

Trademark Dilution: Setting the Dilution Standard Under the Federal Trademark Dilution Act

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I. INTRODUCTION

Congress passed the Federal Trademark Dilution Act (FTDA) in 1995, creating a cause of action for trademark holders unique from the traditional action for infringement.¹ Disagreement abounds as to the proper interpretation of the various aspects of the Act. In particular, a conflict has emerged among the various circuit courts as to the level of proof required for a mark holder (senior user) to successfully claim his mark has suffered dilution at the hands of a junior user.² Some have accepted the plain language of the statute, contrasting it with similar state dilution statutes, and have read it to require proof of actual dilution; in contrast, others have made a more searching inquiry and concluded that dilution may be inferred from an evolving set of factors.³

Out of this chasm have emerged two disparate burdens.⁴ Bridging this gap requires determining which of the two standards is more

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1. See 15 U.S.C. § 1125(c) (2000).

2. To date, two circuits have embraced an actual dilution standard: *Westchester Media v. PRL USA Holdings Inc.*, 214 F.3d 658 (5th Cir. 2000); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999), while three circuits have adopted a likelihood of dilution standard: *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), *cert. granted*, 122 S. Ct. 1536 (2002); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000); and *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

3. See *infra* Part IV.

4. See Jennifer M. Slonaker, *Conflicting Interpretations of the Federal Trademark Dilution Act Create Inadequate Famous Mark Protection*, 26 U. DAYTON L. REV. 121, 133-36

appropriate and demands a careful examination of fundamental trademark principles, including: the relationship between infringement and dilution, the respective effects of the burdens, and the legislative history of the Act itself. Those who interpret the Act as requiring proof of actual dilution would have it unnecessarily blunted. A likelihood of dilution standard more properly sharpens the statute into an instrument of protection from unfair competition, although this approach does run the risk of cutting too close and creating in gross rights for the holder.⁵ The standard employed should vary with the level of distinctiveness of the mark. More distinctive marks are afforded greater protection and, as such, a likelihood of dilution standard is more appropriate because it provides for a lower threshold of proof, while less distinctive marks require proof of actual dilution.⁶ This flexible standard balances competing policies and, more properly, integrates dilution theory into trademark law as it reconciles the doctrines of infringement and dilution.⁷

II. THE VALUE OF A TRADEMARK

Trademark law, like many other legal fields, is a battlefield of competing policies.⁸ At its core, as with the law of unfair competition generally, trademark law seeks to strike a balance in preventing public deception, protecting the investment of the plaintiff, and maintaining lower barriers to entry in the mark from which the public derives benefit.⁹ The body of trademark law that emerges from this careful balance should, at least theoretically, encourage economic efficiency insofar as a trademark functions as a symbol of source and quality, stimulating both the production of quality products and reducing customer search costs.¹⁰ Protection of a mark is necessary only to the extent that it actually furthers these two purposes. It is the limitation of the mark's scope to its functionality that is designed to prevent any unnecessary impingement on the competitive process.

(2000) (discussing the need for a likelihood of dilution standard especially with regard to electronic commerce).

5. See Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 864-66 (1997) (finding the FTDA will lead to the creation of property rights in gross for holders of famous marks).

6. See *Nabisco Inc. v. PF Brands Inc.*, 191 F.3d 208, 215-17 (2d Cir. 1999).

7. See Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 954 (2001) (discussing how dilution and infringement are complementary).

8. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITIONS 2:1 (4th ed. 2000).

9. See *id.* at 2:2.

10. See *id.* at 2:3.

United States Supreme Court Justice Scalia accurately described trademarks as property because of the ability to exclude others from use of the mark.¹¹ However, the right in the mark is not absolute, rather the association made by the consumer between the mark and the product or service is determinative of the level of protection afforded.¹² Hence, a holder of a trademark has the right to protect this association made in the minds of consumers.¹³ The associative power of the mark, which is also its function, is the chief source of the right and is what merits protection. This association generates good will and is of economic value to both producer and consumers who rely on that good will in the marketplace.¹⁴ This good will has become extremely important due to the estrangement of consumers from producers during the last one hundred and fifty years.¹⁵

Clearly, a trademark does not provide a right in gross, but rather “[it is] a right appurtenant to an established business or trade in connection with which the mark is employed.”¹⁶ The mark therefore functions as a vehicle to protect the good will of the business and, as such, becomes symbolic of that good will.¹⁷ Thus, the owner of the mark, by virtue of creating an association in the consumer’s mind between the mark and the product or service which it represents, has something of value.¹⁸ The protection of the investment in good will is facilitated by trademark law and is in part justified by the often large expenditures of time, skill, ability, and, of course, money in creating a strong association between the mark and the product or service.¹⁹ However, such expenditure does not, in and of itself, create a legally enforceable right.²⁰

Good will also embodies a tacit recognition of consumer buying habits because it is a psychological fact that buyers tend to remain loyal to products and services they have found to be satisfactory.²¹ This is the mark’s “selling power,” or its ability to attract customers by virtue of merely affixing a mark to a product to which customers are loyal. Because good will is completely dependent upon the association between the mark and the product or service, the symbolic nature of the mark

11. *Id.* at 2:14.

12. *Id.*

13. *Id.*

14. *See id.* at 2:15.

15. Klieger, *supra* note 5, at 853-54.

16. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918).

17. *See MCCARTHY*, *supra* note 8, at 2:18.

18. *See id.* at 2:19.

19. *See id.* at 2:30.

20. *See id.*

21. *Id.* at 2:18.

encompasses good will, effectively making them inseparable.²² However, valuation of such an amorphous concept as good will proves difficult, and, therefore, a lack of precision inheres in making any such determination.²³ Perhaps this is due simply to the intangible nature of consumer expectations. The consuming public buys not only the product or service, but also the psychological satisfaction derived from the mark, however irrational this may seem.²⁴

The importance of trademarks belies their fragility.²⁵ Their intangible nature makes them highly susceptible to appropriation and their economic value provides tremendous incentive to the unscrupulous.²⁶ Despite their inherent fragility, unnecessary protective measures defeat the very purpose of their existence and create anticompetitive conditions through the maintenance of extraneous barriers to entry.²⁷ Realistically, trademarks are more than informational conduits, they are also vehicles for more purely persuasive advertising.²⁸ Furthermore, product differentiation, in the form of premium versus generic brands, allows firms to keep other producers out of the market.²⁹ The premium allows firms to charge a supercompetitive price without attracting new market entrants.³⁰

Despite the fact that consumer choices may be predicated on irrational factors, trademarks are essential to a modern competitive economy by allowing firms to successfully charge premiums.³¹ There must be a system of symbols to enable consumers to distinguish between competing products or services in today's economy. Without such an identification system, "informed consumer choice, and hence meaningful competition in quality, could not exist."³² Products must therefore be able to sell themselves by providing for informed consumer choice.

Adequate protection of trademarks is essential in a dynamic post-industrial economy in which the scope of choice is increasing, as is

22. *See id.* at 2:20.

23. *Id.* at 2:21. Price differentials between premium and generics brands, cost of recreating the trademark from nothing, and average annual net profits multiplied by a certain number of years have each been used to determine a marks value. *Id.* at 2:22.

24. *See id.* at 2:38.

25. Klieger, *supra* note 5, at 791.

26. *See id.*

27. *See* MCCARTHY, *supra* note 8, at 2:12.

28. *See* Klieger, *supra* note 5, at 856-57.

29. *Id.* at 859.

30. *Id.* at 859-60.

31. *See* MCCARTHY, *supra* note 8, at 2:13.

32. *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968).

competition.³³ Therefore, ease of identification becomes ever more necessary to increase purchasing efficiency and as an incentive to improve product quality.³⁴ “Without trademarks or legal protection of trademarks against public deception, consumer search costs would be dramatically higher, the incentive for quality production would disappear, and competitive markets would cease to function.”³⁵

III. DILUTION THEORY

The breadth of intellectual property rights, unlike that of real and personal property, is usually difficult to determine.³⁶ Courts have long struggled to balance the aforementioned policies underpinning trademark law into a coherent set of legal principles that adequately vindicates the rights of mark holders while minimizing any detrimental effects on competition. Other legal regimes concerned with unfair competition, such as antitrust law, also have to tread this razor’s edge.³⁷

Trademark doctrine has long revolved around the prevention of infringement, or the unauthorized use of another’s mark.³⁸ The action for “passing off” goods as those of another is the common law antecedent of the modern infringement action.³⁹ Whether relief is sought under federal statutory law (the Lanham Act), state statutory law, or state common law of unfair competition, all infringement actions involve a similar inquiry: does a likelihood of confusion exist among the purchasing public?⁴⁰ This analysis demands more than simply determining whether a mere possibility of confusion exists. However, a plaintiff need not show that confusion is inevitable, or that actual confusion exists.⁴¹

Infringement law offers protection against simultaneous mark uses that could potentially confuse consumers.⁴² This consumer driven model attempts to balance a mark’s function as a source-quality indicator

33. See Klieger, *supra* note 5, at 854.

34. See *id.*

35. *Id.* at 855-56.

36. Gary Myers, *Statutory Interpretation, Property Rights, and Boundaries: The Nature and Limits of Protection in Trademark Dilution, Trade Dress, and Product Configuration Cases*, 23 COLUM.-VLA J.L. & ARTS 241, 241 (2000).

37. While a gross oversimplification, antitrust law, at base, balances business practices that unreasonably tend toward or propagate monopolies against competitors whose conduct may create greater efficiency and increased consumer satisfaction. Thus ensuring competition on the merits.

38. Kathleen B. McCabe, *Dilution-By-Blurring: A Theory Caught in the Shadow of Trademark Infringement*, 68 FORDHAM L. REV. 1827, 1828 (2000).

39. Magliocca, *supra* note 7, at 958.

40. 2 JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE 5:5 (2001 ed.).

41. *Weiss Assoc., Inc. v. HRL Assoc., Inc.*, 902 F.2d 1546, 1549 (Fed. Cir. 1990).

42. Magliocca, *supra* note 7, at 958.

against creating unfair competition barriers by limiting the right to exclude at the point where consumers are likely to be deceived. Therefore, the infringement doctrine creates an assumption that where there is no likelihood of confusion, a mark is adequately performing its identification function. In other words, the association made by the consumer, between the mark and the senior user, is deemed to be sufficient protection of both consumer and producer absent this finding.

In ascertaining whether a likelihood of confusion exists, courts follow Judge Friendly's formulation in *Polaroid Corp. v. Polarad Electronics Corp.* and consider the following eight factors: (1) the distinctiveness of the senior mark, (2) the degree of similarity between the junior and senior uses, (3) the proximity of the products, (4) the likelihood that the senior user will "bridge the gap," (5) actual confusion, (6) the defendant's good faith in adopting the mark, (7) the quality of the defendant's product, and (8) the sophistication of the product's consumers.⁴³

The element of distinctiveness is crucial as it refers to the ability of the mark to specifically identify that product as coming from the mark's owner.⁴⁴ In order to facilitate this determination, five categories of increasing distinctiveness provide for a classification system for marks: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, and (5) fanciful.⁴⁵ The degree of protection afforded the mark is calibrated to its level of distinctiveness.⁴⁶ Trademark law assumes that the more distinctive the mark, the more susceptible it is to infringement and, as a result, requires a higher level of protection.

While contemporary infringement theory appears comprehensive, its development has been somewhat halting—into this century it turned a blind eye to the need for maintaining the vitality of a mark's quality function.⁴⁷ Typically, courts refused to acknowledge that consumer confusion could occur where the junior and senior users engaged in different trades.⁴⁸ In 1927, shortly after abandoning attempts to expand the scope of the consumer confusion approach, Professor Schechter proposed expanding traditional protection to more adequately secure the association between the mark and the product beyond preventing confusion and toward a recognition that the mark is an asset of

43. 287 F.2d 492, 495 (2d Cir. 1961).

44. Magliocca, *supra* note 7, at 959.

45. Nabisco Inc. v. PF Brands Inc., 191 F.3d 208, 215-16 (2d Cir. 1999).

46. *Id.*

47. See Magliocca, *supra* note 7, at 974.

48. *Id.* See also Klieger, *supra* note 5, at 800.

tremendous value to its holder.⁴⁹ Schechter realized that the quality representation function entails trademarks represent a consistent level of quality and that emphasis should be placed upon the mark itself because as a symbol of quality, a mark develops commercial magnetism or selling power.⁵⁰ A mark is thus susceptible to a gradual diminishment in its continued ability to perpetuate good will which would eventually be just as harmful as infringement.⁵¹ He proceeded to define the relevant injury, termed dilution, as “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.”⁵² Thus the mark would gradually suffer “death by a thousand cuts.”⁵³ Proponents of dilution theory sought to provide a legal framework that provided for the realities of the modern economy with its ever expanding range of choice and attendant growth of marketing and other forms of mass media.

While Schechter’s ideas might have made an instantaneous impression, they failed to have a revolutionary impact. For instance, some state courts began recognizing dilution actions and others reflected some semblance of dilution doctrine in their analysis. But a dilution action was notably absent from the 1946 Lanham Act.⁵⁴ Courts and legislators appeared to have opted for an overhaul of the consumer confusion test, while dilution theory, despite its widespread acceptance at the state level, appeared destined to be “a relic of a soon-to-be forgotten debate.”⁵⁵ Recognition of dilution gained momentum in 1947 when Massachusetts passed the first anti-dilution statute.⁵⁶ Dilution statutes have been enacted in roughly half of the states, and most are patterned after the Model State Trademark Act.⁵⁷

Dilution theory continued to develop as more states slowly recognized dilution causes of action.⁵⁸ Despite its proliferation, many state courts were dissuaded from issuing nationwide injunctive relief, as

49. See Slonaker, *supra* note 4, at 126.

50. Klieger, *supra* note 5, at 803, 807.

51. See McCabe, *supra* note 38, at 1846.

52. *Id.*

53. Coca-Cola Co. v. Patricio Mexican Foods, 621 F.2d 287, 292 (8th Cir. 1980) (commenting in the context of infringement).

54. The Lanham Act was the first substantive federal law of trademarks and strictly adhered to the consumer protection model of trademark rights during its first fifty years. Klieger, *supra* note 5, at 833.

55. *Id.* at 810-11.

56. McCabe, *supra* note 38, at 1847.

57. Magliocca, *supra* note 7, at 961.

58. Slonaker, *supra* note 4, at 127.

some states had not made dilution unlawful.⁵⁹ While inconsistent, state dilution statutes typically shared at least four features: (1) they defined the category of marks protected according to their distinctiveness, (2) they used a “likelihood” of dilution standard, (3) their ambiguous language made them susceptible to an interpretation that the sole harm consisted only of a loss to the mark’s distinctiveness, and (4) they provided solely for injunctive relief.⁶⁰

Some courts have enforced state dilution statutes, but have done so only grudgingly. These courts often demand a showing of consumer confusion despite clear statutory language to the contrary, as well as reading other restrictive requirements into dilution statutes.⁶¹ This is likely due to the growth of the infringement doctrine well beyond competing goods, attempts to resolve Schechter—fears of providing monopoly rights, and concerns about the proper relationship between infringement and dilution.⁶² “A broad antidilution theory also has the potential to render superfluous the traditional likelihood standard of liability.”⁶³ Judicial hostility and perhaps even confusion had steadily pushed dilution back into dormancy.⁶⁴

Uneven application of dilution standards and lack of dilution statutes in some states led to forum shopping, uncertainty of the effectiveness of injunctions, and damage to GATT negotiations that finally pushed Congress into action.⁶⁵ An unsuccessful attempt in 1988 to create a federal dilution action was struck down largely due to free speech concerns.⁶⁶ Seven years later, the FTDA was passed and incorporated into the Lanham Act.⁶⁷ Clearly despite scholarly criticism regarding the very existence of dilution claims, “the reality is that dilution theories are here to stay.”⁶⁸

59. *Id.*

60. Ringling Bros.-Barnum & Bailey Combined Shows Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 454 (4th Cir. 1999); *see also* Klieger, *supra* note 5, at 813-14.

61. McCabe, *supra* note 38, at 1849.

62. *See* Klieger, *supra* note 5, at 807-10.

63. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. b (1995).

64. *See* Klieger, *supra* note 5, at 819. Courts often rely on infringement principles, or at least use the language of infringement, in resolving dilution claims. McCabe, *supra* note 38, at 1830.

65. McCabe, *supra* note 38, at 1854-55.

66. *Id.* at 1855 (discussing the act’s failure to exempt those non-commercial or media uses that may otherwise constitute a dilution claim).

67. *See* 15 U.S.C. § 1125(c) (2000).

68. Myers, *supra* note 36, at 279.

The FTDA provides for injunctive relief completely separate from that of infringement.⁶⁹ The Act defines dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—1) competition between the owner of the famous mark and other parties, or 2) likelihood of confusion, mistake, or deception.”⁷⁰ Under section 43(c) of the Lanham Act, a federal cause of action arises to a senior user if: (1) the mark was famous, (2) it became famous before use by the defendant, (3) the mark was used commercially, (4) and “if such use . . . causes dilution of the distinctive quality of the mark.”⁷¹ The federal action is thus limited solely to famous marks; fame being determined by a non-exclusive eight factor analysis, including examination of a mark’s distinctiveness.⁷² Interestingly, the FTDA does not refer to trademarks as property, leading some to suggest that Congress did not intend to confer in gross rights on trademark owners.⁷³ Determining how far the FTDA extends the boundaries of trademark rights has provided opportunity for ample commentary by both scholars and judges.

IV. THE CIRCUIT SPLITS

The FTDA, because of its broad language (likely due to the nebulous nature of dilution theory itself), has caused courts to struggle to interpret its meaning and scope.⁷⁴ In particular, courts have grappled with the level of proof required for dilution. The Act provides little in the way of guidance.⁷⁵ Courts have continued to utilize a traditional dilution bifurcation in an attempt to give form to the harm dilution causes.⁷⁶ Blurring, the dilution prototype, results from a junior user creating an association in the mind of the consumer between its product and the mark.⁷⁷ “The consumer’s strong association of a mark with one product

69. Slonaker, *supra* note 4, at 128. Monetary relief under the FTDA is available in the limited circumstance of willful dilution. *Id.* at 129-30.

70. 15 U.S.C. § 1127 (2000).

71. *See id.* § 1125(c).

72. Myers, *supra* note 36, at 283; *see also* Klieger, *supra* note 5, at 841-48 (discussing the fame factors in some detail). A debate as to whether distinctiveness is a factor independent of fame has yet to be resolved. While a mark’s distinctiveness is included in the fame analysis, some contend that a mark may be famous but lack distinctiveness and vice versa. Therefore, the two inquiries would logically be separate. *See, e.g.,* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 227-28 (2d Cir. 1999).

73. McCabe, *supra* note 38, at 1856.

74. *See* Myers, *supra* note 36, at 243.

75. *See* 15 U.S.C. §§ 1125(c), 1127.

76. *See* Klieger, *supra* note 5, at 823.

77. McCabe, *supra* note 38, at 1842.

is ‘blurred’ because the mark’s association is now shared between two products.’⁷⁸ In contrast, tarnishment involves an improper association of the senior user’s mark with an inferior or offensive product or service.⁷⁹

Despite the attempt to provide a remedy for “dilution of the distinctive quality of the mark,”⁸⁰ the requisite standard of proof for dilution has led to disagreement among circuit courts as to the proper interpretation of the Act. Various circuits have read the statute to require either actual dilution or a likelihood of dilution, allowing an inference of dilution to be drawn from contextual factors.⁸¹ This inconsistent approach has led to the creation of a gross disparity in the burden a plaintiff must face.⁸² Resolving this disparity requires an attempt to fully integrate dilution theory into trademark law while maintaining a boundary between infringement and dilution actions. The two standards of proof are not mutually exclusive. In fact, they can and must function together within the broad language of the FTDA to provide meaningful protection of famous marks while simultaneously preventing dilution theory from eclipsing infringement through the creation of an in gross property right.

The United States Court of Appeals for the Fourth Circuit adopted an actual dilution standard in a case of alleged blurring.⁸³ The court arrived at this conclusion relying on the plain language of the statute and other contextual indicators.⁸⁴ The court, noting the absence of any substantial legislative history, relied heavily on the differences between the FTDA and state dilution statutes, which expressly require a likelihood of confusion of dilution.⁸⁵ Underlying this analysis was a fear that “a broad antidilution theory also has the potential to render superfluous the traditional likelihood standard of liability.”⁸⁶ The court identified the real

78. *Id.* at 1842-43.

79. Myers, *supra* note 36, at 288. Klieger suggests both blurring and tarnishment are largely unhelpful in remedying the actual harm caused by dilution, as blurring is virtually impossible to measure while tarnishment should be easily discerned. The effect of tarnishment is immediate and direct, and it therefore has little in common with dilution at all. *See* Klieger, *supra* note 5, at 824-31.

80. 15 U.S.C. § 1125(c) (2000).

81. *See* McCabe, *supra* note 38, at 1861-65.

82. *See generally* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 223-24 (2d Cir. 1999) (demonstrating loss of revenue or through survey evidence would be costly and time consuming).

83. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel, 170 F.3d 449, 461 (4th Cir. 1999). The Fifth Circuit adopted the Fourth Circuit’s reasoning in a claim involving both blurring and tarnishment. *See* Westchester Media v. PRL USA Holdings Inc., 214 F.3d 658, 671 (5th Cir. 2000).

84. *See* Ringling Bros., 170 F.3d at 458-59.

85. *Id.*

86. *Id.* at 455 (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. b (1995)).

harm as being a loss of selling power and noted that state courts, because of the likelihood of dilution standard, had not had to decide on the exact nature of the harm or how it was to be proven.⁸⁷ The likelihood standard could lead to proof of actual harm only to the mark's distinctiveness as such.⁸⁸ Thus, the court, while conceding the inherent difficulty in such an undertaking, required actual proof of loss of selling power, citing examples of such proof as loss of revenue and the consumer survey.⁸⁹

In the leading case adopting the likelihood of dilution standard, *Nabisco, Inc. v. PF Brands, Inc.*, the United States Court of Appeals for the Second Circuit relied primarily on functional arguments.⁹⁰ Similar to the Fourth Circuit, there was a fundamental recognition that dilution theory sought to protect a mark's selling power and that the FTDA does not create property rights in gross.⁹¹ The court noted that the gradual nature of blurring would prevent a senior user from being able to show diminished revenues and that surveys are expensive, time-consuming, and open to manipulation.⁹²

The United States Court of Appeals for the Sixth Circuit, in adopting a likelihood of dilution standard with regard to tarnishment, noted that the Congressional Record indicates that confusion leads to immediate injury, while dilution involves a gradual erosion of a mark's selling power.⁹³ Therefore, an actual dilution standard would not allow relief to be sought until the injury had actually occurred, subjecting the senior user to uncompensable injury because the statute provides for only injunctive relief absent willful dilution.⁹⁴ "It is hard to believe that Congress would create a right of action but at the same time render proof of the plaintiff's case all but impossible."⁹⁵ The *Nabisco* court adopted a multifactor analysis under the likelihood standard but expressly stated that "courts would do better to feel their way from case to case" and, would eventually "arrive at a consensus of relevant factors on the basis of

87. *Id.* at 456-57.

88. *Id.* at 469.

89. *Id.* at 460, 464-65.

90. 191 F.3d 208, 223-24 (2d Cir. 1999).

91. *Id.* at 216-17, 224 n.6.

92. *Id.* at 223-24; see also Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295 (1999) (providing a guide to complex survey techniques proving actual dilution has occurred).

93. *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 475 (6th Cir. 2001), *cert. granted*, 122 S. Ct. 1536 (2002).

94. *Nabisco*, 191 F.3d at 224.

95. *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000) (adopting likelihood of dilution standard in a blurring claim under the FTDA).

this accumulated experience.”⁹⁶ This standard would have the crucial benefit of permitting a junior user to seek a declaratory judgment as Nabisco had sought, unlike the actual dilution standard which would force a party to risk tremendous financial loss if they were subsequently enjoined for use of the mark.⁹⁷

V. DEVELOPING A STANDARD: THE SLIDING SCALE

The two standards, at first blush, appear to be at odds with each other. However, much like dilution and infringement, they can, in fact, be made to be complimentary. Regardless of whether analysis of a mark’s distinctiveness is subsumed in determining its fame or is a separate inquiry, such analysis is nonetheless necessary under the FTDA.⁹⁸ The level of protection afforded a mark has traditionally been based upon this crucial characteristic regardless of whether it is inherent or acquired through secondary meaning.⁹⁹ The highest degree of protection is afforded those marks that are most distinctive.¹⁰⁰ This distinctiveness requirement is an important limitation because it is largely what the FTDA seeks to protect in its essential role in determining a mark’s selling power.¹⁰¹ Moreover, a mark’s distinctiveness is fundamentally related to the level of association made in the mind of the consumer as more distinctive marks have little or no connection to the product they signify other than their creation by the holder.¹⁰²

Arbitrary and fanciful marks, by definition, require the consumer to make an association based purely on the efforts of the holder. The association is utterly contrived and, thus far, more susceptible to dilution than marks lacking distinctiveness because there is no tangible relation between the mark and the product. The mark does not suggest actual properties of the product or service.¹⁰³ The more distinctive the mark, the greater the good will it encompasses because consumers connect the mark solely to a very particular level of quality and make no residual associations.¹⁰⁴ As such, a mark’s distinctiveness clearly reflects its selling power: the more unique the mark the greater its capacity as a

96. *Nabisco*, 191 F.3d at 227.

97. *See id.* at 224-25.

98. *See* 15 U.S.C. § 1125(c) (2000).

99. *See* Myers, *supra* note 36, at 264-65 (“The most important doctrinal constraint on trademark law is the requirement of distinctiveness.”).

100. *See id.* at 265.

101. *See Nabisco*, 191 F.3d at 217.

102. *See supra* Part II.

103. *See Nabisco*, 191 F.3d at 216.

104. *See supra* Part II.

signifier and the greater its value to both producer and consumer.¹⁰⁵ Less distinctive marks do not require the same association to be made. There is a more tangible relationship that requires less investment to create and maintain the association since the mark itself is, at the very least, suggestive of the product or service.¹⁰⁶

The broad language and legislative history of the FTDA allows for both standards to be employed depending on the mark's distinctiveness and whether the claim is for blurring or tarnishment. This is clear from the adoption by the Fourth and Second Circuits of two differing standards.¹⁰⁷ Calibrating the level of proof to a mark's distinctiveness provides famous marks with the requisite level of protection by balancing the preservation of a mark's good will against preventing trademarks from impinging on competition as a property right in gross.¹⁰⁸ Arbitrary and fanciful marks suffering from blurring, as in *Nabisco*, would require only that a likelihood of dilution be shown.¹⁰⁹

Dilution is a gradual process, but its effects may be more immediate where the mark is distinctive since the consumer's arbitrary association is more susceptible to the creation of secondary links due to the abstract nature of distinctive marks. Therefore, the value (good will) of the mark may decrease before evidence of actual harm appears.¹¹⁰ The mark would be bled of its good will without any concrete evidence of actual bleeding. "In the case of an immensely successful product . . . it is possible that the distinctiveness of its mark could be diluted even as its sales are increasing."¹¹¹ Less distinctive marks, because they are less susceptible to dilution, are not afforded the same level of protection as more distinctive marks and would require proof of actual dilution.¹¹² Tarnishment, in contrast to dilution, is considered to have immediate consequences.¹¹³ Therefore, a claim of tarnishment should allow for less distinctive marks to be subject to a likelihood of dilution standard. Less hesitancy should exist to infer dilution in such instances.

The distinctiveness/evidentiary matrix fits well within the rubric of trademark law because famous and distinctive marks are less likely to be

105. See *supra* Part III.

106. See *id.*

107. See *supra* Part IV.

108. See Myers, *supra* note 36, at 265.

109. Marks that have acquired inherent distinctiveness through secondary meaning should be afforded the same level of protection as arbitrary or fanciful marks as under infringement actions.

110. See Myers, *supra* note 36, at 288; Klieger, *supra* note 5, at 824-31.

111. *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000).

112. Myers, *supra* note 36, at 271.

113. Klieger, *supra* note 5, at 830.

susceptible to confusion because the association between the mark is both unique and well established in the public's consciousness. However, they will be more appealing to a potential junior user because of their fame and the ease with which they may create a secondary association due to the arbitrary nature of the mark. Therefore, such marks are more likely to suffer dilution. While consumers will not be confused, they are likely to make the secondary association and undermine the good will of the mark facilitating their choices. Under this formulation of the FTDA, infringement and dilution remain functionally distinctive despite their inherent conceptual overlap—where there is confusion, dilution has to have occurred. The actual dilution standard for less distinctive famous marks clearly delineates this boundary because such marks are more likely to suffer from confusion. Famous and distinctive mark holders will not have an increased property right; their marks are less likely to suffer from confusion.

This graded interpretation balances concerns of providing a meaningful remedy under the FTDA against concerns of creating a property right in gross by expanding trademark protection short of a property right in gross only for a limited class of marks. The anticompetitive effect such a conferral entails is more real than imagined. "Providing immediate protection for [distinctive] marks does not hinder competition, as there is a potentially infinite number of such marks available."¹¹⁴ Moreover, an action for dilution does not create new rights for truly famous marks.¹¹⁵ The right to prevent dilution also accords with the traditional trademark rationale of protecting a mark only to the extent it is actually used.¹¹⁶ Marks of fame and distinction are obviously heavily used, requiring continued investment in order to propagate the good will they embody. Moreover, consumers clearly rely to a great extent on such marks as indicators of quality when making purchases, often buying on the name alone.¹¹⁷

Dilution, by affording such protection to good will, does not fundamentally diverge from the traditional consumer-driven paradigm underlying trademark law. In fact, it is actually complimentary. In an age in which consumers are faced with an ever-increasing range of choices through the growth of cyberspace and global commerce, increased protection of a famous mark's good will is essential to provide

114. Myers, *supra* note 36, at 271.

115. Klieger, *supra* note 5, at 846-47.

116. *See supra* Part II.

117. *See id.*

for efficient purchasing.¹¹⁸ Furthermore, producers are faced with increased levels of competition in which famous and distinctive marks provide a fair competitive advantage on which holders should be able to capitalize. Selling power relies on the ability of a consumer to make a clear and unfettered association between the product or service quality and the mark.¹¹⁹ Consumers rely on this association in the decision-making process, which may suffer irreparable harm without adequate protection.¹²⁰ Therefore, good will must be traced clearly and directly to a particular producer or standard of quality, unfettered by secondary association. A general requirement of proof of actual dilution fails to recognize both market and psychological realities. A sliding standard of proof ensures this traceability as distinctive marks are more precise signifiers embodying greater good will than less distinctive marks.

VI. CONCLUSION

The FTDA was clearly designed to prevent dilution rather than provide redress for mark holders whose marks have suffered an actual loss of selling power. While the plain language of the Act points to proving actual dilution,¹²¹ this interpretation fails to account for the irreparable harm dilution inflicts on the user and prevents a potential user from ensuring that use will not cause undue harm to the senior user. When providing injunctive relief, time is of the essence. However, marks are accorded protection based on their level of distinctiveness.¹²² The Act expressly incorporates a distinctiveness inquiry.¹²³ Requiring proof of actual dilution in cases where the mark is less distinctive recognizes this principle and observes that less distinctive marks are less likely to suffer dilution. Moreover, this enables courts to preserve competition in the marketplace because it ensures all users access to common and functional terms.¹²⁴ This sliding scale also maintains the distinction between infringement and dilution as famous and distinctive marks are less likely to suffer from confusion but are more likely to be abused by potential users because of their very fame and distinctiveness. Finally,

118. In an attempt to better protect trademarks in cyberspace, Congress passed the Anticybersquatting Consumer Protection Act in 1999, recognizing that cybersquatting occurs when someone registers a trademark as a domain name for use on the Internet with the intention of ransoming the site back to the senior user. 15 U.S.C. § 1125(d) (2000).

119. *See supra* Part II.

120. *See id.*

121. 15 U.S.C. § 1125(c).

122. Myers, *supra* note 36, at 265.

123. *Supra* Part III.

124. Myers, *supra* note 36, at 265.

this varying standard of proof prevents the FTDA from conferring in gross rights on the holder because dilution law creates no new rights in truly famous marks.¹²⁵ Instead, it relieves the senior user from having to prove a likelihood of confusion, which is quite difficult in the case of famous marks. This sliding standard maintains sufficient flexibility for courts to proceed with caution providing for increased sensitivity to the particular facts of each case.

125. Klieger, *supra* note 5, at 846-47.