

Trademark Law

Prof. Madison

Today: Dilution basics

Key concepts from Class 19:

Initial interest confusion.

Post-sale confusion.

Stories of harm.

Ferrari:

“Post-sale” confusion? Case is grounded in “Mark X for Product Y” thinking, so it is a sort of LoC case.

Or dilution (nb no dilution statute at this point)?

Is the defendant (Roberts) offering competitive goods?

Is Roberts acting in bad faith?

Is Roberts “free riding” (is free riding bad?)?

Is Roberts harming the plaintiff (Ferrari)? Ferrari’s mark?

Ferrari’s brand? Ferrari’s customers?



Ferrari S.P.A., Esercizio v.
Roberts
(6th Cir. 1991)

Trademark dilution: intended for (but not limited to) non-competitive goods and services

(1) Injunctive relief

Subject to the principles of equity, the owner of a **famous mark** that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is **likely to cause dilution by blurring or dilution by tarnishment of the famous mark**, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

Lanham Act § 43(c) (15 U.S.C. § 1125(c)(1))

Beyond the standard likelihood of confusion case

Dilution is not a form of confusion (not a “Mark X for Product Y” case), but it is often paired with confusion claims.

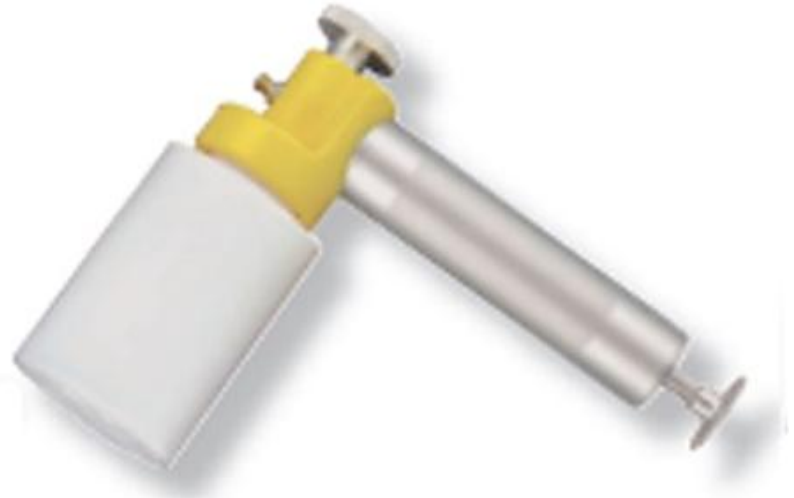
- The canonical cases from the legislative history: *Buick* aspirin, *Schlitz* varnish or *Kodak* pianos.
- Applies only to “famous” marks (*what is a famous mark?*)
- Two forms, by statute: “blurring” and “tarnishment”
- Injury is to the mark, not to the mark owner (in theory, dilution increases consumer search costs, even if no confusion results)
- Injunctive relief only (*note timing issues*)
- Defenses: fair use of various sorts; noncommercial use; parody, criticism, comment on the owner or the goods; First Amendment
- *[Later]* Does the dilution cause of action survive the FA holdings in *Matal v. Tam* (holding that the “may disparage” basis for denying TM registrations is an unconstitutional content-based regulation of speech) and *Iancu v. Brunetti* (holding that the “scandalous” basis for denying TM registrations is likewise unconstitutional)?

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“Nike” v. “Nikepal” [note absence of mark-X-for-product-Y structure]



Shoe Goliath “Nike”



Fluid Pump David “NIKEPAL”

Assume no consumer confusion (go through the LoC factors).

Then: Do consumers associate Nikepal with Nike?

If so, what is the harm to Nike [the Nike mark] from “Nikepal” for non-competitive goods? A “loss of distinctiveness”?

The elements of a dilution claim (blurring):

Section 43(c)(2)(B): “For purposes of paragraph (1), “dilution by blurring” is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”

Plaintiff must show:

1. **Association** between the marks
2. that arises from the **similarity**
3. between the **defendant's mark** and the plaintiff's famous mark (must plaintiff show defendant's use as a mark?)
4. that **impairs the distinctiveness** of the famous mark

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PROVING THE CASE: Section 43(c)(2)(B): “In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of **similarity between the mark or trade name and the famous mark**.
- (ii) The degree of **inherent or acquired distinctiveness** of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in **substantially exclusive use** of the mark.
- (iv) The **degree of recognition** of the famous mark.
- (v) Whether the user of the mark or trade name **intended to create an association** with the famous mark.
- (vi) Any **actual association** between the mark or trade name and the famous mark”

CURRENT PRACTICE: The antidilution theory of harm relies on a search costs explanation:

“A trademark seeks to economize on information costs by providing a compact, memorable and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, **a person seeing it must think for a moment before recognizing it as the mark of the product or service.**”

Richard Posner, “When Is Parody Fair Use?,” 21 J. Legal Studies 67, 75 (1992).

[Professor Rebecca Tushnet, at Harvard Law School, a dilution law skeptic, calls this the “Gone in 60 Milliseconds” theory of harm. What’s wrong with expecting consumers to think for a moment? Do they think for a moment ... anyway?]

IF THE SEARCH COSTS STORY OF DILUTION IS RIGHT (FOR THE PLAINTIFF), THEN WHAT'S THE STORY TO TELL THE COURT (HOW TO ARGUE A DILUTION CASE)?

- IF “brand dominance” = the probability that a brand will be recalled given its category as a retrieval cue
 - (i) Trucks? → Ford (ii) Watches? → Rolex
- THEN “**brand typicality**” = the probability that a category will be recalled given the brand name as a retrieval cue
 - (i) Ford? → Trucks, cars (ii) Nike? → Shoes
 - (iii) Virgin? → ?

Simonson argues: dilution by blurring = “**typicality dilution**,” i.e., reduction in brand typicality, because consumer search costs have increased (Alexander Simonson, “How and When Do Trademarks Dilute,” 83 Trademark Reporter 149-74 (1993))

BUT: remember – there are no TM rights “in gross” (Day 2!)

History of antidilution protection in the US

1946: Lanham Act. Contained no antidilution provision

1947: Massachusetts enacts first state antidilution statutory provision. Currently 38 states provide statutory antidilution protection, including NY, CA, PA, and IL

1995: Federal Trademark Dilution Act (“FTDA”)

2006: Trademark Dilution Revision Act (“TDRA”)

Pro-plaintiff reforms in 2006:

- establishes **likelihood of dilution** standard
- provides that non-inherently distinctive marks may qualify as famous marks
- explicitly states that blurring and tarnishment are forms of dilution

Pro-defendant reforms:

- rejects doctrine of “niche fame”; expands scope of exclusions

Neutral reforms:

- reconfigures fame factors; sets forth factors for determining blurring

The Origins of Trademark Dilution: The Power of One Law Professor and an Idea

Frank **Schechter**, “The Rational Basis of Trademark Protection,” 40 Harv. L. Rev. 813 (1927); Frank **Schechter**, “The Historical Foundations of the Law Relating to Trade-Marks” (1925). He argued: limitations of the “confusion as to source” cause of action showed the need to re-think the law.

- “[I]f there is no competition, there can be no unfair competition.” *Carroll v. Duluth Superior Milling Co.*, 232 F. 675, 681–82 (8th Cir. 1916).
- “In each instance the defendant was not actually diverting custom from the plaintiff, and where the courts conceded **the absence of diversion of custom** they were obliged to resort to an exceedingly laborious spelling out of other injury to the plaintiff in order to support their decrees.” Schechter, *Rational Basis*, at 825. His proposal: rather than expand TM to non-competing goods, instead, **focus on the uniqueness of the mark**.

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there is not a single one of these fanciful marks which will not, if used on different classes of goods, or to advertise different services, gradually but surely lose its effectiveness and unique distinctiveness in the same way as has “Star,” “Blue Ribbon,” or “Gold Medal.” If “Kodak” may be used for bath tubs and cakes, “Mazda” for cameras and shoes, or “Ritz-Carlton” for coffee,⁸² these marks must inevitably be lost in the commonplace words of the language, despite the originality and ingenuity in their contrivance, and the vast expenditures in advertising them which the courts concede should be protected to the same extent as plant and machinery.⁸³ Or, to illustrate from the animal kingdom, and to return to “the classical example” of the “lion” on linen and iron, the lion being a timeworn and commonplace symbol of regal or superb quality, it has not become associated in the public mind with the excellence of any single product, hence its use on various products, such as linen and iron, in no way impairs its individuality. On the other hand, a firm of fruitgrowers has recently popu-

Schechter: Importance of the advertising function of a mark, illustrated by the 1924 “Odol” mouthwash decision, “Landesgericht Elberfeld”

the public to assume that it is of good quality. Consequently, concludes the court, complainant has “the utmost interest in seeing that its mark is not diluted [verwässert]: it would lose in selling power if everyone used it as the designation of his goods”.

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⁸² (Quoting cases.) See Wirthelstein, *Broadened Protection of Names and Trade-Marks in the German Law* (1925) 37 M. BREV. (Gt. Br.) 215; Grossmann, *Reinforcement von Warenzeichen* (1924) 203-05. Through the courtesy of Dr. Wirthelstein and of the United States Trade-Mark Association, I am informed (Oct. 21, 1925) that “the ‘Odol’ decision has not been reversed . . . ; moreover, German judicial and legal circles have been regarding themselves more and more in favor of the principles therein expressed, so that it may be considered as authoritative.” The French law would appear to be contrary to the “Odol” decision and to be based on the theory that when there is no commerce there can be no commercial dilution. See FORTIN, *Marques de Fabrique* (5th ed. 1925) 22-24, 224-25; BASTIN, *Le Commerce, Les Marques et Fabriques* (1925) 248, 249; FORTIN, *De la Répression de la Contrefaçon de Marques* (1925) 124-25; *ANNUAIRE DE LA Propriété Industrielle*, 1927-28, 1929, 27 (1927-28); 1930, 28 (1930); 1931, 29 (1931); 1932, 30 (1932).

⁸³ E.g., *Pillsbury v. Whittier Flour Mills Co.*, 24 Fed. 822, 823 (C. C. A. 1st, 1904); *Pillsbury-Whittier Flour Mills Co. Ltd. v. Eagle*, 80 Fed. 246, 247, 809 (C. C. A. 1st, 1904); *Hovey v. Shuford*, 10 Abb. 712, 713 (N. Y. 1861); *Elmer Cramble Co. v. Guggenheim*, 3 Brewster 370, 371 (Pa. 1860).

HISTORY SHOWS: *Schechter*'s view of the problems of the consumer-perception basis for TM infringement liability:

“Any theory of trade-mark protection which . . . does not focus the protective function of the court upon the good-will of the owner of the trade-mark, **inevitably renders such owner dependent for protection**, not so much upon the normal agencies for the creation of goodwill, such as the excellence of his product and the appeal of his advertising, as **upon the judicial estimate of the state of the public mind. This psychological element is in any event at best an uncertain factor, and ‘the so-called ordinary purchaser changes his mental qualities with every judge.’**” (*Schechter*, *Historical Foundations*, at 166)

Schechter's highly formal solution (is this what modern dilution is?):

- (1) Does the plaintiff's mark merit heightened protection? And
- (2) Are the marks similar?

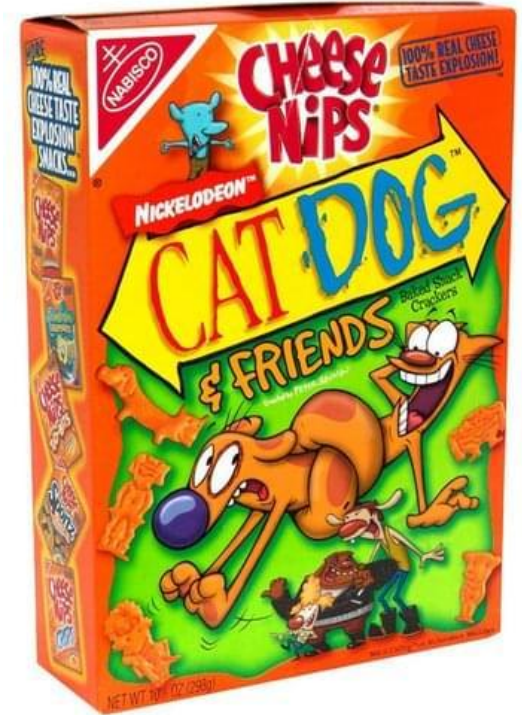
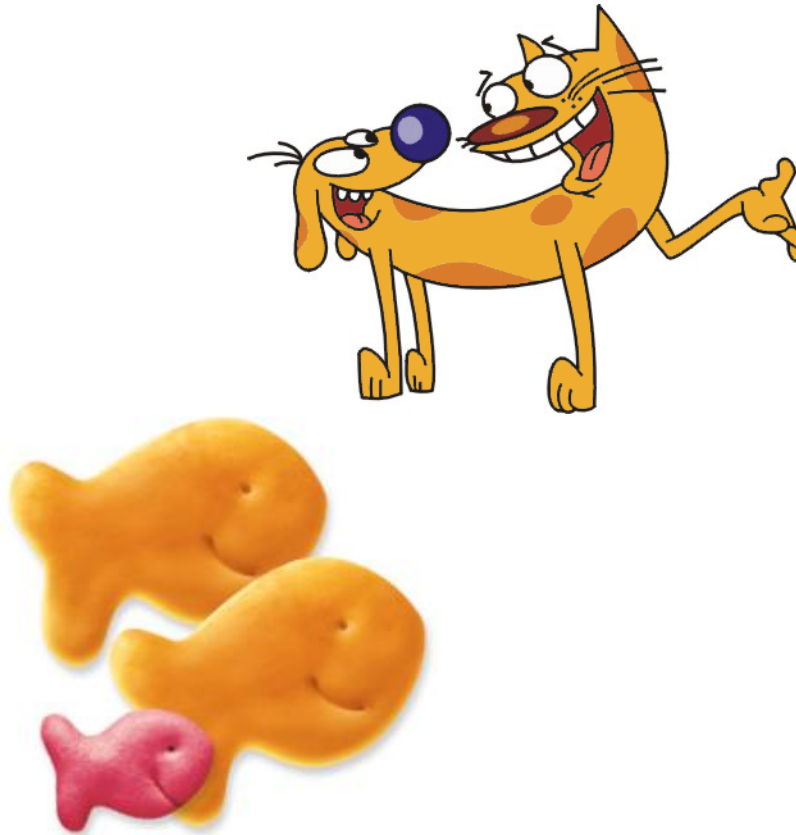
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“The Greatest Show on Earth” registered in 1961. “The Greatest Snow on Earth” first used by Utah in 1962 and registered in 1988 (over Ringling’s opposition); primary use is on license plates.

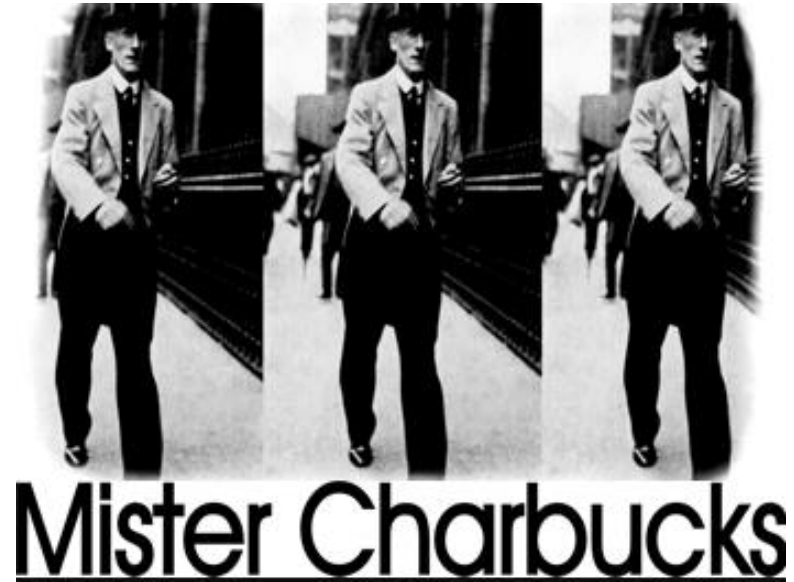
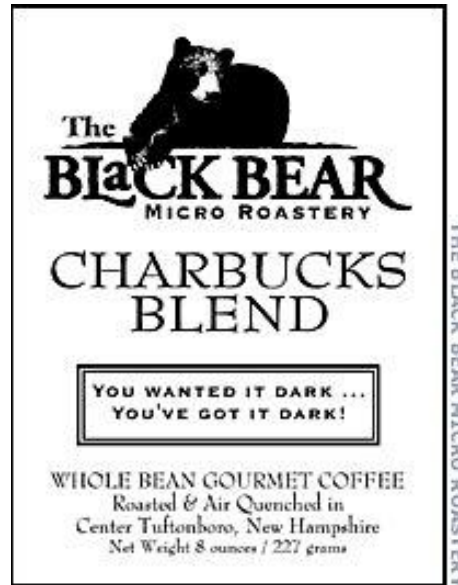
**Ringling Bros.-Barnum & Bailey Combined Shows, Inc.
v. Utah Division of Travel Development (4th Cir. 1999)**

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What happens when dilution is applied to competitive goods and services?

Nabisco, Inc. v. PF Brands, Inc. (2d Cir. 1999)



BLURRING? “This is our darkest roasted coffee. It has the strong "dark" notes that West Coast coffee drinkers like. This blend is taken as far as it can without seriously comprising the beans. It retains an unusual amount of ‘life’ for a dark roasted coffee.”

Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.
(2d Cir. 2013)



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Charbucks



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Taste notes: **Smoky with a deep dark chocolate undertone.**

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