defenses are “fair use,” “noncommercial use,” and use in “news reporting and news commentary.”<sup>23</sup> As will be discussed further, these defenses, particularly the “fair use” defense, may be a new source of litigation by mark owners and mark users.

Thus, the federal statute contains four major areas of difference from most state dilution laws: (1) coverage (famous marks only); (2) definition of dilution; (3) remedies; and (4) express recognition of defenses. Each of these aspects of the law will be examined in greater detail *infra*. However, it is likely that federal judges will draw on their many years of experience with state dilution laws<sup>24</sup> where

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<sup>20</sup> 15 U.S.C. § 1125(c)(1)(A)-(H) (1996). These factors are discussed in more detail *infra* at note 104 and accompanying text.

<sup>21</sup> See e.g., *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961). See also Port, *Unnatural Expansion*, *supra* note 16, at 546 & nn. 119-121.

<sup>22</sup> 15 U.S.C. § 1125(c)(2) (permitting remedies under §§ 35(a) and 36 of the Lanham Act).

<sup>23</sup> 15 U.S.C. § 1125(c)(4)(A)-(C) (1996).

<sup>24</sup> Typically, state dilution claims are added as supplemental claims to federal trademark infringement actions. Few dilution cases are actually litigated in the state courts. Port, *Unnatural Expansion*, *supra* note 16, at 535-36.

necessary to fill in gaps in the federal statute. As will be seen, there are many potential gaps to be filled. Because of this, and because Congress consciously passed this law with years of state decisions as a background,<sup>25</sup> it is necessary to review some of the important recent guideposts from the state law cases.

### III. TRADEMARK DILUTION—RECENT DEVELOPMENTS IN STATE LAW<sup>26</sup>

States have had statutes protecting against dilution for almost fifty years.<sup>27</sup> In that time, particularly in the last twenty years, case law interpreting those statutes has fostered some understanding of what constitutes dilution (at least under state law) and what may be the boundaries of that protection.

Defining “dilution” is not a simple task. The usual basis for trademark infringement, confusion, is somewhat easier to comprehend and to prove. Through actual instances of confusion and appropriate surveys one may show that consumers are likely to believe that the second user’s goods are either the goods of another or are produced or sponsored by the other.<sup>28</sup> Dilution is a subtler matter.<sup>29</sup> It is harder to prove that a second *nonconfusing* use of the same or a similar mark will break the subconscious association of the mark with its unique source (unless one simply assumes that *all* such second uses are diluting).

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<sup>25</sup> There are references to state law cases and state laws in general throughout the House Report. See, e.g., HOUSE REPORT, *supra* note 19, at 4 n.2&3 (citing cases); *id.* at 3-4 (noting inconsistencies in state laws and discussing preemption of state laws).

<sup>26</sup> This is not intended as a detailed examination of state dilution law. For more comprehensive analyses see Welkowitz, *Reexamining Dilution*, *supra* note 9; see also articles listed in note 4, *supra*.

<sup>27</sup> Moreover, there were a few cases giving dilution-like protection under state common law even before the existence of state dilution statutes. E.g., *Tiffany & Co. v. Tiffany Prods.*, 147 Misc. 679, 681-82, 264 N.Y.S. 459 (Sup. Ct.), *aff'd*, 237 A.D. 801, 260 N.Y.S. 821 (1932), *aff'd*, 262 N.Y. 482, 188 N.E. 30 (1933); *Philadelphia Storage Battery Co. v. Mindlin*, 163 Misc. 52, 54-55, 296 N.Y.S. 176, 179 (N.Y. Sup. Ct. 1937).

<sup>28</sup> This is not to say that proving likelihood of confusion is easy. As the tests used by courts demonstrate, it is an involved, fact specific task. Nevertheless, its major aim—consumer protection—is reasonably clearly understood.

<sup>29</sup> See MCCARTHY, *supra* note 2, § 24.15[1].

Moreover, a broad definition of dilution could pose difficult problems for those who now legitimately make nonconfusing uses of others' trademarks. Courts have understood that an overly broad definition of dilution would swallow up traditional trademark infringement.<sup>30</sup> As the Restatement (Third) of Unfair Competition notes:

[I]n apparent recognition that broad interpretation of the [dilution] statutes would undermine the balance between private and public rights reflected in the traditional limits of trademark protection, the courts have continued to confine the cause of action for dilution to cases in which the protectable interest is clear and the threat of interference is substantial.<sup>31</sup>

It has been suggested, for example, that a broad theory of dilution could be used to prevent ordinary comparative advertising, which often depends on the use of one company's mark in another company's advertisement.<sup>32</sup> Federal trademark law traditionally allows the use of a competitor's mark in comparative advertising so long as there is no likelihood of confusion or erroneous factual impression created.

Until recently, courts generally divided dilution cases into two main categories: "tarnishment" of a trademark and "blurring."<sup>33</sup> Tarnishment refers to a use by another that causes an association of the mark with an unsavory product<sup>34</sup> and thus dilutes the mark's

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<sup>30</sup> See, e.g., *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 793 (9th Cir. 1981).

<sup>31</sup> RESTATEMENT, *supra* note 4, § 25 cmt. b (1995).

<sup>32</sup> See generally Nancy Greiwe, *Antidilution Statutes: A New Attack on Comparative Advertising*, 81 B.U. L. Rev. 220 (1980).

<sup>33</sup> There are two other possibilities that are not often discussed. One is "genericide," the use of a trademark as a generic term which threatens its continued status as a mark. Second is confusion—if consumers are confused as to the source of the goods, then the well-known mark will not serve as a distinctive source identifier. However, in the latter case traditional trademark analysis would lead to liability even without a dilution statute. See Welkowitz, *Reexamining Dilution*, *supra* note 9, at 548-50, 558-65.

<sup>34</sup> See, e.g., *American Express Co. v. Vibra Approved Labs. Corp.*, 10 U.S.P.Q.2d (BNA) 2006 (S.D.N.Y. 1989) ("condom card" patterned after American Express card); *Coca-Cola Co. v. Alma-Leo U.S.A., Inc.*, 719 F. Supp. 725 (N.D. Ill. 1989) (bubble gum powder resembling cocaine packaged in bottles resembling Coca Cola bottles); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972) (poster with "Enjoy Cocaine" written in style used by Coca-Cola for its "Enjoy Coca-Cola" slogan). But see L.L. Bean v.



selling power.<sup>35</sup> Blurring has been described as “the whittling away of an established trademark’s selling power through its unauthorized use by others upon dissimilar products.”<sup>36</sup> It “rais[es] the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff’s product.”<sup>37</sup> Blurring in particular has proven difficult to define and put into practice.<sup>38</sup> However, there is general agreement that some form of protection from this phenomenon is appropriate under state dilution laws.

The recent case of *Deere & Co. v. MTD Products, Inc.*<sup>39</sup> tests just how far dilution protection can extend. It portends a possible change in the dilution paradigm and it exemplifies the expansion of protection recently given to trademark owners. On the surface, the case was no more than an instance of competitive and comparative advertising. The plaintiff, Deere, is a well-known manufacturer of lawn and agricultural equipment. The defendant, MTD, is a not-so-famous manufacturer of lawn mowers and lawn tractors. MTD created a television commercial designed to highlight its assertion that MTD’s “Yard Man” lawn tractor product was less expensive than, but as functional as Deere’s lawn tractors.<sup>40</sup> What prompted the lawsuit, however, was MTD’s decision to use an animated (and humorous) version of Deere’s “leaping deer” trademark running away from an MTD lawn tractor as part of its commercial.<sup>41</sup> Deere sued in federal

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Drake Publishers, Inc., 811 F.2d 26 (1st Cir.), *cert. denied*, 483 U.S. 1013 (1987) (denying relief for sexually oriented parody of L.L. Bean catalog).

<sup>35</sup> RESTATEMENT, *supra* note 4, § 25 cmt. c.

<sup>36</sup> *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994) (quoting *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1992)).

<sup>37</sup> *Id.*

<sup>38</sup> *See, e.g., Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031-32 (2d Cir. 1989). Judge Sweet attempted to fashion a multifactor test to analyze blurring cases. *Id.* at 1033-35 (Sweet, J., concurring). His test has been used in some later decisions. *See, e.g., WAWA, Inc. v. Haaf*, 40 U.S.P.Q. 2d 1629, 1632 (E.D. Pa. 1996); *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 n.8 (2d Cir. 1994). However, his attempt to rationalize the case law into a test appears less than successful as a good analytical device. *See Welkowitz, Reexamining Dilution, supra* note 9, at 570-75 (criticizing the Second Circuit’s analysis and Judge Sweet’s test).

<sup>39</sup> 41 F.3d 39 (2d Cir. 1994).

<sup>40</sup> *See Deere & Co. v. MTD Prods., Inc.*, 860 F. Supp. 113, 115-16 (S.D.N.Y. 1994), *aff’d*, 41 F.3d 39 (2d Cir. 1994).

<sup>41</sup> *Id.* at 116-17.

court in New York, claiming violations of section 43(a) of the Lanham Act and of New York's dilution statute. The district court refused to enter a preliminary injunction on the Lanham Act claim, finding insufficient evidence that MTD's advertisement was misleading.<sup>42</sup> However, it found in favor of Deere on the dilution claim and entered an injunction on that basis.<sup>43</sup>

Both the district court and the court of appeals recognized that this was an unusual dilution case.<sup>44</sup> Defendant MTD had not used Deere's mark to represent MTD or its products; rather, the animated version of the mark was intended to refer to Deere itself.<sup>45</sup> Thus, the usual dilution issue was not evident here: MTD's use of Deere's logo would not break the association between the mark and Deere. If anything, MTD's commercials would reinforce the association. Nevertheless, the district court treated the issue as one of "blurring." The trial court determined that consumers would blur the image of the actual Deere logo with the animated logo.<sup>46</sup> The court asserted that such blurring would "reduc[e] the commercial goodwill and selling power of the Deere logo,"<sup>47</sup> though it is not clear why this would be so.<sup>48</sup>

The Second Circuit affirmed, but did not agree that blurring was the proper theory of the case.<sup>49</sup> Instead, the court of appeals

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<sup>42</sup> *Id.* at 123. This claim was *not* a trademark infringement claim. Rather, it was a claim for false advertising, actionable under § 43(a)(1)(B) of the Lanham Act. Apparently Deere did not press a claim based on ordinary trademark infringement (requiring likelihood of confusion).

<sup>43</sup> *Id.* at 122.

<sup>44</sup> As is the case with most dilution claims, the lawsuit was brought in federal, not state court. In this case, the location was the federal court in Manhattan (New York City). Usually, the dilution claim is a supplemental claim to a federal trademark claim under the Lanham Act. *See* 28 U.S.C. § 1367(a). Alternatively, there may be diversity jurisdiction over the state law claim.

<sup>45</sup> *Deere*, 860 F. Supp. at 120; 41 F.3d at 43.

<sup>46</sup> *Deere*, 860 F. Supp. at 120-21.

<sup>47</sup> *Id.*

<sup>48</sup> The real rationale may be one of control of one's mark—a misappropriation rationale. While paying lip service to the notion that mark owners do not control all uses of their marks, *id.* at 120, the court seemed to use the rationale of control to boost its conclusion. *Id.* Given the small difference between this case and the typical comparative advertising case, the control rationale seems a slender reed upon which to support injunctive relief.

<sup>49</sup> *Deere*, 41 F.3d at 44.

described its analysis as “giving content to dilution beyond the categories of blurring or tarnishment.”<sup>50</sup> Specifically, the court admonished advertisers against making fun of well-known marks “to attract attention to their commercials or products.”<sup>51</sup> The court postulated possible risks that consumers “will come to attribute unfavorable characteristics to a mark and ultimately associate the mark with inferior goods and services.”<sup>52</sup> The exact parameters of this new category were left in a “blurred” state. The court recognized the need to permit uses of a competitor’s marks in comparative advertising.<sup>53</sup> Moreover, it stated that “[n]ot every alteration [of a mark] will constitute dilution.”<sup>54</sup> However, it apparently found the risk of diminution of the mark’s favorable image from the “alteration” greater than necessary. It concluded that “[w]herever New York will ultimately draw the line, we can be reasonably confident that the MTD commercial . . . crosses it.”<sup>55</sup> Unfortunately, such fact specific and undelineated boundaries make it likely that other potential users will be very wary even of approaching the invisible “line” drawn by the court.<sup>56</sup>

*Deere* was not the Second Circuit’s last word on the subject. The Second Circuit attempted to clarify its *Deere* decision in *Hormel Corp. v. Jim Henson Prods., Inc.*<sup>57</sup> Plaintiff Hormel claimed that a character named Spa’am in a soon to be released film, “Muppet Treasure Island,” infringed and diluted Hormel’s SPAM mark.<sup>58</sup>

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<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.* at 45. The court did not cite any actual instances of such unfavorable associations, however.

<sup>53</sup> *Id.* at 45.

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> The court’s reference to New York courts ultimately drawing the line is somewhat disingenuous. The vast majority of dilution cases are brought in federal court, as supplemental claims to a Lanham Act claim, giving state courts little opportunity to draw their own lines. The advent of the federal dilution law will only exacerbate the lack of state interpretation of their dilution statutes.

<sup>57</sup> 73 F.3d 497 (2d Cir. 1996).

<sup>58</sup> *Id.* at 500. The character is “the high priest of a tribe of wild boars that worships Miss Piggy as its Queen . . . .” *Id.* at 501. The original complaint dealt both with the movie and planned merchandising; the appeal only dealt with the merchandising. *Id.* at 501-02.

The district court denied relief to Hormel on both infringement and dilution grounds<sup>59</sup> and the court of appeals affirmed. With respect to the dilution claim, the district court, not surprisingly, believed that *Deere* had created a third category of dilution, apart from blurring and tarnishment.<sup>60</sup> The district court rejected the applicability of this third category to Hormel's complaint for two reasons. First, it found that *Deere* did not apply to a satire, where the product complained of was the satire itself.<sup>61</sup> Second, even as to product merchandising associated with the film (which would not be covered by the satire/product category) the district court noted that Henson did not intend to use its Spa'am character in comparative advertising, as was the case in *Deere*.<sup>62</sup>

Although the court of appeals affirmed, it sought to dispel the idea that *Deere* created a third category of dilution: "[A]lthough the court below understood *Deere* to create a new category of dilution, we find that our decision in *Deere* is better understood as a recognition of a broad view of tarnishment, where that doctrine had been sometimes narrowly confined."<sup>63</sup> Moreover, the court reiterated its statement from *Deere* that "we must be careful not to broaden section 368-d [New York's dilution statute] to prohibit all uses of a distinctive mark that the owner prefers not be made."<sup>64</sup> Evidently, the Second Circuit believed it was necessary to bring the *Deere* decision within the mainstream of dilution analysis or risk the very overbroad protection it feared. In doing so, it implicitly disavowed the statement in *Deere* that this was neither a case of blurring *nor one of tarnishment*.<sup>65</sup> On the other hand, bringing the rather mild parody of *Deere* into the tarnishment category broadened that category considerably beyond the boundaries described by the *Deere* court.<sup>66</sup> Nevertheless, it appears that, by and large, the *Deere* opinion will be limited to situations in

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<sup>59</sup> 36 U.S.P.Q.2d 1812, 1814 (S.D.N.Y. 1995).

<sup>60</sup> 36 U.S.P.Q. at 1821. The district court labeled this third category "other." *Id.*

<sup>61</sup> *Id.* at 1823.

<sup>62</sup> *Id.*

<sup>63</sup> Hormel Corp. v. Jim Henson Prods., 73 F.3d 497, 507 (2d Cir. 1996).

<sup>64</sup> *Id.* at 508, quoting *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44 (2d Cir. 1994).

<sup>65</sup> *Deere*, 41 F.3d at 44 ("Nor is there tarnishment . . .").

<sup>66</sup> See *id.* at 44 (describing tarnishment as "usually found where a distinctive mark is depicted in a context of sexual activity, obscenity or illegal activity.").

which one competitor pokes fun at another using a humorous alteration (or other parody) of the other's mark.<sup>67</sup>

On the surface, this limitation might seem to render *Deere* relatively harmless. As circumscribed by *Hormel*, *Deere* strikes at an essentially noninformational form of comparative advertising. Apparently, it does not prevent competitors from using truthful comparative advertising of the kind typically permitted under the federal trademark statute.<sup>68</sup> Indeed, imposing liability in a case like *Deere* might encourage informational advertising as a substitute for the "image" advertising at issue in *Deere*.

However, the surface appeal of "tarnishment" as wrongful conduct masks several serious flaws in the court's analysis. Although tarnishment is a recognized form of trademark infringement, it is curious that the court singled out a relatively benign alteration of a mark for approbation. In fact, the entire premise of *Deere*—that *alteration* of a famous mark is the linchpin of impropriety—is questionable. It is fairly simple to convey a far more damaging message without altering the competitor's mark at all (or even without using it). Consider a billboard that touts the services of one California bank (Glenfed) over another (Bank of America).<sup>69</sup> The billboard contains the letters "B of A" in a large circle with a line through it. The caption says "YOU DESERVE BETTER" and tells observers to call 1-800-41-FEDUP to obtain details about Glenfed's supposedly better services. This billboard is far harsher on the competitor than MTD's spoof of the Deere logo. And, although the billboard did not use Bank of America's mark, it easily could have done so. However, as long as Glenfed did not alter the mark, *Deere* seems to be inapplicable. This distinction simply makes no sense.<sup>70</sup>

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<sup>67</sup> *Id.* at 45 ("Dilution of this sort is more likely to be found where alterations are made by a competitor . . .").

<sup>68</sup> *Smith v. Chanel, Inc.*, 402 F.2d 562, 565-66 (9th Cir. 1968).

<sup>69</sup> This is a description of an actual billboard located several blocks from my home that contains this advertisement.

<sup>70</sup> Indeed, the entire realm of trademark tarnishment probably should be left to the tort of disparagement, which has developed with the recognition of the need to balance the needs of injured plaintiffs and the societal interest in free competition.

Second, where a mark is very well known in a product area, a competitor must get the consumer to listen to the information for the comparative advertising to be effective. A parody of the famous mark is a useful way of attracting consumer attention to the informational content of the advertisement. Although undoubtedly there are other means available to serve this end, where the association is not an unsavory one<sup>71</sup> there is little reason to deprive a competitor of this advertising technique.

Third, forcing a little known competitor to use solely informational advertising may be seriously anticompetitive. Consider a new, relatively small competitor against an established provider with a famous mark.<sup>72</sup> Suppose the upstart uses informational comparative advertising to gain a foothold in the market. This upstart had better do its homework carefully, or it will invite a lawsuit under section 43(a) of the Lanham Act, which permits suits by competitors (among others) for false advertising.<sup>73</sup> If the new company's claims are even colorably questionable, a large established competitor, with a great deal to lose to a successful new competitor, would find it to be in its interest to file a lawsuit.<sup>74</sup> Between the cost of substantiating the

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<sup>71</sup> See, e.g., *Pillsbury Co. v. Milky Way Prods.*, 215 U.S.P.Q. 124 (N.D. Ga. 1981) (sexual parody of Pillsbury "Poppin Fresh" and "Poppie Fresh" characters); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972) (association of Coca-Cola with cocaine). The *Deere* court took the position that the risk that consumers could make "unfavorable connections" was sufficient. 41 F.3d at 45. In addition, it denigrated the value of advertising: "When [a risk of dilution] occurs, *not for worthy purposes, but simply to sell products. . . .*" *Id.* (emphasis added).

<sup>72</sup> The analysis should work even where the upstart is a larger competitor, though not as well, for reasons that will become obvious.

<sup>73</sup> 15 U.S.C. § 1125(a)(1)(B).

<sup>74</sup> Indeed, *Deere* did just that—it filed a false advertising suit against MTD (which included the dilution claim under New York law). One assumes a nonfrivolous suit here; Rule 11 of the Federal Rules of Civil Procedure allows sanctions for a frivolous claim. However, the range of issues that can be attacked by a § 43(a) suit is so broad that colorable suits could be filed in a large number of situations. For example, the advertisement need not be literally false; it is sufficient if it creates a false *impression* in the minds of a significant number of consumers. See, e.g., *Johnson & Johnson \* Merck Consumer Pharmaceuticals Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 297-98 (2d Cir. 1992).

claims<sup>75</sup> and the cost of the lawsuit, the new competitor may find informational advertising a less than satisfactory way to gain a foothold in the market. Notice that it is not necessary for the established company to win the lawsuit to derail the competitor. All that is necessary is a colorable, all-out legal assault on the comparative advertisement. Just defending the suit could prove expensive and disruptive to the new business. Image or noninformational advertising may appear to be a less expensive and less risky means of establishing one's name. However, the *Deere* decision takes one possible noninformational avenue away from the upstart. This gives the established competitor an enormous advantage in retaining its position in the market.

At the very least, one should demand more of a plaintiff before giving it such a large advantage in the marketplace. As reinterpreted by *Hormel*, the *Deere* decision is grounded in the tort of disparagement (tarnishment). Before granting an injunction, courts ought to demand substantial evidence of actual or likely association by consumers of the "altered" mark with some clearly unfavorable characteristic.<sup>76</sup> Typically this would be accomplished by surveys, but other evidence may be available in some cases. No such evidence was demanded in *Deere*. Judicial guesswork about dilution is no substitute for real evidence, particularly when the wrong is defined in such expansive terms.

Even as recharacterized by *Hormel*, *Deere* is a marked departure from the usual theory of dilution. In the first place, as the *Deere* opinion itself noted, *Deere* is an unusual case for the application of

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<sup>75</sup> The Federal Trade Commission requires that an advertiser have a reasonable basis for any claims made in an advertisement. Lack of such a reasonable basis is an unfair or deceptive practice. See, e.g., *In re Pfizer, Inc.*, 81 F.T.C. 23, 62-66 (1972); *FTC v. Renaissance Fine Arts, Ltd.*, 1994-2 Trade Cas. ¶ 70,703, 1994 WL 543048 at \*7 (N.D. Ohio 1994). Willful conduct is not required for a violation. *Removatron Int'l Corp. v. FTC*, 884 F.2d 1489, 1495 (1st Cir. 1989).

<sup>76</sup> I recognize that this approaches the requirements for monetary damages under the trademark law and, to some degree, under common law disparagement. (In some states, the latter can be more demanding, requiring special damages. See, e.g., *Systems Operations, Inc. v. Scientific Games Dev. Corp.*, 555 F.2d 1131, 1140 (3d Cir. 1977) (New Jersey law)). A dilution plaintiff ordinarily seeks only an injunction. However, the lack of any requirement of confusion justifies this higher standard.

dilution theory. Competitor A used Competitor B's mark, not to refer to Competitor A (thereby weakening the link between the mark and Competitor B), but to refer to Competitor B (presumably reinforcing the link). Second, the *Deere* fact pattern does not fit the usual trademark tarnishment situation.<sup>77</sup> Cases finding actionable tarnishment ordinarily involve altering or using the well known mark in a particularly unsavory way.<sup>78</sup> Simply humorous parodies, even in a "commercial" context, often are found nonactionable.<sup>79</sup> The parody in *Deere*, while perhaps mildly insulting, pales in comparison to the usual trademark tarnishment situation. In fact, even assuming that the parody was not benign, tarnishment is a misleading way to characterize the case. Although MTD altered Deere's mark to create the desired effect, the humor was not aimed at the mark; it was aimed at Deere and its products. Unlike other trademark tarnishment/dilution cases, the parody did not link the *mark* to any unsavory products.<sup>80</sup> It simply poked fun at Deere's own product. Deere's claim, therefore, should have been for trade disparagement, not trademark dilution.

Moreover, there is not even the same aura of misappropriation that one finds in many cases of tarnishment where the "tarnishing" use is less than venal. In a typical situation, the second user is appropriating the well-known mark as a part of its own product. For example, in

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<sup>77</sup> Tarnishment can be a blend of a reference to the original owner of the well-known mark and an association with the (unsavory) products of the second user. Although it may reinforce the link between the well-known mark and the mark owner's products, it does so in a way that creates a bad impression in the minds of consumers.

<sup>78</sup> See, e.g., *Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc.*, 642 F. Supp. 1031, 1039-40 (N.D. Ga. 1986) ("Garbage Pail Kids" tarnished "Cabbage Patch" dolls).

<sup>79</sup> See *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1490 (10th Cir. 1987) ("Lardashe" jeans do not dilute "Jordache" mark); *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 793 (9th Cir. 1981) ("Bagzilla" does not dilute Godzilla); *Tetley, Inc. v. Topps Chewing Gum, Inc.*, 556 F. Supp. 785, 794 (E.D.N.Y. 1983) ("Petley Flea Bags" stickers do not dilute the Tetley mark).

<sup>80</sup> Cf. *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1188-90 (associating the Coca-Cola mark with cocaine); *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204-05 (2d Cir. 1979) (associating the football cheerleaders' mark with pornography).



*American Express Co. v. Vibra Approved Labs. Corp.*,<sup>81</sup> the defendant created a “condom card” that was a parody of an American Express card. The court found this to be a dilution of the American Express mark. In *Mutual of Omaha Ins. Co. v. Novak*,<sup>82</sup> where the court granted injunctive relief on traditional confusion grounds, the defendant altered the Mutual of Omaha mark and used its parody on t-shirts, mugs, and other items it sold to the public.<sup>83</sup> In *Deere*, the altered mark was neither made part of the defendant’s product nor the mark for defendant’s product. In addition, the altered mark was not the selling vehicle for defendant’s product; it was used to make a competitive point for which the altered mark was directly relevant.<sup>84</sup>

Indeed, viewed as a matter of unfair competition, it is difficult to see why the court thought the defendant’s conduct in *Deere* was so clearly unfair. In other contexts, courts have required either some “bad” conduct by a competitor or that the conduct lead to an independent social problem before condemning it as unfair.<sup>85</sup> As discussed above, defendant MTD did not appropriate the mark as its own, nor did it seriously tarnish the image of Deere by its alteration.

It may also be noted that *Deere* is inconsistent with the Restatement’s definition of dilution. Although the Restatement includes tarnishment within its definition of dilution, its definition contains an important limitation. It excludes from dilution protection

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<sup>81</sup> 10 U.S.P.Q.2d 2006 (S.D.N.Y. 1989).

<sup>82</sup> 836 F.2d 397 (8th Cir. 1987), *cert. denied*, 488 U.S. 933 (1988).

<sup>83</sup> *Id.* at 398.

<sup>84</sup> In this manner, the *Deere* parody is far less “unfair” than the parody in *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482 (10th Cir. 1987). In *Jordache*, the defendant used the mark “Lardashe” on its line of jeans. Defendant was in some sense a competitor of plaintiff (though plaintiff’s designer jeans and defendant’s “Lardashe” jeans probably did not appeal to the same customers), and the altered mark was the selling vehicle for defendant’s product. Nevertheless, no liability for dilution was found.

<sup>85</sup> An example of the latter is a trade secret case, *E.I. Du Pont de Nemours & Co., Inc. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970), *cert. denied*, 400 U.S. 1024 (1971). Defendant rented an airplane to fly over and photograph plaintiff’s unfinished chemical plant. Although defendant’s actions were not illegal or independently tortious the court refused to dismiss the action. The court noted that if defendant’s activity were permitted, plaintiff would be forced to take excessive, wasteful security measures to guard its secrets. *Id.* at 1016-17. By contrast, no obvious social detriment would result from permitting MTD to use an altered Deere logo to make a legitimate competitive point.

uses of a mark by another party that are not “likely to associate the [owner’s] mark with the goods, services or business of the [other user], but rather [are used] to comment on, *ridicule*, *parody*, or disparage the [owner’s] goods, services, business or mark.”<sup>86</sup> The comments to this section specifically disclaim application of dilution to such “nontrademark” uses, including comparative advertising, where the use refers to the original mark owner’s business and not that of the competitor using the mark in its advertising.<sup>87</sup>

Another problem with *Deere* (even if the *Hormel* “limitation” sticks) is that the Second Circuit blithely assumes it is correctly interpreting New York law.<sup>88</sup> Because most dilution situations also invite at least colorable trademark infringement claims (based on likelihood of confusion), dilution claims overwhelmingly are litigated in federal court.<sup>89</sup> The New York federal courts have not been apt prophets of New York law on this subject. Prior to 1977, several federal district court decisions in New York required plaintiffs to show likelihood of confusion under New York’s dilution law, despite clear statutory language to the contrary.<sup>90</sup> In 1977, New York’s Court of Appeals stepped in and made clear that the statute was to be read as

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<sup>86</sup> RESTATEMENT, *supra* note 4, § 25(2). The Restatement would permit liability to be imposed for such uses only when independently tortious under theories of “defamation, invasion of privacy or injurious falsehood.” *Id.*

<sup>87</sup> *Id.* cmt. i.

<sup>88</sup> *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 45 (“Wherever New York will ultimately draw the line, we can be reasonably confident that the MTD commercial challenged in this case crosses it.”). However, on another point, the necessity of showing predatory intent, the court was more cautious. *Id.* at 46.

<sup>89</sup> See Port, *Unnatural Expansion*, *supra* note 16, at 535-36 (noting the paucity of dilution cases in state courts). The dilution claims are supplemental claims to the infringement claims under the Lanham Act. See 28 U.S.C. § 1367(a) (allowing jurisdiction over related state claims joined with federal question claims). Plaintiff need not have a registered mark to sue under the Lanham Act. See 15 U.S.C. § 1125(a); MCCARTHY, *supra* note 2, § 27.03[1][b] at 27-22 and n.4 (citing cases).

<sup>90</sup> See, e.g., *King Research, Inc. v. Shulton, Inc.*, 324 F. Supp. 631, 639 (S.D.N.Y. 1971); *DCA Food Indus., Inc. v. Hawthorn Melody, Inc.*, 470 F. Supp. 574, 582 (S.D.N.Y. 1979).

written—no confusion required.<sup>91</sup> The New York state courts have had little opportunity since then to interpret the statute.<sup>92</sup>

Even in other areas of unfair competition the Second Circuit has made some large errors in predicting New York law. For example, the Second Circuit virtually created the tort of misappropriation of one's right of publicity in *Haelan Labs., Inc. v. Topps Chewing Gum, Inc.*<sup>93</sup> That decision represented the court's understanding of New York's common law, prophesying that New York would recognize such a cause of action. It turns out that the New York federal courts incorrectly prophesied, but were not corrected for 30 years. In 1984, in *Stephano v. News Group Publications, Inc.*, the New York Court of Appeals ruled that the only basis in New York for recovery for "publicity" rights is under a New York statute that is more limited than the often expansive common law.<sup>94</sup> In *Deere*, the Second Circuit pointed to no New York state precedent to support its conclusion that New York would find MTD's conduct to be a violation of the dilution law.

Moreover, the *Deere* opinion relies on another guess about New York law—that it applies to suits between competitors.<sup>95</sup> Although the statute is silent on this issue, at least one other state's law has been interpreted to disallow suits for dilution against competitors.<sup>96</sup>

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<sup>91</sup> *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 42 N.Y.2d 538, 544, 399 N.Y.S.2d 628, 632, 369 N.E.2d 1162 (N.Y. 1977). Although technically dictum, because the court found the mark to be insufficiently distinctive to be diluted, the import of its words were clear.

<sup>92</sup> The following cases, none of which broke new ground, are representative of the few state opinions relating to the New York statute since the *Allied Maintenance* decision: *Little India Stores, Inc. v. Singh*, 101 A.D.2d 727, 475 N.Y.S.2d 38 (1st Dept. 1984); *Bel Paese Sales, Co., Inc. v. Macu*, 99 A.D.2d 740, 472 N.Y.S.2d 387 (1st Dept. 1984); *R.G. Barry Corp. v. Mushroom Makers, Inc.*, 85 A.D.2d 544, 444 N.Y.S.2d 922 (1st Dept. 1981) (this case actually began in federal court); *Unicast Dev. Corp. v. Mueller-Phipps Int'l, Inc.*, 67 A.D.2d 972, 413 N.Y.S.2d 453 (2d Dept. 1979).

<sup>93</sup> 202 F.2d 866 (2d Cir. 1953), *cert. denied*, 346 U.S. 816 (1953).

<sup>94</sup> 64 N.Y.2d 174, 183, 485 N.Y.S.2d 220, 474 N.E.2d 580, 584 (N.Y. 1984).

<sup>95</sup> *Deere*, 41 F.3d at 42. *Accord* *Nikon, Inc. v. Ikon Corp.*, 987 F.2d 91, 96 (2d Cir. 1993).

<sup>96</sup> Illinois courts do not permit dilution claims by competitors. *See, e.g.*, *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 380-81 (7th Cir. 1984); *Door Sys., Inc. v. Overhead Door Sys., Inc.*, 905 F. Supp. 492, 498 (N.D. Ill. 1995), *aff'd on other grounds*, 83 F.3d 169 (7th Cir. 1996). However, there appears to be little in the way of expressed

Of course, *Deere* is simply one federal circuit's interpretation of one state's law. But it is a court that has proven influential in shaping trademark law.<sup>97</sup> When one considers the premise of the new federal dilution law—protection of *famous* marks, which includes *Deere's*—*Deere* is a disturbing omen. Owners of well-known marks are the classic economic “haves.” They are building an array of fuzzy but powerful lines of defense against upstart competitors—the “have-nots” of the trademark world. Indeed, the very fuzziness of the lines, and the resources available to protect them, makes it harder for potential second users to discern the lawful uses from the unlawful, creating a tremendous *in terrorem* effect. This leads us to examine the federal law more closely to determine whether it is a welcome advance or not.

#### IV. THE FEDERAL LAW—A CLOSER LOOK

##### A. *Difference from State Laws*

Congress passed the Federal Dilution Act against the background of the states' experiences. The House Report on the bill<sup>98</sup> cites two primary concerns leading to its passage. First, it mentions the “patchwork” of state dilution laws with “inconsistent” decision making.<sup>99</sup> Second, it refers to the stated desire to implement portions of the General Agreement on Tariffs and Trade (“GATT”), which require some level of protection for famous marks.<sup>100</sup> A related concern was that the United States would be unable to assert leadership in protecting intellectual property worldwide and could be harmed in negotiating with other countries for protection of American

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justification for this limitation beyond a vague notion that competitors ought to be limited to traditional trademark remedies—something not obvious from the statutory wording. See MCCARTHY, *supra* note 2, § 24.13[2].

<sup>97</sup> For example, in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), the Supreme Court endorsed the Second Circuit's framework for determining whether a trademark is distinctive. *Id.* at 768, *citing* *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

<sup>98</sup> HOUSE REPORT, *supra* note 19, at 4.

<sup>99</sup> *Id.* at 3.

<sup>100</sup> *Id.*

intellectual property if it did not enact this form of trademark protection.<sup>101</sup>

Addressing these concerns, the new federal statute contains some virtues and some vices. As its authors intended, one of its virtues is that it provides a uniform national minimum standard for trademark dilution. Moreover, placing dilution under federal protection permits plaintiffs to obtain nationwide relief, something that was problematic when the only vehicles for relief were state laws.<sup>102</sup>

### 1. Defining Distinctiveness

The federal statute is more limited than most state laws—it provides protection only for marks that are “famous.” By limiting protection to “famous” marks, the law makes it less likely that dilution will be used to protect relatively weak marks from uses that cause no confusion and would be otherwise permissible.<sup>103</sup> Unfortunately, the eight nonexclusive factors for determining whether a mark is famous are rather vague.<sup>104</sup> They are largely matters of

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<sup>101</sup> *Id.* at 4. The premise is that other countries *do* protect famous marks and the United States would look foolish asking those other countries for added protection of intellectual property in some areas without giving reciprocal protection in others.

<sup>102</sup> See *Deere & Co. v. MTD Prods., Inc.*, 34 U.S.P.Q.2d 1706, 1710-11 (S.D.N.Y. 1995) (refusing to grant a nationwide injunction because of the large number of states without dilution laws). I have argued that nationwide relief under state law is impermissible. See generally *Welkowitz, Preemption*, *supra* note 9. However, several courts have granted nationwide injunctions under state law. See, e.g., *Instrumentalist Co. v. Marine Corps League*, 509 F. Supp. 323, 340 (N.D. Ill. 1981), *aff'd*, 694 F.2d 145 (7th Cir. 1982).

<sup>103</sup> I have argued elsewhere that dilution often seems to be a substitute for an otherwise weak trademark infringement case. *Welkowitz, Reexamining Dilution*, *supra* note 9, at 579-80. The more famous the mark, the more likely it is that dilution also reflects some form of traditional infringement.

<sup>104</sup> The statute reads in relevant part as follows:

In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;

degree—how distinctive is the mark, how long has it been in use, how much advertising has been done, etc. Indeed, two of the factors are expressly matters of degree: “the degree of inherent or acquired distinctiveness of the mark” and “the degree of recognition of the mark” in the “channels of trade” used by both parties.

Neither of these factors is easily quantifiable. Inherent distinctiveness normally is an on/off switch—a mark that is inherently distinctive can be protected without showing secondary meaning.<sup>105</sup> Determining whether a mark meets this threshold at all is a difficult enough task. (Courts have struggled to define it in the area of protection of trade dress,<sup>106</sup> where a dress that is “inherently distinctive” may be protected without a showing of “secondary meaning.”<sup>107</sup>) Assigning “degrees” of inherent distinctiveness almost certainly forces judges to guess in many cases and to quantify very grossly—large or small.<sup>108</sup>

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- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark’s owner and the person against whom the injunction is sought;
  - (G) the nature and extent of use of the same or similar marks by third parties; and
  - (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1) (1996).

<sup>105</sup> *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, 773 (1992). Marks must be capable of distinguishing goods or services from those of other persons to be protectable. Thus, if a mark is “inherently distinctive” it is deemed capable of distinguishing the goods of the mark owner. If it is not *inherently* distinctive (for instance, if it is merely descriptive of the goods or services) then the mark owner may obtain protection only by showing that the public in fact views the mark as a source identifier, not as a description of the goods or services. This is called “secondary meaning.” MCCARTHY, *supra* note 2, §§ 15.01[1], 15.02.

<sup>106</sup> *See, e.g., Duraco Prods., Inc. v. Joy Plastic Enters., Ltd.*, 40 F.3d 1431, 1440-51 (3d Cir. 1994) (product configuration); *Paddington Corp. v. Attiki Importers & Distribs., Inc.*, 996 F.2d 577, 583-84 (2d Cir. 1993) (product packaging); *Krueger Int’l, Inc. v. Nightingale, Inc.*, 915 F. Supp. 595, 600 (S.D.N.Y. 1996) (calling this “one of the most difficult analytical issues in all of trade dress law”).

<sup>107</sup> *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773-75 (1992).

<sup>108</sup> With word marks, one might distinguish “arbitrary or fanciful” marks, like Kodak, from “suggestive” marks, like “Soft Hands” for a moisturizing lotion. *See Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (setting forth categories of trademarks—arbitrary or fanciful, suggestive, descriptive and generic—for determining their validity). The former would have a higher degree of “inherent” distinctiveness or source identifying potential. But these are often very gross distinctions.

One might be able to measure “acquired distinctiveness” by survey evidence (which is expensive for a litigant) but again, assigning a degree beyond large or small is probably beyond the normal capacity of the system.<sup>109</sup> There is no guidance for a trial judge as to how much of any factor is enough to be significant, nor any guidance as to the relative importance of the factors. One of the factors—whether the mark is federally registered—has no obvious connection to being famous. It is not clear how a court would weigh that in the balance. This means that trial judges may vary widely in their interpretations of what is a “famous” mark. Because these determinations are fact based, appellate courts may be reluctant to interfere with these trial court decisions.<sup>110</sup> This uncertainty translates into counseling difficulties for attorneys who can only give somewhat educated guesses to their clients (and then only after a few cases have been decided under the new law).

## 2. “Causation”

The wording of the federal law differs from that of most state laws, which may make the federal standard different from state standards. For example, the law refers to a use of a famous mark that “causes” dilution. Arguably, then, the statute does not apply to uses that have a mere *potential* for causing dilution. This could be interpreted to require actual evidence of dilution before any remedy is granted.<sup>111</sup> Of course, this would create an anomaly; the owner of the famous mark would have to wait until the damage was done to the selling power of the mark—*i.e.*, until the mark already was

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<sup>109</sup> How one distinguishes “acquired distinctiveness” from “degree of recognition” in the areas of trade is yet another issue.

<sup>110</sup> See, e.g., *Braun, Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 825 (Fed. Cir. 1992) (secondary meaning is a question of fact; likelihood of confusion is a conclusion of law). Contrary to the Federal Circuit, however, most other circuits treat likelihood of confusion as a question of fact. For a circuit by circuit survey, see MCCARTHY, *supra* note 2, § 23.22[2][f].

<sup>111</sup> See *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 625-26 (2d Cir. 1983) (requiring “likelihood of dilution”) (emphasis added).

diluted—before obtaining relief. If the purpose of the law is to prevent dilution, this is an odd way to do so.<sup>112</sup>

### 3. Statutory Defenses to Dilution Actions

More interesting are the exclusions and defenses provided in the new law. In general, state statutes contain no comparable provisions, though some judicially created limits are imposed.<sup>113</sup> The federal law seems designed to avoid the need for extensive judicial gap filling and to recognize the need for competitors and other potential users of famous marks to have some breathing space.

First, section 43(c)(1) limits its protection to situations in which the diluting use “begins after the mark has become famous.”<sup>114</sup> Thus, preexisting users of another’s mark that later becomes famous are protected against a sudden imposition of dilution protection, which could cause a loss of the preexisting user’s right to use the mark even in noncompeting, nonconfusing circumstances.<sup>115</sup> This is analogous to the protection of good faith users of marks whose use predates registration by other parties.<sup>116</sup>

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<sup>112</sup> On the other hand, it is difficult to see how one could demonstrate “likelihood” of dilution coherently. The Second Circuit has tried, *see Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2d Cir. 1992) (Sweet, J., concurring), but its factors seemingly reduce to a confusion analysis. The Restatement concedes that an analysis of dilution by blurring is similar to a confusion analysis. RESTATEMENT, *supra* note 4, § 25 cmt. f (1995).

<sup>113</sup> *See, e.g., L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 29-32 (1st Cir. 1987), *cert. denied*, 483 U.S. 1013 (1987) (dilution cannot override free speech rights in the creation of a parody).

<sup>114</sup> Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1) (1996).

<sup>115</sup> Note the similarities to the limited area use exception in § 33 of the Lanham Act, 15 U.S.C. § 1115, which protects the rights of one who uses a mark before another registers it to continue to use it in a limited area. It also answers a concern raised by Professor Kenneth Port that imposition of dilution protection against a preexisting user could violate the Takings Clause. Port, *Unnatural Expansion*, *supra* note 16, at 557-59. Of course, there is still a possible issue due to the imposition of federal liability where state law would not provide for liability. But that is no different than what could occur if the state decided to pass a dilution law. Not all new regulations that lessen the value of items are takings. *See, e.g., Penn Cent. Transp. Co. v. New York City*, 438 U.S. 104, 124 (1978).

<sup>116</sup> 15 U.S.C. § 1115(b)(5) (1996).



Second, the law provides three exceptions or defenses noted earlier: (1) noncommercial use, (2) news reporting, and (3) "fair use . . . in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark."<sup>117</sup> The first two are relatively straightforward, though drawing the line between "noncommercial" and "commercial" uses may prove to be a more elusive task than the drafters of the law anticipate. The most important and difficult to apply of the defenses is the "fair use" exception. The breadth of this "fair use" safe harbor is uncertain. Neither the statute nor the legislative history shed much light on this provision. It would appear that straightforward comparative advertising is protected.<sup>118</sup> That is, an advertisement that accurately compared the attributes of Product X to those of a famous competitor would not be actionable, even if the comparison is very unfavorable to the famous brand.<sup>119</sup>

Less certain, however, is the law's effect on the situation presented by *Deere & Co. v. MTD Prods., Inc.*<sup>120</sup> If the drafters had not used the term "fair use," and instead had started from the word "use," then the law would have rejected the result of *Deere*. Defendant MTD's use undeniably was in "comparative commercial advertising" and was used "to identify competing goods . . . of the owner of the famous mark [*i.e.* Deere]."<sup>121</sup> Thus, it fits the category of uses to which the defense applies.

The only question, then, is whether the result changes by asking whether this use was "fair." Would it be "fair use" to run a comparative advertisement containing a parody of the competitor's famous mark? Particularly in light of the Second Circuit's reinterpretation of *Deere* as a "tarnishment" case<sup>122</sup> it may be said

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<sup>117</sup> Lanham Act § 43(c)(4)(A)-(C), 15 U.S.C. § 1125(c)(4)(A)-(C) (1996).

<sup>118</sup> The House Report cites "comparative advertising or promotion" as an example of a situation in which fair use would be found. HOUSE REPORT, *supra* note 19, at 4. However, the Report did not necessarily include *all* comparative advertising within this safe harbor.

<sup>119</sup> See *Smith v. Chanel, Inc.*, 402 F.2d. 562 (9th Cir. 1968).

<sup>120</sup> 41 F.3d 39 (2d Cir. 1994). The *Deere* case is discussed more fully at notes 40-57, *supra*.

<sup>121</sup> Arguably, the MTD advertisement went beyond mere "identification" of Deere's goods to poking fun at them. It is questionable whether that should have made a difference.

<sup>122</sup> *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996).

that such use is not “fair.” By using the altered mark to poke fun at Deere, MTD went beyond a straightforward identification of Deere. One might call this “unfair” (certainly the *Deere* court so indicated). However, as discussed above, there was none of the usual venality, distastefulness or misappropriation usually associated with unfairness.<sup>123</sup>

Testimony before the House indicates that at least one prominent witness may not have intended “fair use” to protect a competitor in the *Deere* situation. Mary Ann Alford, testifying on behalf of the International Trademark Association (which originally drafted the statutory language in 1987), quoted the *Deere* decision with apparent approval as an example of a court appropriately balancing free speech with the “risk of harm to a famous mark.”<sup>124</sup>

On the other hand, the House Report does not cite *Deere*; this is a conspicuous omission. It would have been preferable for the law to have defined “fair use” as any nontrademark use of the mark, consistent with the Restatement (Third) of Unfair Competition.<sup>125</sup> This might have narrowed the law more than its sponsors wished, but at least it would draw a reasonably clear and understandable line between actionable dilution and lawful use. In its present state, there undoubtedly will be a flurry of litigation over the next several years attempting to give meaning to the phrase “fair use.”

Giving general meaning to “fair use” is not simple. In trademark law, fair use ordinarily means a descriptive (nontrademark) use to

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<sup>123</sup> See *supra* text accompanying notes 82-86. Consider this example. In a Mercedes-Benz automobile advertisement the announcer asks: “Why settle for the Cadillac of automobiles when you can have the Mercedes of motorcars?” Would this be a “fair” use? Or consider the earlier example of the bank advertisement with the slash through the competitor’s symbol. Would that be fair?

<sup>124</sup> *Statement of the International Trademark Association Before the Subcomm. on Courts and Intell. Prop. of the House Comm. on the Judiciary*, 1995 WL 435750.

<sup>125</sup> See RESTATEMENT, *supra* note 4, § 25(1) and cmt. a (“The rules stated in [this section] apply only when the actor uses the other’s mark as a means of identification for the actor’s own goods, services, or business.”) (emphasis added). The Restatement does permit an action for tarnishment by a non-trademark use, but only under limited circumstances. *Id.* § 25(2) (requiring such claims to satisfy the elements of “defamation, invasion of privacy or injurious falsehood.”). The *Deere* case surely would not satisfy the Restatement’s criteria.

describe one's own goods or services.<sup>126</sup> But that does not fit the statutory language particularly well. The section 43(c)(4)(A) defense applies to comparative advertising, where the mark is used as a trademark, but to refer to the famous owner of the mark, not to *describe* the goods of anyone, least of all the advertiser's goods.<sup>127</sup> "Fair use" under section 43(c)(4) does not appear to conform to the use of the term in trademark cases. Perhaps another area of intellectual property law—copyright law—can be of use here.

In copyright law, "fair use" is a term of art, but one that has engendered a great deal of litigation. The recent case of *Campbell v. Acuff-Rose Music, Inc.*,<sup>128</sup> discussed the four factors from the copyright statute that guide a court's fair use analysis:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>129</sup>

In the *Deere* situation, the first and fourth factors might be applicable by analogy.<sup>130</sup> Obviously, the use made of the Deere logo was "commercial."<sup>131</sup> As for the "character" of the use, it might fairly be described as "transformative" because of the alteration and animation of the logo.<sup>132</sup> This would tend to *favor* a finding of

<sup>126</sup> See, e.g., *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir. 1983); MCCARTHY, *supra* note 2, § 11.17[1]; RESTATEMENT, *supra* note 4, § 28.

<sup>127</sup> To call the use descriptive, one would have to argue that the product using the famous mark has the attributes of the lesser known user's product, or vice versa, and that the famous mark therefore describes the other's product.

<sup>128</sup> 510 U.S. 569 (1994).

<sup>129</sup> 17 U.S.C. § 107 (1996).

<sup>130</sup> The second and third factors would not apply to a trademark situation.

<sup>131</sup> Indeed, were it not "commercial," § 43(c)(4)(B) would provide a complete defense to a dilution claim. Thus, even more than is true under copyright law, "fair use" in the dilution context cannot turn on commerciality. See *Campbell*, 510 U.S. at 583-584.

<sup>132</sup> See *id.* at 579.

fair use in a copyright situation.<sup>133</sup> Arguably, the drafters of the trademark dilution law meant only to permit *nontransformative* uses of marks, which would permit *Deere's* result. But, if that is the case, Congress' adoption of the term "fair use" in the trademark context was an ambiguous way to express this intention.

This leaves the fourth copyright fair use factor—effect on the market for the original. Transforming this factor into the trademark realm is not straightforward. Although markets do exist for trademarks,<sup>134</sup> dilution is aimed more at the mark as a vehicle to sell other goods and services than at the mark as a product in itself. To some degree all comparative advertising is aimed at lessening the market share of the competitor. However, there is a difference between attacking the competitor's *product* and attacking the mark itself.

Put into copyright terms, the MTD parody of *Deere's* logo does not seek to *substitute* the animated logo for the conventional one. In fact, the parody requires for its effectiveness that the conventional logo retain its source identifying function.<sup>135</sup> Arguably, true dilution seeks to replace the unique image of the famous mark, at least in part, with the image of a lesser known company or product. Thus, even the copyright concept of fair use is only marginally helpful in deciding dilution cases.

A truer measure of "fair use" would be the adoption of the Restatement's method of ascertaining liability in these situations. As discussed above, where the alleged diluting use is not as a mark for the second user's own goods or services, liability should only exist where an independent action could be maintained "for defamation, invasion of privacy, or injurious falsehood."<sup>136</sup> It is doubtful that a case like *Deere* would be successful under this test. Surely the mild

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<sup>133</sup> *Id.*

<sup>134</sup> On trademarks as commodities see generally Robert Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603 (1984).

<sup>135</sup> See *Campbell*, 510 U.S. at 580-581 ("Parody needs to mimic an original to make its point . . .").

<sup>136</sup> RESTATEMENT, *supra* note 4, § 25(2). "[E]xtension of the antidilution statutes to protect against damaging nontrademark uses raises substantial free speech issues and duplicates other potential remedies better suited to balance the relevant interests." *Id.* cmt. i.

parody purveyed by MTD does not rise to the level of defamation or injurious falsehood. Furthermore, if (as I suspect) *control* of the mark is the key to *Deere's* result the Restatement suggests that dilution is not an appropriate vehicle for this problem. In any event, the "fair use" defense promises to be a source of a great deal of litigation.

#### 4. Preemption of State Law

An equally large problem with the law may be its failure to preempt state law. The House Judiciary Committee Report has a short discussion of this point. It says that the new law

would not preempt existing state dilution statutes. State laws could continue to be applied in cases involving locally famous or distinctive marks. Unlike patent and copyright laws, federal trademark law presently coexists with state trademark law, and it is to be expected that a federal dilution statute should similarly coexist with state dilution law.<sup>137</sup>

The reference to state law protection for "locally famous . . . marks" suggests that the federal law leaves *complementary* state laws intact, but preempts state laws that give greater protection to famous marks than does the federal law. That would create the ironic situation that locally distinctive marks (unprotected by the federal dilution law) could receive *greater* protection than nationally famous marks.

On the other hand, the more general statement in the Report that "[this law] would not preempt existing state dilution statutes"<sup>138</sup> could be taken to mean that the law permits states to give more, but not less protection to famous marks than the federal law. This would leave a case like *Deere* intact in suits brought under New York law, regardless of whether it properly states federal law. But if the federal "fair use" exception permits the use of a mark in an advertisement under circumstances that would violate state law, and the state law is not preempted, then the safe harbor of the federal law is toothless.

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<sup>137</sup> HOUSE REPORT, *supra* note 19, at 5 (footnote omitted).

<sup>138</sup> HOUSE REPORT, *supra* note 19, at 4.

In any jurisdiction with a dilution law, the second user would have to follow state law and ignore the federal defenses. Given that most major commercial states—New York, California, Illinois, and Massachusetts, to name a few—have dilution laws, the federal defenses would be of little value to many potential competitors. It is a cardinal rule that state law that contradicts a federal law or interferes with its purpose is preempted.<sup>139</sup> For the federal defense to be of value, it must be deemed implicitly to preempt state laws to the extent that they do not permit a defense coextensive with the federal “fair use” or “noncommercial use” defenses. Moreover, allowing more protective state laws to remain operative contradicts one of the purposes of the federal law: elimination of the vagaries of state law claims.

## B. *Deere, Commerciality, and the Interpretation of Federal Law*

### 1. Interpreting Section 43(c)—the Influence of State Law

Given the historic reluctance of the federal courts to allow use of the Lanham Act against truthful competitive advertising, dilution is an important new dimension in trademark protection.<sup>140</sup> Although it is more detailed in many respects than most state laws, there is room for a great deal of interpretation. As a state with a large amount of litigation interpreting its dilution statute,<sup>141</sup> New York’s law contains an important body of precedent for the new federal law. In the previous section we saw how the recent *Deere* opinion could influence the way courts interpret the phrase “fair use” under the federal law. But there are other issues of interpretation of section 43(c) that are unresolved. The key question is how influential cases decided under state law will be for courts interpreting the federal law. One thesis of

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<sup>139</sup> *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941).

<sup>140</sup> Untruthful advertising is actionable under § 43(a) of the Lanham Act. 15 U.S.C. § 1125(a)(1)(B). The *Deere* case did not involve any assertions of fact by defendant MTD (at least no actionable ones). Rather, MTD used *Deere*’s mark to represent *Deere* in a humorous, though arguably truthful manner.

<sup>141</sup> Albeit most of it in the federal courts!

this essay is that standards applied to state laws should not be transferred wholesale to section 43(c).

Let us begin with a very basic question of interpretation—the meaning of “dilution.” Unlike most state laws, the federal dilution law provides a definition of dilution.<sup>142</sup> This definition, which tracks the revised Model Act for states, may be an attempt to codify the “standards” used by state courts.<sup>143</sup> Unfortunately, the state courts have not settled on a single method of describing what section 45 calls the “lessening” of the “capacity of a mark to identify and distinguish goods and services.”<sup>144</sup>

Typically, as we have seen, case law identifies two categories of dilution, “tarnishment” and “blurring.” But tarnishment may not fit the federal statutory definition of dilution. Even in its more extreme forms, tarnishment is said to dilute a mark by diminishing the good will associated with the mark. In other words, it lowers the reputation of the mark owner in the eyes of potential consumers by associating it with unsavory products or images. However, diminishing the reputation of the company (and thereby making goods and services displaying its mark less salable) does not necessarily erode the source *identifying* capacity of the mark.<sup>145</sup> Tarnishment may change the

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<sup>142</sup> See *supra* text accompanying note 15.

<sup>143</sup> Actually, the definition precedes the new Model Act by several years. In 1987, the United States Trademark Association (now the International Trademark Association) promulgated a lengthy report, recommending many major changes in the federal trademark laws. *The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 Trademark Rep. 375 (1987) [hereinafter *USTA Report*]. Most of those recommendations were enacted into law in 1988. One proposal, for a federal dilution law, was not enacted. However, that proposed dilution law is almost identical to the one later adopted both in the Model Act and the Federal Trademark Dilution Act of 1995. *Id.* at 458-59. Specifically, the definition of dilution in the USTA's proposed law is identical to the one finally enacted. *Id.* at 459. Unfortunately, although the USTA Report discusses other parts of the proposal at some length it gives no indication as to why the “capacity” language was chosen. *Id.* at 461.

<sup>144</sup> In part this reflects the fact that state statutes rarely define “dilution.” Thus, state definitions created by judicial decisions may not mirror the federal law.

<sup>145</sup> The *Hormel* opinion admitted as much. In its discussion of “blurring” the court stated that a parody tends “to increase public identification” of the parodied mark. *Hormel Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 506 (2d Cir. 1996) (quoting *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 625 F. Supp. 48, 57 (D.N.M. 1985)). See *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44 (2d Cir. 1994) (defendant's parody of Deere's logo “poses slight

perception consumers have of the identification—from good feelings to bad feelings—but the consumer still would identify the mark with the goods. The very nature of tarnishment implies that such identification takes place, or else no harm is done to the tarnished mark and company.<sup>146</sup>

Unlike most state laws, which can be interpreted to include tarnishment, the more specific definition in the federal law tends to exclude it.<sup>147</sup> If the federal law were interpreted in this manner it would lessen significantly the influence of *Deere* and cases like it. As reinterpreted by the *Hormel* case, *Deere* is a tarnishment case.<sup>148</sup> The real issue in *Deere* was not whether the capacity of the Deere logo to identify Deere products had been diminished, but whether viewers of the altered parody logo would have less favorable feelings about the identification.<sup>149</sup> If solely reputational injury is not within the definition of dilution, then *Deere* and the panoply of tarnishment cases should not be used as precedent.

Admittedly the legislative history of the statute does not support this analysis. The House Report states that the definition of dilution in the statute “is designed to encompass all forms of dilution recognized by the courts, including dilution by blurring, by

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if any risk of impairing the identification of Deere’s mark with its products.”).

<sup>146</sup> Arguably, tarnishment lessens the capacity to *distinguish* the goods because the consumer wrongly associates the famous mark with the products, services or images of someone other than the mark owner. However, that would be strong evidence of *confusion*, which would be actionable without a dilution statute.

<sup>147</sup> With due respect to Professor McCarthy, I believe that state laws based on the old Model Act should be read to incorporate tarnishment as “injury to business reputation” not dilution—a disagreement that he acknowledges in his treatise. MCCARTHY, *supra* note 2, § 24.14[2] at n.10, *citing* Welkowitz, *Reexamining Dilution*, *supra* note 9, at 587. It seems to me that the wording of the statute is more naturally read to reach this result. The old Model Act read, “Likelihood of injury to business reputation or of dilution . . . .” I believe it is more reasonable to read this as defining two *separate* “likelihoods”: “injury to business reputation” and “dilution.” Tarnishment fits the first category. Dilution, which more naturally deals with the source identifying capacity of a mark (as recognized by the new Model Act and the federal law), does not easily incorporate the concept of tarnishment.

<sup>148</sup> *Hormel*, 73 F.3d at 507.

<sup>149</sup> In fact, the underlying issue appears to have been one of misappropriation. MTD used the fame of the Deere logo to get viewers to pay better attention to MTD’s advertisements.



tarnishment, and diminishment.”<sup>150</sup> Although the history is clear, in other contexts courts have refused to follow legislative history where it contradicts the clear text of the statute.<sup>151</sup> Here, whatever ambiguities may exist in the definition of dilution, there is nothing in the text of the law that suggests that the definition encompasses concepts other than those relating to the lessening of the capacity of a mark to identify goods or services.<sup>152</sup> It would have been simple for the drafters of the law to include appropriate language including injury to business reputation or injury to the usefulness of a mark as a selling vehicle (not just as a source identifier).<sup>153</sup>

Even with respect to “blurring” federal courts should be wary of incorporating the precedent of state cases.<sup>154</sup> States have not agreed on a universal definition of “blurring,” a fact implicitly recognized by Congress when it said it was trying to unify a “patchwork” of state laws. If state laws were clear and unified, Congress presumably would have incorporated that single standard. The game (though flawed) attempt by Judge Robert Sweet of the Second Circuit,

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<sup>150</sup> HOUSE REPORT, *supra* note 19, at 8. *See id.* at 2. It is not clear what the Report means by “diminishment.” That may be a backhanded reference to the *Deere* decision. At the time the law was drafted, *Hormel* had not yet been decided by the Second Circuit. Thus, the Report may have assumed that “diminishment” was the “other” category referred to in *Deere*.

<sup>151</sup> *Stromberg Metal Works, Inc. v. Press Mechanical, Inc.*, 77 F.3d 928, 931 (7th Cir. 1996) (reading 28 U.S.C. § 1367 to permit supplemental jurisdiction over claim by plaintiff joined under rule 20, stating that statutory language controls over contrary legislative history); *In re Abbott Labs.*, 51 F.3d 524, 528-29 (5th Cir. 1995) (permitting supplemental claim to class action despite contrary intent in legislative history).

<sup>152</sup> Indeed, there is some indication that the original drafters of the law did not intend to include tarnishment. In the 1987 USTA Report which suggested the definition that was ultimately adopted, it states that “the courts have frequently been influenced by reputational factors, e.g., *tarnishment of good will, which are unrelated to the classical Schechter definition of dilution.*” *USTA Report, supra* note 143, at 455 (emphasis added). Later discussions of the definition in the Report are not enlightening, however. *Id.* at 461.

<sup>153</sup> The phrase “injury to business reputation” is included in almost all state dilution statutes. It would have been simple to add that to the definition of dilution in § 45.

<sup>154</sup> Unfortunately, at least one federal court already has simply assumed that the federal law is the same as state law. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. B.E. Windows, Inc.*, 937 F. Supp. 204, 213 (S.D.N.Y. 1996) (“Because the [federal and state] anti-dilution statutes are meant to coexist, the analysis of Plaintiff’s claims is the same under either statute.”). On reconsideration (but without actually repudiating its prior statement), the same court decided that there is a difference, however. 1996 WL 438174 at \*1 (predatory intent may not be a factor in injunctive actions under federal law).

concurring in *Mead Data Cent., Inc. v. Toyota Motor Sales USA, Inc.*,<sup>155</sup> to create such a definition is illustrative. Judge Sweet set forth a multi-factor test, analogous to that used in the determination of likelihood of confusion:

A review of the anti-dilution cases in this Circuit indicates that courts have articulated the following factors in considering the likelihood of dilution caused by blurring: 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[, and] 6) renown of the junior mark.<sup>156</sup>

However, most of these factors do nothing to indicate a *lessening* of the capacity of a mark to distinguish goods or services. Rather, they indicate either distinctiveness (which is separately defined by the federal law) or confusion by consumers about source or sponsorship.<sup>157</sup> Thus, incorporation of this standard into the federal law would be inappropriate.

Another example of the lack of state law standards is an aspect of the Second Circuit's dilution test called "predatory intent."<sup>158</sup> The court has described this as a "factor," but not a necessary one in determining dilution. However, the court also has admitted that no adequate definition of "predatory intent" exists.<sup>159</sup> Even assuming one can define it adequately, its relevance for determining dilution is somewhat tenuous. From the intent to trade on someone's mark, one might infer an intent to siphon away some of the mark's source identifying function. Thus, one might say that the intent to trade on the mark raises a presumption, or at least an inference, of successful dilution. However, the case law is not specific and federal courts ought to reexamine this factor.<sup>160</sup> Moreover, "predatory intent"

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<sup>155</sup> 875 F.2d 1026, 1035 (2d Cir. 1992) (Sweet, J., concurring).

<sup>156</sup> *Id.*

<sup>157</sup> See Welkowitz, *Reexamining Dilution*, *supra* note 9, at 572-75.

<sup>158</sup> *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 45-46 (2d Cir. 1994); *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 626 (2d Cir. 1983).

<sup>159</sup> *Deere*, 41 F.3d at 45-46.

<sup>160</sup> Indeed, because the federal law makes willful trading on another's mark (another way of describing "predatory intent") grounds for damages, predatory intent may not be an appropriate factor to use for determining dilution. See *Ringling Bros.-Barnum & Bailey*

appears to be accounted for by another aspect of the federal law, the granting of relief.

In most states (including New York) the only form of relief generally available for dilution claims is an injunction. The federal law states that injunctive relief is the norm for dilution cases. However, the drafters of the law added an important twist to dilution: the real possibility of damages. Under section 43(c), where the defendant's actions show a willful intent to trade on the plaintiff's mark, damages may be awarded.<sup>161</sup>

Although no damages for dilution were available in *Deere*, the opinion nevertheless may influence future damage awards under the federal law. In its opinion in *Deere* the Second Circuit was cautious in its characterization of MTD's intent. It referred to defendant's "intent to promote [its own] product" rather than to "predatory" intent.<sup>162</sup> If, however, a competitor's use of an altered version of another's mark is considered "predatory" and therefore a willful attempt to trade on the other's mark then damages could be awarded under federal law. This would be a new weapon in the arsenal for competitors under the Lanham Act, particularly section 43.

## 2. "Commercial Use" of Another's Property and Dilution

*Deere*, though on the outer edge of dilution law, appears to be in the mainstream of another (and in my view unwelcome) trend in intellectual property law. The core of the *Deere* opinion was a condemnation of the use of parody for commercial gain.<sup>163</sup> Deprecation of "commercial" uses, particularly parodies, of others' intellectual property—whether trademark, copyrighted work or "image"—has been a prominent theme in several recent cases outside

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Combined Shows, Inc. v. B.E. Windows, Inc., 937 F. Supp. 204 (S.D.N.Y. 1996) (predatory intent may not be a factor in injunctive actions under federal dilution law).

<sup>161</sup> 15 U.S.C. § 1125(c)(2). The same is true in the 1992 revision of the Model State Trademark Act. MCCARTHY, *supra* note 2, § 24.14[3] at 24-122.2 (quoting the Model Act).

<sup>162</sup> *Deere*, 41 F.3d at 46.

<sup>163</sup> *Id.* at 44-45.

the realm of trademark.<sup>164</sup> Such cases convey a consistent message; the owner of intellectual property is allowed to control its use and even its “image” beyond the usually narrow confines of the law of intellectual property.<sup>165</sup> Non-originators are discouraged from using another’s work as a springboard for their own efforts, particularly where the product of those efforts are advertisements or other “commercial” products.

“Reaping where one has not sown”—misappropriation—has been taking the law of intellectual property beyond its historic boundaries. Moreover, courts seem to have determined that individuals and companies should not have to suffer the indignity of parody when the humor is used in a “commercial” arena, such as an advertisement. They relegate advertisers either to humorless recitations of information or to humor that does not offend the sensibilities of the competition.

These sentiments may have been encouraged by the Supreme Court’s relatively lax scrutiny of restrictions on commercial speech in recent years. However, in the recent *44 Liquormart* decision<sup>166</sup>

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<sup>164</sup> See, e.g., *White v. Samsung Elecs. Am., Inc.*, 971 F.2d 1395, 1401 (9th Cir. 1992) (rights of publicity), *cert. denied*, 508 U.S. 951 (1993); see *Acuff-Rose Music, Inc. v. Campbell*, 972 F.2d 1429, 1436 & n.8 (6th Cir. 1992), *rev’d*, 510 U.S. 569 (1994).

<sup>165</sup> Parody, even for commercial gain, has been accepted by the Supreme Court as a legitimate “fair use” under the copyright laws. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 584 (1994). The *Campbell* opinion also was a bit depreciative of advertising as a form of “fair use.” *Id.* But in the trademark context the drafters of the law recognized comparative advertising as a “fair” use of a competitor’s mark.

<sup>166</sup> *44 Liquormart, Inc. v. Rhode Island*, \_\_\_ U.S. \_\_\_, 116 S. Ct. 1495 (1996) (striking down state ban on liquor price advertising). In *44 Liquormart*, four justices expressed great skepticism about governmental regulations that prohibit advertising of truthful information “about a lawful product.” *Id.* at 1508 (opinion of Stevens, J.); *id.* at 1515 (Thomas, J., concurring). Justice Stevens’ opinion (for himself and Justices Kennedy and Ginsburg) asserted that the deference shown to state regulatory decisions in cases such as *Posadas de Puerto Rico Assocs. v. Tourism Co. of P.R.*, 478 U.S. 328 (1986), was erroneous, *44 Liquormart*, 116 S. Ct. at 1510, and “cannot be reconciled with the unbroken line of prior cases striking down similarly broad regulations on truthful, nonmisleading advertising when non-speech-related alternatives were available.” *Id.* at 1511. These justices also rejected the proposition that the power to ban the underlying activity (*i.e.*, liquor sales) includes the “lesser power” to ban speech about it. *Id.* at 1512.

Justice Thomas would discard the basic commercial speech test of *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm’n of N.Y.*, 447 U.S. 557 (1980), at least where “the government’s asserted interest is to keep legal users of a product or service ignorant in order to manipulate their choices in the marketplace.” *Id.* at 1515-16 (Thomas, J., concurring).

several justices advocated more stringent scrutiny of restrictions on commercial speech. Perhaps in light of this decision lower courts may adjust their attitudes toward advertisements as well. If so, then the *Deere* opinion may prove to be out of step with a new trend in the law.

## V. CONCLUSION

It is too soon to tell how influential state precedents will be on the interpretation of the Federal Trademark Dilution Act.<sup>167</sup> However, it seems safe to say that the new law is part of a steady expansion of the rights of trademark owners to prevent a variety of uses of their marks not subject to their control. Indeed, the Dilution Act, in combination with expanding rights under section 43(a) of the Lanham Act, may increase geometrically the scope of the trademark owner's rights. For example, recent cases involving the right of a manufacturer to prevent a competitor from imitating the configuration of a product (*i.e.*, preventing "knockoffs") have expanded the concept of what constitutes a source identifier.<sup>168</sup>

The new federal law may take this expansionary trend even further. Under section 43(a), the cases protecting "trade dress" from imitation require a showing of likelihood of confusion between the

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He also would not assign commercial speech a subordinate position on the scale of first amendment values. *Id.* at 1518. Because trademark dilution cases such as *Deere* only indirectly involve the informational content of the advertisement, it is possible that the skepticism of Justices Stevens and Thomas would not apply in this circumstance. *Cf.* *Friedman v. Rogers*, 440 U.S. 1 (1979) (upholding Texas' regulation of the use of trade names in advertising of optometry services). Nevertheless, the fact that all of the opinions in *44 Liquormart* expressed some degree of discomfort with the laxity of the application of commercial speech doctrine in some cases, *see 44 Liquormart*, 116 S. Ct. at 1521 (O'Connor, J., concurring), indicates that some changes in the application of commercial speech doctrine to trademarks may come in the future.

<sup>167</sup> *See, e.g.*, *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. B. E. Windows, Corp.*, 937 F. Supp. 204, 208-209 (S.D.N.Y. 1996).

<sup>168</sup> These cases rely on the notion that product configuration can act as the "trade dress" of a product, signifying the origin of the product. Under § 43(a), it is well established that such unregistered source identifiers as "trade dress" can be protected from confusingly similar uses. *See, L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1129 (Fed. Cir. 1993); *Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 1240-41 (6th Cir. 1991).

plaintiff's trade dress and the defendant's imitation. Now, if any of these product configurations protected under section 43(a) become "famous," there is the possibility that copies of product configurations could be enjoined under section 43(c) even in the absence of consumer confusion between the products.<sup>169</sup>

The larger issue raised by this example is the desirability of granting such control over "famous" marks. How much competition do we wish to allow or disallow? The history of the Federal Trademark Dilution Act is replete with entreaties to protect American business interests. What is lacking, however, is any serious debate over the potential competitive dislocations from this new protection. Before federal appellate courts begin to etch any permanent features into the law, such a debate should take place. If this essay serves as an opening statement in that debate, its purpose will have been served.

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<sup>169</sup> A full discussion of this possibility and its implications is beyond the scope of this article. A future article on this topic is currently in progress.

