The Dilution Solution: The History and Evolution of Trademark Dilution

Michael Adams

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THE DILUTION SOLUTION: THE HISTORY AND EVOLUTION OF TRADEMARK DILUTION

I. INTRODUCTION

Without even realizing it, many of us spend our entire lives as both pawns and kings in a game of corporate recognition and repeat business. From the moment we awake, we spend virtually every moment of our daily lives surrounded by the sights, sounds, colors, and shapes of advertising. To the average person, the shameless self-promotion of business hardly causes a stir. To others, the incessant bombardment of products and self-patronizing advertisements create an ongoing legal struggle where the consumer is wooed and manipulated like a pawn but possesses the power of a king in determining the fate of a business.

This power, possessed by all consumers in market systems featuring competing products and free choice, has led to the development of trademark protection laws. A trademark is any word, name, symbol, or device, or combination thereof that is used to distinguish the goods of one manufacturer from the goods of another manufacturer and to identify the source of the goods bearing the mark, even if that source is unknown.1 The importance of a trademark is easily understood when one considers a consumer's propensity to reward the producer of a satisfactory product with repeat business and punish the producer of an unsatisfactory product with the denial of future business. Stated another way, when a consumer purchases a product bearing a specific name, logo, or other distinguishing device and is satisfied, that consumer will purchase future products bearing that same device based upon his or her previous satisfaction. Likewise, a consumer has an increased tendency to avoid any goods bearing the device of a product with which they were unsatisfied. "Put simply 'a trademark is that which makes tomorrow's business

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something more than an accident."² Thus, a trademark actually sells the goods, and "self-evidently, the more distinctive the mark, the more effective is its selling power."³ Despite the obvious importance of trademarks to the success of businesses and the power wielded by consumers, the protection afforded trademarks is traditionally designed to protect the consumer.

Prior to 1996, trademark infringement was the only form of federal trademark protection available.⁴ The consumer protection premise of trademark infringement becomes apparent in a simple analysis of its elements. The cornerstone of trademark infringement is the likelihood of confusion, mistake, or deception as to the affiliation, sponsorship, or endorsement of a product among an appreciable number of ordinary consumers.⁵ This is most often referred to as simply "the likelihood of confusion."

The likelihood of confusion test for trademark infringement sounds simple, but how does one objectively determine if a consumer is likely to be confused? To address this issue, courts have developed a test to determine if the likelihood of consumer confusion exists. Though some of the Federal Circuits have modified the test, Judge Friendly in the Second Circuit articulated the standard test, known as the Polaroid Factors.⁶ The Polaroid factors are: 1) The strength of the plaintiff's mark; 2) the degree of similarity between the two marks; 3) the proximity of the marks in marketing channels; 4) the likelihood that the senior user of the mark will bridge the marketing gap between its products and the junior user's products; 5) evidence of actual confusion; 6) the defendant's good faith in adopting its mark; 7) the quality of the defendant's products; and 8) the sophistication of the consumers for the products.⁷ Based on these factors, the scope of protection

⁶ Polaroid Corp. v Polaroid Electronics Corp., 287 F.2d 492 (2d Cir. 1961).
⁷ Id. at 495.
from trademark infringement is limited to similar goods from competing, or foreseeably competing, companies. Nothing in this analysis, however, protects goodwill of a trademark developed and maintained to such an extent that the signaling device placed on any product may lead to an economic loss, or at the very least a loss of trademark control of the trademark owner. Put simply, there is nothing in traditional trademark protection to protect the owners of famous trademarks from the whittling away of the mark’s distinctive and famous nature through unlicensed use on non-competing products, commonly known as dilution.

In 1996, the federal government recognized what states and the common law have recognized for decades: Famous trademarks are entitled to protection from dilution.\textsuperscript{8} Despite the federal government’s late entry into the antidilution theory, courts began to see the wisdom of providing trademark protection to businesses nearly seventy years prior.\textsuperscript{9} This paper will attempt to outline the roots of dilution protection in the common law, the evolution of dilution into a federal statute, and assess external forces that contributed to the gradual rise of the federal dilution doctrine.

II. THE ROOTS OF DILUTION

Trademark protection has its roots in the common law action of deceit.\textsuperscript{10} It originated as a police measure to protect the public from the sale of defective goods and to protect the integrity of the guilds.\textsuperscript{11} The foundation of the action is the passing off of goods as the goods of another, thereby, confusing the public and diverting sales from the owner of the trademark.\textsuperscript{12} The action itself, however, was limited to confusingly similar marks on

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\textsuperscript{8} 15 U.S.C. § 1125.
\textsuperscript{10} 1 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION § 5:2 (1973).
\textsuperscript{11} Schecter, supra note 3, at 825.
directly competitive goods.\textsuperscript{13}

\textit{A. Trademark Law Prior to the Recognition of Dilution}

Notwithstanding the requirement of directly competing goods, courts in the United States began to sense a fundamental shift in the traditional notion of trademark protection. The first indication of this inescapable shift was witnessed in England. Eastman Company, the manufacturer of Kodak cameras, filed suit against Kodak Cycle Company for the use of the KODAK mark on bicycles.\textsuperscript{14} Eastman was ultimately successful in enjoining Kodak from the use of the Kodak trademark and the subsequent expungement of the mark.\textsuperscript{15} In reaching its decision, the \textit{Eastman} Court stated:

\ldots [I]t appears to me that to allow [Kodak Cycles] to use the word ‘Kodak’ as part of the title of the Kodak Cycle Company, Limited, would be to give them the benefit of what, in my opinion, substantially amounts to an improper dealing on their part. It would be to allow this company certainly to cause confusion between it and the plaintiff company. I think it would injure the plaintiff company, and would cause the defendant company to be identified with the plaintiff company, or to be recognized by the public as being connected with it, and I think, accordingly, the defendant \ldots ought to be restrained from carrying on business under that name. Moreover, it appears to me that they ought not to be permitted to sell their cycles under the name of the ‘Kodak Cycles’ for similar reasons. I think it would lead to confusion, I think it would lead to deception, and I

\textsuperscript{13} \textit{See generally} \textsc{Restatement of Torts} § 730 cmt. a (1938).
\textsuperscript{14} \textit{Eastman Co. v. Kodak Cycle Co.}, 15 Reports Patent Cases 105 (1898), citing \textit{Aunt Jemima Mills Co. v. Rigney & Co.}, 247 F. 407 (2d Cir. 1917).
\textsuperscript{15} \textit{Id.} at 410.
think it would be injurious to the plaintiff company.¹⁶

Thus, the Eastman Court held that products that do not directly compete may still “lead to confusion.” In actuality, the court was not deciding confusion or deceit. Instead it recognized the distinct nature of Eastman’s trademark and found that it deserved protection but couched the protection in a way to satisfy the competing goods requirement for protection.

Though not binding, the Eastman precedent began to play a substantial role in American courts. In Vogue Co. v. Thompson-Hudson Co.,¹⁷ plaintiff, Vogue Company, published a magazine under the trademark VOGUE and utilized the letter V with a figure of a woman known as V-GIRL as its trademark.¹⁸ Defendants, Thompson and Hudson, manufactured and marketed a line of hats bearing labels with the name VOGUE HATS and the trademark V.¹⁹ Plaintiff sued for legal and equitable relief based on trademark infringement.²⁰ This suit was initially dismissed by the District Court but was later reversed by the Sixth Circuit Court of Appeals.²¹ In reversing the District Court’s ruling, the Sixth Circuit held that although plaintiff’s VOGUE mark was substantially descriptive, defendant’s use of the letter V was so similar to V-GIRL as to create the impression that the hats were sponsored, made, endorsed, or approved by the plaintiff.²² In reaching this decision, the Sixth Circuit admitted that the goods in question did not directly compete but concluded that the similarities between V-GIRL and V were sufficient to find infringement.²³ In this instance, the court avoided extending trademark protection to non-competing goods by citing to the few

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¹⁶ Id. at 411.
¹⁷ Vogue Co. v. Thompson-Hudson Co., 300 F. 509 (6th Cir. 1924).
¹⁸ Id.
¹⁹ Id. at 510.
²⁰ Id.
²¹ Id.
²² Vogue, 300 F. at 509.
²³ Id. at 511.
similarities in the marks as predominant. In essence, the *Vogue* Court followed the lead of the *Eastman* Court and manipulated the infringement framework to grant relief without recognizing a new cause of action.

Similarly, the Third Circuit Court of Appeals determined that the infringement doctrine was not limited to competing goods in *Wall v. Rolls-Royce of America, Inc.*\(^{24}\) In *Wall*, plaintiff Rolls-Royce, sued defendant Wall for using the ROLLS-ROYCE mark on radio tubes.\(^{25}\) Despite the fact that Rolls-Royce manufactured automobiles and airplanes, goods completely unrelated to radio tubes, the Third Circuit held that Wall infringed on Rolls-Royce’s trademark because he veiled his business under Rolls-Royce’s reputation for quality.\(^{26}\) To justify its finding of infringement, the Third Circuit stretched the bounds of reason and classified radio tubes, and automobiles and airplanes as directly competing.\(^{27}\) The court stated:

It is true [Rolls-Royce] made automobiles and aeroplanes, and Wall sold radio tubes, and no one could think, when he bought a radio tube, he was buying an automobile or an aeroplane. But that is not the test and gist of this case. Electricity is one of the vital elements in automobile and aeroplane construction, and, having built up a trade-name and fame in two articles of which electrical appliances were all important factors, what would more naturally come to the mind of a man with a radio tube in his receiving set, on which the name “Rolls-Royce,” with nothing else to indicate its origin, than for him to suppose that the Rolls-Royce Company had extended its high grade of electric products to

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\(^{24}\) *Wall v. Rolls-Royce of America, Inc.*, 4 F.2d 333 (3d Cir. 1925).

\(^{25}\) *Id.*

\(^{26}\) *Id.* at 334.

\(^{27}\) *Id.*
the new, electric-using radio art as well.\textsuperscript{28}

With this leap of logic, the court not only attempted to apply the traditional trademark infringement test to a non-traditional problem, it also began to lay the framework of fame as an element of dilution.

With trademark protection in the early 20\textsuperscript{th} Century focusing on the deceitful sale or the palming off of goods, courts were forced into the laborious practice of finding injury in the form of consumer confusion when there was no diversion of customers or sales but the plaintiff had suffered harm.\textsuperscript{29} In so doing, the courts began to afford a greater level of protection to the more fanciful and unique trademarks based upon the gradual whittling away of the mark’s inherent distinctiveness through the unauthorized use on non-competing products.\textsuperscript{30} Thus the stage was set for the first recognition of dilution.

\textit{B. The Birth of Dilution}

The need of a new form of protection for the very identity of the mark became evident as courts further manipulated the rule that products must be directly competing to find infringement. In \textit{Duro Pump \& Manufacturing v. California Cedar Products},\textsuperscript{31} plaintiff, Duro Company, manufactured and sold pneumatic pressure systems for pumping, storing, and supplying water to residences.\textsuperscript{32} Defendant, California Cedar, manufactured and sold wallboard and other lumber construction materials.\textsuperscript{33} In preventing the registration of DURO by California Cedar, the court paid homage to its predecessors by attempting to maneuver its analysis in a

\textsuperscript{28} Id.

\textsuperscript{29} Schechter, \textit{supra} note 3, at 819.

\textsuperscript{30} Id.

\textsuperscript{31} Duro Pump \& Mfg. Co. v. California Cedar Products Co., 11 F.2d 205 (D. Col. 1925).

\textsuperscript{32} Id.

\textsuperscript{33} Id.
competing goods theory.\textsuperscript{34} The court went one step further, however, and recognized the possibility that the distinctive nature of the trademark itself constituted the basis for relief.\textsuperscript{35} The court stated:

In the present case, when the California Cedar Products Company adopted the word 'Duro' as its trade-mark, that word had 'become so identified with the particular corporation' (the Duro Company) that, whenever used, it designated to the mind 'that particular corporation.' While the descriptive properties of the products of the two companies are technically different, both are used in residences, and under the evidence, we are constrained to the view that their concurrent use would tend to lead to confusion of the identity of the Duro Company. If the California Cedar Products Company were permitted to use this mark, which has come to represent the Duro Company and its product to the public, other companies likewise might use it, with resultant loss of identity of the Duro Company.\textsuperscript{36}

In holding that a loss of identity, or a whittling away of the distinctiveness of the trademark, constituted a cause of action, the court recognized the framework for dilution and fertilized the ground from which the theory would grow.\textsuperscript{37}

Like most trends in law, the dilution theory was based in common law but articulated by a legal scholar. Frank I. Schechter laid the groundwork for dilution in his semi-annual account of trademark protection, The Historical Foundations of the Law

\textsuperscript{34} Id. at 206.

\textsuperscript{35} Id.

\textsuperscript{36} Duro Pump & Mfg. Co. v. California Cedar Products Co., 11 F.2d 205 (D. Col. 1925) (emphasis added).

\textsuperscript{37} Id.
The dilution theory came to life two years later in another work by Schechter, *The Rational Basis of Trademark Protection.* Though both works started with the premise that trademark law lagged far behind twentieth century commercial developments, the proposed solutions of each stand in startling contrast with each other.

In his 1925 account, Schechter advocated the abandonment of the traditional consumer confusion test for principles that allowed an expanded consumer confusion test because of the changing function of trademarks in commercial transactions. Early twentieth century law clung to the idea that trademarks, and thus consumers, demanded protection against misidentification of a particular and known source. Schechter, however, contemplated the demise of direct producer-consumer transactions that dominated pre-twentieth century commerce and trademark law.

In unison with his theory for the evolution of trademark protection, Schechter asserted that a trademark’s value was no longer vested in its ability to indicate the actual producer but a single, albeit anonymous, source. Schechter further surmised, “The public is concerned with the trademark not so much as an indication of origin but as a guarantee of quality.” Implicit in this argument is the idea that the use of a single trademark on non-competing goods has potential to injure both the senior user and consumers despite the absence of trade diversion. Thus, Schechter’s early proposal identified the expectation of quality a consumer attaches to

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38 Schechter, *supra* note 3.
40 Kliger, *supra* note 2, at 801.
41 *Id.*
43 *Id.* at 803.
44 Kliger, *supra* note 2, at 803.
ROLLS-ROYCE and would protect the senior user of such a mark from a junior user that did not produce a similar quality of goods. Under this proposal, however, a senior user of a mark would be unable to prevent junior users from use of the mark if it was used on differing goods of similar quality. By all accounts, Schechter believed this expansion of the traditional consumer confusion test would adequately deal with the trade advances of the twentieth century.

Much like his 1925 work, Schechter’s 1927 article laid the foundation of change by citing to the difficulties of the consumer confusion test to then current trademark problems. In stark contrast to his earlier proposal, however, Schechter advocated the complete abandonment of the consumer confusion test because of its continuing failures. Specifically, Schechter noted that trademark protection did not protect the most arbitrary and fanciful, therefore the most distinctive of marks. To articulate his point, Schechter contrasted marks with little distinctiveness in the market place to those that had been “withdrawn from the human vocabulary by their owners and have, from the very beginning, been associated with a particular product, not with a variety of products, and have created in the public consciousness an impression or symbol of the excellence of the particular product in question.” Schechter noted that common trademarks such as BLUE RIBBON, STAR, ANCHOR, and GOLD MEDAL, each registered for a variety of goods, still fit into the traditional competing goods analysis because of their lack of distinction. The fact that such marks have not become associated with the characteristics or excellence of one product does not impair its individuality when used on various products. Marks that have become associated with the characteristic or excellence of one product, such as ROLLs-ROYCE, KODAK, and MAZDA, however, would lose their unique distinctiveness, originality, ingenuity, and consequently their effectiveness and selling power,

45 Schechter, supra note 3.
46 Id. at 828.
47 Id. at 829.
48 Id.
if courts declined to protect the application of these marks to non-competing goods.\(^4\)

From the belief that fanciful marks are entitled to greater protection than commonplace marks, Schechter implicitly articulated that marks that have developed widespread recognition, or fame, in the minds of consumers were entitled to greater protection than marks that have not. In addition to this implicit principle, Schechter articulated four principles that form the basis for the theory of dilution. These are: 1) The value of a modern trademark lies in its selling power; 2) the selling power of a mark depends on the uniqueness, singularity, and psychological hold upon the public, not merely the merit of the goods with which it is used; 3) such uniqueness is impaired by the mark's use on both related and non-related goods; and 4) the degree of protection for a mark depends on its actual uniqueness and difference from other marks, which is a function of the efforts and ingenuity of its owner.\(^5\) Thus, Schechter believed that the real injury stemming from the concurrent use of arbitrary trademarks on differing goods was "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its concurrent use upon non-competing goods."\(^5\)

Schechter's beliefs were radical even by today's standards. He believed that trademark rights should be recognized in gross and that "the preservation and uniqueness of a trademark . . . constituted the only rational basis for its protection."\(^5\) Consequently, Schechter's dilution theory completely abandoned consumer confusion as a cause of action. Furthermore, rather than inquiring into the consumer confusion caused by the junior use of a trademark, Schechter argued that courts should completely prevent the use of arbitrary and fanciful trademarks from use by

\(^4\) Id. at 830.
\(^5\) Schechter, supra note 3, at 831.
\(^5\) Id. at 825.

others than the first to coin the trademark.\textsuperscript{53} Thus, once a mark such as KODAK or BVD\textsuperscript{54} was coined, the term could never be used again as a trademark for any good or service regardless of consumer confusion, or lack thereof.\textsuperscript{55}

Schechter's drastic shift in proposal can be attributed to several primary factors. First among these was the dramatic change of consumption, commerce, and industry occurring in the 1920's. Specifically, the development of chain store operations and the decline of the traditional point-of-manufacture sale created the expansion of goods, and thus competition, far beyond previous norms. Schechter perceived that this expansion combined with the "apparent failure of the courts to keep pace with the necessities of trade and the functional development of trademarks . . . ." warranted a dramatic and rapid shift in current trademark law.\textsuperscript{56}

Further frustrated by the delay of courts to adopt an evolution of the traditional consumer confusion test, which required competition before relief could be granted, Schechter believed the time was right for a dramatic change. Thus, Schechter premised his more radical proposal by stating:

... If there is no competition, there can be no unfair competition, is the rule that a trademark or tradename is only coextensive with its use and may be used by different firms in different localities. To hold that Boston and Providence markets do not extend to Worcester, New Haven and Woonsocket, that a nationally known chain of theatres, with a branch in Boston, did not extend its market, or rather its audience, to Lynn, Lawrence, Portland or Fitchburg, or that plaintiff's stores in Northern New Jersey could not enjoin the use of

\textsuperscript{53} Kliger, \textit{supra} note 2, at 804-805.

\textsuperscript{54} Not surprisingly, Schechter's radical pro-business theory included in gross property rights for this trademark, as he was employed as trademark counsel for this company.

\textsuperscript{55} Kliger, \textit{supra} note 2, at 806.

\textsuperscript{56} Schechter, \textit{supra} note 3, at 824.
plaintiff’s tradename in Southern New Jersey at point twenty to thirty miles away, ignores the necessities of the chain type organization with which the United States has been covered in recent years.\(^57\)

Moreover, Schechter noted that recent technological developments had also drastically altered the effectiveness of the traditional consumer confusion model. Specifically, the development and proliferation of the automobile, telephone, motorbus, trolley, and railroad had significantly expanded an average consumer’s geographic shopping zone.\(^58\) Thus, Schechter believed that trademark law had disregarded the growth of commerce and was likely to fail in its very purpose if drastic changes were not immediately adopted.

A second factor was the inability to keep up with violations of the law. As the economy expanded and money circulated, trademark pirates became more sophisticated in their infringements. Schechter noted:

> Trademark pirates are growing more subtle and refined. They proceed circumspectly, by suggestion and approximation, rather than by direct and exact duplication of their victim’s wares and marks. The history of important trademark litigation within recent years shows the use of similar marks on non-competing goods is perhaps the normal rather than the exceptional case of infringement.\(^59\)

Thus, trademark law had not only ignored recent developments in the economy, it had arguably lost its effectiveness of purpose, namely to prevent consumer confusion.

A third factor that contributed to Schechter’s dramatic shift was

\(^{57}\) Id. at 824.

\(^{58}\) Id.

\(^{59}\) Id. at 825.
his recognition of a trademark's commercial magnetism, virtually ignored by the traditional consumer confusion test. Schechter's 1927 article immediately recognized that trademarks do more than assure consumers of quality, they create and preserve goodwill through their ingenuity and originality. Schecter observed:

If Kodak may be used for both tubs and cakes, Mazda for cameras and shoes, or Ritz-Carlton for coffee, 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 or machinery.

Thus, Schecter believed that the traditional consumer confusion test did not protect an aspect of trademarks that courts had articulated as protection worthy, namely a company's investment in its own goodwill.

In short, Schecter's radical proposal of complete abandonment of a consumer confusion test for arbitrary and fanciful marks was based on the inability of the law and the unwillingness of courts to reform trademark law to the realities of modern commerce in the post-Industrial Revolution era. Ultimately the in gross nature of Schecter's dilution proposal proved too radical and was never adopted in full. The ideas and realizations he articulated, however, led to the formal extension and evolution of the consumer confusion protection model to completely dissimilar goods.

Just one year after Schechter's proposal, the Second Circuit Court of Appeals ruled that the use of the mark YALE in

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60 Kliger, supra note 2, at 806.
61 Schechter, supra note 3, at 818.
63 Kliger, supra note 2, at 810.
connection with metal locks and a subsequent junior use in connection with flashlights was impermissible though the goods were completely dissimilar. In so holding, the court stated:

It has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner’s reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower’s use is so foreign to the owner’s as to insure against any identification of the two, it is unlawful.

Thus, Schechter was successful in that he succeeded in prompting the courts to cease applying a similar goods criteria to the consumer confusion test and forced courts to recognize that the value of a trademark is not limited to consumer oriented theories of source indication, but also lies in a trademark owners investment in and trademark’s development of goodwill. Schechter’s success was limited, however, because the Yale court was unwilling to completely abandon consumer confusion, as he proposed.

III. THE EVOLUTION OF DILUTION

In light of the radical nature of Schechter’s dilution proposal,

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64 Yale Electric Corp. v. Robertson, 26 F.2d 972 (2d Cir. 1928).
65 Id. at 974.
courts universally opted to follow the *Yale* precedent and extend the traditional consumer confusion model to cover non-competing goods instead of scrapping it altogether.\(^\text{66}\) The decision of courts to modify the existing consumer confusion test left Schechter's proposal on the periphery of trademark law. The federal legislature soon followed the lead of the courts and in 1946 the Lanham Act eliminated the "same descriptive properties" requirement and extended infringement to the use of a junior mark that "is likely to cause confusion, or to cause mistake, or to deceive."\(^\text{67}\) Thus, it appeared as if the dilution theory articulated by Schechter was left to the history books.

### A. States' Revival of the Dilution Theory

In 1947, however, just one year after the federal legislature's choice to expand the consumer confusion test, Massachusetts adopted the first antidilution statute.\(^\text{68}\) In its original form, the Massachusetts’ proposal followed Schechter's idea of extending dilution protection to only the most arbitrary or fanciful of marks.\(^\text{69}\) Soon thereafter, other state legislatures followed the lead

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\(^{69}\) Walter J. Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes*, 44 Cal. L. Rev. 439, 452 (1956). It should be noted, however, that the final version of the bill drafted by the Senate and enacted into law protected all trademarks from dilution regardless of the arbitrary or fanciful nature of the mark. Though this broad protection was even more radical than Schechter's
of Massachusetts. In 1953, Illinois enacted an antidilution statute\(^70\) and in 1955 New York and Georgia both enacted their own antidilution statutes.\(^71\) In 1963, following a delay of eight years, Connecticut was the next state to enact its antidilution statute.\(^72\)

The following year, the United States Trademark Association incorporated dilution language into its Model State Trademark Bill.\(^73\) The incorporation of dilution language into a widely followed model statute quickly propelled Schechter's seemingly forgotten proposal to the surface and ensured that it would continue for some time to come.

Though each state statute was different in text, they were amazingly similar in substance.\(^74\) All state antidilution statutes proposal, it became the norm. The faults of state antidilution statutes, however, are a topic for another time.


\(^73\) Model State Trademark Bill §12 (U.S. Trademark Ass'n 1964). The Model State Trademark Bill "was first promulgated by the United States Trademark Association . . . in 1949 to promote uniformity among state trademark laws."


share three primary qualities. First, all state antidilution statutes grant protection to all trademarks, not just the most arbitrary and fanciful, as Schecter proposed nearly 40 years prior. Second, all state statutes require that a senior user prove the likelihood of harm from the junior user's use. Lastly, all state antidilution statutes only injunctive relief as the only remedy for the senior user. With the dilution theory now codified, albeit at the state level, the only remaining hurdle for dilution in gaining recognition and prominence was judicial interpretation.

B. Judicial Reaction To Dilution

Prior to the wide acceptance of antidilution statutes at the state level, courts were intrigued by dilution. This was seen in cases decided shortly after Schechter's 1927 article. One of the first of these was Tiffany & Co. v. Tiffany Products, Inc. In Tiffany, the Supreme Court of New York decided that plaintiff, jewelry company, was entitled to prevent defendant, movie company, from use of the mark TIFFANY and a diamond logo in connection with the production and distribution of films. Though the court could have easily applied the newly evolved consumer confusion test, which was applicable to non-competing goods, it elected to apply a dilution theory in granting plaintiff's petition for relief. The court stated:

The real injury in such cases of non-competitive products 'is the gradual whittling away or

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75 Kliger, supra note 2, at 813.
76 Id.
77 Id.
78 Id.
80 Id.
81 Id.
dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark the deeper is its impress upon the public consciousness and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.  

Thus, the court embraced the dilution theory when it could have easily applied the evolved consumer confusion test.

A second judicial decision recognizing dilution as an actionable theory was *Bulova Watch Co. v. Stolzberg.* In *Bulova,* plaintiff Bulova Watch Company sought to enjoin defendant Stolzberg, a Massachusetts resident, who manufactured and sold shoes under the trade name ‘Eddie’s Shoes.’ Defendant also engaged in the stamping of his shoes with the trademark BULOVA FINE SHOES. Though the court held that Stolzberg was not infringing through the process of stamping his shoes, he was nonetheless enjoined from use of the mark based on the theory of trademark dilution. The court observed:

...[C]ases have come to recognize that it is the 'unfairness' of the defendant's conduct rather than the existence of 'competition' between plaintiff and defendant which forms the basis for the intervention of a court of equity. The trade-mark not only serves to designate the source of the owner's products, but also stands as a symbol of his good will and hence is an instrument for the creation and retention of custom. Where the mark is strong, i.e., unique or fanciful, the courts have been more prone to grant

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82 Id. at 682.
84 Id.
85 Id.
Thus, courts initially approved of Schechter's dilution proposal and began to explicitly recognize that fame, recognition, and goodwill were assets in need of protection.

Despite courts early affection with dilution, it was short-lived. Courts quickly began to believe that the dilution theory was undermining the long sustained consumer protection aspect of trademarks. This judicial skepticism resulted in a lack of literal application of the statute.\textsuperscript{87} Thus, judicial decisions began to apply privately held beliefs to the application of the dilution doctrine. One such example of a court's non-literal application of dilution law can be found in \textit{Maison Prunier v. Prunier Restaurant & Café, Inc.}\textsuperscript{88} In Prunier, plaintiff ran a restaurant operation in Paris and London.\textsuperscript{89} Defendant attempted to capitalize on the fame of the restaurant by opening a restaurant in New York by the same name.\textsuperscript{90} The court was reluctantly forced into applying the dilution standard because of the regional separation, and thus the lack of competition, between the two restaurants.\textsuperscript{91} The court stated:

\begin{quote}
In our own State the doctrine that the two products need not be competitive to entitle the proprietor of the mark to relief has received judicial sanction. 'Plaintiff, however, is entitled to be protected not only from direct competition, but from any injury which might result to it from the deception of the public through the unauthorized use of its trade name, or a trade name which would lead the public to believe that it was in some way connected with
\end{quote}

\textsuperscript{86} Id.

\textsuperscript{87} Kliger, supra note 2 at 815.

\textsuperscript{88} 159 Misc. 551; 288 N.Y.S. 529; 1936 N.Y. Misc. LEXIS 1192 (N.Y. 1936).

\textsuperscript{89} Id.

\textsuperscript{90} Id.

\textsuperscript{91} Id.
plaintiff. 92

The court, however, was not pleased in applying this standard. This was noted in its comment that “the law on this subject ‘is in a most unsatisfactory state.’” 93 Based on its dissatisfaction with the current law, the court limited dilution by applying several non-statutory mitigating factors. The court stated:

The doctrine, however, is not without its limitations. First. The original holder of the mark may be entitled to a natural field of legitimate trade expansion, although the cases are not very definite on this point and indicate that some user, however slight, is necessary in the disputed territory. Second. The doctrine, it has been clearly suggested, does not apply where the second adopter is guilty of bad faith or where the use is made in such manner as to operate as a fraud upon the public. 94

Thus, the Prunier court hinted at a geographical limitation and applied a good faith requirement to the application of the state’s antidilution statute.

Another such case that judicially limited the application of antidilution statutes, notwithstanding legislative language, was Esquire, Inc. v. Esquire Slipper Manufacturing Co. 95 In Esquire, Plaintiff, magazine publisher under the trademark ESQUIRE, filed suit seeking injunctive relief against defendant, slipper manufacturer, for use of its trademark ESQUIRE as part of its company name. 96 Though the court found that the matter was a dilution case because the parties were not directly competing with one another in the sale of similar goods, the plaintiff was not entitled to relief because it was not entitled to exclusive use of the

92 Id.
94 Id.
95 243 F.2d 540 (1st Cir. 1957).
96 Id.
This is obviously a dilution case, for clearly the parties are not directly competing with one another in the sale of similar goods. But the fact that the parties are not trading in goods of the same descriptive properties, i.e. that one is selling a magazine and the other men's slippers, does not prevent the plaintiff from asserting a cause of action for trade-mark infringement under the Lanham Act, for the test of infringement under that act is not similarity of goods or services but whether the marks used are so similar as to be 'likely to cause confusion...or to deceive purchasers as to the source of origin of (the respective) goods or services.'

Accordingly, the *Esquire* court read the Massachusetts' antidilution statute to be a simple extension of the consumer confusion test to non-competing goods. It should be noted that this interpretation of antidilution statutes was not limited to Massachusetts. New York courts routinely required a showing of confusion, fraud, or deceit before affording protection from dilution. Thus, in spite of apparent new life to Schechter's proposal through the passage of state legislation, judicial activism reigned in the dilution theory to its pre-statutory position.

Three factors are singled out to explain the intense hostility the judiciary exhibited concerning dilution. Foremost was the courts' "skepticism about the desirability of this particular form of ownership protection." Specifically, courts believed that
antidilution statutes put absolute control into the hands of the trademark owner and crippled the consumer protection function of trademarks. Put simply, courts were not ready to embrace a theory that removed a traditional consumer protection model from the public and placed it in the hands of Corporate America. The second factor was the difficulty courts had in applying the dilution test. The statutes neither articulated standards to determine or define the whittling away of a trademark’s uniqueness nor defined the term dilution or the types of marks protected. This lack of clarity resulted in an ad hoc procedure that may have led to limiting decisions, as well as a general reluctance to apply the standards at all. The final, and the most simplistic, factor is the refusal of the Lanham Act to recognize dilution. Some courts may have simply relied on federal preemption of the state antidilution statutes to relegate dilution to the sidelines. Whatever the reason(s), it was once again clear that dilution was pushed to the periphery of trademark law.

C. Dilution Reborn

For thirty years, state antidilution statutes had been reduced to a legal footnote through judicial activism. Through non-literal application of the statutes, dilution was left ineffectual. Among the most “stubborn and illogical” were the New York Courts. These courts had a history of looking at trademark protection and requiring historical elements, such as fraud and deception, in the application of modern statutes, despite the absence of such statutory requirements. In this context, it is only fitting that dilution was given new life in the New York Court of Appeals.

101 Kliger, supra note 2, at 816.
102 Id.
103 Id.
104 Id.
106 Id.
107 Kliger, supra note 2, at 815.
In 1977, the New York Court of Appeals decision in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.* gave new life to dilution.\(^{108}\) In *Allied*, plaintiff, a cleaning and maintenance business named Allied Maintenance Corporation, sued defendant, a heating and ventilating business named Allied Mechanical Trades, Inc., under New York state's anti-dilution statute.\(^{109}\) The state trial court granted the injunction finding that the parties were actual and potential competitors in the cleaning and maintenance industry in the New York City area and that similarity between their names created a likelihood of confusion.\(^{110}\) The Appellate Division reversed, finding there was no competition or confusion, actual or potential.\(^{111}\) Though the court found that plaintiff was not entitled to relief, it stated:

Generally courts, which have had the opportunity to interpret an anti-dilution statute, have refused to apply its provisions literally. New York courts, State and Federal, have read into the statute a requirement of some showing of confusion, fraud or deception.... Notwithstanding the absence of judicial enthusiasm for the anti-dilution statutes, we believe that section 368-d does extend the protection afforded trade-marks and trade names beyond that provided by actions for infringement and unfair competition. The evil which the Legislature sought to remedy was not public confusion caused by similar products or services sold by competitors, but a cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trade-mark or name....The harm that section 368-d is designed to prevent is the gradual whittling away of a firm's distinctive trade-mark or name. It is not

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\(^{109}\) Id. at 1163.

\(^{110}\) Id.

\(^{111}\) Id.
difficult to imagine the possible effect which the proliferation of various noncompetitive businesses utilizing the name Tiffany's would have upon the public's association of the name Tiffany's solely with fine jewelry. The ultimate effect has been appropriately termed dilution.\textsuperscript{112}

In short, the court's dicta criticized judicial failure to apply the antidilution statute as written and advocated the literal application of antidilution statutes in the future. This was the momentum that the dilution theory needed to enter and remain in mainstream trademark law.

In years immediately following \textit{Allied}, court opinions addressed dilution more than the previous fifty years combined.\textsuperscript{113} Furthermore, a majority of courts surrendered to the plain language of antidilution statutes.\textsuperscript{114} Thus, dilution theory first articulated in 1927 entered mainstream trademark law as a valid cause of action.\textsuperscript{115}

\textsuperscript{112} Id. at 1165-66.

\textsuperscript{113} Pattishall, \textit{supra} note 105, at 691.

\textsuperscript{114} See Sally Gee, Inc. v. Myra Hogan, Inc., 699 F.2d 621, 624 (2d Cir. 1983) ("Confusion and direct competition are not necessary elements of an antidilution action under New York law."); Safeway Stores, Inc. v. Safeway Discount Drugs, Inc., 675 F.2d 1160, 1167 (11th Cir. 1982) (finding no competition or confusion required under Florida's antidilution law); Scott v. Mego Int'l, Inc., 519 F. Supp. 1118, 1137 (D. Minn. 1981) ("Confusion or the likelihood of confusion is not a necessary premise to an action for trademark dilution.") quoting Klinger, \textit{supra} note 2, at 820 n. 173.

As discussed above, the dilution cause of action for trademarks struggled for approximately 70 years before it was adopted into federal law. During this time, dilution's popularity and acceptance had many peaks and valleys. Due to the varying degree of acceptance and the length of time dilution fought to be accepted, it is difficult to pinpoint specific external factors leading to dilution's given popularity at a given time. Some conclusions may be drawn, however, based upon certain eras.

First among these is the era of dilution's creation. It is generally recognized that the dilution theory was created in 1927, the height of the roaring twenties. The country was emerging from the most rapid technological advancement of manufacturing the world had ever seen. Specifically, the immediate post-Industrial Revolution era gave rise to the assembly line, commonly cited today as a great leap forward in the production process. At the same time traditional "mom and pop" operations began to disappear in favor of large multi-faceted stores, and chain operations began to spread throughout the country. With these advancements, the United States completely stepped out of the agrarian economy that had dominated the world for centuries and advanced into an industrial economy.

Likewise, the mid-1990's, the era of dilution's final acceptance, is recognized as a similar decade. The economy expanded at an unprecedented rate, wealth was created through the stock market for a significant numbers of Americans, and the general feeling was of a paradigm shift in the economy due to the technology advance of the computer age. Furthermore, the economy

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underwent an increase in the service industry, primarily through computer related occupations, which some analysts claimed was the final advancement of the U.S. economy into a full-scale service economy.

It is not a coincidence that dilution has found its most acceptance in these periods. As economies progress from agrarian, to industrial, and finally to service, the law often struggles to keep up with current economic conditions. Trademark law is no exception. Faced with rapid technological and economic developments, it is possible that dilution is turned to as an immediate remedy to deal with the shortcomings of trademark law when the economy, which grows rapidly in short spurts and then levels out, initially outpaces society.

If this assumption is true, then following rapid economic growth, which favors dilution, there would inevitably be a period of flat or negative growth where dilution is disfavored. This can be seen immediately following the introduction of dilution in the late 1920s. As examined earlier, courts were originally interested in the dilution theory as a cause of action only to become disenchanted a few short years later. This disenchantment came as the United States moved from unprecedented economic growth into the recessionary period of the early 1930s. Of course this recessionary period, combined with improper fiscal policies, led to the Great Depression. Interestingly enough, the entire recessionary period, and in fact the entire period of economic uncertainty from 1930 to 1945, witnessed a strong disinterest in the dilution theory. Immediately following this period, dilution was reborn in the codification of state statutes. As the economy progressed at an uneventful rate, dilution experienced a flat period of acceptance where it was pushed aside and then revisited several times.

Though dilution was reborn in 1977, it was not again widely accepted until the introduction of the Federal Trademark Dilution Act in late 1995, and its subsequent ratification in early 1996.116 This came as a surprise to most scholars as just a few years earlier

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dilution was intentionally omitted from the 1988 Trademark Law Revision Act.\textsuperscript{117} When put into the context of dilution as a function of rapid economic expansion, however, the sudden affinity with dilution appears logical. In 1988 the economy was not rapidly advancing. This all changed, however, in 1991 when the United States entered a period of economic expansion that lasted ten years. This expansion was rapid and lengthier than any in history.\textsuperscript{118} Thus, it should come as no surprise that after several years of growth, dilution once again came to the forefront.

The next test for dilution as a function of rapid economic expansion will come as the United States moves forward in and through the economic recession of the early 21\textsuperscript{st} Century. If the recession is short-lived, as many predict, then dilution will remain unchanged. If, however, the current recession deepens, drags-on or eventually creates a depression, then dilution will once again be reigned in and placed in the legal tool shed only to emerge again in the next rapid economic expansion.

V. CONCLUSION

I began this article by discussing the power a consumer possesses in determining the fate of a company simply through buying preferences. This power is in large part provided to the consumer through the affixation of specific names, logos or signaling devices. Many consumer advocates believe that the only protection of these signaling devices should be based on the injury suffered by a consumer when a third-party misappropriates a signaling device to sell there wares. While I believe that this form of protection must exist, protection also needs to be available for the company whose very survival depends on the goodwill accumulated in its trademark. Without protection from dilution, companies lose incentive to affix identifying marks to their products, or conversely trademark pirates would have increased incentive to place established trademarks on their inferior goods.

\textsuperscript{117} See H.R. 5372, 100th Cong. (1988).

\textsuperscript{118} The economic expansion of the 1990s officially ended in March 2001.
This, in turn could, lead to a loss of consumer protection through the absence of any assurance in the purchasing context. Therefore, the harm suffered through dilution is not limited to producers but extends farther and causes an implicit consumer harm.

Furthermore, dilution appears to have a valid function in buffering the gap between law and economic reality. If the dilution as a function of rapid economic growth theory is correct, then dilution must exist to protect legal rights in times of rapid economic growth. Because of this valid function and of the benefit dilution implicitly provides to consumers, dilution must be embraced as a valid cause of action and a legitimate legal tool available to protect both producers and consumers in varying economic times.

*Michael Adams*¹¹⁹

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¹¹⁹ Michael Adams, a third year law student at DePaul University College of Law, is presently employed by Diners Club International Ltd. as a law clerk specializing in global intellectual property issues.